Alliance of Independent Agencies

AGENCY PERFORMANCE PULSE 2025

A timely snapshot of Independent Agency Performance

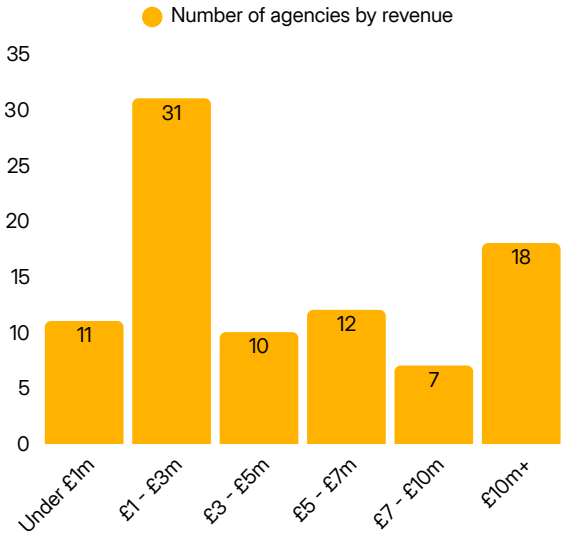
In partnership with

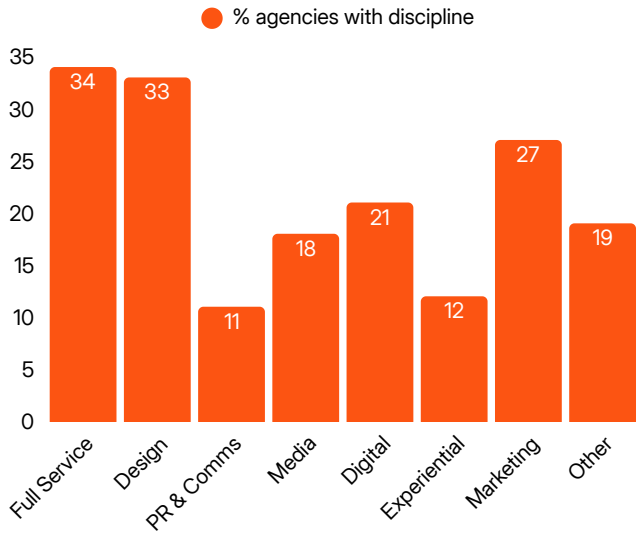
BAND

synergist

SURVEY PURPOSE AND PARTICIPANTS

Agency Performance Pulse is run by the Alliance of Independent Agencies to provide a timely snapshot of how independent agencies are performing and share the top strategies being used to drive performance.





Data Collection Period:
Findings are based on survey responses from 89 independent agencies, reflecting performance and sentiment over the six months leading up to the survey in August 2025.

Key Metrics Explored
The survey examined:

- Total agency revenue changes
- Revenue sources (existing vs new clients)
- Operating costs and headcount trends
- Net profit and project profitability
- Biggest challenges and opportunities
- Strategies of top-performing agencies

Limitations:
Results should be read as directional, not statistically representative. Our sample of 89 independent agencies represents <2% of the ~8,000 independent agencies operating in the UK. As with any self-reported survey, responses reflect the respondents' perspectives.

KEY FINDINGS

The 2025 survey results highlight a sector balancing cautious optimism with the reality of cost pressures and competitive strain.

Revenue Growth Across the Sector

54% of agencies increased revenue in the past six months.

Profitability Under Pressure

48% saw profit growth, while 35% experienced a decline.

New Business as a Growth Engine

58% reported increased revenue from new clients.

Existing Client Accounts Deliver Stability

43% grew revenue from current clients.

Rising Employee Costs Challenge Margins

48% reported higher staff costs.

AI Emerges as the Top Opportunity

23% cited AI adoption and efficiency gains as their biggest opportunity.

ECONOMIC & MARKET BACKDROP

Independent agencies continue to operate in an uncertain market, where competitive intensity and economic headwinds remain defining factors. Many agencies report that procurement processes are becoming more rigorous, with longer lead times, increased demand for free creative ideas, and heightened scrutiny of budgets.

AI has become a central theme in shaping this unpredictability. One third of agencies have seen productivity gains by investing in AI automation and production. But agencies also highlighted there's a cost of investing in tools and training. Clients are simultaneously curious and cautious, often requesting clarity on AI policies while also seeking more "human" campaigns.

