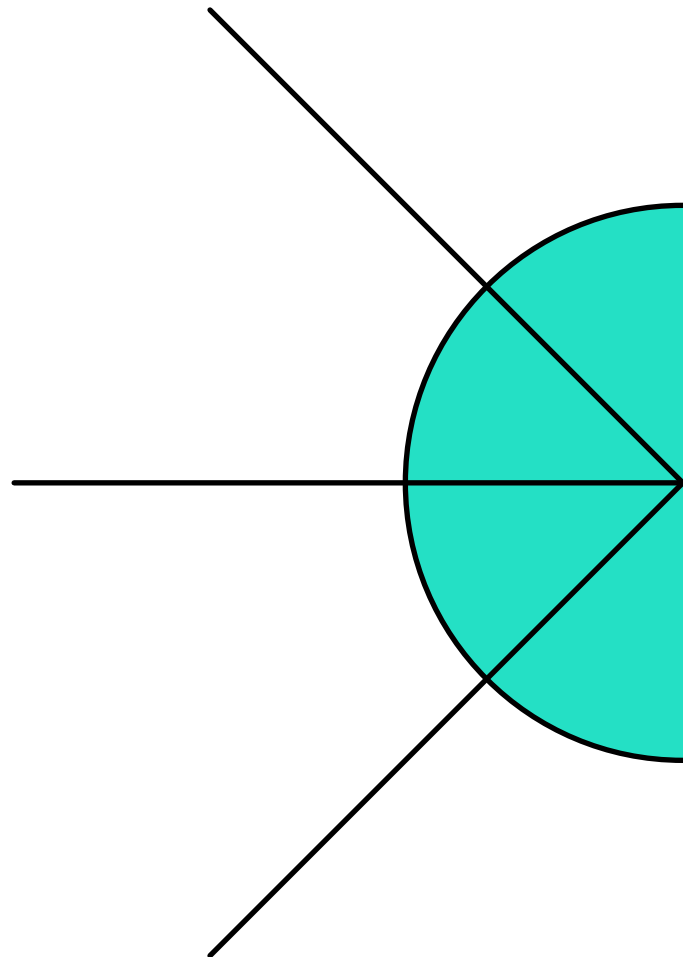


The agency pricing & packaging report

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About this report

In the past few years, agencies have fully embraced the rising popularity of social media. As shops increasingly expand their social media capabilities and client adoption of social media service offerings increases, the question agencies face these days is how to most effectively price and package their services.

To better understand how agencies are thinking about social, we surveyed 440 agencies about their service offerings, their client packages and their contract and quoting processes. We also dug into how agencies are responding to this year's challenges and why, in spite of all the unexpected disruptions, they're still positive about the outlook of 2021.

Hope you enjoy. Cheers,



Sydney Nielsen
Agency Marketing Strategist

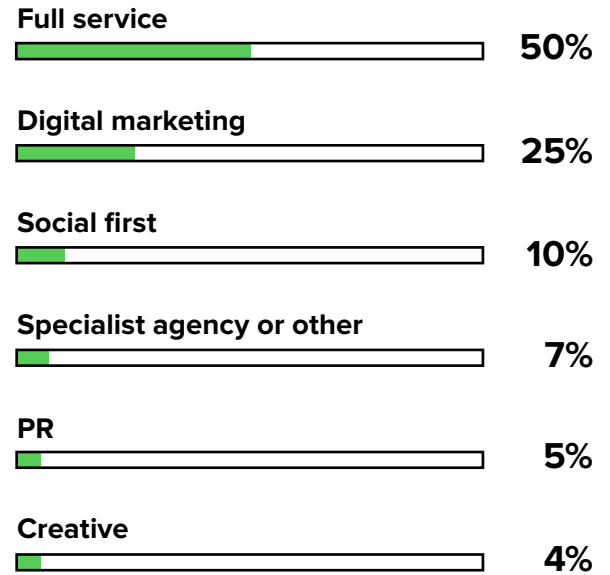
State of the agency

The specific needs, challenges and solutions that agencies provide will vary based on factors like expertise, location, size and offerings. Of the 440 agencies surveyed, half (50%) describe themselves as full-service agencies while 25% say their agency offerings fall into digital marketing.

