

# Digital Agency Growth Guide

Systems and strategies for capturing opportunities and creating reliable growth for digital agencies.

# A Widening Divide ■

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Revgen at digital agencies often depends on a mix of strategy, luck, and personal heroics from owners and partners. For the majority of the industry, revgen is broken. These agencies are stuck with uneven sales and siloed departments that are not set up to work together. A small but expanding part of the industry has noticed this and made changes to their approach, leading to a rise in their agency's revenue generation sophistication. Notably, they're focusing on systematizing referral generation, growing current accounts, and extending account tenure. Additionally, they are fully integrating revgen functions (sales, marketing, bizdev and account management) and focusing their efforts on a few high-value areas. This is allowing them to grow faster while earning higher margins, which they can then reinvest in the agency, ultimately widening the divide between the industry leaders and everyone else.

This guide evaluates what revgen looks like at most agencies today, how that has changed recently, and what leading agencies have done to propel themselves ahead of the pack. This all draws from our extensive research, based on surveys, interviews, and observations covering 200k digital agencies worldwide, over the last decade. We have been tracking this divide since it began to emerge in the late 2010s, and watching it accelerate dramatically with the introduction of AI.

In our finding, the greatest leverage for agencies lies in the agency's account management (AM) function. The activities AM owns from growing, upselling, cross-selling, and retaining existing accounts produce more revenue per unit of effort than any acquisition channel in our research. Most agencies underinvest in account management and undercompensate their people, leaving the highest-leverage revenue function operating well below its potential. Building a fully integrated

revgen system that elevates AM to peer status alongside sales, marketing, and business development can unlock this opportunity.

The second area of opportunity for revgen growth are referrals. Agencies running referrals as a purposeful operationalized channel are seeing some of the lowest customer acquisition costs and longest client tenures we've measured. This channel scales directly with agency reputation and operating discipline, meaning the benefits compound as the agency does more good work.

AI is the third area where leaders are pulling away. A third of agencies have already integrated AI across operations, but the rollout has been uneven, with production functions running far ahead of revgen functions. The leading agencies have closed that gap and are consistently and intentionally using AI to enhance their relationship-driven revgen activities.

Leaders who make smart investments in their agency's revenue-generation system will continue to extend their advantage in growth and profit margins. It's a challenging process that takes time, but the results are clear: agencies can achieve growth rates of 2-3 times the industry average and margins that are multiples of those of a standard agency. There's a palpable sense of urgency to this work, as the methodical shifts we tracked from 2015-2020 have accelerated dramatically since 2021. **Agencies that delay starting this work will find the gap harder to close every year that passes.** Use this guide as a starting point for your team to drive lasting improvement across your agency.

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**NICHOLAS PETROSKI**

Founder, Promethean Research

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WHO THIS GUIDE IS FOR

This guide is for digital agency leaders who want to create a revgen system that delivers reliable, profitable, above-average growth.

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IT IS MOST USEFUL TO LEADERS WHO:

- Have outgrown ad hoc revenue generation
- Find their growth has stagnated despite leadership effort
- Want to focus on the work but feel held back by underperforming revgen activities
- Want a unified strategy that ties the agency's revenue activities together

Most agencies stall between 30 and 50 employees. At that size, founder-driven revgen runs out of capacity, but the integrated system that should replace it has not yet been built. We wrote this guide for agencies in that transition, but the principles are applicable to agencies of all sizes.

ABOUT THE AUTHORS



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Since 2015, Nicholas has helped over 100 digital agency owners better understand their industry and chart more effective paths to success. Before founding Promethean, he worked as an equity analyst at a Wall Street firm covering the enterprise software and semiconductor industries.



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EXPERT CONTRIBUTORS · FOUR VOICES, FOUR DISCIPLINES.



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Sell against the problem space. · Ch 04



**Karl Sakas · Sakas & Company**

Incentivizing AM success. · Ch 07



**Dan Englander · Sales Schema**

Common pitfalls in referral programs. · Ch 08

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**ABOUT PROMETHEAN RESEARCH**

Promethean Research is a boutique research and consulting firm built for digital agency leaders. We produce proprietary research on how agencies operate, grow, and compete, and we turn that work into practical guidance for the owners and operators running them. Our consulting engagements focus on growth and strategy: sharpening positioning, building repeatable revenue generation, pressure-testing service offerings, and helping leadership teams make better decisions about where to invest. Every recommendation is grounded in primary data from across the agency market including: surveys, interviews, consulting work, and observational research. We work with independent agencies, agency networks, and holding companies that want a research partner who understands the realities of the business they are interested in creating.

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**CONTACT** For research, consulting, or licensing inquiries, visit [PrometheanResearch.com](https://PrometheanResearch.com).



# David C. Baker

FOUNDER · PUNCTUATION

FOREWORD · DAVID C. BAKER

It may seem a little silly to revisit the “why” for your firm’s existence from time to time, but indulge me for a minute.

Your firm exists primarily for two reasons, and we can throw a third one in there if all the stars align.

**1. To move the needle on behalf of clients.** That’s not the same thing as apply your productized service to chase that elusive efficiency. The tighter your positioning, the more that your positioning will deliver similar scenarios at your doorstep, and so it’s just silly to not find more efficient ways to arrive at the truth faster, but you can’t operate like a factory. The client needs to resolve two competing notions: you’ve done this same thing a lot of times before hand and know what you’re doing PLUS there’s nothing rote about this process you’re applying to them.

**2. To make money.** And by “make money,” what I really mean is “make boatloads of money,” if for no other reason than clients don’t listen to people where the engagement doesn’t hurt a little. Paying some ordinary fee, for them, is the equivalent of checking a box.

**3. To love your work.** If you put this first, my friend, you’ll be poor...and you’ll be like that person who wets their pants in a dark suit. You get a warm feeling [doing the work for these firms you believe in], but no one will notice. On the other hand, if you put effectiveness and profit first, you’ll love the impact you have...and the money will drag you through the times of drudgery where you’re falling in love with the business again.

We can think about this another way, too. Why do random people decide to pool their talents, spend many hours together, reveal their strengths and weaknesses, and sacrifice for each other? They do it because THIS BUSINESS exists for a specific purpose. The founder has articulated a clear vision, the right people are attracted to that lighthouse on the shore, and a living organism is born.

But that organism is fed by doing meaningful work in exchange for respectful compensation. And the firm and the client love each other.

We are in the professional services space. But we are on one of the lower rungs of the professional services space. Massage therapists and barbers require hours of supervised practice before they are certified. Us? We just hang a proverbial shingle.

Let’s climb a few rungs up the ladder and do better work and earn the compensation we deserve for that impact.

QUOTE

Let’s climb a few rungs up the ladder and do better work and earn the compensation we deserve for that impact.

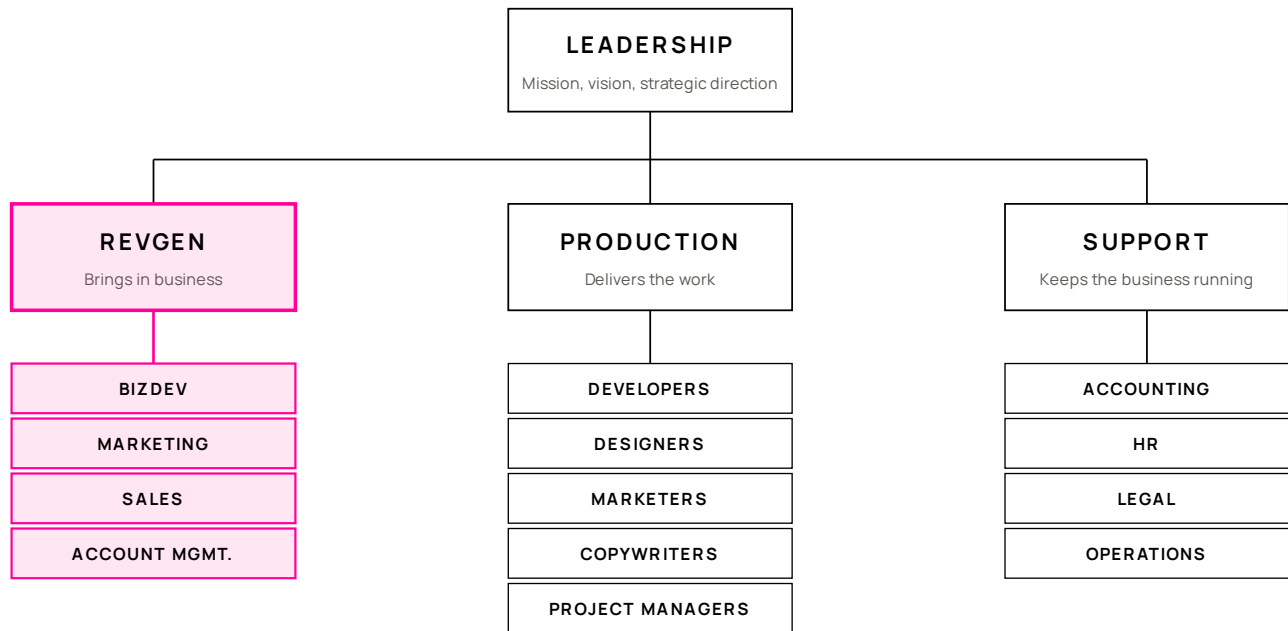
# 01

CHAPTER 01

## The Four Functions of a Digital Agency

# Standard agency operations.

While the way agencies are organized can change, the core functions of a digital agency have remained largely consistent over time: Leadership, Revenue Generation (Revgen), Production, and Support.



Leadership sets the agency’s overall direction by defining the mission, vision, and strategic goals that guide all other agency activities.

Revgen is responsible for bringing in business. This includes business development, marketing, sales, and account management. Everything tied to generating and growing revenue is in this group.

Production delivers the work that Revgen sells. This group includes developers, designers, marketers, copywriters, project managers, and others who execute client projects. Many agencies refer to this function as “delivery.”

Support is the internal framework that enables the other functions and keeps operations running smoothly. Support includes accounting, HR, legal, and general operations.

## The functions of Revgen

For a digital agency, Revgen can fall under several categories and titles. Operationally, Revgen is any department or group that contributes and responsible for bringing in business to the agency. Everything tied to generating and growing revenue is in this group. This group consists of business development, marketing, sales and account management.

### Business development

Business development is the practice of building strategic partnerships that create new opportunities for the agency. These partnerships might fill service gaps (white-labeling), expand your audience, or shift your market positioning through joint ventures. While sales primary focus is closing leads, business development is focusing on creating more opportunities for sales and marketing, while also solving key production gaps.

For digital agencies, business development is often the most fragile revgen function. Partnerships take a long time to develop and are notoriously difficult to convert into consistent growth. This is why it's rare to see a built-out business development function at agencies below 50 full-time employees.

### Marketing

Marketing is communication. Your marketing department's role is to communicate the value your firm delivers. Marketing communicates with everyone: clients, prospects, leads, internal teams, target markets, prospective employees, and potential partners. Their core function is to attract prospects, warm up leads, and make it easier for sales to close the right accounts. Their secondary function is to communicate the brand, value proposition, and messaging with potential hires, employees, partners, and vendors.

To do this effectively, marketing has to understand your customers' and competitors' goals, challenges, and industry trends. They distill these findings into positioning, go-to-market strategy, competitive analysis, and other components of a marketing plan. The operational side of marketing implements the plan and course-corrects as needed.

Marketing generates revenue more directly than business development but less so than sales or account management. Effective marketing teams work closely with the other revgen functions and act as a force multiplier for them. Strong marketing teams understand that every touch point a person has with the agency's brand is an opportunity.

## Sales

Sales is directly responsible for generating revenue. The most important aspect of your sales department is to convert leads to clients. Marketing is typically tasked with the top of the funnel (awareness/interest/desire/action) while sales is responsible for the bottom of the funnel (converting leads into clients). At successful shops, the sales team sources and drives its own leads in addition to the ones marketing brings in.

## Account management

Account managers serve as the primary contact between clients and the agency's internal teams. They facilitate communication and coordinate efforts to support project success. They proactively identify growth opportunities and build long-term relationships through expert guidance and strategic insight.

Account management owns the overall client experience, client retention, and account expansion. Like

sales, account management is directly responsible for revenue through the growth and referrals of these existing accounts. Digital agencies often have AM's report into sales, but we are challenging that structure in detail later in the guide ([The Integrated Revgen System](#)). It is important to also differentiate AMs from PMs (Project Managers): PMs manage the delivery process for projects, and AMs manage and grow the client relationship.

## How the four functions work together

In a healthy revgen system, the four functions reinforce each other. Marketing builds the assets sales uses to close deals. Sales feeds marketing intelligence about what's resonating with prospects. Account management produces a client experience that generates referrals. Bizdev and marketing turn those referrals into repeatable channel relationships. When each function is operating properly, it supports the other functions and overall Revgen becomes more effective.

### NOTE FROM OUR RESEARCH

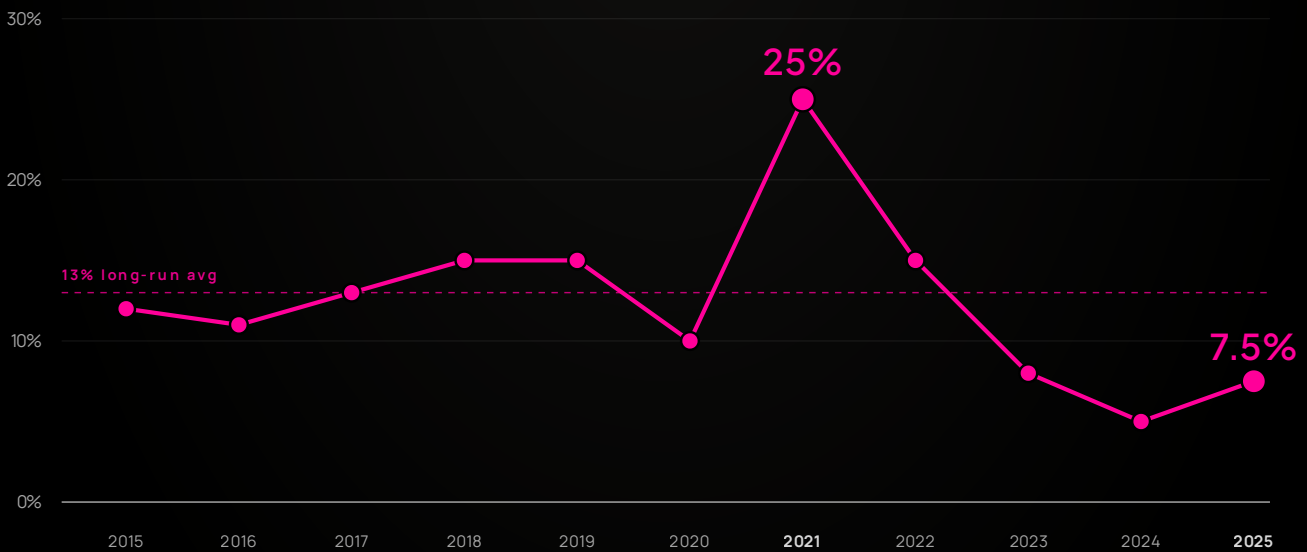
In our research, we have found "Business development" is often used interchangeably with "sales," which limits what business development can actually accomplish. Through working with hundreds of digital shops, we've found that this stems from a fear of the word "sales." Among owners, "sales" tends to conjure up a used-car salesman or a call center full of direct dialers spamming everyone in the phone book. So to counter this perception, owners implement "business development" programs in which the firm builds real relationships with clients, delivers good work at fair prices, and represents the client's best interests. That is exactly what a properly run sales function does.

# 02

CHAPTER 02

## **Benchmarking The Typical Agency**

# Average agency revenue growth was 7.5% in 2025.



ANNUAL REVENUE GROWTH • 2015-2025

While that's a welcome improvement after a few years of anemic growth, it's still about half the industry's long-run average.

### Revenue growth and investments

Average agency revenue growth was 7.5% in 2025. While that’s a welcome improvement after a few years of anemic growth, it’s still about half the industry’s long-run average.

From 2015 to 2020, average annual growth was around 13%. In 2021, the pandemic pulled forward demand for digital transformation and marketing spend, pushing average growth to 25%. Growth then slowed each year through 2024, bottoming out at 5%. The slight rebound to 7.5% in 2025 was encouraging, but the market is still not back to long-run norms.

