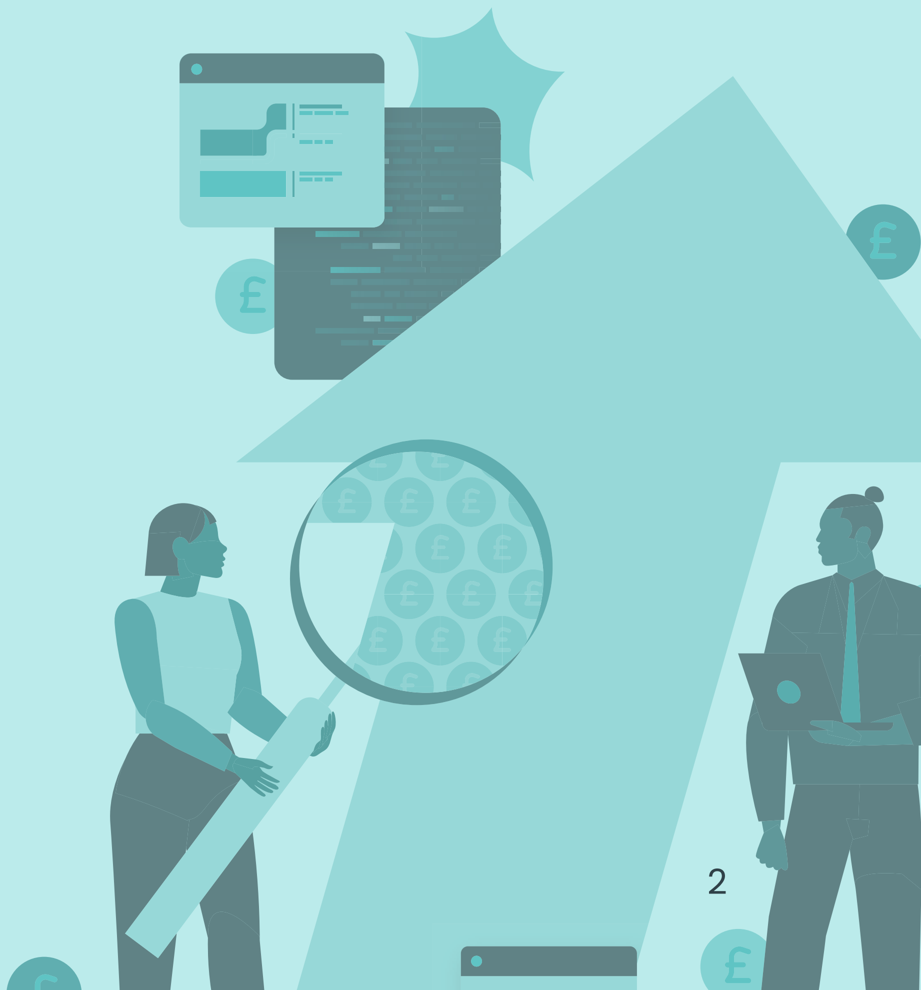
INSIGHT REPORT 2022

The Agency Retainer Report:

Actionable insight for maximising your revenue and profit with retainers.

Nimbus

Contents



Executive summary

We conducted a survey to assess the current state of retainer use amongst agencies, and to understand where the biggest opportunities for growth lie. Our research examined the effects of different recurring revenue models - including package contents, client split, pricing and positioning - across almost 200 agencies, to discover which retainer strategies are most effective.

The findings show that while the average agency earns between 21-30% of their profit from retainers, several factors could greatly influence this profit margin. For example, agencies who offered SEO services within their packages saw that profit jump to between 31-40%.

Similarly, agencies who offered web hosting services within their retainers had a turnover 100% higher than the average respondent.

Evidence therefore suggests that most agencies stand to benefit from restructuring their packages in order to guarantee the most consistent growth.

By taking into account the study results, we have identified and established a new understanding of retainer best practices to guide agency strategy.

The average agency earns between

21 - 30%

of their profit from retainers.

Agencies that offered SEO services within their packages saw their profit increase to between

31 - 40%

Agencies who offered web hosting services within their retainers had a turnover

100% higher

than the average.

