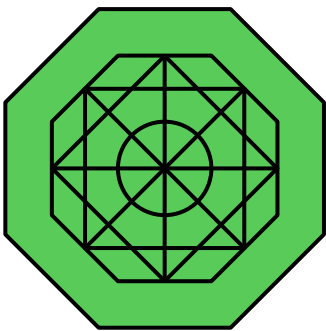


sproutsocial



# The agency pricing & packaging report

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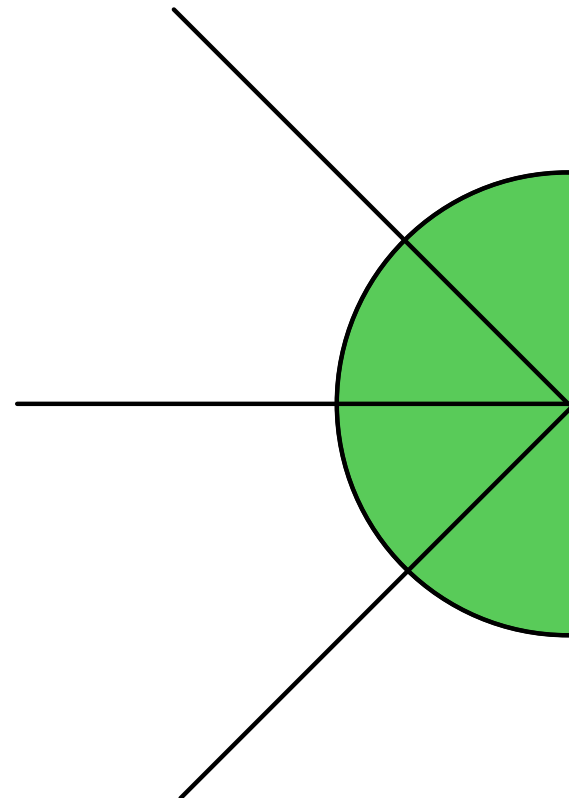
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# Introduction

Circumstances over the last few years accelerated the long-promised digital transformation, creating great challenges and opportunities for both brands and agencies using digital marketing. No digital outlet captures this swift shift from “nice to have” to “essential” better than social media.

Over the past two years, social media strategy, goals and tactics have evolved and become more sophisticated. Brands increasingly understand the impact social media can have on business outcomes and have fully incorporated social media into their marketing functions. And as more brands understand the power of social media, agencies need to reevaluate how they work with clients. Agencies need to shift their goals and the services they provide to contribute to their clients’ bottom line.

To understand how agencies are adapting to the changing digital landscape, we surveyed 228 agencies about their service offerings, client pricing and packaging and how they’re planning to build agency resilience in 2023 and beyond.

We hope you enjoy,



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**Sydney Nielsen**

Manager, Customer Marketing

# State of agencies

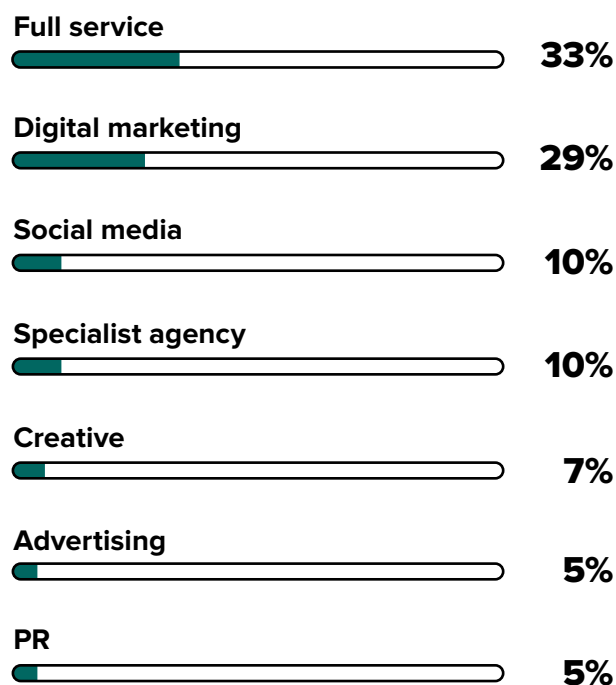
The only guarantee in #AgencyLife is change. Today, a major challenge agencies grapple with is more brands **moving marketing functions in-house**. Yet many agencies are finding success, and profit, transitioning away from traditional executional work and moving toward a role more akin to strategic advisor.

