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PR Agency Industry

2023 Best Practices Financial Benchmarking Report:

2023 Billing Rates & Utilization Report:

By Agency Size and Selected Regions

(Based on 2022 Results)

June 1, 2023

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Introduction and Overview

Rick Gould, CPA, J.D. created the concept of benchmarking for the public relations industry. One thing stands out:

Firms that implement changes based on current benchmarks ultimately realize increased profitability and value to their firm.

Benchmarking data, especially the year-end figures as outlined in this report, shows how firms are evolving based on changing market forces. Business practices that have proven to be successful, including during the recessionary period, are identified.

We regularly advise merger and management consulting clients how to interpret and apply this data in detail, tailoring it to each particular firm. Our clients increase profitability and improve operational effectiveness & value to their firm.

CEO's of leading PR firms have honored us with the feedback that our benchmarks are an invaluable resource in successfully managing their firms.

Executive Summary, Scope and Participant Profiles

This 2023 Best Practices Benchmarking Report by Agency Size and Region includes what we see as the twenty-one most critical benchmarks for a firm to track. They are the ones an agency principal must manage closely to successfully grow a firm and maximize profitability.

We have been tracking what I call “Model Firms” for over a decade. These are firms that consistently are growing, profitable and very entrepreneurial.

We identified firms with this distinction and invited them to participate in a “Model Firm Benchmarking Survey.” This replaced our survey open to all firms of all sizes, many having flat growth, minimal or no profitability and some very poorly managed, treating their firm as a lifestyle firm. We traded off quantity for quality.


Thirty-seven invited firms participated. Thanks for your trust and confidence in us.

We have also tracked the most frequently requested benchmarks of billing rates and utilization percents. These informative benchmarks, including productivity statistics, follow the financial benchmarking analysis.

Executive Summary

		Total Labor	Operating Expenses/ Overhead	Operating Profit
<u>Size</u>		#		
<\$3 Mill	3	59.8%	24.5%	15.7%
>\$3 Million to \$10 Million	15	58.1%	23.5%	18.4%
>\$10 Million to \$25 Million	6	62.6%	22.6%	14.8%
> \$25 Million	13	58.5%	19.9%	21.6%
All	37	59.1%	22.2%	18.7%
<u>Regions</u>				
1. NY/Metro	10	60.0%	23.8%	16.2%
2. D.C. & Suburbs	3	56.6%	18.7%	24.7%
3. NE	3	63.5%	24.3%	12.2%
4. SE	5	55.3%	22.9%	21.8%
5. Midwest	6	56.1%	24.3%	19.6%
6. SW	3	63.9%	23.9%	12.2%
7/ 8. California	3	62.5%	24.0%	13.5%
10. Canada	4	60.4%	15.2%	24.4%
Total*	37	59.1%	22.2%	18.7%

