

INDUSTRY REPORT

STATE OF THE INTERNET MARKETING AGENCY IN 2017

 WordStream

INTRODUCTION

Little-known fact: about a third of WordStream's customer base consists not of individual advertisers but of marketing agencies that use **WordStream Advisor for Agencies** to better serve their clients.

We got to thinking – wouldn't it be great if we could tap this group of customers to learn more about what makes the typical agency tick these days, then share that data with our customers and other readers?

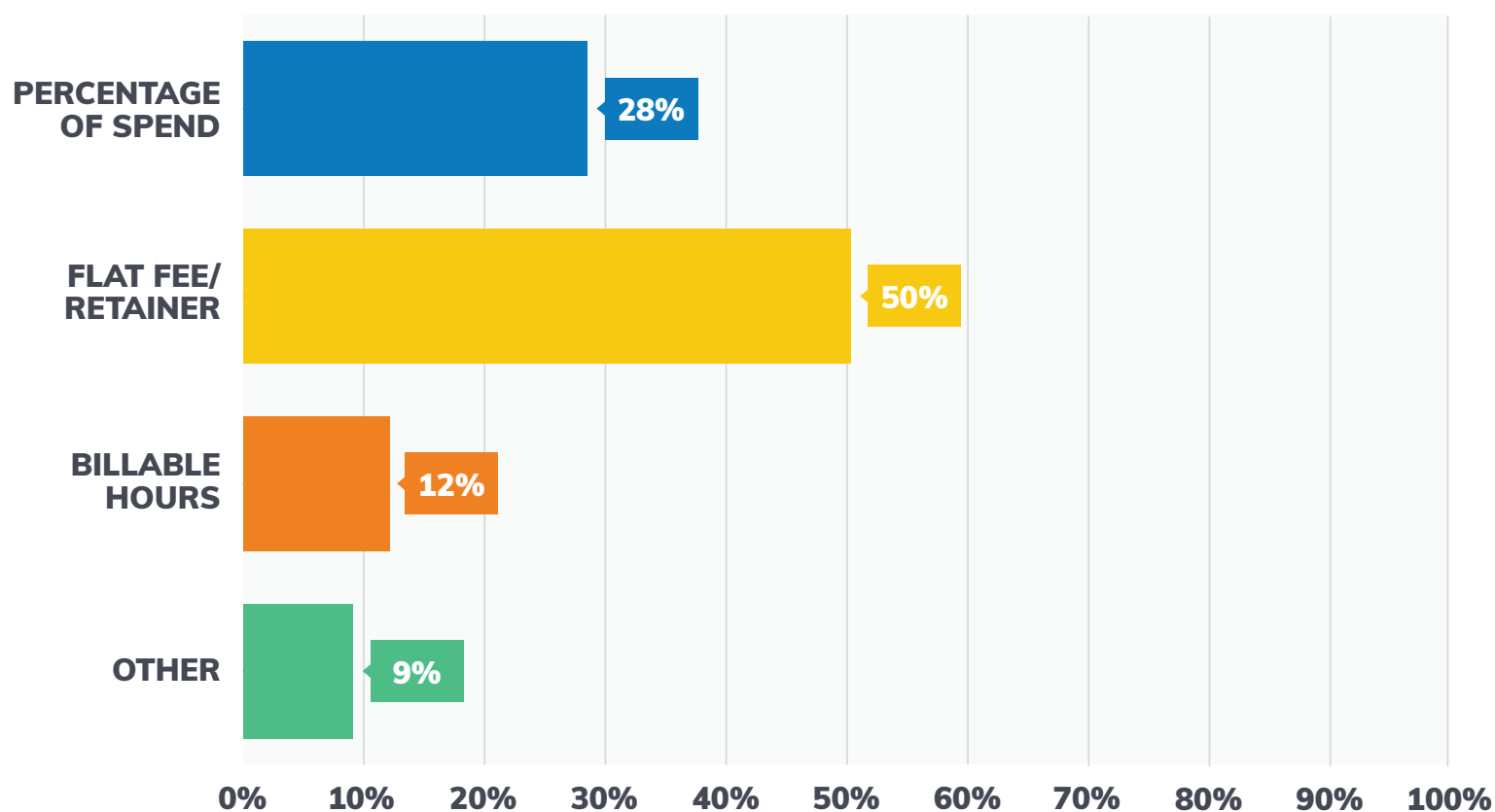
So that's just what we did! We sent a survey to our agency clients and collected data from almost 200 marketing agencies from all over the world that offer paid search marketing services. These agencies answered 10 questions about what industries they serve, what services they offer, how they structure pricing and fees, their greatest challenges, plans for growth and more.

Below you'll find the results of our State of the Industry report – here's how agencies are getting it done in 2017!