Clients

- AI uptake
- Budgets tighter
- Move to projects
- Shorter contracts
- More scrutiny
- In-housing
- Brand over performance

New Business

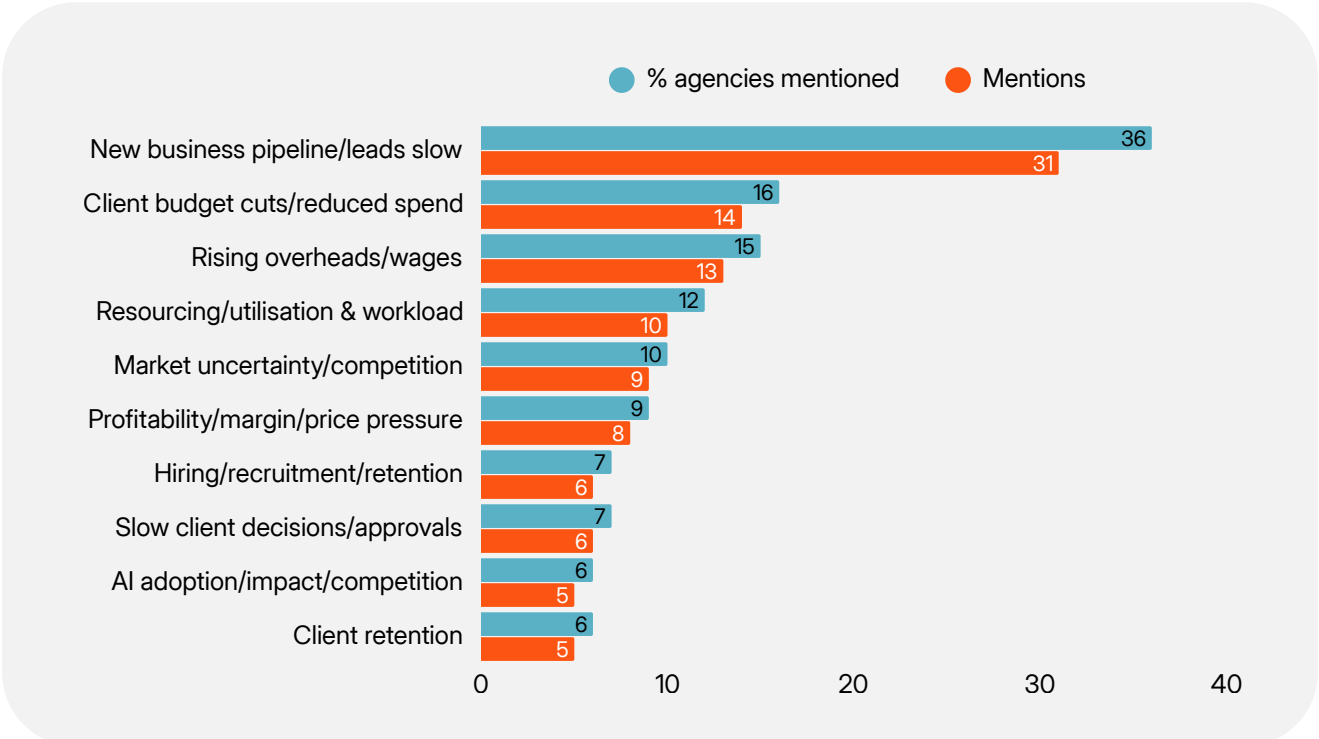
- Longer decisions
- More/less opportunities
- Increased competition
- Clients expecting free ideas
- Tenders increasing
- Ghosting
- Poor feedback

KEY CHALLENGES FOR AGENCIES

> ***"Opportunities are there, but client decisions are slower, budgets are tighter, and competition is fiercer than ever."***

The 2025 findings show that agencies are contending with a mix of commercial and operational obstacles. The most frequently cited challenge was slow or inconsistent new business pipelines, identified by ***36%*** of respondents. Client budget reductions followed closely, with ***31%*** reporting lower levels of spend. Rising costs and wages ***(16%)*** and capacity or resourcing pressures ***(14%)*** also featured prominently.

