



Back on Track

# 2021 Digital marketing agency outlook

By Bridget Graf

**CallRail**

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# Digital marketing agencies are bouncing back

Let's face it — 2020 is a year almost no one wants to repeat. Due to the coronavirus pandemic and a nationwide shutdown, we heard from more than one agency that their revenue dropped suddenly in the spring of 2020. However, we are pleased to report that agencies are already making a strong comeback.

CallRail's research, which is highlighted in this report and is based on a survey of 167 global digital marketing agency leaders who use CallRail services, shows agencies have not only been amazingly resilient, but most will finish 2020 with an *increase* in revenue from 2019. However, that's not all we've uncovered.

Our research looked at a wide array of factors involved in successfully operating a digital marketing agency, including:

- General processes
- Financial stability
- Client relationships
- Tools and technology usage
- Pricing strategies

While there are certainly challenges still facing agencies, one clear message we've heard from our agency partners is that while the pandemic has been trying in many ways, it's also been an opportunity to reassess and reevaluate their businesses. In doing so, agencies have been able to eliminate clients or business practices that held them back from greater success and profitability.

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“One clear message we’ve heard from our agency partners is that while the pandemic has been trying in many ways, it’s also been an opportunity to reassess and reevaluate their businesses.”

When asked about their ability to attain key growth metrics — like generating new client leads and closing new business — the majority of agencies exhibit strong confidence that they can. We also saw a lot of certainty from agencies that they deliver value to their clients and are viewed as strategic partners.

As you review our findings, we hope you’ll find the results a valuable tool for thinking about your digital marketing agency and how you want to position your agency for greater success in 2021.

# Executive summary

## Executive summary

### Challenges remain, but agencies are back to work

The 2020 pandemic has caused economic hardship across many industries, including the marketing and advertising industry. **According to our [call tracking data](#), call volume in the advertising and marketing industry fell by 29%, with call durations down by 12% from pre-covid levels as the country spent most of the spring in lockdown. Consequently, 66% of marketing agencies said they experienced a decrease in overall revenue. (1)**

However, CallRail data also highlights a significant shift in digital marketing agencies' fortunes from the start of COVID-19 until now. **According to our call data, post-lockdown call volume growth in the advertising and marketing industry has increased by 79%. Our call data also aligns with what we see in this research report — agencies are rebounding and feeling good about their prospects for the future.**

(1) "An inside look at the impact of COVID-19 on digital agencies," Marketing Week, June 10, 2020.

Other key takeaways from our research include:

- Finding clients and growing revenue with existing clients are top challenges, as is finding the right employee fit.
- Agencies are maintaining long-term relationships with clients and proving their value as strategic partners.
- Agencies remain confident in their ability to generate new leads and close new business.
- Retainers remain king when it comes to how agencies price their services.
- Technology plays an important role in agencies' day-to-day operations and is critical to helping them provide results to their clients.

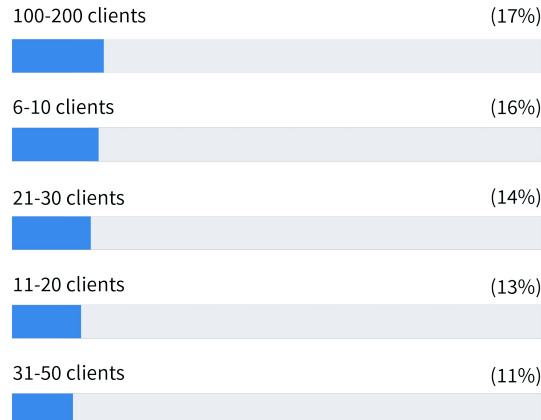
Findings in this report will provide you with a better understanding of what agencies are facing today and for the foreseeable future. It will also highlight various trends across the agency landscape that can help inform your agency's strategy and execution as you plan for 2021.

## Agency composition

## Number of clients managed by agencies varies considerably

Based on the number of clients managed, agency size was split evenly across all categories — from small agencies with less than 10 clients to larger agencies that manage 100-200 clients annually.

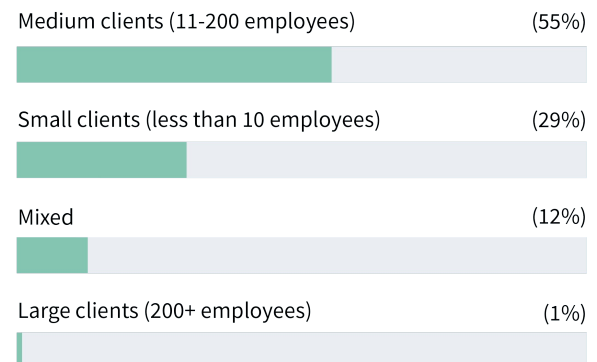
How many clients does your agency manage in total?