As for size, the majority of respondents work for agencies with fewer than 50 employees. Sixty-three percent of respondents work at agencies with one to 10 employees, while 29% work at agencies with 11-50 employees. Only 9% of respondents listed their agency as having 51 or more employees.

We also broke down agency respondents by location and region, when applicable. Seventy percent of agencies surveyed are headquartered in North America, 21% in Europe, Middle East and Africa (EMEA), 5% in Asia Pacific and 3% in Latin America. Sixty one percent of agencies surveyed describe their location as urban, 27% suburban and 8% rural. Of the 63% of agencies located in the USA, 20% from the Midwest, 13% from the Northeast, 32% from the South and 30% from the West.

How are agencies describing themselves?



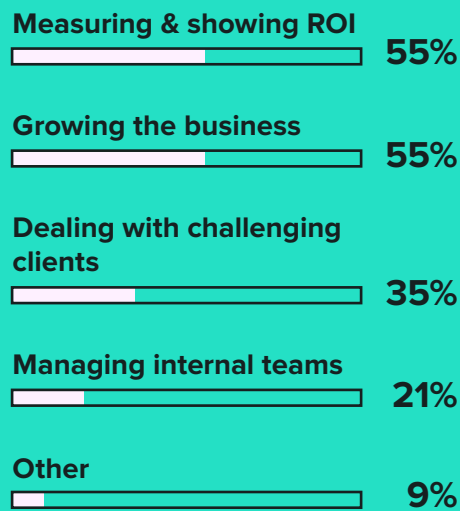
Note

It's also important that we touch on how agencies have been impacted by the events of 2020. Due to COVID-19, 60% of agencies have adjusted their business goals. Additionally, 47% of agencies have experienced net revenue loss (53% for EMEA agencies), 47% have shifted target client demographics, and 38% are forging a new concept of #AgencyLife by offering more remote work options.

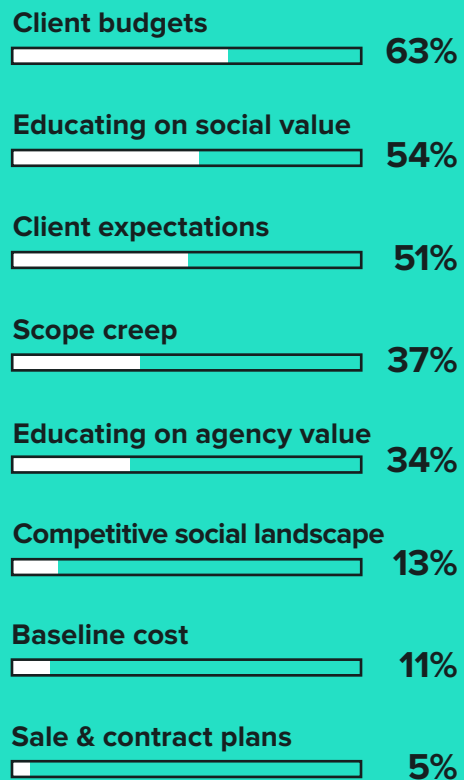
Common pain points

When asked about their most common pain points, the majority (55%) of agencies cited two specific challenges: measuring and showing ROI, and growing their business. Other challenges include scope creep, lack of time or bandwidth, client churn and working with clients who have shrinking budgets.

Most common agency pain points



Common agency pain points in pricing & pitching services



Agencies also experience a number of pain points when it comes to pricing and pitching their social media services. A whopping 63% of all agency respondents said client budgets were their number one pain point when it comes to pricing, followed by educating clients on the value of social (54%) and client expectations (51%). When we break agencies down by type, we find creative agencies in particular struggle to price their services because of client budgets (81%) and expectations (75%).

Key takeaway

Use data to demonstrate the value of social. Clients continue to struggle to embrace the full value of social, but it is well within the agency's reach to change their perspective. Make it a habit to focus the impact of social on client objectives by surfacing powerful social data points, including actionable insights and highlighting how you use (social) data to create impactful, agile marketing strategies.

