

Digital Marketing Agencies: Insights and Statistics

November 2020



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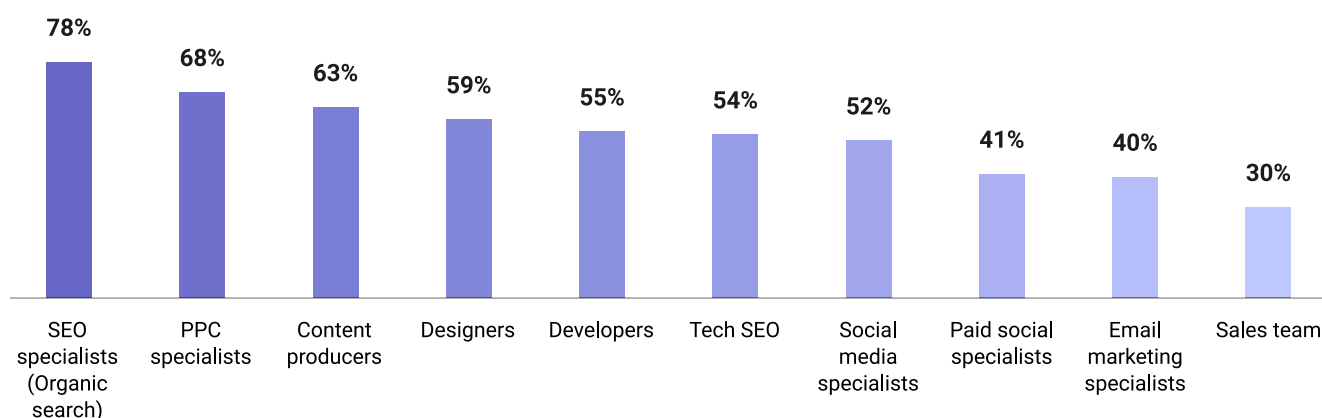
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Digital Marketing Agencies: How Do They Work

We have interviewed agencies who use Semrush tools to get information about how they run their business.

Agency Structure

Teams in the company structure



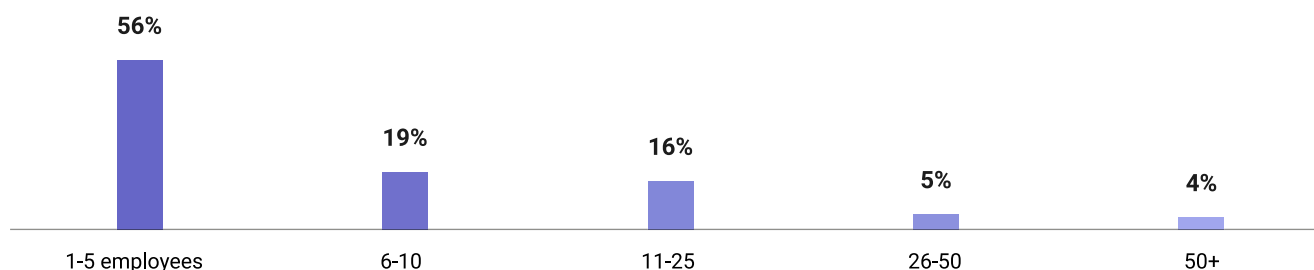
78% of the agencies interviewed have **SEO specialists**. Then, **PPC specialists (68%)**, **content producers (63%)**, **designers (59%)**, **developers (55%)**, **technical SEO (54%)** and **social media (52%)** specialists are in more than half of the agencies interviewed. **Email marketing** specialists work in **40%** of the agencies.



Within an agency, I think it's imperative to have creative strategists, web developers, skilled project managers, and budding juniors. Most SEO agencies only do the latter and hire the others as freelancers, which often creates temporary teams and constant change. At Kaizen, we have a core team of specialists but also use freelancers when we need extra help during busy periods.

Pete Reis-Campbell | CEO & Founder, Kaizen

Number of full-time employees



More than **50%** of the agencies have **1-5** full-time employees, **19%** have **6-10**, and only **4%** of companies have **50+**.



I strongly believe that an agency needs to be focused around someone with experience in the field. Someone who has gone through all the phases of digital marketing and has a solid understanding of what each channel implies (SEO, building websites, social media, paid ads, email marketing, etc.) so he or she can assess and assign tasks accordingly.

Emanuel Petrescu | Digital Marketing Specialist

The biggest team in the company



57% of the agencies reported that they had more SEO specialists than PPC in the company, while **29%** of the agencies reported more PPC than SEO.



What specialists are needed on the DM agency typically depends on the size of your business, as that will determine the number of variables. More variables ultimately require more human involvement - which correspondingly requires more IQ. I think that most businesses suffer from a lack of IQ. This is something digital agencies can offer, because they have sector specialists within one agency who can then provide a full service experience. The bottom line is that agencies can go deeper across a broader range of areas, whereas individual freelancers tend to go deep in only one area.

Deepak Shukla | Founder at Pearl Lemon

Use of freelancers



The freelancers market is constantly growing, with some studies predicting that freelancers could represent **80%** of the global workforce by 2030. And Covid-19 contributes to this forecast. **74%** of the agencies said that they **hire freelancers** for different types of jobs. According to **Payoneer's Freelancer Income Report**, the most popular field of work for freelancers is web and graphic design, followed by programming and IT.

Accountants: in house or outsource?



