

2024 SURVEY

STATE OF THE INDEPENDENT AGENCY

CHALLENGES AND
OPPORTUNITIES



Overview

About the Survey

Throughout October and November 2024, Sonnet invited senior managers, founders and directors of independent agencies across the United States, Australia, Canada and New Zealand to participate in a survey to gather insights into the current agency landscape. A total of 89 responses were received.

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About Sonnet

Sonnet's mission is to help independent agencies grow.

Our white-label web development and digital marketing services assist agencies in overcoming resource challenges related to capacity and capabilities. Our cost-effective, flexible engagement model offers a low-risk, sustainable solution for scaling operations.

For more information visit sonnet.digital. Follow us on [LinkedIn](#) to stay updated with the latest trends impacting agencies, and be sure to [subscribe to the Edge email newsletter](#) to receive invitations to participate in future surveys.

Highlights

- Whilst there is a broad make up of agencies surveyed, the “typical agency”:
 - has been established for over 10 years;
 - reports annual revenue between 1m and 5m and;
 - has a profit margin of between 21 and 30%.
- Many agencies regularly engage 3-5 freelancers or contractors and 2-5 external partners or suppliers.
- Email Marketing and Data Analytics are generally areas where agencies feel less competent.
- Scarcity of skills and cost constraints make it challenging to secure resources.
- Not having enough clients is the primary challenge facing agencies.
- AI is moderately adopted by 75% of agencies, even though it is perceived to have only a slightly positive impact on the industry. Nonetheless, it is evidently seen as a necessary technology to embrace.
- Remote work is firmly established. Nearly half of the agencies are fully remote and have no plans to change this in 2025. Furthermore, almost 40% of agencies view the impact of remote work as extremely positive.
- 37.5% of agencies perceive the current economic climate as negatively affecting their operations, with an additional 33% uncertain about the impact.
- Despite these challenges, over 60% of agencies anticipate revenue growth in 2025, showcasing the optimism within the independent agency community! 😊

Cross Analysis

The survey results were analysed using AI, and the following cross-analysis findings were identified.

Agency Age

- Newer agencies (1-2 years) tend to use fewer full-time employees and rely more on freelancers and partner agencies. They also report lower annual revenue and profit margins.
- Established agencies (10+ years) report higher use of full-time employees (local), higher annual revenue, and more diverse service offerings, including advanced skills in Web Development and UX/UI Design.

Profit Margins

- Agencies with the highest profit margins are predominantly fully remote, with some adopting primarily in-office with occasional remote work.
- Agencies with lower profit margins, primarily perceive a negative economic impact.

Use of Freelancers and Partners

- Agencies using 1-2 freelancers often report moderate difficulty in finding resources and tend to focus on core services like Web Development and UX/UI Design.
- Agencies using 10 or more freelancers report higher annual revenue and a broader range of services, including advanced skills in SEO and Paid Media.
- Agencies with only 1 partner report lower annual revenue and fewer full-time employees. They also face more challenges in scaling digital solutions
- Agencies with 5 or more partners report higher annual revenue, more diverse service offerings, and advanced skills in multiple areas, including Data Analytics and Content Creation.

Resource Usage and Diversity

- Agencies with annual revenue less than 250k report fewer full-time employees and more reliance on freelancers. They also face more challenges in finding resources and scaling digital solutions.
- Agencies with annual revenue greater than 5m report higher use of full-time employees (local and offshore), more diverse service offerings, and advanced skills in multiple areas, including Data Analytics and Content Creation.

AI and Work from Home (WFH)

- Adoption of AI in agencies in the US and Canada is lower than that of agencies in Australia and New Zealand.

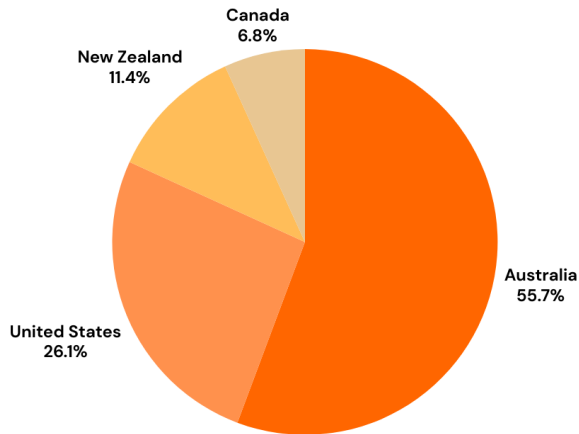
- The US has adopted a fully remote WFH model more than any other country.

The Economic Climate

- More agencies in Australia and NZ perceive the economic climate to be negative versus the US who are more uncertain. Canada agencies have a more varied perception across uncertain, negative and neutral.

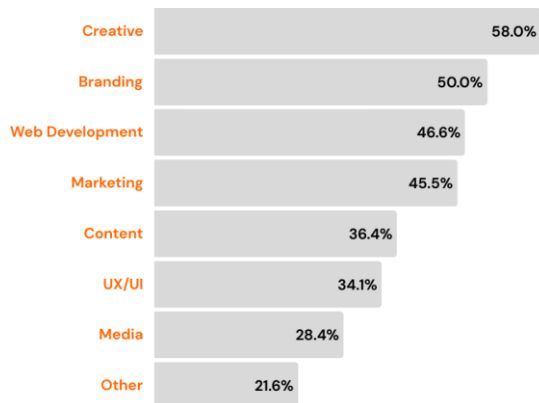
Agency Profile

Fig 1: Where is your agency based?