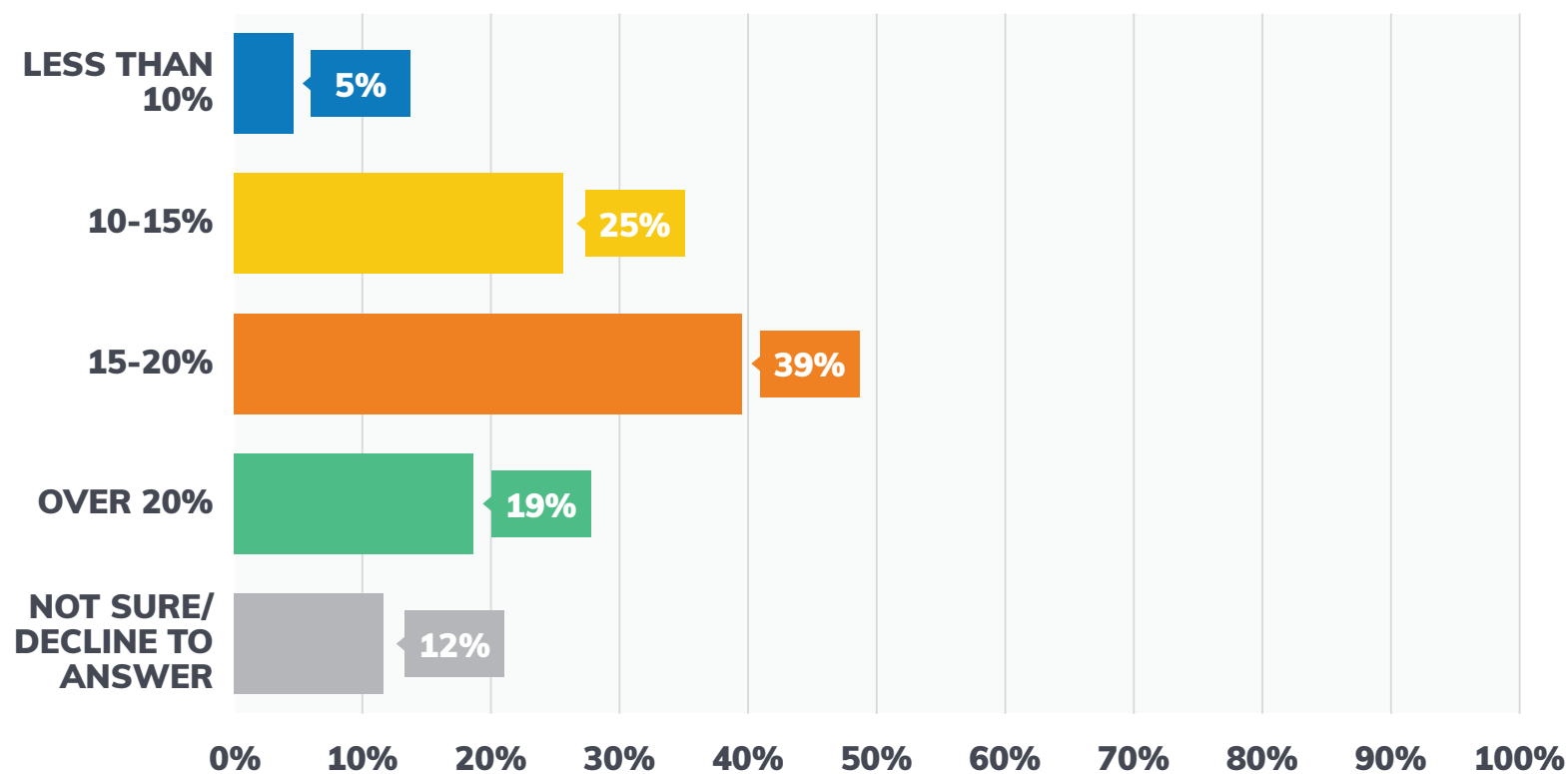
HOW DO AGENCIES PRICE THEIR PAID SEARCH SERVICES?

About half of responders base fees for paid search services on a flat fee or retainer. Less than a third (28%) base pricing on a percentage of spend, while only 12% use billable hours. ([Billable hours may undersell the value you're offering](#) if you use agency software to improve efficiency.)



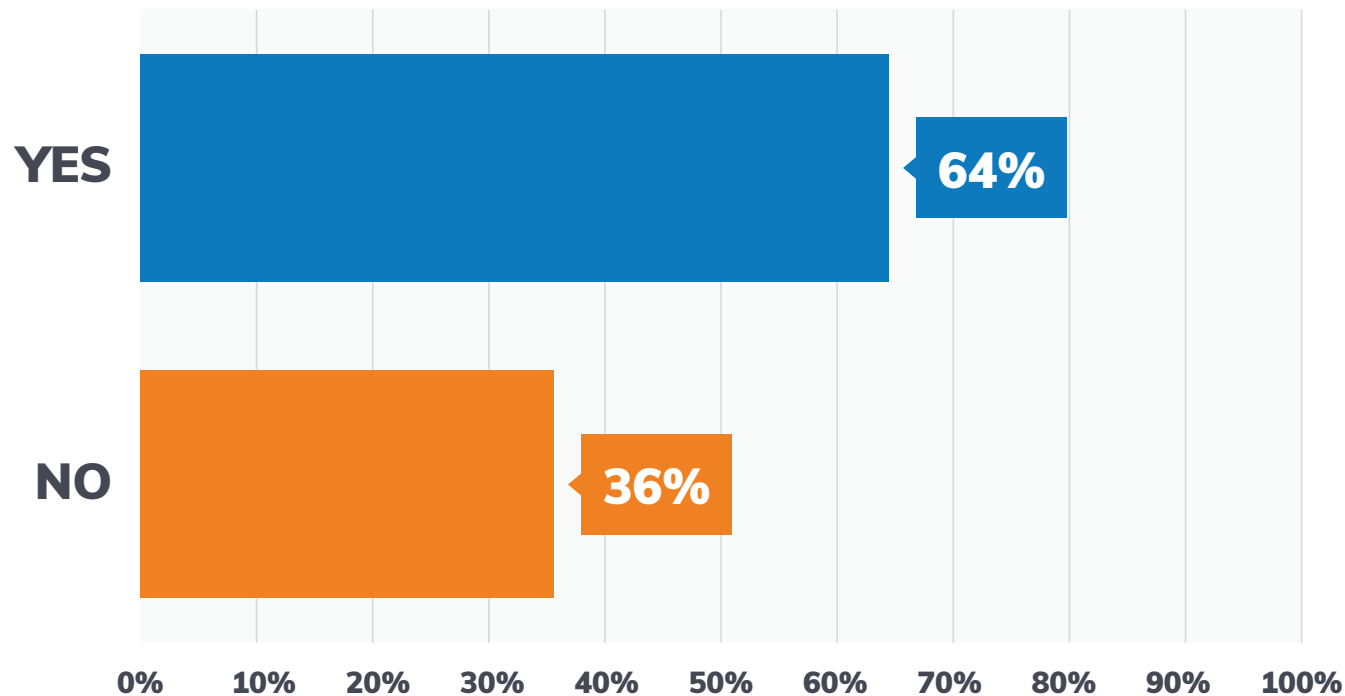
WHAT PERCENTAGE OF SPEND DO YOU CHARGE?

