

Public Relations Industry 2022 Survey Trends + Highlights

Davis+Gilbert conducted a confidential survey of public relations industry firms to gauge the opportunities and challenges facing the industry. **This marked the 10th anniversary of this survey.** PR firms representing a broad array of specialties, sizes and locations shared insightful information on everything from changes in revenue, profitability, compensation, diversity, remote work and service offerings. Responding firms also shared their forecasts for the future.

Survey Respondents' Profile

133 Total Number of Respondents
(with 75% from North America)

Projected 2022 revenue in excess of \$5M*: **69%**
(up from 44% last year)

Describe their companies as

46% Integrated/Full-service PR Firm

16% Technology PR Firm

11% Corporate/Financial PR Firm

9% Consumer PR Firm

6% Other



5% Public Affairs

5% Healthcare PR

2% Digital/Social Media

2021-2022 **Revenue** Comparison — predicted for the projected year (2022) when compared to 2021

88% predict an increase in revenue
(up from 72% last year)

5% predict a decrease in revenue
(down from 18% last year)

7% predict no change in revenue
(down from 10% last year)

2021-2022 **Profit** Comparison — predicted for the projected year (2022) when compared to 2021

69% predict an increase in profit
(down from 72% last year)

15% predict a decrease in profit
(down from 18% last year)

16% predict no change in profit
(up from 10% last year)

Snapshot of how the shortage for top talent is impacting compensation trends

Approximately 52% of the firms spent more than 57% of revenue on compensation
(up from 48% last year)

< 50%
14%

50-53%
22%

54-56%
12%

57-60%
24%

> 60%
28%

The COVID-19 pandemic rebound is still having a positive impact on firm revenue. **Firms are strategically expanding services to meet client demand.** In addition, many well-run firms are smartly positioning themselves by reducing their real estate footprint while also building strong workforces through creative and equitable compensation, flexible work arrangements and DEI initiatives.

The percentage of **firms experiencing an increase in profits is slightly down** this year compared to last year. However, the percentage of **firms reporting a decrease in profits has also declined.** This is likely due to the **increased spending on compensation.**

Overall, the data for the last three years shows **revenue growth increased substantially** while the **increase in profits has increased at a slower rate**, but nonetheless increased.

2020-2022 Revenue Comparison for the First Eight Months of 2022

81% experienced an **increase in revenue**

- » **no change** from 2021
- » **up** from 37% in 2020

Showing significant revenue growth over a three-year period

13% reported a **decrease in revenue**

- » **up** from 8% in 2021
- » **down** from 54% in 2020

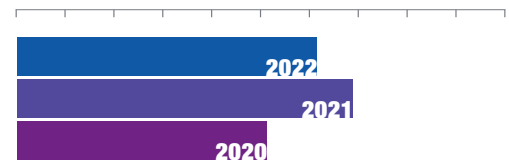
6% experienced **no change in revenue**

- » **down** from 10% in 2021
- » **down** from 9% in 2020

2020-2022 Profit Comparison for the First Eight Months of 2022

61% experienced an **increase in profit**

- » **down** from 67% in 2021
- » **up** from 49% in 2020



20% reported a **decrease in profit**

- » **down** from 25% in 2021
- » **down** from 39% in 2020

19% experienced **no change in profit**

- » **up** from 8% in 2021
- » **up** from 12% in 2020

Firm Specialty Areas

Some specialty firms that showed outstanding financial performance:

Integrated/Full-service

- » **86% increased revenue**, with 66% increasing by more than 10%
- » **74% increased profits**, with 44% increasing by more than 10%

Technology

- » **90% increased revenue**, with 1/3 increasing by more than 25%
- » **64% increased profits**, with 48% increasing by more than 10%

Corporate/Financial

- » **100% increased revenue**, with more than half increasing by more than 10%
- » **88% increased profits**, with 44% increasing by more than 10%