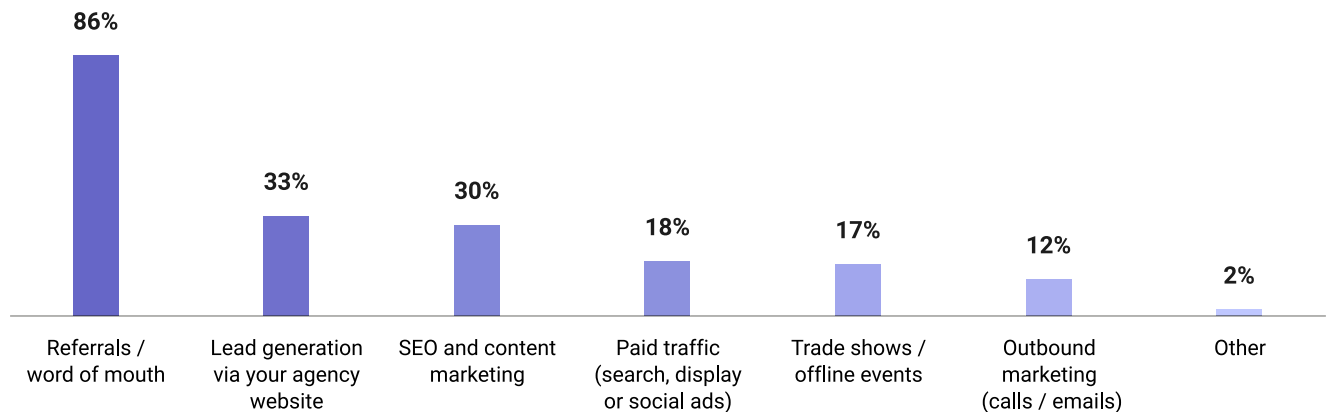
In relation to accounting, **61%** of the agencies hire an **accountancy firm**, while only **30%** said that they have a dedicated accountant.



When working with a digital agency, you get to hire a group of passionate and proactive specialists in a field who are ready to get to work on a flexible basis. This means you don't have to worry about sourcing people to come up with the ideas or doing the groundwork. In some cases, building an internal team can take much longer and it's ultimately harder to retain a roster of skilled and talented people who may want to spread their wings and try something new.

Pete Reis-Campbell | CEO & Founder, Kaizen

Agency Effectiveness



There are many ways of finding leads, but the most frequently mentioned channel is **referrals** or word of mouth (**86%**). Then comes lead generation via the **agency website** (**33%**) and leads brought in by SEO and content marketing efforts. **Paid traffic** is the most effective in **18%** of the interviewed agencies.

Want to know more? Check out our brand-new FREE course, growing your SEO agency with Semrush with Greg Gifford, to find out more about lead generation.

Enroll for free



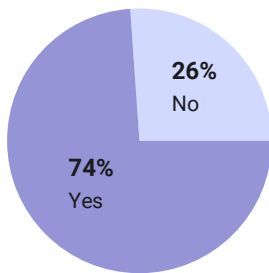
To be profitable, a DM agency needs:

- 1. Strong systems. Many agencies fail because they fall back on humans instead of falling back on processes*
- 2. Lack of productization of services*
- 3. Lack of clarifying or communicating value through pre-sales processes and online literature*
- 4. Having a global and remote team, finding sector specialists in a global economy instead of looking to hire locally simply for the sake of it.*

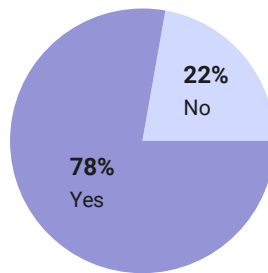
Deepak Shukla | Founder at Pearl Lemon

Services Provided by Agencies

The majority of the agencies (**74%**) provide **training and education** sessions for their clients. A slightly higher number (**78%**) use **project management software** in their working process.



We provide training / education sessions for clients



We use project management software



Agencies should aspire to become Learning Organizations (LO). The way internal agency knowledge is cataloged, shared, and retained should be considered vital intellectual property.

A.J. Ghergich | President, Chief Technology Officer | Brado Digital Intelligence

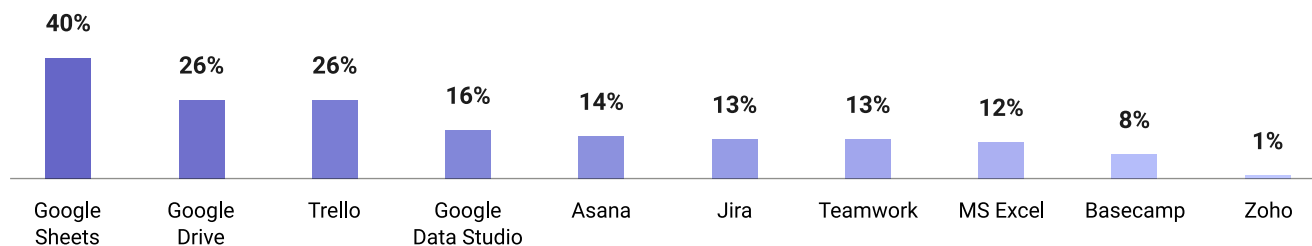
Tools

Tools Used to Manage Clients and Leads

We asked the agencies about the tools that they use to manage their clients and leads. The most popular tool was the free **Google Sheets**, which was mentioned by **53%** of the agencies. The similar **Excel** is used by **34%** of the interviewed agencies. Then **Hubspot** (**28%**), **Basecamp** (**12%**) and **Salesforce** (**7%**) were also mentioned.