These challenges illustrate the double strain of winning new work in a cautious market while controlling internal costs. Many agencies also pointed to competitive intensity, client churn, and delays in approvals as factors making it harder to forecast with confidence.



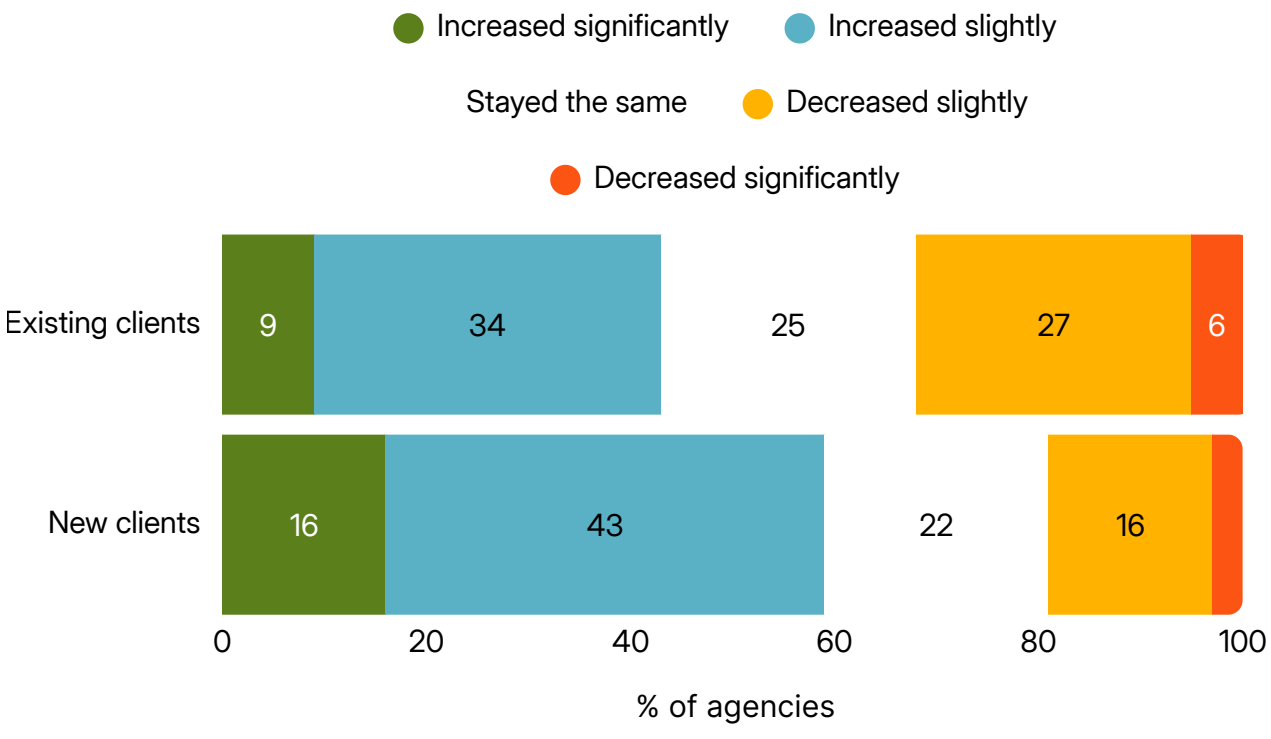
REVENUE TRENDS AND CLIENT BEHAVIOUR

Revenue performance over the last six months shows resilience but significant variation. ***54% of agencies*** achieved revenue growth, with ***39% reporting slight increases*** and ***15% experiencing significant gains***. Roughly one in four ***(24%) reported stable revenues***, while just over one in five ***(22%) saw declines***.

Growth sources reveal a balanced picture. ***43%*** of agencies reported ***revenue increases from existing clients***, indicating the strength of established relationships as a growth driver. At the same time, ***58%*** experienced ***growth from new business***, highlighting that despite slow pipelines, agencies are succeeding when opportunities convert.

