

Public Relations Industry 2020 Survey Trends and Highlights

Davis & Gilbert conducted a confidential survey focused on the seismic challenges to the public relations industry in response to this year's public health, economic, social and equal justice crises. The results that follow provide insights on how PR firms have fared and what has changed this year — ranging from diversity initiatives, perceptions about remote work, technological advances, financial rigors and operations, enhanced service offerings, and management practices implemented this year that will continue long after the crises subside.

Survey Respondents' Profile

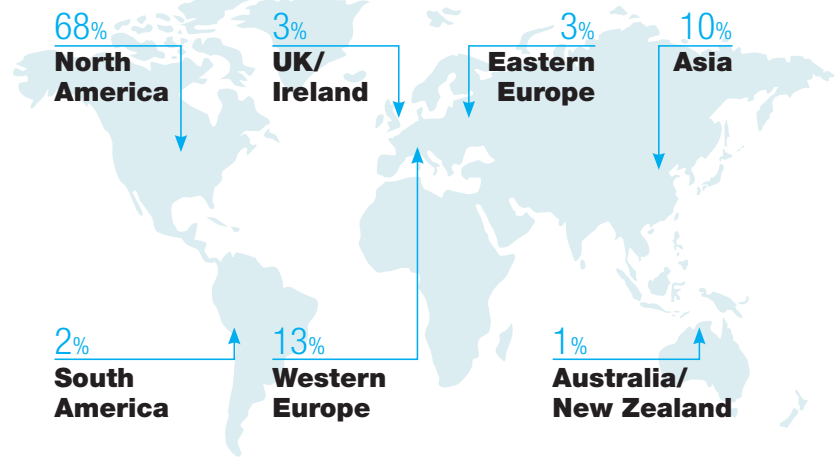
Total Number of Respondents

87

Describe their companies as

Full-Service PR Firm	49%
Integrated Marketing Agency	12%
Corporate/ Financial PR Firm	11%
Technology PR Firm	11%
Consumer PR	9%
Healthcare PR	5%
Public Affairs	3%

Headquartered in



Projected 2020 revenue in excess of \$5M*: **69%**

Up from 50% last year — a 19% increase



2019-2020 **Revenue** Comparison — predicted for the projected year (2020)

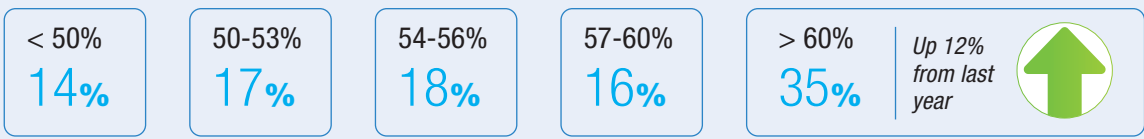
42% predict an increase in revenue
52% predict a decrease in revenue
6% predict no change in revenue

2019-2020 **Profit** Comparison — predicted for the projected year (2020)

48% predict an increase in profit
43% predict a decrease in profit
9% predict no change in profit

Both the revenue and the profit comparison illustrate how the pandemic has created a dramatic division between this year's winners and losers

Percentage of revenue spent on compensation



What Top Performing Firms Have in Common

Hiring and Diversity

100% of all the firms that increased revenue committed to increase their proportion of people of color between 16-25% in the next 6 months.

71% of firms with increased profits that set a minimum goal to increase people of color in the next six months also committed to increasing this goal by over 4%.

WFH

Efficiency

50% of the firms that increased profit invested in technology to work with client teams in a seamless way.

Support for Parents

44% of the firms that increased profit had programs to support working parents with more protected flexibility.

Specialty Focused

Of the **Healthcare PR firms** that responded:

100% had increasing profits | **75%** had increasing revenue

Of the **Public Affairs PR firms** that responded:

67% had both increasing revenue and profits.

Of the **Integrated Marketing firms** that responded:

56% had both increasing revenue and profits.

Finances

Size Matters

57% of firms expecting increased profits have over 50 employees.