Tools Used to Track the Progress



Among project tracking tools, **Google tools** were the most frequently mentioned (Google Sheets and Google Drive). Then agencies named **Trello (26%)**, **Asana (14%)** and **Jira (13%)**.

Basecamp, **Zoho** and **Teamwork** were also mentioned.



There are two primary challenges that agencies are facing. The first is understanding search intent, and the second is multichannel attribution reporting. If an agency is strong in both of these areas, it's more likely to attract and retain high-value clients. Must have tools:

1. Data Sharing

Suggestions: Google Drive, Basecamp

2. CRM

Suggestions: HubSpot, Salesforce

3. Project Management

Suggestions: Wrike, Trello, Mavenlink

4. Reporting

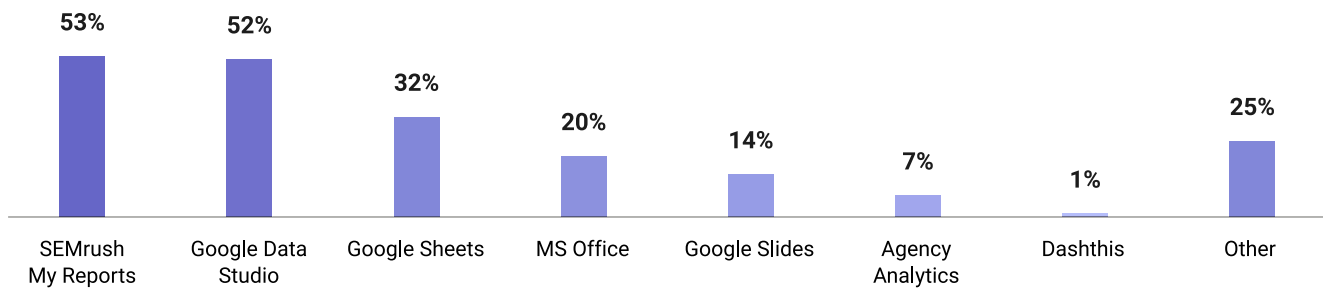
Suggestions: SearchMetrics, Semrush, Google Data Studio, Tableau

5. Communications

Suggestions: Mailchimp, Sendible, Slack, Teams, Hangouts, Zapier

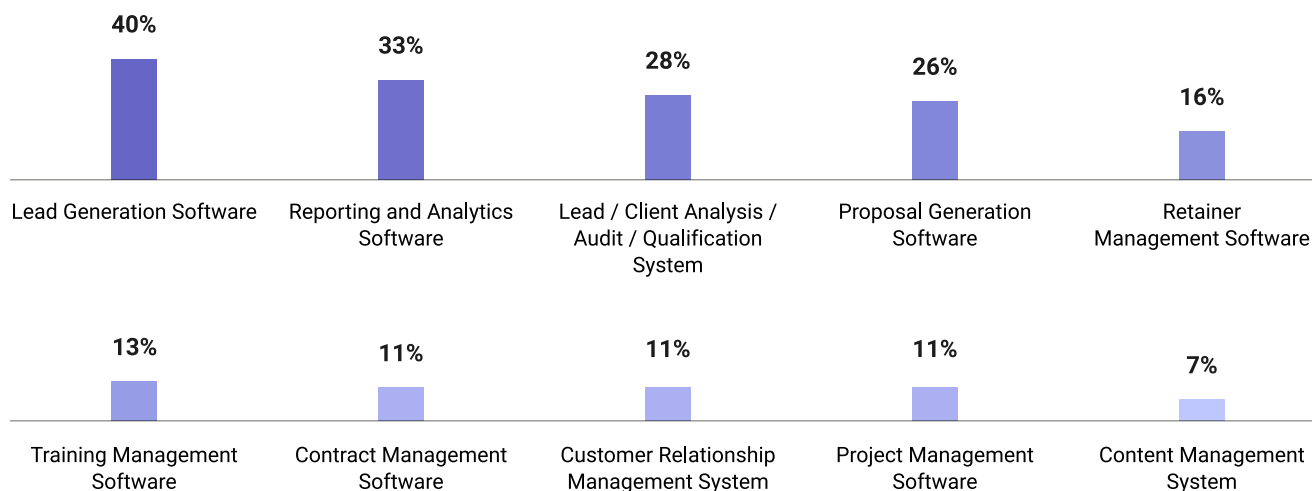
A.J. Ghergich | President, Chief Technology Officer | Brado Digital Intelligence

Tools Used to Create Reports



To create reports for customers, **53%** of agencies use the **Semrush My Reports tool**. **Google Data Studio** was mentioned by **52%**. Third place is taken by **Google Sheets**.

Tools Needed to Run their Agency Better



We also asked about types of software that will help agencies to run better. **40%** of respondents said that they need **lead generation** software, followed by **reporting and analytics** software (**33%**). **28%** of agencies who participated in the research mentioned tools for **client and lead analysis**.

