Alliance of Independent Agencies

AGENCY PERFORMANCE PULSE

July 2026

A timely snapshot of independent agency performance

In partnership with

synergist

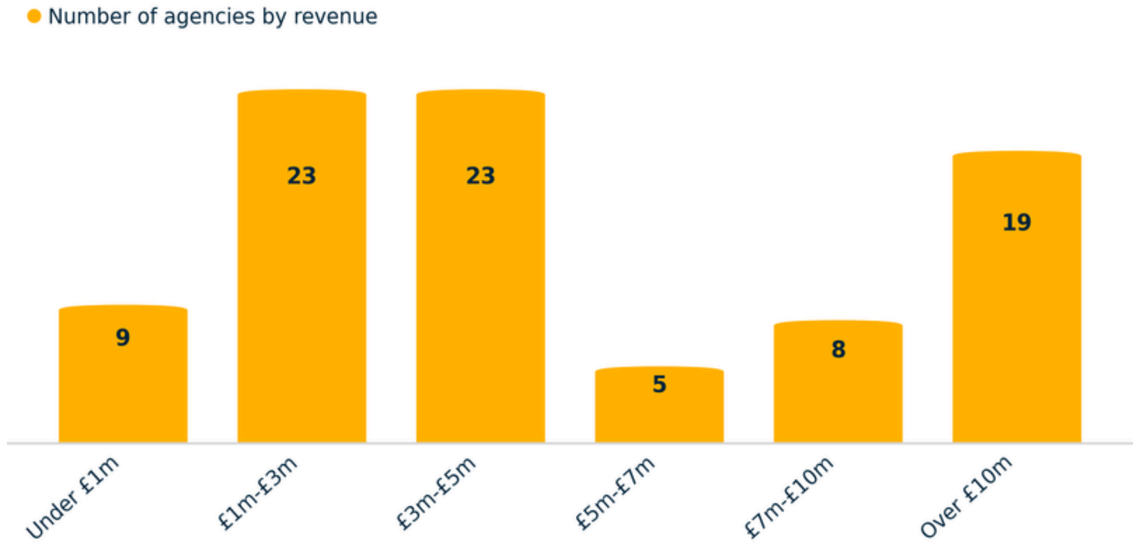
MOORE Kingston Smith

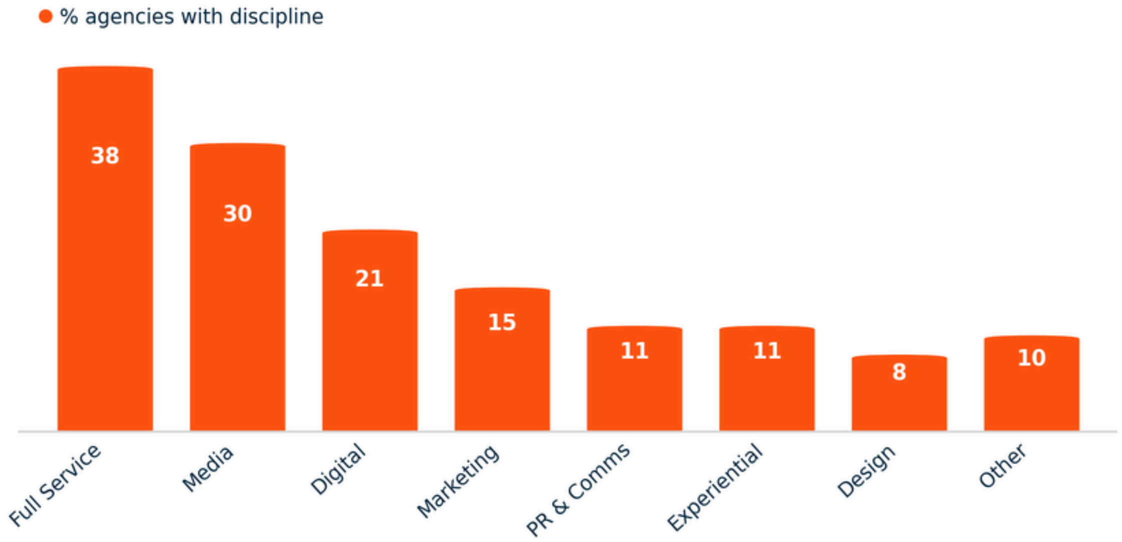
SURVEY PURPOSE AND PARTICIPANTS

The Agency Performance Pulse provides a timely snapshot of how independent agencies are performing, the challenges they're facing, and the strategies they're using to drive growth and profitability in a rapidly changing market.