The respondents

Our survey was open during June and July 2022. During that time 198 agencies contributed to the survey, the largest cohort of which (31.31%) defined themselves as full service. (see Fig. 1)

We saw a good range of services offered by these agencies, with both Consultancy (37.37%) and Website Design (37.37%) proving the most popular, while Website Maintenance (30.81%), SEO (28.28%) and Website Development (26.26%) rounded out the top five. (see Fig. 2)

Fig.1 - Which category best describes your agency?

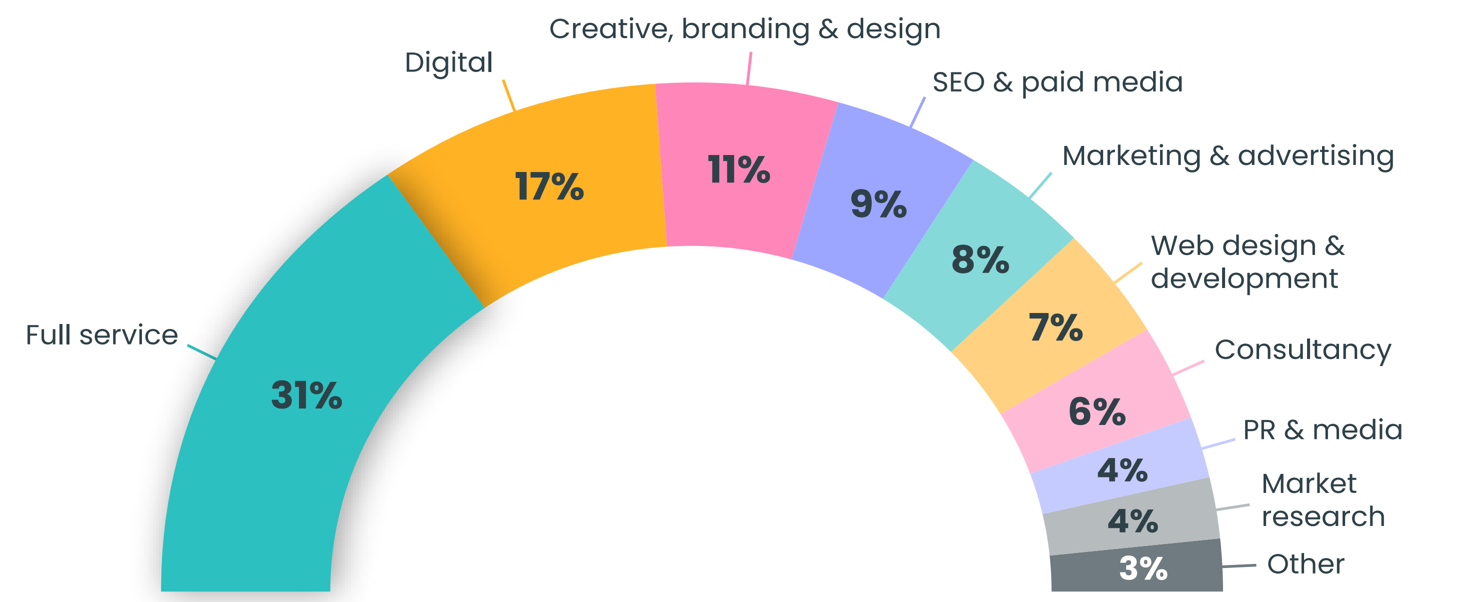
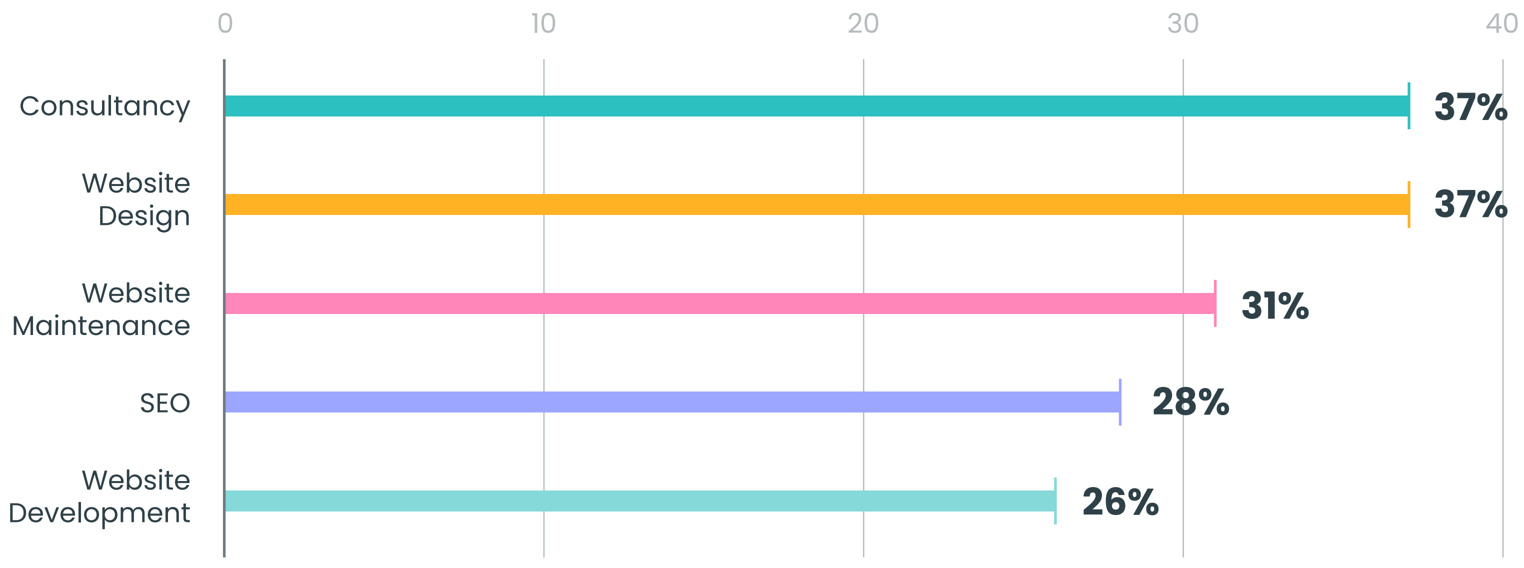


