



**THE  
GLOBAL  
AGENCY  
LANDSCAPE  
2022**

**Research Summary**

# Global Agency Landscape 2022

SoDA and Productive partnered on a research study and thought leadership report to assess how well agencies have been navigating the pandemic and how their strategic and operational priorities have shifted in light of new challenges.

The final report and research findings were released on February 11, 2022.



## Transforming The Work Landscape

Pim van Helten, DPDK

## The Future Of Work

Jameson Proctor & Alexa Aron, Athletics

## Empowering Your People

Imma Trillo, Media.Monks

## How Remote Work Has Benefitted Our Agency

Ross Crooks, Column Five

## Leveraging Tech To Increase Agency Efficiency

Gabrijela Bosnjak, Productive



## Global Agency Landscape Study Highlights

Tom Beck, SoDA



# Global Agency Landscape Study

Research targeted management leaders at agencies around the world. Data was collected via an online survey in November and December of 2021. The study had 169 respondents representing leadership teams from agencies all over the world. Following is a snapshot of the respondent profile.

## Agency Type

- 41% – Digital Agency
- 14% – Integrated Agency
- 13% – Consultancy
- 11% – Brand Creative Agency
- 8% – Digital Product Studio
- 4% – Production Company
- 4% – Experiential Agency
- 6% – Other type of agency

## Location

- 42% – Europe
- 37% – United States
- 11% – APAC
- 4% – LATAM
- 3% – Canada
- 3% – Middle East / Africa

## Ownership Structure

- 87% – Independent
- 11% – Independent w/ investment
- 1% – Owned by another entity

## Annual Revenue (USD)

- 31% – Less than \$1MM
- 36% – \$1-5MM
- 21% – \$5-10MM
- 8% – \$10-20MM
- 5% – \$20-50MM

## Role

- 57% – Founder/Owner/Partner
- 18% – CEO/President/MD
- 20% – VP/Director\$5-10MM
- 5% – Other role

## SoDA Membership

- 78% – No
- 22% – Yes

## Years in Business

- 51% – More than 10 years
- 25% – 5-10 years
- 24% – Less than 5 years

# Agencies Roared Back In 2021

After a volatile and challenging year in 2020, agencies reported exceptionally strong financial performance in 2021.

44%

## **Strong Revenue Growth**

44% of agencies reported revenue growth of 25% or more in 2021.

58%

## **Strong Margin Performance**

58% of agencies reported net margins of 15% or more in 2021.

49%

## **Improving Margins**

49% of agencies reported that their profit margins improved in 2021.

51%

## **A Banner Year**

51% of agencies reported that 2021 was either their best or one of their best years ever.

# Revenue & Margin Performance

While depressed revenue in 2020 undoubtedly lowered the bar for 2021, agencies reported strong top line growth and some of the best profit margins we've seen in several years – 36% of agencies saw margins of 20% or more.

Revenue Growth	2017	2019	2020	2021
More than 25%	16%	20%	18%	44%
10-25%	43%	34%	15%	29%
1-10%	25%	37%	13%	11%
Flat / No Growth	16%	3%	17%	11%
Revenue declined		5%	36%	4%

Net Profit Margin	2017	2019	2021
Greater than 20%	18%	16%	36%
15-20%	15%	24%	22%
10-15%	36%	30%	22%
Up to 10%	24%	27%	16%
Break-even or net loss	6%	4%	4%

Data from 2017, 2019 and 2020 derived from previous benchmarking studies conducted by SoDA.

# 2020 In The Rearview Mirror

Compared to 2020, performance showed a remarkable turnaround. In fact, 51% of agency leaders characterized 2021 as one of their best years ever.

## % of Agencies Profitable

2020	2021
<b>Profitable</b> 67%	<b>Profitable</b> <b>96%</b>
<b>Break-even / Loss</b> 33%	<b>Break-even / Loss</b> 4%

## % of Agencies Growing

2020	2021
<b>Revenue Growth</b> 46%	<b>Revenue Growth</b> <b>84%</b>
<b>Revenue Decline</b> 36%	<b>Revenue Decline</b> 4%

## A Banner Year for Many Agencies

Overall Performance	2021
Our best year ever	34%
One of our best years ever	17%
A good year	23%
An average year	12%
A challenging year	14%

# Primary Project Models

Project / Fixed-fee contracts still dominate most agency portfolios with some traction for Retainer and Time & Materials projects. In a separate study conducted in Q4 of 2020, SoDA calculated the distribution of revenue across 71 agencies. Just under 50% of total revenue was derived from Project/ Fixed Fee.

