

CallRail

The 2022 Outlook for Digital Marketing Agencies



Executive Summary

In last year's edition of our annual [Marketing Agency Outlook Report](#), the data showed that mandatory business shutdowns negatively impacted many marketing agencies. But most agencies were optimistic that 2021 would put them back on track.

This year's data shows they were right. 2021 was a prosperous year for marketing agencies. A full 95% of respondents said their digital marketing agency met its revenue goals in 2021. In fact, agencies experienced an average of 54% of revenue growth this past year.

This is a terrific showing by agencies overall and sets the stage for next year to be even better. As a result, agencies predict an average of 68% growth in 2022.

But that's not all our data uncovered. In December 2021 we surveyed 579 U.S.-based marketing professionals employed full-time at marketing agencies to gain a broad outlook on digital marketing agencies now and in the future. The data revealed some intuitive and surprising insights.

Here's a snapshot of the key findings.



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Key Findings

1. 89% of agencies predict strong growth for the foreseeable future.

2. The most popular services for agencies are also the most profitable.

- 34% Social media marketing
- 29% Full service digital
- 25% Website design and development

3. Agencies feel confident they've positioned themselves well in the market and established their value to clients.

98% of respondents say they are satisfied with their agency's positioning in the market.

4. Agencies continue to evolve to remain competitive.

86% of agencies say they've added a new offering in the past 12 months.

5. Top challenges facing agencies in 2022 all focus on driving growth.

- 82% client acquisition
- 81% hiring
- 80% client retention

Agency Services and Offerings

To stay competitive, many agencies added services in 2021

86% of agencies have added a new offering in the past 12 months.

Agencies made a strong pivot in 2021 towards doing the work that's most likely to grow their revenue

Agencies say the top three most popular services they offered in 2021 are also the most profitable. This move has helped grow their bottom line and is a departure from services agencies were most focused on in 2020.

The most popular services in each year were:

2020	2021
52% SEM/Paid advertising	34% Social media marketing
51% SEO	29% Full service digital
43% Website design and development	25% Website design and development
38% Full service digital	22% Brand development and brand services
19% Social media marketing	18% Marketing automation

Social media marketing makes a big jump in popularity and profitability

Social media marketing jumped from being the 5th most popular service last year to the number one service for 2021. It also ranked #1 in profitability with 32% of agencies saying social media marketing was their most profitable service.

Most profitable services in 2021

Topping the charts in 2021 as the most profitable service for agencies was:

32%

Social media marketing

28%

Full service digital

24%

Website design and development

One area agencies haven't conquered is better operational efficiency

Agencies spent very little time on marketing strategies and tactics compared to administrative work. Here's a breakdown of where their time goes each week per client:

On average, how many hours does your agency spend on the following per client each week?

76 hours
Account management/communications

56 hours
Reporting

20 hours
Marketing strategies/tactics

16 hours
Agency administration

Reporting is an essential part of agencies' client services

While reporting is often viewed as administrative, 86% of marketing agencies say it's an essential client service. In our [Marketer's Guide to ROI](#) report, 28% of small and medium-sized businesses say they have no transparency in how their budgets are used by their agency partner. Yet, 38% of small- and medium-sized businesses want agencies to help them better track leads, including being able to understand which digital ads, keywords, and marketing campaigns result in valuable calls and form submissions that drive new growth.

Reporting could also be key to client growth. In fact, agencies that didn't meet their 2021 client growth goals were 15% less likely than average to say that reporting is an essential part of their client service.

86% of marketing agencies say reporting is an essential client service.



Financial Health and Profitability

Agencies are resilient

Even in hard times, marketing agencies have been able to continue to grow their bottom line. In 2020, when the U.S. economy contracted at a record average annualized rate of 19.2% from its peak in the fourth quarter of 2019 through the second quarter of 2020, agencies still generated more revenue in 2020 than in 2019.