The average digital agency invests 7% of its revenue in sales and marketing. This includes everything from salaries to media spend.

That level of spend has historically delivered 13% average revenue growth across agencies in our research. In years like 2025, when topline market conditions are weaker, the same spend yields about half as much. To grow faster than the average, an agency has two options: spend more or spend the same amount more effectively. Most leadership teams default to the first option in good years and the second in bad ones.

Lifetime Value (LTV)/Customer Acquisition Cost (CAC) is a more useful way to evaluate an agency’s revgen activity. Once an agency can quantify each client’s value and the cost to acquire one, every dollar of revgen spend can be evaluated against its LTV/CAC return. Most agencies are still not set up to do this as measuring the cost to acquire a client and the total value a client delivers is ambiguous.

### Service mix and growth

The average agency offered 6.6 services in 2025, up slightly from 6.3 in 2024. While the shift in the raw count was small, the way that agencies managed their service mix had a significant impact on how fast they grew.

FIG 02 • 2025 GROWTH BY SERVICE-MIX DECISION



Agencies that reduced their service offerings grew the fastest in 2025 at 13%, almost twice the industry average. Agencies that expanded services grew at 9.8%. Agencies that held their service mix steady grew 5.7%. Agencies that shifted services without expanding or reducing barely grew at 0.2%.

Agencies that made deliberate decisions about their service mix outgrew those that simply drifted. The biggest gains came from focusing, specifically from cutting services that diluted positioning or eroded margin.

### Pricing methods

Most digital agencies use a mix of pricing methods. The most common combination is Time and Materials, Fixed Bid, and Retainer. Only about 8% of agencies rely exclusively on a single pricing model.

Performance-based pricing is used by a small portion of the market, primarily by marketing-focused agencies with measurable client outcomes. It produces strong returns for agencies that have the prerequisites in place: clear, measurable outcomes; client willingness to share results data; and agency confidence in attribution. Most agencies don't, which is why adoption has stayed low.

**DEEPER DIVE**

For more information on the latest pricing methods, benchmarks, and agency trends, see our 2026 State of Digital Services Report.

**GET THE REPORT →**

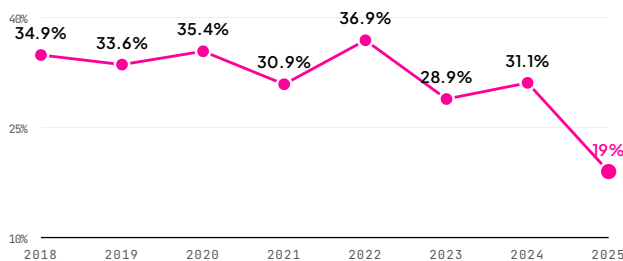
Rate increases correlated strongly with revenue growth across all pricing models. The agencies that raised rates in 2025 outgrew the agencies that held steady or reduced.

The big pricing story in 2025 is the reversal of value-based pricing.

In earlier years, value-based pricing (VBP) was the preferred model for most agencies. In our surveys, VBP usage peaked at 37% in 2022, and agencies employing this approach typically experienced faster growth, particularly during market upturns. In more recent years, VBP adoption fell to 18% in 2025, down from 31% in

2024. This time, agencies still using VBP grew more slowly than those that did not use VBP.

**FIG 03 • VBP ADOPTION, PEAK TO 2025**

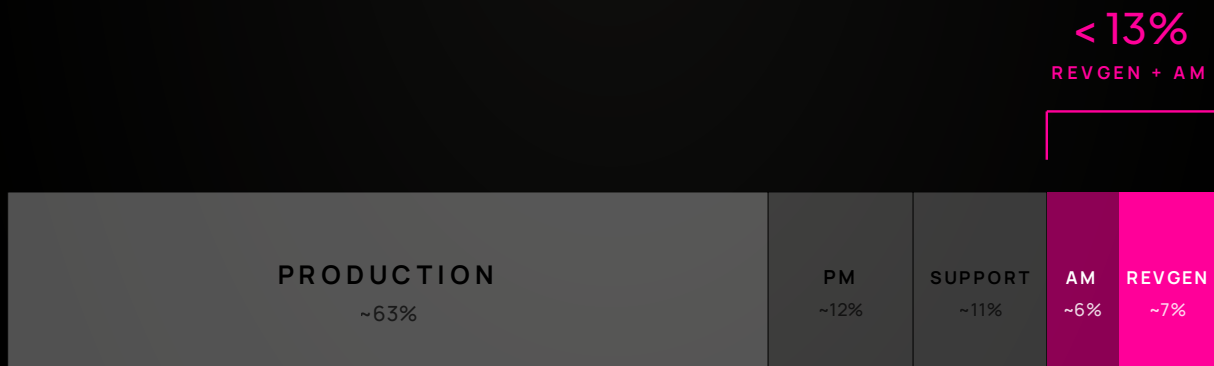


Value-based pricing use by year. Source: [State of Digital Services Surveys 2018-2025](#).

Several forces drove the reversal. AI has compressed execution times across many service lines, making clients more skeptical of value-based pricing claims. Buyers have become more cost-conscious and more willing to push back on rates that don't reflect actual delivery effort. And the prerequisites for VBP (proven outcomes, measurable client value, deep specialization) have gotten harder to demonstrate. Many markets have become saturated with specialists, or those that look like specialists, making similar claims.

Value-based pricing is no longer the default method for aspirational pricing. It still works in narrow situations where an agency meets the prerequisites, but many agencies' options have been limited to tightening Time and Materials, Fixed Bid, and Retainer execution, raising rates where the market allows, and then pursuing VBP only where the prerequisites are genuinely met.

# Less than 13% of the typical agency headcount.



100% OF TYPICAL AGENCY HEADCOUNT

3,172 POSITIONS • 1,228 AGENCIES

Sales and marketing roles make up roughly 7%. Account managers make up another 6%. **The two functions most directly responsible for generating revenue and growing accounts account for less than one in eight employees.**

## Revgen roles defined

Across the 3,172 employee positions, from 1,228 digital agencies, we discovered titles for revgen and account management combined account for less than 13% of the typical agency headcount. Sales and marketing roles make up roughly 7%. Account managers make up another 6%. The two functions most directly responsible for generating revenue and growing accounts account for less than one in eight employees.

That share shifts only modestly as agencies grow. Sales and marketing roles edge up from about 5% at Studio shops to about 8% at Large agencies, reflecting the need to formalize go-to-market systems as the agency scales. Account management stays roughly flat across all sizes, hovering between 5% and 6%.

There are six key revgen roles present at digital agencies. Titles vary across agencies. The important thing is that the work gets done by people who understand their roles, communicate consistently, and share accountability for achieving revenue goals.

**Sales Development Representative (SDR) / Business Development Representative (BDR).** SDRs handle inbound lead qualification: answering inquiries, qualifying fit, and booking meetings for closers. BDRs handle outbound: identifying target accounts based on the agency's ICP, doing the outreach, qualifying, and booking meetings. The roles overlap, and many agencies use the titles interchangeably.

**Account Executive (AE) / Closer.** Once leads are qualified, they're passed to a closer who runs the sales conversation, develops the proposal, and guides the prospect through purchase. At smaller agencies, this role is filled by an owner or partner. At larger agencies, dedicated AEs handle this work.

**Director of Sales / VP of Sales.** Often interchangeable titles. They oversee the sales process, manage sales capacity, work with other revgen leaders to set targets, analyze sales data, and manage the sales team.

**Marketing roles.** Smaller agencies typically start with a marketing coordinator who runs day-to-day execution. As agencies grow, they add a director or VP of marketing. At Large agencies and above, marketing splits into specialist roles across content, paid media, technical marketing, and design.

**Account Managers (AMs).** AMs own the post-sale client relationship: communication, project oversight, growth planning, and retention. The first AMs typically appear at Small agencies, often wearing project management hats early on. Dedicated AMs split out from project management around the Medium stage.

**Head of Growth / Chief Revenue Officer (CRO).** At Medium agencies and above, a Head of Growth or CRO unifies the four revgen functions under a single leader. The Head of Growth role typically emerges first, at the Medium stage. The CRO role appears at Large agencies and orchestrates sales, marketing, and customer success.

## Revgen role evolution

The structure of the revgen function evolves as agencies grow.

FIG 05 • REVGEN ORG BY AGENCY SIZE

<b>STUDIO</b> < 10 FTE	<b>Founder</b>
<b>SMALL</b> 10–24 FTE	<b>Owner / partner</b> · Fractional revgen hire · In-house marketer · First AM
<b>MEDIUM</b> 25–49 FTE	<b>Head of Growth</b> · Sales directors · Marketing directors · Account executives
<b>LARGE</b> 50–249 FTE	<b>Chief Revenue Officer</b> · Sales director · Marketing director · Dedicated RevOps · Partnerships lead
<b>ENTERPRISE</b> 250+ FTE	<b>CMO</b> · SVP Sales · Demand generation · Brand · RevOps · Customer success · Alliances

**In Studio agencies (under 10 Full Time Employees FTEs)**, the founder is the sole revgen driver. They generate referrals, write proposals, set prices, and close every deal themselves. Marketing activity is minimal, typically limited to keeping the website current and posting occasional LinkedIn updates. A simple spreadsheet or starter CRM tracks deals.

**In Small agencies (10 to 24 FTEs)**, owners are still heavily involved in deals, supported by a fractional or entry-level revgen hire. A single in-house marketer often appears here, running content, email, and paid-ad

experiments. The first account manager or director also appears at this stage, usually wearing both account management and project management hats. The agency is starting to formalize its Ideal Client Profile (ICP), develop a go-to-market plan, and use a real CRM to track and forecast.

**In Medium agencies (25 to 49 FTEs)**, a Head of Growth role typically emerges to unify marketing, sales, and early partner programs. Sales directors, account executives, and marketing directors appear as direct reports. These roles add structure to the agency's go-to-market strategy and tactics. They help increase growth rates, smooth out revenue, and extend leadership's view of capacity needs.

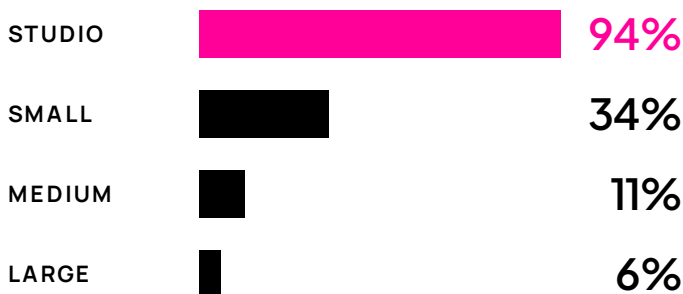
**In Large agencies (50 to 249 FTEs)**, a Chief Revenue Officer orchestrates sales, marketing, and customer success. The team includes a sales director overseeing the Account Executive (AE) and Sales Development Representative (SDR) teams, a marketing director overseeing content, design, and technical marketing staff, dedicated RevOps, and a partnerships lead. Even at this size, partners are still required to come in and close large, transformative accounts.

**In Enterprise agencies (250+ FTEs)**, revenue leadership becomes fully specialized: CMO, SVP Sales, and dedicated VPs for demand generation, brand, RevOps, enablement, customer success, and alliances. Global go-to-market strategy is set region-by-region with clear P&Ls, and large-deal teams still include senior partners to reassure enterprise prospects.

### Contractor reliance

We've tracked a significant uptick in contractor use across most agency sizes since 2022. The trend continued in 2025, with most agencies increasing contractor headcount even as their full-time headcount stayed flat or contracted. Studio shops now run with extensive contractor benches: contractors are equivalent to 94% of FTE on average. Large agencies use contractors more sparingly.

FIG 06 • CONTRACTORS PER FTE, 2025



Two forces are driving this shift. First, agencies are managing capacity volatility by relying on contractors to flex without increasing fixed payroll in an uncertain market. Second, contractor prices have come more in line with full-time equivalents since 2021, particularly with the normalization of remote and offshore work. The traditional cost penalty for using contractors has narrowed.

This matters for revgen for two reasons.

The first is forecasting. A revgen system's job is to feed delivery with the right volume of work at the right time. When delivery capacity itself is contractor-heavy and elastic, revgen can plan against a wider range of demand scenarios without forcing the agency to overhire or support an idle bench. Agencies running mostly on FTEs have less room for error in their forecasting.

The second is investment in revgen itself. Building out an **integrated revgen system** takes capital. Contractor-heavy delivery models free up capital that would otherwise be tied up in fixed payroll, making it easier to fund the marketing, sales, and account management investments the system requires.

# 03

CHAPTER 03

## Agency Revgen is Broken

### The problem with revgen

Growth at many agencies today is, unfortunately, fundamentally broken. Four themes show up across our consulting work and research as the most common revgen issues, and, spoiler, AI is making all of them worse.

### Feast-or-famine

Inconsistent revenue generation usually stems from overreliance on owners and partners for lead generation and sales. When leads run dry, owners shift their focus to sales. Their heroic efforts tend to work and the agency sees a temporary uptick in leads and sales. Then their attention shifts back to delivery, operations, or the next strategic priority, and the pipeline empties again.

The result is a roller coaster of lead gen and sales that strains the agency. Accurately forecasting revenue is nearly impossible during **feast or famine** bursts, which makes capacity planning nearly impossible. Utilization rates swing too high during the feasts and too low during the famines. Both extremes hit margins, hurt morale, and weigh negatively on client retention.

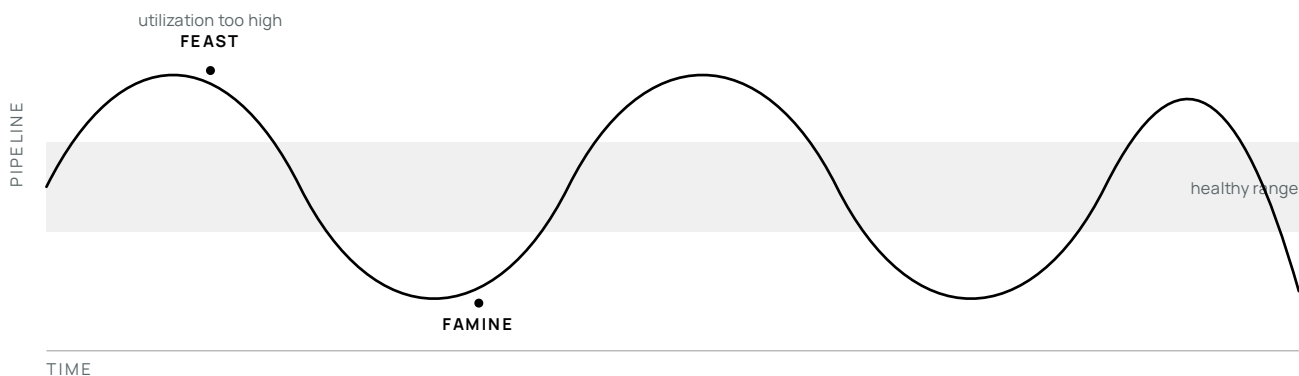
An overreliance on passive referrals has the same consequences. Referrals can be a strong tailwind in good economic environments. They can also dry up almost overnight in a downturn, which sends owners scrambling back into the heroics that the referral channel was supposed to replace.

AI has made the famines hit harder. Buyers push harder on price, run more competitive processes, and shortlist agencies with less human involvement than before. Agencies that haven't built systems to feed their pipelines are spending more time doing manual work to fill them, just as buyers are adopting a quicker buying cycle by leveraging AI.

### Poor alignment and adversarial relationships

Too many digital agencies have revgen functions that work against each other. The simplest version is a disconnect between marketing's positioning and sales' messaging, which confuses prospects and lengthens sales cycles. The deeper version is an active blame culture: marketing blames sales for poor lead handling, sales blames marketing for low-quality leads, and account management blames both for setting expectations that the delivery team can't meet.

FIG 07 • PIPELINE VOLUME WHEN REVENUE DEPENDS ON OWNERS



When leads run dry, owners shift focus to sales. Heroic efforts fill the funnel. Then attention shifts back to delivery and the pipeline empties again.