2023 Best Practices Benchmarking Report: By Agency Size (2022 Results)

		A	B	C	D	All	All	All
	Endnote Reference	< \$3M	\$3M - \$10M	>\$10M - \$25M	>\$25 Mill	2022	2021	2020
# Respondees		3	15	6	13	37	40	37
1. Revenue Per Staff		\$ 261,066	\$ 216,940	\$ 200,813	\$ 237,531	\$ 226,085	\$ 223,458	\$ 220,800
2. Revenue Per Professional	1	\$ 272,750	\$ 257,750	\$ 232,197	\$ 266,443	\$ 256,930	\$ 257,732	\$ 255,409
<i>As a % of Revenues</i>								
3. Account Salaries	2	37.7%	42.9%	44.2%	41.6%	42.3%	40.6%	42.5%
4. Bonuses		3.5%	3.1%	3.0%	6.4%	4.3%	4.6%	4.2%
5. Freelance Labor		15.6%	7.1%	5.6%	3.2%	6.1%	5.5%	4.9%
6. Total Account Labor Cost	3	59.8%	58.1%	62.6%	58.5%	59.1%	56.9%	58.2%
7. Admin. Salaries		7.8%	6.2%	7.7%	5.9%	6.4%	6.8%	6.0%
8. Rent & Utilities		4.8%	3.6%	4.8%	5.6%	4.5%	5.6%	6.3%
9. New Biz/Marketing		4.5%	2.1%	1.7%	1.6%	2.0%	1.8%	1.7%
10. Professional Fees		2.3%	2.2%	1.3%	1.0%	1.7%	1.9%	1.4%
11. Technology		2.7%	2.3%	1.9%	1.8%	2.0%	1.8%	1.9%
12. New Biz Referral Commissions		6.2%	1.3%	0.7%	1.5%	2.0%	2.1%	2.1%
13. Total Overhead/ Op. Expenses	4	24.5%	23.5%	22.6%	19.9%	22.2%	23.4%	23.6%
14. Operating Profit	5	15.7%	18.4%	14.8%	21.6%	18.7%	19.7%	18.2%
15. Billing Methods Used (Weighted)								
Time Based		25.0%	30.1%	10.9%	53.5%	36.5%	43.8%	39.8%
Fixed Fees/Retainers		57.3%	59.5%	77.1%	28.7%	51.8%	48.8%	42.4%
Project		19.0%	23.7%	20.9%	16.5%	20.5%	21.5%	29.2%
16. Billing for Travel Time								
Full Rate		50%	43%	50%	33%	50%	41%	43%
Half Rate		50%	57%	50%	67%	50%	59%	57%
17. Average Minimum Monthly Fee	6	\$ 9,528	\$ 9,660	\$ 15,818	\$ 13,052	\$ 11,791	\$ 12,225	\$ 13,189
18. Largest Client % of Revenues		30.0%	21.8%	12.6%	11.1%	17.5%	16.4%	13.6%
Top 20% Clients % of Revenues		49.3%	64.9%	47.1%	51.4%	56.4%	56.7%	57.3%
19. Baseline Hours ("Available" Client Hours)		1,676	1,636	1,633	1,770	1,685	1,747	1,731
20. Utilization - Account Execs		80.5%	86.1%	88.7%	82.9%	83.4%	84.3%	86.5%
21. Turnover		16.7%	26.1%	14.8%	22.8%	22.5%	25.4%	18.0%