Social media service offerings

As agencies continue to evolve their services to meet their client needs, data reveals many are rounding out their social media service offerings to be as robust as possible. While most agencies currently offer social media management and strategy services, we're also seeing a rise in social analytics and engagement offerings as standalone services.

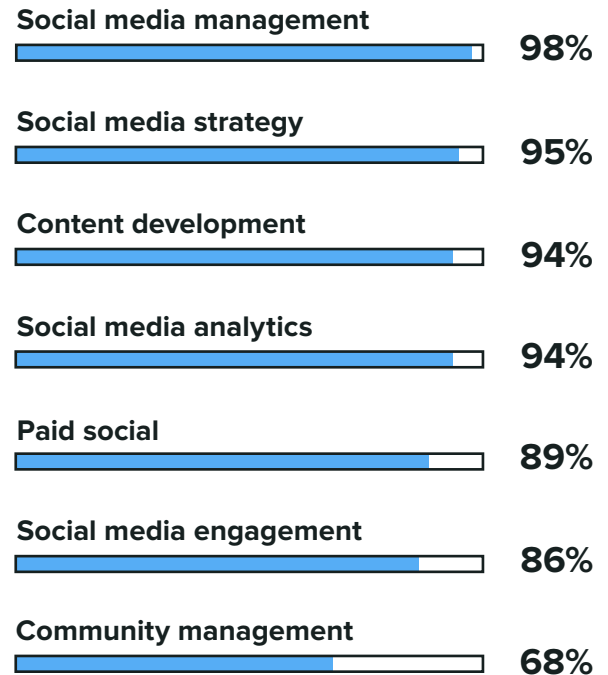
The development of new and sophisticated service offerings provides a glimpse into how both agencies and clients interpret the value of social media as more than a one-track marketing channel. Additionally, the more services an agency provides gives clients more opportunities to identify which offering most closely aligns with their social media needs.

A closer look

Upon further inspection, the types of social media services offered varied depending on the agency type.

- When it comes to social analytics, only 86% of PR agencies offered this service compared to 95% of all agency respondents.
- For agencies that identify as social-first, paid social (93%) and community management (80%) play a prominent role in their service offerings.
- For agencies in the EMEA region, the top three services they offer are: social media management (98%), social media strategy (93%) and social media analytics (91%).

Services included in agency social media packages



Key takeaway #1

Bring your expertise to the table. With services like social media strategy, don't be afraid to serve as an advisor to your clients and to give them the tools they need to develop their strategies from the start. Your clients are looking to you for your expertise; part of your service is knowing how to impart that wisdom on to your clients.

Key takeaway #2

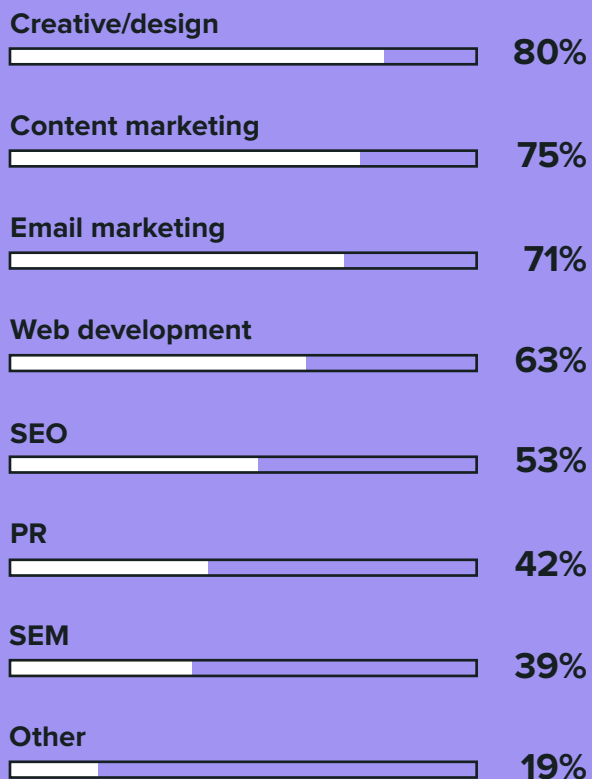
Weave social across all your offerings. Based on the data, it's safe to assume social media services will remain in high demand as clients continue to look to agencies for their expertise and efficiency in executing across the social space. As you continue to round out your offerings, it's not too early to start thinking about how social services can complement or support your other marketing offerings.