The bulk of these issues stems from a lack of knowledge about what each function is responsible for and how each function can help the others. Marketing doesn't know what sales is hearing in late-stage conversations. Sales doesn't know what bizdev is hearing from partners. Account management doesn't know what marketing is promising prospects. The functions operate as silos, sharing customers but not information.

The downstream effects on revenue generation appear in several places. Conversion rates drop because messaging is inconsistent across the funnel. Account expansion suffers because account managers don't know what services marketing is positioning. Bizdev partnerships fail to translate into deals because sales and bizdev don't share a clear handoff. The agency spends more to acquire each client and gets less from each client it signs.

AI has widened the alignment gap, with marketing functions adopting AI faster than sales and account management. AI-generated content, automated nurture campaigns, and AI-assisted SEO produce far more output, which means marketing is now sending more signals into a pipeline that sales and AM aren't set up to receive any better than they were before. The message volume goes up, but the integration with the rest of the funnel is still disconnected. Inconsistent messaging at higher volume is worse than inconsistent messaging at lower volume, because the prospect's experience compounds across more touchpoints. The agencies pulling ahead are investing in AI maturity across all four revgen functions, including the ones that are harder to automate.

### Undifferentiated value propositions

Most digital agencies go to market with positioning that doesn't differentiate them from the dozens of similar agencies pursuing the same buyers. This is where positioning strategy directly affects revgen. Undifferentiated positioning yields lower conversion rates at the top of the buyer funnel, raising customer acquisition costs across all channels. When marketing, sales, and account management each interpret a vague value proposition differently, prospects hear inconsistent stories at every touchpoint. This also amplifies the alignment problems between the revgen function as discussed in the previous section.

A differentiated value proposition that resonates with the target buyer should be uncovered by the agency's front-line

salespeople, refined through marketing, validated by account management, and championed by leadership. That is not how most agencies operate today. Most agencies inherit positioning from a leadership offsite or a brand exercise and never iterate on it based on what the buyer is actually responding to.

#### WORK WITH US

Building a revenue generation program on an unstable foundation will cause ongoing issues for your team. In conversations with leaders, we uncovered a clear understanding of the importance of having structure in place to define a vision, create a growth strategy, and follow through with implementation. We also uncovered that while this is agreed to be important, leaders can be pulled in many directions with urgent needs within the agency. Having the urgent outpace the important can be extremely damaging over the long term. Our experts can help you avoid the pitfalls that most agencies fall into.

[EXPLORE OUR GROWTH SERVICES →](#)

AI has made this failure mode worse in three ways.

First, buyers increasingly use AI tools for shortlisting, which filters out agencies whose positioning is generic. An AI model summarizing five agency websites for a procurement team will distill them down to the substantive differences, so an agency without substantive differences gets summarized away.

Second, routine deliverables like copywriting, basic design, boilerplate code, and media buying have been commoditized by AI tools, which compresses pricing power for any agency that competes on execution alone. Time-and-materials billing is particularly at risk: if the same output requires fewer hours, agencies that price by time lose revenue every time they become more efficient. We are already seeing this show up in the data, with hourly rates rising more slowly and margins compressing.

Third, in-house teams armed with AI tools can now cover ground that previously required an agency. Agencies competing on execution are losing deals to clients who decided they could do it themselves with an AI subscription and a junior generalist.



Growth at many agencies today is, unfortunately, still **fundamentally broken**. Four themes show up across our consulting work and research as the most common revgen issues, and AI is making all of them worse.

### Passive referral handling

Throughout our research, referrals continually rank as the most effective revgen channel for most digital agencies. They produce the longest client tenures, the lowest customer acquisition costs, and the largest deal sizes. Despite this, the vast majority of agencies treat them as a passive channel. Most agencies do not have systems in place to own them, measure them, or systematically ask for them.

The agencies that have systematized referrals are pulling ahead. They define an **Ideal Referrer Profile**, equip team members with the materials and messaging needed to make the ask, build referral generation into account management workflows, and track referral-driven revenue as carefully as they track outbound or inbound revenue. The agencies that haven't are watching their highest-value channel underperform while their other channels get more expensive.

This is even more of an issue as the rest of the channel landscape has degraded. Outbound channels are noisier than they were. Content and SEO have been commoditized. Paid acquisition has gotten more expensive as competitive processes have lengthened. Trust-based channels have held up while reach-based channels have eroded, raising the relative value of the referral channel.

AI has mostly had an indirect impact on referrals. Referrals are trust-based and relationship-based, which means AI can't generate them the way it can generate emails or content. Agencies that default to "we'll fix our pipeline with AI" tend to pour more effort into the channels where AI does help, which is exactly the wrong response. The channels AI accelerates are the ones

losing relative effectiveness. AI can support a referral system around the edges, including drafting outreach to potential referrers, organizing CRM records, and helping AMs prep for referral conversations. However, the system itself still has to be built and run by humans.

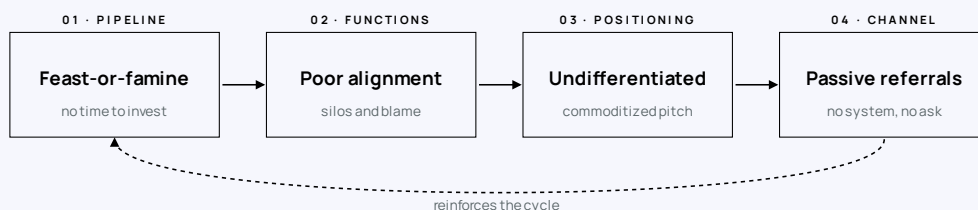
### The widening gap

These four failure points don't exist independently. Feast-or-famine cycles make it impossible to invest in alignment. It also forces agencies to take whatever comes in, rather than the type of work they're trying to position themselves for. That in turn gives the agency fewer right-fit clients who could refer more right-fit clients, which hurts referral growth. Passive referral handling means the agency is more reliant on other, less stable, forms of revgen, which perpetuates feast-or-famine cycles. Each failure mode reinforces the others.

The agencies that have built integrated revgen systems are growing at multiples of the average rate. They've stabilized their pipelines, aligned their functions around shared metrics, sharpened their positioning, and operationalized their referral channels. They're using AI to expand sales capacity and account management efficiency. They have the internal bandwidth to experiment with new tactics, which feeds the next round of advantages.

The other agencies without integrated revgen systems are watching the gap widen. Their growth is below average. Their margins are compressing. Their best people are leaving for the agencies that are pulling ahead. AI is accelerating the divergence in both directions: it is amplifying the leverage of the agencies that have built real systems, and it is intensifying the failure points of the agencies that haven't.

FIG 08 · EACH FAILURE MODE REINFORCES THE OTHERS



# 04

CHAPTER 04

## Strategy & Positioning

## The foundation of revgen

Strategy and positioning are fundamental to every revenue generation activity in this guide. Without a clear strategic direction for the agency, the revgen systems will not work: business development lacks a compelling reason to attract partners, marketing lacks a unique message, sales cannot identify target prospects, and account management doesn't know which clients to expand and which to let go. It is essential to finalize this work so the revenue system has a clear focal point before developing the operational model.

## Ownership of Revgen

Strategy and positioning are led by the CEO or managing partner, in collaboration with the Head of Growth or CRO at more sophisticated or larger shops. This strategy is continuously refined through input from those in sales and marketing, validated by account management, and supported by leadership.

The standard process and roles include:

Front-line sales and senior delivery teams gather insights on how prospects and clients respond, identify common objections, and determine which pitches succeed or stall.

Account managers observe what clients value once engaged, noting which projects grow or churn, and which relationships develop into multi-year partnerships.

Leadership uses this information, along with insights from marketing, to develop a clear thesis about the agency's target audience, the problems it addresses, and its value proposition. This thesis is then communicated throughout the organization, ensuring that all four revenue functions target the same goals.

A common mistake is establishing positioning during a leadership offsite, documenting it on the website, and then neglecting to update it. The agency may talk itself into this static positioning, only for market responses to be ignored until internal questions arise that require clear strategic direction. Viewing positioning as a living, evolving stance reviewed quarterly during sales conversations, client renewals, and lost deals helps prevent this issue.

## Start with why the agency exists

Most digital agencies originated when an individual identified a commercial opportunity in a new technology or process that existing firms overlooked. They believed they could deliver this innovation more effectively, quickly, or in a manner the current market could not, which motivated them to assemble a team and begin offering it.

Over time, agencies accumulate work that diverges from their core insight. New services are often added due to client requests, temporary trends, or senior staff pursuing new offerings. While each addition might seem justified individually, collectively they lead to an agency that handles many tasks well but lacks a unique identity. This is the strategic challenge that many stagnant agencies encounter.

A key piece of strategy work is to ask whether the agency still has a core insight it can base its identity on. If the answer is yes, the next question is whether the current service mix, ICP, and positioning reflect that insight or obscure it. If the agency doesn't have an original commercial insight, it needs to develop one to organize around, and that's a much bigger conversation.

## Sell against the problem space

The problem space is everything that surrounds and shapes the challenge a buyer is trying to solve. When a buyer asks for a new website, the website is the requested deliverable. The actual problem might be a drop in organic leads, a competitor that just sharpened its positioning, or a revenue target the current site can't support. The problem space is the full picture behind the ask.

Several forces shape that picture. External forces include the buyer's competitive position, category maturity, technology shifts affecting their market, and macroeconomic conditions that affect budget appetite. Internal conditions include the buyer's strategic priorities, financial position, in-house team capabilities, existing tech stack, and any past attempts to solve the problem. Boundaries are set by what the buyer is accountable for, what they have authority over, what they can afford, and what they can get approved internally. The people involved include the economic buyer who owns the budget, the operational owner who has to live with the result, the influencers whose

opinions the buyer trusts, and the gatekeepers in legal, security, procurement, or finance who can quietly block a decision.

The case for selling against the problem space comes down to economics and defensibility. Agencies that identify themselves through their deliverables compete on the specific output they produce. That forces them to compete in a market where AI, in-house teams, and lower-cost competitors are quickly commoditizing their value. Agencies that sell against the problem space compete on expertise and outcomes. That is a fundamentally different market with better margins, longer client tenure, and far less price sensitivity.

Selling against the problem space also clarifies the rest of the agency's strategy. Once the space is mapped, it's easier to decide on the right service mix to solve the problem.

Services that fall outside the space can be cut, while any missing capabilities can be added, partnered, or referred out. Positioning, sales messaging, and marketing messaging become more effective because they speak to a specific buyer in a specific situation.



# Chris DuBois

FOUNDER - DYNAMIC AGENCY OS

CONTRIBUTOR ESSAY · SELL AGAINST THE PROBLEM SPACE

## No one window shops for agencies.

If someone is looking, they already have a problem, so it's best to be up front about the problem you're best suited to solve.

But not every problem is worth positioning around. You need to find something deserving of a business solution.

I use the PRISM model with clients to stress-test that problem across five criteria. These exist on a spectrum, so the question with each isn't "yes or no," but rather, "how much."

**Painful.** The problem has to exist before you show up. You're not creating awareness of a theoretical issue; you're solving something the buyer is already losing sleep over. The more specific your description of the pain, the clearer the signal that you've actually lived in it.

**Recurring.** Is it persistent or pulsing? A problem that only surfaces during a website rebuild will have buyers, just not many of them at any given time. A problem that shows up every time someone adds a page or writes a post means your next client is always in need.

**Impactful.** The most challenging problems don't stay contained. They bleed into other areas of the business, which means more stakeholders feel the pain, and more people are rooting for you to fix it.

**Solvable.** You can't rewrite the tax code, but you can work within it to get a result. That's the question: not whether the problem can be eliminated, but how much of it can actually be moved. Three months into an engagement is a bad time to find out the answer is "not much."

**Marketable.** Is the audience large enough to build a practice around? Can you find them? Can you describe the triggering event that signals they have the problem right now?

It's important to note that these criteria interact and don't need to score high in all to be a deserving problem. Something low in pain that recurs every day can still be a strong candidate.

Run your problem through all five before you build your positioning around it. If it scores low overall, the positioning won't hold. You'll drift back into deliverable conversations because the buyer never felt urgency around the problem in the first place.

Once you've got that, lean into the Rumplestiltskin Effect (i.e. problems with names can be solved).

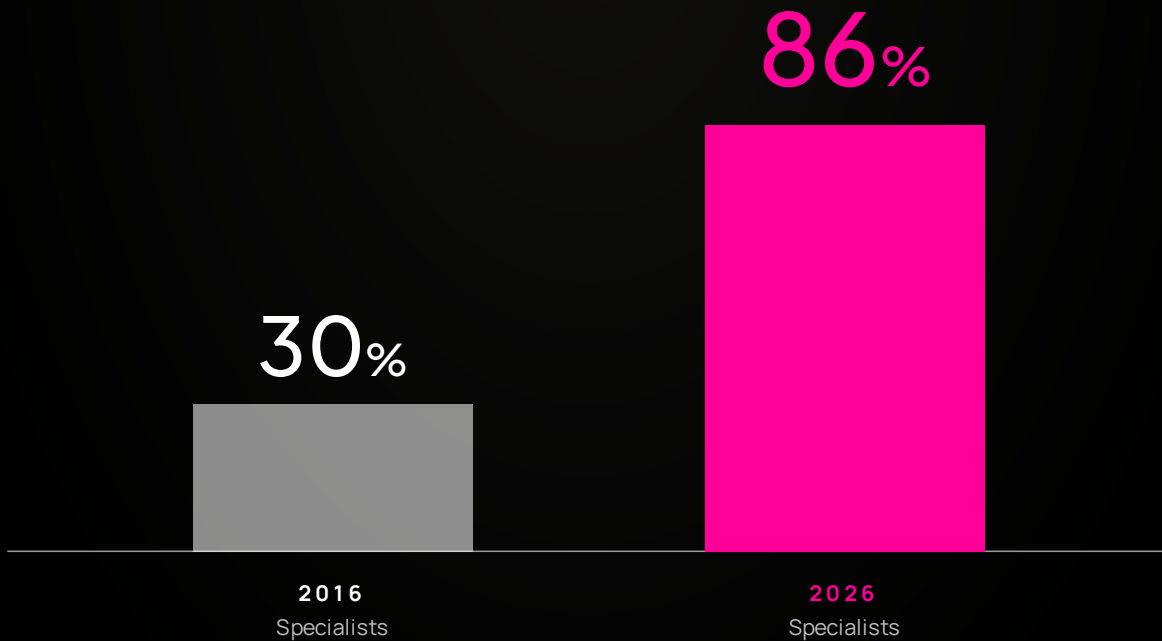
It should be short and paint the picture: Design Drift, Talent Debt, the Whisper Economy, Referral Reliance.

When you start marketing the problem, people assume you have the solution, and you stop dealing with nickle-and-dimers, tire-kickers, and the lot. The prospects booking calls are warmer and have shorter sales cycles. Few things can have this dramatic an impact on your pipeline.

### QUOTE

When you start marketing the problem, people assume you have the solution.

# An inversion from 30/70 to 86/14.



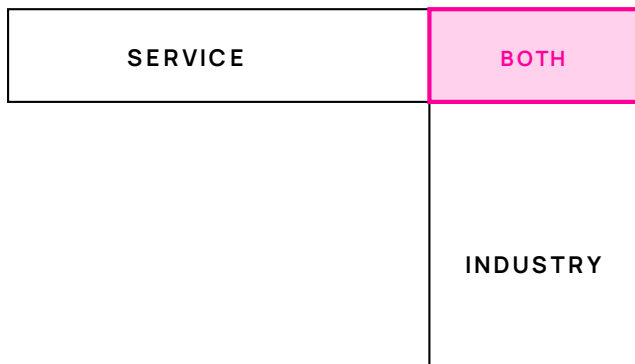
SOURCE · STATE OF DIGITAL SERVICES

86% of agencies now identify as specialists, an inversion from the 30/70 split ten years ago.

## Specialization, service mixes, and partner positioning

Specialization has become the standard in the digital agency industry. According to our latest [State of Digital Services](#) report, 86% of agencies now identify as specialists, an inversion from the 30/70 split ten years ago. The key strategic question has shifted from whether to specialize to how to do so effectively.

