SMALL AGENCY OWNER SURVEY

Quarterly Outlook & 2024 Year in Review

Q1 2025

saga SMALL AGENCY GROWTH ALLIANCE

www.smallagencygrowth.com

Executive Summary

The outlook from agency owners

Though generally satisfied, there appears to be rising concern from the owners of small PR and marketing agencies about the impact of economic conditions and government policy shifts on their businesses.

The Q1 SAGA Agency Owner Survey found that the average satisfaction score was 6.72 (on a 10-point scale) down from the 6.94 reported in Q4.

Strong majorities expect both revenue and profits for their firms to increase over the next 12 months, with just 1 in 10 taking a more pessimistic view and anticipating those numbers to decline.

Most expect their employee headcounts to remain steady throughout 2025.

2024 performance

This quarter, in addition to the overall outlook and satisfaction questions, we took a closer look at how agencies performed in the last calendar year.

Perhaps not surprisingly, it was a mixed bag with substantial numbers of agencies performing better and a similar share indicating the going was tough.

When asked to describe 2024 in their own words, many used some variation of the expression “meh” to sum it up while others felt more extreme impacts and called it “great” or “scary.”

Others shared more detailed concerns about both the trends they saw in 2024 and what it might mean for 2025. One owner indicated it felt like they were “holding on by a wing and a prayer.”

Project work played an important role for most agencies in 2024, with most reporting that it represented at least 25% of their revenue and barely half said that retainer revenue made up the majority of their revenue.

With mixed results overall, it isn’t a shock that owners took a personal financial hit. More reported that they reduced the amount of cash they were able to take out of their businesses than those who saw an increase in 2024.

Agency M&A

As part of the overall performance assessment, we looked at the role that M&A played in the planning process for the owners surveyed.

While many would be interested in selling if the timing and terms were right, just 7% are relying on a sale for financial planning.

Few took active steps toward selling or merging with another firm in 2024, and almost none even considered acquiring a business.

Conclusion

Agency owners seem to be saying “I’m optimistic about 2025” but end that sentence with a question mark rather than an exclamation point.

At the same time, agency owners have largely been generous to their teams despite tough times – often at their own expense by decreasing their own compensation in favor of salary increases and bonuses for their employees.

Agency Owner Outlook

Small agency owners continue to hold cautious optimism about the next 12 months, with a majority expecting to see an increase in both revenue and profits. However, there has been a slightly negative trend since the Q4 survey.

The vast majority expect to hold staffing at current levels even as they forecast revenue and profits increasing.

Agency owner expectations for the next 12 months

	Increase	Remain Same	Decrease
Revenue	64%	27%	9%
Profits	60%	27%	13%
Total Employees	24%	71%	5%

Agency Owner Satisfaction

The small agency owners who participated in the survey were asked to rate their current level of satisfaction on a scale of 1 to 10, with a higher number indicating greater satisfaction.

The average of all responses received was 6.72, indicating that they were more satisfied than not. This represents a decline from Q4 which saw a score of 6.94.

It is notable that more than 1 in 5 agency owners rated their satisfaction as 5 or less. This suggests that a significant number of owners have serious concerns about the current state of their agencies, even if overall the agency community may maintain a level of optimism for the future.

2024 Agency Performance

In addition to questions about the outlook for the agency, this quarter's survey looked at specific questions related to how the respondents' agencies performed in the last calendar year.

Overall Agency Performance

Almost equal numbers of agencies in this survey saw higher revenue in 2024 as compared to 2023 (41%) as experienced a decrease (46%). About 1 in 7 saw no meaningful change in their top line numbers from 2023 to 2024.

2024 revenue compared to 2023

Down > 10%	Down 1-10%	No change	Up 1-10%	Up > 10%
36%	5%	14%	14%	32%

The profit change numbers trended in a similar direction to revenue, though a small but noticeable share of agencies experienced a smaller profit decline than revenue dip. That suggests that they either shed clients who were less profitable or they found other ways to reduce expenses faster than they lost revenue.

2024 profits compared to 2023

Down > 10%	Down 1-10%	No change	Up 1-10%	Up > 10%
27%	12%	19%	10%	34%

In yet another turbulent year, owners took a hit, however. Fewer than 1 in 3 put more money in their own pockets in 2024 as compared to 2023. Most held steady or were able to take out less from the business than in the previous year.

2024 owner cash out compared to 2023

Down > 10%	Down 1-10%	No change	Up 1-10%	Up > 10%
36%	2%	31%	12%	19%

It appears that one of the ways that agencies were able to control their expenses was by capping or shrinking the number of employees. A clear majority (57%) kept headcount the same while nearly 1 in 3 reduced their staffing levels in 2024. Just 14% grew their team sizes.

2024 year-end headcount compared to 2023

Down > 10%	Down 1-10%	No change	Up 1-10%	Up > 10%
19%	10%	57%	7%	7%

Clients

The survey took a close look at the client rosters for small agencies to understand the type of work being done and the size of the client base for most agencies.