The goal of the report is simple: to help agency leaders make better-informed decisions by understanding what is happening across the sector and learning from the experiences of their peers.

Based on responses from 87 independent agencies, the findings should be viewed as directional rather than statistically representative. They provide valuable insight into how agencies are adapting to changing client expectations, market conditions and competitive pressures.





The story in five headlines

Growth is returning, but it remains hard to convert

Agencies are reporting stronger revenue growth than a year ago, driven primarily by new business wins. However, longer sales cycles, delayed sign-off and increased procurement scrutiny continue to make growth less predictable and harder to forecast.

New client revenue is outperforming existing

New business remains the strongest growth engine across the sector. While many agencies are also growing existing client revenue, growth from current clients is more mixed, reinforcing the importance of both client retention and new business development.

Employee costs remain the biggest pressure point

Rising employment costs continue to put pressure on margins. While many agencies are still hiring and investing in talent, headcount growth remains more cautious than the increase in people costs would suggest.

AI is reshaping agency operations

AI is no longer viewed as an emerging trend. Agencies increasingly see it as a practical tool for improving efficiency, productivity and service delivery. At the same time, it is contributing to changing client expectations around speed, pricing and value.

The outlook remains cautiously positive

Despite ongoing economic uncertainty and commercial pressures, most agencies expect existing client revenue, new business opportunities and profitability to improve over the next six months. However, confidence is tempered by continued concerns around employment costs and client decision-making.

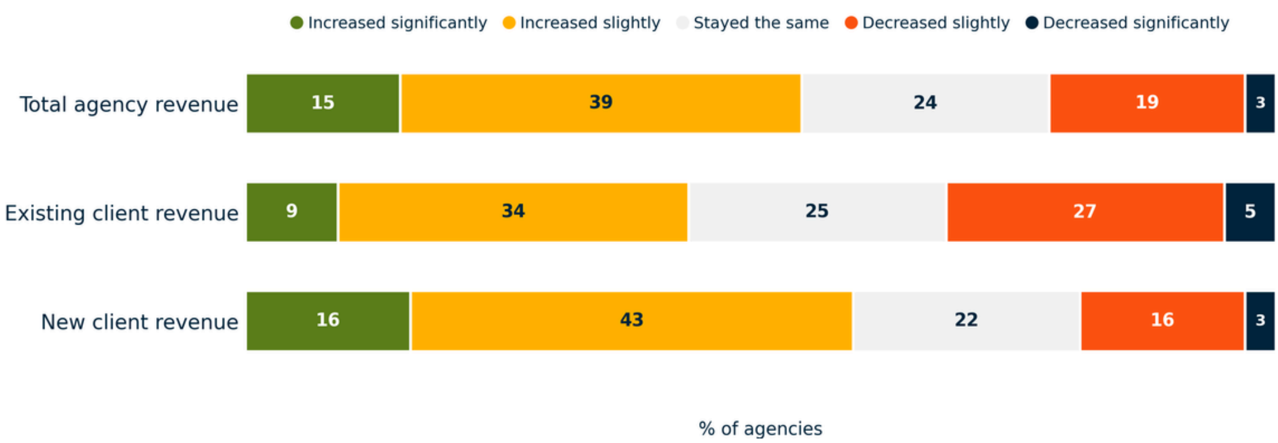
Financial performance: growth with pressure underneath

Agencies are broadly growing revenue, particularly from new clients, but this growth is being tested by mixed existing-client performance and continued pressure to protect margins.

The strongest positive signal is new client revenue growth: 59% of agencies said new client revenue increased in the last six months, compared with 19% reporting a decline.