**FIG 10 · AGENCIES SPECIALIZE BY INDUSTRY, SERVICE MIX, OR BOTH.**



Agencies typically focus on one of two areas. They might specialize by industry, such as financial services, healthcare, higher education, ecommerce, or B2B SaaS, providing a comprehensive set of digital solutions within that sector. Alternatively, they may focus on a particular discipline or service, like SEO, brand identity, paid media, or conversion rate optimization, and apply that expertise across multiple industries. Some agencies blend both approaches to carve out a clearly defined niche.

Specializing in a specific industry offers clear benefits. When prospects share a common vertical, it becomes easier to identify and connect with them. Agencies can create targeted prospect lists, attend relevant conferences, and develop content that appeals to a defined audience. Decision-makers in a vertical often stick with the same agency when they change jobs, creating a continuous advantage for service-specialized agencies in gaining new business.

Our [How Digital Agencies Grow](#) research showed that agencies specializing in both service and industry achieved an average client lifetime revenue 17% higher than the industry average. Additionally, our [State of Digital Services](#) study found that pure industry specialists with generalist service offerings experienced the fastest growth among the combinations we analyzed. This trend has remained consistent over the years: deep industry expertise proves to be a more resilient specialization, particularly as AI diminishes the value of individual services.

The importance of industry depth goes beyond just market access. The most valuable asset an agency can develop over time is a deep knowledge base about a particular industry or problem area. This includes understanding how buyers in that sector make purchasing decisions, their procurement processes, what they value or overlook, previous attempts that failed, regulatory requirements, organizational constraints, and other detailed aspects of the specific problem. This expertise is built gradually through repeated engagements, and over five or ten years within a single industry, the agency learns to recognize patterns that a generalist couldn't acquire just by reviewing case studies. Furthermore, AI is collapsing the price of implementation, but not the price of expertise. This is one of the strongest cases for industry depth as a defense against AI commoditization.

Agencies that effectively manage this knowledge treat it as a form of organizational property. Senior staff are expected to document their learnings so that knowledge is shared and retained by the team. Case studies include insights into what made each engagement successful and what nearly caused it to fail. Account insights are stored in shared systems, and internal playbooks outline effective strategies and common pitfalls within each vertical. When a senior member departs, the agency retains its understanding of the vertical. When new senior staff join, they access an already substantial body of knowledge. This approach ensures the agency's value to clients continues to grow despite team changes. This is critically important, given that average employee turnover rates have hovered around 20% over the last four years.

An industry-specialized agency that has mapped what its buyers are actually trying to solve ends up with a tighter set of services than a generalist, because it only carries what those specific buyers need. The mix looks narrower than a full-service shop's, and it's more valuable to the buyer, because it solves the whole

problem in one place without forcing the buyer to coordinate across multiple agencies.

An agency may focus on specializing, developing a clear service mix, and identifying a problem area, but if its financial relationship with clients hinges on deliverables rather than outcomes for the client, it will still be perceived as a vendor. This vendor perception is often judged mainly by price during renewals, leading to shorter relationships, smaller projects, and diminished bargaining power. Conversely, adopting a strategic partner approach promotes long-term collaborations, opportunities to broaden scope, and increased pricing leverage for key work. The agency's pricing strategy and level are among the most obvious signals of its positioning, and many leaders underestimate how clearly this message is conveyed.

An agency that has settled on a specialization stance, mapped the problem space, built a coherent service mix, and earned a partner position with their clients has something distinctive to point every revenue function toward. It makes the rest of the work simpler and more effective.

# 05

CHAPTER 05

## How Digital Agencies Actually Grow

## Tactic effectiveness

The most effective revgen tactics across our research have been relationship-based, with account management activities and client referrals consistently at the top, while partner referrals, upselling, and cross-selling round out the top five tactics.

The top of that hierarchy (client referrals and growing current accounts) holds across archetypes, sizes, and target client segments. The rest of the ranking shifts with client size and sales complexity. AI and changing buyer behavior have also reshaped the effective tactic mix in recent years.

Our research has surfaced two factors that influence the relative effectiveness of various revgen tactics: the size of the agency's typical client and the general level of sales complexity.

Tactic effectiveness changes with the size of the agency's typical client. Several tactics get more effective as client size shrinks: pay-per-click, podcasts (hosting and being a guest), outbound calls, outbound email, paid social media, security and guarantee-focused messaging, and SEO/SEM. Three tactics become more effective as client size grows: PR and media, growing current accounts, and hosting partner programs. Most agency leaders default to the tactics they know. The agencies that match their tactic mix to their clients' size consistently grow faster than those that don't.

Greater sales complexity narrows the number of tactics that work. We measure sales complexity by multiplying the sales cycle in months by the number of meetings required to close. The metric itself is a quick proxy for evaluating the buyer environment.

FIG 11 • SALES COMPLEXITY LADDER

Enterprise	≥1,000 FTEs
Mid-market	101-999 FTEs
Small	25-100 FTEs
Micro	<25 FTEs

Agencies selling to Micro clients have the lowest complexity, agencies selling to Enterprise clients have by far the highest, with Small and Mid-market agencies falling in between.

Industry specialists produce lower sales complexity scores than service specialists, as selling into a vertical you're known in shortens cycles and reduces the number of meetings required to close.

In low-complexity environments (short sales cycles, fewer meetings, smaller deals), nine tactics scored above the effectiveness midpoint: pay-per-click, client referrals, outbound email, growing current accounts, outbound calls, social media content, social media paid, upselling services, and case studies.

High-complexity buyers (long sales cycles, many decision-makers, multiple meetings) don't respond as well to volume-driven tactics like cold outreach or paid search, no matter how well-executed. In high-complexity environments (long sales cycles, multiple meetings, larger deals), only three tactics were shown effective: growing current accounts, client referrals, and partner referrals. Client referrals and growing current accounts were the only two tactics that scored above the midpoint across all levels of sales complexity. No other tactic in the dataset did.

When we asked agency leaders why their most effective tactics worked, the answers fell into five themes.

- **Trust and reliability.** Clients who trust the agency refer others and continue using the agency's services.
- **Ease of working.** Clear communication, flexibility, and a client-first approach make agencies easier to hire and easier to keep.
- **Client relationships.** Strong, long-term relationships with clients lead to higher retention and more upsell opportunities.
- **Quality of service.** Consistently delivering high-quality work ensures client satisfaction, which feeds both retention and referrals.
- **Specialization.** Agencies that specialize in particular markets or services find it easier to attract clients looking for specific expertise. Specialization also makes marketing and sales messaging more concrete.

Three of these themes (trust and reliability, ease of working, and client relationships) are relationship-based. They sit primarily in Sales and Account Management, the two functions where many agencies have opportunities to improve their general levels of sophistication.



*Trust-based channels haven't degraded in the same way as reach-based channels have. The agencies that operationalized referrals and account management early are pulling ahead of the rest of the market.*

## An evolving buyer environment

The buyer environment has shifted and the following forces have reshaped how agencies think about structuring the revgen tactics they employ.

Buyer behavior is more cautious. B2B agency clients have become more selective and more project-oriented. Many now favor specialized experts for each niche need, breaking up work that used to go to a single full-service agency. Long-term agency-of-record relationships have given way to shorter engagements with buyers running more pilot projects before committing to larger scopes. Many buyers invite multiple agencies to compete for projects, which raises CAC across most channels. Agencies that don't demonstrate clear ROI or differentiated expertise lose work to competitors or to in-house teams.

AI is mediating the buying process. Prospects increasingly use AI tools for agency research and shortlisting potential agencies to work with. This places greater importance on agencies having positioning clarity, specialization, and visible proof points. Agencies whose websites are lacking a clear position or whose case studies don't speak to specific outcomes get filtered out before a human reads anything.

Outbound channels are noisier. AI-generated outreach has saturated email and LinkedIn inboxes. Generic outbound performs worse than it did two years ago. However, agencies that are running outbound campaigns after investing in deep personalization and tight ICPs are seeing results. Agencies that automated

their outreach without raising the quality bar are seeing diminishing returns.

Content and SEO have been commoditized. AI has compressed the time to produce content, thus flooding the market with poor-quality content. AI-mediated search is reshaping discovery in ways that further compress traditional SEO advantages. Content still works as part of a broader system, particularly when tied to specialization and proof points, but content alone is no longer enough to drive growth for most agencies.

Events have a specific role. Live events have a specific use case for trust-building in higher-complexity sales, but are not high-tenure acquisition channels in our research. The agencies investing in live events (attending and speaking) are pairing them with strong pre and post event campaigns that are highly customized for each prospect.

RFPs are more common. Buyers are running more competitive processes, which means more agencies are being invited to compete on more deals. How an agency responds to RFPs (or declines to respond) is increasingly a strategic positioning choice. Indiscriminate RFP responses burn capacity without producing wins, while selective, well-positioned responses can deliver both immediate revenue and ongoing relationship value.

Referrals and account management activities have held up. Trust-based channels haven't degraded in the same way as reach-based channels have. The agencies that operationalized referrals and account management early are pulling ahead of the rest of the market.

FIG 12 • THE BUYER ENVIRONMENT HAS SPLIT THE CHANNEL MIX

**REACH-BASED** degraded

**Outbound email & LinkedIn**  
AI-saturated inboxes; generic outreach loses ground

**Content & SEO**  
Commoditized; AI-mediated search compresses the moat

**Paid acquisition**  
More expensive as competitive processes lengthen

**TRUST-BASED** held up

**Referrals**  
Trust transfers from referrer; AI can't synthesize that

**Account management**  
Existing-client expansion compounds without raising CAC

**Live events & speaking**  
Pre/post personalization turns rooms into pipelines

# 06

CHAPTER 06

## The Integrated Revgen System

## Restructure revgen activities

The most effective approach to managing revgen at digital agencies is to fully unify the four main functions: bizdev, marketing, sales, and account management.

One group, one goal. Bizdev, marketing, sales, and account management need to operate as a single function tasked with profitably growing the agency. This reorients all four departments in the same direction and increases their understanding and appreciation of how each plays a part in growth. Growth becomes a core functional area of the agency.

Building out the four functions individually doesn't achieve the same result. We've seen agencies with all four functions fully staffed that still experience feast-or-famine cycles, alignment problems, and undifferentiated value propositions. Adding headcount to a broken structure only produces a more expensive broken structure.

We have identified five components that exist in well-run revgen operations across agencies.

**Mutual understanding and respect.** The first step is to break down stereotypes among the four functions, understand each function's role, acknowledge the unique value each brings, and respect the challenges each faces. This step gets emotionally complicated quickly because long-held beliefs about what sales is, what marketing does, or what account managers are responsible for are deeply ingrained. The leaders we've seen succeed here address the challenges directly and with empathetic candor. Sometimes this step uncovers individuals who no longer fit culturally with the organization, which is ok, but it is worth being prepared for.

**Unified objectives.** Each function's objectives need to align with the broader organizational goals. Each function will still have specific targets, but those targets should feed into a unified strategy that improves customer experience, drives business growth, and produces repeatable revenue generation. Without

unified objectives, the functions optimize for their own metrics at the expense of the agency's.

**Integrated strategies and operations.** Removing silos requires shared planning sessions, regular inter-departmental meetings, and collaborative projects that bring sales, marketing, bizdev, and account management together. The point is to make cross-functional collaboration the default working pattern at the agency.

**Coordinated communication.** Regular updates on initiatives, progress, challenges, and successes keep the integration intact. A common language across the four functions reduces misunderstandings. Without this layer, even well-aligned functions drift apart over time as their day-to-day work pulls them in different directions and priorities shift.

**Shared metrics and accountability.** Full integration requires a shared dashboard that tracks key metrics across all four functions. Shared metrics align the functions on the same objectives and hold each accountable for its contribution. The result is a "rise or fall together" culture that encourages collective responsibility.

The organizational structure underneath the integration matters too. Our research on agency operating models indicates that Hybrid and Functional structures are the default for most digital agencies.

Functional structures are simpler and produce the same depth, but cross-discipline handoffs can get turbulent without well-defined processes. Both work well for revgen integration. Matrix structures can blur reporting lines, slowing revgen decisions. Choose the structure that matches the agency's service depth and breadth, and design the revgen integration on top of it.

### DEEPER DIVE

For additional details on how to build your digital agency, check the follow report:

[DESIGNING THE DIGITAL AGENCY →](#)

## Elevate account management

Account management should operate as a peer to sales, marketing, and bizdev.

In a typical agency, we find that Account Management (AM) sits under sales on the org chart, reports to the head of sales, and receives a pure-salary compensation. They generally wouldn't be included in strategy meetings, rather updated on the plan post meeting. The unspoken assumption is that AM is more administrative in focusing on the post-sale execution, and any strategic dimension of the role would be extra or optional.

However, according to our research, account management activities are the most effective revgen category. Generating referrals, growing current accounts, upselling, and cross-selling consistently outperform other tactics in revenue per unit effort. Account management is also the function most directly responsible for client retention, which is the core driver of lifetime client revenue.

Elevating AM involves two key structural changes:

**Reporting lines.** AM reports directly to the Head of Growth or CRO, alongside sales, marketing, and bizdev. AM stops being a sales sub-function. In smaller agencies without a Head of Growth or CRO, they'll report to the CEO/Partner/Owner.

**Strategic input.** AMs need a seat at strategy meetings, ICP refinement conversations, and service mix decisions. They are the function closest to the client in a strategy capacity, as project managers focus on more execution-related work. This means they have direct intelligence about what clients actually want, what they're willing to pay for, and what they'd refer their network to. That intelligence is wasted if AMs don't have a structured way to feed it back into agency strategy.

Successful agencies understand the value of investing and [growing through account management](#).

## Achieve marketing-sales parity

Digital agencies tend to be sales-led organizations. Even agencies specializing in marketing typically rely on sales tactics for their growth. This is partly a function of size and partly a result of the short-term planning the feast-or-famine cycle forces. Agencies in famine mode pour everything into sales because sales creates revenue quickly. Marketing investments take longer to pay off, so they get cut first when cash gets tight.

After about 50 FTEs, agencies need a marketing department on par with sales. The transition forces a longer-term view of revgen, helping smooth out the feast-or-famine cycle. Marketing becomes a force multiplier, making sales, business development, and account management jobs easier. Marketing also helps with recruiting and employee retention, which feed back into delivery quality and client retention.

AI has changed the marketing leverage equation in two ways. First, AI compresses content production time, allowing marketing teams to produce more output per headcount than they could before. The agencies are using that extra capacity to test more positioning angles, support more sales conversations, and equip more functions with marketing assets. Second, AI-mediated buyer behavior places greater weight on positioning clarity and visible proof points, making marketing's job of producing differentiated content even more important.

Reaching parity doesn't mean equal headcount or investment. It means marketing has a real seat at the revgen table, budget authority, and real accountability for revenue outcomes. At Medium agencies, this typically looks like a marketing director reporting to the owner or Head of Growth alongside the sales director. At Large agencies, it's a CMO peer to the head of sales, with both reporting to a CRO.

## Facilitate new lines of support

Once the four functions are integrated and AM is elevated to peer status, new lines of support open up between functions. Examples include:

**Sales aiding account management.** The transfer of knowledge and processes from sales to AM improves client retention and growth. Sales has insight into why the client bought, what they were comparing the agency against, what their decision criteria were, and what concerns came up during the close. When AM has this information, it makes it significantly easier for them to manage the account appropriately.

**Marketing and bizdev driving audience expansion.** Audience growth is one of the biggest challenges for digital agencies. Branding investments are expensive and rarely worth it for shops. Bizdev partnerships can expand audiences, but they don't consistently deliver the kind of expansion marketing needs. Marketing and bizdev working together earlier in the partnership process produces partnerships that meaningfully expand the audience marketing can address. When strict positioning and ICP constraints are enforced, audience expansion becomes even more valuable.

**Marketing building sales support assets.** The task of creating sales assets often falls to whoever has time, resulting in assets out of sync with the agency's positioning. This is especially common when it comes to case studies. Marketing taking ownership of sales asset creation produces assets aligned with the agency's positioning, which makes sales conversations easier and more consistent.

**Sales and AM feeding marketing real-time client intelligence.** A common failure point is the lack of understanding of why clients are actually hiring the agency. Most agencies rely on industry reports or secondary research for positioning decisions, but there's a wealth of knowledge generated by direct client contact that sales and AM can pass along to marketing if the channels are set up.

