

Agency Benchmark: **The executive summary**

11 data-driven insights from 300+ European agencies

powered by **Teamleader** 

About the Agency Benchmark

Teamleader's Agency Benchmark is the first comparative research on how European agencies run their business.

To start, we surveyed agencies of all types and sizes on Agencybenchmark.eu. On top of that, we analysed the anonymised data of our 4000 agency customers, mostly consisting of marketing -, consulting -, IT - & creative agencies.

This report offers the most interesting facts and statistics. We hope you find them insightful.

Want to talk to us about it?

Sure thing: drop us a line at agencylife@teamleader.eu.

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Profitability

37%

of surveyed agencies say that they have a **clear plan to increase profitability.**

Let's start with the bottom line: the path to profitability.

To increase profitability, you need to know where you win and lose revenue. You have to be able to identify your blind spots.

That's why we believe so strongly in this report. Not just as a general overview of the market, but also as a starting point for the other 63%.

Whatever type of agency you run, there should be something in our Benchmark for everyone.

Billability

65%

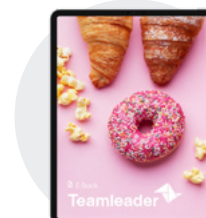
Average self-reported **billability in agencies.**

We based our Benchmark findings on two sources: an in-depth survey and Teamleader's own anonymised software usage data.

Cross-referencing those two points of view often gave the same results. Billability is a great example.

When comparing billability rates to our customer data, the numbers correspond. The size of the agency or what service they provide has little to no influence on the rates. 65% is a good average with no respondent going under 50% and only 10% going over 80%.

We should add that even though the averages seem to align in both the survey and our data, different agencies have different ways to calculate their billability.



Curious about billability?

Download our ebook

NL

BE

FR

DE

EN



Top KPIs for agencies:

1. Project profitability
2. Billability
3. Sales Target
4. Customer Satisfaction
5. Planned versus Actual hours
6. Employee Satisfaction
7. Lead Conversion
8. Average rate

What KPIs do agencies use?

46% of agencies systematically monitor their success with clear KPIs and the other 54% report doing so in one way or another. As stated before, 37% of agencies have reported having a strict plan to increase profitability. Using centralised analytics is therefore the cornerstone of success.

It is not the easiest of exercises to get all your numbers in order. Looking for the right number takes time, and that's why most agencies - 80% to be precise - are hoping to get a better view. Only a small group of 11% seem to be satisfied with the numbers they can pull.

The last 2 years we've interviewed many agencies in Europe, and we have learned that agency analytics is not a widely discussed topic. We've looked at what KPIs agencies are looking for.

Other popular KPIs are employee satisfaction, planned vs. actual hours and average rate. All of which equal 56%.



KPIs depend on size

Smaller agencies report a somewhat different view of their KPIs. The true use of KPIs starts in agencies around the threshold of 20 FTEs.

The adoption of KPIs in agencies with 50+ FTEs

- **100% Billability**
- **89% Project profitability**
- **89% Sales target**

As they grow, agencies tend to adopt more specific KPIs, like Sales target, and let go of Customer satisfaction as a KPI. Which is logical: larger agencies have larger clients, so a high level of client satisfaction becomes a hygiene factor. Plus, smaller agencies have less customers, which makes losing a customer a bigger issue.

The adoption of KPIs in agencies with less than 20 FTEs

- **51% Project profitability**
- **44% Billability**
- **44% Customer satisfaction**

About 15% of agencies smaller than 20 people don't make use of any KPI.



KPIs from agencies with 50+ people

1. Billability
2. Sales Target
3. Project profitability
4. Average rate
5. Employee Satisfaction
6. Planned versus Actual hours
7. Average rate
8. Financial performance index

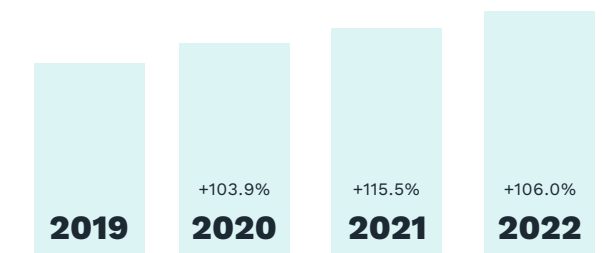


Revenue growth

Not necessarily the KPI to base your success on, but it is a good one to see how the market is doing. 2022 marked another year of growth. On average, we saw an increase of 6%* across all agencies and countries.

*Invoiced value per account - Only agency accounts that were customers before January 2019 and are still customers are in this chart.

On average, we see no significant differences in growth among the different types of agencies. Of course, we see that the power of scale works to the advantage of large agencies. They show more revenue growth in % than other, smaller ones.



Revenue growth (EU agencies in TL)

Sales cost 70%

Does not have a clear view on **sales cost**.

Getting new clients takes time and money. Not only sales will be working on this. Creatives, strategists and a whole range of other people are involved in making quotes and estimates for projects.

While presales are a regular thing, about 70% of surveyed agencies do not have a clear view of what their sales efforts cost them.

The others who do know tend to treat these sales efforts no differently than paid efforts, as regular scoped projects with timesheets and limits. We also asked whether agencies have a predominantly active or reactive attitude towards sourcing new prospects but did not obtain a conclusive answer.



Billing methods

You know what time it is when you hear, “Hey, can we already bill this for that client?”... So let’s look at billing methods.