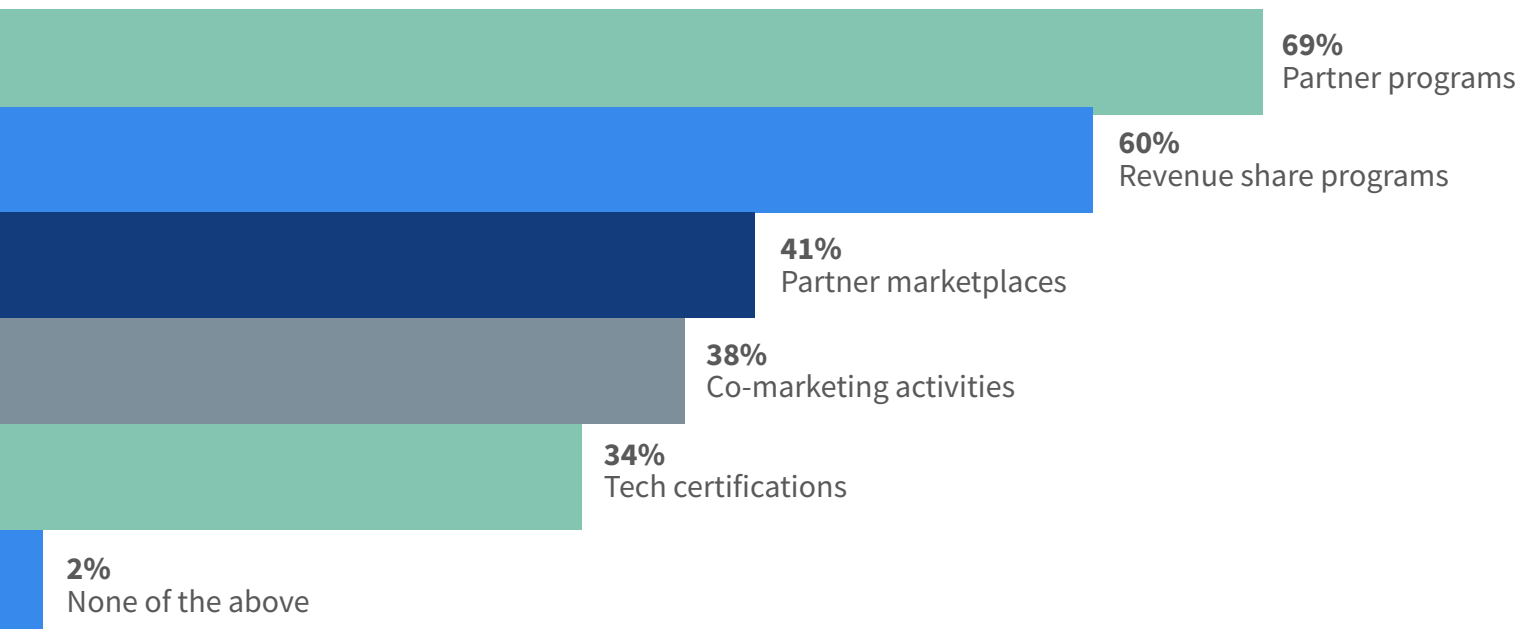
2021 has been a banner year for financial growth for marketing agencies

Not only did 95% of agencies meet their 2021 revenue growth, on average, agencies saw 54% year-over-year growth from 2020 to 2021. Moreover, agencies project a whopping 68% average growth in 2022.

To generate business, agencies rely on a number of strategies

While tech certifications were the lowest priority strategy for agencies looking to generate more business, they may be underrated as a strategy. In fact, agencies that did not meet their 2021 revenue goals were 47% less likely than average to say that their agency pursues tech certifications.

Which of the following activities does your agency participate in to generate business?



Partnerships deliver strong value to agencies

In 2022, 87% of agencies say they will focus on partnerships and 84% say they'll focus on business development to help further grow their agencies.

Partnerships can allow agencies to provide more value to clients and add revenue at the same time. For example, our [CallRail Partner Program](#) allows agencies to give their clients access to industry-leading call track and robust business communications while earning a 20% monthly share revenue and eligibility for quarterly cash bonuses

Project-based overtakes retainer-based pricing in 2021

One interesting change related to revenue is how agencies are pricing their work. In 2020, more agencies used retainers than a project rate to price their services. However, this year, a slight majority of agencies (54%) say their work is project-based and 46% say their work is retainer-based with an average monthly retainer of \$16,131.

In the last 12 months, what percentage of your agency's revenue came from projects, and what percentage came from retainer clients?



46% Retainer

56% Projects

Employee Hiring and Training

Agencies are seeing explosive growth

As agencies grow their client base and revenue, they need more employees to help support the growth.

8 in 10

said that their agency surpassed its 2021 goals for employee headcount.