For those that price based on a percentage of spend, most agencies (39%) charge 15-20% of client spend, while a quarter (25%) charge 10-15% of client spend. Only 5% of agencies charge less than 10% of spend.



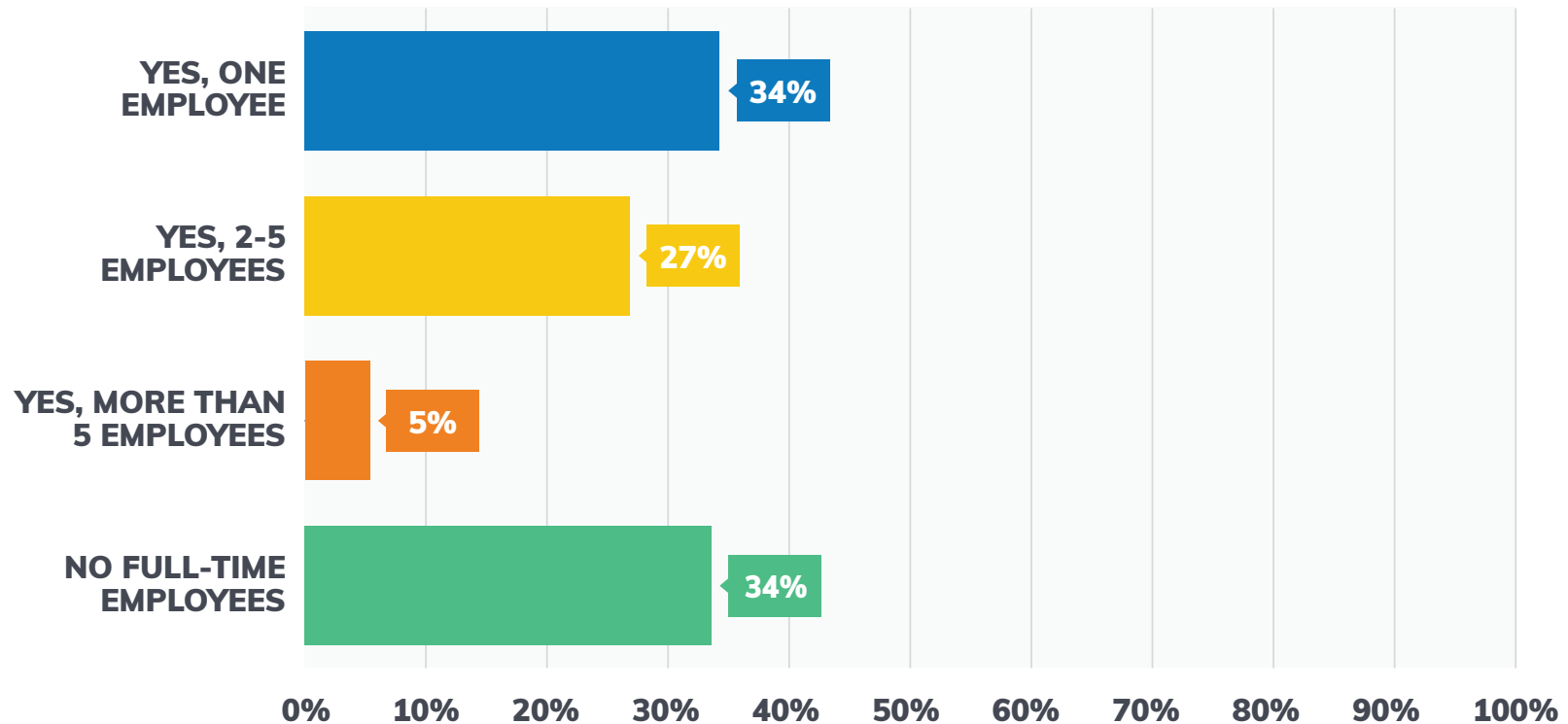
DOES YOUR AGENCY CHARGE A SETUP FEE FOR NEW CLIENTS?