How social is paired with other marketing services

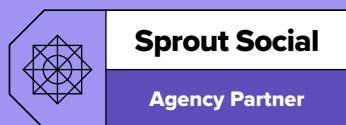
The value of social can't be understated, but it's equally important to remember that social is just one part of an agency's cohesive service offerings. Agencies are becoming more intentional with how they position social services in their overall repertoire, with 70% of saying social is treated as an integral part of the overall service package they provide.

When asked about what other services agencies provide, the number one response was creative and design services followed by content marketing and email marketing. For those who selected "Other," services ranged from social listening to influencer marketing to review management.

Other agency service offerings



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Key takeaway #1

Find complementary services to support social. Agencies surveyed are least likely to offer social media services in addition to SEM (30%), PR (42%) and SEO (53%). But these services often serve the same goals as social: to reach and connect with potential customers. And from an offerings perspective, the more complementary services you can offer the more complete package you can provide for your clients.

Key takeaway #2

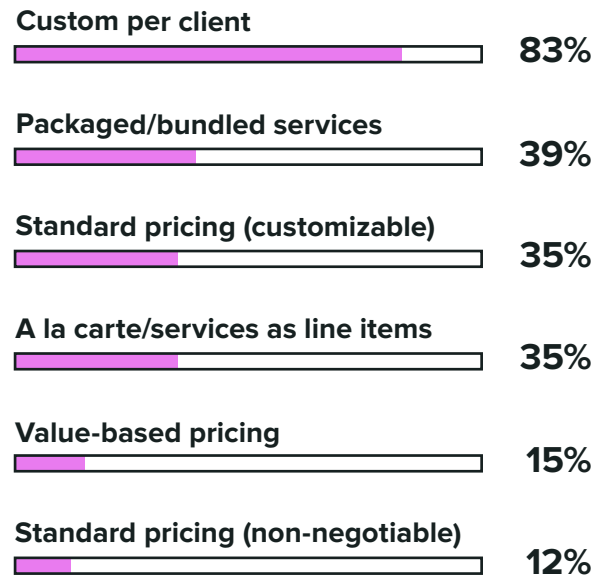
The key to expanding social's impact into other services? **Social data.** Agencies that find a way to streamline social data findings and actionable insights to inform other offerings can educate clients on the value of social and position your agency as a trusted advisor, potentially expanding your reach within your client's organization. Leverage tools like deep social data analytics and **social listening insights** to analyze, identify and deliver far reaching insights to reach your client's business objectives.

Restructuring client contracts

When it comes to structuring client contracts, customization is key. Survey data reveals agencies are more than twice as likely to customize proposals per client than they are to offer a packaged or bundled service. With greater flexibility, agencies can diversify their offerings while also eliminating unnecessary bloat or features and services that clients don't need. As for how agencies offer their services, the majority (88%) say they do so on retainer while 67% work on a project-basis and 42% on a campaign basis.

Overall, the most popular option agencies offer is a 6-12 month contract followed by a 12+ month contract and a 3-6 month contract. When we break down respondents by agency type, however, the length of contracts tends to differ depending on the type of agency. For example, half of PR agencies say their average contract lengths are 12+ months while social-first agencies tend to offer more month-to-month contracts.