94%

of agencies hired new employees in 2021.

55%

average headcount growth was reported in 2021 among agencies that hired new employees.

Hiring is getting harder — and remote hiring is the solution

While 85% of agencies said they met their 2021 employee headcount goals, this will be harder to achieve in 2022 as 81% of agencies anticipate hiring to be more difficult in 2022.

85%

of agencies met their 2021 employee headcount goals.

81%

of agencies anticipate hiring to be more difficult in 2022.

96%

of agencies conducted virtual interviews in 2021 and nearly all plan to keep hiring remote in 2022.

Agencies used their 2021 gains to improve employee knowledge and training

A higher percentage of agencies are investing in training versus continuing ed, which seems to correlate with new hire growth and the need to train new hires.

8 in 10

agencies added new continuing education opportunities in 2021.

95%

of agencies added new training programs in 2021.

Investments in training employees will continue in 2022

It's not surprising that investments in training will rise significantly in 2022 as anticipated hiring challenges will likely lead to having to hire less skilled employees that need training.

84%

say their company has plans to add training options in 2022.

88%

say their company has plans to add continuing education options in 2022.



Client Acquisition and Retention

Agencies saw accelerated client growth in 2021

83%

of agencies said they met their client growth goals for 2021.

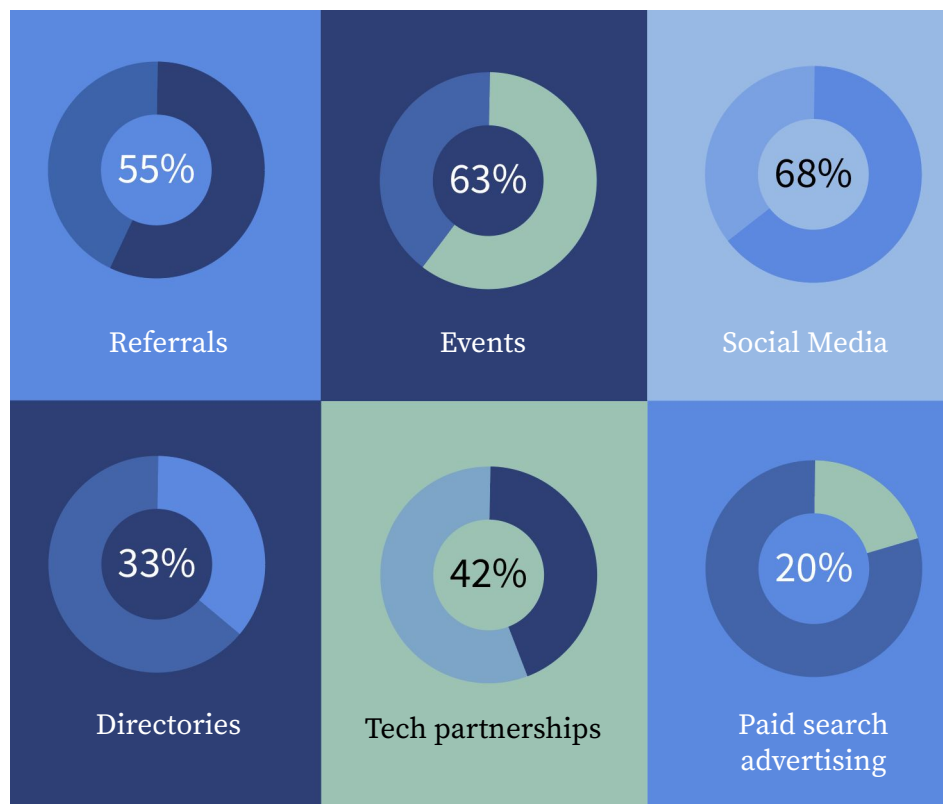
30%

is the average number of new clients agencies acquired in 2021.

The top ways agencies found new clients

There's more than one way to skin the cat when it comes to finding new clients. Most agencies use a multitude of avenues to help them continue to grow.

Which sources does your agency use to find new clients?