Project Models Accounting for 30% or More of Annual Revenue			
72%	Project / Fixed Fee	10%	Value-based
44%	Retainer	3%	Incentive / performance-based
30%	T&M / Day Rate	2%	Licensing / product sales
26%	Increment / Fixed Fee	1%	Commission-based

## \*Contract Model

% of Net Revenue (2020)

Project / Fixed Fee	47%
Retainer	20%
Time & Materials / Day Rate	15%
Increment / Fixed Fee	14%
Maintenance / Recurring Services	2%
Value-based	1%
Incentive / Performance-based	< 1%
Licensing / rev from own products	< 1%
Other	< 1%

\* Data derived for SoDA's Rate Card & Project Pricing Benchmarking Study (n=71). February 2021.



# Remote Work Is Taking A Toll

The vast majority of agencies have settled into a hybrid-remote working model. While some agencies have pointed to improved areas of operation, the data suggests that new areas of strain are emerging.

Working Model	Global	US	Europe
Fully or primarily remote	23%	37%	14%
Hybrid-remote, flexible <small>(No requirement to be in office / employee discretion)</small>	42%	35%	45%
Hybrid-Remote, mandatory <small>(2 or more mandatory days in office per week)</small>	25%	22%	29%
Mixed <small>(working model varies by office and/or team)</small>	4%	4%	4%
Fully or primarily in-office	6%	2%	9%

Now vs. Before Pandemic	Improved	No Change	Worse
Productivity/Efficiency	37%	41%	22%
Pitching New Business	26%	53%	21%
Communication/Collaboration (Client)	26%	54%	20%
Workflow/Process	25%	52%	23%
Team Performance Management	25%	57%	18%
Communication/Collaboration (Team)	20%	37%	43%
Work Quality	18%	69%	13%
Creativity/Innovation	16%	54%	31%
Company Culture	11%	53%	36%



# Agency Culture Under Pressure

Key aspects of agency culture and employee well-being show signs of strain as leaders wrestle with how to maintain a strong sense of belonging, camaraderie, collaboration, and communication with remote and distributed teams.

Top Challenges for Managing People & Culture			
59%	Fostering a sense of belonging	30%	Retaining existing talent
57%	Employee well-being / burn-out	25%	Tracking employee performance
51%	Developing team camaraderie	21%	Resolving team conflict
34%	Employee engagement	8%	Refining comp/incentive programs
31%	Finding/hiring new talent		

## Areas of Team Cohesion Showing Signs of Strain

### Communication & Collaboration

43% of agencies reported that team communication was worse now than it was before the pandemic.

### Company Culture

36% of agencies reported that company culture was worse now than it was before the pandemic.

### Creativity & Innovation

31% of agencies reported that levels of creativity and innovation are lower than before the pandemic.

# Talent Market Impacting Growth

A tight talent market is hitting agencies with increased cost, complexity and risk as leaders attempt to manage growth and balance resource needs.

50%

“The challenge of finding and/or keeping talent has negatively impacted our growth this year.”

## Actions Taken In 2021

Used more freelance/contractors	54%
Increased salaries	50%
Up-skill/train staff to fill gaps	33%
Turn away work	31%
Partner w/ other agencies	29%
Use more recruiters	22%
Use offshore/nearshore	22%
Staffing mix (hire more juniors)	22%
Staffing mix (hire more seniors)	19%
Offer retention bonuses	10%

## Views on Global Talent Market

21%	Direct access to a bigger pool of global talent has been a <b>big net positive</b> for us.
25%	Intensified competition for talent has <b>made it harder</b> to attract and retain people.
10%	Hiring talent from lower cost markets has provided us with a <b>new operating advantage</b> .
43%	It's been a <b>mixed bag</b> with some talent wins and losses; a more complicated market to navigate.