**Marketing arming bizdev with partner-facing campaigns.** Bizdev can operate on its own, but it's much more effective with marketing support and partner-facing assets. Marketing is also typically better structured to create these, with resources like designers and copywriters already in place.

**Marketing equipping AM with upsell content.** AMs identifying expansion opportunities with current clients need content and assets that help nurture and close those expansion conversations. Marketing producing upsell-specific content makes account growth easier.

**AM and sales feeding the referral engine.** Referrals are the most effective revgen channel, and AM and sales are the two functions closest to the relationships that produce them. The referral engine needs intentional handoffs, clear materials, and ownership across both functions in order to be successful.

**AI as a force multiplier.** AI accelerates many of these support lines when the underlying integration is in place. Sales call summaries can automatically flow into AM briefs. Marketing assets can be drafted more quickly based on sales feedback. Content can be matched to upsell opportunities at the account level. The agencies pulling ahead are using AI to shorten the cycle between the client's signal and the agency's response.



*Building out the four functions individually doesn't achieve the same result. Adding headcount to a broken structure only produces a more expensive broken structure.*

## Remaster metrics

The patchwork of metrics that worked when revenue was four loosely connected functions doesn't work when revenue is one integrated function. Each function needs its own metrics, and the group needs shared metrics that maintain integration.

The CEO or Chief Growth Officer owns the cross-functional set of metrics that track the agency's revenue health: revenue growth, annual recurring revenue, new client adds, churn rate, average contract value, customer acquisition cost, customer lifetime value, the LTV/CAC ratio, payback period, gross margin, and client tier distribution. They tell leadership whether the integrated revenue function is actually producing the outcomes the agency invested in.

Bizdev tracks partnership-generated lead volume and quality, partner-sourced revenue, and new partnership velocity.

Marketing tracks lead-funnel activity, conversion rates, marketing-qualified leads, marketing CAC, and campaign ROI.

Sales tracks net-new revenue, closed deals, average deal size, sales cycle length, and sales-funnel conversion rates.

Account management tracks renewal rate, account growth, churn rate, referral rate, and a client health metric (NPS or a composite client health score).

When the four functions can see each other's metrics in real time, it makes it easier to diagnose issues and prioritize resource allocation. The metrics serve as a quantifiable connective layer among the four groups.

# 07

CHAPTER 07

## **Growing Through Account Management**

## The economics: LTV & CAC

Account managers own the post-sale client relationship. When this function is organized effectively, account management can be what separates an agency that retains clients for years from one that loses them within months. It also drives the most impactful revenue-generation activities, according to our research.

Most agencies have underdeveloped AM practices. The role tends to be staffed late, treated as administrative, compensated like a back-office function, and held accountable for very little. That structure leaves this revgen function operating at a fraction of its potential. In this section, we'll dive into how leaders can structure their AM practice to set it up for success. To do that effectively, we will start with the basic economics of AM and then expand into the best practices we have identified from well-run digital agencies.

The job of account management is to maximize the gross margin a client produces over the life of the relationship, relative to the cost the agency paid to acquire that client in the first place. This is the LTV/CAC ratio. Basing decision-making on improving this ratio can help orient both account managers and leaders to optimize for the right outcomes.

Every client costs something to acquire. Customer acquisition cost (CAC) is the total sales and marketing spend required to land a new client. Lifetime value (LTV) is the gross margin a client generates.

A \$2M agency spending 7% of revenue on sales and marketing acquires 11 new clients each year on average. This gives a CAC of \$12,500. With average retainer amounts of \$7k/mo, projects at \$47k, a client tenure of around two years, and gross margins around 35%, LTV will land near \$45k. This yields a 3.6:1 LTV/CAC ratio. Agencies above 3:1 are operating with enough margin to reinvest in growth, while those with ratios below 1:1 are spending more to acquire each client than the client generates.

CAC rises when client acquisition takes longer or gets more expensive. LTV declines when clients leave faster,

engagement sizes shrink, or pricing power erodes. Lately, many agencies are seeing pressure on both sides of this ratio, as the relative effectiveness of various marketing and sales channels has declined, and clients push back harder on prices.

## Retention beats acquisition

Acquiring a new client typically requires significant investments from marketing and sales before any revenue is realized. Retaining a client requires ongoing investments in client experience, delivery, and relationship management, much of which the agency is already paying for, regardless of how long the average client stays.

CAC for an agency serving mid-market clients with non-commoditized services typically ranges from \$5,000 to \$15,000 per client. Retention costs are a fraction of that, because the activities that drive retention (proactive communication, QBRs, ROI reporting, expectation management) are optimizations of motions account managers and delivery teams already run.

The math gets more compelling when you account for compounding effects. Long-term clients refer new business, which lowers future CAC. Long-term clients become case studies, making positioning easier and improving close rates on new pitches. Long-term clients also tend to expand their engagements over time, raising LTV without increasing CAC.

This all matters more in 2026, as the acquisition environment has grown more challenging due to tech shifts (AI) and macroeconomic challenges. Agencies that haven't operationalized retention are seeing their LTV/CAC ratio compress while they pour more capital into acquisition channels that produce less than they used to.

Across the industry, 42% of agencies report an average retainer tenure of over 2 years, while a quarter of retainer engagements end within a year. Agencies with well-built account management functions tend to retain clients longer.



## Core account management activities

Five activities consistently separate agencies that retain clients from agencies that don't.

**Proactive client communication.** Regular check-ins and strategic updates keep the agency in front of the client outside of project deliverables. The check-in cadence varies by engagement size and complexity, but the simple act of checking in can dramatically improve retention.

**Quarterly Business Reviews.** QBRs strongly correlate with longer client retention. Agencies that run formal QBRs with their clients see the longest tenures. Agencies that rely on informal check-ins or skip reviews entirely tend to have shorter engagements.

**Reporting that ties agency work to business outcomes.** Clients buy outcomes. Reports that translate agency activity into business-level results (revenue impact, conversion lift, market share gains, time saved, etc.) reinforce why the engagement is worth continuing.

**Expectation management.** Most account problems stem from a misalignment between what the client expected and what the agency delivered. Setting clear success metrics at the start of the engagement and revisiting them in QBRs prevents the silent drift that leads to churn.

**Client advocacy.** AMs are the client's internal advocate at the agency. They translate client needs into briefs the delivery team can act on, fight for the client's priorities in capacity decisions, and surface concerns before they turn into churn.

Together, these actions help build long-term loyalty and sustained account growth.

## Onboarding as the first retention lever

The first 30 days of an engagement set the tone for the entire relationship and the onboarding process, when sales hands the account off to AM, is a critical point to get right. 63% of surveyed agencies follow a documented onboarding process. Another 25% have a general process that isn't formalized, while the remaining 11% operate without a structured onboarding motion at all.

The cost of poor onboarding can show up in some unexpected places. Around 80% of agency leaders say delays in access to

client systems (logins, domains, analytics platforms) negatively impact project timelines. 60% say those delays damage the overall client relationship, while a quarter say the damage is severe enough to put the engagement at risk.

The easiest fix for this is a documented onboarding checklist that captures every access requirement, asset handoff, and credential before the project starts, and a kickoff meeting that covers that checklist. Beyond access, account sentiment can be boosted by an early small win, like a quick insight or deliverable. These are usually low-cost to create and can start the engagement on a positive note.

## Service maps for upselling and cross-selling

Account management isn't just for keeping accounts happy. Growing accounts is also a major AM responsibility. Upselling and cross-selling are highly effective revgen activities. While 4/5ths of agencies upsell, few have a system for doing it consistently.

A service map can help fix this. The map describes the services the agency offers, the client problems each service addresses, and the complementary services that pair naturally with it. When a client mentions a problem during a QBR or status meeting, the AM can review the map and identify the service that addresses it. The conversation moves from the AM trying to remember every service the agency offers to the AM matching a known client problem to a known agency capability. It isn't that it's hard to remember services, it's that mapping them this way makes the response faster and thus more likely to land while the client is feeling the pain. It lowers time-to-value, making the AM and the agency even more valuable in the client's eyes.

When an agency's service mix is too narrow to support cross-selling, it often makes sense to reevaluate it. As the market shifts, especially as AI commoditizes some service lines, the agency's offerings need to shift with it. It's important to balance AM's ability to grow accounts through new service offerings with keeping the service mix focused. The specific balance is unique to each agency.

### Client tiering and the grow-or-exit mentality

Not all clients contribute equally. Some are profitable, expanding, and strategically aligned with the agency's positioning. Others are unprofitable, stagnant, or actively dragging the agency in directions that don't serve its long-term goals. Treating both groups identically wastes resources that the agency could deploy to its best accounts, and it is the account manager's duty to track and evaluate each account's potential.

This is uncomfortable work. Most agencies resist exiting clients because the revenue and relationships feel concrete in a way that the cost of holding onto them doesn't. The agencies that tier and prune their client lists deliberately end up with a better ability to attract their ICP. They are able to do this because their marketing and messaging is better aligned with the needs of that ICP, they are able to utilize relevant case studies and ROI with clients that results in better referrals and attraction of their target audience.

Client tiering organizes accounts by revenue, profitability, tenure, growth potential, and strategic fit. Top-tier clients get dedicated account managers, formal QBRs, proactive growth planning, and senior-level access. Mid-tier clients get standardized service motions and structured upsell paths. Bottom-tier clients get streamlined support designed for efficiency.

The grow-or-exit mentality uses client tiering to help teams decide whether to continue allocating resources to bottom-tier clients. The goal is to invest more in relationships with the greatest potential or those that contribute the most to the agency's success. For low-potential clients with declining engagement or tight margins, the goal may be to exit or restructure the relationship to improve profitability.

Some clients outgrow agencies. Some agencies outgrow clients. Holding onto bottom-tier accounts that are no longer aligned with your growth goals consumes account management capacity that could be producing higher returns elsewhere.

## Client health tracking

Quality AM programs evaluate and track clients' health proactively. 88% of agencies track at least one indicator of client health. The agencies that retain clients well tend to track multiple indicators and review them regularly. The agencies that don't tend to discover churn risk only after the client has already mentally left.

The indicators worth tracking fall into four categories.

**Engagement signals.** How often the client responds to communications. How quickly they review deliverables. Whether they show up to QBRs. Whether they bring strategic or only tactical conversations to the agency. Engagement drops are the earliest warning sign.

**Relationship signals.** Turnover of client-side contacts. Changes in client-side leadership. Whether the agency's primary contact has been promoted, demoted, or replaced. Most churn traces back to a contact change that the agency didn't notice in time.

**Sentiment signals.** Formal NPS surveys, pulse surveys, or structured feedback in QBRs. The data is only as useful as the consistency of collection. Surveys run on an ad hoc cadence produce ad hoc insights.

**Financial signals.** Timely payment, scope creep that the agency can't bill for, and declining profitability from engagement.

The point of tracking is to give account managers a structured way to detect when a client is disengaging while there's still time to course correct.

## Incentivizing AM success

Account manager compensation across the agency industry runs at roughly a 97/3 base/variable split. Almost all of the AM's pay is fixed salary, and when there is a variable component, it's often too small to incentivize behavior.

This is structurally inconsistent with what AM is supposed to do. Account managers own retention,

account growth, and referral generation, all of which produce variable revenue outcomes. Compensating them as if their work were administrative aligns incentives with the wrong outcome. The AM with no variable comp has no financial reason to push for the difficult expansion conversation, the rate increase, or the referral ask.

**FIG 14 · TIER ACCOUNTS, THEN DECIDE WHERE TO INVEST AND WHERE TO EXIT**

### TOP TIER

Dedicated AM, formal QBRs, proactive growth planning, senior-level access.

### MID TIER

Standardized service motions and structured upsell paths.

### BOTTOM TIER

Streamlined support designed for efficiency.

A 60/40 base/variable split is the target for most sales and account management roles outside the agency industry. Moving AM comp toward 60/40 (or even partway, to 80/20) and tying the variable portion to retention rates, account growth, referral generation, and client health metrics helps incentivize the AMs to improve LTV. The exact fixed:variable split will change based on the agency's goals for its AM practice.

That compensation transition can be operationally and emotionally tricky. Existing AMs have planned around their fixed salaries. Moving to variable comp requires careful change management, clear performance targets, and sufficient variable pay at target to make the new structure attractive to the team. It's often a bit more expensive for the agency up front to make these changes because of the quasi-price floor the AM's current salary sets. When done well, the shift produces measurable improvements in the metrics that drive lifetime client revenue.

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INDUSTRY COMPENSATION NORM

97% of the typical account manager's pay is made up of fixed salary and the small variable component is often too small to incentivize behavior.



# Karl Sakas

AGENCY VALUE ADVISOR - [SAKAS & COMPANY](#)

## CONTRIBUTOR ESSAY · INCENTIVIZING AM SUCCESS

Before agencies decide on compensation structures for account management, they need to define what they actually want the role to do. That sounds obvious, but many agencies use “account management” as a catchall term for several very different responsibilities: client retention, relationship stewardship, strategic consulting, upselling, cross-selling, and sometimes even helping close net-new business. That’s one reason I increasingly prefer the broader term “[Account Leadership](#)”—especially for more senior, strategic client-facing roles.

Those responsibilities create value differently, and compensation should reflect that reality.

For example, if someone is primarily focused on relationship continuity and retention, compensation may remain heavily salary-based—perhaps 85/15 or 90/10 between fixed and variable compensation. If the role includes meaningful responsibility for account growth, agencies might move closer to 75/25 or 70/30. And if someone functions almost like a hybrid Account Leadership and sales role, with significant responsibility for new business generation, the variable component may increase further. Those are not universal benchmarks, but they illustrate an important principle: compensation should follow role expectations, not the other way around.

At the same time, agencies should avoid swinging too far toward either extreme. Agencies that rely entirely on fixed salary sometimes unintentionally disconnect compensation from client outcomes, retention, and growth. But agencies that push too aggressively toward commission-style compensation often create a different set of problems. People may start optimizing for short-term revenue, overselling clients, or protecting “their” accounts politically instead of collaborating across teams.

Part of the challenge is that account outcomes are rarely controlled by one person alone. A client may leave because of delivery issues, staffing instability, pricing pressure, leadership turnover on the client side, or broader economic changes. Likewise, account growth often depends on delivery quality and strategic trust built across multiple departments—not just one person’s effort.

The transition itself also deserves careful handling. Compensation changes often involve department leaders, operations leadership, finance, or a head of account management—not just the owner alone. And at some point, leadership may need to make an unpopular decision and clearly explain why the change is happening.

In practice, gradual transitions tend to work better than abrupt redesigns. Some agencies phase changes in over one to two years so people do not feel like compensation is being arbitrarily reduced overnight. That gives leadership time to refine metrics, improve reporting, and help the team adapt to new expectations.

In most agencies, the best answer sits somewhere in the middle. Account leaders are neither pure salespeople nor purely administrative coordinators. Compensation works best when it acknowledges that nuance.

### QUOTE

Account leaders are neither pure salespeople nor purely administrative coordinators.

08

CHAPTER 08

# The Referral Engine

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VS. OTHER ACQUISITION CHANNELS

Referrals are the best revgen channel for most digital agencies. They also produce the longest-tenured clients across our research, with referred clients staying about 1.9× longer than clients acquired through events, networking, or outbound.

## The referral engine

Referrals are the best revgen channel for most digital agencies. They also produce the longest-tenured clients across our research, with referred clients staying about 1.9x longer than clients acquired through events, networking, or outbound. Referred prospects typically come with higher/faster close rates, larger deal sizes, and lower customer acquisition costs, making this an incredibly attractive channel.

Most agencies still treat referrals as a passive channel. Referrals arrive when they arrive. Nobody owns them. Nobody measures them. Nobody systematically asks for them. But that gap between passive referral flow and actively managing this channel is where the core opportunity lies. Agencies that operationalize referral generation are pulling ahead, and we view this channel as the driver of agency growth going forward.

Even the best referral system can't compensate for missing fundamentals. Four conditions must be met before a successful structured referral engine can be built.

**Good work and happy clients.** Clients won't refer an agency they aren't excited about. The easiest way to test this is to ask a current client for a brief testimonial and watch how quickly and enthusiastically they

respond. A quick, eager response is a strong signal. A slow or lukewarm response is a sign the client isn't fully on board. That doesn't always mean the work is bad, as clients may be satisfied with the work but lukewarm on the team (or vice versa). When that gap exists, Account management is the function best suited to address and close it.