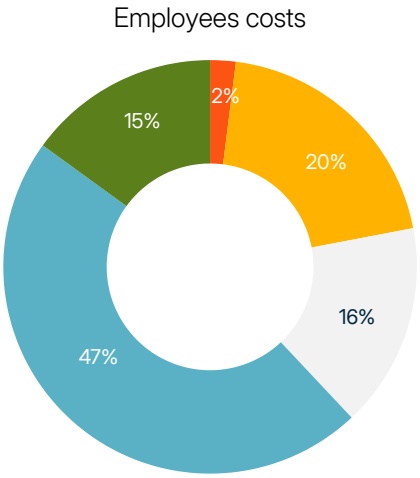
As one agency leader commented:

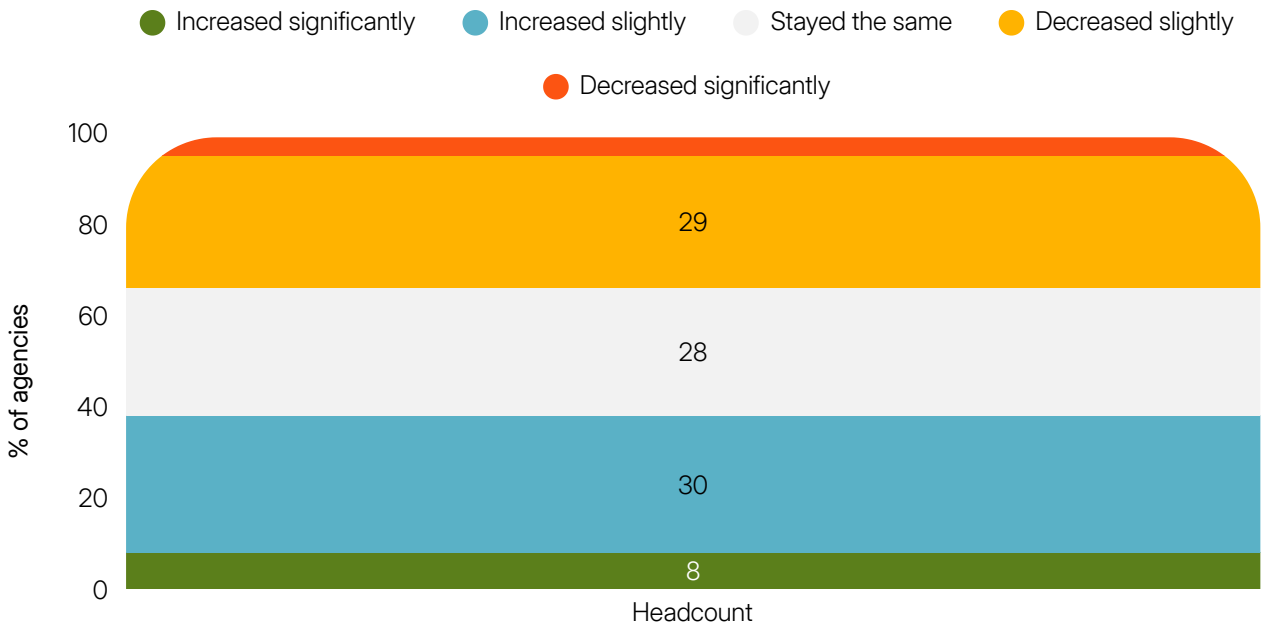
"Our pipeline remains slow, but when opportunities do arise, we are winning more than before."



COST PRESSURES ON AGENCIES

Employee costs remain one of the most pressing concerns for agencies. Over half ***(62%)*** reported increases in the past six months, with most anticipating further rises in the near term. At the same time, agencies are managing headcount cautiously: ***38%*** reported increases, while ***34%*** reduced staff numbers, reflecting the challenge of balancing recruitment with more project-based revenue streams.



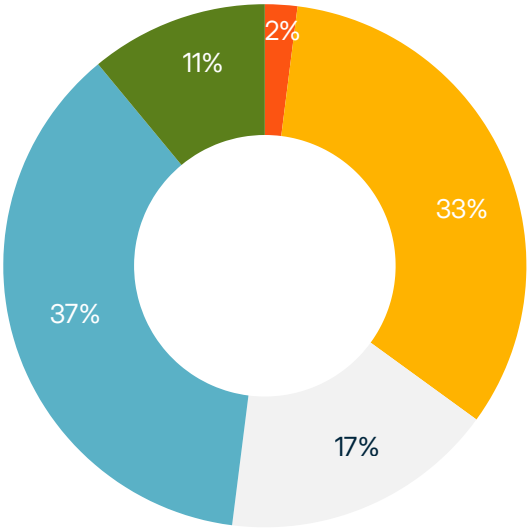


Agencies highlighted freelance controls, utilisation improvements, and forecasting as core strategies for managing these pressures.