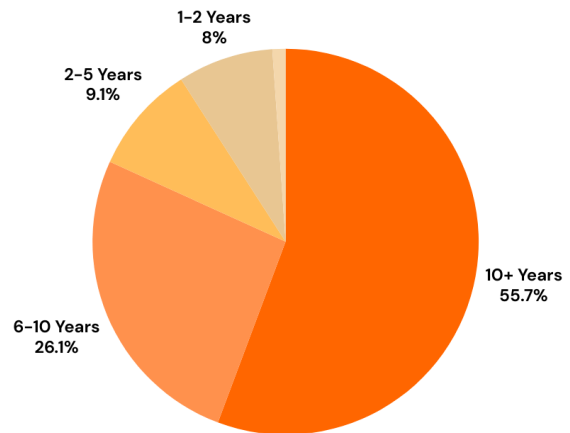
More than half the agencies were based in Australia, with a significant number in the United States.

Fig 2: What are the primary focuses of your agency



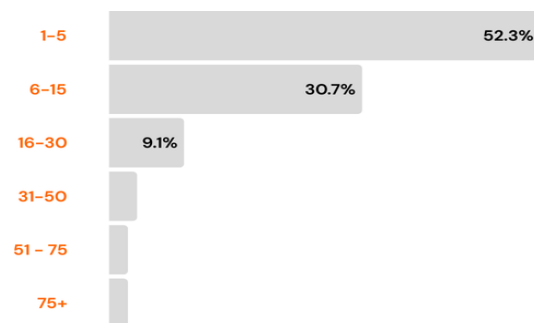
58% of agencies identified Creative services as their main focus for most agencies, with significant attention also given to branding, web development and marketing.

Fig 3: How long has your agency been established?



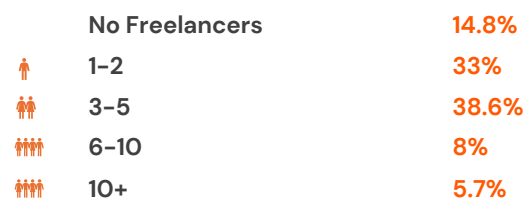
The majority of agencies have been established for over 10 years.

Fig 4: How many full-time employees does your agency have?



The bulk of the agencies surveyed have less than 30 full-time employees.

Fig 5: How many different external freelancers or contractors does your agency regularly use?



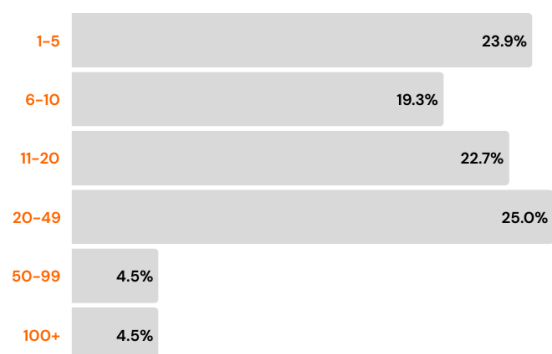
Many agencies regularly use 3-5 freelancers or contractors.

Fig 6: How many different external partners or suppliers does your agency regularly use to support your service delivery?

	No Partners	17%
👤	1	10.2%
👥	2-5	50%
👥👥	5+	22.7%

Most agencies use 2-5 external partners or suppliers.

Fig 7: How many clients do you regularly service?



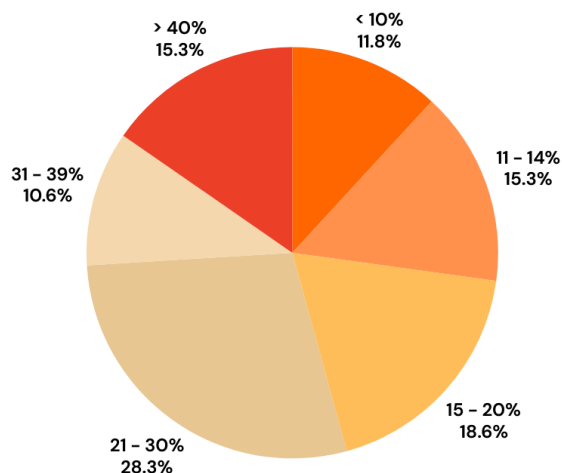
Agencies commonly service 20-49 clients, with significant numbers also servicing 1-5 and 11-20 clients.

Fig 8: What is your annual agency revenue?

\$	< 250k	17.2%
\$\$	250k - 500k	19.5%
\$\$\$	500k - 1M	18.4%
\$\$\$\$	1M - 5M	34.5%
\$\$\$\$\$	>5M	10.3%

Whilst revenue ranges were broad, the majority of agencies surveyed, report annual revenue of 1m-5m.

Fig 9: What is the profit margin of your agency?



Although there is a wide range, the most common profit margin falls between 21-30%.

Current Digital Solutions

Fig 10: Which digital solutions does your agency currently offer?

Agencies surveyed typically offer a comprehensive range of services with Web Development and Content Creation being the most common.