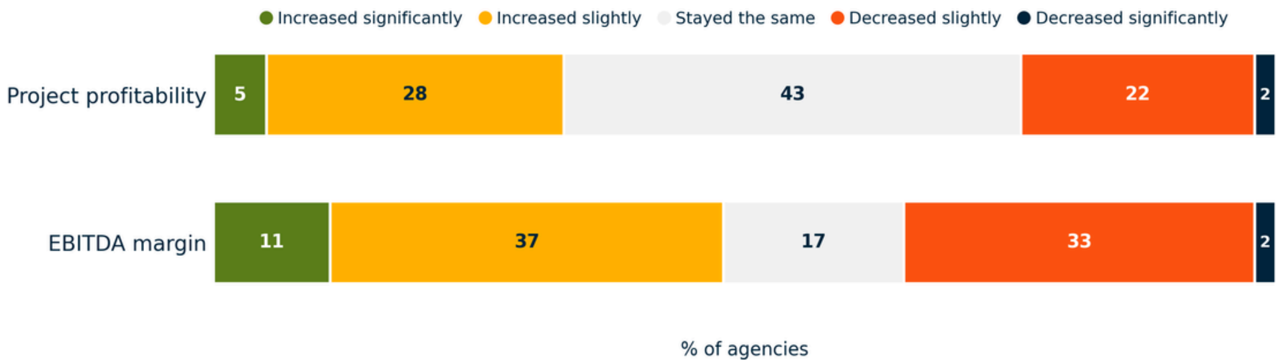
Total agency revenue also grew for more than half of agencies, with 54% reporting an increase and 22% reporting a decline. This suggests agencies are growing top-line revenue, but not as strongly as the year-on-year comparison alone might suggest.

Existing client revenue is more mixed: 43% saw growth, while 32% reported a decline and 25% stayed flat. This points to continued pressure in retained and organic client growth.



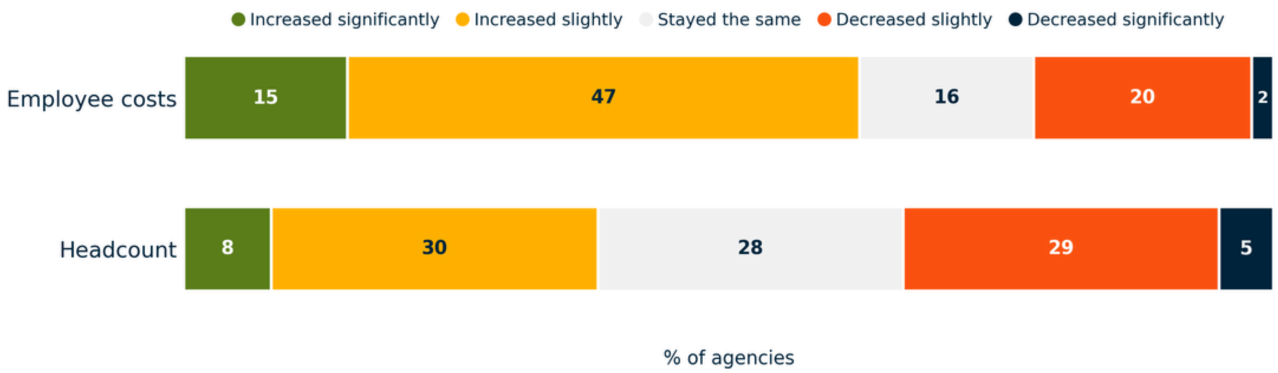
Full Service agencies show a more mixed picture, suggesting breadth of offer does not automatically remove pressure on revenue growth.

Profitability is improving, but not universally. 48% of agencies reported improved EBITDA margin, while 35% saw margin decline. Average project profitability was more stable, with 33% reporting growth and 43% saying it stayed the same.



Smaller agencies appear to be protecting margin better, not just growing cautiously, with 64% of under-£1m agencies reporting EBITDA growth, compared to 48% overall.

Employee costs are the clearest pressure point, with 62% reporting an increase, while headcount growth was more measured at 38%. This suggests agencies are facing rising people costs even where team size is not growing significantly.