**Strong positioning.** Referrers can only refer an agency that they can describe. Tight positioning makes the referral process easier at every step. Muddy or complicated positioning gets lost in translation, resulting in vague referrals or none at all.

**Defined ICPs.** ICPs are a subset of positioning that is important enough to merit significant attention on their own. When the agency has a clear picture of who it works with, referrers know which contacts in their own networks to refer. Without a defined ICP, referrers default to introducing whoever comes to mind, which produces a steady stream of poor-fit prospects.

**Available capacity.** Referrals are relationship-based. Dropping the ball on a referred lead damages the relationship with the referrer as much as the relationship with the prospect. Agencies that ask for referrals without the capacity to serve them are setting up the relationships they care about most for failure.

## Referral sources

Referrals come from five sources, each with different dynamics, ask timing, and ownership.

**Current clients.** The most valuable referral source for most agencies. Current clients carry the highest trust and credibility with prospects, and the resulting referrals are usually well-aligned with the agency's positioning. Three windows tend to produce the best results: the moment of peak happiness right after a major win, when an industry shift creates a natural reason to check in, and when a meaningful tech change is reshaping how the client's market operates. AMs own these conversations.

**Past clients.** Often overlooked, but often very valuable. Past clients tend to be best approached 6 to 9 months after the project closes. That window is long enough for them to gain perspective on the outcomes, and recent enough that the relationship hasn't gone cold. Reestablish relevance through a check-in, an insight, or a case study tied to what the agency knows about their business. This typically sparks a quick conversation, and after confirming there's no new work to discuss, a referral request becomes a natural next step. AMs typically lead this work, with senior involvement on higher-value past clients.

**Business partners.** SaaS firms, consultants, hosting providers, professional services firms, and tech firms that serve the same ICPs in non-competing roles can be excellent referral sources, as the trust they've built with their own clients can transfer to the agency. These relationships work best at a quarterly outreach cadence, with consistent nurturing between asks. Cold approaches produce much weaker results. Partner programs from larger SaaS or PaaS firms are especially

worth participating in because they tend to produce some of the most consistent lead flow available to growing agencies, and most require only modest agency-side investment. Bizdev leads these conversations once an agency is large enough to staff the role, before that it's another leadership/owner duty.

**Other agencies.** Agencies with adjacent or non-competing capabilities make natural referral partners. Not only do these agencies understand the work, but often they have hit capacity constraints that create referral opportunities. Many of these relationships evolve into long-term referral loops. The challenge is keeping swim lanes clear. When services overlap or capabilities blur, agencies hesitate to refer. Sustained trust and explicit clarity about what each agency does are required. This typically lands squarely on leadership to lead but it can be supported by bizdev.

**Personal connections.** These are lowest-priority referral source for most agencies. Personal contacts can produce occasional results, particularly for newer firms or agencies entering a new vertical. Though the risks usually outweigh the benefits because personal contacts rarely understand the agency well enough to articulate the value correctly. This leads to them referring poor-fit prospects even though they think they're doing something helpful. A poor-fit prospect still needs attention but it's easy to see the lack of enthusiasm teams have for these types of leads. These referrals that the agency can't help can strain a personal relationship that matters outside of work. Professional connections in the broader network are different. Some people are natural connectors who take pride in making high-value introductions. Identifying those individuals and equipping them with clear positioning can turn them into a valuable referral source.

## The Ideal Referrer Profile

The **Ideal Referrer Profile (IRP)** is the referral-side counterpart to the Ideal Customer Profile (ICP). The ICP defines who the agency wants to sell to. The IRP defines who can reliably introduce the agency to those buyers. The volume of outreach is typically much lower for referrers than for prospects, but having a clear messaging and enablement target makes agency teams much more effective.

A solid IRP captures five things.

1. **Persona description.** The role, demographics, firmographics, and other context that defines the referrer.
2. **Closeness to ICP.** How early in the buying process the referrer encounters the kinds of needs the agency solves. Referrers who see those needs before the buyer starts searching for agencies are more valuable than referrers who hear about the work after the fact.
3. **Trust and influence levels.** How much weight the referrer's recommendation carries with the buyer. A high-trust referral converts much faster than a high-volume one.
4. **Referral motivations.** Why the referrer would make an introduction in the first place. Common motivations include strengthening their own client relationships by adding value, building reciprocity for mutual referrals, sharing in the success of helping a client succeed, and financial incentives.
5. **Enablement potential.** Whether the referrer can clearly explain what the agency does, whether they have access and bandwidth to refer, and whether their motivations are strong enough to act on. A

referrer with high trust but low enablement potential won't produce referrals at any meaningful frequency.

## Referral ownership and cadence

As an agency grows, the ownership of the referral ask shifts.

**Studio agencies (under 10 FTEs).** The founder owns referral generation. They own the client relationships from start to finish. The referral request should be built into the project closeout process so it happens consistently without adding burden. Other delivery-facing team members should be trained to spot referral opportunities and flag them to the founder in real time. One ask per client per project is usually enough.

**Small agencies (10 to 24 FTEs).** Responsibility starts to be distributed based on relationship ownership. Account managers handle active-client referral asks when they own the primary relationship. Project leads and delivery team members continue to surface high-satisfaction moments. Outreach to past clients and business partners still falls to partners or directors who have the seniority and context to re-engage credibly.

**Medium and Large agencies (25+ FTEs).** Referrals align directly with relationship ownership. Anyone who owns a client, partner, or stakeholder relationship gets trained, empowered, and incentivized to ask for referrals. Account managers handle all active-client conversations as part of their regular account rhythm. Sales and marketing teams handle business partner outreach at 25 to 50 FTEs. Bizdev professionals take that role over at 50+ FTEs. Leadership focuses on high-value past clients, strategic partners, and executive-level reengagements.

FIG 17 • THE FIVE FIELDS OF AN IDEAL REFERRER PROFILE



# Who owns the ask.

SIZE	OWNER	OWNERSHIP PATTERN
<b>Studio</b> UNDER 10 FTES	<b>FOUNDER</b>	The founder owns referral generation. They own the client relationships from start to finish. The referral request should be built into the project closeout process so it happens consistently without adding burden. One ask per client per project is usually enough.
<b>Small</b> 10 TO 24 FTES	<b>AMS + LEADS</b>	Responsibility starts to be distributed based on relationship ownership. Account managers handle active-client referral asks when they own the primary relationship. Outreach to past clients and business partners still falls to partners or directors who have the seniority and context to re-engage credibly.
<b>Medium &amp; Large</b> 25+ FTES	<b>DISTRIBUTED</b>	Anyone who owns a client, partner, or stakeholder relationship gets trained, empowered, and incentivized to ask for referrals. AMs handle active-client conversations. Sales and marketing teams handle business partner outreach at 25 to 50 FTES. Bizdev professionals take that role over at 50+ FTES. Leadership focuses on high-value past clients, strategic partners, and executive-level reengagements.



# Dan Englander

FOUNDER - [SALES SCHEMA](#)

## CONTRIBUTOR ESSAY • COMMON PITFALLS

Referrals already work for your agency, but you've never fully optimized them. If you're like most firms, you sit around waiting for them to happen, or if you're like me I was when I was doing random networking, you go to conferences and events, interact with folks, and ask, "Do you know anyone we can help?"

Done right, referrals can be a game changer, but only when you move them from reactive and random to proactive and systematic. The best first step is figuring out what *not* to do. With that in mind, here are the most common pitfalls we've seen from working with more than 250 agencies since 2014:

### 1. Giving partners homework.

This is the failure mode we see most. When you ask "Do you know anyone we can help?," your contact has to understand what you do, recall who fits, explain why the call matters, and write the intro email. The better way: ask for intros to specific people, and arm them with an email template that tees up the conversation to the prospect.

### 2. Disregarding relationship strength.

Agencies usually build referral initiatives around who has access, without weighing the relationship's warmth. They ask partners for help, dangle a referral fee nobody requested, and then nothing happens. Start from the relationship instead - name the people you *know* would help, then check which of them also has access. Prioritize the names that show both green lights.

### 3. Ask anxiety.

Many owners feel a knot before asking for a referral. Here are the four ways the anxiety breaks down, and how you can dissolve each fear by reframing it.

"My network is tapped out." **The reframe:** a network is not a finite tank, it recharges every time you help someone, directly or indirectly. And most of us have forgotten many connectors who would help.

"Referrals don't scale" **The reframe:** many huge industries run on a small number of partnerships. Silicon Valley, big consulting, and Hollywood operators are proud of their narrow networks. Why not you?

"My ducks aren't in a row-the rebrand isn't done, the site isn't live, the offer isn't ready." **The reframe:** relationships do not move on your product timeline. The intro takes days, the conversation longer, and whatever you waited to launch is old news by the time you close. Stop waiting for perfect conditions to engage your market.

"I'm taking too much." **The reframe:** referrals are a positive-sum game. Done right, the intro helps the partner who makes it as much as it helps you.

Referral programs are chill. Compared to cold outreach and networking events, they provide a process for meeting your best clients through collaborators who already like and trust you. Clear the common roadblocks, and you will keep your pipeline full without the grind.

#### QUOTE

Referral programs are chill. Done right, they provide a process for meeting your best clients through collaborators who already like and trust you.

## The referrer one-pager

Most referrals fail at a basic point: the referrer wanted to help and didn't know how. The referrer one-pager fixes that.

The one-pager is a shareable summary of who the agency helps, what it does, when to refer, and how. It uses the same core referral statement everywhere a referral might happen: in wrap-up calls, in follow-up emails, on partner one-pagers, and in conversations with peer agencies. The goal is consistency. When clients, partners, and peers all describe the agency the same way, the referrals that come in are aligned with the work the agency wants.

A good one-pager covers six things:

1. A brief description of who the agency helps
2. A sentence on what the agency does
3. The specific triggers that signal a good referral moment
4. A one or two-sentence script the referrer can use in an intro email
5. The contact person's name and email at the agency
6. Optionally, a few logos with linked case studies for referrers who want to dig deeper

The one-pager is usually the highest-leverage piece of referral material an agency can build. It's also one of the simplest. Most agencies without one underestimate how much friction it alleviates.

## Common pitfalls

Six failure patterns show up across agencies struggling to make referrals work.

- **Skipping the prerequisites.** The most common issue by far. Many agencies will launch referral campaigns before they have good work, happy clients, tight positioning, defined ICPs, or available capacity. The campaigns produce vague referrals at low volume, which the team interprets as a sign that referrals don't work, or that the market is worse off than it really is.
  - **Inconsistent outreach.** Referral relationships compound when nurtured and wither when ignored.
- Agencies that only reach out when they need new business signal that they're transactional, which is a hard message to come back from. Consistent check-ins, sharing relevant insights, and brief updates on the agency's work keep agencies top of mind without becoming annoying.
- **Slow follow-up on referred leads.** Referrers extend their own credibility when they make an introduction. A delayed or disorganized response from the agency reflects poorly on the referrer and damages the relationship, reducing future referral volume. Referred leads should move to the front of the sales process. Their close rates are typically higher, and the urgency protects the referrer relationship.
  - **Inconsistent client experiences.** Referrals depend on positive experiences that demonstrate expertise and care. The link between client experience and delivery quality is weaker than most agencies expect. We've encountered many agencies whose work was above par, but their client experience was lacking, leading to strained relationships. Account management is where most of this lives. Referral success rises and falls with how well that function is operated by people with excellent interpersonal skills.
  - **Ask anxiety.** Anxiety around asking for referrals is common. It usually traces back to timing, what to say, whether the relationship is strong enough, and whether the work is good enough. The fix for this is structure. Clear timing rules, language, and practice quickly reduce anxiety. Reframing the ask also helps. A referral isn't a favor. It's an invitation to help someone who's facing a problem the agency can solve.
  - **Overcomplicated incentives.** Some agencies try to build elaborate referral programs with multi-step forms, complex tracking, or tiered partner programs before they've validated that referrals are flowing. The result is friction for the referrer, internal confusion, and a system nobody uses. Referral programs work best when they're simple. A short core statement, a clean one-pager, a clear ask at the right moment. Anything beyond that should be added only after the basics are producing results.

## How referrals feed the rest of the system

Referrals are among the lowest-CAC acquisition channels an agency can run. Referred clients generally produce longer tenure, which directly raises the lifetime value. Lower acquisition costs and longer tenure together positively influence the LTV/CAC ratio on both the numerator and denominator. This is why agencies that treat referrals like an organized system end up with

stronger LTV/CAC ratios than agencies that run higher-CAC channels at the same effort level.

For the deeper how and why, including outreach templates for each source, incentive structure tradeoffs, follow-up sequences, and source-specific playbooks, our [Digital Agency Referral Playbook](#) covers the details in full.

09

CHAPTER 09

# AI Inside the Revgen System

## AI opportunities and application

A third of the agencies in our 2026 research have already implemented AI across their operations. Another quarter is in the process of implementing AI at their shops. AI maturity is highest in functions where the work is text-heavy and template-friendly: copywriting, coding, and marketing. It's lowest in the relationship-heavy functions: sales, project management, and account management. This is partly due to the capabilities of the available tools and partly to the nature of those functions. That gap is where the operational opportunity lives.

Agency archetypes (Dev., Design, Marketing, or Blended) track closely together, with Design Agencies trailing. Large agencies, despite their archetype, are typically further along. The gap between AI-mature agencies and the rest is widening fastest in the production layer, but the revgen layer is where the next round of leverage will be unlocked.

Sales sits at 1.5 on the maturity scale, well behind copywriting and coding. That's surprising given how much of sales work is research, drafting, summarization, and follow-up, which are the exact tasks AI tools handle well. We have observed three reasons that help explain this gap.

First, sales has historically been a relationship function and many sales leaders treat AI deployment as a threat to the relationship. The opposite is closer to the truth. The agencies pulling ahead use AI to handle research, drafting, and prep work, freeing salespeople to spend more time having conversations that AI can't have.

Second, the tooling for AI-augmented sales is more recent than the tooling for content production. Many CRM platforms only added meaningful AI features in 2025. Despite these advances, there remains significant copy-pasting between tools to get everything working. Although much of this process can be automated, it still takes time to navigate the workflow.

Third, sales is the function most directly affected by AI in the buyer's environment. AI-mediated shortlisting, AI-drafted RFPs, and AI-summarized vendor research are reshaping how prospects evaluate agencies. Agencies that haven't adapted their sales motion to the new buyer behavior are losing efficiency on both sides of the transaction.

Closing the AI maturity gap in sales is one of the highest-leverage AI investments most agencies have available after production. To do that effectively, it's important to explore where AI is being deployed across the various revgen functions. Through our research, we have identified a distinct set of high-leverage AI applications in each revgen group.

FIG 18 • WHY SALES LAGS THE REST OF THE AI MATURITY CURVE

01 INSIDE THE AGENCY	02 TECH STACK	03 OUTSIDE THE AGENCY
Sales is treated as a relationship function and AI is read as a threat to it.	CRM AI features arrived in 2025; copy-paste between tools is still the norm.	Buyers shortlist with AI; sales motions built for the old funnel lose ground.

## AI applications by function

Each revgen function has a distinct set of high-leverage AI applications.

**Bizdev.** Partner research is the highest-impact AI application in bizdev. AI tools can rapidly generate profiles of potential partners, summarize their service offerings, identify ICP overlap, and surface mutual customers. Drafting introduction emails and follow-up sequences is a close second. Tracking partnership pipelines and surfacing dormant relationships that are due for re-engagement is a third. Bizdev is a low-volume function where AI's output-per-effort is high. The leverage shows up in how many partner conversations bizdev can run in parallel, while cost reduction is a smaller factor.

**Marketing.** Content generation is the most obvious use case here: drafting blog posts, social posts, ad copy, email sequences, and case study narratives. Audience research is next: analyzing customer interview transcripts, social sentiment, and competitive content to find positioning angles. Campaign personalization is a third: dynamically tailoring landing page copy, ad creative, and email sequences to specific ICPs or buyer personas. Attribution analysis rounds out the list: parsing campaign data across channels to identify what's working. Marketing is where most agencies are already deploying AI.