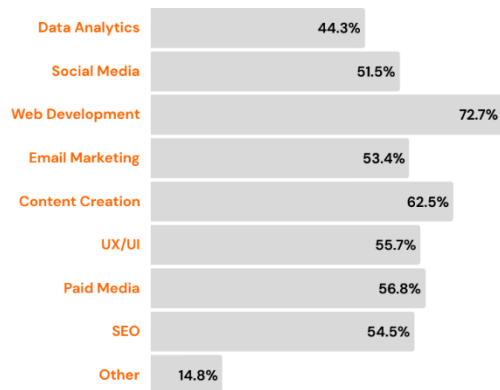
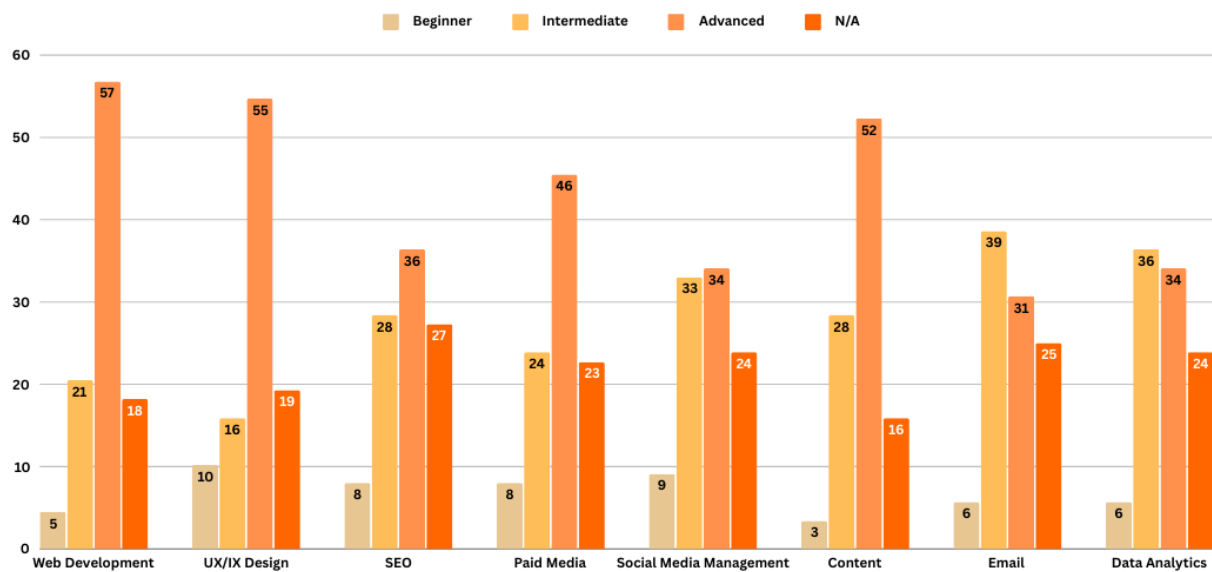
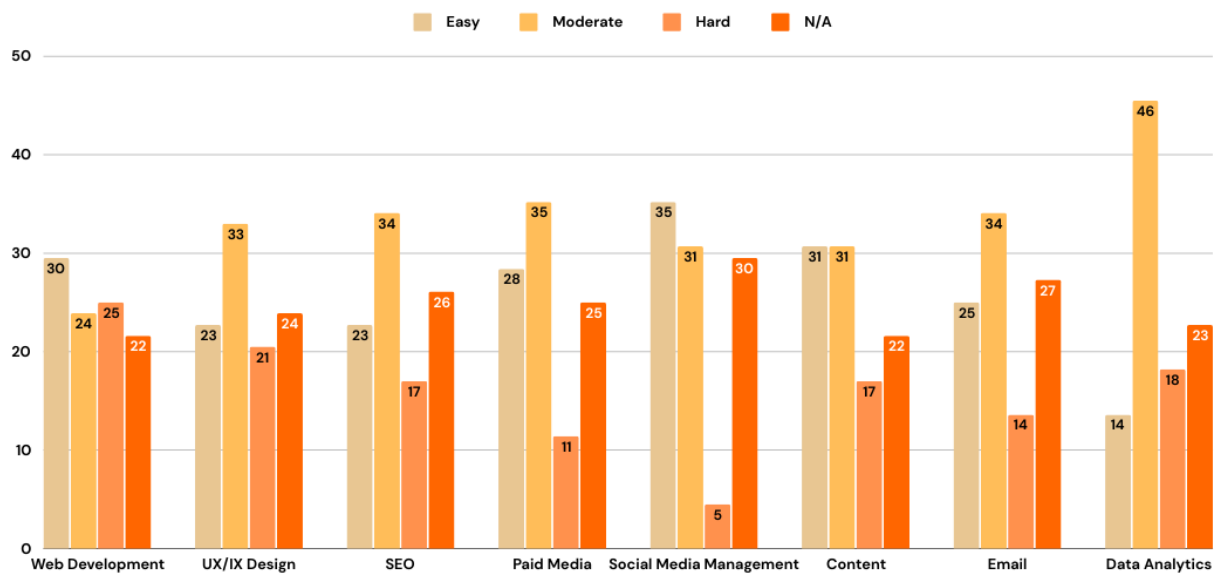


Fig 11: How do you rate your agency's level of skill in these digital solutions?



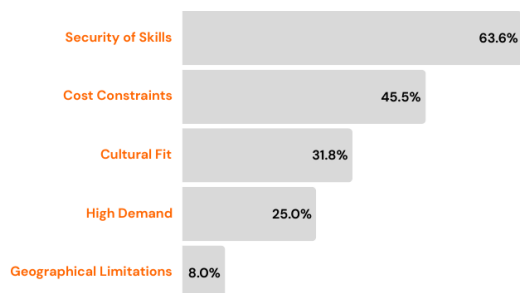
Many agencies rate their skill as advanced in Web Development, UX/UI, and Content Creation.

Fig 12: Which digital capabilities are the hardest to resource for your agency?



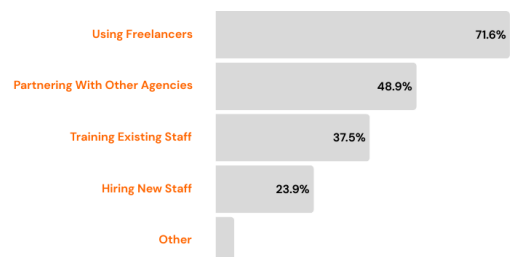
Data analytics, followed by web development, are generally the most challenging roles to fill. In contrast, social media and content roles are the easiest to resource.