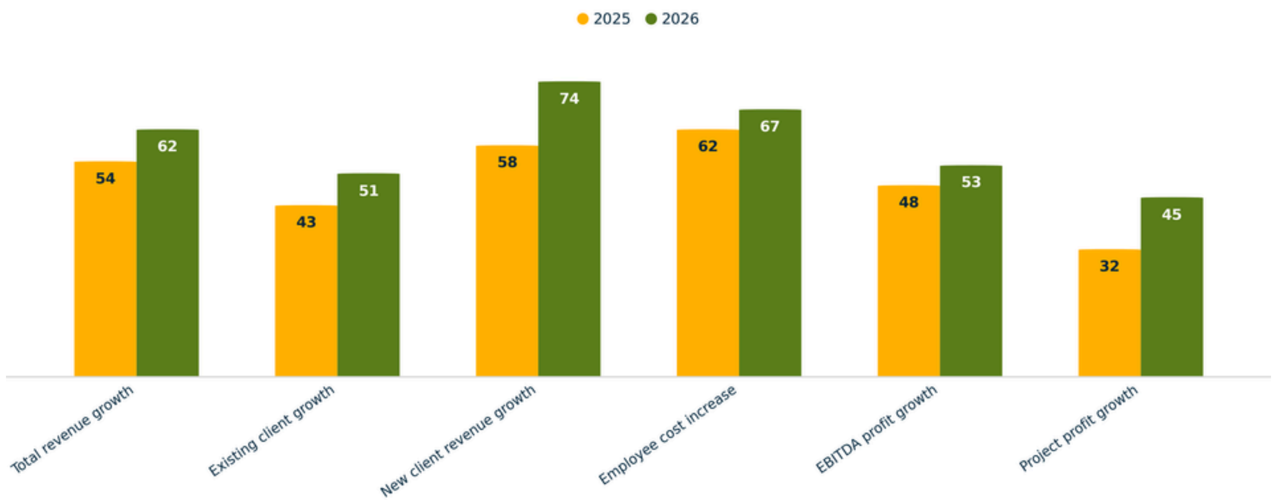
Scaling pressure is clearest in the £5m–£7m revenue band, where 92% reported rising employee costs, including 83% saying costs increased slightly and 8% saying costs increased significantly.

What has changed since 2025?

Compared with last year's Pulse, agencies are reporting **stronger revenue growth, improved profitability and greater confidence in future opportunities**. New client revenue remains the most significant source of growth, while existing client performance has also strengthened.

However, many of the **underlying challenges remain unchanged**. Slower decision-making, procurement scrutiny, forecasting difficulties, and rising employment costs continue to affect performance. The findings suggest agencies have become more resilient and commercially disciplined but are still operating in a challenging environment.

The story of 2026 is therefore not one of a dramatically different market, but of **agencies adapting more successfully to it**. The agencies performing best are not necessarily operating in easier conditions; they are responding more effectively through stronger commercial discipline, operational efficiency and client relationship management.



Resilience in a demanding market

The encouraging theme running through this year's findings is the resilience agencies continue to demonstrate in a demanding market.

Revenue growth has strengthened, profitability is improving and confidence has returned across many parts of the sector. Yet the operating environment remains far from straightforward. Client decision-making remains slow, budgets continue to be closely scrutinised, and agencies are often having to work harder to convert opportunities into revenue. The positive news is that many businesses are adapting successfully, finding ways to grow despite these ongoing challenges.

What stands out is the balance agencies are striking between ambition and discipline. The strongest performers are not only generating new business momentum but also investing in existing client relationships and creating more sustainable foundations for growth. At the same time, they are maintaining a close focus on profitability as rising employment costs and margin pressures continue to shape strategic decisions.

"The agencies making the strongest progress today are combining growth ambitions with commercial discipline, enabling them to navigate uncertainty while building more resilient businesses." Across the sector, we are seeing agency leaders place greater emphasis on operational efficiency, client value and long-term sustainability. Whether through stronger forecasting, improved resource planning or a sharper focus on client retention and expansion, businesses are increasingly focused on building resilience rather than pursuing growth at any cost.

This is particularly important at a time when opportunities remain available but are taking longer to convert. Healthy pipelines are encouraging, but success increasingly depends on an agency's ability to remain agile, respond to changing client needs and maintain visibility over both performance and profitability. Looking ahead, there is reason for cautious optimism. Agencies continue to identify opportunities through new business development, deeper client relationships and greater operational efficiency. Those that can combine ambition with commercial discipline will be best positioned to translate those opportunities into sustainable, profitable growth.