In 2021, US agencies experienced the **fastest growth in revenue** in the past 20 years, and over half of agencies surveyed in **The Global Agency Landscape 2022 Report** state that 2021 was either their best or one of their best years on record. With these numbers in mind, it's no surprise that nearly 80% of agencies we surveyed shared they have an optimistic outlook for 2023.

For the purposes of this report, we'll refer to agencies with 1–10 employees as SMB agencies, agencies with 11–50 employees as mid-sized agencies and agencies with over 51 employees as enterprise agencies.

The agency landscape is as nuanced as a Behr's paint catalog, but here are the broadstroke trends we see within the modern agency structure.

## How are agencies describing themselves?



**The average number of social media clients varies widely by agency.** A third of all agencies surveyed average 5–10 social media clients at one time, 28% average 1–5 clients, 24% average 10–20 clients and 15% manage more than 20 social media clients at a time.

Naturally, agency size dictates the amount of social media clients an agency can service.

- Nearly 40% of SMB agencies average between 5–10 clients, and an additional 32% average 1–5 clients.
- Mid-sized agencies have the highest number of agencies managing more than 9 clients at a time (26%).
- A quarter of enterprise agencies average 10–20 clients, 19% average 20–40 and 16% average more than 40 clients.

**The magic number of clients to client-facing teammate ratio.** When it comes to the number of clients each client-facing team member supports, 35% of all agencies surveyed say client-facing employees manage 3–4 clients. But there is a lot of variation here too. Some 19% of agencies manage 5–6 clients per client-facing team member, 19% manage more than 9 clients and 16% manage between 1–2 clients.

Breaking out the data by agency size and type provides a bit more color.

- Some 37% of SMB and mid-sized agencies average 3–4 clients per team member.
- Mid-sized agencies have the highest number of agencies managing more than 9 clients at a time (26%).
- Enterprise agencies most commonly manage between 5–6 clients per team member (34%).

- And digital marketing agencies are twice as likely to have their client-facing team members manage more than 9 clients (28%) than a full service agency (13%).

**The industries agencies serve.** When asked to specify the top industries agencies served, B2B (30%), Professional Services (30%), Healthcare & Wellness (23%), Advertising/ Marketing (19%) and Non-Profit (17%) were most common.



**Balancing efficiency and clients per team member are important to any agency's success. In a time when burnout is real and talent is scarce, agency owners need to be thoughtful about how much they're putting on their team members' plates.**

**Honing in on specific industries or services allows team members to balance more clients, as the learning curve is shorter and they can leverage insights and expertise across clients.**

**Agencies should also consider “grading” clients to gain a deeper understanding of the resources needed to manage each account. Identifying which clients are high touch or low touch, which ones are easy or more difficult to work with and the scope of services required for each client will help agencies zero in on best fit clients and effectively manage the team’s workload.**

# The elevation of social media

Very recently social media teams were struggling to convince **senior leadership that social media was business-critical**. Now, not only is there widespread consensus on the value of social media, it has become a refined marketing tool with applications across the organization.

**Social data presents a valuable opportunity.** Since 2020, we've seen a 14% decrease in agencies stating that educating clients on the value of social media is a top agency pain point. With less time spent convincing key stakeholders why and how they should use social media, many agencies are focusing on collecting, analyzing and delivering key social insights to share across a client's organization.

Nearly all agencies surveyed share social insights with their client's Marketing team (93%), followed by Sales (42%) and PR teams (33%). Less than 20% of agencies share social insights with Customer Service and Product Teams, and a mere 9% share social insights with HR.



While agencies are making strides to expand their footprint, they may be missing an opportunity to demonstrate the value their agency brings to the table.

Organizations continue to find more ways to leverage social data. There is a huge opportunity for agencies to provide value to clients beyond their key stakeholders by sharing contextualized social data and insights to departments beyond Marketing, Sales and PR.