About two-thirds of agencies charge a setup fee for new clients. This makes sense, because setting up a new account or restructuring an inherited account can be one of the most time-consuming and difficult parts of paid search management. If you're not charging setup fee, it might be time to start.



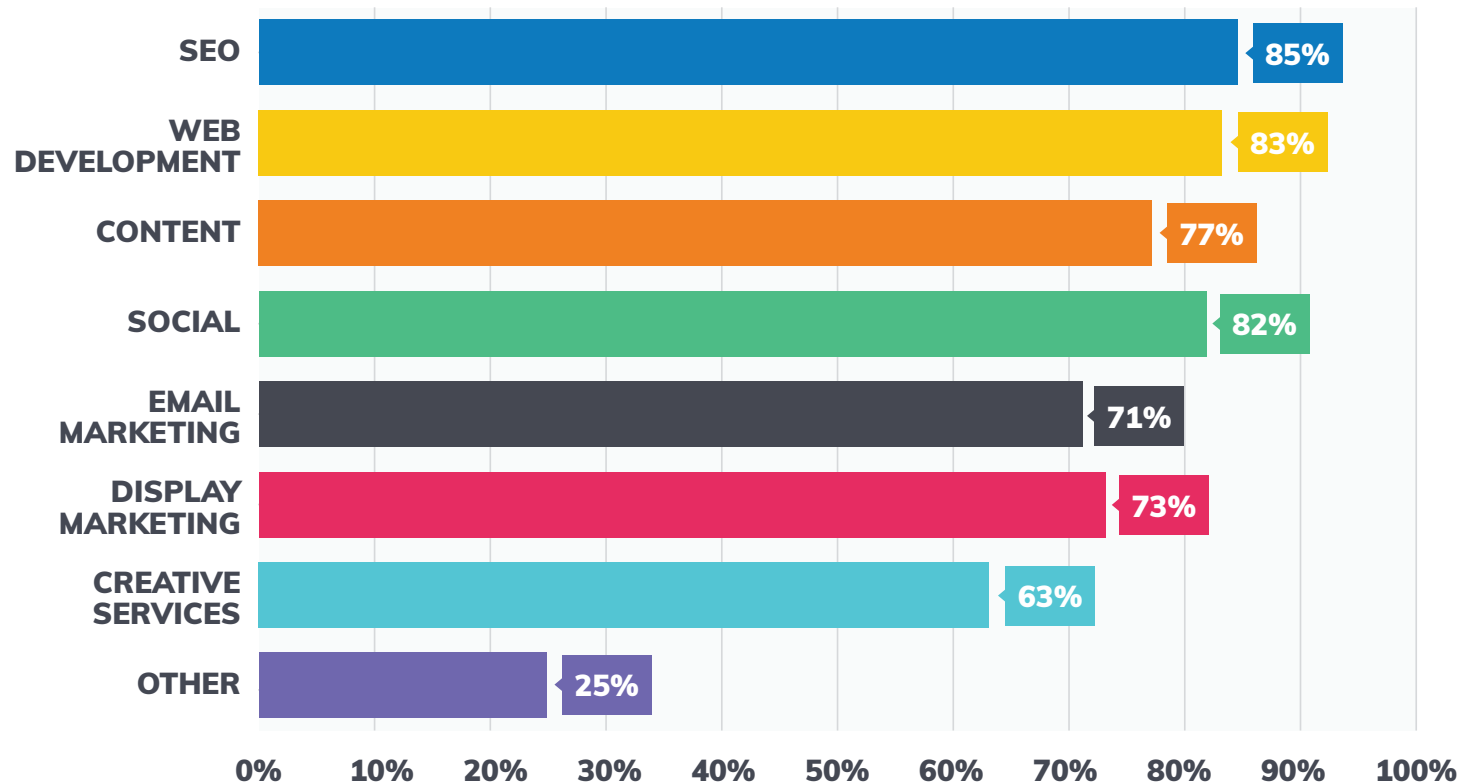
DOES YOUR AGENCY HAVE FULL-TIME EMPLOYEES DEDICATED TO PAID SEARCH?

Very few of our agency clients have more than two full-time employees dedicated to paid search, meaning most reps are wearing multiple hats and doing more than one thing. About a third of respondents only have one full-time employee dedicated to paid search, while another third have none at all that are purely dedicated to paid search.