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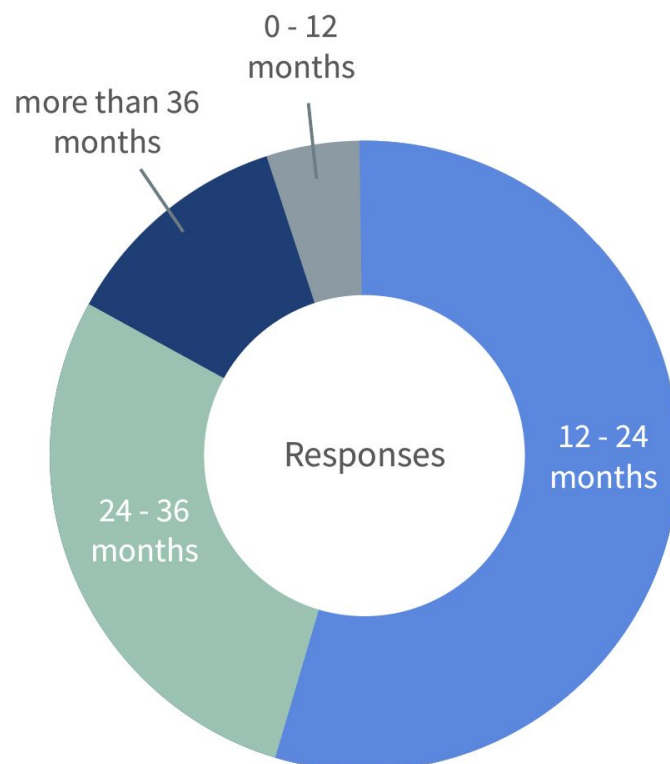
When you use CallRail with your clients, everyone wins. We support our agency partners with best-in-class onboarding, dedicated account management, robust education, and an exclusive partner community to ensure you and your clients are set up for success.

[Learn more about CallRail's Agency Partner Program.](#)

Client retention was slightly stronger in 2021 than in 2020

Agencies saw a client retention rate of 53% in 2021 compared to 50% in 2020. The majority of agencies tend to retain clients for 1-2 years.

What is the average client lifespan for your agency?



Client retention and acquisition remains a top challenge

While client acquisition and retention were better in 2021 than in 2020, it continues to be a struggle with more agencies listing it as a challenge in 2021 than 2020.

48%

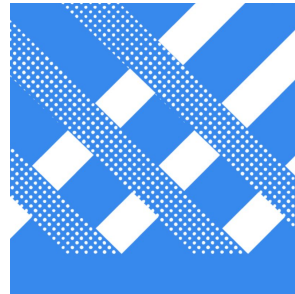
of agencies said finding new clients was a challenge in 2020.

82%

of agencies said finding new clients would be more challenging in 2022 than it was in 2021.

80%

of agencies anticipate client retention to be more challenging in 2022 than in 2021.

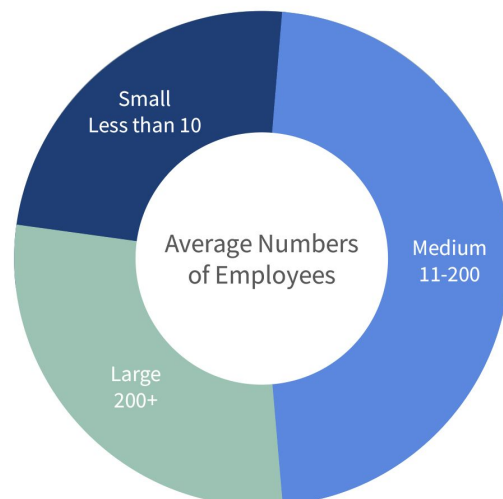


Client Relationships

What percentage of your agency's clients are in the following categories?