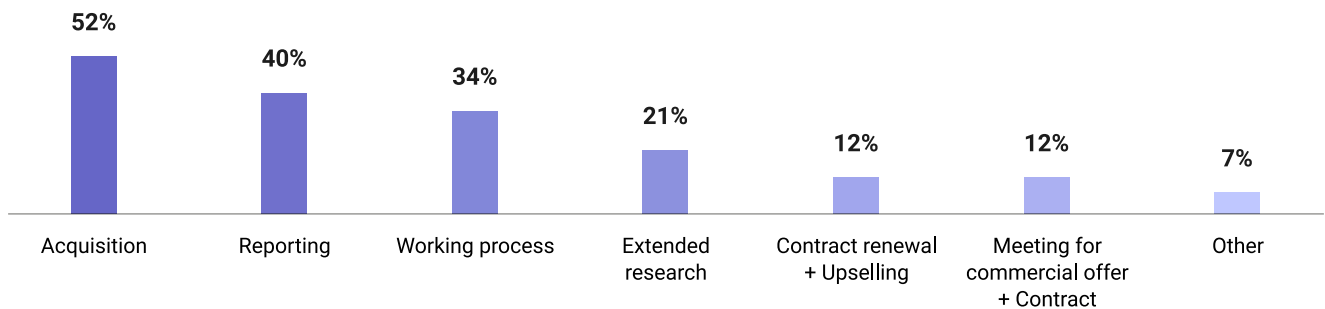


In my job, which is managing PPC advertising campaigns, the two tools that are "must-haves" are Google Ads Editor and Microsoft Ads Editor. Both slash the time needed to create and edit campaigns, compared to working in the native web interfaces. In addition, Data Studio has become vital for evaluating performance and guiding optimization.

David Szetela | Owner and CEO of FMB Media,
the President of the Paid Search Association

Difficulties and Obstacles

The Most Time-consuming Part of the Workflow



52% of respondents said that the most time-consuming part of the workflow is **acquisition** (search and qualification), followed by **reporting** at **40%**.

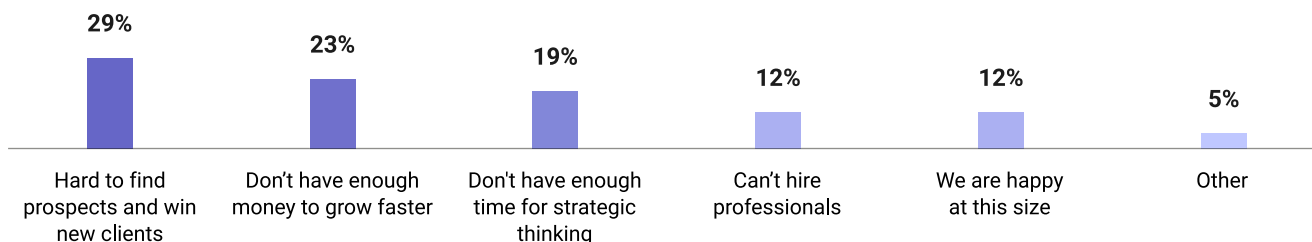


The obstacles that prevent agencies from performing well are:

- 1. The perception of digital marketers as a commodity, as they are growing in abundance*
- 2. The lack of regulation in the market that leads to questionable agencies*
- 3. The client's perception that they can do the work themselves*
- 4. The level of misinformation in the market that leads to distorted versions of proper SOPs.*

Deepak Shukla | Founder at Pearl Lemon

Biggest Obstacles to Growth



Talking about obstacles to growing the business, **30%** mentioned difficulties in finding **prospects and new clients**. **23%** of agencies don't have **enough funds** to grow faster, while **19%** of agencies suffer from **lack of time** for strategic thinking.