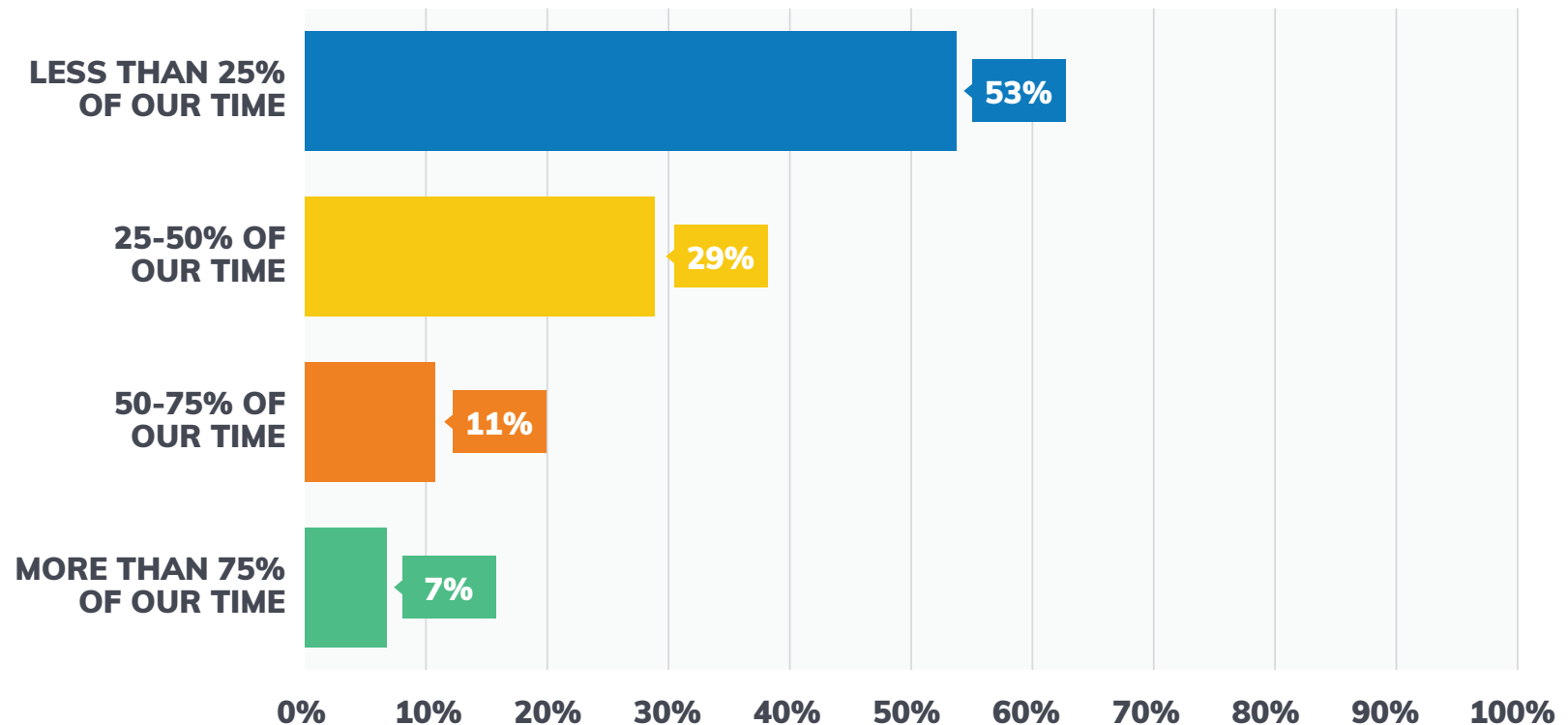
WHAT OTHER SERVICES DOES YOUR AGENCY OFFER?

The vast majority, about 85%, of agencies that took our survey offer SEO. Web development, social media, and content marketing services are also very popular, at 83%, 81%, and 77% respectively, followed by email marketing, display marketing, and creative services. “Other” responses varied widely, with services including video, conversion rate optimization, local advertising, branding, PR, reputation management, managed chat/texting, sales coaching, and print advertising.



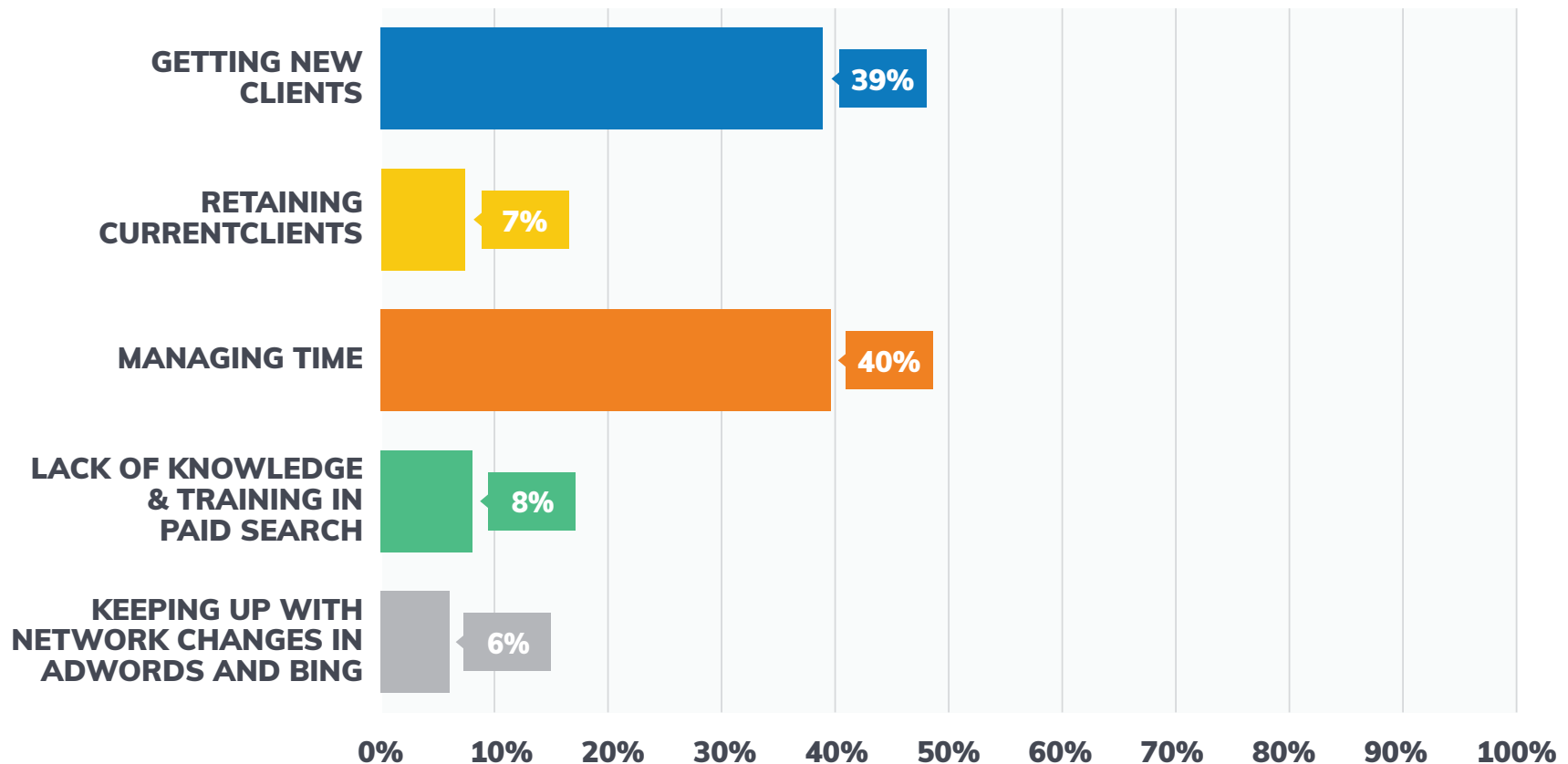
HOW MUCH TIME DOES YOUR AGENCY SPEND ON PAID SEARCH?