## My brand uses social data for...

**65%**

Sales strategy

**48%**

Product development

**46%**

Content strategy

**44%**

Customer experience

**40%**

Competitive insight

**32%**

Market research

# The evolution of agency service offerings

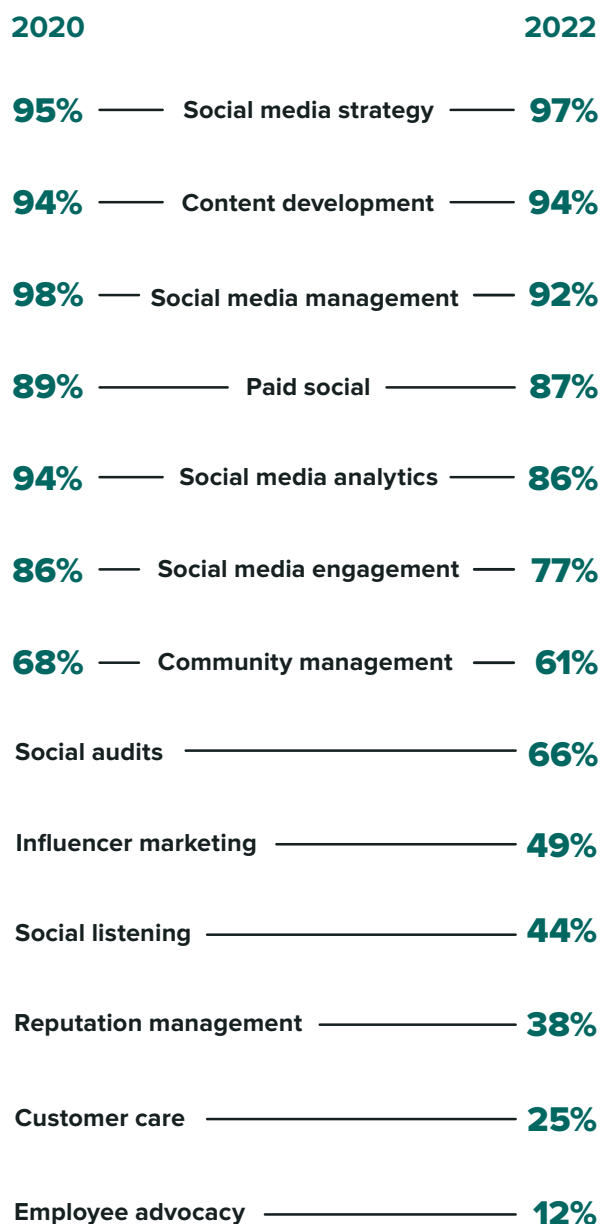
Social media has become a staple service offering. Maturation within the space has empowered social media professionals to create more sophisticated strategies and directly link their efforts to business impact. More often than not, clients are now looking to agencies to help tackle specific challenges and keep their brands at the forefront of innovation within the space.

With that in mind, it should come as no surprise that the number of social media services has ballooned over the past few years. Social media service offerings have become more specialized, more strategic and more scoped than ever to deliver on modern client needs.

**Service offerings are multiplying.** To deliver on changing client needs, the number and specificity of social media services offered has exploded over the past two years.

Clients have become more knowledgeable about what and how social media can impact business outcomes. Agencies have followed suit by refining services to clearly define goals, strategies and outputs of each service. In fact, agencies offer an average of 8 distinct social media services. And this number is likely to go up. A whopping **82% of agencies** predict clients will demand more specialized services over the next five years.

## Services included in agency social media packages





Even with the proliferation of social media services, there are still huge opportunities to innovate new service offerings that deliver significant business impact. **Social listening** and employee advocacy are two service offerings agencies should consider.

According to **Sprout Social Index**, 68% of marketers say their company has an employee advocacy program, yet only 12% of agencies are offering this service today. Agencies can quickly capitalize on this gap by offering employee advocacy strategy to clients with employee advocacy programs already in flight.

**Services are shifting away from execution and toward strategy.** While agencies are still handling plenty of executional work, three of the top five most offered services lean toward strategy. The vast majority of agencies offer social media strategy (97%), content creation and publishing (94%), social media management (92%), paid social (87%) and social media analytics (86%).

High-touch services like social media engagement and community management have become less popular since 2020.

**Agencies increasingly offer social media as a part of their whole service offering.** Seventy percent of agencies position social media as a part of their whole service offering and 39% as an optional add-on. Less than 30% only offer social media.

When asked what services outside of social media agencies offer, marketing strategy (84%), creative and design (84%), email marketing (79%) and content marketing (74%) were most common.



**Agencies continue to be important partners for creative and design work, but one service that agencies are increasingly dovetailing with social media services is email marketing.** Since 2020, agencies report an 8% increase in offering both social media and email marketing services (from 71% in 2020 to 79% in 2022).

**Social and email marketing are natural allies. Integrating social and email marketing can help collect customer data to drive both strategies forward. It can also help agencies capture Voice of Customer insights to better understand what is captivating to audiences, what they care about and how they think or talk about the client's products or services.**

# Package structure and contracts

When diving into how agencies have adapted contracts and package structure, we increasingly see agencies demonstrate flexibility. And while the industry at large has long been predicting the **death of the retainer model**, agencies share a different reality.