Agencies serve an array of clients

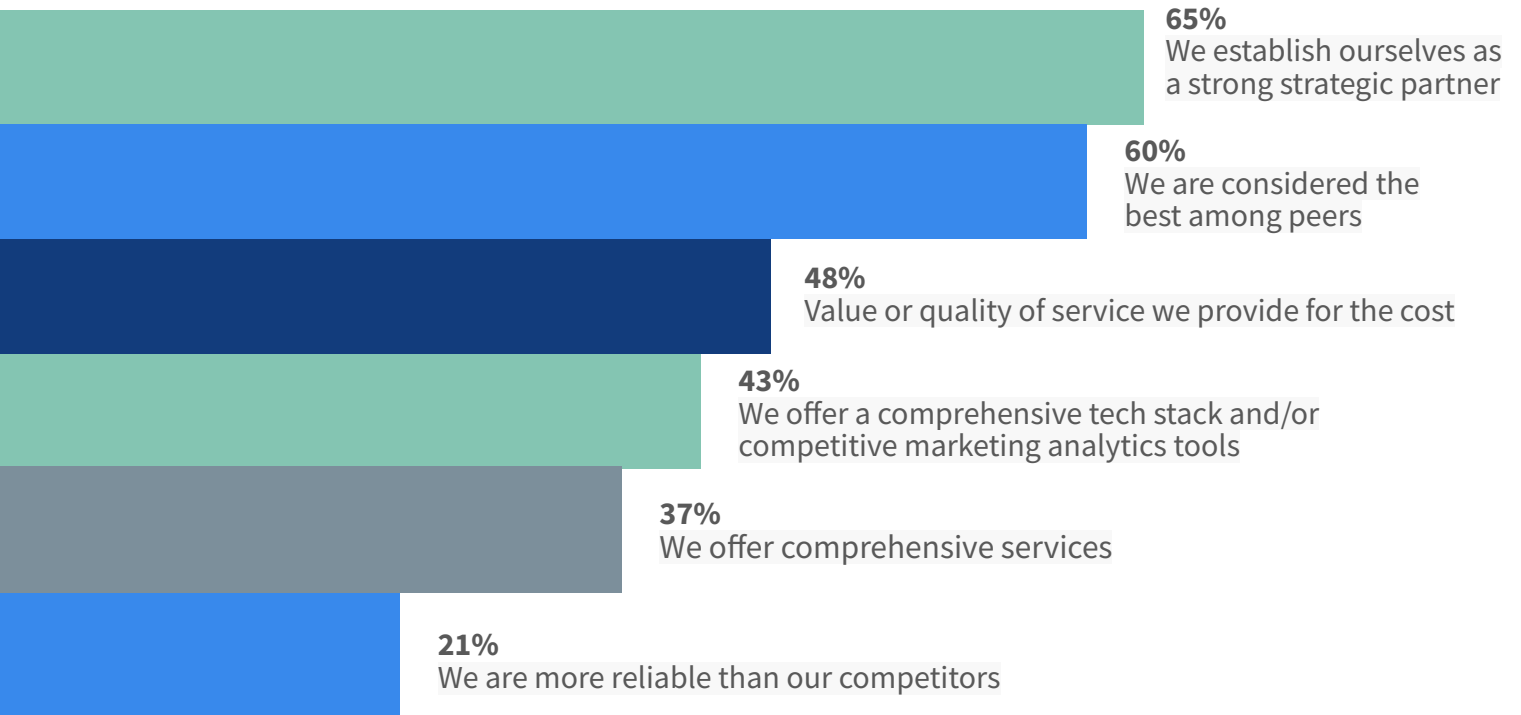
On average, agencies serve 45 clients, with 31% of clients being small (less than 10 employees), 35% medium (11- 200 employees), 34% large (200+ employees).



Agencies feel good about their client relationships

Overall, agencies believe that they deliver outstanding service and value to their clients. In fact, most agencies felt being seen as a strategic partner or best-in-class agency that offered value and quality was more important than offering comprehensive services or marketing tools.

Which of the following activities does your agency participate in to generate business?



Consider the following and select whether you agree or disagree



Tools and Strategies

Agencies are quick to adopt the latest tools and trends

Marketing agencies rely on tools to make their jobs easier, increase their effectiveness, and even help drive more revenue. Case in point: agencies that did not meet their 2021 revenue goals **were 27% less likely** than average to have already implemented AI.

62%

Of agencies have already implemented conversational marketing. Of those who haven't, 20% plan to in the next year, while 19% plan to in the next five years.

44%

Have implemented AI. Of those who haven't, 21% plan to in the next year, while 22% plan to in the next five years.