We're happy to say that our software helps most of our customers spend less than a quarter of their time on paid search management!



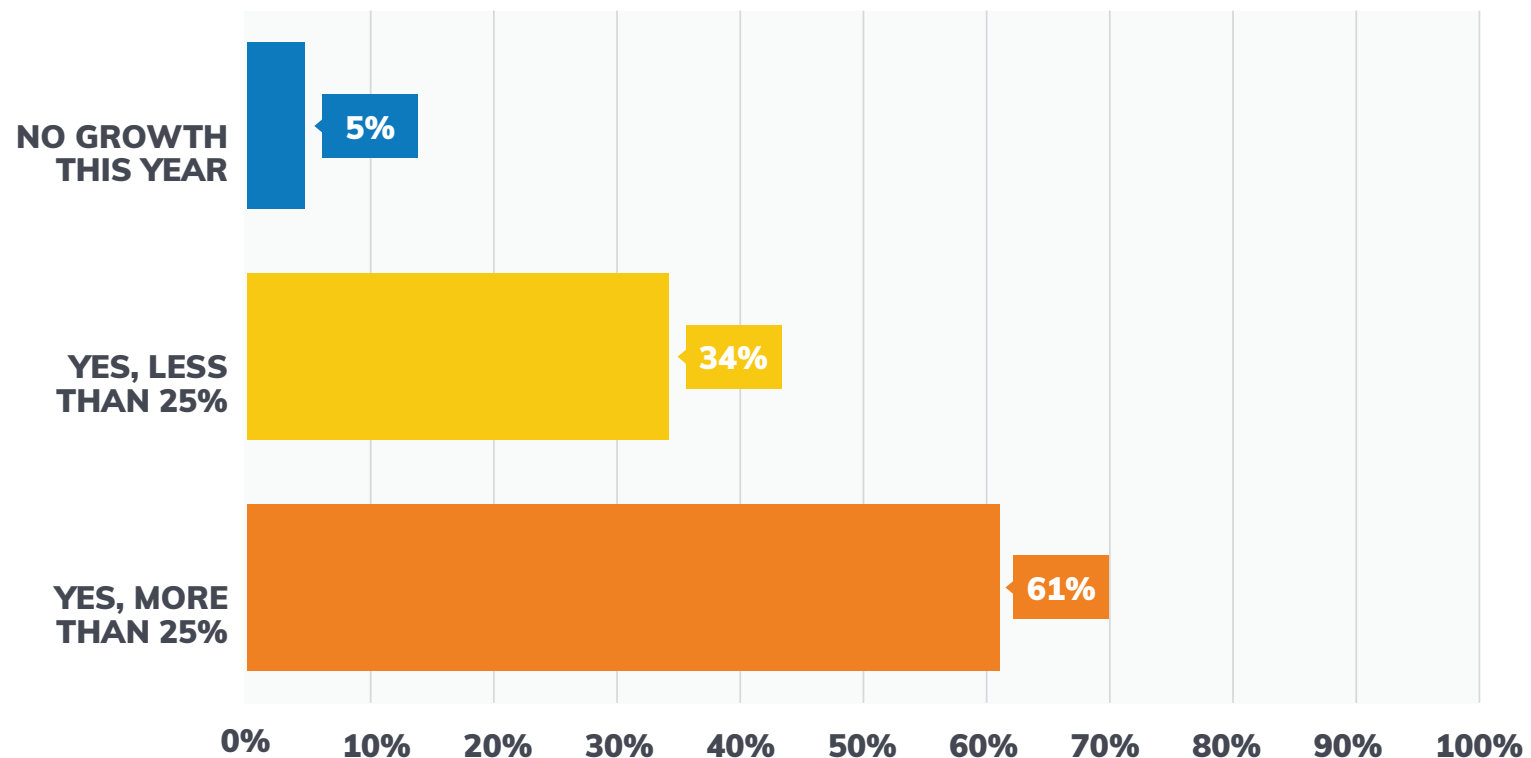
WHAT ARE THE BIGGEST CHALLENGES YOUR AGENCY FACES THIS YEAR?