Esther Carder
Partner & Head of Media
MOORE Kingston Smith

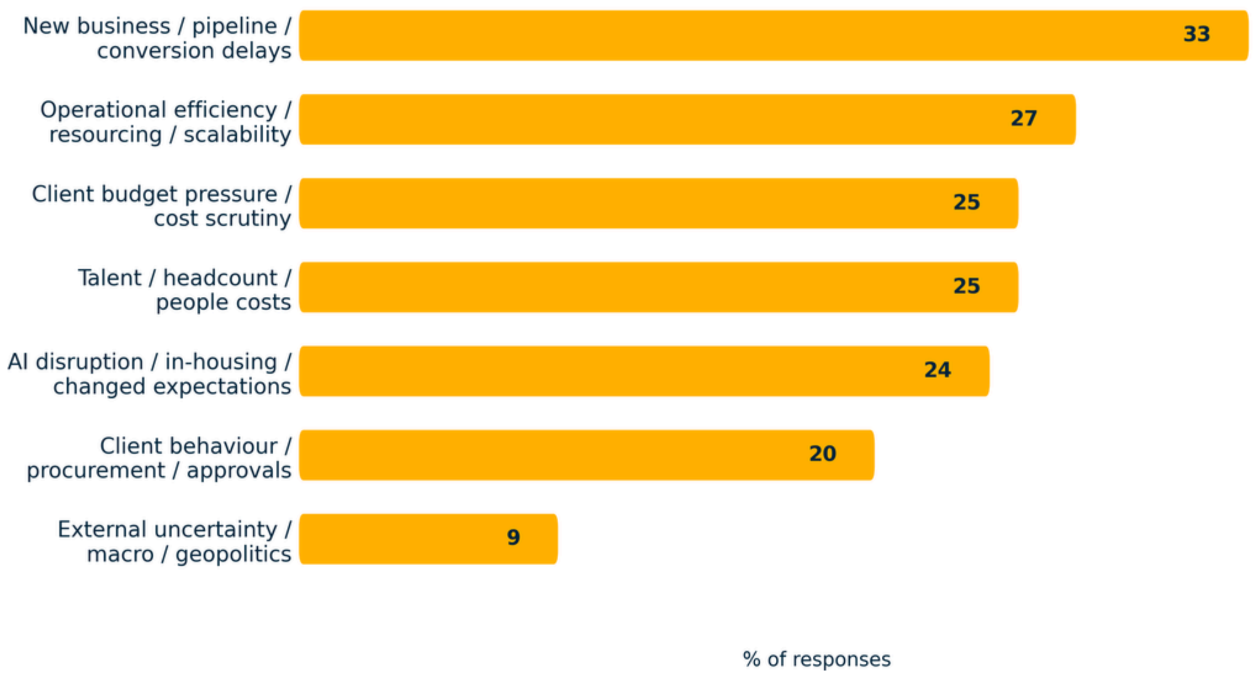
What is making growth harder

“Our biggest performance challenge has been forecast volatility, with project timing and scope shifts making revenue, GP and resourcing harder to manage. Demand is still there, but the challenge is getting clearer visibility on when work will land, which teams it will affect, and how reliably it converts into profitable delivery.”

The dominant challenge is pipeline volatility: agencies repeatedly describe longer sales cycles, more heavily scrutinised pitches, delayed sign-off and uncertainty over whether opportunities will turn into revenue. This appeared in 33% of responses.

Close behind is **pressure on the operating model** at 27%, while client budget pressure and cost scrutiny appeared in 25% of responses.

AI appears as both an efficiency lever and a value-pressure risk.



Market shifts: cautious clients, tougher conversion and AI disruption

Across client sectors, the dominant shift is **greater budget scrutiny**, with agencies reporting more focus on ROI, commercial value and measurable outcomes. AI and in-housing are also changing client behaviour, while sector performance remains uneven.

In new business, opportunities remain available but are **harder to convert**. Agencies report healthy pipelines and inbound activity alongside longer sales cycles, slower decision-making and delayed sign-off.

AI is having a dual impact: it is changing client expectations around speed, pricing and perceived value, while also improving internal productivity through automation, research, reporting and workflow efficiencies.

The overall outlook is cautiously positive

Agencies remain cautiously optimistic about growth but expect continued pressure from rising employment costs and slow client decision-making.