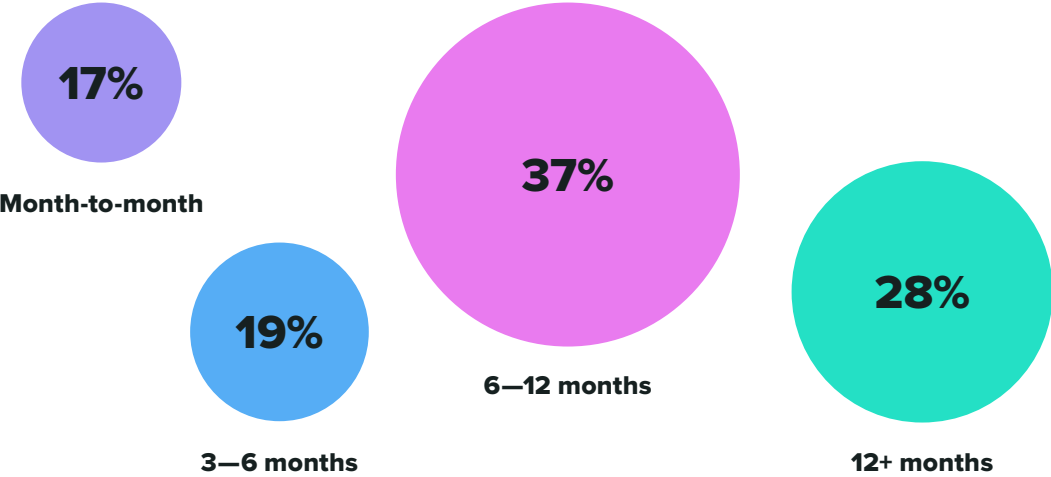
How do agencies build proposals/packages?



Note

Of course, we must acknowledge how the events of 2020 have impacted the agency quoting process. While 37% of agencies say their quoting process hasn't changed as a result of COVID-19, 28% of agencies say they are offering more service and package customizations. An additional 22% of agencies have seen an increase in project work, while 20% are offering more a la carte options and 10% are increasing their retainer work.

What is the average contract length?



Overall, the most popular option agencies offer is a 6-12 month contract followed by a 12+ month contract and a 3-6 month contract. When we break down respondents by agency type, however, the length of contracts tends to differ depending on the type of agency. For example, half of PR agencies say their average contract lengths are 12+ months while social-first agencies tend to offer more month-to-month contracts.

Key takeaway

Differentiate your agency by offering value-based pricing. Value-based pricing is a pricing model that aims to quantify the value your agency will deliver to your client’s business and price accordingly. With only 15% of all agencies using value-based pricing, implementing this pricing method will instantly set your agency apart, promoting transparency and grounding your agency services in the value they bring to your client.

Pricing & margins

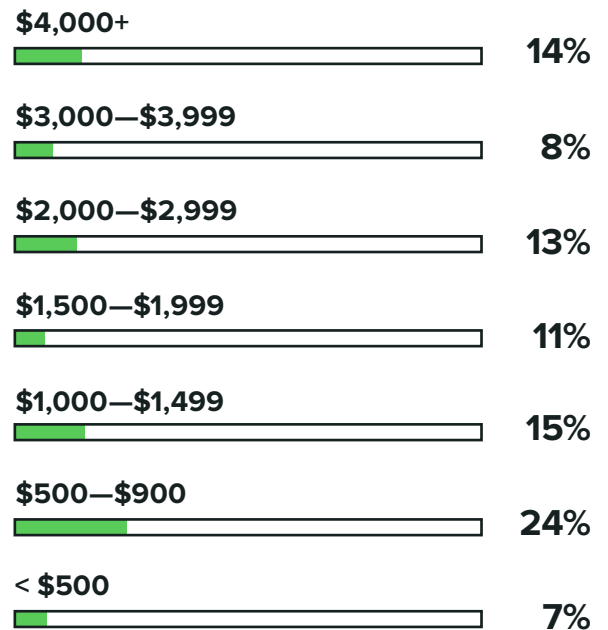
How agencies structure their pricing models can influence their long-term success, from the types of clients they work with to the various services they're able to offer.

When asked how much agencies are charging for their social media services, 24% of all agency respondents say they charge an average of \$500-\$999 per month while 15% charge within the \$1,000-\$1,499 range. Interestingly, 28% of agencies say they did not offer hourly rates, but of those that do, a quarter charge between \$100-\$149 per hour for their social media services.