Fig.2 - Which services do you include in your retainer offering?



In terms of turnover, there was good distribution within the £101k - £1M range, with almost a third of respondents also falling into the £1M+ category. (see Fig. 3)

Respondents largely came from companies with between 26-200 staff - with an almost equal number of agencies' staffing numbers falling in the range between 26-50 (24.75%), as those employing 51-200 (24.24%). (see Fig. 4)

Fig.3 - How much turnover do you generate each year?

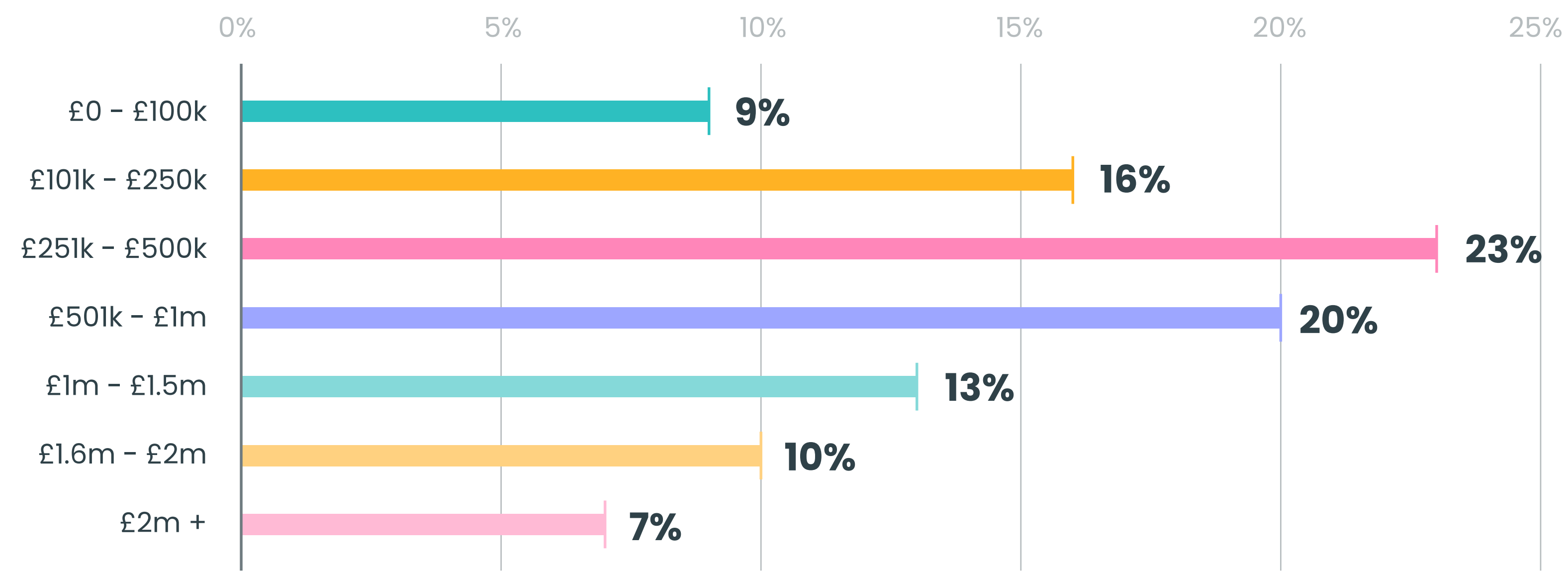
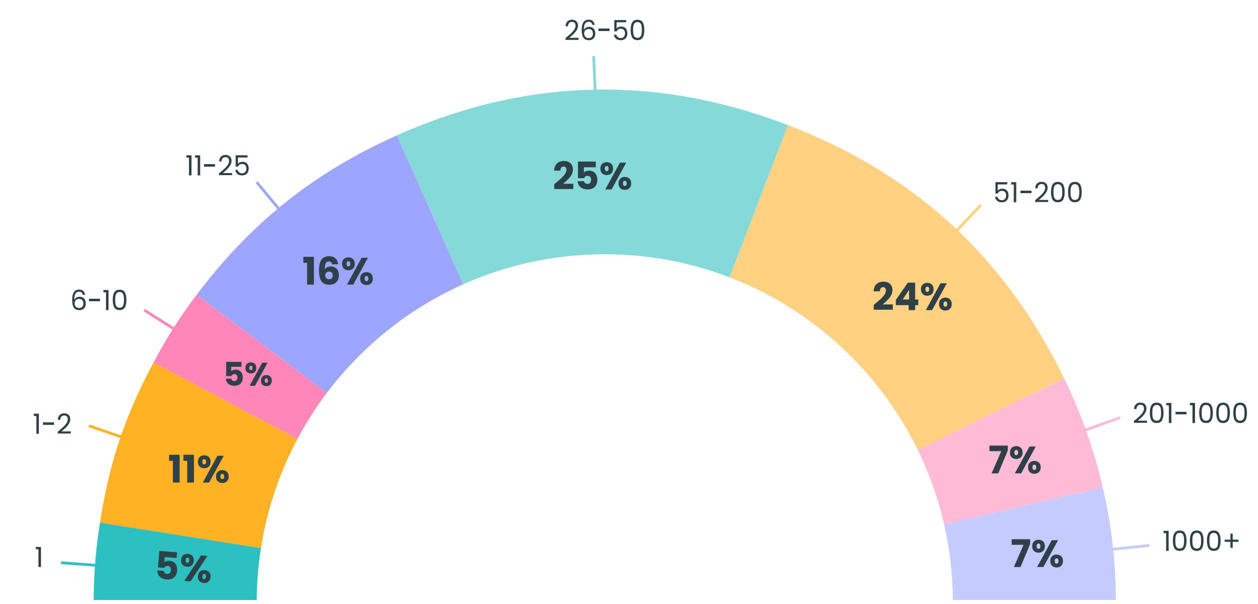