## Agencies primarily work with small to medium-size firms

One reason digital agencies may be attracting mostly smaller-sized clients may be the recent trend for larger organizations to bring the digital advertising function in-house. As of 2018, 78% of U.S. members of the Association of National Advertisers had some kind of in-house agency, a 20% increase from five years earlier in 2013. (2)

What makes up the majority of your current book of business?



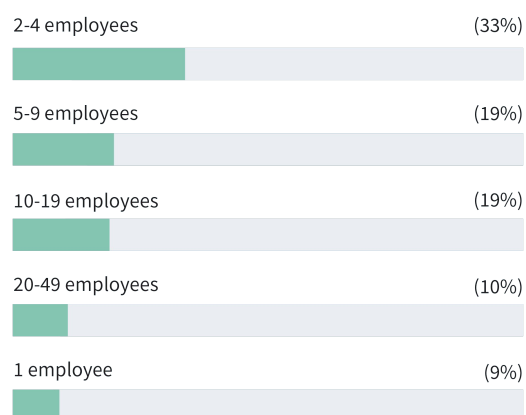
(2) Lucy Handley, "Firms are taking more marketing functions in-house. Here's why," CNBC, March 4, 2019.



## Most agencies remain lean on full-time staff

One-third of the agencies represented in this survey are relatively small in regards to the number of full-time employees. Over half (61%) of the agencies surveyed operate with less than 10 employees. This finding indicates that agencies are likely fully maximizing the staff they have — and maybe even leveraging freelance resources to help get the job done. Because small teams typically work closely together, getting the right employee fit for an agency becomes all the more critical.

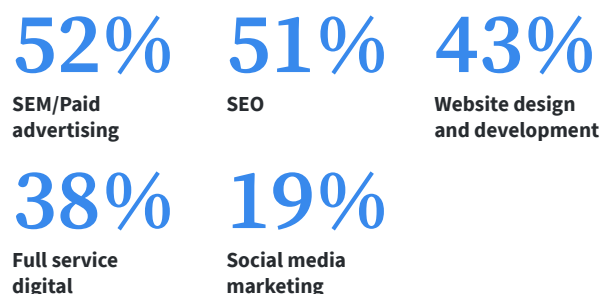
How many full-time employees does your agency employ?



## Paid advertising and SEO are the most common services agencies offer

Paid advertising is the most common service offering, with SEO a close second. While we are curious about whether these service offerings rank highest because they are most in-demand by clients or because they offer the best path for marketing agencies to grow their profitability, we don't have a clear answer. However, both are likely factors in the decision of what services agencies choose to offer.

What are your agency's top three service offerings?



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“We focus on SEO, PPC, and marketing automation. We haven’t added any additional services, but we are seeing more clients coming in and clients that had event budgets that they are moving to online marketing activities instead.”

Kyle Shurtz, VP of Performance Marketing  
[Avalaunch Media](#)



## Agency pain points and processes

## Finding clients is the top challenge for agencies

Most agencies are continually trying to grow — their revenue, their client list, and their staff. It's not surprising that the top three challenges are all related to these types of agency growing pains.

What are your agency's overall biggest pain points?



## Finding new clients and retaining current ones is getting harder

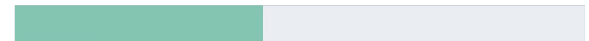
In alignment with what agencies felt were their biggest challenges, we also saw agencies saying these types of growth activities — finding clients, retaining clients, and growing revenue with existing clients — have become more difficult.

### Finding new clients

Things have gotten harder



Not much has changed



Things have gotten easier



### Retaining current clients

Things have gotten harder



Not much has changed



Things have gotten easier



### Growing revenue with existing clients

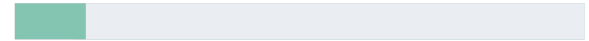
Things have gotten harder



Not much has changed

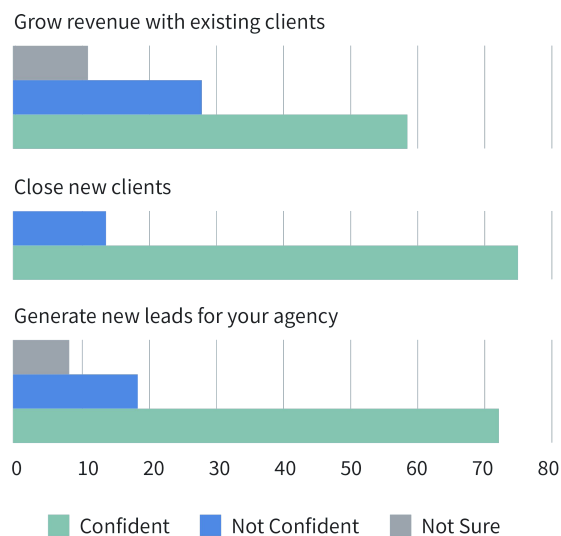


Things have gotten easier



## Despite challenges, most agencies remain confident they can find and close new clients

With or without a dedicated sales role, most agencies seem to be reasonably confident they can overcome their top challenges around growing their agency. We're not sure why confidence is so high while agencies simultaneously stated these issues are top pain points and getting harder. Still, the sentiments of confidence align with the overall positive trajectory for revenue growth that most agencies are realizing.



