

# Public Relations Industry 2019 Survey Trends and Highlights

Davis & Gilbert conducted a confidential survey focused on the dynamic changes facing the public relations industry, including the industry's biggest challenges and opportunities that lie ahead. The results that follow provide data on how public relations firms and agencies are implementing programs to drive success, ranging from service offerings to client practices and management considerations.

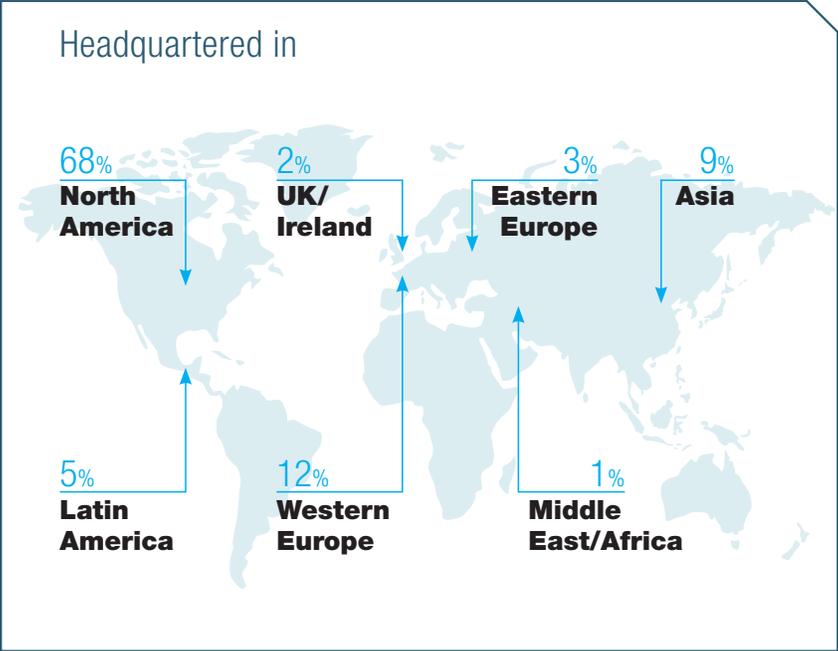
## Survey Respondents' Profile

Total Number of Respondents  
**133**

*This is an increase from the 109 respondents in last year's survey*

Describe their companies as

Full-Service PR Firm	49%
Technology PR Firm	12%
Integrated Marketing Agency	12%
Corporate/ Financial PR Firm	9%
Public Affairs	6%
Other (Consumer PR, Healthcare PR, Digital/Social Media)	12%



Have acquired another PR firm: **28%**

Projected 2019 revenue in excess of \$5M\*: **50%**

2018-2019 Revenue Comparison

<b>76%</b> experienced an increase in revenue	<5	5-10%	11-20%	>20%
	20%	19%	21%	16%
<b>14%</b> experienced a decrease in revenue				
<b>10%</b> experienced no change				

2018-2019 Profit Comparison

<b>64%</b> experienced an increase in profit	<5	5-10%	11-20%	>15%
	22%	11%	12%	19%
<b>16%</b> experienced a decrease in profit				
<b>20%</b> experienced no change				



» For the coming year, 79% of respondents predict the net revenue for their firm will increase, 16% predict that revenue will stay the same and 5% predict a decrease.

# Opportunities and Challenges as the PR Industry Reflects on the Past (last 12 months)

## Top 3 challenges PR firms faced

- \* 1. Client budgets remaining flat or decreasing
  - 2. Difficulty in growing top line revenue
  - 3. The rising cost of talent
- » *This top challenge replaced last year's top challenge, which was the rising cost of attracting and retaining talent.*

## 3 most important hiring practices that had a positive impact on revenue

- 1. Training existing employees to integrate data and measurement throughout all practice areas
- 2. Hiring a greater percentage of employees with expertise in content development and content marketing
- 3. Hiring a greater percentage of mid- and senior-level employees skilled in business development and client relationship management

## 3 most important financial practices that had a positive impact on revenue

- \* 1. Using new financial management tools to more accurately budget and price client engagements, reducing “over-servicing” or “under-budgeting” or both
- 2. Having all divisions of the firm operate under one profit-and-loss statement
- \* 3. Compensating key employees based primarily on the overall financial performance of the firm

## Top 3 organizational or strategic changes that had a positive impact on revenue

- 1. Integrating client teams to include employees with expertise in PR, digital, social, creative, marketing, advertising and branding
- 2. Increasing marketing and business development efforts by key employees
- \* 3. Enhancing professional development and training programs to elevate employee's skill and expertise