2023 Best Practices Benchmarking Report: By Agency Region (2022 Results)												
Regions		1	2	3	4	5	6	7/8	10	All	All	All
	Endnote Reference	NY Metro	D.C.	NE	SE	Midwest	SW	CA	Canada	2022	2021	2020
# Respondees		10	3	3	5	6	3	3	4	37	40	37
1. Revenue Per Staff		\$248,874	\$270,326	\$171,310	\$214,178	\$251,770	\$245,853	\$164,479	\$172,319	\$226,085	\$223,458	\$220,800
2. Revenue Per Professional	1	\$299,396	\$296,044	\$188,887	\$239,783	\$278,994	\$275,469	\$186,980	\$185,884	\$256,930	\$257,732	\$255,409
<i>As a % of Revenues</i>												
3. Account Salaries	2	40.5%	41.6%	47.3%	37.0%	41.7%	42.9%	47.1%	49.4%	42.3%	40.6%	42.5%
4. Bonuses		6.6%	6.6%	2.2%	2.1%	4.8%	2.3%	1.9%	4.2%	4.3%	4.6%	4.2%
5. Freelance Labor		7.6%	1.1%	4.0%	9.3%	3.6%	9.1%	1.8%	3.5%	6.1%	5.5%	4.9%
6. Total Account Labor Cost	3	60.0%	56.6%	63.5%	55.3%	56.1%	63.9%	62.5%	60.4%	59.1%	56.9%	58.2%
7. Admin Salaries		7.7%	5.6%	9.3%	7.1%	5.4%	4.1%	7.9%	2.9%	6.4%	6.8%	6.0%
8. Rent & Utilities		4.9%	3.7%	4.4%	3.0%	4.8%	6.2%	5.2%	4.4%	4.5%	5.6%	6.3%
9. New Biz/Marketing		1.6%	1.2%	0.8%	2.9%	2.8%	1.6%	2.3%	1.7%	2.0%	1.8%	1.7%
10. Professional Fees		1.9%	1.2%	1.5%	0.9%	2.0%	3.0%	-	1.0%	1.7%	1.9%	1.4%
11. Technology		2.0%	1.1%	2.6%	1.5%	2.7%	2.6%	1.9%	2.2%	2.0%	1.8%	1.9%
12. New Biz Referral Commissions		2.4%	1.3%	0.4%	1.3%	-	0.4%	-	0.5%	2.0%	2.1%	2.1%
13. Total Overhead/Operating Expenses	4	23.8%	18.7%	24.3%	22.9%	24.3%	23.9%	24.0%	15.2%	22.2%	23.4%	23.6%
14. Operating Profit	5	16.2%	24.7%	12.2%	21.8%	19.6%	12.2%	13.5%	24.4%	18.7%	19.7%	18.2%
15. Billing Methods (Weighted)												
Time Based		33.5%	45.4%	10.5%	38.0%	41.7%	6.0%	-	53.8%	36.5%	43.8%	39.8%
Fixed Fees/Retainers		49.3%	34.7%	81.8%	54.3%	34.3%	76.3%	97.5%	24.5%	51.8%	48.8%	42.4%
Project		16.7%	19.6%	10.7%	24.8%	29.0%	17.0%	5.0%	24.7%	20.5%	21.5%	29.2%
16. Billing for Travel Time												
Full Rate		75.0%	0%	33%	50.0%	80.0%	50.0%	50.0%	50.0%	50.0%	41.0%	43.0%
Half Rate		25.0%	100%	67%	50.0%	20.0%	50.0%	50.0%	50.0%	50.0%	59.0%	57.0%
17. Average Minimum Monthly Fee	6	\$ 15,120	\$ 18,884	\$ 12,500	\$ 10,790	\$ 7,167	\$ 7,500	\$ 9,000	\$ 13,333	\$ 11,791	\$ 12,225	\$ 13,189
18. Largest Client % of Revenues		14.2%	12.6%	7.8%	16.4%	22.2%	21.9%	35.4%	27.9%	17.5%	16.4%	13.6%
Top 20% Clients % of Rev.		48.5%	50.6%	46.1%	59.0%	59.6%	72.3%	67.6%	69.8%	56.4%	56.7%	57.3%
19. Baseline Hours		1,794	1,719	1,664	1,698	1,743	1,625	1,610	1,564	1,685	1,747	1,731
20. Utilization - Account Execs		83.3%	86.3%	77.8%	79.4%	85.9%	98.2%	96.0%	81.2%	83.4%	84.3%	86.5%
21. Turnover		19.4%	22.0%	20.5%	24.2%	27.8%	31.5%	14.4%	26.4%	22.8%	25.4%	18.0%

Trend Analysis: By Agency Size (2022 Results)

Report Line Reference	Endnote Reference		A	B	C	D	All
			< \$3M	\$3M - \$10M	>\$10M - \$25M	>\$25 Mill	
	#		3	15	6	13	37
3. Account Salaries	2	2022	37.7%	42.9%	44.2%	41.6%	42.3%
		2021	37.1%	41.7%	40.2%	40.5%	40.6%
6. Total AE Labor Cost	3	2022	59.8%	58.1%	62.6%	58.5%	59.1%
		2021	57.3%	56.7%	55.4%	58.1%	26.9%
13. Total Overhead/ Op. Expense	4	2022	24.5%	23.5%	22.6%	19.9%	22.2%
		2021	26.9%	23.8%	24.5%	20.6%	23.4%
14. Operating Profit	5	2022	15.7%	18.4%	14.8%	21.6%	18.7%
		2021	15.8%	19.5%	20.1%	21.3%	19.7%