“We’re confident that we can grow and sustain our business. We have a strong partnership referral program that gives us really good business. We also have a strong employee referral program where they get a lifetime commission on any referrals, so we get a lot of deals from internal employees.”

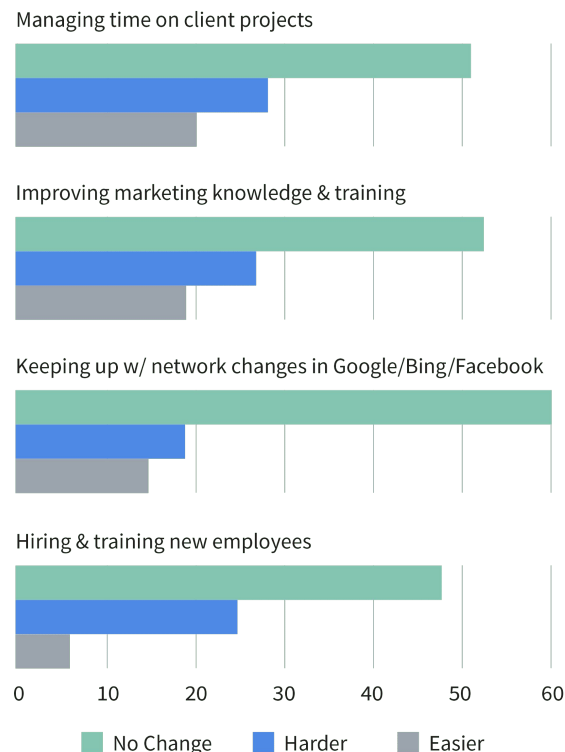
Kyle Shurtz, VP of Performance

[Avalaunch Media](#)



## Managing clients, hiring, and training processes haven't changed much

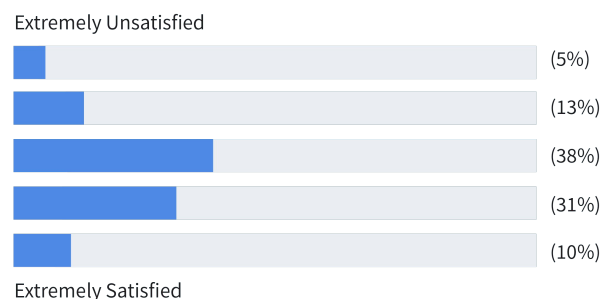
When asked about other business processes, such as time spent managing client projects, improving marketing knowledge and training, keeping up with network changes in Google/Bing/Facebook, or hiring new employees, the majority of agencies stated that not much has changed.



## Agencies aren't extremely satisfied with their sales process

Our research indicates one reason agencies may be struggling with finding new clients and growing revenue with existing clients is their sales process. Only 10% of agencies indicated they were extremely satisfied with their sales process.

### Sales Process



Additionally, almost half (47%) of agencies have no full-time new business/salesperson and only 10% have four or more employees dedicated to the role. Not having a dedicated resource for generating new business may be one reason agencies aren't more satisfied with their sales process and feel challenged in finding new clients and generating new revenue.

Does your agency employ a full-time new business/salesperson?

**47%** **22%**

No full-time  
business role

1 Employee

**19%** **9%**

2-3 Employees

4-5 Employees

**2%**

10+ Employees

## An out-of-the-box approach to improving the sales process

When asked about the sales role in his agency, Dale Powell, managing director of Atomic Marketing, noted that one challenge was that clients want to hear from business owners, particularly if the agency is smaller, instead of a salesperson.

“We’ve had much better conversion rates when pitching clients directly as the business owners,” says Powell. To get over this hurdle, Atomic Marketing plans to bring on someone in 2021 for client acquisition, but they are aligning this member of staff to appear as a founder.

“We want to keep the same ethos and give the impression that this person is worth talking to,” says Powell.



## Agency pain points and processes: Outlook for 2021

While agencies continue to struggle with issues like finding new clients and growing revenue with existing clients, there's a lot of confidence that these issues can be resolved or improved in 2021. Better positioning and more investment in sales support may also help agencies overcome these challenges.

