

Public Relations Industry 2021 Survey Trends + Highlights

Davis+Gilbert conducted a confidential survey focused on the opportunities and challenges to the public relations industry this year. The results provide insights on how PR firms have fared and what has changed — ranging from diversity initiatives, perceptions about remote work, technological advances, financial rigors and operations, enhanced service offerings, practice areas and practices implemented this year that will continue long after the pandemic subsides.

Survey Respondents' Profile

82

Total Number
of Respondents

(with 91% from North America)

Projected 2021 revenue in
excess of \$5M*: 44%

Describe their companies as

35% Full-Service PR Firm

17% Technology PR Firm

13% Other

10% Integrated Marketing Agency

6% Consumer PR

6% Healthcare PR



5% Corporate/ Financial PR Firm

5% Public Affairs

3% Digital/Social Media

2020-2021 **Revenue** Comparison —
predicted for the projected year (2021)
when compared to 2020

77% predict an increase in revenue
(up from 42% last year)

14% predict a decrease in revenue
(down from 52% last year)

9% predict no change in revenue
(up from 6% last year)

2020-2021 **Profit** Comparison —
predicted for the projected year (2021)
when compared to 2020

72% predict an increase in profit
(up from 48% last year)

18% predict a decrease in profit
(down from 43% last year)

10% predict no change in profit
(up from 9% last year)

Percentage
of revenue
spent on
compensation

< 50%
18%

50-53%
21%

54-56%
13%

57-60%
20%

> 60%
28%

What Top Performing Firms Have in Common

Firm Specialty Areas

PR firms showed a healthy year in terms of revenue and profit for 2021. Some specialty areas showed outstanding financial performance:

Consumer

- » **75% increased revenue** by more than 10%, with half increasing by more than 50%.
- » **50% increased profits** by more than 10%.

Corporate/Financial

- » **100% increased revenue**, with 2/3 increasing revenue by more than 10%.
- » **100% increased profits**, with 1/3 increasing profits by more than 10%.

Integrated/Full-Service

- » **71% increased revenue**, with half increasing revenue by more than 10%.
- » **74% increased profits**, with 39% increasing profits by more than 10%.

Healthcare

- » **75% increased revenue** and **100% increased profits**, with 3/4 increasing profits by more than 10%.

Technology

- » **100% increased revenue** by more than 10%, with over 2/3 increasing revenue by more than 25%.
- » **100% increased profits**, with more than 90% increasing profits more than 10%.

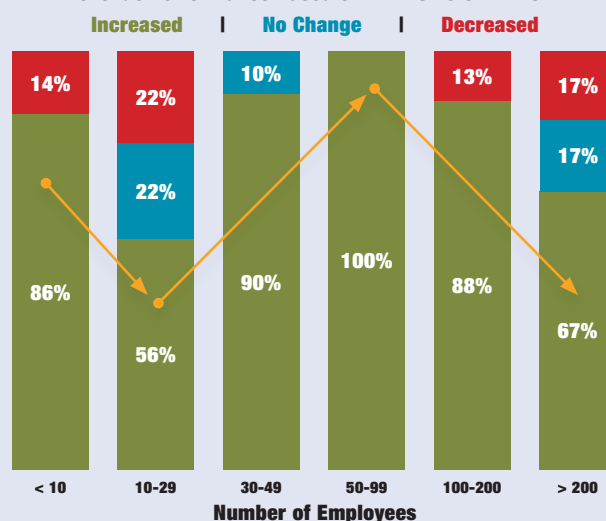
Firm Size

Analyzing the revenue and performance by firm size, the sweet spot for maximum revenue and profit growth this year were firms with 30-49 employees and 50-100 employees.

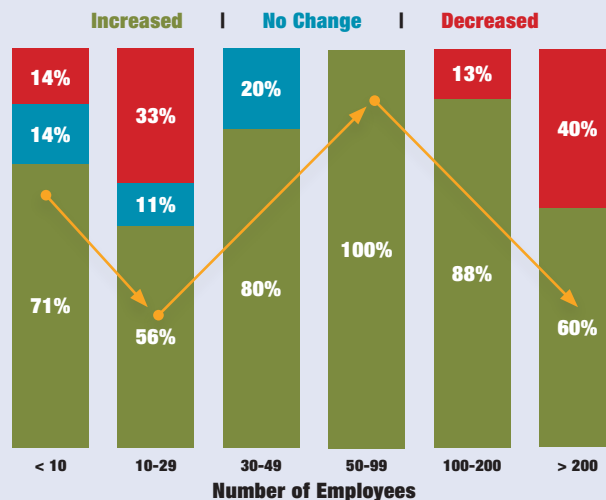
Virtually all firms in both size categories increased revenue and profitability this year.