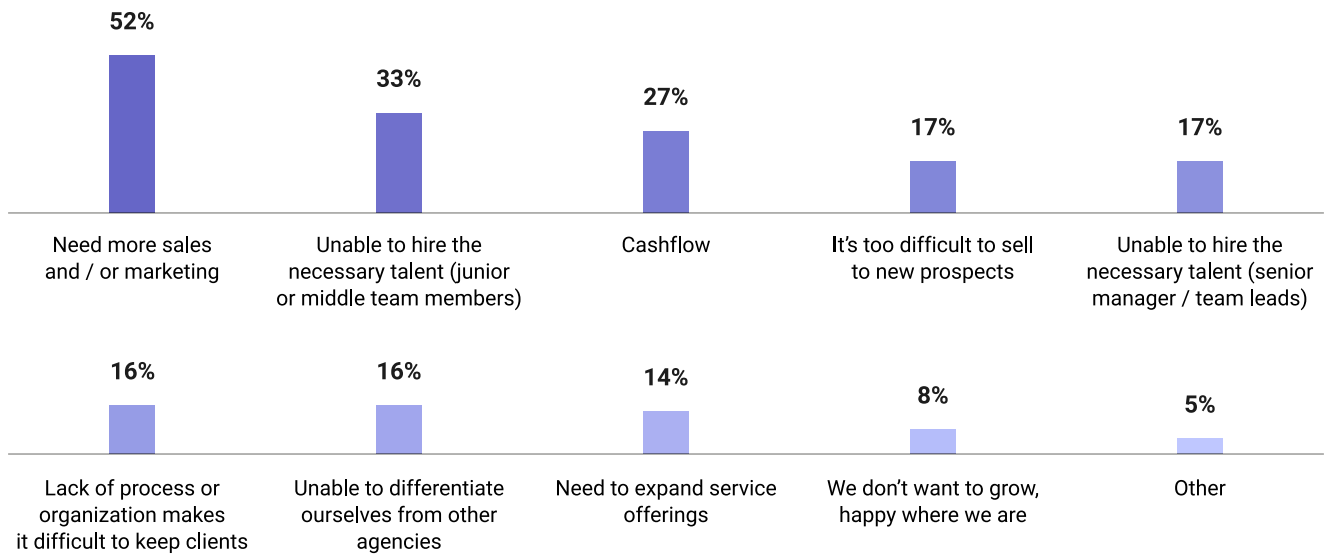


In my experience, this mainly happens when clients fail to give the agency autonomy and the independence to make meaningful decisions. One example is when the agency doesn't get the opportunity to connect with the right stakeholders in the business to get the job done properly, especially if there isn't enough help on how to frame recommendations in a certain way to ensure the right resources are available when needed to make SEO changes. If you don't do this, you get caught in a trap of providing endless SEO consultancy and reports without actually implementing any of it.

Agencies can also cause obstacles themselves by the majority thinking it's okay to just provide SEO consultancy but not being accountable for getting the work done. It might sound ludicrous, but we've managed to win clients because we have a team that can highlight the problems and provide the solutions.

Pete Reis-Campbell | CEO & Founder, Kaizen

Factors that Prevent an Agency from Growing Quickly



To grow quickly, **52%** of agencies need better **sales and marketing** results. **33%** mentioned the inability to **hire the specialists** needed. **Cashflow** prevents **27%** of interviewed agencies from quick growth.



Ray Dalio says that 1+1 can equal 3. But most of the time, the more you add to an equation, the greater the confusion. Sometimes you get lost in the details and industry terms, when what the client really wants is more revenue. He doesn't really care what you do, or more specifically how you do it (as long as it's aligned with the company policies and best practices) as long as it brings him business.

Emanuel Petrescu | Digital Marketing Specialist

Budget and Salaries

Budget Insights

Monthly budget for software / online tools

36% up to \$500	27% \$500 – \$1K	20% \$1K – \$3K	11% I'm not sure	6% >\$3K
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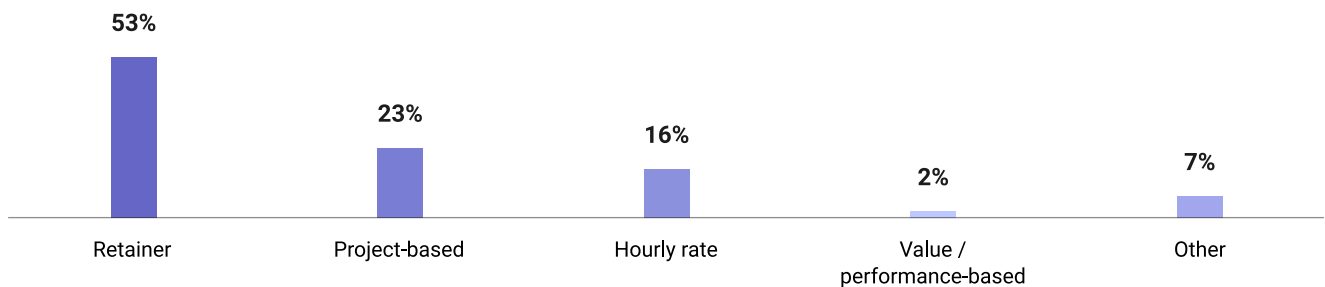
36% of the agencies interviewed spend **less than \$500** a month on software / online tools, while **27%** have a budget of between **\$500-1000**. Just **6%** of the agencies spend more than **\$3000** a month on these types of tools.

Income from the biggest client

36% 11-25%	27% 6-10%	24% 26-50%	7% >50%	6% <5%
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In relation to the income brought in by the biggest client, for **36%** of the agencies it makes up **11-25%** of the total income. In **7%** of the agencies, the biggest client brings in more than **50%** of the total income.

Billing Clients



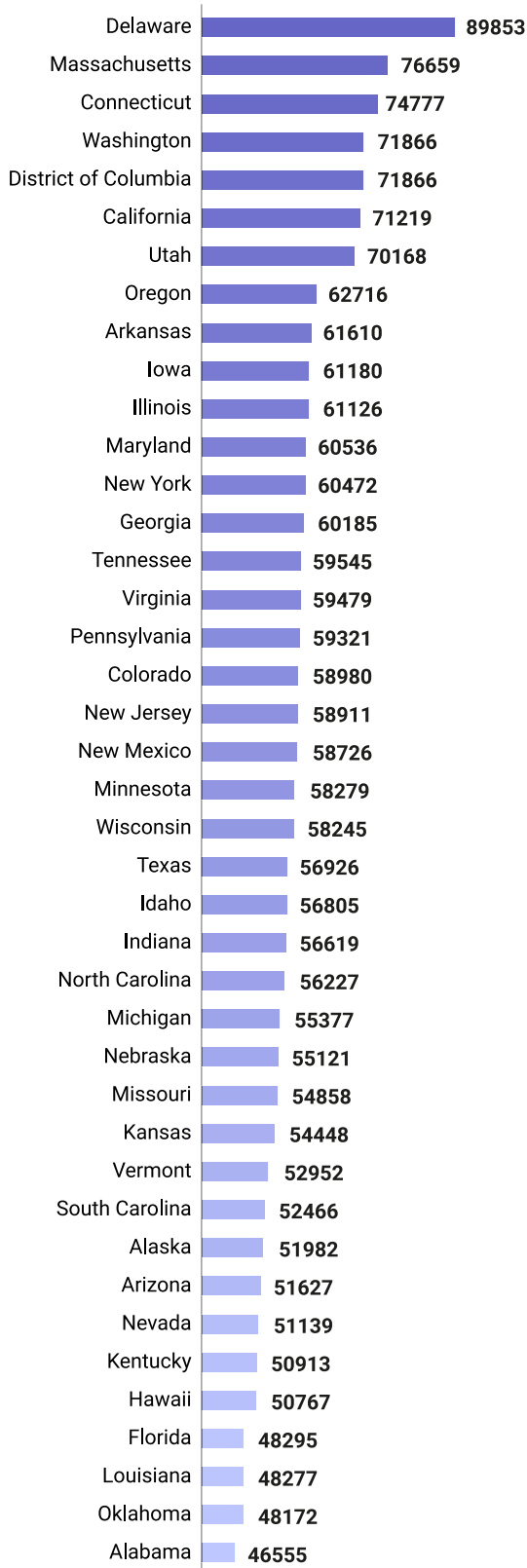
More than half of the agencies who participated in the interview said that they had their clients on retainer agreements. **23%** have **project-based billing**, and **16%** of agencies bill at an **hourly rate**.