Key Medians (Half Above/Half Below)

Report Line Reference	Endnote Reference		B	C	D
			\$3M - \$10M	>\$10M - \$25M	>\$25 Mill
	#		15	6	13
			<u>% of Net Revenues</u>		
3. Account Salaries	2	Average	42.9%	44.2%	41.6%
		Median	42.5%	44.7%	43.4%
6. Total AE Labor Cost	3	Average	58.1%	62.6%	58.5%
		Median	58.3%	62.9%	57.2%
7. Admin Salary Average		Average	6.2%	7.7%	5.9%
		Median	4.8%	6.8%	6.3%
8. Rent/Utilities		Average	3.6%	4.8%	5.6%
		Median	4.0%	4.9%	6.2%
13. Operating Expenses	4	Average	23.5%	22.6%	20.0%
		Median	22.4%	23.1%	21.3%
14. Operating Profit	5	Average	18.4%	14.8%	21.6%
		Median	23.6%	14.1%	20.4%
19. Average Baseline Hours (Available Client Hours)		Average	1,636	1,633	1,770
		Median	1,700	1,656	1,771

Financial Benchmarks

Endnotes: Analyses and Insights

The 21 most critical benchmarks are analyzed by agency size or revenue category and by region. *(The benchmarks marked with an asterisk* represent the most critical elements to track.)*

1. ***Revenue Per Professional Account Staff (\$256,930)** The trend was slightly up. Last year the average for all firms was \$257,732, Firms with Net Revenues in excess of \$25 Million averaged \$266,443.

Ironically, the firms under \$3M averaged \$272,750. The main reason for this was that those well managed firms had substantial labor costs but generated significant revenues with fewer staff. Also, the owners did a high percent of billable work. It went down substantially once firms net revenues exceeded \$3 Mill.

This is a key indicator of productivity for professional staff. If professional staff salaries % of revenues and total overhead % of revenues are also effectively managed, this benchmark should be an indicator of profitability.

If the revenue per professional amount is high, in excess of \$200,000, but professional account salary % is also high, it is possible to have high revenue per professional amount with “moderate” profitability.

By analyzing this key benchmark, you will get terrific insight as to the “why” behind the profitability %.

AS A % OF NET REVENUES (FEE BILLING PLUS MARKUP ON REBILLABLES)

2. ***Account Salaries (42.3%)** This % is up from 40.6% the past year. It does not include bonuses. The goal should be under 40%. The most profitable firms consistently keep their base account salaries at this level.
3. ***Total Labor Cost (59.1%)** Up from (56.9%). The most profitable firms keep it as low as 50%.
4. ***Total Operating Expenses/Overhead (22.2%)** This was slightly down from 23.4% last year. Our advice is always to consistently monitor these costs. It is very difficult to change courses and cut back quickly during less prosperous times.

5. ***Operating Profit (18.7%)** This was down from 19.7%. The most profitable firms are at least 20%. Some very well managed firms generated Operating Profit in excess of 30%.

The largest category, over \$25 Mill, averaged 21.6% operating profit consistent with 21.3% in 2021.

6. **Rent Expense (4.5%)**. This was down from 5.6% a result of firms downsizing space as modified remote become common.

Keep Your Eye On The Overall Goal:

*Labor under 50%; Overhead no more than 25%,
Operating Profit 25%+*

My counsel to you is this: if your agency can strive to reach the 21 most critical benchmarks, you will watch your profitability attain levels beyond what you imagined were possible and continue to prosper in recessionary times.