Generally speaking, this appears to be the inflection point, with, on average, a decline in the percent of revenue and profit growth for firms with fewer than 30 employees as well as for firms with more than 100 employees.

Revenue Performance Based on Firm Size for FY 2021



Profit Performance Based on Firm Size for FY 2021



What Top Performing Firms Have in Common

Culture and Compensation

Diversity, Equity & Inclusion

- » 2/3 of the firms that had top profit performance conducted a pay equity audit.
- » Of the firms that had top revenue performance, more than 40% increased their BIPOC staff by at least 5%.

Contract/Phantom Equity

- » 48% of firms have a program in place to award an equity equivalent (such as “phantom” or “contract” equity) to key employees.

LTIPs

- » 85% of the firms with long term incentive plans had an increase in revenue and 90% had an increase in profits. This is powerful evidence of the importance of a well-designed plan to motivate employees and drive towards top agency performance.

Remote Work and Office Space

- » 57% of firms that increased revenue expect at least half of their workforce to continue fully working from home through the end of 2021.
- » 42% of firms with increased revenue either maintained their current office space or cancelled their plans to expand their locations.

Outlook on the Future

Over 80% of the firms that increased revenue were **optimistic about their business outlook** for the next 12 months.

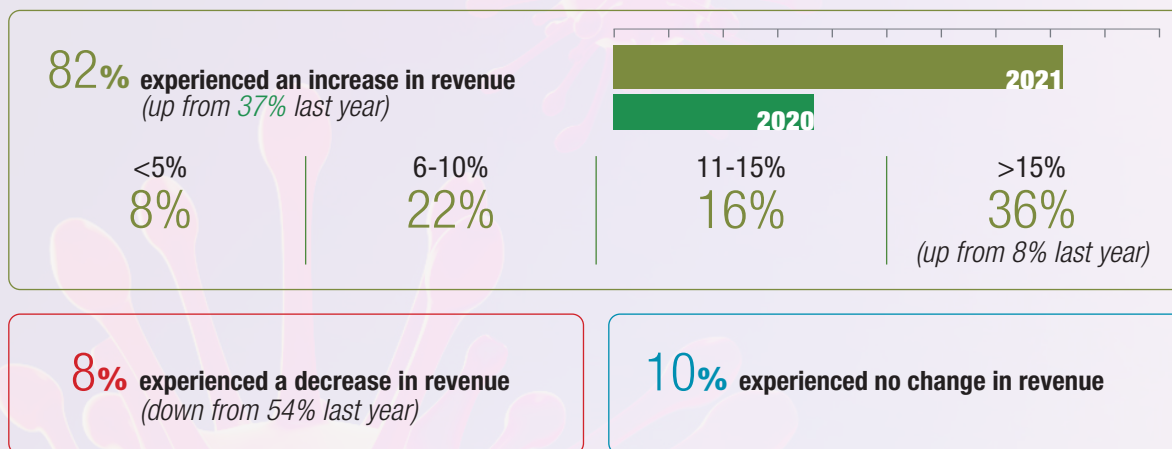
2/3 of the firms that increased profits plan to **expand their creative service offerings** in the next 12 months.

44% of the firms that increased profits expect the **greatest revenue growth** to come from **earned media** over the next 18 months.

The Light at the End of the Tunnel?