# Opportunities and Challenges as the PR Industry Looks to the Future (next 12 months)

Looking ahead, respondents anticipate a need to:

- \* 1. Increase marketing and business development efforts
- \* 2. Enhance professional development and training programs to elevate employee's skill and expertise
- 3. Re-organize client teams so that they are “discipline neutral,” to include experience in PR, marketing, advertising and branding

\* = Ranked much higher in importance in this year's survey than in last year's survey

# Key Trends Among Firms that Saw an Increase in Profits in the Last 12 Months

## Important Hiring Practices

Increased use of freelancers

**57%** of the firms that increased profits by over 5% changed their hiring practices to work with more freelancers.

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Increased hiring employees with content marketing experience

**75%** of the firms that increased profits by over 5% hired a greater percentage of employees with expertise in content development and content marketing.

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More employees with ability to integrate data and measurement

**76%** of the firms that increased profits by over 15% trained existing employees to integrate data and measurement as a “horizontal activity” throughout the firm’s practice areas.

## Important Organizational Change

More integrated client teams

**55%** of the firms that increased profits by over 15% re-organized client teams so they were ‘discipline neutral’ including employees with experience in PR, marketing, advertising and branding.

## Important Financial Practices

One P&L

**75%** of the firms that increased profits by over 5% had all divisions of the firms operate under one profit-and-loss statement.

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Better financial management tools

**65%** of the firms that increased profits by over 5% used new financial management tools to more accurately budget and price client engagements.



# Service Offerings and Staffing Insights

## Services Generating Increased Revenue

Top 3 services that generated the greatest revenue for PR firms are:

1. Social and content creation
2. Digital
3. Creative services

*Analytics and research insights accounted for less than 5% of revenue from half of the firms, but a small number of firms (approximately 5%) received over 20% of their revenue from either analytics or research insights or both.*

Over the next five years, firms expect the greatest revenue growth in the following areas:

**32%** **Shared media**  
(social media and online influencers)

**29%** **Earned media**  
(media coverage)

**25%** **Owned media**  
(original content distributed through the company's channels)

**14%** **Paid media**  
(advertising)

## Expanded Services & Technology

Top 3 areas where firms plan to expand their services in the next 12 months are:

1. Social and content creation
2. Digital
3. Measurement and evaluation

*Approximately half of the firms expect to expand their creative services in the next 12 months in the areas of content, graphic design or video production.*

Firms predict that the most important technology skill for communication professionals will be:

- » Data and analytics
- » Digital design
- » Search engine optimization

Over the next five years, firms expect the following platforms to be the most important in enhancing communication strategies:



## Hiring

PR firms have changed their hiring practice in the last 12 months in multiple ways:

**67%** **Working with more freelancers**

**29%** **Sub-contracting with other agencies for specialized services**

**27%** **Hiring more part-time employees**

# Market Insights for Growth and Exit Strategies

## Talent and Key Incentive Arrangements

**40%** Have a program in place to award an equity equivalent (such as “phantom” or “contract” equity) to key employees

» This reflects a 5% increase compared to last year’s survey results.

**54%** Have a long-term incentive program (LTIP) for key employees

» This is a sharp increase from last year when only 26% used an LTIP.

## Successful Results of an LTIP or Phantom Equity Program

The Best Economics Drive the Best Behavior

**64%** That implemented either an LTIP or a phantom equity program saw more than a 5% increase in both revenue and profit

## Reasons for an LTIP or Phantom Equity Program:

**67%** Solely to attract and retain talent

**33%** To attract and retain talent, as well as prepare for the sale of their firm

## Why Sell

### Top 3 reasons owners consider selling

1. Personal exit strategy
2. Personal financial reward
3. Expanded professional development opportunities for employees

*For the second year in a row, respondents ranked “client demand for greater geographic reach internationally” as the least important factor when deciding to sell.*

## M&A Outlook

**82%** Have been approached to sell their firm within the last two years

**61%** Have been approached about selling more than three times in the last 4 years

» This is a significant increase from the 36% reported in last year’s survey.

**50%** Thought it was likely or very likely they would sell their firm within the next three years

**61**

Total number of publically reported transactions in the past 12 months

In the past 12 months, 21% of deals involved selling firms with annual revenue in excess of \$10M

» Up 6% from 2018, demonstrating the industry’s appetite for larger transactions

## Top 3 preferred buyers in the eyes of a seller

1. Large Independent PR Firm
2. Consulting Firm
3. Small or Midsize PR Firm

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