55% of firms expecting increased profits have 100 employees or more.

Compensation

67% Two-thirds of the firms that increased revenue spent 57-60% of their firm's revenue on total compensation.

Outlook

82% of firms that increased revenue expressed being cautiously optimistic expect an increase in business in the next 12 months.

But as a cautionary note:

60% of the firms that had a negative outlook for the next 12 months were small to medium firms of less than 30 employees.

The Impact of COVID-19

Financial

2019-2020 **revenue** comparison
— for the first eight months of 2020



The chasm between the large percentage of firms with a revenue increase and the large percentage of firms with a revenue decline is another indicator of the disparity between the winning and losing firms.

EMERGENCY RELIEF

For U.S. based firms, 96% of respondents applied and received the Paycheck Protection Program loan as a form of emergency assistance during the COVID-19 pandemic.

- » *A pandemic related nuance is that a large portion of the PPP loan had to be spent on compensation, so this requirement, coupled with the fact that many firms also experienced a decrease in revenue, likely attributed to an increase in the percentage of revenue spent on compensation.*

2019-2020 **profit** comparison
— for the first eight months of 2020



Remote Work

98% of respondents will have some component of their workforce working remote upwards of 2 days a week for the first quarter of 2021.

61% of respondents expect to retain more than half of their workforce on a full-time remote work basis for at least the first quarter of 2021.

62% of respondents expect to permanently implement a different policy about remote work post-pandemic compared to what existed pre-pandemic.

New Trainings

In light of the changes that 2020 has brought, the **top three trainings** which respondents offered to employees to enhance technology-based skills were:

1. Data analytics
2. Search engine optimization*
3. Video production and digital design*

*This was a tie

Office Leases

30% Discontinued plans or decreased office space

70% Continued with existing office lease plans



Diversity

28%
 have set goals to increase people of color (poc) in the next 6 months

PR firms took the following actions to improve diversity:

1. Increasing diversity programs within the firm	76%
2. Tracking and reporting workforce diversity data on an annual basis to create accountability for the firm	53%
3. Allotting money to hire students and/or interns from a wider set of schools, universities or colleges	51%
4. Hiring diversity coaches to train employees on hiring practices, unconscious bias or hostile work environments for managers in every section of the firm	51%
5. Setting up a Diversity & Inclusion committee to help shape diversity & inclusion policy and monitor its progress	49%
6. Committing to contributions to organizations promoting racial justice	49%

Client Service Offerings

PR firms reported that revenue came from the following **top three services** for the first eight months of 2020:

- | | | |
|--------------------------------|----------------------|------------|
| 1. Social/PR/ Content Creation | 2. Creative Services | 3. Digital |
|--------------------------------|----------------------|------------|

PR firms plan to expand their service offerings in the following **top three areas** in the next 12 months:

- | | | |
|------------|--------------------------------|----------------------|
| 1. Digital | 2. Social/PR/ Content Creation | 3. Creative Services |
|------------|--------------------------------|----------------------|

Respondents expect the greatest revenue growth from the following over the next five years:

- 31% Shared media (social media and online influencers)
- 29% Earned media (media coverage)
- 24% Owned media (through the company's channels)
- 16% Paid media (advertising)

Opportunities and Challenges as the PR Industry Looks to the Future

Top 3 factors that had the **greatest impact on client work** in 2020:

1. Increase in projects put on hold
2. Increased activity to connect clients with Covid-related issues
3. Increase in project work rather than ongoing retainer work

Top 3 **biggest challenges** PR firms faced **year to date** in 2020:

1. Client budgets remaining flat or decreasing
2. Difficulty in growing top line revenue
3. Market and political uncertainty causing clients to delay budget approvals

Top 3 **business challenges** that PR firms are concerned about for the **next 12 months**:

1. Client budgets remaining flat or decreasing
2. Market and political uncertainty causing clients to delay budget approvals
3. Difficulty in growing top line revenue