Consumer

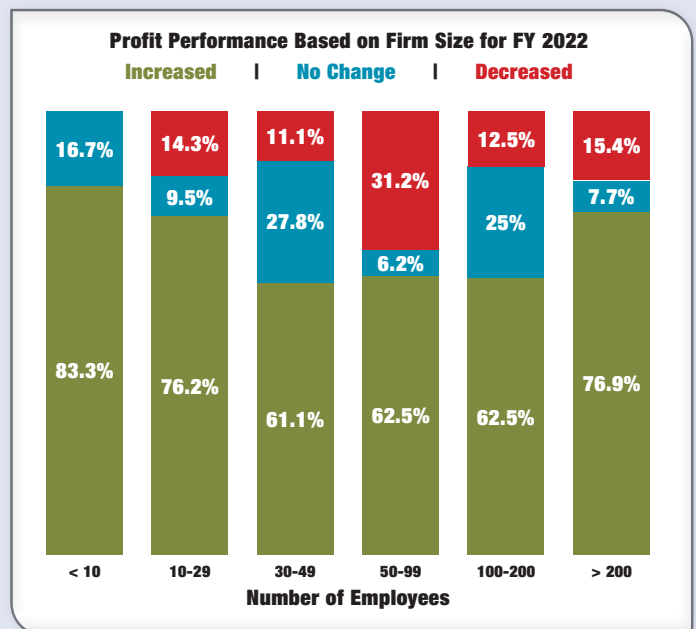
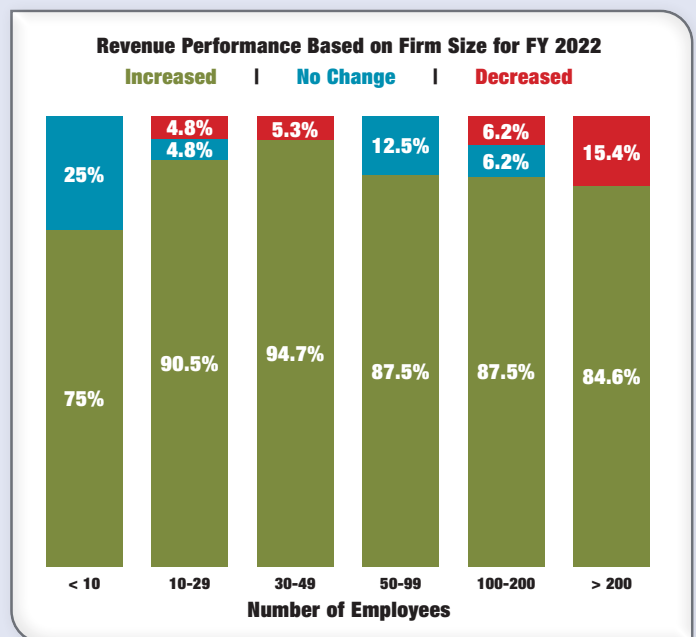
- » **75% increased revenue**, with 62% increasing by more than 10%
- » **25% increased profits** by more than 10%

Public Affairs

- » **84% increased revenue**, with 2/3 increasing by more than 10%
- » **50% increased profits**, with 1/3 increasing by more than 10%

Firm Size

Although more mid-size firms experienced revenue growth, they had a more challenging time achieving increased profits than their smaller or larger counterparts.



Diversity, Equity & Inclusion

More than half the firms that **increased profits by more than 10%** increased the percentage of BIPOC employees by more than 5%



Half of the firms that **increased profits by more than 10%** conducted a pay equity audit

Remote Work and Office Space

35%

of firms that increased profit eliminated more than

25%

of their office space

31% of firms that **increased revenue** by more than 10% expect more than half of their workforce to be working on a full-time remote basis through the end of 2022

39% of firms that **increased profits** by more than 10% expect more than half of their workforce to be working on a full-time remote basis through the end of 2022

Retaining and Incentivizing Talent

There is **very powerful evidence of the importance of well-designed incentive plans to motivate employees and drive top firm performance**, especially during times of heavy competition for top talent.

LTIPs

98% of the firms with long-term incentive plans had an increase in revenue and almost 80% had an increase in profits.

Contract/Phantom Equity

98% of firms that have a “contract/phantom equity” program in place increased revenue and $\frac{3}{4}$ of these firms also increased profits.

Attracting & Retaining Top Talent

Having the right talent was a significant challenge for PR firms this year, but many firms addressed this issue head-on with creative and financial incentives to attract and retain employees.

Top five actions used to retain existing staff:

1. Created more flexible working arrangements
2. Made one-time salary corrections
3. Expanded employee health benefits, 401(k) and other benefit programs
4. Increased professional development stipend and/or opportunities
5. Offered retention and/or inflation bonuses



PR firms provided new trainings to employees this year:

1. Leadership training to managers – 71%
2. Client management – 67%
3. Presentation skills – 46%
4. Integrated marketing – 39%
5. Copywriting – 30%
6. Data analytics – 29%

These actions do not appear to be a one-year aberration for a market course correction since firms reported taking similar steps last year at approximately the same levels.

Top five tools used to recruit talent:

1. Tapped external recruiters
2. Hired permanent remote employees outside of office markets
3. Hired candidates from backgrounds other than marketing communications
4. Hired additional in-house resources for recruiting
5. Paid employees higher referral bonuses

Last year's data was similar regarding the percentage of firms using external recruiters and hiring candidates from backgrounds other than marketing communications.

Last year, the top three firm-provided new trainings focused on client service skills: data analytics, search engine optimization and digital design.

This year, however, firms focused on trainings related to driving revenue and growth.

This dramatic shift demonstrates that **firms are investing in mid- and senior-level employees to allow them to function at a more strategic level** — which may well correlate to the higher compensation level that market conditions have demanded.