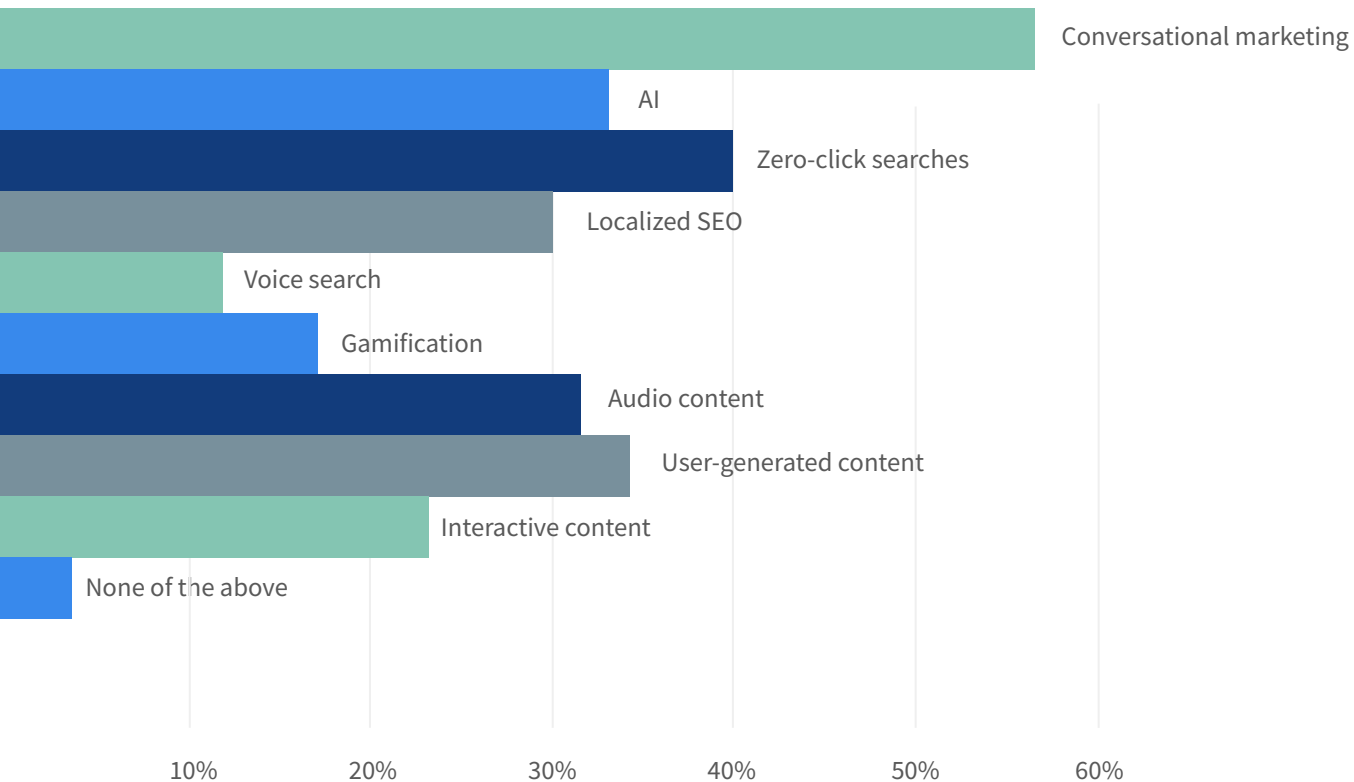
39%

Have implemented zero-click searches. Of those who haven't, 30% plan to in the next year, while 32% plan to in the next five years.

Agencies expect some trends to fade away

They'll also be shifting some of their focus away from current tools and strategies, like conversational marketing, as 57% say they expect it to fade away in the next 5 years.

Which of the following tools or strategies do you expect to fade away in the next 5 years?



The Future Outlook

Agencies feel optimistic about the next 5 years

When it comes to the future, 98% of agencies feel confident about the outlook. And it's not hard to see why.

99%

expect their agency to grow in revenue in 2022.

85%

expect their agency to grow in size in 2022.

89%

expect to see overall growth in the next 5 years.

What will help agencies fuel this growth?

Tools and strategies are already being implemented, such as AI, to help agencies fuel growth. But, over the next five years, agencies predict they will also evolve their services and offerings to meet changing client expectations and become more efficient in how they deliver services — including reducing the time they currently spend on administrative tasks.

Agencies will be able to see efficiency gains in areas like reporting. Why? Because the technology to track and analyze marketing performance is becoming much more sophisticated in its capabilities while also becoming much easier for those without any data science training to use.

Adding clientele is a key goal for agencies and onboarding new tools, expanding services, and developing efficiencies can help deliver greater growth. Agencies must remain equally focused on delivering excellent service, value, and quality to their customers. It's why they're investing heavily in training and continuing education, why they continue to improve their retention rate, and why they feel confident in their client relationships and the service and value they deliver.