# Assessing Agency Operations

Agency leaders assessed their relative strength and resilience in key operational areas. While many areas are strong, confidence has appeared to erode over the last 18 months.

Operational Strength & Resilience	Very Strong	Solid	Shaky	Weak
Team & Culture	44%	41%	13%	3%
Technology & Infrastructure	21%	63%	13%	3%
Decision-Making	36%	43%	19%	2%
Financial Visibility	16%	49%	31%	4%
Process & Workflow	13%	43%	36%	7%
Redundancy & Knowledge Mgmt	5%	36%	52%	7%
Sales & Marketing	7%	24%	50%	20%

“Very Strong” or “Solid”	Mar '20	Jul '20	Dec '21
Technology & Infrastructure	96%	94%	84%
Team & Culture	93%	87%	85%
Decision-Making	93%	87%	79%
Process & Workflow	87%	82%	56%
Financial Visibility	76%	85%	64%
Sales & Marketing	68%	53%	31%

Those rating their operational strength as “Very Strong” or “Solid” in March 2020, July 2020 and December 2021.

# Metrics and Forecasting

More than half of agencies don't have integrated platforms that enable any kind of real-time or detailed analysis of business health. Very few leverage metrics that can provide a more granular, forward-looking view of performance.

Operational Maturity	
Level 5 (Integrated platform enabling real-time analysis)	14%
Level 4	17%
Level 3 (Disparate tools with some integration)	52%
Level 2	12%
Level 1 (Largely dependent on spreadsheets)	5%

Metrics Tracked for Agency Health	
43%	Forecasted revenue
33%	Project gross margin
26%	Client acquisition costs
21%	Forecast-to-actual utilization
18%	Project budget burn rate

Accurately Forecasting Revenue	
One year or more	4%
9-12 months	6%
6-9 months	10%
3-6 months	30%
1-3 months	46%
Less than 1 month	3%

Allocating Team Resources	
2%	More than 6 months
6%	3-6 months
14%	2-3 months
21%	1-2 months
43%	2-4 weeks
14%	Less than 2 weeks



# Metrics for Business Health

Which metrics are tracked on a regular basis to gauge business health, excluding the obvious, macro-measures such as revenue, profit margin and cashflow? Surprisingly, very few— a missed opportunity for agency leaders to better understand profitability, “leaky buckets” and to more accurately plan and forecast future scenarios.

<b>Metrics Tracked for Business Health</b>	<b>All</b>	<b>Europe</b>	<b>US</b>
Forecasted Revenue	43%	45%	38%
Realized Revenue	37%	42%	36%
Billable Utilization - Actual	35%	38%	34%
Project Gross Margin	33%	37%	30%
Capacity/Available Capacity	32%	32%	34%
Booked /Contracted Revenue	29%	27%	36%
Effective Billing Rate	18%	10%	25%
Project Budget Burn Rate	17%	20%	15%
Forecast-to-Actual Utilization	11%	7%	13%
Project- Time-To-Complete	10%	10%	11%

# Sales & Marketing Spend

The majority of agency leaders spend less than 5% of net revenue on business development and less than 3% of net revenue on marketing. While agencies experienced strong growth in 2021, leaders will have to consider increased investments in these areas to built more consistency and predictability into their growth plans.\*

Spend on Biz Dev (as a % of net revenue)		Spend on Marketing (as a % of net revenue)	
15% or more	4%	2%	15% or more
10-15%	7%	5%	10-15%
8-10%	12%	9%	8-10%
5-8%	16%	9%	5-8%
3-5%	30%	18%	3-5%
1-3%	23%	43%	1-3%
No spend	7%	14%	No spend

## Average Investment Range for Sales & Marketing in 2020

Sales / Biz Dev	Marketing	Total
4.5 - 6.9%	3.4 - 5.6%	9 - 13%

\* Includes loaded costs of dedicated FTEs in sales and marketing along with all direct, out-of-pocket spending in these areas. Excludes the "investment" of time by staff who NOT dedicated to sales or marketing.

# Investment Priorities for 2022

Operational efficiency, talent management and sales/marketing resources top the priority list for 2022. Strategic investments are also aligned with key operational priorities suggesting that, in 2022, agency leaders are focused on building more stability, predictability and efficiency into their operations.