## Multiple contract types are the new normal.

Two-thirds of all agencies surveyed offer more than one type of contract, the most common being retainer (79%) and project-based (61%). We also see 36% of agencies offering campaign based contracts, followed by 33% of agencies who offer hourly contracts.

Of the 33% of agencies that only offer one type of contract, the vast majority only offer retainers (72%). And while the popularity of retainers is still going strong, there has been an 8% decrease in agencies offering retainers since 2020.

One contributing factor to the retainer model remaining as the “go-to” contract type for many, is that agencies have changed how the retainer model works. Agencies are building more flexibility into their retainer models in order to create contracts that work for both the agency and client during uncertain economic times.

**“For new engagements, we’ve moved from a four month trial to a twelve month agreement with the thirty day out clause. This allows us to extend our engagements, promoting longer commitments, but still providing a mechanism by which clients can easily get out of that contract if they really need to. We also use the contract length and the out clause as a lever when clients push back on price, offering discounts in return for a longer period in the out-clause.”**

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**Karri Carlson**

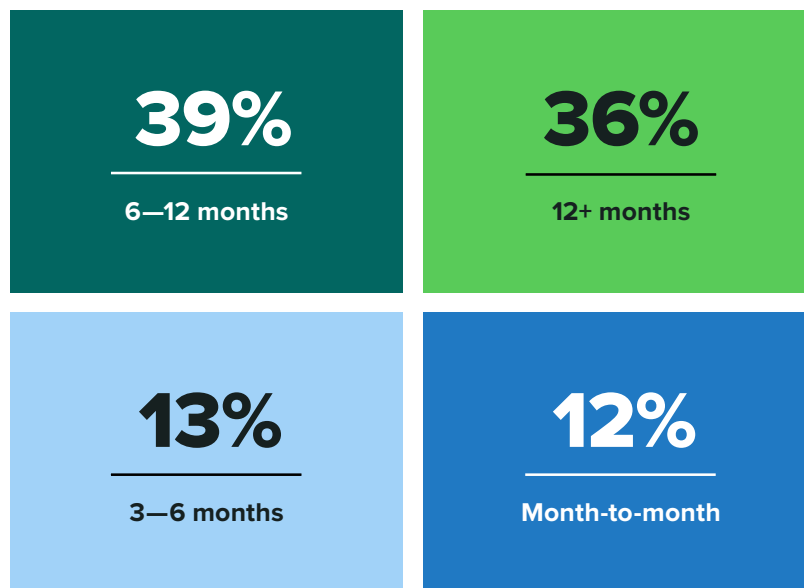
Co-founder and VP of Operations at Leadtail

**Contract lengths are moving targets.** When it comes to contract length, nearly two-thirds of agencies’ average contract length is less than 12 months. The most common average contract length for agencies of all sizes is from 6–12 months (39%), followed by 12+ month contracts (36%).

Since 2020, very short contracts are decreasing in popularity in favor of medium to long-term contracts. Month-to-month and 3–6 month contracts are down roughly 5%, while contracts greater than 12 months are up 8% in that same period.

SMB agencies offer the highest percentage of short contracts with nearly 20% offering month-to-month contracts. Only 6% of mid-sized and enterprise agencies offer month-to-month contracts. When it comes to agency type, digital marketing agencies have the highest percentage of month-to-month contracts (18%), while full service agencies boast the highest percentage of 12+ month contracts (39%).

### Average length of contracts



**Campaign and project-based work is a great opportunity for clients to “trial run” with agencies. Agencies with defined specialties and competitive differentiators will benefit from these trial runs as many brands seek out expertise to help them with specific campaigns, projects or problems.**

**Longer contracts can also be a great option for many agencies, as it empowers agency owners and leaders to build flexibility into contracts without putting their business at risk**