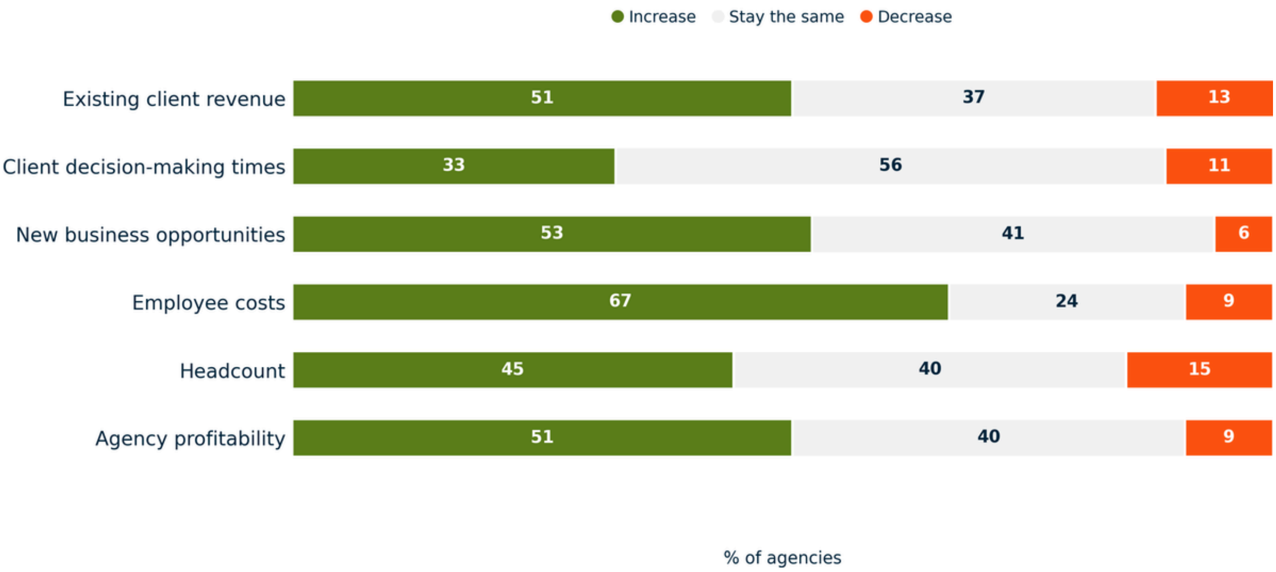
Existing client revenue is expected to improve, with 51% expecting an increase, 37% expecting it to stay the same and 13% expecting a decrease. This suggests agencies remain cautiously optimistic about organic client growth, although few are anticipating a significant rebound.

Client decision-making times are not expected to improve. The majority (56%) expect decision-making times to stay the same, reinforcing the earlier finding that slower conversion and delayed sign-off continue to be key challenges.

New business expectations are relatively positive, with 53% expecting opportunities to increase, 41% expecting them to stay the same and only 6% expecting a decrease. Agencies appear confident that opportunity levels will remain healthy despite ongoing market uncertainty.

Employee costs remain the clearest pressure point, with 67% expecting costs to increase. By contrast, 45% expect headcount to increase, 40% expect no change, and 15% expect headcount to decrease. This suggests agencies expect cost inflation to continue, while taking a more measured approach to recruitment.

Profitability expectations are also cautiously positive. 51% expect EBITDA profitability to increase, 40% expect it to remain stable and 9% expect it to decline. Agencies are broadly confident about profitability, although that optimism is tempered by continued cost pressures.



Biggest opportunities and threats

Opportunities

- New business growth
- Existing client expansion
- AI-enabled productivity
- Service diversification
- Strategic advisory

Risks

- Client caution / slower decisions
- Margin pressure
- Competition / in-housing
- AI commoditisation risk
- Cashflow / forecasting volatility

When asked about the biggest opportunities over the next six months, three themes dominated.

The first is new business growth, with agencies repeatedly highlighting stronger pipelines, converting opportunities, winning larger clients and expanding into new sectors and services. Many agencies see opportunity in independent agencies taking share from networks, particularly where clients are seeking greater agility and senior attention.

The second is deepening existing client relationships. Many respondents identified upselling, cross-selling, developing strategic partnerships and increasing share of wallet as their most immediate growth opportunities. The emphasis has shifted from simply retaining clients to expanding relationships and becoming more embedded in client organisations.

The third is AI-driven productivity and efficiency. Agencies increasingly view AI as an operational advantage rather than purely a creative tool. Many see opportunities to improve planning, reporting, forecasting, administration and workflow efficiency, while also developing AI-enabled products and services for clients.