"The biggest challenge is aligning resourcing with revenue that is increasingly unpredictable and project-driven."

PROFITABILITY AND USE PROFIT

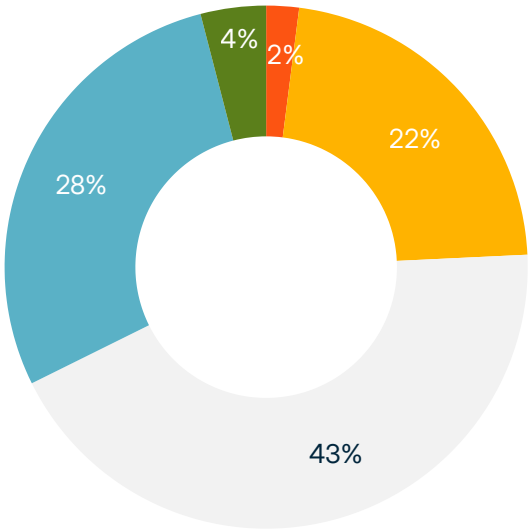
How does your agency net profit (EBITDA) in the last 6 months compare to the previous 6 months?



48%

of agencies saw net profit growth in the last 6 months, while 35% saw profits drop.

How has your average project profitability changed in the past 6 months?



32%

saw project profits increase, while 24% saw profitability drop.

THE COMMERCIAL DISCIPLINE OF GREAT AGENCIES

"Independent agencies must now treat finance as a core driver of growth, not a back-office necessity. Tougher procurement and longer cycles mean that commercial discipline is the difference between thriving and merely surviving. Agencies cannot afford to price reactively or rely on project work alone, they need clear, defendable models that generate recurring value.

This requires sharper pricing, rigorous cashflow management, and proactive diversification into retained services, data products or proprietary IP. Agency leaders must embed financial clarity at every level of the business: pitches should be structured with margin protection in mind, delivery resourced against realistic demand, and performance measured against outcomes, not effort.

The agencies that will grow sustainably are those uniting creative excellence with commercial strength. Finance and strategy can no longer be separated, they must move in lockstep. When agencies embrace this discipline, creativity has the room to deliver its full impact."

Rob Quinn

Head of Creative Industries
BAND

STRATEGIES OF TOP PERFORMING AGENCIES

What separates the agencies outperforming in a tough market?

Driving Financial Performance

Cost cutting · Salary & freelance controls · Better new biz processes · Planning/forecasting · Dashboards & reporting

Driving Client Performance

Face-to-face time · Broadening services · Cross-sell · Partnerships · Proactive account management · Ideas & challenger approach

Driving Operational Performance

AI adoption · Capacity planning · Utilisation · Financial dashboards/reporting & literacy

Driving People Performance

Culture & values · People-first Environment · Training · L&D · Mentoring · Progression framework · Flexible working & work-life balance

Driving Technology Performance

AI tools · Project/workflow management tools · Measurement/Attribution / Insight tools

PROFIT BY DESIGN: PEOPLE, PROCESS, DATA

Demand is uneven, cycles are longer, procurement is tougher, and in-housing keeps rising. The agencies I see outperforming the rest, are treating growth as a system, not a spurt. They run an always-on pipeline, sharpen their propositions, invest in talent development and technology (including AI) to drive operational improvement, and build a strong commercial culture to protect margin.

But the most important business driver is data. It shows what's working and what's not - essential for staying ahead in a rapidly changing market. Putting a single source of truth and a set of key metrics at the centre of the business, steers priorities, pricing, resourcing, process and profit. It makes performance visible and actionable. Because what isn't measured won't improve. With clean data and consistent reviews, the system compounds.