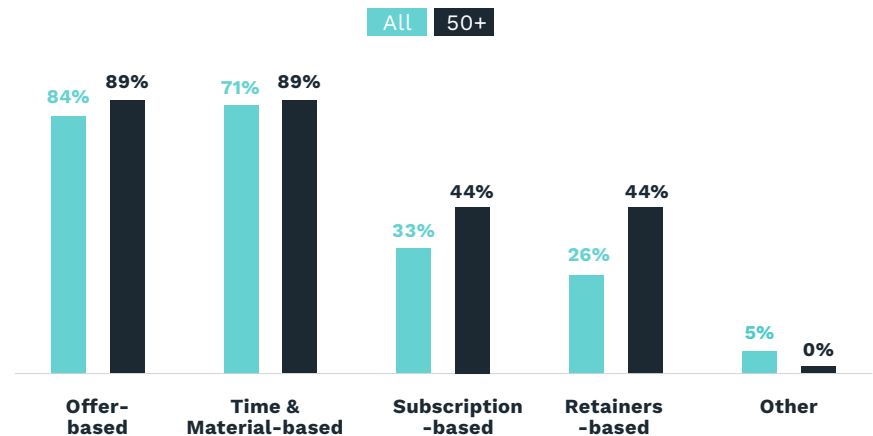
Offer-based billing is popular across all agencies: 84% of surveyed agencies work this way - with even an average of 91% for creative agencies.

This has some downsides, as the risk of going over budget is solely taken by the agency itself, and requires a strong view on profitability per project to make correct estimations. Less than half of agencies with less than 11 FTEs are capable of making proper estimations while the other half are at a higher risk of losing money on projects.

Time and material is the second most popular way of billing with 71%. The largest adoption shows among the 50+ agencies at 90%. This is probably related to the high adoption of strict time tracking, also being 90%.

Retainer-based billing is often used for repetitive or long-term tasks. PR agencies work with retainers the most, at 64%, and the overall adoption among creative agencies is 41%.

Agency size vs billing method



Subscription-based billing is most used in agencies offering social media, website, email or online marketing services, at 47% on average.

Both these methods are preferred for revenue predictability.

Teamleader products differentiate themselves by always tying the financial side into the project side. Because keeping up with different billing styles is quintessential.

But what happens to billing when AI becomes more common amongst agencies, and the value of an hour of work tumbles? We thought about that as well. Tune in for the next season of our Agency Life content series. We’ll be talking about ‘AI for agencies’ with some very smart people.



By the way, subscriptions and retainers are a great idea for creating recurring revenue from existing clients. Which brings us to our next question: where does growth come from?

Existing clients or new ones

71%

Revenue comes from **existing clients**.

An overwhelming majority of agencies have a well-balanced view of where their growth comes from. Both from new (16%) and existing (18%) clients. The balance between adding new customers and the land & expand strategy is well-established.

When looking at the revenue, we see an unsurprising yet interesting number. On average, agencies report 71% of their revenue coming from existing clients. No agency reports going under 50%.

Profit and loss

32%

Project profitability:
Have a clear view on **profit and loss per project**.

Clearly grasping where you win and lose would be essential to an agency's success, you'd think. And yet.

Only 32% of surveyed agencies know their profit and loss per team. Having a better grasp on this number allows for better planning on the number of FTEs, or developing of departments and services for agency growth.

What could help here? More accurate time tracking and standardized project flows, it seems.



Standardized project flows

9%

Use mainly **Standardized project flows**.
36% in technical oriented agencies.

A larger number of technical-oriented agencies indicate to have more standardisation in their processes. With 36% of technical-oriented agencies reporting to have standardised workflows and 50% of creative agencies preferring a custom approach for the job.

As agencies grow larger, they will look to standardise processes and keep a better watch on profit and loss per project.

As soon as agencies hit the 50 FTE threshold, only about 10% of projects will be allowed a custom track.

Even the creative agencies will have found it necessary to streamline their processes, as this helps them to keep better track of their operations, have better control of profit and losses per project, and thus control overspend.

Timesheets

61%

of agencies have a **clear view**
on the **time spent** over project.

Accurate time tracking is also essential for agencies longing for a clear understanding of profit or overspend per project. That, in turn, is crucial to evaluate processes and estimations. 61% of agencies have a clear view of the time spent per project, using tool-based time tracking to get accurate results.



This was the executive summary of our Agency Benchmark. Thanks for reading, we hope it can help you make a difference in your own agency.

Of course, Teamleader can help you make that difference. Our tools Teamleader Orbit (perfect for agencies with 20+ employees) or Teamleader Focus (suited for agencies of 2-20) give agencies the insights to manage their business with more precision.

We pride ourselves on the success of our clients, which is why we monitor a number of KPIs to ensure we are the difference makers we've envisioned ourselves to be.

The numbers in this document are the bare essentials and cover all Teamleader Orbit clients from when they started (some in 2016) up to the end of 2022.

Make the difference with Teamleader

FTE growth

39%

FTE Growth of these agencies is 39% on average.

48%

The **biggest growth** was seen in **larger agencies** (over 50 FTE)

Capacity used

26%

The **effective capacity** used for **billable hours** went up by 26%.

Average rate

48%

For **50+ agencies** with over 50 FTE, it **went up by about 8%**.

6%

The **average rate** for agencies working with Teamleader Orbit **went up by 6%**.

Average revenue per employee

7%

Our Teamleader Orbit users saw a **7% increase** in **revenue per employee**.