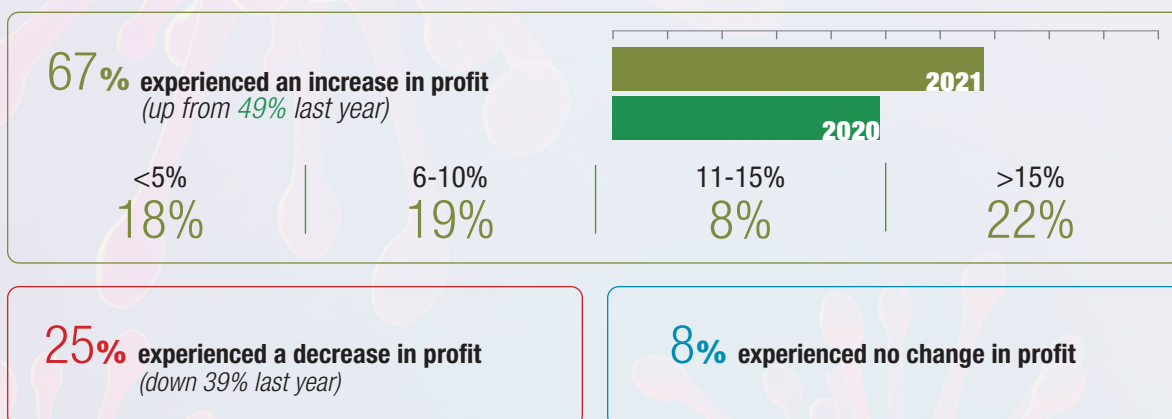
The Financial Impact of COVID-19

2020-2021 **revenue** comparison — for the first eight months of 2021



This data demonstrates the large percentage of firms reporting an increase in revenue this year as well as a smaller percentage of firms reporting a revenue decline this year.

2020-2021 **profit** comparison — for the first eight months of 2021



For U.S. based firms, 83% of respondents applied and received the Paycheck Protection Program loan as a form of emergency assistance during the COVID-19 pandemic.

The Emerging Workforce and Staffing Insights

Diversity

38%

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

PR firms took the following actions to improve diversity:

	Committed	Completed
1. A focus on increasing diversity programs within the firm	55%	45%
2. Tracking and reporting workforce diversity data on an annual basis to create accountability for the firm	30%	70%
3. Allotting money to hire students and/or interns from a wider set of schools, universities or colleges	62%	38%
4. Hiring diversity coaches to train employees on hiring practices, unconscious bias or hostile work environments for managers in every section of the firm	44%	56%
5. Setting up a Diversity & Inclusion committee to help shape diversity & inclusion policy and monitor its progress	31%	69%
6. Committing to contributions to organizations promoting racial justice	30%	70%
7. Institute a supplier diversity program with set goals	70%	30%
8. Disclosing the diversity statistics for various levels of employees within the firm	38%	62%
9. Create, fund, and support Employee Resource Groups (ERGs) for Black employees	47%	53%
10. Establishing a pay equity plan to ensure that all BIPOC are being compensated fairly	28%	72%
11. Develop a training program for Black men/women and rotate participants in different sectors to find their specialty	67%	33%
12. Hiring/promoting a Chief Diversity Officer (CDO) or senior person focused on improving DEI at the firm	44%	56%

The Emerging Workforce and Staffing Insights

Remote Work

55% of respondents expect to retain more than half of their workforce on a full-time remote work basis through the end of 2021.

» Last year: 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.

Top 3 actions firms envision continuing to maintain after the pandemic subsides:

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

Top 3 trainings which respondents offered to employees in the past year were:

1. Data analytics
2. Search engine optimization
3. Digital Design

Client Service Offerings

PR firms reported that revenue came from the following **top three services** for the first eight months of 2021:

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

» Top 3 service offerings were the same as last year.

2/3 of firms that increased profits plan to expand their creative service offerings in the next 12 months.

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

- | | |
|-----|--|
| 38% | Earned media
(media coverage) |
| 28% | Shared media
(social media and online influencers) |
| 17% | Owned media
(through the company's channels) |
| 17% | Paid media
(advertising) |

The PR Industry Looks to the Future

For 2022, 95% of respondents predict the net revenue for their firm will increase and 5% predict a decrease.

» *This data shows a more optimistic forecast than firms were predicting last year in this time.*

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

1. Greater investment in technology to work with client teams in a seamless way
2. Prioritizing retention and hiring practices
3. Focusing on cross-departmental trainings



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

1. Reduced discretionary business and entertaining expenses

2. Reduced speculative business travel

3. Reduced travel related to client needs

4. Greater performance and management of current staff

5. Greater employee utilization for client billable work

Top 3 factors that had the **greatest impact on client work** in 2021:

1. Increase in client proposals, RFPs and pitches
2. Increase in project work rather than ongoing retainer work
3. Increased employee engagement communications

Top 3 **challenges PR firms faced year to date** in 2021 and **remain most concerned about** for 2022:

1. Retaining existing talent
2. Hiring new talent to keep up with workload
3. Client budgets remaining flat or decreasing

M&A Market Insights

42

Number of M&A consummated deals (Through September 30, 2021)

This is **6 fewer deals** than the equivalent nine month period in 2020, but three important points provide additional insight into the more accurate level of sustained and current 2021 deal activity:

- » *Already this month, in October 2021, there have been 11 additional consummated transactions. This brings the total number of year to date transactions to **53**. This demonstrates a ferocious level of current activity which is likely to continue through and beyond year-end.*
- » *There have been twice as many deals this year compared to last year in which seller revenues exceeded \$25M.**
- » *2020 deal flow was extremely uneven: 40% of the 2020 deals were consummated prior to March 15, 2020, when the worldwide impact of COVID-19 put a screeching halt for several months on M&A activity.*

Acquired another PR firm?