Fig 13: Please indicate the reasons they are hard to resource



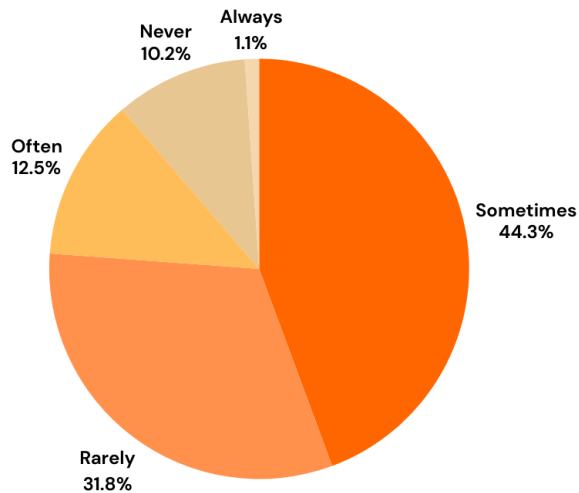
The most common reason resources are difficult to obtain is the scarcity of skills, with cost constraints also playing a significant role.

Fig 14: How do you currently address gaps in digital capabilities?



Partnering with other agencies and using freelancers are common strategies. Hiring new staff is much lower than the average.

Fig 15: How often does your agency face capacity issues when scaling digital solutions?



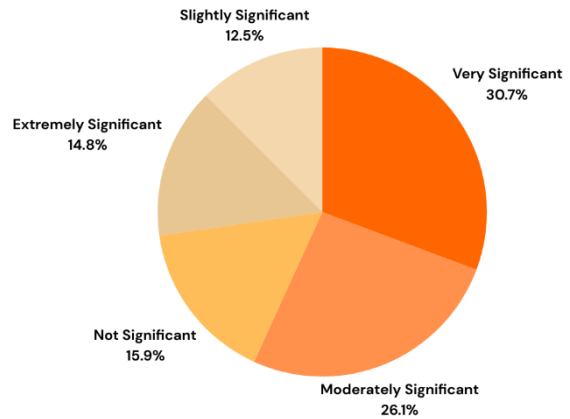
Agencies commonly face capacity issues sometimes with very few agencies always facing capacity issues.

Fig 16: What strategies do you use to manage capacity challenges?

Hiring Freelancers	72.7%
Outsourcing to other Agencies (including White Label)	39.8%
Using Automation Tools	37.5%
Increasing Intern Staff	33%
Other	5.7%

Hiring freelancers is by far the most common strategy to manage capacity challenges.

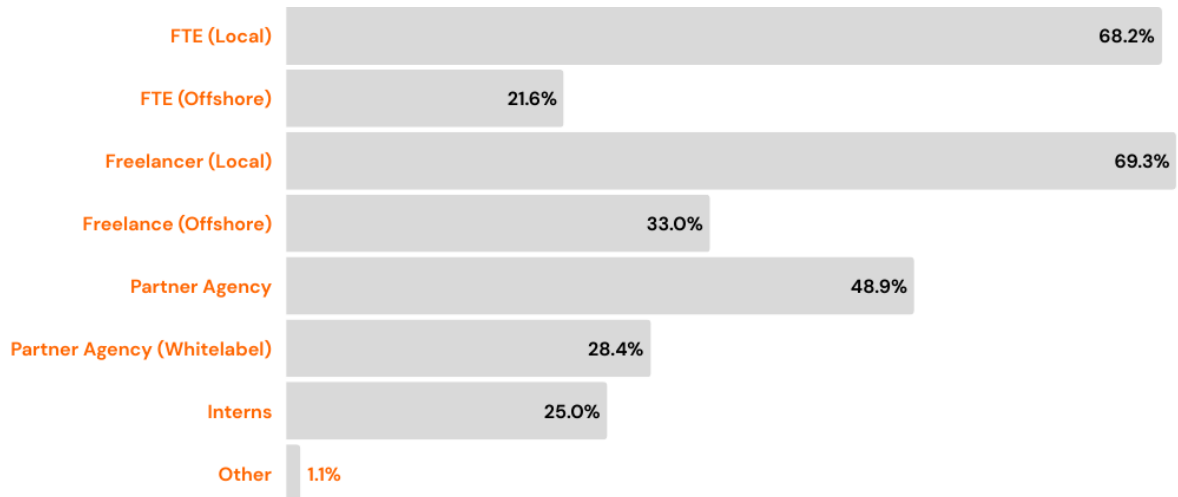
Fig 17: How significant is the cost of labour in your decision to expand your digital solutions?



The cost of human resources is very significant for most agencies in decisions to expand digital solutions.