# Pricing

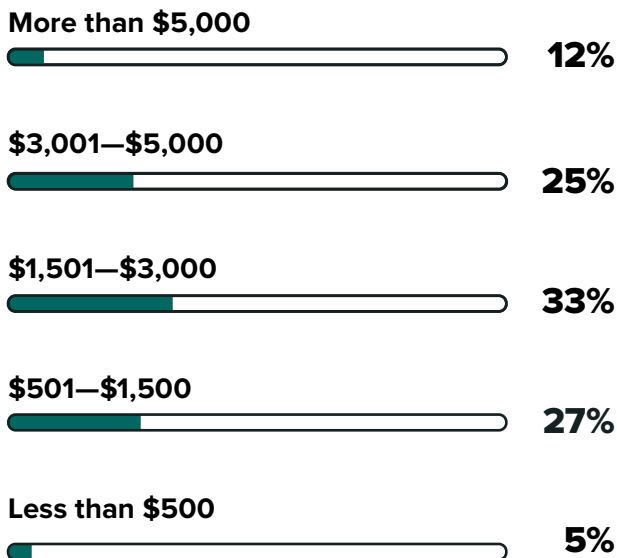
As the value of social media becomes more apparent, social media services demand a higher price. In fact, according to **The 2022 Outlook for Digital Marketing Agencies**, nearly a third of agencies state that social media services were their most popular and profitable offering in 2021.

**The average going rate for social media services is up.** In 2020 only 24% of agencies were charging \$1,500–\$3,000 a month. In 2022, a third of agencies charge between \$1,500–\$3,000. And an additional 37% charge more than \$3,000 a month, a 15% increase from 2020.

The size of the agency plays a large part in the price they demand. The bigger the agency, the more they charge. A quarter of enterprise agencies charge more than \$5,000 a month. Compare that with only 18% of mid-sized agencies and 5% of SMB agencies who charge more than \$5,000 a month.

## Average monthly price for social media services

### Monthly rate



As agencies scale their business, overhead costs will also grow. Agency owners need to make sure their prices grow with them to maintain a healthy margin and a healthy business. They should be thinking about where their business is heading and their business goals when setting prices to ensure they can remain profitable.

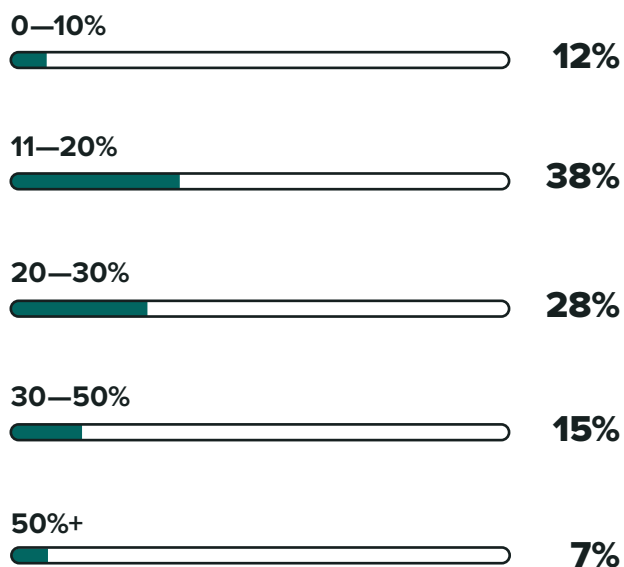
While scaling prices is amongst the top agency challenges, agencies with a deep understanding of their ideal customer profile (ICP) and the value their services contribute to their client's business will be poised to successfully increase pricing to align with the market.

### Arguably more important than price is margin.

Nearly 40% of agencies charge between 11–20% margins on their social media services, followed by an additional 28% that charge between 20–30%.

When it comes to agencies charging the lowest amount of margin, enterprise agencies surprisingly had the highest percentage (25%) charging 0–10% margin. Looking at agency type, social media agencies have the highest percent (22%) of agencies only charging from 0–10% margins.

### Average margins built into agency pricing



**Agencies are making the most popular social media services profitable.** When asked to share their top three profitable social media services, agencies reveal that social media strategy (56%), content creation & publishing (52%) and paid social (41%) top the charts.

The service that returns the most profit shifts depending on agency size. Sixty-four percent of SMB agencies share that content creation and publishing is their most profitable service offering, while mid-sized agencies shared that social media strategy is their most profitable service offering (62%). Enterprise agencies gain the most profits from paid social (59%).

Of agencies charging the highest margins (30–50+%), social media strategy (62%), content creation & publishing (60%) and social media management (40%) are the top services.

## Most profitable vs. Most popular services

### Most profitable social media services

- 1 Social media strategy
- 2 Content creation & publishing
- 3 Paid social
- 4 Social media management
- 5 Social media analytics
- 6 Social audits
- 7 Community management
- 8 Social listening
- 9 Social media engagement
- 10 Influencer marketing

### Most popular social media services

- 1 Content creation & publishing
- 2 Social media strategy
- 3 Social media management
- 4 Paid social
- 5 Social media analytics
- 6 Influencer marketing
- 7 Social media engagement
- 8 Community management
- 9 Social audits
- 10 Social listening



Agencies must take a hard look at their service offering to identify which services are paying, and which ones aren't. Agencies should consider adjusting pricing models, analyze costs invested and resources used to create more of a buffer once low profit services are identified. This will be important to build agency resilience in the long run.