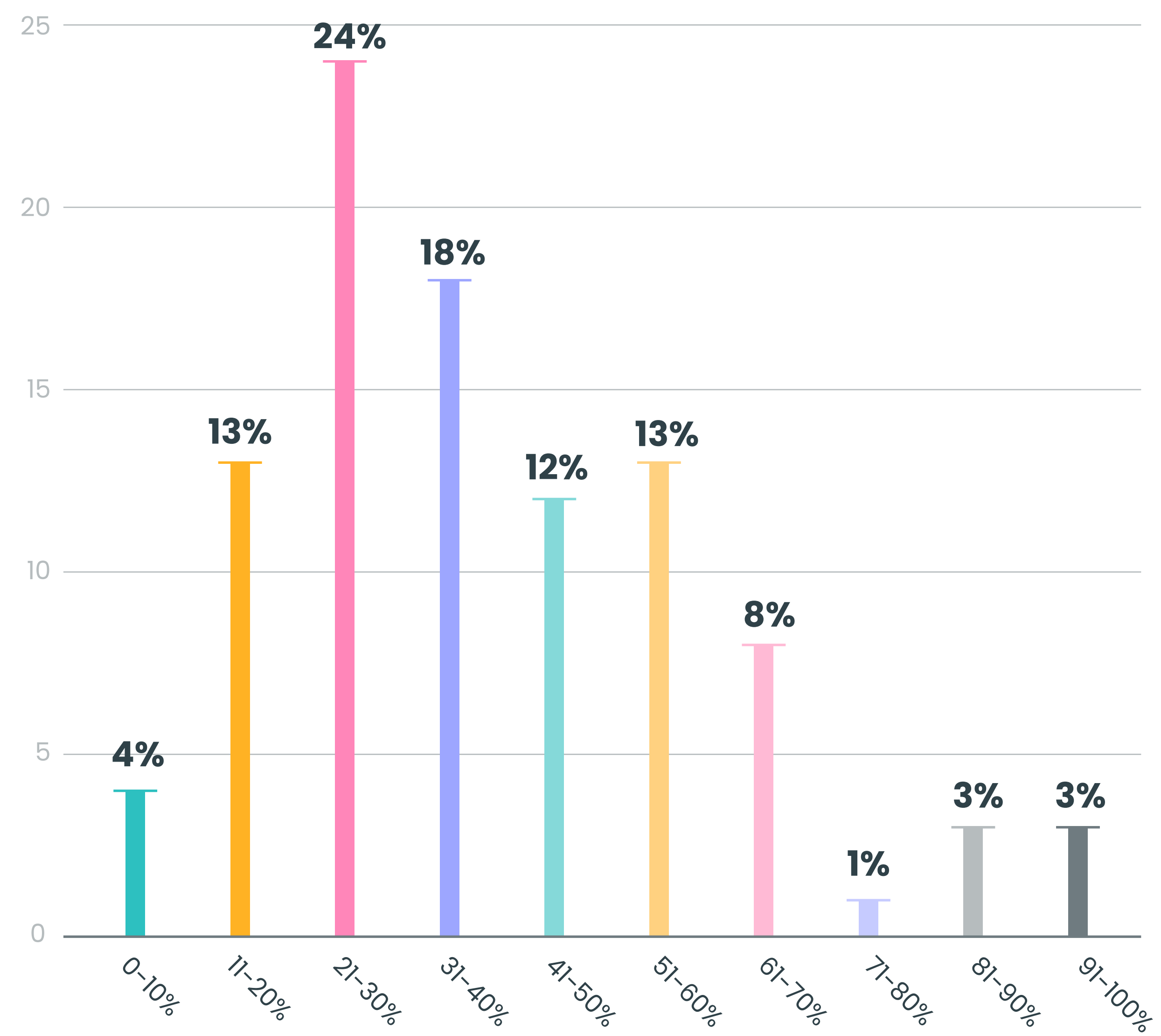
Fig.4 - How many staff members are in your company?



Most agencies reported spending between 8-14 days on an average retainer each month, with the most common profit percentage from retainers being between 21-30% (24.24%). (see Fig. 5)

Notably, though, there was a far greater distribution between profit margins as between time spent, implying that it is factors such as the content and pricing of the retainer packages offered by agencies, and not simply their time-allocation or complexity, which has the greatest influence on overall retainer-based profit.

Fig.5 - What percentage of profit comes from your retainer offering?



Introduction

By Mike Crook, Managing Director, Nimbus

Recent years have seen agencies weather a perfect storm of rising costs, falling client budgets, and limited revenue streams. The pandemic brought with it a **host of new challenges** - and agencies had to quickly adapt in order to survive.

For those who did, the financial challenges are not over quite yet. The good news is, as a way to **guarantee rolling, dependable income**, retainer packages have the potential to alleviate some of the pressure conferred by these circumstances - if they're properly utilised, that is.

At Nimbus we speak to a lot of agencies who want to make the most of retainers. They recognise the potential this type of income can have on the **growth of their business**, as well as the benefits a structured, recurring offering has for their clients.

They often ask us for our advice and opinion on how best to structure their packages, and while we are happy to offer up what we have seen with other clients, we never had any concrete guidance – until now.

On top of our research, we've taken it one step further to make the report even more actionable by asking three experts who work exclusively with agencies for their advice on what the report means to those within their field of expertise.

Paul Barnes provides us with the accountants' view, **Janusz Stabik** offers his advice from an agency advisory and mentoring perspective, and **Joe Hine** looks at our findings through the lens of buying and selling agencies with his merger and acquisition expertise.