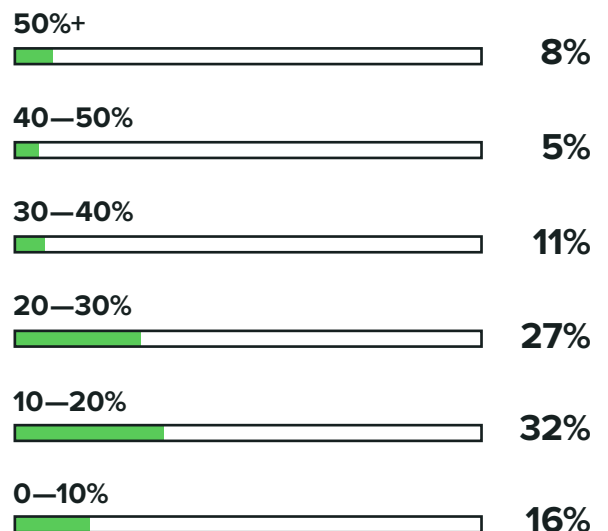
When asked how margins are built into their pricing process, 59% of all agency respondents include margins between 10-30%. Notably, agencies with higher margins built into their pricing options tended to have longer contracts. Forty-six percent of agencies that built 50% of their margins into their pricing had an average contract length of 12+ months compared to just 20% of agencies with 10-20% of their margins built in.

What do you charge for social media management?

Monthly rate



Average built-in margins



While 29% of agencies say they have had to discount their pricing due to COVID-19, 37% of agencies cited no change to their quoting process at all. Interestingly, agencies operating in rural markets appear to be more immune to the events of 2020, with almost half (48%) saying there has been no change to their quoting process compared to 31% of agencies in an urban location who say the same. Additionally, one-third of agencies located in an urban setting say COVID has forced them to offer discounted pricing, compared to just 18% of rural agencies who say the same.

A closer look

- 48% percent of all agencies say they do not pass through the costs of technology that they use for their clients. Of those that do, 56% say they build those costs into their monthly rates while 29% add technology costs as a line item.
- PR agencies were found to charge the most, with 23% charging over \$4,000 per month on average for their social services. Additionally, PR agencies were more likely than other agencies to pass through technology costs to their clients, with 59% passing costs through compared to just 37% of creative agencies who do the same.

Key takeaway #1

Aspire to align contract scope to your relationship vision. Longer contracts and more robust service offerings are a joint investment by both agency and client to meet today's need and invest in the future state of the business. Longer contracts—with confidence and flexibility at the core of the offering—can lead to higher margins and the ability for agencies and clients to build trust throughout the length of the relationship.

Key takeaway #2

Contract and pricing transparency builds deeper relationships. Almost half of all agencies surveyed do not pass through the cost of technology platforms to clients. Of those that do, only 29% call it out as a line item. And with more than half (54%) of agencies struggling to educate their clients on the value of social, shifting to a more transparent pricing model can create a shared understanding of agency costs and tooling and can help to demystify how your agency is maximizing your client's budget.

Conclusion: Looking forward

Social media has become a staple amongst agency offerings. But for all its popularity, there's still evidence that clients don't fully understand the impact of social and why it's worth investing in. For agencies, educating clients on the true value of social will be key when it comes to pitching and winning new business. Coupling social with strong, tangible offerings that align directly to client business objectives will help agencies position themselves and their services as business-critical.

Flexibility, open communication and trust matter. Agencies that adapt their operations to meet changing client business needs and are transparent about their costs will not only maintain their seat at the table, but expand their reach within client organizations.

And despite the challenges 2020 has thrown their way, agencies remain overwhelmingly optimistic about the future. Agencies of the future will need to be flexible, agile, more intentional with their work and above all, dedicated to adapting to the clients needs. And those who cling to the past will find themselves struggling to keep pace with the rest of the industry.

About the data

The “Agency Pricing and Packaging Report” is based on a survey of 440 agencies. The survey was conducted online between August 25-September 25, 2020. Graphics are rounded to the nearest percentage and may not add up to exactly 100%. See more in the [appendix](#).

About Sprout

Sprout Social offers deep social media listening and analytics, social management, customer care and advocacy solutions to more than 23,000 leading brands and agencies worldwide. Sprout’s suite of solutions supports every aspect of a cohesive social program and enables organizations of all sizes to extend their reach, amplify their brands and create the kind of real connection with their consumers that drives their businesses forward. Headquartered in Chicago, Sprout operates across major social media networks, including Twitter, Facebook, Pinterest, Instagram and LinkedIn.

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