# Agency challenges

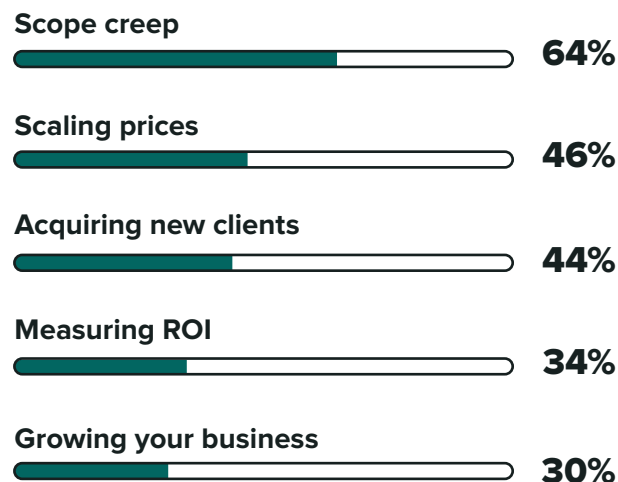
The most pressing agency business pain points have changed significantly since 2020. Agencies stating that growing their agency is a top pain point has decreased by 25%. There has also been a 21% decrease in the percentage of agencies struggling to measure and show ROI. These numbers are very encouraging and demonstrate just how much the digital landscape has changed in a short period of time.

But, of course, new challenges have emerged.

**Scope creep and scaling prices are top agency pain points.** Record inflation and emerging economic uncertainty put more of an emphasis on the need for agencies to minimize scope creep and build in mechanisms to scale prices.

Even with over 40% of agencies sharing they've increased pricing and 35% who have changed their pricing model in the past 12 months, scope creep and scaling prices are complex challenges agencies will continue to face in the next 12–24 months.

## Most common agency pain points



**“We were able to triple our average deal size for existing clients by aligning services with what we do best as an agency and charging for the value we bring to our business partners, identifying our ICP and graduating clients out of Chatterkick that weren’t a fit and empowering our internal team to sell by removing the founder (me!) from every pricing decision.”**

**Beth Trejo**

CEO and Founder of Chatterkick



During times of economic uncertainty, agencies go all in on retaining and growing existing clients. But that doesn't mean agencies should forgo scaling prices or keep a close eye on scope creep to ensure offerings remain profitable. Capitalize on the timing. Economic uncertainty presents a unique opportunity to begin open and direct conversations about budget trends, or part ways with challenging clients.

Agencies also need to put into practice a consistent cadence to walk clients through the tangible and intangible impact their work has on the clients business. Hard data is always great to share, and sharing social insights that could apply to other areas of the business will elevate the agency to the status of indispensable expert.

**Clients' budgets still pose the biggest pitching challenge.** Agencies are struggling less and less with educating prospects on the value of social. Since our last survey in 2020, we've seen a roughly 15% decrease in agencies sharing this as a top pain point.

Today more than two-thirds of agencies struggle with prospects' budgets, as well as agency pricing vs. prospects' expectations.

## Agency pain points for pitching services



As client budgets are reduced, agencies must have a clear understanding of what services can deliver an outsized impact to their clients' bottom line. With smaller budgets, clients will focus on how to maximize each dollar and shift their budget to where they can spend the least amount of money for the largest return.

**"Clients' budgets are tightening up as costs rise, many understand the value of marketing, but have limited budgets."**