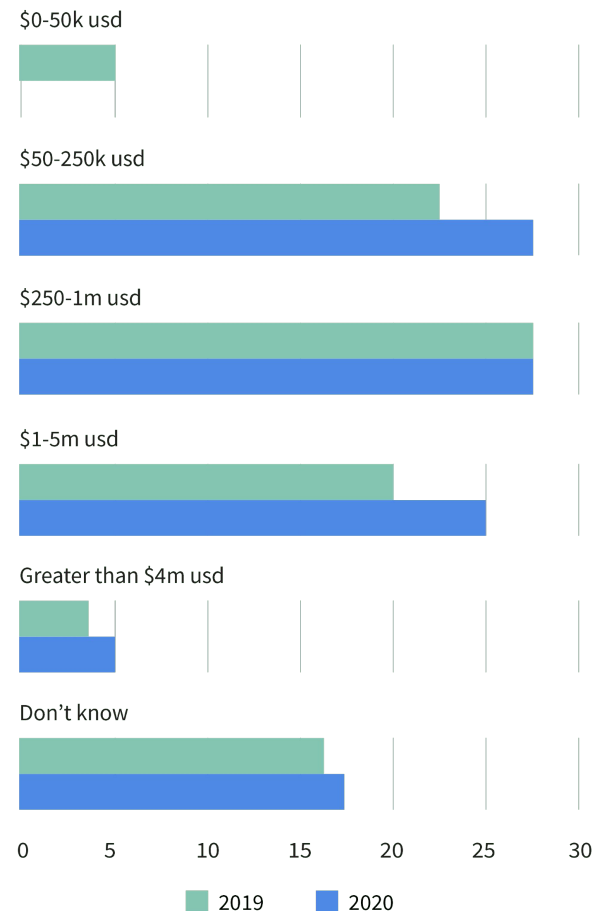


## Financial health and profitability

## Agencies see Y-O-Y revenue growth

Agencies have had their ups and downs in 2020 regarding financial stability. During the start of COVID, one agency told us revenue declined \$25,000 USD, and another said they lost over \$10,000£. Yet, only 17% of agencies listed stability/profitability as a top challenge, and even fewer (13%) said maintaining cash flow was an issue. What's more, when comparing 2019 vs. 2020 projected revenue, we saw that agencies expected to generate more revenue in 2020 than last year across all revenue categories.

2019 vs 2020 revenue



## Impacts of COVID-19 on financial stability

While the agencies we spoke with acknowledged that the onset of COVID-19 was destabilizing and revenues declined, they also said that it had a silver lining — forcing them to take stock of their business and make changes that have been, in the long run, profitable.

“We had a lot of time to think about the direction of our business and the types of clients we wanted to work with,” says Powell. “So we made some educated decisions to move pricing up and take a more firm hold to say this is our price, which has eliminated the time wasters.” Powell not only predicts that his agency’s revenue will exceed last year’s, but they also plan to further increase prices in the spring to keep pace with inflation.

Molly Randolph, vice president and director of client services of The Barbauld Agency, also discussed how the pandemic forced them to look at their business and make decisions they would not have made otherwise. “We reduced our office spaces from four to one and started proactively trimming our subscriptions and other things like that in March and April,” says Randolph. She notes that even with revenue down initially due to COVID, they’ve become more profitable.

“We became more profitable because our overhead shrunk so much. But, we would never have gotten rid of our offices or our subscriptions; we would have let them linger, without COVID.”

Molly Randolph, VP and Director of Client Services  
[The Barbauld Agency](#)



Avalaunch media also noted that the shift to digital channels had been a good thing for their business. “Because we focus strictly on online advertising, we had more business come through as people shifted from offline to online advertising. We anticipate 2021 to be much more of the same. Our goal is to grow by about 20% year-over-year,” says Shurtz.

“Our July client meetings were very difficult and pessimistic, and we were doing all kinds of brainstorming about how to pivot clients’ businesses without the wheels coming off. But by September or October, our clients were saying, ‘Wow, we can’t believe how well it’s going.’ ”

Molly Randolph, VP and Director of Client Services  
[The Barbauld Agency](#)



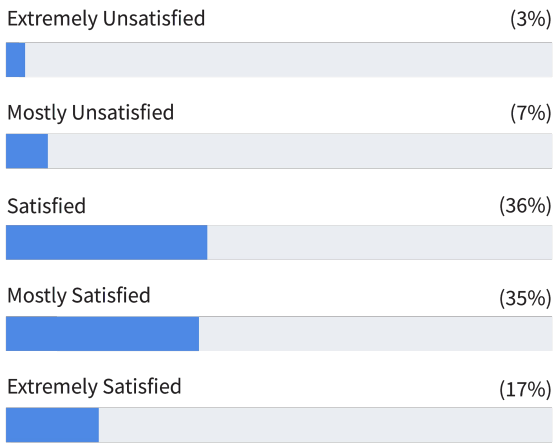
Equally interesting, we also heard from agencies that many of their client’s businesses had also undergone this same scrutiny and come out stronger and better because of it. The Barbauld Agency, for instance, worked with one client to pivot their business by placing ads in the top 10 states least impacted by COVID, even though their client had never advertised in these markets before. The client’s business not only stabilized, but according to Randolph, “September and October were some of the best months our client has ever had.”

Atomic Marketing saw a similar result with their law firm clients. “Our clients paused business during the first lockdown here. Now, lawyers realize they don’t need to be in the office — they can do consultations over Zoom,” says Powell. “They are now broadening their geographical area and targeting leads much further afield.”