Diversity, Equity & Inclusion

60% of firms increased the number of BIPOC employees
» Only 4% reported a decrease



PR firms took the following actions:

60% Set up a DE&I committee to help shape DE&I policy and monitor its progress

51% Contributed staff time and/or money to organizations promoting racial justices

66% Offered additional educational and training practices
» Up from 45% last year

49% Allotted money to hire students and/or interns from a wider set of schools, universities or colleges
» Up from 38% last year

38% Tracked and disclosed workforce diversity data on an annual basis to create accountability
» Down from 70% last year

46% of firms conducted a pay audit in the last year to evaluate equitable pay practices by gender, race or other criteria
» This is up slightly from last year



Office Space & Remote Work

Significantly, **25%** of the firms eliminated more than half of their office space in 2022 and another **10%** discontinued plans for one or more new office locations.

These actions had a positive impact on profitability for these firms and likely tempered the additional expense on salary and retention bonuses.

There is a split among firms on return-to-office policies:

- » About half the firms have asked, or will ask, employees to return to the office for two or three days a week.
- » However, only a slighter smaller percentage are not asking employees to return for a fixed number of days.



32% of firms expect that more than half of their workforces will continue working remote on a full-time basis through the end of the year. About a quarter expect more than **75%** of their workforces to do so.

Client Service Offerings

Revenue was generated from these **top five client service offerings** for the first eight months in 2022:

1. Digital*
2. Social and content creation
3. Creative services
4. Influencer marketing
5. Branding

The top areas that firms plan to **expand service offering** in the next year are:

1. Social and content creation
2. Digital
3. Influencer marketing
4. Paid media
5. Creative services

PR firms reported that the top sources for **increased revenue** were:

- » *An increase in successful RFPs and pitches*
- » *An increase in project work rather than retainers*
- » *An increase in crisis communications*

* **Digital services** paid off for firms this year, as it leaped from third place to first place in revenue generation from last year.

About 2/3 of the firms have an optimistic outlook on business for 2023, while a comparatively small number — just 4% — described their outlook as anxious

» *These expectations are about the same as those expressed last year*

This year, 3/4 of firms that increased profits by more than 10% plan to expand their firm’s creative service offering in the next 12 months

» *Up from 2/3 in 2021*

PR firms’ biggest concerns for the next year are:

1. Retaining existing talent
2. Client budgets remaining flat or decreasing
3. The rising cost of talent



In the next 18 months, firms expect to see the greatest revenue growth from:

- 49%** Earned media (media coverage)
- 22%** Shared media (social media and online influencers)
- 15%** Paid media (advertising)
- 14%** Owned media (through the company’s channels)

PR firms ranked these areas in the same order last year, but in 2022 there is a significant increase in firms that expect to see the greatest revenue growth in earned media — which is up from 38% last year

PR firms plan to maintain the following practices next year for talent utilization:

Prioritizing retention and hiring practices



Greater investment in technology to work with client teams in a seamless way



Engaging client teams remotely in creative ways

59

Number of M&A consummated deals (Through September 30, 2022)

This is 17 more deals than occurred in the first nine months of 2021

Acquired another PR firm?

38% of survey respondents have acquired another PR firm at some time (up from 28% in 2021)

Buyer Profile

49 different buyers were involved in the 59 completed transactions

Only a handful of buyers closed more than one transaction:

Buyer	# of Deals
Finn Partners	4
Spectrum Science	3
Beck Media & Marketing	2
BerlinRosen	2
Hotwire	2
RedHill	2
Ruder Finn	2

Buyer Type

Independent

» 59% (down from 76% last year)

Public

» 14% (same as last year)

Private Equity

» 27% (up from 10% last year)

Seller Profile

Seller Revenue

42% < \$3M

18% \$3M-6M

8% \$6M-10M

15% \$10M-25M

14% > \$25M

3% N/A

Seller Specialties

The **top 3 specialties** of firms that sold in 2022 were:

1. Integrated/
Full-service

2. Technology/
Digital

3. Healthcare

- » The percentage of deals in 2022 involving integrated/full-service firms increased significantly this year
- » This is likely due to many smart firms increasing the services they offer to clients, acquiring other firms or both

Buying and Selling

Significantly, more than half of responding firms say they will likely buy another firm or sell their firm (or, for some, do both) in the next three years.

PR firms likelihood to sell

- » **18%** said they would sell their firm in the next 12 months
- » **51%** said they would sell their firm in the next three years (up from 29% last year)

PR firms likelihood to buy

- » **41%** said they would buy one or more firms in the next 12 months (up from 33% last year)
- » **54%** said they would buy one or more firms in the next three years (up from 41% last year)

PR firms ranked their preferred type of buyer as:

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

For the seventh year in a row, large independent PR firms ranked as the top preferred buyer.

This year, many more respondents ranked private equity as their preferred buyer, jumping from No. 5 to No. 2.

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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