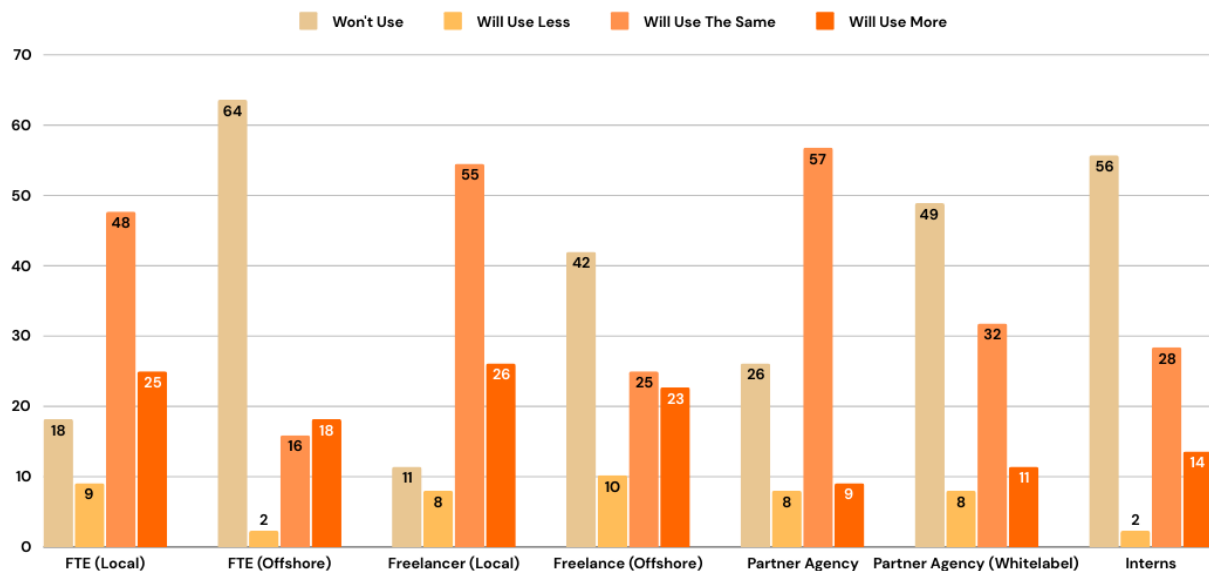
Resourcing

Fig 18: What resource solutions do you currently use?



Local full-time employees and local freelancers are commonly used resourcing solutions, with partner agencies also significant.

Fig 19: How do you plan to change your resourcing in 2025?



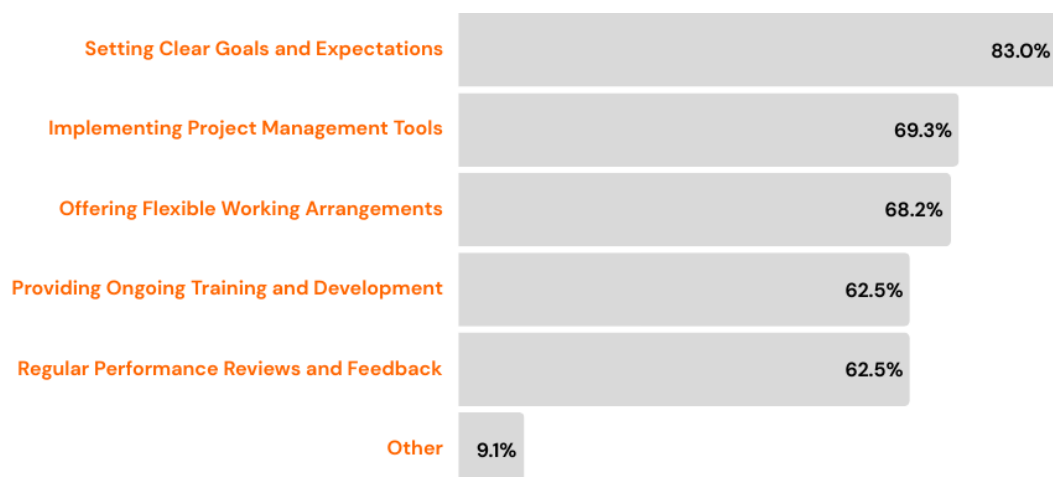
Most agencies plan to keep similar resourcing strategies in 2025.

Fig 20: What are the biggest challenges with using the resourcing solution?

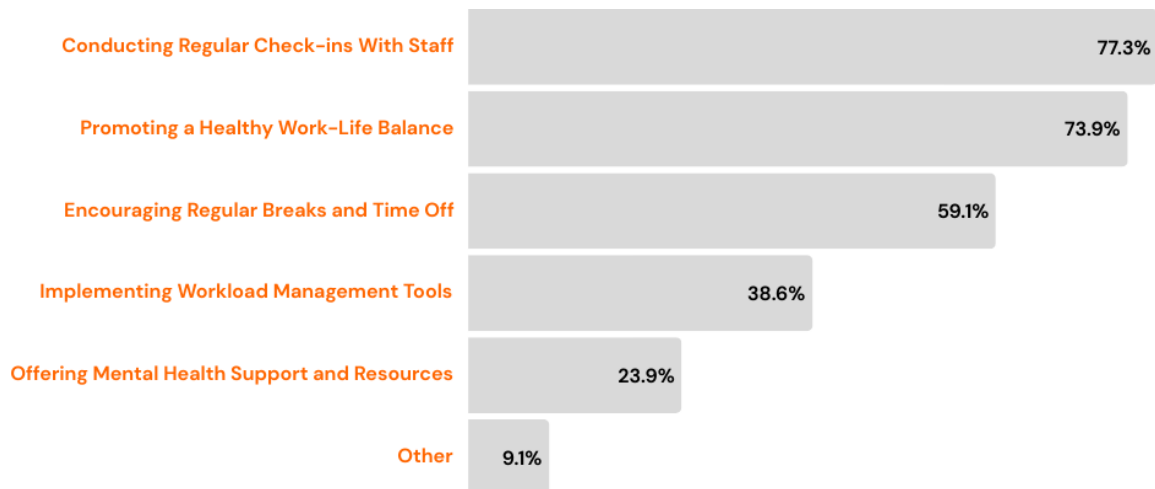


The common challenges across different resourcing solutions mainly revolve around cost for local and partner agencies, and quality for offshore solutions.