## Agencies are satisfied to extremely satisfied with their financial health

Overall, 88% of agencies indicate they are satisfied to extremely satisfied with their agency’s financial health. Only 3% were extremely unsatisfied. These results aren’t surprising given that most agencies expect to see a year-over-year increase in revenue.

### Financial health





## Financial health and profitability: Outlook for 2021

Digital marketing agencies seem to be in a good position financially. Even with the impacts of COVID-19, almost all expect to realize greater revenue than last year and feel good about their overall financial health. Ironically, the economic hardships created by COVID-19 has caused both agencies and their clients to rethink their business and be more strategic. The result has been greater profitability and new opportunities for agencies and clients to grow their business.

## Client relationships

### Agencies have long-term client relationships

Most agencies report having long customer lifespans (48% say it's greater than 36 months and only 4% say it's less than 12 months), reinforcing their confidence in the service and value they deliver.

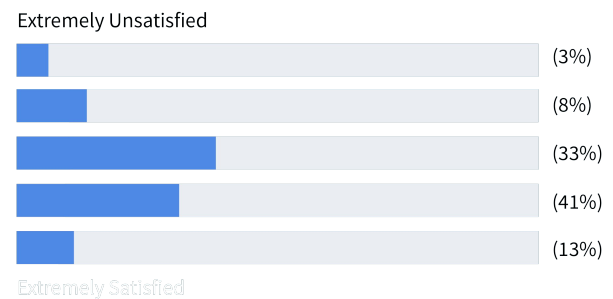
What is your average customer lifespan, in months?



### Agencies are not extremely satisfied with their positioning

When asked about their positioning, agencies said they are also mostly satisfied with how they position themselves in the market. However, only 13% were extremely satisfied with their positioning, which means there is still room for improvement for most agencies.

#### Positioning





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“The silver lining is COVID allowed us to very tactfully end some of the smaller relationships that had been hanging on that we were ready to let go of because they just weren’t profitable, but we’d let linger.”

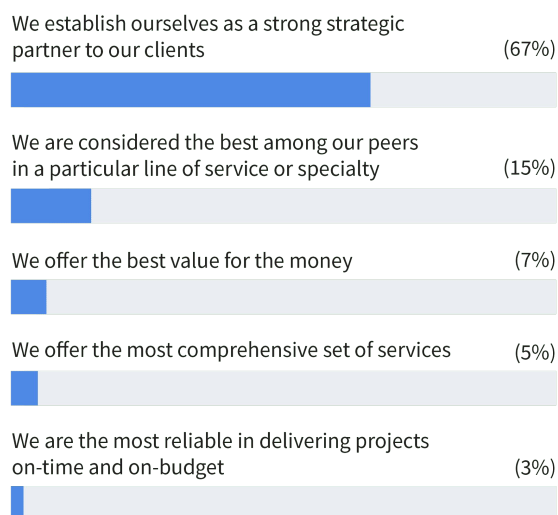
Molly Randolph, VP and Director of Client Services  
**The Barbauld Agency**



## Agencies are well-positioned as strategic partners

Along these same lines, 67% of agencies said the primary reason clients chose their agency was that they have established themselves as a strong strategic partner to clients. The second most common reason clients decided to work with an agency was due to having an area of expertise where their agency shines. Of the agencies we spoke with, being able to clearly articulate results was one factor they believed was important in being viewed as strategic partners.

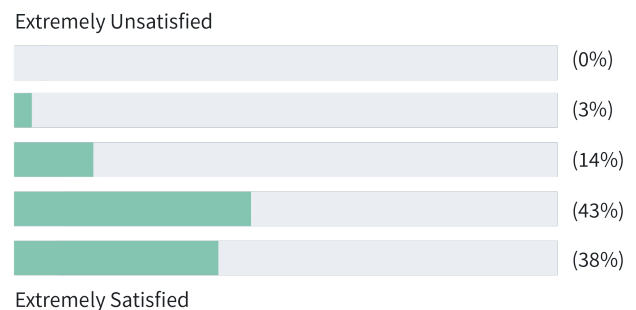
**When you win new business, which of the following best describes the primary reason that clients choose your agency?**



## Agencies are confident they provide good customer service

Delivering value through excellent customer service is an area most agencies feel confident in their capabilities. Eighty-one percent of agencies were extremely to somewhat satisfied with the customer service they provide clients.

### Customer service



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“We earn our new business by providing results. We do a lot of competitive research and look for ways to break the molds.”

Dale Powell, Managing Director  
**Atomic Marketing**



## Most agencies spend less than five hours a week on reporting per client

Reporting is a critical part of providing proof to clients that the agency is delivering value. The key is to balance how much time they spend on reporting with other revenue-generating activities for agencies. Overall, it seems most agencies have struck a good balance. The vast majority (79%) say they spend five hours or less per week managing clients, and only 5% say they spend more than 10 hours a week on client management.

How much time do you spend every week on reporting, per client?



