

## US PR Agency Profitability Recovers From 2009 Nadir

Global, North America



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NEW YORK--US PR agency profitability appears to be recovering from a recessionary nadir, despite continued downward pressure on fees.

According to the annual benchmarking survey conducted by StevensGouldPincus, the rebound was led by the industry's mid-size and large firms.

PR agency profitability reached 15.6 percent in 2010, up from 13.5 percent in 2009, and the same figure reported in the firm's 2008 edition. The industry, though, still has some way to go to reach the 19.7 percent margin it enjoyed in 2007.

StevensGouldPincus surveyed 104 PR agencies across the country. The firm found that average margin was dragged down by smaller firms. Agencies worth less than \$3m reported profitability of 13.1 percent. Margin figures rose in tandem with size, with firms worth \$10 to \$25m netting 17.8 percent. Larger firms, with revenues above \$25m, delivered profitability of 16.5 percent. All four groupings improved on 2009.

StevensGouldPincus managing partner Rick Gould also pointed out that its 'model firms' continued to operate well above the mean. "The dozen agencies consistently meeting or exceeding the SGP model performance target criteria, continue to remain far above average during these recessionary times," said Gould. "In 2010, they averaged an operating profit margin in excess of 20 percent, partly due to their ability to hold professional staff salaries to under 40 percent of revenues, total labor cost at 50 percent and operating expenses at under 30 percent. This should be the goal for all firms."

The report found, however, that the average monthly PR fee has dipped to \$8,385 from \$9,808, thanks to continued economic pressure. Again, firms worth more than \$10m charged considerably higher average fees of more than \$12,000.

Revenue per professional, meanwhile, grew to almost \$206,000 from \$198,000 one year earlier, likely reflecting reductions in staffing. Staff turnover for the year averaged 22.9 percent, slightly under the previous year.

Gould advised agencies to keep a close eye on revenue per professional. "Other benchmarks are important but the key is this very valid and proven direct labor ratio."