Digital marketing agencies' biggest challenges in 2017 are managing time (40%) and [getting new clients](#) (39%). Less than 10% of agencies are struggling with [client retention](#), lack of training, or keeping up with changes in paid search.



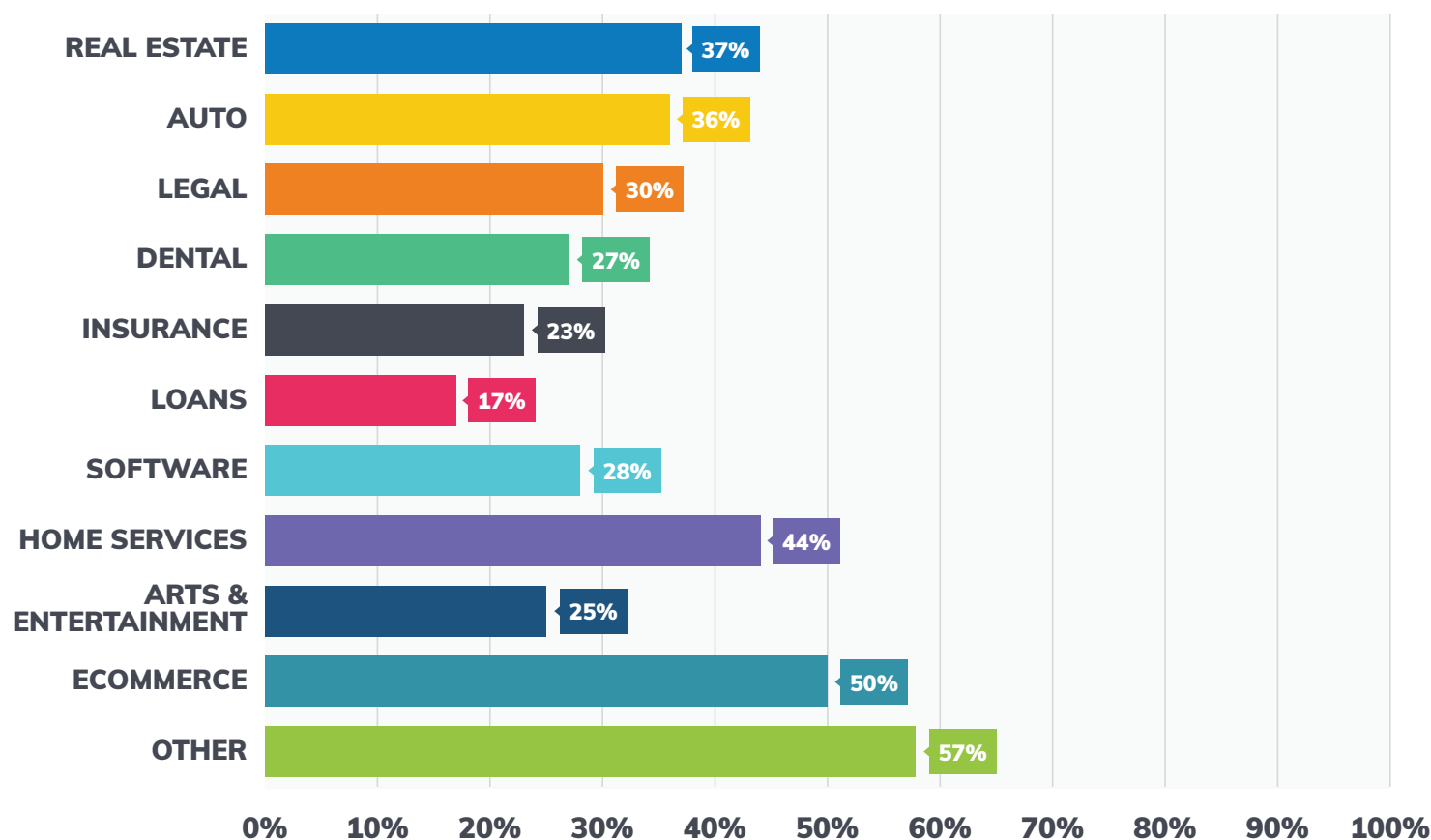
IS YOUR AGENCY ANTICIPATING GROWTH IN PAID SEARCH SPEND UNDER MANAGEMENT THIS YEAR?

61% of our agency clients are planning to grow the amount of paid search spend they manage this year by more than 25%. About a third are planning for growth of less than 25%, while only about 5% of marketing agencies are not planning for growth in the paid search channel.