Fig 21: How do you ensure optimal use of your staff?



Regular performance reviews, feedback, and implementing project management tools are common strategies for ensuring optimal use of staff.

Fig 22: What strategies do you use to manage workload and prevent burnout?

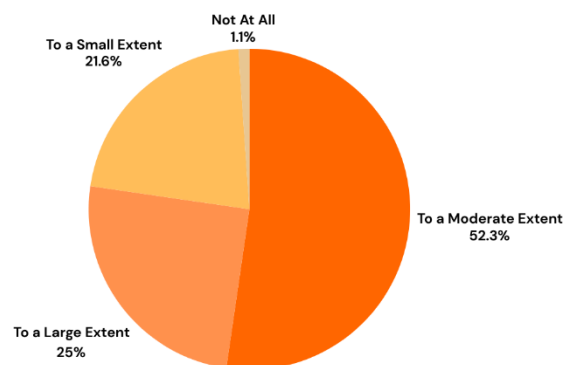
Encouraging regular breaks, promoting a healthy work-life balance, and conducting regular check-ins are common strategies

Market Trends & Insight

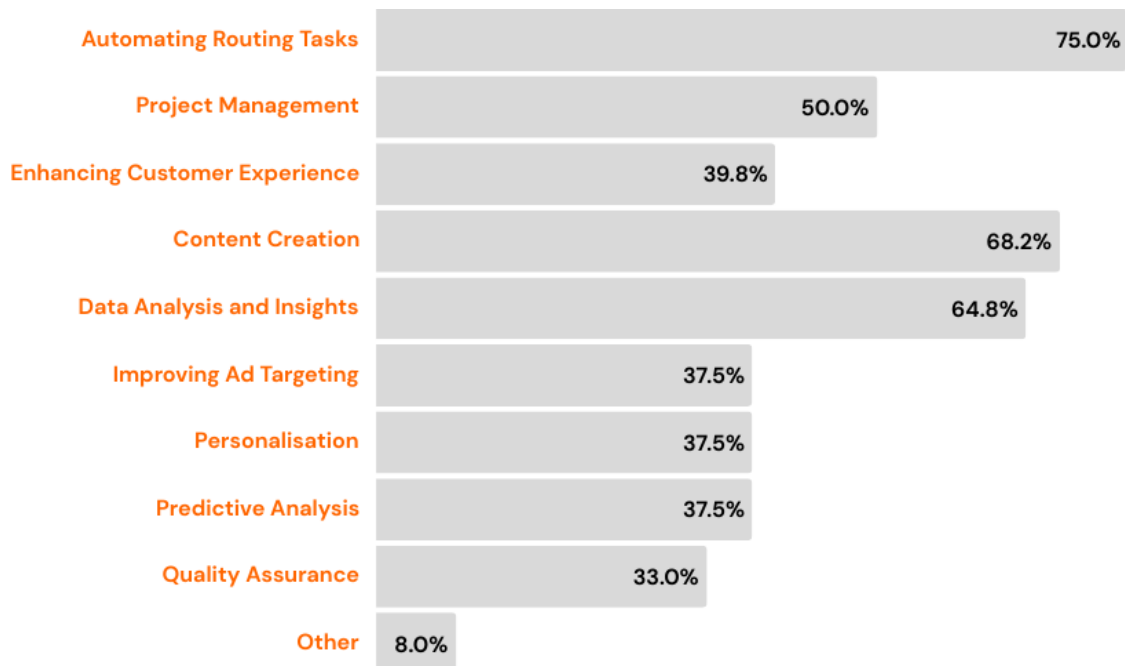
Fig 23: What are the biggest challenges your agency is currently facing?

Not Enough Clients	#3.47 Avg
Lots of Work for Little Money	#3.89 Avg
Profitability	#3.9 Avg
Cash Flow	#4.35 Avg
Client Digital Understanding	#4.63 Avg
Volume of Competitors	#4.64 Avg
Lack of Available Talent	#5.24 Avg
Remote Work Management	#5.9 Avg

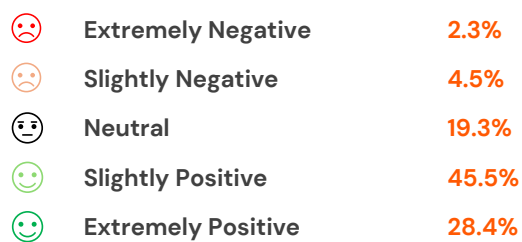
Not enough clients, lots of work for little money and profitability are the top three challenges agencies are currently facing.

Fig 24: To what extent do you foresee integrating AI within your agency?

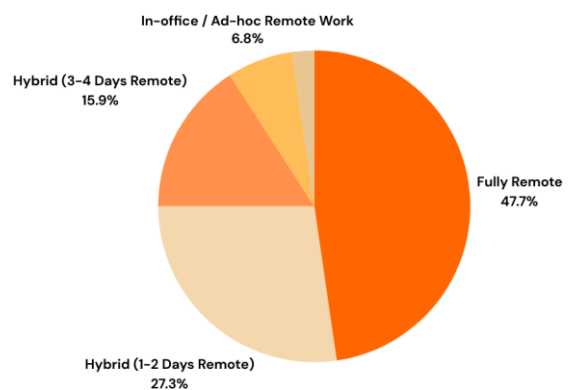
Most agencies foresee integrating AI to a moderate extent.

Fig 25: What ways do you plan to integrate AI in your agency?

Automating routine tasks, data analysis, and content creation are common plans for adopting AI.