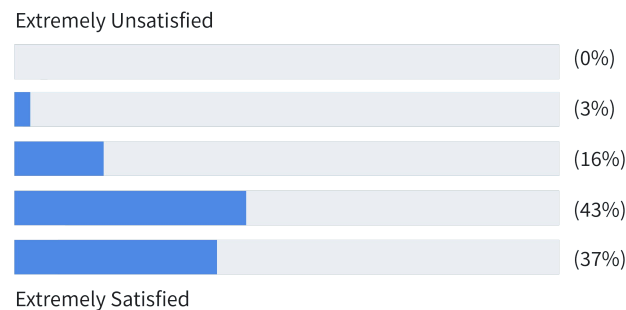
For The Barbauld Agency, being a strategic partner, offering excellent customer service, and reporting to clients are all connected. With bigger clients, the agency meets twice a month with clients and once a month for smaller clients. These meetings involve reviewing current activities and planning future activities. As a value add, they also help keep clients accountable in what subscriptions or services they use.

“Our clients are so busy running their business, so we bring some accountability by saying, ‘Remember this chat feature? This is how many leads you’re getting, and this is how many are abandoning it.’ We help provide checks and balances,” says Randolph.

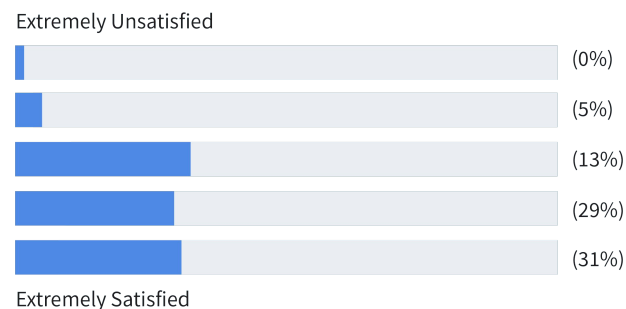
## Agencies feel somewhat to extremely satisfied with their talent and expertise

While finding the right fit employee was the third most pressing challenge for agencies, there is a strong consensus that the employees they do have on staff are a good fit. Eighty percent of agencies said they were somewhat to extremely satisfied with the level of talent and expertise their agency offers. They also felt good about the level of creativity they had on staff. Ninety-three percent of agencies said they were satisfied to extremely satisfied with their creativity, with almost one-third saying they were extremely satisfied.

### Talent and expertise



### Creativity



“We’ve done a good job of finding talent. We take a group up approach — finding interns and teaching them how to do the job and then allowing them to move up and develop into bigger roles.”

Kyle Shurtz, VP of Performance Marketing  
[Avalaunch Media](#)





## **Client relationships: Outlook for 2021**

Overall, agencies are going into 2021 with a lot of confidence in their value to clients. Only 13% of agencies said hitting client goals and expectations was a challenge. As a result, clients are sticking around for the long haul. Providing clear results to clients also seems to be a strong factor in building trust in the client relationship.

## Tools and technology

## 95% of agencies say Call Tracking is very important or important

CallRail agency partners we spoke with emphasized the importance of not just conducting marketing activities on behalf of their clients but also showing results. Call Tracking not only makes it easy for agencies to track online results, but can also be extremely valuable in tracking offline marketing activities.

“Call Tracking is a sales tool we can use for any client,” says Randolph. “It’s so easy to explain how to track a call from a digital ad, but we’ve also found direct mail can still be highly effective, and call tracking is one of the ways we can track that,” says Randolph.

### Call Tracking



“Without Call Tracking, we really wouldn’t have the business we have,” says Powell. “Our model is built upon full transparency, and Call Tracking lets us measure how many phone calls came from a landing page. Ultimately, this is what our clients want to know — how many leads are we generating for them, and we can show them.”

Dale Powell, Managing Director  
[Atomic Marketing](#)





“Form Tracking has been really beneficial. It’s just easier — we don’t have to create any sort of custom conversion; it does it for you. Also, we don’t always use a landing page. Sometimes we direct traffic to a service page, which makes Form Tracking even more beneficial. Usually, you have to use a Google tag, but CallRail does it all for you — it saves us loads of time and is deadly accurate as well.”

Dale Powell, Managing Director  
[Atomic Marketing](#)



## 95% of agencies say Form Tracking is very important or important

Form Tracking and lead conversion tracking is another common way agencies track results, with 95% of agencies saying it is very important or important.

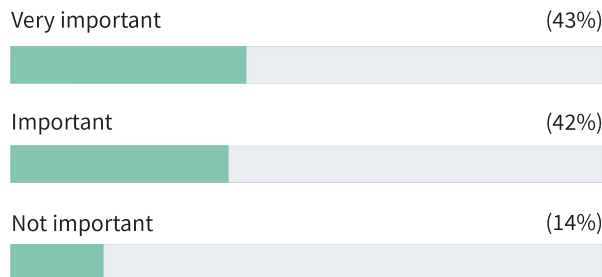
Form Tracking/lead conversion tracking



## 84% of agencies say Call Recording analysis is very important or important

Call Recording analysis, while not as critical as Call and Form Tracking, was still important or very important by 84% of agencies.