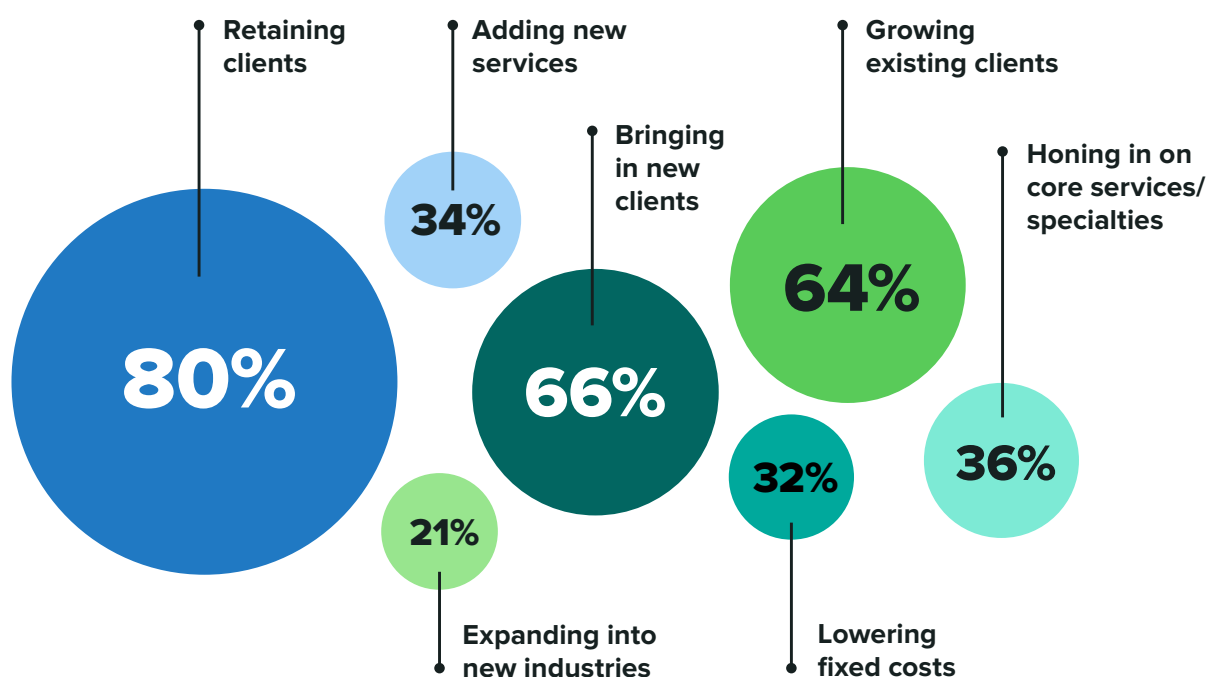
**Anonymous survey participant**

# Where to focus during times of economic uncertainty

When asking agencies where they focus during times of economic uncertainty, three main themes emerged: double down on client retention and growth, refine agency expertise and lower fixed costs.

**Client relations are THE #1 priority.** When agencies face economic uncertainty, they go all in on client retention, expansion and bringing new clients into the fold. Four in five agencies state that retaining clients is a top focus in times of economic uncertainty and two-thirds focus on bringing in new clients and growing existing clients.

## Agency focus during economic uncertainty



“We have been in business long enough to know that economic cycles come and go. We have strong relationships with clients and a healthy pipeline along with a diversity of service offerings.”

Anonymous survey participant

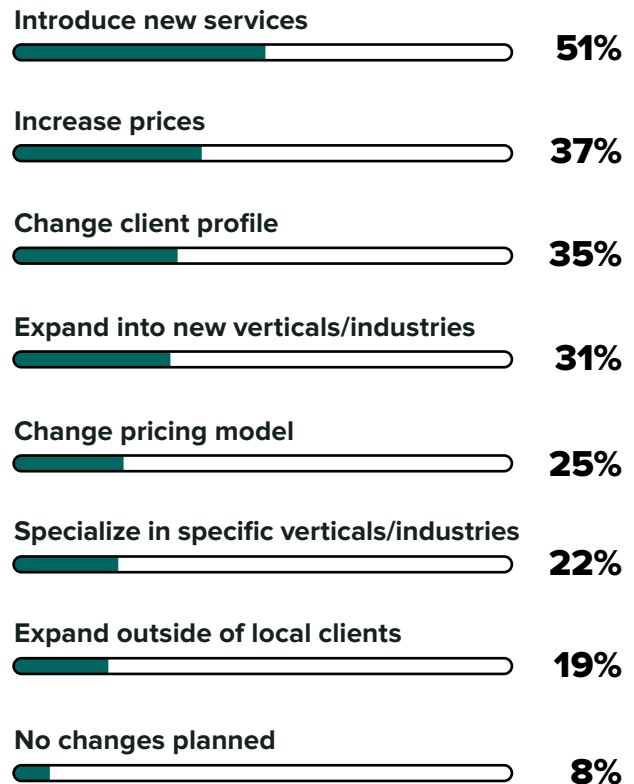


Understanding the macro-economic conditions within a clients' industry or vertical will empower agencies to identify where they can provide value and create services accordingly. Agencies that obsessively put themselves in their clients' shoes, and understand their clients' industry trends and pressures, will be well suited to foster stronger agency-client relationships. Things like flexible contract types and lengths and refined service offerings can demonstrate an agency's dedication to their client's success.