Billing & Utilization Definitions and Concepts

1. **Period Covered:** As of December 31, 2022.
2. **Billing Rate:** The hourly rate you charge clients for each level of staff.
3. **Blended Rate:** One rate charged regardless of actual level of staff working on the client. It should be mathematically determined, plus consideration given for what is the normal blended rate for your size and region. It may vary for specific projects.
4. **Baseline Hours:** The total available client billable hours for the year. i.e. 40 hours/workweek at 52 weeks = 2,080. Then, 2080 less: total hours attributed to vacation, holidays, personal, sick, marketing, training and other anticipated non-client time. All utilization statistics are in relation to the baseline. The baseline should be around 1,700 hours.
5. **Utilization (Rate):** A measure of productivity. The total billable hours divided by the baseline hours. i.e. If the total client hours for an account executive is 1700 (baseline) and your billable hours are 1500 the Utilization Rate is 88.2%. You should do a separate calculation for each staffer, at least quarterly and year to date.

A Utilization Rate should be calculated for each staff person as well as for each staff group. In this manner you can track meaningful metrics against your individual staff, account teams and staff positional levels (i.e. VP, AE etc.).

6. **Writedowns:** Unbillable client time. These hours reduce the billable client hours and the utilization rate. If the writedown is not the fault of the staffer (i.e. retainer or project fee too low) you should not hold that against the staffer but it should be noted so you can track total writedowns. The major justification for a writedown would be if the client/project is a loss-leader where you anticipate additional business and/or client referrals as a result.

Applying The Concepts

By multiplying the projected utilization for each staff by their projected total hours, you will then get the total available hours a staffer can bill per month and/or per year.

Multiplying that total by their billing rate will enable you to project the billing to be generated by each staff.

Example

Month of May 2023

AE #140 worked 40 hours per week

33 available client hours @ 4 1/3 weeks = 143 hours

Utilization rate for AE number 140 90%

Total billable hours 129

Billing Rate \$ 185

Projected billing for the month **\$23,865**

This can be done by week, month and year depending on how far down you want to drill

Billing Rates by Size & Region (2022 Results)

# Respondents		President CEO		EVP SVP		VP		Account Manager		Senior Account Exec.		Account Execs.		Account Coordinators		Blended Rate	
		2022	2021	2022	2021	2022	2021	2021	2021	2022	2021	2022	2021	2022	2021	2022	2021
Size	#																
Less than \$3 Mill	3	337	338	288	281	268	275	228	246	195	218	168	208	130	173	165	225
>\$3 Million to \$10 Million	15	406	414	338	349	310	299	244	246	230	202	180	173	137	140	224	219
>\$10 Million to \$25 Million	6	416	439	339	379	286	308	236	250	205	198	175	170	135	141	230	222
> \$25 Million	13	499	492	459	445	388	377	324	308	253	258	203	210	160	166	287	274
Average All Firms	37	451	422	381	371	333	319	271	257	234	215	187	183	145	149	250	232
Regions																	
1. NY & NJ	10	615	588	494	517	406	390	334	313	258	254	211	199	176	175	343	367
2. D.C. & Suburbs	3	538	578	475	512	425	387	350	303	275	252	213	180	95	110	205	200
3. NE	3	379	448	306	389	275	343	246	279	185	189	155	164	125	111	245	275
4. SE	5	349	338	309	283	295	275	239	207	218	212	168	170	150	148	203	186
5. Midwest	6	380	374	327	327	285	286	244	252	252	224	183	199	130	182	211	243
6. SW	3	388	319	300	265	313	254	230	240	208	204	188	191	143	171	225	201
7/8. California	3	380	370	345	340	295	285	250	240	210	183	175	160	130	143	210	224
10. Canada	4	350	373	330	322	293	316	238	261	206	241	179	194	133	124	190	185
Average All Firms	37	451	422	381	371	333	319	271	257	234	215	187	183	145	149	250	232

*We only published results where three (3) or more firms from a specific region participated.

