



STEVENS GOULD PINCUS

Merger & Management Consultants to the Communications Industry

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**PR AGENCIES REPORT 2010 PROFITABILITY REBOUNDS TO
2008 LEVELS OF 15.6%, ACCORDING TO
STEVENSGOULD PINCUS ANNUAL SURVEY**

NEW YORK July 5, 2011 -- U.S. PR agency profitability rebounded from a 2009 four year low of 13.5 per cent of revenues back to exactly what it was for 2008, 15.6 percent according to those responding to the annual Benchmarking survey of StevensGouldPincus, it was disclosed today.

A total of 104 prominent agencies based coast to coast reported that average number which compares with a 13.5 percent in 2009, 15.6 percent in 2008 and a 19.7 percent margin in 2007, according to Rick Gould, CPA, J.D. a managing partner of the NY based merger and management consulting firm specializing in the communications field. The Best Practices Benchmarking Survey conducted and

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reported since 2002, the StevensGouldPincus survey is the only best-practices benchmarking survey open to all firms of the PR industry.

Although the overall average profitability was 15.6 percent the average was brought down by the firms with net revenues under \$3 million. The operating profit for this category was 13.1 percent, up from 10.4 percent in 2009. The firms in excess of \$3 Million up to \$10 Million netted 16.2 percent, those in excess of \$10 Million up to \$25 Million netted a very respectable 17.8 percent and those in excess of \$25 Million netted 16.5 percent, also respectable in challenging economic times. All four categories improved from the previous year.

“One of the most significant findings of the survey,” said Gould, is that the SGP “Model Firms”, the dozen agencies consistently meeting or exceeding the SGP model performance target criteria, continue to remain far above average during these recessionary times. 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 goals for all firms.

Other noteworthy findings were:

- The average monthly minimum fee stipulated by agencies was \$8,385, down from the \$9,808 reported a year ago – reflecting further economic pressures of the times including client losses and budget cuts. This benchmark varied widely between size of firms.
- Firms between \$10 and \$25 million averaged \$12,222 and firms in excess of \$25 million averaged \$12,811.

- Revenue per professional staff was up to \$205,941 from \$197,714 last year.
Firms in excess of \$10 million in net revenues averaged in excess of \$230,000.
- Total overhead averaged 28.4 percent. Firms in excess of \$25 million were at 25.0 percent.
- Staff turnover for the year averaged 22.9 percent, slightly under the previous year.
- **The Golden Rule per** Rick Gould is tracking and monitoring “Revenue Per Professional.”
“This is the key to maximize profitability and it is simple to monitor. Other benchmarks are important but the key is this very valid and proven direct labor ratio.”

After today’s distribution of the SGP full survey results to those agencies that participated, copies will be available on request after September 1 by writing:
rgould@stevensgouldpincus.com.

The SGP Billing & Utilization Report will be released on Monday, July 18.

Based in New York City, SGP is also headed by partners Art Stevens, Ted Pincus, and west coast partner Mike Muraszko.