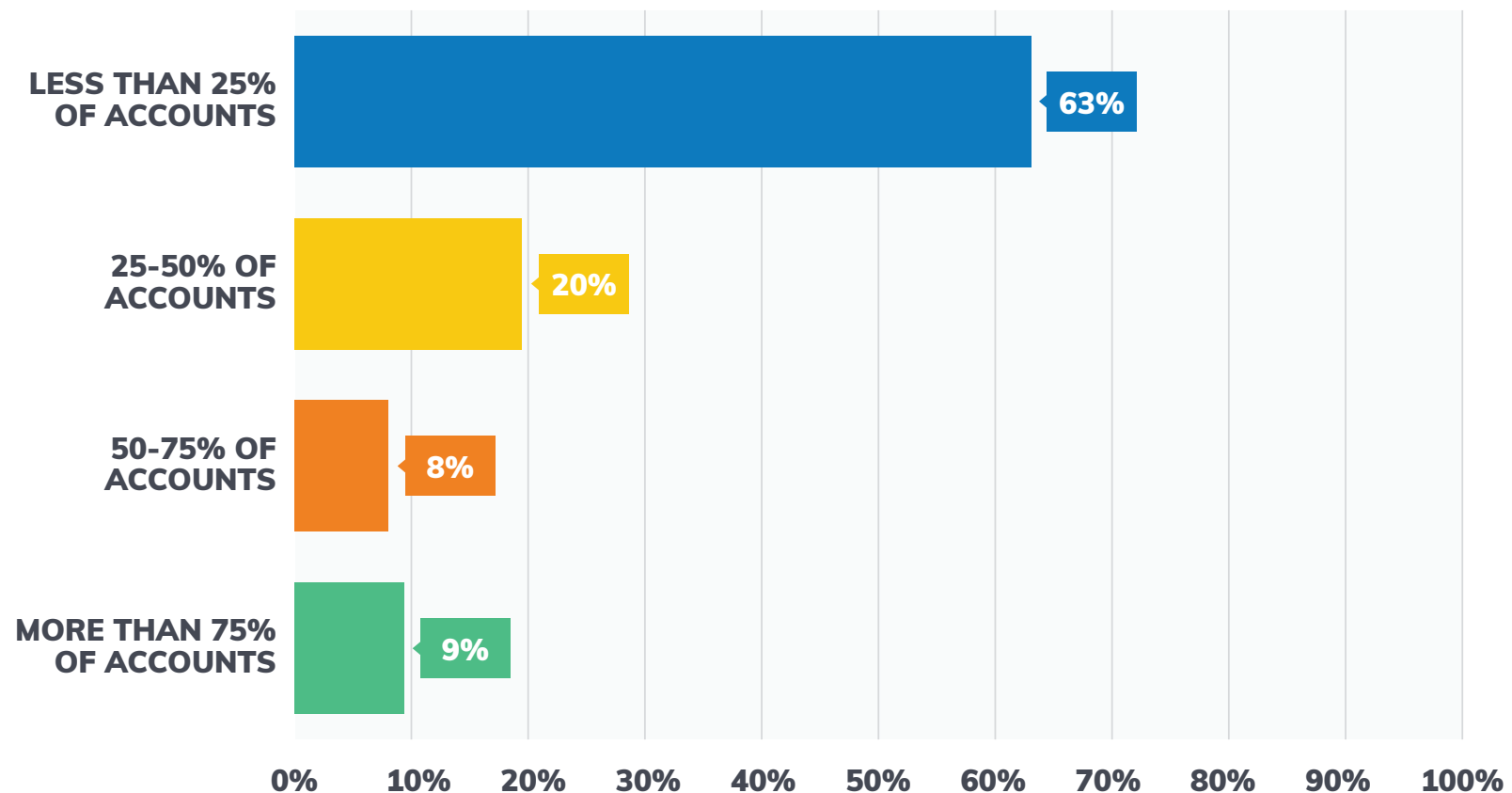
WHAT INDUSTRIES DO YOUR CLIENTS WORK IN?

The industries that are using agencies to manage their online advertising run the gamut. Popular industries in these agencies' client bases include e-commerce, home services, real estate, auto, and legal. "Other" responses again varied widely, including verticals such as food/restaurants/hospitality, tourism/hotels, education, fitness, healthcare, finance, nonprofits, and construction.



WHAT PERCENTAGE OF PAID SEARCH ACCOUNTS YOU MANAGE WERE NOT CREATED BY YOUR AGENCY?

Fewer than 10% of agencies are managing inherited paid search accounts that they did not create. 63% of agencies who responded say that less than a quarter of the accounts they manage were not created in-house.



STATE OF THE AGENCY IN 2017: KEY TAKEAWAYS

Based on these survey results, we've noticed a few overarching trends:

- **Agencies are incredibly busy!** Agencies are offering a ton of different services to businesses in a ton of different industries, and rarely have reps who are dedicated to one activity full-time. That means time management can be a struggle, and growth depends on finding ways to get client work done more efficiently without sacrificing quality.
- **Retainer pricing with a set-up fee is the top pricing option.** Agency pricing structures vary, but almost twice as many agencies use a flat-fee or retainer structure compared to charging as a percentage of spend. Further, about twice as many agencies charge a set-up fee compared to agencies that don't.
- **Growth is its own challenge.** Most agencies want to grow the amount of paid search spend they manage this year by more than 25%, but they also cite landing new clients as one of their biggest challenges. Again, efficiency is key, so agencies can carve out time from their busy schedules for client prospecting.

Were there any surprises in the results?
Other burning questions about agencies you'd
love to know the answer to? Let us know!