Armed with this research and expert commentary, we want agencies to be able to benchmark themselves against their peers; spot opportunities to improve their offering, revenue and cash position; as well as increase profits.

And, in the case that agencies have not yet established a retainer strategy, we want this insight report to serve as a guide, so they are **empowered** to build out a research-informed offering that **suits their business**.

That's because, at Nimbus, we don't just see ourselves as a hosting company. We're proud of our **platform**, which was built from the ground-up with agencies in mind and is packed full of useful tools to help manage their hosting. We're proud of our **green status**, with hosting that's based within a 100% renewable energy data centre. We're proud of our friendly, **UK-based support** team.

But we're also proud to be a tech company trusted to offer advice and guidance to support our clients, and to help them position, sell, and make money from our offering.

So, I hope this report proves useful to you, and that it brings you to a better understanding of the **huge potential within your retainer strategy**.

MIKE CROOK,
MANAGING DIRECTOR,
NIMBUS

Expert commentaries

We approached industry experts to get a sense of the current agency landscape, including: what agencies are doing well, what they're struggling with, and what role retainers could play within their future planning.

They also offered commentary on the findings of the report, highlighting areas of particular note and relating the data to their own areas of expertise, to give agencies a clearer view of how to action the report insights.

EXPERT COMMENTARY

Retainers allow agencies to focus on business development, but they struggle with pricing them from their customers' POV

Paul Barnes,
Managing Director, MAP

Paul is Managing Director of MAP, who specialise in helping digital creative agencies to climb the maturity curve and grow more profitably, by giving them total visibility and understanding of their finances, so they can make better and more timely decisions.

"There's an element of risk resilience, coming out of the pandemic," says Paul Barnes. "Agencies are spending money, and **looking to invest** again. Though they're being **more considered** about where they spend their money."

One of the key areas he's seen agencies investing in is their own businesses and, "catching up on employee engagement."

Right now, agencies are, "Working out what their business is, what their vision is, what the outcome is, and then trying to build a business that helps achieve that. And therefore they're very engaged in the finances to see how they're going to achieve that."

That's where retainers come in. "One of their biggest benefits, which people don't recognise enough, is the **ability to forecast** – and therefore plan the resources required for your business."

Because, as Paul says, "you're not having to continue to win new work," agencies can direct their focus elsewhere. A big pain point he identifies, however, is in the **structuring of retainers**. Agencies are "not focusing on the customer, and on what constitutes value for the customer."

"Agencies are catching up on employee engagement"

> *Build something that the customer is going to be happy to pay for*

Instead of tying a retainer package to the time spent ("that's a big mistake, because then you're instantly open to scrutiny"), agencies should use **"logical based" pricing**, to "build something that the customer is going to be happy to pay for."

"Being clever, and finding a way to tie the price into something that makes sense to the customer," he says, is the best way to structure a retainer.

And if they can do that successfully? They'll have addressed a major concern – which is, as Paul describes; "How can we build an **easier, simpler, more lucrative business** that doesn't require you to go out hustling and winning new work all the time?"

EXPERT COMMENTARY

Retainers give confidence in the face of recession, but agencies struggle with structuring them to increase profit

Janusz Stabik,
Managing Partner, GYDA

Janusz is a Managing Partner at GYDA, a specialist growth consultancy for digital agency leaders. He's an agency founder, international keynote speaker and lead coach for various Google coaching programmes across EMEA. GYDA Mastermind groups and 1-2-1 coaching programmes help agency leaders to run better businesses, to support the lifestyle they wish to live.

"Spend is down," reports Janusz Stabik, "there's a fear amongst agencies of an oncoming recession."

Of course, after the huge pivot to eCommerce that came about during the pandemic, many agencies had expected to see a drop in online customer activity.

A more unexpected result of the pandemic, however? **Higher agency confidence**.

"There are agencies who, prior to the pandemic, had never had to pivot - certainly not so quickly, and so much. They didn't know what it meant. During the pandemic, they had to make big decisions, big cuts, very quickly - or die."

Now, those same agencies have, "an awareness that they didn't previously. And confidence that they can do it, and be successful."

Janusz says that agencies now have **more appreciation for retainers** than they did a few years ago. "There's a greater awareness among agencies that regular recurring revenue from clients is a good thing."