PR firms took the following steps to **increase profitability** this year that they expect to continue after the crisis subsides:

1. **Reduced discretionary business and entertaining expenses**

2. **Reduced speculative business travel**

3. **Greater performance, utilization and management of current staff**

4. **Terminated non-essential employees**

5. **Not attending non-essential client events**

For 2021:

80% of respondents predict the net revenue for their firm will increase

6% of respondents predict the net revenue for their firm will stay the same

14% of respondents predict a decrease in net revenue for their firm

PR firms plan to maintain the following practices implemented during the crisis after the crisis subsides:

1. Engaging client teams remotely in creative ways
2. Prioritizing retention and hiring practices
3. Greater investment in technology to work with client teams in a seamless way

Market Insights for Growth and Exit Strategies

Talent and Key Incentive Arrangements

46% Have a program in place to award an equity equivalent (such as “phantom” or “contract” equity) to key employees
» This reflects a 6% increase compared to last year’s survey results.

40% Have a long-term incentive program (LTIP) for key employees
» This is a decrease from last year when 54% used an LTIP.

If, When and Why Sell

The events of 2020 impacted PR firms in their willingness to sell their firms:

17% are **more likely** to sell their firm once market conditions stabilize

6% are **much more likely** to sell their firm once market conditions stabilize

Independent agency owners ranked their preferred type of buyer as follows:

1. Large independent PR firm
2. Small or midsize PR firm
3. Consulting firm
4. Private equity firm

Acquired another PR firm?

43% of respondents have acquired another PR firm at some time.

» This is up 15% from last year, reflecting a continued consolidation within the industry.

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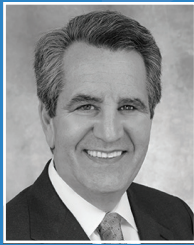
Number of M&A consummated deals (Jan – Sept 2020)

There were **52 transactions** for the first 8 months of 2019. This is only **4 deals fewer** than the comparable period this year.

» However, it is noteworthy that **40% of these deals were consummated prior to March 15, 2020, when the worldwide impact of COVID-19 was fully prevalent.**



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Michael C. Lasky is founder and chair of the firm's Public Relations Law Practice Group, the only legal practice group devoted to meeting the legal needs of public relations and marketing communications firms. Mr. Lasky is proud to represent many of the fastest growing and most prominent public relations firms.

Public Relations Law Practice

Our practice combines a thorough understanding of the public relations industry with a broad spectrum of legal services. The practice is designed to meet the needs of public relations and communications firms, especially those at inflection points in their strategy, ambition and growth. Our attorneys work with clients to bring a best practices approach to their legal arrangements with their clients, their employees and in the operations of their business to reduce legal risks and enhance the value of the firms.



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Brad J. Schwartzberg is co-chair of the Corporate Practice Group of Davis & Gilbert. Mr. Schwartzberg is involved in all aspects of the firm's general corporate practice, focused primarily on mergers and acquisitions, financings, and general commercial matters.

M&A Practice

Our practice has extensive experience advising on mergers and acquisitions involving companies on both the buy and sell sides in the public relations and marketing communications space. Widely recognized as a leader in this area, the firm represents many of the world's most prominent agency holding companies and their operating subsidiaries — with many relationships extending over many decades — as well as a number of equally prominent independent public relations firms, in deals across the United States.

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Davis & Gilbert is a strategically focused, full-service mid-sized law firm of more than 130 lawyers. Founded over a century ago and located in New York City, the firm represents a wide array of clients — ranging from start-ups to some of the world's largest public companies and financial institutions — throughout the United States and internationally.

Widely regarded as the #1 law firm for the marketing communications industry, Davis & Gilbert has practices focusing on Advertising, Marketing & Promotions; Benefits & Compensation; Corporate; Digital Media, Technology & Privacy; Entertainment, Media & Sports; Insolvency, Creditors' Rights & Financial Products; Intellectual Property; Labor & Employment; Litigation; Private Client Services; Real Estate and Taxation.