Strategic Investment in 2022 (Top Priorities)			
51%	Operational efficiency	19%	Targeting an industry segment / niche
49%	Attracting/retaining talent	19%	New services/capabilities
43%	Sales/marketing resources	17%	Expanding to new geographic markets
29%	Repositioning/rebranding agency	13%	New tech to augment svcs/capabilities
21%	Partnering w/ other svcs providers	11%	Developing lower cost delivery model
20%	Building/selling our own products	8%	Acquiring/merging with another entity

Operational Improvement in 2022 (Top Priorities)			
43%	Workflow/efficiency	27%	Agency metrics and reporting
34%	Sales/biz dev processes	25%	Employee retention
32%	Lead generation	23%	Organizational structure
31%	Talent recruitment	22%	Team collaboration
27%	Training/development for staff	16%	Tools/tech for agency operations
27%	Employee satisfaction	0%	Other

# Business Outlook for 2022

Confidence has rebounded to pre-2020 levels with 82% of agency leaders confident that 2022 will deliver even more profitable growth than 2021.

2022 – Projected Revenue Growth		2021 – Actual Revenue Growth	
Growth more than 50%	12%	19%	Growth more than 50%
Growth 25-50%	27%	26%	Growth 25-50%
Growth 10-25%	34%	29%	Growth 10-25%
Growth up to 10%	21%	11%	Growth up to 10%
No growth / flat	6%	11%	No growth / flat
No growth / decline	1%	4%	No growth / decline

## Confidence - Year Will Deliver More Profitable Growth

2022 – Improved Performance	
Very confident	46%
Somewhat confident	36%
Neither confident/unconfident	15%
Not very confident	3%
Not confident at all	1%

<b>2022</b>	<b>2021</b>
82%	n/a
<b>2020 (before pandemic)</b>	<b>2020 (mid-year)</b>
82%	36%
<b>2019</b>	<b>2017</b>
82%	86%

Agency leaders confident that year ahead will be better than the prior year in terms of delivering more profitable growth.



# Parting Thoughts

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A few key takeaways from this study for agency leaders to consider as they ramp up in 2022 and continue to navigate the ever-changing landscape ahead.

1. With strong performance in 2021, agencies are in a good financial position to invest in growth and the evolution of their business. That's good news because most agencies will require increased investments in talent, employee development, sales and marketing, and other costs associated with thriving in a hybrid-remote working model.
2. Agencies have quickly adapted to a remote or hybrid-remote working model. And while most have fared well and even seen some advantages, the strain is starting to take its toll on critical areas such as agency culture, employee well-being, team communication/collaboration and creativity/innovation.
3. Talent is critical to this business and it's always been a top priority for the leaders of great agencies. New challenges around competition, rising costs, employee well-being, team camaraderie and a "work for anywhere" global talent pool introduces added complexity and financial strain into the agency operating system.
4. Despite the fact that we deliver and implement cutting-edge technology for our clients, agencies are largely under-invested in integrated systems to run agency operations and more mature/sophisticated analytics to better understand, forecast and plan business health.
5. The outlook for 2022 is strong and all signs point to continued growth in demand for agency services... particularly on the digital side. Agency leaders must invest in talent, operational maturity and sales/marketing resources if they want to see continued growth and be well-prepared for the next economic downturn or unexpected global disruption.



## Full Report Available Online

<https://www.sodareporton.com/global-agency-landscape-2022>

### About SoDA

SoDA is a global network of digital agency founders, creative innovators and technology disruptors. With 90 agencies in more than 20 countries, our members help the world's leading brands imagine and create the future of digital experiences. Find us online at [www.sodaspeaks.com](http://www.sodaspeaks.com).

### About Productive

Productive is an end-to-end tool for agency management enabling leadership teams to run sales, budgeting, resource planning, project management, reporting and billing in one platform. Find us online at [www.productive.io](http://www.productive.io).

### Disclaimer

This information is provided for educational purposes only. It is not intended to be nor should it be used as a recommended standard or requirement in your decision-making.

All data in this report is self-reported by the respondents. Numbers are rounded up and, as a result, sets of numbers may not always add up to 100%.