It is notable that nearly half of the agencies reported a larger number of clients at the end of 2024 than the end of 2023. That means that significantly more agencies reported having higher client counts than showed revenue increases.

That disparity could be accounted for by smaller engagements or it might indicate that business was picking up later in 2024 and not yet fully represented in the annual total revenue figures.

2024 year-end client count compared to 2023

Down > 10%	Down 1-10%	No change	Up 1-10%	Up > 10%
12%	7%	33%	24%	24%

Half of the agencies surveyed had 10 or fewer clients and 93% had 30 or less total clients in 2024. That is consistent with the advice that SAGA generally provides that somewhere between 10 and 20 total clients is the sweet spot for healthy agencies.

Total number of clients served in 2024

<5	5-10	11-20	21-30	31-50	>50
14%	36%	23%	20%	2%	5%

While retainer-based revenue remains popular with PR and marketing agencies, just 55% of respondents indicated that it represents more than half of their total revenue in 2024. In fact, 57% said that they get more than one-quarter of their revenue from project work.

2024 retainer revenue as share of total

None	<10%	10-25%	26-50%	>50%
5%	5%	20%	16%	55%

2024 project revenue as share of total

None	<10%	10-25%	26-50%	>50%
5%	11%	27%	32%	25%

On the business development front, most agencies won new clients in 2024 (though 14% said they didn't acquire any). The total number won varied quite a bit among the sampled firms.

Number of new clients won in 2024

None	1-4	5-10	11-20	>20
14%	36%	23%	20%	2%

M&A

When you think about business performance, it is natural to wonder about the merger and acquisition activity in the small agency community.

A small percentage of respondents gave at least some thought to selling their business or merging with another firm, though most didn't take any active steps in that direction in 2024.

Perhaps not surprisingly for small firms, acquiring other agencies wasn't on the menu at all.

Looking further into the future, the owners surveyed generally indicated that selling would be nice but was not a core focus. In fact, 25% said they never expect to sell the business while just 7% reported that selling was essential to their personal financial planning.

Did you consider selling in 2024?

No	Yes, but didn't act on it	Yes, began to take steps	Yes, had actual discussions	Yes, agreed to sell
77%	18%	5%	0%	0%

Did you consider acquiring another agency in 2024?

No	Yes, but didn't act on it	Yes, began to take steps	Yes, had actual discussions	Yes, agreed to buy
98%	2%	0%	0%	0%

Did you consider merging with another agency in 2024?

No	Yes, but didn't act on it	Yes, began to take steps	Yes, had actual discussions	Yes, agreed to merge
81%	19%	0%	0%	0%

How important is it to sell your agency in the future?

Never plan to sell	Nice but not important	A goal but not sure it will happen	Essential
25%	50%	18%	7%

Owner Concerns

We entered 2024 with a steady stream of daily news about economic and policy challenges that could impact businesses of all sizes.

In the Q1 survey, we asked respondents how concerned they were about some of the key themes receiving the most coverage.

We found that:

- Most owners (91%) are somewhat or very concerned about a negative impact from economic conditions in 2025.
- A significant but smaller number (80%) of responding owners are somewhat or very concerned that government policy will negatively impact them this year.
- Owners were more split on whether trade and tariff policies might have an impact on their firms, with 39% not at all concerned about the prospect and just 16% very concerned.

How concerned are you that the economy will negatively impact your agency in 2025?

Not at all	Somewhat concerned	Very concerned
9%	61%	30%

How concerned are you that government policy will negatively impact your agency in 2025?

Not at all	Somewhat concerned	Very concerned
20%	45%	34%

How concerned are you that trade/tariffs will negatively impact your agency in 2025?

Not at all	Somewhat concerned	Very concerned
39%	45%	16%

How owners described 2024 performance

In addition to the specific metrics referenced previously, we asked owners to characterize 2024 in their own words.

Many of the comments characterized the year as simply “satisfactory” or “meh”:

- Great in the first half; sucked in the second half.
- Some growth, but not enough.
- A little soft. Had to find ways to manage the profitability. Learned some lessons
- We streamlined services and got more wins for our clients, so overall I'd grade us at a "B".
- We felt lucky to have the same trajectory as in 2023.
- Steady, long project lead times
- Hanging in there
- Slow start to the year but picked up mid year

A lot of them had a much more concerned assessment:

- Our biggest challenge, by far, is cashflow. People like to treat small agencies like banks!
- It was one of the hardest years I have had in business since 2011. Many of our clients faced financial difficulties and cut contractors first.
- Awful - we downsized due to lack of work and dry pipeline
- We still have our doors open and still provide excellent service, but it was a rough year.
- Scary.
- Challenging
- Second consecutive year of losses … Ongoing cashflow problems, with financial runway of 1-2 months
- Number of clients, sales and revenue were all down. Expenses were up

Some did buck the trend and reported a more glowing assessment:

- Great - growing in the right direction, restructured from a consultant using consultants to an agency model with FTE
- Increased top line and profitability, will look to continue optimizing the machine to get better.
- Very strong, although we lost an anchor client due to a merger so filled the loss with smaller projects.
- I saw growth in terms of revenue in the last quarter of the year.
- Productive and profitable.
- Strong. Welcomed new clients who have stayed with us for this year.
- The year went very well. We grew significantly and started to get a better sense of our lane.

