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Marketing Agency Financial Benchmark Report

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Marketing Agency Financial Benchmark Report

Executive Summary

Marketing agencies can be highly profitable, but many owners mistake **high revenue** for **healthy profitability**. An Agency doing $2M in annual revenue can look successful on the surface while struggling with low margins, underutilized employees, client concentration, or inconsistent cash flow.

Current industry research places average digital agency net profit margins around 13%, with stronger agencies capable of reaching 20-30%+ depending on pricing, utilization, employee productivity, client retention, and service mix. The most profitable agencies tend to have strong recurring revenue, disciplined staffing, high billable utilization, and a clear understanding of which clients and services actually generate profit.

This report helps marketing agency owners compare their numbers against practical financial targets for:

- Revenue size
- Cost of goods sold
- Employee payroll
- Marketing and sales spend
- Operating expenses
- EBITDA / owner profit
- Key performance indicators

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Marketing Agency Size Categories

Category	Annual Revenue	Typical Profile
Small Agency	$250K–$1M	Owner-led, 2-10 employees/contractors, limited management
Medium Agency	$1M–$5M	Established team, multiple service lines, dedicated account/delivery staff
Large Agency	$5M–$15M+	Multiple departments, management layer, specialized teams and/or multiple locations

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Revenue Benchmarks by Size

Small Marketing Agency

Metric	Benchmark Range
Annual revenue	$250K–$1M
Monthly revenue	$21K–$83K
Revenue per employee	$125K–$200K
Membership revenue %	50%–75%
Average client revenue	$2K-$7.5K/month

Medium Marketing Agency

Metric	Benchmark Range
Annual revenue	$1M–$5M
Monthly revenue	$83K–$417K
Revenue per employee	$150K–$225K
Membership revenue %	60%–80%
Average client revenue	$4K-$12K/month

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Large Marketing Agency

Metric	Benchmark Range
Annual revenue	$1M–$15M+
Monthly revenue	$417K–$1.25M+
Revenue per employee	$175K–$250K+
Membership revenue %	65%–85%
Average client revenue	$7.5K-$25K+/month

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Revenue Mix Benchmarks

Revenue Source	Healthy Revenue Mix
Monthly retainers / recurring service	50%-80%
Project-based work	15%-35%
Strategy / consulting	5%-15%
Creative / production	10%-30%
Performance-based / commission	0%-15%
Other revenue	0%-10%

Accounting insight: Target around 60-80%+. Recurring revenue makes staffing, cash flow planning, and forecasting significantly easier.

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Cost of Goods Sold Benchmarks

Blended COGS Target

Performance Level	COGS as % of Revenue
Strong	35%–45%
Healthy	40%–50%
Watch Zone	50%–60%
Problem Zone	60%+

COGS Line Items to Track

Line Item	Target Range
Billable employee compensation	25%-40% of revenue
Freelancers / contractors	5%-15%
Direct production costs	1%-5%
Client-specific software	1%-3%
Other direct delivery costs	1%-3%
Total COGS	40%-50%

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Payroll Benchmarks

Payroll is often the largest profit leak in agencies.

Performance Level	Total Payroll % of Revenue
Strong	40%–50%
Healthy	45%–55%
Watch Zone	55%–65%
Problem Zone	65%+

Payroll by Category

Payroll Category	Benchmark Range
Delivery / production staff	25%–40%
Account management	5%–10%
Sales / business development	3%–8%
Management / operations	5%–10%
Payroll taxes and benefits	5%–10%

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Utilization Benchmarks

Agency-wide Utilization

Performance Level	Utilization
Excellent	75%–80%
Healthy	65%–75%
Watch Zone	55%–65%
Problem Zone	Under 55%

By Role

Role	Healthy Utilization
Designers / developers	75%–85%
Production specialists	70%–80%
Account managers	50%–65%
Strategy	50%–60%
Project management	60%–70%
Leadership	30%–50%

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Operating Expense Benchmarks

Expense Category	Small	Medium	Large
Sales and marketing	5%–10%	5%–9%	4%–8%
Software / technology	3%–6%	2%–5%	2%–4%
Professional fees	1%–4%	1%–3%	1%–3%
Insurance	1%–2%	1%–2%	0.5%–1.5%
Office / occupancy	2%–6%	2%–5%	1%–4%
Recruiting / training	1%–3%	1%–3%	1%–2%
Travel / entertainment	1%–3%	1%–3%	1%–2%
Other overhead	2%–5%	2%–5%	2%–4%