Jason Neale

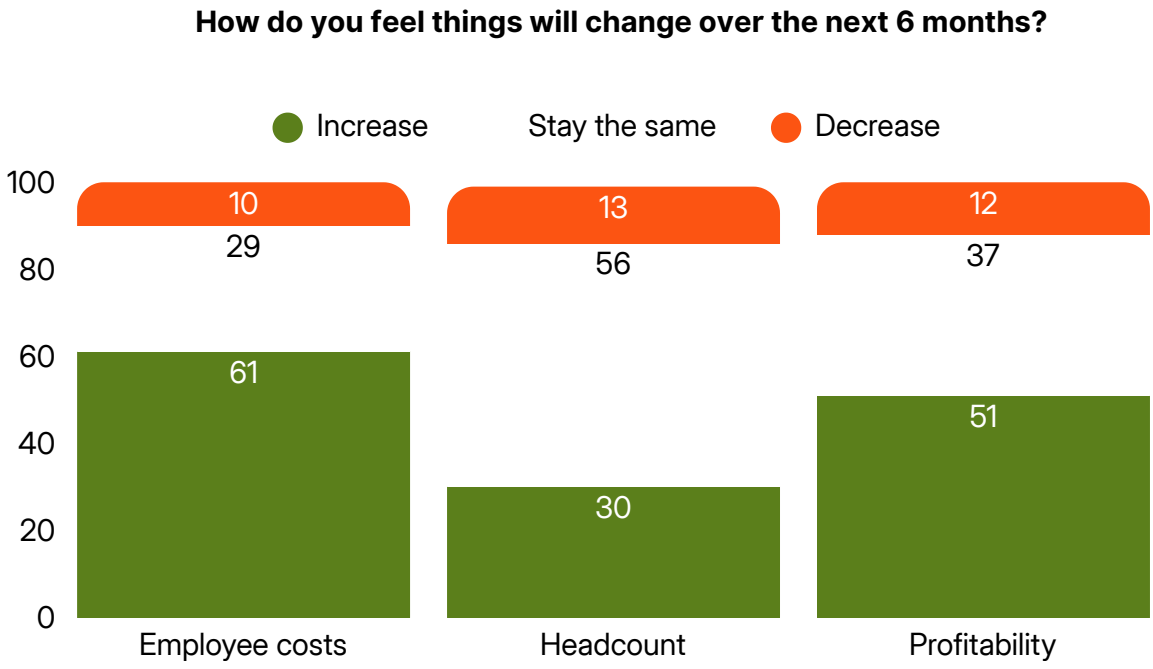
Managing Director
Agency Works

OPTIMISM FOR THE NEXT SIX MONTHS

Looking ahead, independent agencies remain cautiously optimistic. Nearly half ***(45%)*** expect client revenue to grow in the next six months, and ***58%*** anticipate more new business opportunities. At the same time, ***61%*** predict employee costs will continue to rise, underscoring the challenge of balancing growth ambitions with cost management.

Encouragingly, over half of agencies expect profitability to increase, reflecting confidence that operational efficiencies and stronger client pipelines will support margins even in a high-cost environment.

"We are cautiously optimistic — growth is achievable, but only if we continue to tighten our processes and sharpen our propositions."