What are the top factors needed to make a digital agency profitable? Sales. You need the money to run any organization. I have seen tremendous talents in the field of digital marketing that failed at managing and being profitable (that goes for any type of business). As long as you have money, you're good. In order to have money, you need clients, and to get those clients you need to establish a relationship based on your expertise/experience, authority, and trust (EAT). In order to have that, you need to have proven yourself in the past and showcase why you can make a difference. Because there's also the responsibility an agency has in regards to someone's revenue. We've all heard of or experienced cases when the income of a business was solely through its website. They hired the wrong agency and soon enough, their rankings dropped. As a consequence, they lost revenue and had to fire their staff, and eventually went out of business.

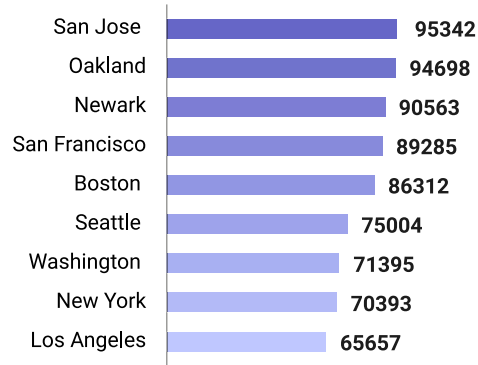
Emanuel Petrescu | Digital Marketing Specialist

Agency Digital Marketers: Annual Salaries



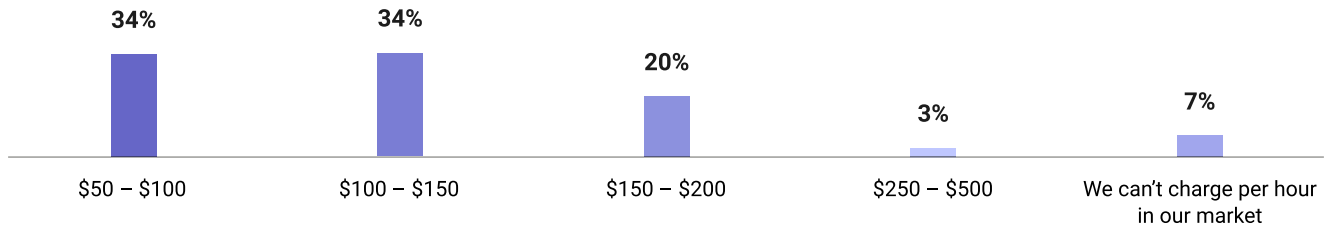
US average salary \$58239

The most highly paid digital marketing specialists in the US are in **Delaware, Massachusetts** and **Connecticut**. And for the big cities, the highest annual rates for digital marketing specialists are in **Newark, San Jose** and **Oakland**.



Payments

Hourly rates



The same number of agencies interviewed charged **\$50-100** and **\$100-150** per hour. **7%** of the agencies said that they do not charge an hourly rate at all.

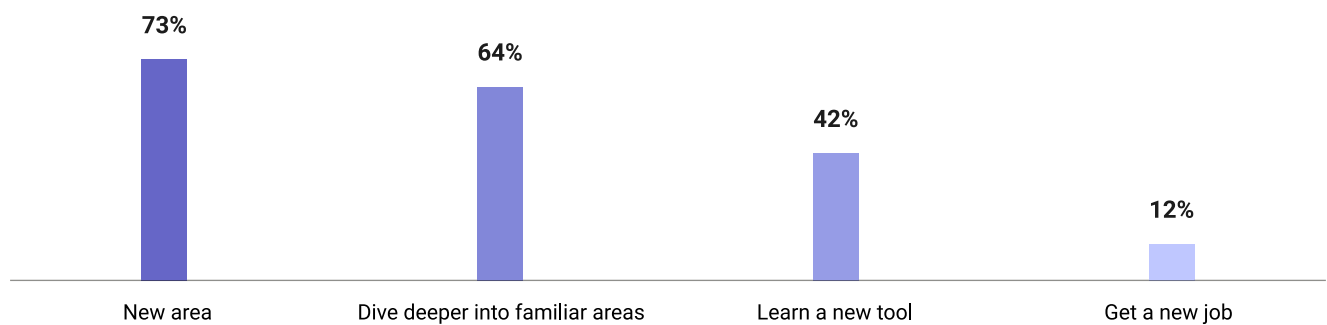


When running an agency the majority of costs are from the office space and staffing. As a result, you have to focus a lot of energy on working out the right hourly rate for your team and all their associated costs. WOW Accountancy publishes an insightful report each year which gives benchmarks for average day rates by role and we use that as a guide for our own costs. It's important to make sure you're charging your clients for the time and effort put into these projects, as it keeps your business running smoothly!