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Profitability Benchmarks

Gross Profit

Performance Level	Gross Profit Margin
Strong	60%–70%
Healthy	50%–60%
Watch Zone	40%–50%
Problem Zone	Under 40%

EBITDA / Operating Profit

Performance Level	EBITDA Margin
Top Performer	25%–35%+
Healthy	15%–25%
Watch Zone	8%–15%
Problem Zone	Under 8%

Net Profit

Performance Level	EBITDA Margin
Top Performer	20%–30%+
Healthy	12%–20%
Watch Zone	5%–12%
Problem Zone	Under 5%

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Client Concentration

Client Concentration	Risk Level
No Client >10% of revenue	Excellent
Largest client 10%-15%	Healthy
Largest client 15%-20%	Watch
Largest client > 20%	High risk
Largest client >30%	Sever risk

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Project / Client Profitability

Client Gross Margin

Performance	Client Gross Margin
Excellent	60%+
Healthy	50%–60%
Watch	40%–50%
Problem	Under 40%

For project-based work:

Performance	Project Margin
Excellent	50%+
Healthy	40%–50%
Watch	30%–40%
Problem	Under 30%

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Sales and Marketing Benchmark

KPI	Healthy Target
Revenue growth	10%-20%+
New business pipeline	3-5x revenue target
Proposal win rate	25%-40%+
Client acquisition cost	<10%-15% of first-year revenue
Sales and marketing expense	5%-10% of revenue
Referral revenue	20%-40%
Recurring revenue	60%-80%+

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Cash Flow Benchmarks

Cash Reserve

Performance	Cash Reserve
Strong	3-6 months of operating expense
Healthy	2-3 months
Watch	1-2 months
Problem	Under 1 month

Accounts Receivable

KPI	Target
Average collection period	<45 days
A/R >60 days	<10% of total A/R
A/R >90 days	Near zero

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Key KPI Benchmarks

KPI	Healthy Target
Revenue per employee	$150K–$225K+
Gross margin	50%–60%+
EBITDA margin	15%–25%+
Net profit margin	12%–20%+
Billable utilization	65%–80%
Recurring revenue	60%–80%+
Client retention	85%+
Annual revenue growth	10%-20%+
Largest client concentration	<15% of revenue
Client gross margin	50%–60%+
Project margin	40%–50%
Revenue per billable employee	$175K-$250K+
Proposal win rate	25%–40%+
Cash reserve	2-3+ months
A/R collection period	<45 days
A/R >60 days	<10%
Sales and marketing expense	5%–10%
Payroll	45%–55%
Software / technology	2%–5%
Client concentration	/no client >20%

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Sample Benchmark P&L

Small Agency Example

Category	% of Revenue
Revenue	100%
COGS	40%–50%
Gross profit	50%–60%
Delivery payroll	30%–40%
Admin / management payroll	8%–12%
Sales and marketing	5%–10%
Software / systems	3%–6%
Professional fees	2%–4%
Office / admin	2%–5%
Other operating expenses	3%–7%
EBITDA / owner profit	10%–20%

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Medium Agency Example

Category	% of Revenue
Revenue	100%
COGS	40%–48%
Gross profit	52%–60%
Delivery payroll	28%–38%
Admin / management payroll	8%–12%
Sales and marketing	5%–9%
Software / systems	2%–5%
Professional fees	2%–4%
Office / admin	2%–5%
Other operating expenses	3%–6%
EBITDA / owner profit	15%–25%

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Large Agency Example

Category	% of Revenue
Revenue	100%
COGS	38%–45%
Gross profit	55%–62%
Delivery payroll	25%–35%
Admin / management payroll	8%–12%
Sales and marketing	4%–8%
Software / systems	2%–4%
Professional fees	1%–3%
Office / admin	2%–4%
Other operating expenses	3%–6%
EBITDA / owner profit	18%–28%

Conclusion

We've just thrown a lot of information at you! And a big part of the problem may be that you're not really sure what your actual numbers are to even compare.

If you're up and running and selling services, you've done the hard part already. Now, it's time to make the business into a real cash cow. Get the data that drives the decisions and changes that will get you there. If you know your agency can do better and you want to work with someone who can partner with you to get there, I'd love to chat. No pressure, just see if there's something more to be done. Book a call, and let's take 20 minutes to find out.

I look forward to hearing from you!

Matt Remuzzi, Owner, CapForge Accounting For Growth
Visit our website
Book a Call

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