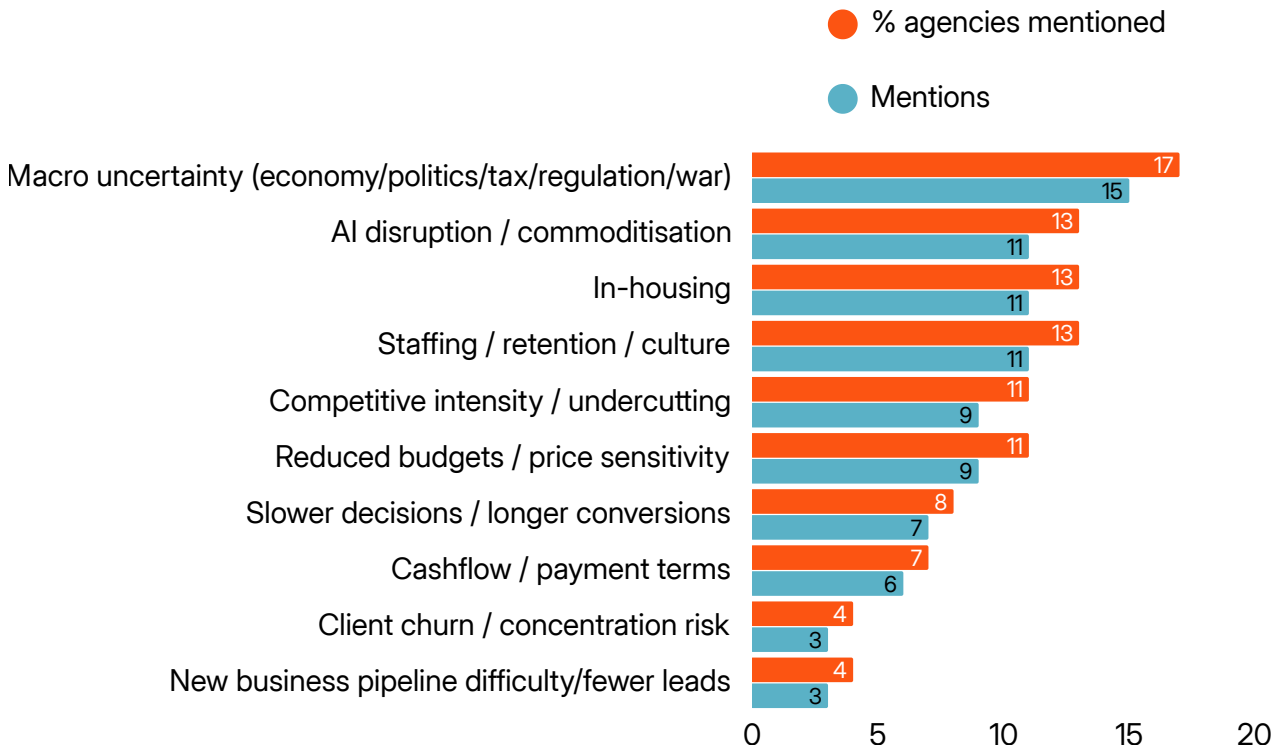
BIGGEST THREATS

Independent agencies are confronting a more complex and competitive landscape, where multiple external and internal factors are converging to test resilience. The most cited threats centre on macro-economic uncertainty, including political, regulatory, and tax instability, which continues to affect client confidence and spending.

AI disruption also ranks highly, with respondents concerned about commoditisation of services and a "race to the bottom" on pricing as automation tools become more widespread. Other critical risks include in-housing, where clients bring more work internally, and staffing pressures such as retention, recruitment, and maintaining agency culture in a hybrid environment.

Competitive intensity, reduced client budgets, and slower decision cycles are adding further strain, while issues like cash-flow management and over-reliance on major clients were also mentioned.

Together, these threats underline the need for agencies to maintain strong financial discipline, diversify revenue streams, and demonstrate clear value in an increasingly price-sensitive market.



AI'S DOUBLE EDGE

"AI boosts speed in research, production and reporting, freeing teams for higher-value thinking. But it also raises client expectations of "faster, cheaper", risks commoditisation, and introduces policy, IP and security questions.

AI is now part of the agency stack; the question is how to apply it. What client problems will AI solve? Where must humans lead? What data, governance and disclosure do you require? What skills and training are needed? Which tools are approved, and how will outputs be audited for quality, bias and provenance?

Finally, how do you create value without racing to the bottom? Educate clients where AI helps, where it can't, and price the value you create, not the hours AI removes. Scope AI-augmented work around outcomes, price the expertise clients or AI can't replicate (problem framing, strategy, brief/prompt crafting, creativity, evaluation, orchestration...) and define the QA layer (human review, bias and fact checks, testing, compliance). Share the "AI dividend" through speed or scope, not fee cuts. Agencies that price outcomes and prove impact don't need to discount."