**Jack of all trades, master of none is a losing strategy.** Clients are coming to agencies with specific needs and looking to agencies to provide **instant expertise**. In turn, agencies are expanding their service offerings with specificity in mind. Over half of agencies have added new services in the past 12 months and more than a third have honed in on core services.

Those that haven't already created new services plan to do so within the next 12–24 months. More than 50% of agencies plan to focus on introducing new services. Agencies are also clear eyed about what types of clients they work with. In the next 12–24 months, over a third of agencies are evaluating what types of clients are best fit for their agency.

## How agencies plan to build resilience within next 12–24 months



Agencies conducting a deep analysis of ideal customer profile, taking into account services the team is best equipped to execute on and margins made on services, can arm agencies with the data needed to find best fit clients. That same data can empower agencies to identify adjacent verticals to expand into or highlight which verticals or industries align with agency strengths.

**Lowering fixed costs is a must.** Nearly a third of agencies focused on lowering fixed costs within the past 12 months. While on its face seems like a no brainer, deciding how to lower costs can be challenging, especially when contemplating reducing tech costs. Technology continues to improve and provide more robust insights and data than ever before. And with more agencies offering remote work, technology has never been more essential to ensuring teams are collaborating and communicating effectively. But that increase in sophistication often comes with a higher price tag.

When technology is on the chopping block, 87% of agencies prioritize functionality, 80% consider cost and almost half take into consideration contract length and flexibility.



**Nearly two-thirds of agencies have an average client contract length of less than 12 months, but roughly 20% of agencies are not passing tech costs through to clients, leaving agencies on the hook for tech costs even after client contracts are up.**

**Consider leveraging referral programs like Sprout's Agency Partner Program to lower your agency's cost and reduce risk by empowering clients to own their tech contracts. This also presents opportunities to add more value to clients through new services or provide solutions to other departments, such as customer care or human resources. With the right strategy in place, referral programs can become great opportunities for generating additional revenue.**

**“We are introducing new services to bundle with current as add-ons to retain and attract more clients.”**

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**Anonymous survey participant**

# Building agency resilience is a must in 2023

The challenges agencies face are real and becoming more complex by the day. But agencies are well poised to tackle the challenges ahead. Accustomed to finding the silver lining, agencies are aware of what they need to do to survive and potentially thrive during periods of economic uncertainty.

Agencies are taking customer obsession to the next level. Already highly sensitive to the needs and wants of the clients they serve, agencies are going to great lengths to accommodate and service their clients. They are doing so by becoming the trusted advisors clients can lean on to ensure their shrinking budgets garner the greatest ROI. Specialization, clear competitive differentiators and niche expertise are the ways forward for the modern agency.

A deep and detailed understanding of the health of the agency business has never been as important, which for many agency leaders may mean stepping back from the day to day work. In today's environment, agency owners and leaders must lend a shrewd eye to all aspects of their agency business. Investing in analyzing the profitability of services offered, ideal client profiles, putting into place systems for mitigating scope creep and building in opportunities to scale prices will ensure agency success. In short, their number one focus must be building agency resilience.

**“Bad companies are destroyed by crisis, Good companies survive them, Great companies are improved by them.”**

**Andy Grove**

Former CEO at Intel

**Learn more about how the Sprout Social Agency Partner Program can help your agency build resilience**



## About the data

The “Agency Pricing and Packaging Report” is based on a survey of 228 agencies. The survey was conducted online between August 25–September 30, 2022. Graphics are rounded to the nearest percentage and may not add up to exactly 100%.

Of the 228 agencies surveyed, 28% describe themselves as a Full service agency, 29% digital marketing agency, 10% Specialist agency, 7% Creative agency, 5% Advertising agency and 5% PR agency. As for size, 52% of respondents work at SMB agencies, 34% mid-sized agencies and 14% enterprise agencies.

## About Sprout

Sprout Social offers deep social media listening and analytics, social management, customer care, commerce and advocacy solutions to more than 33,000 brands and agencies worldwide. Sprout’s unified platform integrates the power of social throughout every aspect of a business and enables social leaders at every level to extract valuable data and insights that drive their business forward. Headquartered in Chicago, Sprout operates across major social media networks, including Twitter, Facebook, Instagram, TikTok, Pinterest, YouTube and LinkedIn. Learn more at [\*\*sproutsocial.com\*\*](https://sproutsocial.com).