Client caution remains the biggest threat. Agencies consistently referenced longer approval cycles, delayed project starts, procurement scrutiny and budget caution as factors impacting growth.

A second major concern is margin pressure. Agencies report rising employment costs, increasing competition and ongoing pressure from clients to reduce fees or demonstrate greater value. Several respondents highlighted the tension between investing in AI and responding to expectations that work should become cheaper.

The third recurring challenge is competition and in-housing. Agencies report increasing competition from other agencies, specialist providers and in-house teams, particularly as AI makes some lower-value tasks easier for clients to undertake themselves.

Why forecasting has become a growth strategy

The work is out there but getting it over the line is harder than it used to be. I'm hearing this across the board from agency owners right now.

That tracks with what we're seeing in this year's Agency Performance Pulse. Growth is up, profitability is improving, but sales cycles are longer and procurement is tougher. The opportunities exist. The hard part is knowing when they'll land, understanding what the actual capacity is, and whether you can deliver them profitably.

If you have ten designers, forty hours each, minus internal time, leaves around 300 billable hours a week. Are you actually selling 1,300 hours of design time a month? Are you selling more or less? That causes the chaos down the line.

That comes down to connecting pipeline, resourcing and financials into one view, so you can see what's coming, not just what's happened. I use the analogy of looking through the windscreen at what's coming, not the rear-view mirror at what's past. Poor forecasting leads to hiring too early, too late, or overloading your best people, and with staff costs still the biggest pressure on margins, those calls count.

The strongest agencies I see aren't the ones with the biggest pipeline. They're the ones with the clearest view of it: how opportunities are progressing, what they'll mean for capacity and profit, so they can move earlier and adapt faster.

Forecasting isn't just about predicting revenue. It's about having the data to spot the gaps to sell more and balance capacity before it costs you.

Jay Neale
CEO
synergist

What agencies are doing to protect growth and margin

The pattern is clear: the agencies protecting growth and margin are tightening commercial control, strengthening client relationships, improving operational visibility, investing in people and using technology, especially AI, to improve efficiency.

The most effective financial strategies centre on stronger commercial discipline: tighter cost control, improved margin visibility, forecasting discipline, utilisation management and closer financial oversight. Alongside this, many agencies highlighted new business focus as a major contributor to growth, with investment in lead generation, pipeline management, business development and agency positioning all contributing to improved financial outcomes.

The most effective client strategies are proactive relationship building and demonstrating measurable value. Agencies report success through regular communication, senior stakeholder engagement, sharper reporting, ROI tracking and clearer commercial outcomes.