28% of respondents have acquired another PR firm at some time.

Buyer Profile

- » 38 different buyers were involved in the 42 completed transactions this year.
- » 4 buyers closed more than 1 transaction: Finn Partners, LLYC, Publicis, and Real Chemistry, which closed 2 deals a piece.

Seller Profile

Seller Revenue*

- 36% < \$3M
- 24% \$3M-6M
- 5% \$6M-10M
- 16% \$10M-25M
- 14% > \$25M
- 5% N/A

The percentage of transactions involving seller revenue over \$10M almost doubled thus far in 2021 compared to 2020.

Specialties*

The **top 3 specialties** of firms that sold in 2021 were:

- | | | |
|---------------------------------|------------------------|----------------------------------|
| 1. Technology/
Digital (43%) | 2. Healthcare
(21%) | 3. Business to
Business (17%) |
|---------------------------------|------------------------|----------------------------------|

- » The percentage of completed deals in 2021 involving one of these 3 specialties increased significantly over the completed transactions in both 2019 and 2020.

M&A Market Insights

Selling: If, When and To Whom?

Agency owners expressed divergent views on how 2021 impacted their willingness to sell their firms.

57% said that 2021 business conditions had **no impact** on their willingness to sell

41% said that 2021 made them **more likely** or **much more likely** to sell

2% are now **less likely** to sell

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

1. Large independent PR firm
2. Large PR firm that is part of a publicly traded holding company
3. Consulting firm
4. Small or midsize PR firm
5. Private Equity

For the sixth year in a row, large independent firms ranked as their preferred buyer.

71% of firms with a **decrease in revenue** said that the past year had no impact on their interest to sell their firm, whereas **54%** of firms with an **increase in profit** said that the past year had no impact on their interest to sell their firm.

Terminology and Methodology

Background on terms used in this report and its methodology.

Buyers:

- » **Independent:** Agencies that are not publically traded. The independent buyers are overwhelmingly owned by one or more of the executives working at the firms.
- » **Public Holding Company:** Companies that trade on a national or international securities exchange. Many of the public company buyers are holding companies primarily in the marketing communications sector.
- » **PE Firms:** Private equity firms and private equity backed PR firms that provide investment capital for the purpose of enhancing a business for a future sale. This includes capital for “tuck-under” or “bolt-on” acquisitions into an existing PE portfolio company.

Davis+Gilbert annually compiles data on mergers and acquisitions based on publically available deal activity, utilizing its extensive experience in the public relations and integrated marketing communications sector.



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Public Relations

Davis+Gilbert has a multidisciplinary practice that addresses our clients' legal and business needs in three interrelated areas: client contracts and marketing law compliance, employee relations, and corporate strategies. Our attorneys have played a seminal role in the industry's evolution and growth as, in recent years, the dominance of earned media on digital platforms and social media has exponentially raised the importance and profile of the public relations industry. PR is now a major component of the integrated marketing mix, and PR firms have rapidly grown in size, scope, complexity and specialization.

Mergers & Acquisitions, Divestitures, Joint Ventures and Strategic Alliances

When assessing the ability of a law firm to execute merger and acquisition transactions, the sheer number of deals closed in a year can be a strong indicator of its track record and skills. Davis+Gilbert corporate attorneys are equally adept on the buy and sell sides of deals, with keen understanding of issues that fall on both sides of the table give our attorneys unique perspectives that facilitates a market approach to resolving complex deal-related matters.

About Davis+Gilbert LLP

Davis+Gilbert helped guide the development of the marketing communications ecosystem over the past century. Today, we apply that same see-around-corners vision to real estate, financial services, hospitality, technology and other service sector clients across the country and around the world. And it's not just about the law; with deep insights into industry issues, our legal strategies work in tandem with business realities to reduce risk and make a real competitive difference. Learn more at dglaw.com.