Pete Reis-Campbell | CEO & Founder, Kaizen

Online Education: Insights

Educational Goals



In October 2020, Semrush Academy conducted a survey of the educational goals of its digital marketing agency users.

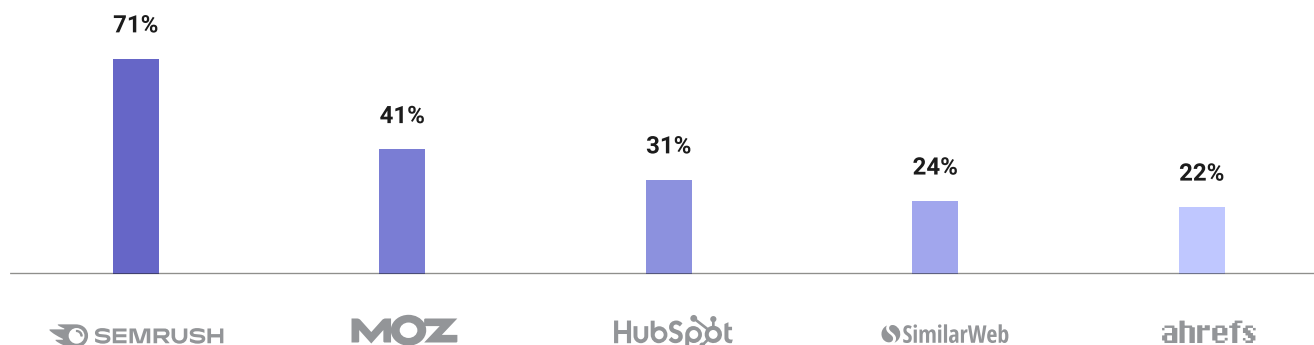
73% of our respondents would like to explore and learn a **new area** of digital marketing. **64%** said they want to **dive deeper** into the area and gain more knowledge in their field. **42%** would like to **learn a new tool** that will make them more in demand on the market.



Education will always be important – I believe all agency employees should be in continual "learning mode." At the very least each digital manager needs to stay aware of all the changes in their field. And the digital manager of the future needs to be able to demonstrate the connection between their work and client sales and profitability.

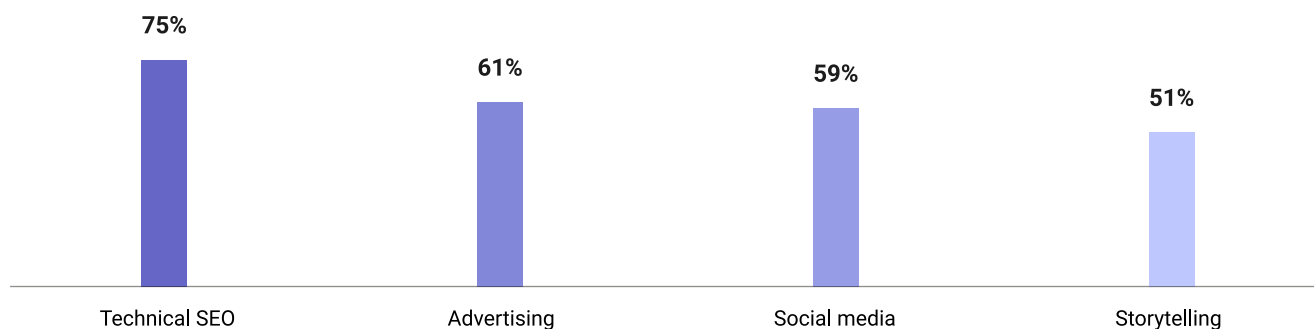
David Szetela | Owner and CEO of FMB Media,
the President of the Paid Search Association

Tools Used by Respondents



Of those interviewed, **71%** of their employers use **Semrush** in their everyday work routine. **41%** mentioned **Moz** and **31%** **Hubspot**.

Educational Areas of Interest



Among the respondents, an interest in learning **technical SEO** was the most popular, mentioned by **75%** of users. **61%** of respondents are interested in **advertising**, and **59%** would like to know the area of **social media** better.

More than half of the respondents are interested in storytelling.



I think the ad platforms will offer much more automation – bidding management, ad creation and testing, keyword extrapolation and more. There will still be high demand for professionals who are expert at using automation in ways that produce optimal results.

David Szetela | Owner and CEO of FMB Media,
the President of the Paid Search Association

Top Queries

Search Queries

Semrush decided to explore what people would like to know about digital agencies and identify areas that lack information. The results show that most questions refer to **“How to start”** and definitions of DM agencies. The question **“What does a marketing agency do?”** is also high on the list.