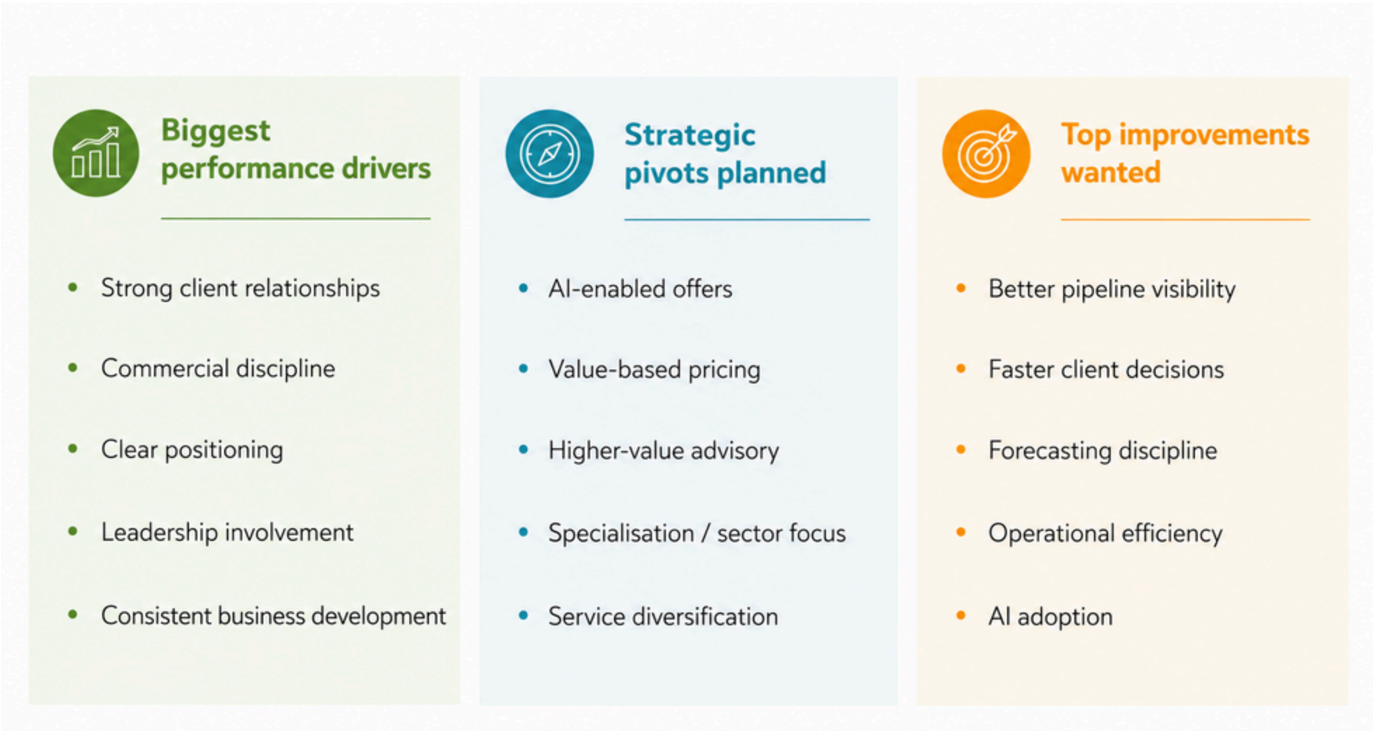
Operational efficiency is being transformed by process and visibility. Agencies report benefits from tighter resource planning, capacity management, project controls, financial reporting and process standardisation. Many also highlighted automation and AI adoption as major contributors to efficiency, helping reduce administrative effort and allowing teams to focus on higher-value work.

People strategies focus on culture, development and flexibility. Competitive pay remains important, but respondents increasingly emphasise leadership, development, clear progression opportunities, strong cultures and flexible working as key differentiators.

AI tools dominate technology ROI. Agencies reported using AI to accelerate research, planning, reporting, administration and content development, allowing teams to spend more time on higher-value strategic and client-facing work. Alongside AI, agencies highlighted CRM platforms, project management systems, reporting tools and operational systems that improve visibility, planning and resource management.

Driving agency performance in 2026

The findings point to a clear high-performance model: agencies that combine sharper commercial discipline, stronger client relationships, clearer positioning and better operational visibility are best placed to capture growth while protecting margin.



What high performing agencies do differently

“When I look at the agencies performing most strongly in this survey, what stands out isn't that they're facing fewer challenges. They're dealing with the same cautious clients, tighter margins and economic uncertainty as everyone else. The difference is how they're responding.

The highest-performing agencies have a clear sense of who they are and where they create the greatest value. They're commercially disciplined, they're building deeper client relationships, they're investing in their people, and they're embracing AI where it genuinely improves productivity and enhances the value they deliver to clients. These aren't dramatic changes, but together they create stronger, more resilient businesses.

Another characteristic of successful agencies is recognising that independence doesn't mean doing everything alone. The market is becoming more complex, clients increasingly expect broader capabilities, and many agencies are responding by building strategic partnerships with complementary specialists. Knowing when to collaborate has become another way independent agencies can compete for larger opportunities while staying focused on what they do best.
The message from this year's Agency Performance Pulse is clear. Sustainable growth isn't about chasing every opportunity or waiting for market conditions to improve. It's about executing the fundamentals exceptionally well: clear positioning, commercial discipline, operational excellence and the confidence to adapt as the market evolves. Agencies that combine those qualities with the agility and entrepreneurial spirit that define the independent sector will be the ones best placed to thrive over the months ahead.”

Terry Martin
Managing Director
Alliance of Independent Agencies

The agency outlook

New business, client expansion and AI-enabled productivity are driving optimism, while slower decision-making, margin pressure and rising costs remain the biggest challenges.

The growth opportunity exists, but the agencies best placed to capture it will be those with sharper commercial discipline, stronger client relationships, clearer positioning and better visibility across pipeline, resourcing and profitability.

Alliance of Independent Agencies