**Sales.** Sales teams have a long list of AI use cases that are working well today. Account research before the first meeting now runs in minutes rather than hours, with AI pulling together company background, recent news, leadership changes, and stated priorities into a single

brief. Ideally, outreach drafts automatically incorporate that research, producing personalized first messages that reference the prospect's recent activity rather than reading like generic templates. In practice, most outbound messages, even with AI, land flat, so there are still major opportunities to improve outbound. Proposal drafting draws on prior winning proposals and customizes the language to the prospect's stated needs, thereby collapsing what used to be a multi-day exercise into a single afternoon of editing. Meeting prep is faster too, with AI generating likely objection-handling notes and competitive positioning based on the prospect's industry and the agency's win history in similar deals. Follow-up sequences maintain momentum across the pipeline without requiring the salesperson to write each email by hand, and sales call summarization produces clean handoff notes that AM can act on more effectively.

**Account management.** QBR prep is the highest-impact AI application here. AI can pull engagement data, project status, deliverable history, and prior QBR notes into a structured QBR brief in minutes. Client communication drafting is another high-impact use case. Documentation, including project recaps, status reports, and meeting notes, is a third. ROI reporting that translates agency activity into business-level results is a fourth. Churn signal detection from communication patterns and engagement data is a high-value application, but it's the hardest to operationalize, because the signals require data that the agency may not have structured or collected. The agencies pulling ahead in AM use AI to surface more opportunities for proactive conversations.

# AI applications by function.

FUNCTION	TOP USE	HIGH-LEVERAGE APPLICATIONS
<b>Bizdev</b> PARTNER CHANNEL	<b>PARTNER RESEARCH</b>	Rapid profiles of potential partners, ICP overlap analysis, mutual customers, intro emails and follow-up sequences, partnership pipeline tracking, and surfacing dormant relationships due for re-engagement.
<b>Marketing</b> DEMAND & BRAND	<b>CONTENT GENERATION</b>	Blog posts, social posts, ad copy, email sequences, and case study narratives. Audience research from interviews and competitive content. Campaign personalization for ICPs and personas. Attribution analysis across channels.
<b>Sales</b> NEW REVENUE	<b>ACCOUNT RESEARCH</b>	Pre-meeting briefs in minutes, personalized outreach drafts, proposal drafting from prior winning proposals, meeting prep with objection handling, follow-up sequence maintenance, and sales call summarization for AM handoff.
<b>Account Mgmt.</b> RETENTION & GROWTH	<b>QBR PREP</b>	Structured QBR briefs from engagement data and prior notes, client communication drafting, documentation, ROI reporting that translates activity into business-level results, and churn signal detection from communication patterns.

## AI's pricing pressure

AI is reshaping how clients think about agency pricing. We have seen this pressure first in agencies using mostly time-and-materials billing. If achieving the same output takes fewer hours, agencies that charge based on time lose revenue each time they improve efficiency. The margin offset that's supposed to compensate for lost revenue rarely appears on time because capacity doesn't refill smoothly (See the [Feast or Famine](#) discussion above). A developer who finishes four hours early on Tuesday doesn't pick up four hours of billable work on Wednesday unless the pipeline is already there to absorb the freed time. The near-term result is idle hours, which are pure cost.

Over a longer period, the situation worsens. Once AI-assisted work becomes the industry baseline, clients will expect lower hour counts on every project that follows. Recovering revenue requires raising hourly rates (which clients resist), continuously refilling capacity (which requires a sales engine that keeps pace), or shrinking the team to match the lower hourly load (which agencies end up doing, usually after a long period of margin compression). We're already seeing this in the data: hourly rates rose more slowly in 2025 than in prior years and margins have been slowly compressing.

Through our consulting work with agencies, we have identified responses that are helping agencies defend their value.

Move toward outcome-based pricing where the prerequisites are met. Reframing your fees in terms of impact or business results rather than hours spent can help side step the AI pressure. Unfortunately, true value-based pricing is harder to implement than it looks. The percentage of agencies using it fell from 31% in 2024 to 18% in 2025. Agencies attempting it without the

operational prerequisites are seeing weaker results in the data, suggesting AI is exposing how few agencies are actually positioned for outcome-based work. For those that were already well-positioned, AI is allowing them to unlock even further value for their clients and thus further cementing their position as a strategic partner.

Reposition around strategy. AI commoditizes execution, but it does not yet commoditize the strategic work of figuring out what to execute, why, and for whom. Agencies that lead with strategy, planning, and judgment can defend pricing for those services even as the execution components within an engagement become faster and cheaper. This becomes even more true in an environment when the cost of creating drops. When clients can do anything, choosing the right things to focus on is the differentiator.

Bundle AI-enabled efficiency into broader value delivery. Some agencies are using AI to deliver more output for the same fee, producing the same revenue while achieving better client outcomes and stronger retention. The math doesn't show up in the rate card, but it shows up in tenure and LTV.

Define a retainer based on campaigns shipped, qualified leads delivered, or releases pushed, rather than a monthly hour cap.

Hours should become an internal capacity question, not a line item the client negotiates down every time AI gets faster. Pair that with positioning tilted toward work that AI can't commoditize (strategy, vertical expertise, complex integrations, senior creative) and away from the work it can (basic content, routine ad ops, simple builds). Agencies that do both are holding rates as the broader market softens.

## The shift from execution to strategy

As AI compresses execution time across writing, analysis, coding, and design exploration, it also creates new demand for strategy, implementation, workflow redesign, governance, automation, and agent development. The agencies adapting to this shift are repositioning their offerings to focus on the work AI doesn't do well, and many are creating offerings for AI dev. and implementation.

Positioning and messaging need to evolve. The pitch that worked five years ago was centered on execution capability: “We have the team, the tools, and the experience to do the work!” That pitch no longer differentiates in an AI-saturated market because clients increasingly believe execution is easier and cheaper than it used to be. The pitch that works in 2026 centers on judgment, integration, and outcome delivery: “We

know what to do, why to do it, and how to make it produce results in your specific context.” Add in proof points from an industry specialization where you achieved that for companies that look just like them and you're well on your way to real differentiation.

This shift also affects how the four revgen functions work together. Marketing has to produce content that demonstrates strategic judgment, with execution capability as a supporting layer. Sales has to lead with diagnosis and strategy in early conversations. Bizdev has to position the agency as a strategic partner to other firms, without relying on execution as the driving factor. AM has to translate ongoing work into business-level outcomes, with deliverables shipped as the supporting evidence. This isn't entirely new, but what's changed is that AI has elevated the standards across all functions, and agencies that haven't adapted are noticing its impact on their conversion rates.

FIG 19 • THE PITCH THAT CONVERTS HAS SHIFTED FROM EXECUTION TO JUDGMENT

2021

“We have the team, the tools, and the experience to do the work.”

EXECUTION CAPABILITY

2026

“We know what to do, why to do it, and how to make it produce results in your specific context.”

JUDGMENT, INTEGRATION, OUTCOMES

# 10

CHAPTER 10

## Implementation Dynamics

## Prerequisites

Building an **integrated revgen system** is operationally intensive work. The transition disrupts how the four functions report, who has authority over which decisions, how compensation gets structured, and what each function is held accountable for. When done well, the disruption produces a system that grows the agency faster and more reliably than the patchwork it replaces. Six conditions must be in place before an agency begins the transition.

**Revenue per FTE (Full Time Employee) of \$175k to \$200k.** The 2025 industry average came in at \$173k, which gives a sense of the baseline most agencies are operating at. The transition period will result in a short-term reduction in revgen efficiency as functions reorganize and roles shift. Agencies running at or below the industry average have less margin to absorb the dip. The \$175k to \$200k floor sits above the industry average, specifically to give the transition financial breathing room. Agencies under that floor should focus on pricing and positioning improvements first, then take on the integrated revgen build once efficiency is in a stronger range.

**Revgen investment of 10% to 15% of revenue.** The industry average sits around 7% of revenue spent on sales and marketing. Building an integrated system requires more than the baseline investment to cover additional headcount, tooling, and capabilities. The case for this investment should be built on an LTV/CAC model, with clear assumptions about how the increased spend will translate into LTV per client and how it'll impact the agency's overall LTV/CAC ratio over time.

**Positioning and ICP clarity.** Clear positioning and a defined ICP give the system clear targets and bounds to work within. Marketing can't produce content that resonates without a clear audience. Sales can't qualify

leads against a vague target. Account management can't identify expansion opportunities without a clear sense of which clients fit the agency's goals. Referrals can't flow without a sharp positioning statement that referrers can repeat. Most agencies that fail at revgen restructuring can trace the failure back to weak positioning that the transition couldn't compensate for.

**Effective project management and value delivery.** The transition to an effective integrated revgen system requires leadership attention. Leadership pulled into firefighting on delivery problems can't drive the cultural and structural changes the revgen restructuring needs. PM and delivery don't need to be perfect, but they do need to be running well enough that leadership has time to focus on the revgen build.

**Excess cash reserves.** Standard cash reserves in stable conditions sit around three months' worth of operating expenses. The revgen restructuring adds several risk factors on top of that baseline: new revgen hires take months to ramp, sales cycles range from weeks to quarters, and invoice collection from new work adds even more lag. The combination of these delays means cash exits the agency before new cash arrives and the gap can stretch longer than expected. We recommend an additional 2 to 3 months of cash on hand before starting, for a total of 5 to 6 months. This will fluctuate with the overall economic picture, so if an agency is going to undertake this transformation in a poor economic environment, they should add the 2-3 months of "transition cash" to their expanded cash base.

**Contractor flexibility.** Contractor reliance has risen sharply across the industry. Agencies with strong contractor benches can flex their delivery capacity without expanding fixed payroll, thereby shortening the cash-reserve window. Agencies running heavy contractor models can sometimes operate closer to 4 months without taking on undue risk.

## Preparing PM and operations

A revgen system effectively eliminates lead generation as the growth bottleneck. However, the subsequent limiting factor appears right away. For most agencies, this is project management and delivery. Agencies unprepared for this challenge often face full pipelines and delivery teams that can't keep pace, leading to a poor client experience, decreased retention, and fewer referrals.

Leadership should anticipate investing in project management and operations by the time that early indicators show the revgen build is beginning to generate results. These investments can include things like hiring senior project managers, enhancing delivery processes, developing capacity-planning tools, and improving operational reporting. Agencies that delay investments until the bottleneck becomes severe tend to struggle to overcome it.

## Common pitfalls

Key patterns emerge across agencies struggling with implementation. They tend to cluster in three groups: leadership failures, organizational failures, and structural omissions.

Leadership failures are often the primary cause of stalled implementations. Typically, leaders view the build as a project to delegate, which leads to disengagement as soon as another priority comes along. A related issue is neglecting prerequisites. Skipping them not only complicates the transition but also raises risks. The most dangerous ones to skip are positioning prerequisites, as bypassing them can highlight and worsen existing issues rather than resolve them, especially when the new system exposes a value proposition that isn't fully baked.

The organizational failures deal with how the change lands within the team. Moving too quickly through

cultural change is a common mistake. Restructuring can shift seniority, change reporting lines, and reframe how revgen functions interact, and while these changes are easy to draw on an org. chart, they can be difficult to process culturally. Agencies that rush past this produce technical compliance with the new structure while potentially creating active resistance underneath it. A lack of team buy-in produces the same outcome, just through a different path. Employees need to see the value in the restructuring, understand their role in it, and have ownership over the parts that affect their day-to-day work. Insufficient investable cash is the third organizational failure and the one most likely to force an emergency reversal mid-transition. A detailed cash flow model should be used to prepare for and to set the pace of the transition.

The third group covers four common pitfalls that are sometimes easy to overlook, each of which undercuts the rest of the build in a specific way. The first is treating referrals as a passive channel. The integrated system depends on purposeful referrals. The second is undercompensating revgen teams. Without variable compensation tied to outcomes, the people responsible for generating revenue have no financial incentive to engage in the difficult conversations the new system requires. The third is underinvesting in account management. AM produces the highest revenue per unit of effort of any revgen function in our research, and agencies that complete the restructuring without elevating AM to peer status with sales, marketing, and bizdev consistently find the system underperforming. The fourth is ignoring AI inside revgen specifically. AI maturity in production has run well ahead of AI maturity in revgen across the industry, and agencies that build the integrated system without adding AI into it are launching into a market where comparable agencies are already a step ahead.

FIG 20 • NINE COMMON IMPLEMENTATION PITFALLS IN THREE CATEGORIES

### LEADERSHIP FAILURES

- 1 Treating the build as a project to delegate.
- 2 Skipping prerequisites - especially positioning.

### ORG. FAILURES

- 3 Rushing past cultural change.
- 4 Lack of team buy-in.
- 5 Insufficient investable cash.

### STRUCTURAL OMISSIONS

- 6 Treating referrals as a passive channel.
- 7 Undercompensating revgen teams.
- 8 Underinvesting in account management.
- 9 Ignoring AI inside the revgen system.

# 11

CHAPTER 11

## Where We Go From Here

### The next era

The agencies that come out of this era stronger than they entered it will be the ones that stop treating revgen as four loosely connected functions and start treating it as one system. The specifics of how they accomplish this are just as important, but what matters most is the organizational shift from accidental to deliberate growth.

The gap between agencies that have embraced key revgen best practices and those that haven't is larger than most leaders realize. Our [How Digital Agencies Grow](#) research categorized agencies into three groups based on revenue growth: Fast agencies grew by an average of 34%; average agencies grew by 8%, in line with industry norms; and slow agencies declined by 15%. A 49-point difference within a year indicates a level

of variability not typical in a mature professional services industry. This suggests that agencies that manage revenue generation as a systematic process are in a distinctly different competitive environment than those that do not.

The forces that created that gap are growing stronger. AI continually reduces execution costs, which in turn lowers the price that buyers anticipate. Trust-based channels remain steady, while reach-based channels decline. Specialization, once a competitive advantage, has now become the norm. Buyers are now quicker, more selective, and more comfortable shortlisting agencies before engaging in direct conversations. Agencies that began developing integrated revenue-generation systems early are gaining a larger lead each quarter, and we expect this gap to grow in the coming years.

FIG 21 · A SEQUENCED PATH TO THE INTEGRATED REVGEN SYSTEM

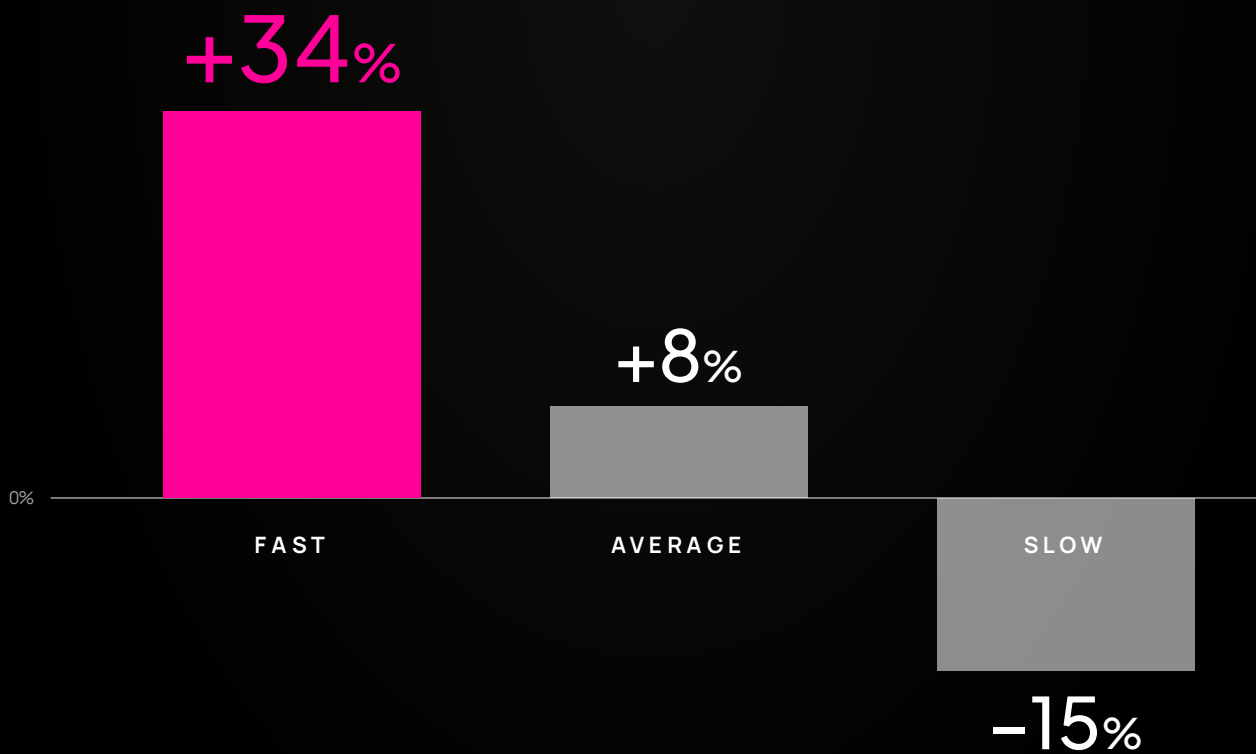
<p><b>01</b></p> <p><b>Name an owner</b></p> <p>A single CEO or Chief Growth Officer accountable for the whole system.</p>	<p><b>02</b></p> <p><b>Solidify cash</b></p> <p>Model the transition; protect the runway that funds the rebuild.</p>	<p><b>03</b></p> <p><b>Sharpen positioning</b></p> <p>Lock the problem space, ICP, and the proof that lets the pitch land.</p>	<p><b>04</b></p> <p><b>Elevate AM</b></p> <p>Lift account management to peer status with bizdev, marketing, and sales.</p>	<p><b>05</b></p> <p><b>Align M + S</b></p> <p>Build marketing-sales parity around shared metrics and joint motions.</p>
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**IN PARALLEL**

Build the referral engine into AM and sales rhythms.