- Best year ever
- Excellent-busy (and profitable) is good!

How owners describe 2025 outlook

When it comes to the year ahead, owners generally described cautious optimism.

- Promising
- Optimistic and excited
- Positive
- I am pessimistic, but I am still working like it matters to try and grow the business back.
- Holding on by a wing and a prayer
- Great- am enthusiastic about the future as we grow the business by rethinking our offering and target audience.
- Mixed. High interest rates and economic uncertainty really hurt our venture backed startups. Already lost a 500k deal due to government funding cuts
- Expecting modest growth while increasing profitability. Expecting 2025 to show low single digit top line growth and will look to offshore more to increase profitability
- Cautiously not pessimistic (neutral).
- I feel more energetic and optimistic about opportunities this year.
- Fearfully optimistic. Trying to reposition as media dies and PR is undervalued.
- I'm focused on maintaining the profitability in spite of taking on a new contractor that I've brought on so I can spend that time growing the business.
- I'm optimistic for my agency's performance in 2025. I hope to continue growing my number of clients, revenue and profits.
- It's time to pivot. AI is going to take billable work. Thus, we need to figure out how to create value as an AI agent/project manager.
- I anticipate attracting new clients to build business.
- Better than 2024, but with all the upheaval created by the government, it's hard to predict if the tech sector will improve or not.
- Serving a nonprofit space at the start of 2025 feels like falling off a cliff.
- Pipeline is more active since the election - still slow to close, but more inquiries coming in
- More prospects, still longer lead times
- Mixed. Slowdown in project opportunities. Continuing to lose business to cheaper new entrants who offer decent work.
- Flat to down
- Starting year strong.

- Somewhat pessimistic. It is increasingly difficult to keep an active sales funnel and to secure new business.
- Very excited. I think we're on a good path. Since we're B2B I'm crossing fingers that the political climate is not as detrimental to our industries.
- Very optimistic

Additional comments from owners

Finally, we asked owners if they had anything that they wanted to add.

Most of these centered on the impact of policymaking in the current environment:

- I just had one of my biggest clients give notice due to governmental policy changes. I'll either feel better at the end of Q2 or I will make some pivots to my business model. Tough times.
- We lost 40% revenue in January 2025 due to tariffs and budget cuts.
- We have stopped responding to RFPs from any government entity, both at the local and federal level. We cannot trust that executed contracts will actually be honored from 2025-2029.
- I've already lost business due to government grants being rescinded.
- With ongoing transformations in marketing, PR and media, as well as organizational restructuring, more opportunities will open for consultants and freelancers
- Political storms are sure to rage, and we need to be sure we have good margins and emergency savings topped off.

Methodology & Demographics

SAGA's Q1 2025 Small Agency Business Review & Outlook Survey was conducted online from February 26 to March 14, 2025. A total of 59 small agency owners participated.

Total Owners of Agency

1	2	3-5	6-10	11+
70%	28%	2%	0%	0%

Number of Agency Employees

1	2-5	6-10	11-25	26-50	51+
30%	49%	12%	9%	0%	0%

Agency Fee-Based Revenue

< $250k	$250k-$499k	$500k-$999k	$1-3 million	$3-5 million	$5 million+
37%	23%	26%	14%	0%	0%

Agency Type

PR/ Public Affairs	Marketing	Digital	Branding	Other
40%	16%	22%	10%	12%

About the AIM-GET Framework

The AIM-GET Framework for Agency Success was developed by Chip Griffin to help agency owners make key business decisions needed to generate meaningful results as part of the Build to Own mindset.

It establishes a planning and implementation process that ties personal and business objectives together.

The six pillars of the Framework are:

- Ambition
- Identity
- Management
- Growth
- Execution
- Talent

The first three pillars (AIM) act as a compass, pointing the agency in the right direction by establishing the vision and taking a 30,000-foot view of the business.

The second set of pillars (GET) transitions into the day-to-day work it takes to build a sustainable agency that continues to deliver results.

More information can be found at https://www.smallagencygrowth.com/aim-get

About SAGA

The Small Agency Growth Alliance works with public relations and marketing agency owners to build better businesses. Through hands-on consulting, training, and advice, Chip Griffin uses his decades of experience to help agency owners achieve their goals.

To learn more about SAGA and how it serves the agency community, please visit www.smallagencygrowth.com.