We don't know about you, but we're excited to see where agencies go in the next five years — and will be eagerly tracking their year-over-year progress in future Marketing Outlook editions.

Agencies predictions for the next 5 years

98%

believe clients will want to see more comprehensive services.

78%

predict less time will be dedicated to meetings.

82%

believe clients will want to see more specialized services.

95%

believe the way they handle client relationships will change in the next five years.

89%

predict less time will be spent on reporting.

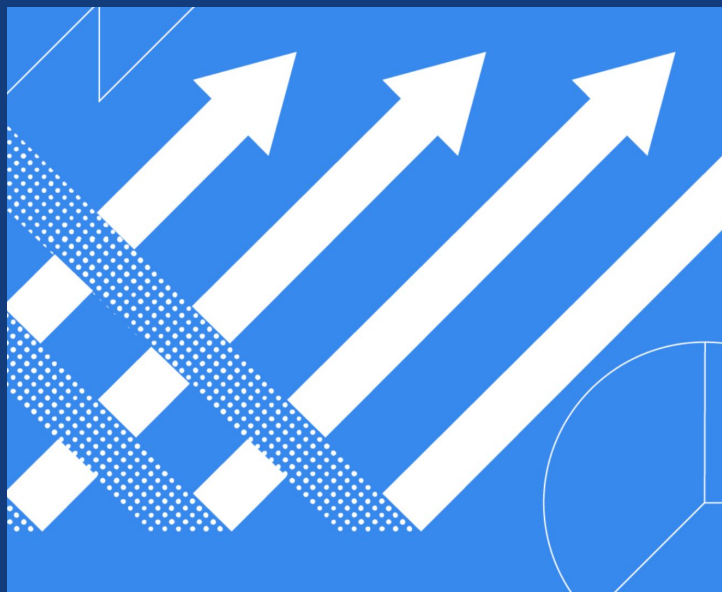


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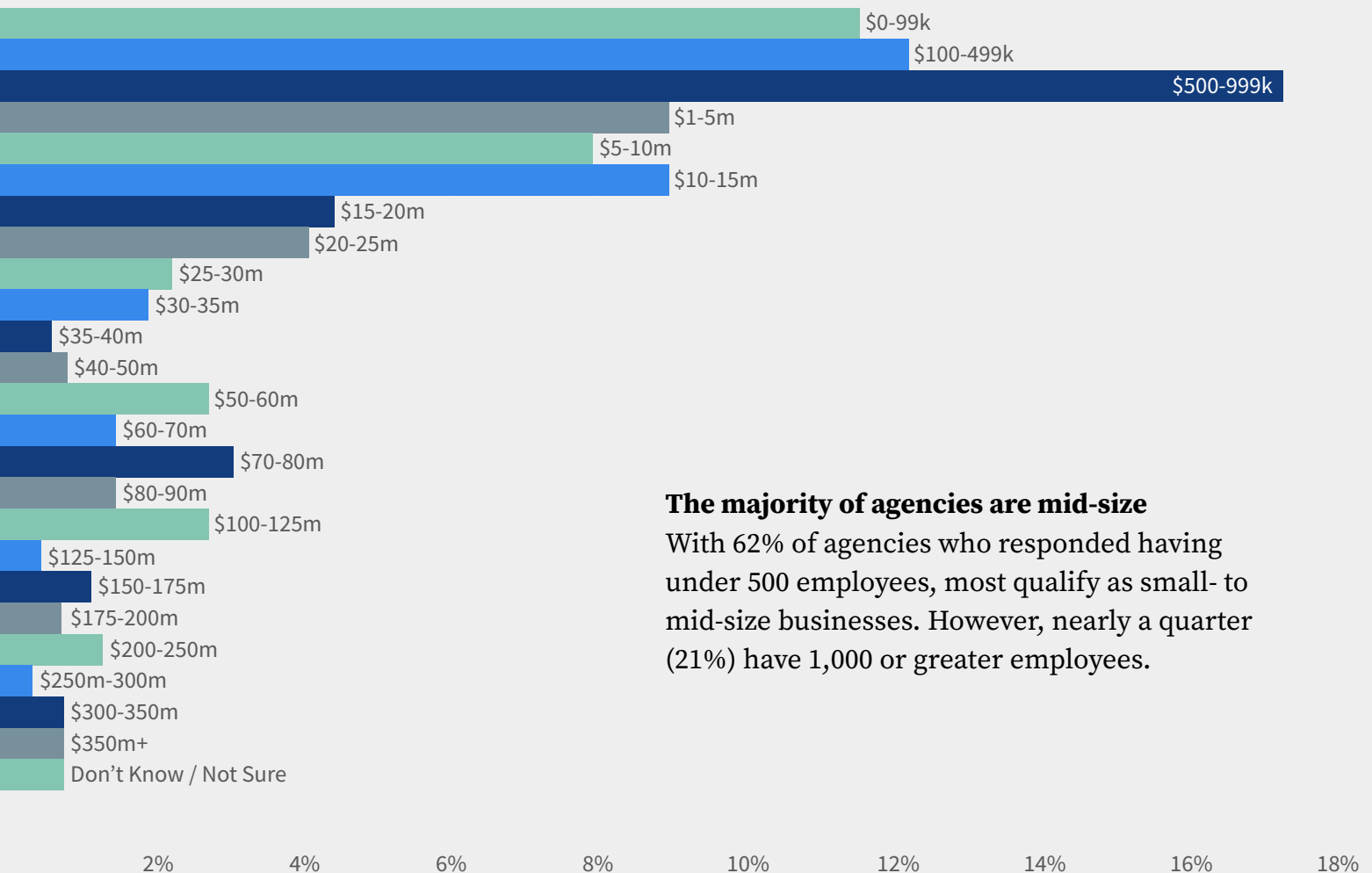