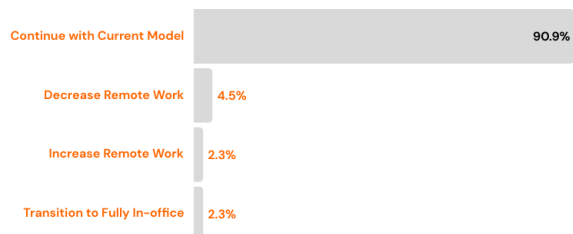
Fig 26: How do you perceive the impact of AI on your agency?

Most agencies perceive the impact of AI as slightly positive.

Fig 27: How has your agency adopted work-from-home practices?

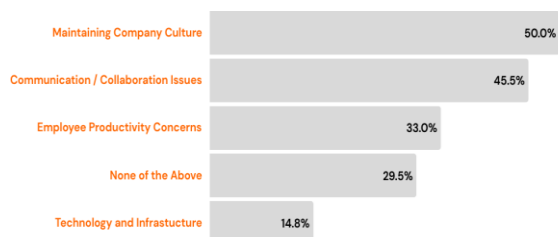
Most agencies have adopted fully remote work. Fully in-office work is much lower than the average.

Fig 28: What are your agency's plans for work-from-home policies in the next 12 months?



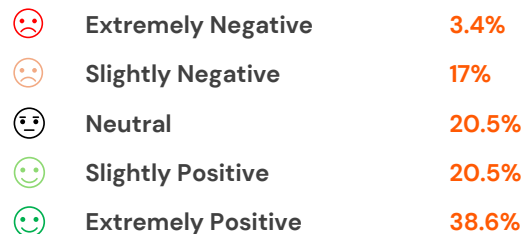
Most agencies plan to continue with the current WFH model.

Fig 29: What challenges has your agency faced with work-from-home adoption?



Most agencies have not faced significant challenges with WFH adoption. Although maintaining company culture and communication and collaboration issues are still common.

Fig 30: In general, how do you perceive the impact of remote work on your agency?



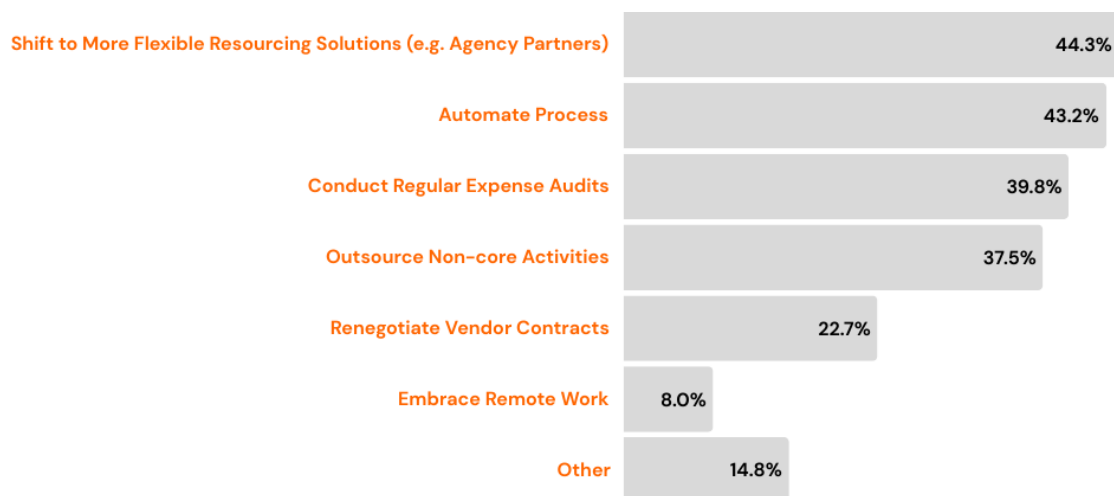
Most agencies perceive the impact of remote work as extremely positive.

Fig 31: How do you perceive the current economic climate impacting your agency?



With regards to the current economic climate impact, most agencies perceive a negative impact due to reduced client budgets, with other significant perceptions being uncertain, fluctuating conditions.

Fig 32: Should you need to reduce costs, what measures would you consider undertaking?



Making a shift to more flexible resourcing solutions and automating processes are the most common measures should agencies need to reduce costs.

Growth and Development

Fig 33: What do you expect to be your revenue growth to be in 2025, compared to 2024?

Most agencies expect slightly more revenue growth in 2025.