Keyword	Search Volume *
How to start a digital marketing agency	1280
What is a marketing agency	600
What does a marketing agency do	260
How to choose digital marketing agency	90
Why do you need a digital marketing agency	90
How digital marketing agencies make money	70
How do digital marketing agencies find clients	70
How to choose the right marketing agency	70
How to find the right digital marketing agency	70

* Average monthly search volume for US

Search Query Topics, 2020

We also divided the most popular Google queries about digital marketing agencies into several topics. According to the results, most queries are dedicated to **how to start an agency** and the **definition** of digital marketing agency. There are also queries about **managing an agency** and interest in what they do exactly.

There are also queries about advantages, profitability and ways of choosing a digital marketing agency.

Keyword	Search Volume *
How to start an agency	1830
Definitions	750
How to manage an agency	470
What do the agencies do	470
How to promote agency	380
Profitability	380
Advantages	350
How to choose an agency	310



The lines between consulting, technology, and execution will continue to blur. SaaS (Software as a Service) companies will think and act more like agencies, and digital agencies will think and act more like SaaS companies. The agencies that are going to thrive will be those that seamlessly integrate technology and use data to tell insight-driven stories.

A.J. Ghergich | President, Chief Technology Officer | Brado Digital Intelligence



Having someone full-time dedicated to a job like SEO or Social Media Manager is unrealistic for most small to medium-sized businesses, and I believe it will remain that way. Even for bigger organizations, especially in certain fields, it's recommended to hire an agency for certain aspects of their marketing in order to benefit from the accumulated years of experience in the market. And most of the time, it might be cheaper than hiring someone internally.

Emanuel Petrescu | Digital Marketing Specialist

* Average monthly search volume for US

The Influence of Covid-19

Covid-19 has had a noticeable effect on revenue in 2020, with an anticipated 10.2% decline. The reduction in incomes and the uncertainty of the times has led to a decrease in spending in almost all areas. Because the financial and economic situation was so unstable, many businesses were forced to reduce ad spend and other paid promotions.

On the other hand, there has been an increase in demand for online advertising from robust e-commerce platforms or companies who were moving their budget from offline campaigns or events to online promotions.

- **79% of consumers** plan to **spend more conservatively** in the coming months
- **11% of advertisers** expect a **significant impact** on their ad spend in Q4 due to Covid-19
- **68% of advertisers** expect an **impact** on their ad spend in 2021 due to Covid-19
- **57% of agencies** believe that the impact of Covid-19 could last for **more than six months**
- **58% of agencies** became **more flexible** in client terms, and **28%** reduced their fees due to Covid



Broadly, there will have been agencies that will have experienced losses due to Covid-related panic. However, the smart ones will have redoubled their own efforts in building their brand and marketing activities. Those who are mindful of what Covid-19 will do to the acceleration of digital adoption will be well-placed to win in 2021!

Deepak Shukla | Founder at Pearl Lemon

Digital Marketing Agency Insights

Competition in agency work has grown significantly in the last few years, and it is expected to continue to grow for the next 3-5 years. While there are a few large agency networks, around **75%** of agency firms have **10 employees or fewer**. **70% of the marketplace** is made up of firms that generate **less than \$1.5M** per year.

Agencies are moving away from traditional advertising to focus on a wider range of digital marketing services. **Digital marketing spend** is **expected to be 40-50%** of total budget by the end of 2021.

The shift **from retainers to projects** is making revenue more unpredictable. Brands are also demanding more transparent ROIs from agencies. Brands developing in-house teams are putting more pressure on agencies to differentiate and deliver.

Talent retention and acquisition remain a challenge. Operational and cultural improvements give agencies the possibility to reduce a high turnover rate.

Some agencies are being purchased by larger and more established advertising agencies in order to grow geographically and increase their capacities. A well-positioned agency with a growth of **>20%** in projects and a strong history can attract strong multiples. Some agencies are even being built to sell in today's market, which remains a viable option.

In-house specialists are also expanding their role. Most specialists are covering social media management (**94%**) and basic design work (**91%**). In-house specialists are also handling public relations and digital marketing (**77%**), as well as campaign development (**64%**), production (**57%**) and media planning (**54%**).



Retention is key, so building relationships with clients is vital and will become even more important in the very near future. With more and more automated tools, bidding strategies and machine learning, the future of any PPC agency will rely on the team. It comes down to caring about the clients you work with. How is their business performing? Are they growing? Are they happy? You have to have the right people in the right seats to do this. Without the right people, agencies won't last.

Patrick Schrodtt | PPC Expert & Founder at Titan Innovations

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Growing Your SEO Agency with Semrush with Greg Gifford

Course

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40

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43K

Certified Users

3

Languages

Courses and exams

SEO, Social Media, Advertising, Content Marketing, Semrush Tools



Greg Gifford

SEO Essentials



Neal Schaffer

SMM Fund.



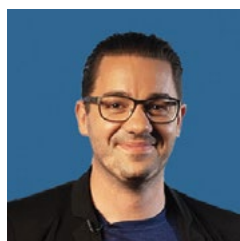
Joel Bondorowsky

PPC Fund.



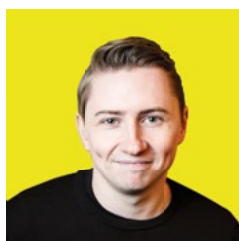
Ashley Segura

Content Fund.



Bastian Grimm

Technical SEO



Ross Tavendale

**Semrush
Site Audit**



Navah Hopkins

**Competitor
Analysis**



Eric Enge

**Role
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