Utilization by Size & Region (2022 Results)

# Respondents	President CEO		EVP SVP		VP		Account Manager		Senior Account Exec.		Account Execs.		Account Coordinators		Baseline Hours		
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	
Size																	
Less than \$3 Mill	3	62.4	54.7	74.3	73.1	67.8	75.2	79.0	84.9	71.6	73.7	80.5	81.1	78.8	74.5	1676	1669
>\$3 Million to \$10 Million	15	34.1	30.1	73.0	61.9	73.2	65.9	82.5	77.9	86.9	76.9	86.1	79.8	81.4	74.6	1636	1750
>\$10 Million to \$25 Million	6	36.2	36.7	60.2	59.5	65.1	75.1	81.7	84.7	87.3	92.5	88.7	93.7	91.0	91.7	1633	1742
> \$25 Million	13	26.5	30.6	53.1	59.7	65.3	65.5	77.6	76.3	81.1	82.4	82.9	86.7	84.3	90.3	1770	1782
Average All Firms	37	35.5%	35.4%	63.4%	62.1%	68.5%	68.5%	80.4%	79.9%	83.9%	82.3%	83.4%	84.3%	84.3	80.9	1685	1747
Regions																	
1. NY & NJ	10	31.5	40.0	61.2	64.2	68.1	72.3	86.7	83.5	81.3	88.6	83.3	90.3	77.5	84.6	1794	1765
2. D.C. & Suburbs	3	41.8	42.1	63.5	60.8	72.6	69.2	74.4	82.2	88.1	90.1	86.3	88.3	96.4	98.6	1719	1865
3. NE	3	43.1	30.8	72.3	57.8	66.8	62.5	70.8	77.1	87.8	78.4	77.8	80.4	87.4	77.9	1664	1706
4. SE	5	40.9	36.0	46.3	44.0	51.5	70.1	68.5	77.6	78.8	90.9	79.4	83.8	83.2	76.1	1698	1726
5. Midwest	6	25.4	30.8	74.2	69.7	75.9	70.6	87.0	80.4	89.0	74.9	85.9	83.6	82.8	77.0	1743	1721
6. SW	3	77.5	62.4	*	73.2	75.5	*	88.4	80.7	91.3	77.0	92.8	83.9	*	60.7	1625	1648
7/8. California	3	*	43.1	*	57.1	*	71.1	*	90.2	*	76.9	*	97.1	*	97.4	1604	1719
10. Canada	4	22.1	19.3	57.9	54.4	58.8	61.1	69.3	69.5	72.5	76.9	81.2	77.2	78.3	80.1	1658	1699
Average All Firms	37	33.5%	35.4%	63.4%	73.2%	68.5%	68.5%	80.4%	79.9%	83.9%	82.3%	83.4%	84.3%	84.3%	80.9%	1685	1747

*We only published results where three (3) or more firms from a specific region participated.

Net Revenue Growth of Respondent Firms

# Respondents			2022
<u>Size</u>			
Less than \$3 Mill	3		(2.3%)
>\$3 Million to \$10 Million	15		21.7%
>\$10 Million to \$25 Million	6		17.2%
> \$25 Million	13		8.8%
Total	<u>37</u>		
Simple Average All Firms			9.4%
Weighted Average All Firms			14.9%
<u>Regions</u>			
1. NY & NJ	10		9.3%
2. D.C. & Suburbs	3		12.0%
3. NE	3		14.0%
4. SE	5		16.0%
5. Midwest	6		7.4%
6. SW	3		5.0%
7/8. California	3		24.4%
10. Canada	4		4.7%
Total	<u>37</u>		
*We only published results where three (3) or more firms from a specific region participated.			

Ongoing Goal of our Annual Benchmarking Report

Our goal is to continually define the profile of a successful “model firm”, based on a point in time each year, by each revenue category and region. Quantifying model firms not only helps us to better support our clients’ goals and objectives, but also helps the industry as a whole to successfully evolve and weather changing market conditions.

We examine all types and sizes of PR firms in-depth, both those that are clients as well as those that simply agree to share their confidential financial, management and operational statistics with us.

Thank you for your support of our benchmarking efforts. Look for other relevant surveys in the future.

Please contact me directly if you have any questions and/or comments. Best wishes for a prosperous year, professionally and personally!

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