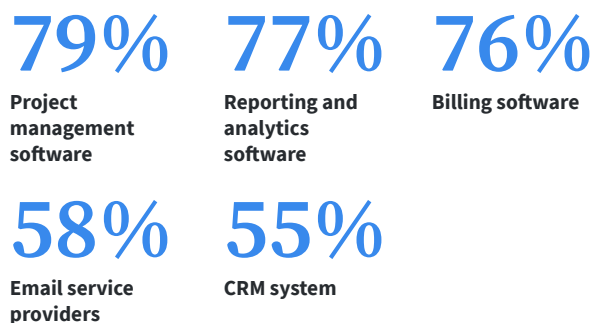
Call Recording and analysis



## Project management and reporting and analytic software are most used by agencies

Digital marketing agencies and their clients rely heavily on tools and technology to get their work done. For agencies — that have to manage multiple clients and projects and report back to clients on their performance — it's no surprise that project management and reporting and analytics software are the two most common types of software agencies use.

What types of software do you use to better run your agency?



“Having tracking tools like Call Tracking and call analysis is the way we keep our clients happy. We show that we’re not an expense, but an investment. Call Tracking shows who’s called and what keyword came from where. We use call analysis often with big law firms to create hotspot keywords, such as ‘appointment’ or ‘claim,’ to qualify leads.”

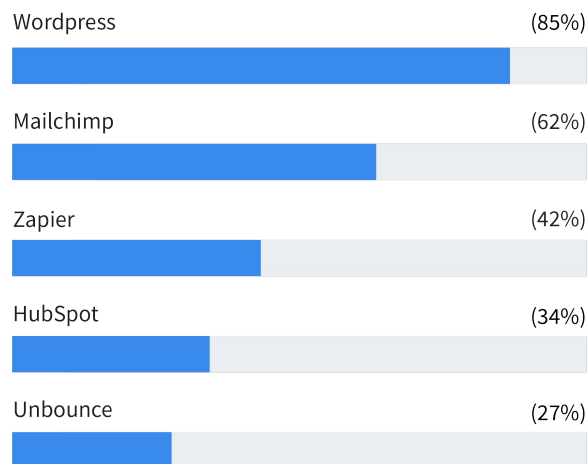
Kyle Shurtz, VP of Performance Marketing  
[Avalaunch Media](#)



## WordPress and Mailchimp are the most popular marketing and campaign tools agencies use

Agencies use a different set of tools and technology to manage marketing activities for themselves and clients. The most common campaign tools were WordPress, Mailchimp, Zapier, HubSpot, and Unbounce, all of which can be integrated with CallRail.

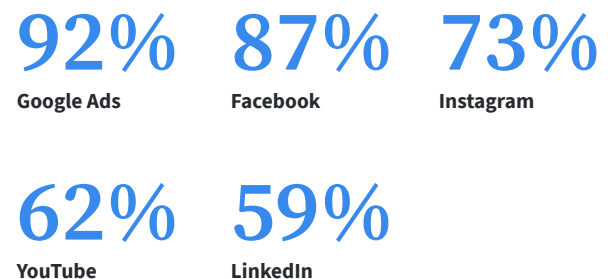
### Messaging



## Google Ads and Facebook are the top advertising platforms agencies manage for clients

Top online advertising platforms that also integrate with CallRail were Google Ads, Facebook, Instagram, YouTube, and LinkedIn. Microsoft Ads ranked sixth, and Twitter ranked seventh.

What online advertising platforms are you currently managing for clients?





## **Tools and technology: Outlook for 2021**

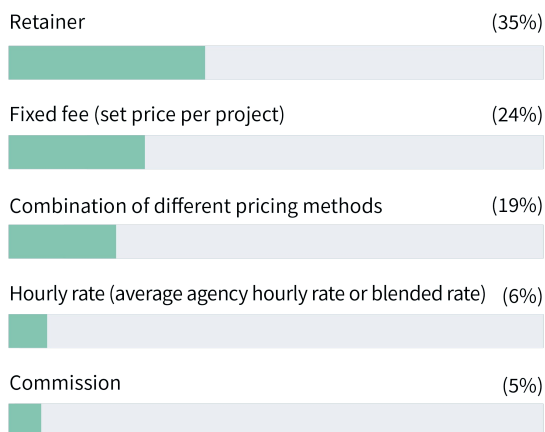
The use of tools and technology will continue to be an essential part of digital marketing operations. Marketing agencies will continue to invest heavily in technologies that help manage day-to-day tasks and those that help measure the performance of marketing activities, including reporting, tracking, and analytical tools.

# Pricing strategies

## Retainers are the most common pricing model

Based on our findings, most agencies are using either retainers or a fixed fee pricing model — or some combination of the two. Very few agencies use an hourly (6%), commission-based (5%), or performance-based (3%) pricing model.

How do you price and package the majority of your services?