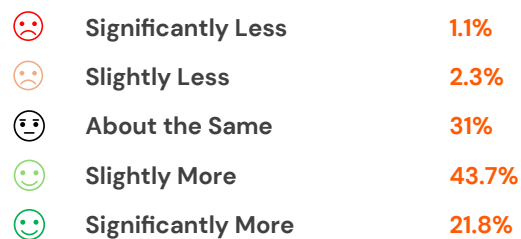
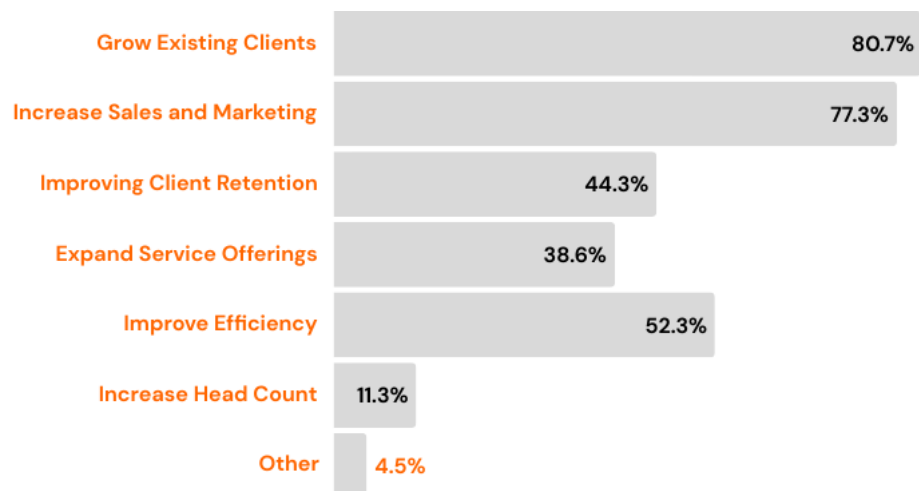
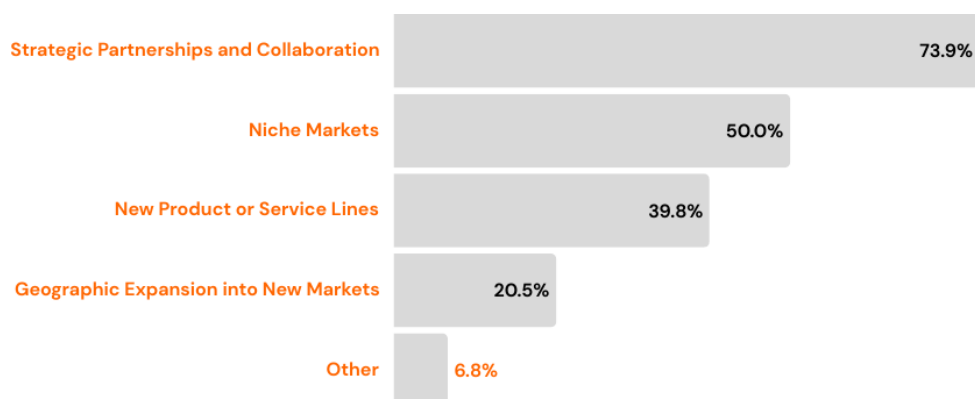
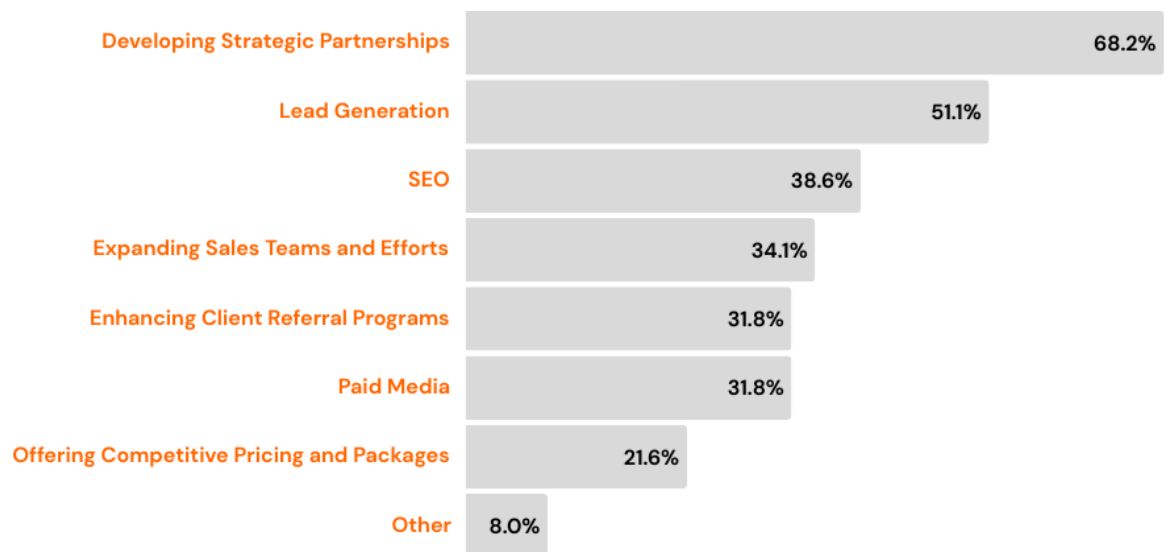


Fig 34: What are your focus areas for improving growth?

Growing existing clients and increasing sales and marketing are common focus areas, with other significant areas including improving efficiency and client retention and expanding service offerings.

Fig 35: Which areas do you see the most potential for expansion?

Strategic partnerships and niche markets are seen as having the most potential for expansion.

Fig 36: What specific strategies are you employing to help grow?

Developing strategic partnerships is a common strategy to help grow, with other strategies including lead generation and SEO.

Client Relationships

Fig 37: How do you anticipate the number of your clients will change in 2025 compared to 2024?

☹️	Significantly Less	-
😞	Slightly Less	4.5%
😐	About the Same	33%
😊	Slightly More	50%
😄	Significantly More	12.5%

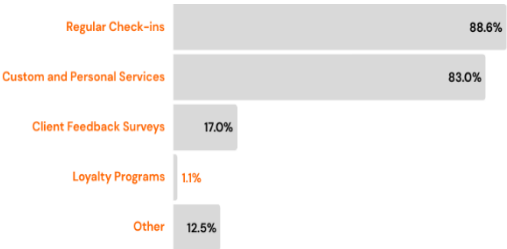
Most agencies anticipate slightly more clients in 2025.

Fig 38: How do you rate your agency's client retention rate?

☹️	Very Low	-
😞	Low	-
😐	Average	18.2%
😊	High	37.5%
😄	Very High	44.3%

Most agencies rate their client retention rate as high or very high.

Fig 39: What strategies do you use to maintain strong client relationships?



Regular check-ins and custom personal services are common strategies used to maintain strong client