Nick Lane

Commercial Director
Synergist

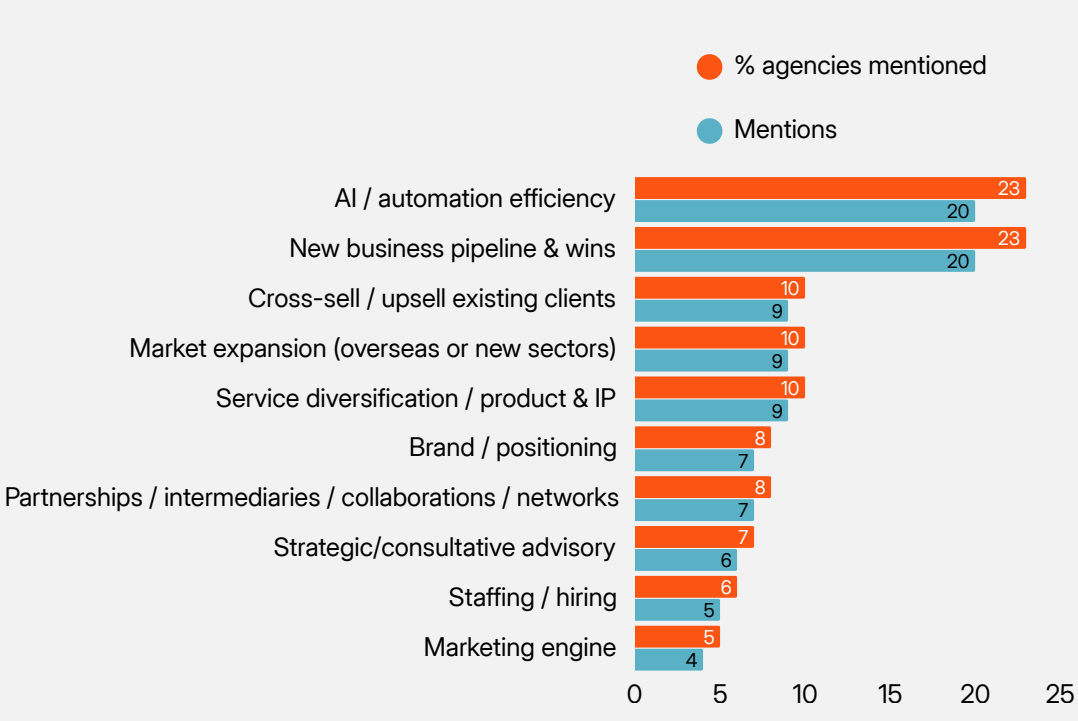
BIGGEST OPPORTUNITIES FOR AGENCIES

Despite these pressures, agencies are actively identifying opportunities for growth. AI adoption was the single most frequently cited, with ***23%*** of agencies pointing to automation and efficiency gains as key areas of focus.

New business growth and pipeline development were also central, mentioned by ***20%*** of respondents, while a further ***20%*** highlighted cross-selling and upselling to existing clients.

Other opportunities included market expansion and service diversification (each cited by ***10%*** of agencies). Respondents also noted the potential of strengthening brand positioning and forging strategic partnerships to differentiate in a crowded marketplace.

> ***"We are building propositions around what AI can't replicate — strategy, creativity, consultancy — while also adopting tools that help us deliver more efficiently."***



DRIVING AGENCY PERFORMANCE IN 2026

The 2025 Agency Performance Pulse underscores a market where resilience, discipline, and innovation are essential for independent agencies to thrive. Based on this year's findings, agencies should prioritise the following actions:

The biggest performance drivers

- A sharper proposition
- A disciplined new-business engine
- Deep client relationships
- Strong leadership
- Robust processes
- AI adoption
- Team perseverance
- Old-fashioned grit

Strategic pivots planned

- Productised offerings
- Value-based pricing
- AI-led propositions
- Non-AI value
- Expand services
- New markets
- Proactive client management

Top changes in coming year

- Build a stronger growth engine
- Secure greater UK economic certainty
- Upskill teams
- Improve capacity management
- Standardise operations
- Automation/AI to strip out inefficiency

THE HIGH PERFORMANCE SHIFT

As MD of the Alliance of Independent Agencies, I see the same truth play out: a people-first culture isn't a "nice to have"; it's a key performance driver. When agencies design work around team happiness - clear expectations, meaningful autonomy, fair pay, flexible rhythms, visible progression and coaching, the result is sharper thinking, faster delivery and clients who stay longer.

Creativity flourishes when teams feel safe, supported and stretched - without burning people out. That means managers who are trained to lead, capacity planned against real demand, and wellbeing built into the cadence of work. It also means being open with the numbers and sharing success, so everyone understands how their effort creates value and double down on what works.

Terry Martin

Managing Director
Alliance of Independent Agencies

HELPING THE UK'S INDEPENDENT AGENCIES TOGETHER

Alliance of Independent Agencies

The Alliance develops skills & represents the interests of independent marketing agencies creating & supporting a thriving community.

Website

BAND

Specialist advisors, accountants and business managers to the creative, media, sports and entertainment industries.

Website

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Agency management software designed to help you grow intelligently and profitably.

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