## Over half of agencies said their average monthly retainer was \$1,001 - \$2,500

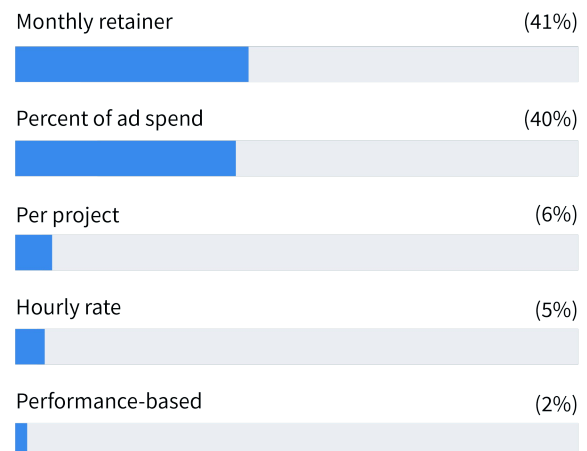
Just over half (51%) of agencies stated their monthly retainer's average cost was \$1,001 - \$2,500 USD. Retainers in the pricing brackets just above (\$2,500-\$5,000 USD) and just below (\$500 - \$1,000 USD), were the next most popular.

What is the average cost of your monthly retainer?



Paid advertising services also are most likely to be on a retainer pricing model. However, a percent of ad spend is almost equally as common. Very few agencies (6%) use a per-project pricing model for their paid advertising services.

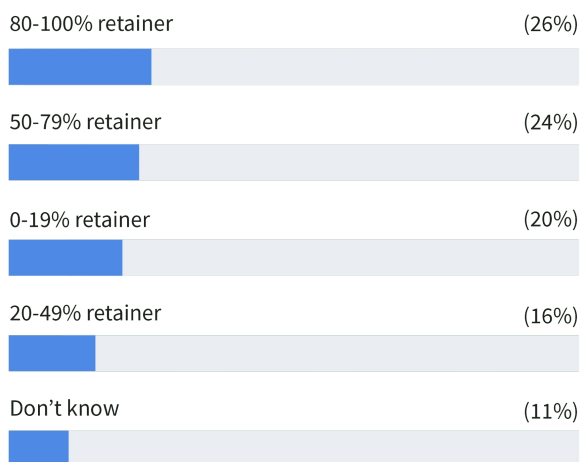
How does your agency price your paid advertising services?



## While agencies use project-based pricing, the majority still use retainers most often

For agencies that use a combination of retainer and per-project pricing models, almost half (44%) indicated that the majority of their business (50% or higher) was still retainer-based. Only 20% indicated that retainers were less than 20% of their business.

What percentage of your new business is retainer vs. project-based work?



## Majority of agencies customize their pricing model for each business opportunity

Another interesting and surprising trend our research uncovered is that a large majority (69%) of agencies customize their pricing model for each new business opportunity. However, in talking with agencies more about this, it seems that often while the price might be customized, their pricing models, in general, are streamlined — such as having different sizes of monthly retainers clients can choose from or different bundles of hours per month.

We customize our pricing model for each new business opportunity





“We have a performance pay model on the advertising side. On the membership program side, they can buy a buck of hours based on an hourly rate pricing model. So we look at the potential client and what they need to be successful, and then customize what type of retainer they choose.”

Kyle Shurtz, VP of Performance Marketing  
[Avalaunch Media](#)





## Pricing strategies: Outlook for 2021

Expect to continue to see much of the same for 2021 regarding how agencies price their services. Retainers will continue to dominate as the go-to agency pricing model, and fixed-rate pricing will remain the runner-up except in the case of paid advertising services, where a percent of ad spend is the second most common pricing model. Customized pricing models will likely continue to be the go-to for most agencies. However, those that can streamline the process may reap significant benefits in time-savings and overall client management.

Looking ahead  
to 2021

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## Looking ahead to 2021

As 2020 wraps up, we can expect most digital marketing agencies to stay on a similar trajectory to where they are now. Thus, they will likely continue to struggle to find new clients and grow revenue from existing clients. However, many exhibited strong confidence in their ability to tackle these challenges and continue growing their business.

Agencies will also continue to form long-term relationships with clients using primarily retainer-based pricing models. Similarly, agencies will continue to provide high value to their clients and be seen as strategic partners by providing creative services and proving their performance through the use of tools and technologies like Call Tracking, Form Tracking, and other marketing analytic software.

While there remains an undercurrent of uncertainty due to COVID-19, there seems to be agreement among agencies that even if more lockdowns occur, it likely won't be a repeat of spring. "My outlook, overall, is much more positive for 2021 than even for months ago," says Randolph. "I'm cautiously optimistic."

We second this cautious optimism and look forward to seeing how agencies continue to grow and thrive in 2021.

## Ready to position your agency for greater success in 2021?

CallRail provides lead tracking and marketing analytics to hundreds of digital marketing agencies, allowing them to deliver more value and clear results to their clients.

Start a free 14-day trial to see how.

[Start Free Trial →](#)

# CallRail