Composition of Agencies Surveyed

Agency revenue varies considerably

Among the agencies surveyed, the largest cohort of agencies (41%) earn under \$1 million while 10% of agencies' revenue is \$80 million or higher.

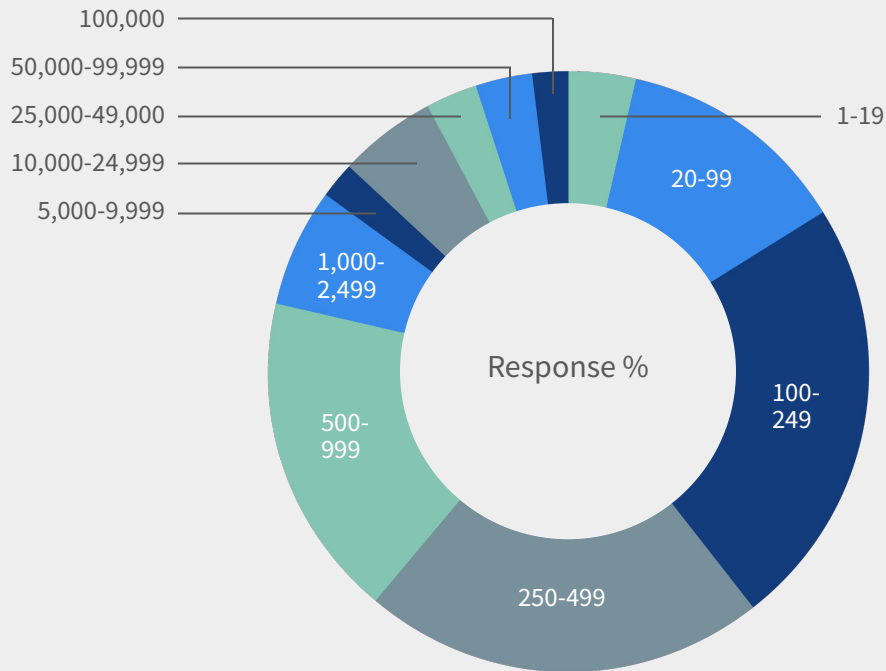
What was the approximate annual revenue for your company last year?



The majority of agencies are mid-size

With 62% of agencies who responded having under 500 employees, most qualify as small- to mid-size businesses. However, nearly a quarter (21%) have 1,000 or greater employees.

What is the approximate total number of employees at all your company's locations within the United States?



Agencies outperform on employee retention

The average tenure for employees is 4.1 years. Yet, despite a tight labor market, marketing agencies have strong employee retention. Most respondents indicated they'd been with the same agency for an average of 6 years and working in the marketing industry for 7 years.

6 years

Average time spent at current agency

7 years

Average time spent in the marketing industry