Wire AI into every revgen function as workflows mature.

# Fast agencies grew 34%. Slow agencies declined 15%.



## HOW DIGITAL AGENCIES GROW

A 49-point difference within a year indicates a level of variability not typical in a mature professional services industry.

## THE NEXT ERA

## Agencies that complete this work will secure long-term structural advantages in growth, margins, and client lifetime value.

Closing the gap demands ongoing leadership focus. Agencies treating it as a simple project or quick fix often abandon the effort after a few months, once structural changes are underway, but before financial gains materialize. Those viewing it as a multi-quarter transition with committed executive leadership are more likely to succeed.

The initial step varies depending on the agency's starting point, but the early choices are similar across transitions. Assign a single person responsible for revgen as an integrated function. Ensure the cash position is solid before initiating structural changes. Refine positioning and ICPs until the four functions can target the same goal. Prioritize elevating account management before addressing marketing-sales alignment, as AM grows quickly and provides operational stability essential for further development. View the referral

engine and AI integration as initiatives that run parallel to the structural efforts.

Agencies that complete this work will secure long-term structural advantages in growth, margins, and client lifetime value. Conversely, those that do not will continue facing the same revenue generation issues they have today, but with reduced margins and fewer options to manage them.

### WORK WITH US

Don't get caught on the wrong side of the widening divide. Reach out if you'd like help building a reliable growth engine for your digital agency.

[SCHEDULE A CONSULTATION →](#)

## ADDITIONAL RESOURCES

# Continue with the Promethean library.

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01

**Digital Agency Growth Review**

Digital Agency Growth Review is our service for leaders who want direct help evaluating their agency's revgen strategy and structure.

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02

**Digital Agency Referral Playbook**

Digital Agency Referral Playbook covers the operating details behind The Referral Engine Section of this guide, including outreach templates, incentive structures, follow-up sequences, and source-by-source playbooks.

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03

**Designing the Digital Agency**

Designing the Digital Agency covers operating models and organizational structure in depth, with detail on Functional, Hybrid, Matrix, and Pod structures and when each fits.

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04

**Digital Agency Industry Report**

Digital Agency Industry Report is our annual snapshot of the industry, including the market sizing data, partner ecosystem coverage, and trend analysis referenced throughout this guide.

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05

**State of Digital Services**

State of Digital Services is our annual performance benchmark, with year-over-year data on growth, margins, pricing, AI adoption, and operational metrics.

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# 12

CHAPTER 12

## Methodology and Demographics

## Research base

This guide synthesizes findings from Promethean Research's primary research programs and consulting work with digital agency leaders. The sections below describe the research base, how the data was collected and analyzed, the definitions used throughout the guide, and the limitations readers should keep in mind when applying findings to their own agencies.

The quantitative findings in this guide draw from four primary research programs Promethean Research has run between 2022 and early 2026:

- **State of Digital Services (SoDS)** is our annual benchmarking survey covering revenue, growth, profitability, pricing, AI adoption, hiring, retention, and operational metrics. Sample sizes have ranged from 119 to 268 respondents across the editions referenced in this guide. The most recent edition (SoDS 2026) reflects 119 responses collected between October 2025 and February 2026.
- **How Digital Agencies Grow (2024)** focused on the relationship between revgen activity, agency growth rates, and lifetime client revenue. The study segmented respondents into Fast, Average, and Slow growth tiers based on self-reported revenue performance and analyzed the operational differences between them.
- **Digital Agency Referral Playbook (2025)** combined survey data with consulting case work to map the operational mechanics of referral generation, including source-by-source effectiveness, ask timing, enablement materials, and incentive structures.
- **Designing the Digital Agency (2025)** analyzed agency operating models, including Functional, Hybrid, Matrix, and Pod structures, with data on the prevalence of each and the operational tradeoffs involved.

Findings from the 2026 Digital Agency Industry Report (market sizing, partner ecosystem coverage, and AI adoption benchmarks) also appear throughout this guide.

The qualitative findings come from consulting engagements with founders, partners, and revgen leaders at digital agencies between 2015 and early 2026. These engagements covered growth strategy, positioning, service mix decisions, revgen system design, pricing, and operating model changes. Patterns observed across hundreds of engagements informed the structural recommendations in this guide and helped validate or contextualize survey findings.

## Survey design and demographics

Each survey was developed in-house by Promethean Research analysts. Question sets were built around the specific research goals of each program, with consistency maintained across years for core benchmarking questions so year-over-year comparisons remain valid. Where new questions were introduced (for example, AI adoption questions in 2023 and 2024), the prior baselines remain unchanged so historical comparisons stay clean.

Surveys were distributed to digital agency leaders through Promethean's research network, partner organizations, industry communities, and direct outreach to agency owners. Participation was voluntary and unpaid. Respondents had to confirm a leadership role at a digital agency to qualify, with founder, partner, owner, principal, C-level, VP, and director-level roles accepted. Responses from non-agency roles or non-leadership positions were excluded during the cleaning phase.

Each survey was open for between 8 and 16 weeks. Responses were collected through a hosted online instrument, with all data anonymized at intake. Individual responses are confidential, and findings are reported only in aggregate or in ways that cannot be tied to a specific agency.

The figures below reflect the SoDS 2026 sample. Demographics in earlier surveys broadly tracked these distributions, with some shifts in geographic mix and archetype representation. Please see the specific reports themselves for exact distributions.

**Size distribution (by full-time employees):**

- Studio (under 10 FTE): 40%
- Small (10 to 24 FTE): 29%
- Medium (25 to 49 FTE): 23%
- Large (50+ FTE): 8%

Average agency size in the sample was 31 FTEs, with a median of 13 FTEs.

**Geographic distribution:**

- United States: 74%
- Canada: 12%
- Europe: 8%
- Asia-Pacific: 3%
- Middle East, Africa, Latin America (combined): 3%

**Respondent role:**

- Founder, owner, or partner: 68%
- Other C-level: 12%
- Director or VP: 9%
- CEO or president: 9%

**Archetype distribution:**

- Blended: 59 respondents
- Development: 29 respondents
- Marketing: 19 respondents
- Design: 12 respondents

**Data treatment and analysis**

Raw responses were cleaned to remove incomplete submissions, duplicate responses from the same agency, and responses that failed validation checks (for example, revenue per FTE figures more than five standard deviations from the mean, which typically indicated misreporting). Cleaned responses were then

aggregated for descriptive statistics, segmented by size, archetype, and geography, and cross-tabulated against the variables of interest for each research question.

Where this guide reports an average, the figure is the mean of the cleaned sample unless otherwise noted.

Where this guide reports a percentage of agencies doing or experiencing something, the percentage reflects the share of respondents who selected the relevant response option. Year-over-year comparisons use only the questions that were asked consistently across the relevant editions.

**Limitations**

The agency populations in our surveys skew toward US- and Canada-based firms. Findings may apply less directly to agencies operating in markets with different economic conditions, buying behaviors, or labor markets.

Self-reported financial data has well-known limitations. Growth rates, margins, and revenue figures reflect what respondents reported, which differs from what audited financial statements would show. We use the data as directional indicators.

Sample sizes for some segments, particularly Large agencies and specific archetype-by-size cuts, are small enough to warrant caution when extrapolating segment-specific findings to the broader population.

**About Promethean Research**

Promethean Research is an industry research and consulting firm focused on digital agencies. The firm helps agency leaders make better decisions about growth, structure, pricing, and operations. Promethean's work covers original research, published reports, and advisory engagements. [PrometheanResearch.com](https://www.PrometheanResearch.com)



**Appendix**

## Glossary

The terms below appear throughout this guide. Definitions reflect how Promethean Research uses each term, which in some cases differs from how the broader industry uses them.

**Account Executive (AE).** The sales role responsible for running qualified sales conversations, developing proposals, and closing deals. At smaller agencies, the AE role is filled by a founder or partner. At larger agencies, dedicated AEs handle this work under a sales director.

**Account Manager (AM).** The post-sale role that owns the client relationship, including communication, retention, growth planning, and referral generation. AMs differ from project managers in that they manage the relationship rather than the delivery process.

**Agency archetype.** A classification used by Promethean Research to describe an agency's primary service focus. The four archetypes are Development, Design, Marketing, and Blended.

**Agency of Record (AOR).** A long-term retainer arrangement in which a client commits to using the agency as its primary partner for a defined scope. AOR relationships have become less common as buyers shift toward project-based engagements.

**Bizdev (Business Development).** The revgen function focused on building strategic partnerships that create new opportunities for the agency. Bizdev is distinct from sales: bizdev creates opportunities, sales closes them. The term is often used interchangeably with sales in the industry, which Promethean Research considers a category error.

**BDR (Business Development Representative).** A sales role focused on outbound prospecting: identifying target accounts, doing the outreach, qualifying interest, and booking meetings for closers.

**Blended agency.** An agency that generates meaningful revenue across two or more service categories (development, design, marketing) with no single category dominating.

**CAC (Customer Acquisition Cost).** The total sales and marketing spend required to land a new client. Calculated as total revgen investment divided by the number of new clients acquired in the same period.

**Chief Revenue Officer (CRO).** The executive role that orchestrates sales, marketing, business development, and customer success under a single leader. The CRO role typically appears at Large agencies and above.

**Client tiering.** The practice of organizing accounts by revenue, profitability, tenure, growth potential, and

strategic fit, with service levels and account management investment scaled to each tier.

**Closer.** A sales role responsible for converting qualified opportunities into closed deals. Often synonymous with Account Executive.

**Delivery.** The production function of an agency: the team that executes client work. Used interchangeably with "production" in this guide.

**Feast-or-famine.** A pattern of inconsistent revenue generation in which periods of high lead flow alternate with periods of low or no lead flow. Most commonly caused by overreliance on owners and partners for lead generation.

**Fixed Bid.** A pricing model in which the agency commits to a defined scope for a fixed total fee, regardless of the hours required to complete the work.

**Full-Time Employee (FTE).** A team member employed by the agency on a full-time basis. Used as the standard unit for sizing agencies and calculating revenue per FTE.

**Functional structure.** An operating model in which the agency is organized by discipline (design, development, strategy, account management, etc.) with each discipline reporting up through its own functional leader.

**Grow-or-exit.** A mindset applied to client tiering in which low-tier clients are either invested in to grow into higher tiers or actively exited to free capacity for higher-value relationships.

**Head of Growth.** A leadership role that unifies marketing, sales, business development, and account management under a single leader. Typically emerges at Medium agencies before evolving into a Chief Revenue Officer role at larger sizes.

**Hybrid structure.** An operating model that combines a functional hierarchy with cross-functional teams assembled for specific projects or accounts. The most common operating model among digital agencies.

**Ideal Customer Profile (ICP).** A defined description of the type of client an agency is best positioned to serve. A strong ICP includes industry, size, role of the buyer, the problem being solved, and the conditions under which the client is most likely to buy.

**Ideal Referrer Profile (IRP).** The referral-side counterpart to the ICP. Defines the type of person or organization most likely to introduce the agency to its ideal clients. A strong IRP captures the referrer persona, closeness to the ICP, trust and influence level, referral motivations, and enablement potential.

**Integrated revgen system.** A unified operating model in which business development, marketing, sales, and account management function as a single coordinated unit rather than as four loosely connected functions.

**LTV (Lifetime Value).** The total gross margin a client generates over the life of the relationship with the agency.

**LTV/CAC ratio.** A measure of revgen efficiency, calculated as lifetime value divided by customer acquisition cost. A ratio above 3:1 generally indicates healthy unit economics. A ratio below 1:1 indicates the agency is spending more to acquire each client than the client returns.

**Matrix structure.** An operating model in which team members report to both a functional leader and a project or account leader. Can blur reporting lines and slow revgen decisions if not carefully managed.

**Net Promoter Score (NPS).** A client satisfaction metric based on a single question: how likely the client is to recommend the agency to a peer. Used as one of several inputs to a client health score.

**Pod structure.** An operating model in which cross-disciplinary teams (pods) are dedicated to specific clients or accounts. Common in larger agencies with concentrated client portfolios.

**Performance-based pricing.** A pricing model in which agency fees are tied to measurable client outcomes (revenue generated, leads delivered, conversion improvements). Used by a small portion of the market, primarily marketing-focused agencies with clear attribution.

**Problemspace.** The full context surrounding the challenge a buyer is trying to solve, including external forces, internal conditions, boundaries, and the people involved. Used as a framing device for positioning the agency around the buyer's underlying problem rather than around its work products.

**Project Manager (PM).** The role responsible for managing the delivery process of client projects: timelines, scope, resourcing, and execution. Distinct from the Account Manager, who manages the client relationship.

**Quarterly Business Review (QBR).** A structured quarterly meeting between the agency and a client to review progress, surface concerns, align on priorities, and identify expansion opportunities. Strongly correlated with longer client tenure.

**Retainer.** A pricing model in which a client pays a recurring fee (typically monthly) for an agreed scope of ongoing work

or capacity. Often quoted in monthly retainer dollars.

**Request for Proposal (RFP).** A formal procurement process in which a buyer invites multiple agencies to submit proposals for a defined scope of work. Increasingly common as buyers run more competitive processes.

**Revenue Generation (Revgen).** The umbrella function that covers business development, marketing, sales, and account management. The term is used throughout this guide to refer to the integrated set of activities responsible for bringing in and growing business.

**Revenue per FTE.** A measure of agency productivity, calculated as total annual revenue divided by full-time employee headcount. Used as a benchmark for operating efficiency.

**Sales Development Representative (SDR).** A sales role focused on inbound lead qualification: answering inquiries, qualifying fit, and booking meetings for closers.

**Sales complexity.** A measure of buyer environment difficulty, calculated as average sales cycle length in months multiplied by the average number of meetings required to close. Higher complexity narrows the range of effective revgen tactics.

**Service map.** A structured document that lists the agency's services, the client problems each service solves, and the complementary services that pair naturally with it. Used by account managers to identify upsell and cross-sell opportunities.

**Size tier.** A classification of agencies by FTE count: Studio (under 10), Small (10 to 24), Medium (25 to 49), Large (50 to 249), Enterprise (250+).

**Time and Materials (T&M).** A pricing model in which the agency bills the client based on the hours worked at agreed hourly rates, plus any pass-through costs. Most exposed to AI-driven margin compression because faster delivery reduces billable hours.

**Value-Based Pricing (VBP).** A pricing model in which fees are tied to the business value the agency delivers rather than the hours or scope required to deliver it. Adoption has declined as AI has compressed execution times and made value claims harder to defend.

**White-labeling.** A partnership arrangement in which one agency delivers work under another agency's brand. Used to fill service gaps without expanding in-house capability.

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# Digital Agency Growth Guide.

Systems and strategies for capturing opportunities and  
creating reliable growth for digital agencies.