"More people are advocating for having a higher proportion of revenue from a retainer structure."

"There's a greater awareness among agencies that regular recurring revenue from clients is a good thing"

Agencies are really fearful of putting prices up

It's actually securing that higher proportion of revenue that is proving to be difficult, though.

"Agencies are **really fearful of putting prices up**," Janusz says. "Often prices can remain stagnant for 10 years. Whereas we [GYDA] advocate for an annual price increase, particularly with inflation at the moment. You need to do that just to stand still."

Plus, he says, the type of agency work in question can have an impact on how easily a retainer model can be navigated; "Depending on the services offered, retainers are just difficult to offer. Sometimes the industry isn't used to that way of working."

"An agency that's very project-centric can find turning on a retainer-based model, or turning that kind of work into retainers, more challenging. Whereas **the retainer mindset is a little bit different**."

Different, but ultimately safer. "I worry for those agencies that are purely project-based," says Janusz, because they're having to face down "rollercoaster revenue."

Whereas, "A recurring and retainer-based model is definitely a method through which **profitability can be increased**."

EXPERT COMMENTARY

Retainers give revenue visibility, but agencies struggle with proving ROI

Joe Hine,
Partner, SI Partners

Joe specialises in corporate finance, providing M&A advice on deals across marketing and technology services with both strategic and financial buyers. He has spent over 20 years in the transaction environment: beginning as an advisor at PwC, then within corporates at Virgin Media, EE and the Rank Group before joining SI Partners in 2013.

"You're seeing cautious optimism in agencies at the moment," says Joe Hine, speaking with us about the current state of the industry.

"People are still investing in their businesses, but they are **more careful**. Especially since the majority of investment in agencies is around people; strategic, senior hires, who are essential as you scale."

He is clear on the role of retainers in this landscape; "Agencies are looking for ways to 'de-risk' these investments," he explains. "With retainers, you have a **very high visibility** over spend."

By securing a retainer, or retainer-like agreement, "You move an agency from having 3 months visibility on revenue, to being able to start the year with 50-60% of their revenue booked. **The higher the retainer, the more certainty** you have, the easier it is to make those investment decisions."

But the road to securing these benefits is not smooth.

"There is constant pressure from clients about retainers and whether they're worth it," he says, which places **pressure on agencies** when valuing their packages.

"You're seeing cautious optimism in agencies at the moment"

There is constant pressure from clients about retainers and whether they're worth it

Success can, "depend on the relationship you have and the approach or product you're selling," he says, singling out specifically the difference between operational and strategic retainers. "The buying points are quite different in those - but the success of both comes down to ROI."

And as for that ROI? "Agencies absolutely struggle with proving it," says Joe. "But it needs to be **part of the narrative**."

Especially since, in order to secure the kind of visible, recurring revenue that will help agencies act on their investments, "the **ideal model** is that you have a number of clients on retainer," says Joe.

"Retainers drive the most value, especially in today's marketplace."

The current state of agency retainers

We asked a series of questions to agencies in order to identify their current approach to retainers, as well as some which aimed to illuminate the effect of these approaches on their overall business.

In this way, we were able to identify the different structures that predicate particular business outcomes. The results show that agencies across the board are dealing with a series of uncertainties and revenue blockers that could be addressed by revisiting and reimagining their approach to retainers.

The average agency

With 3 standard retainer packages, on which they spend between 8-14 days each month, it's clear that agencies are not averse to devoting significant time to delivering their retainers.

However, with some of the highest-earning agencies **charging up to 200% more than average** for this work, it appears that there is still some uncertainty amongst lesser-earning agencies about how to structure their retainer packages in order to guarantee a better turnover relative to their time.

On average, agencies get a **profit percentage of between 21-30%** from their retainers, the average price of which is between £250-2,999. There were an almost equal number of agencies charging between £250-499 (18.18%), £500-999 (19.19%) and £1k-2,999 (18.69%).

After 'a set offering with set prices', the most common way to structure packages was by tailoring them to each client. This latter model appeared to generate a higher price per package, as well as a somewhat higher percentage of profit from retainers.

However, given that **74%** of all agencies reported that they are already **"frequently" amending their retainers**, there is still widespread uncertainty over which retainer structure is the best approach for encouraging consistent growth.

With this in mind, we're digging further into how different agency brackets have approached retainers, and highlighting areas of particular note in order to guide them towards a more effective best practice.

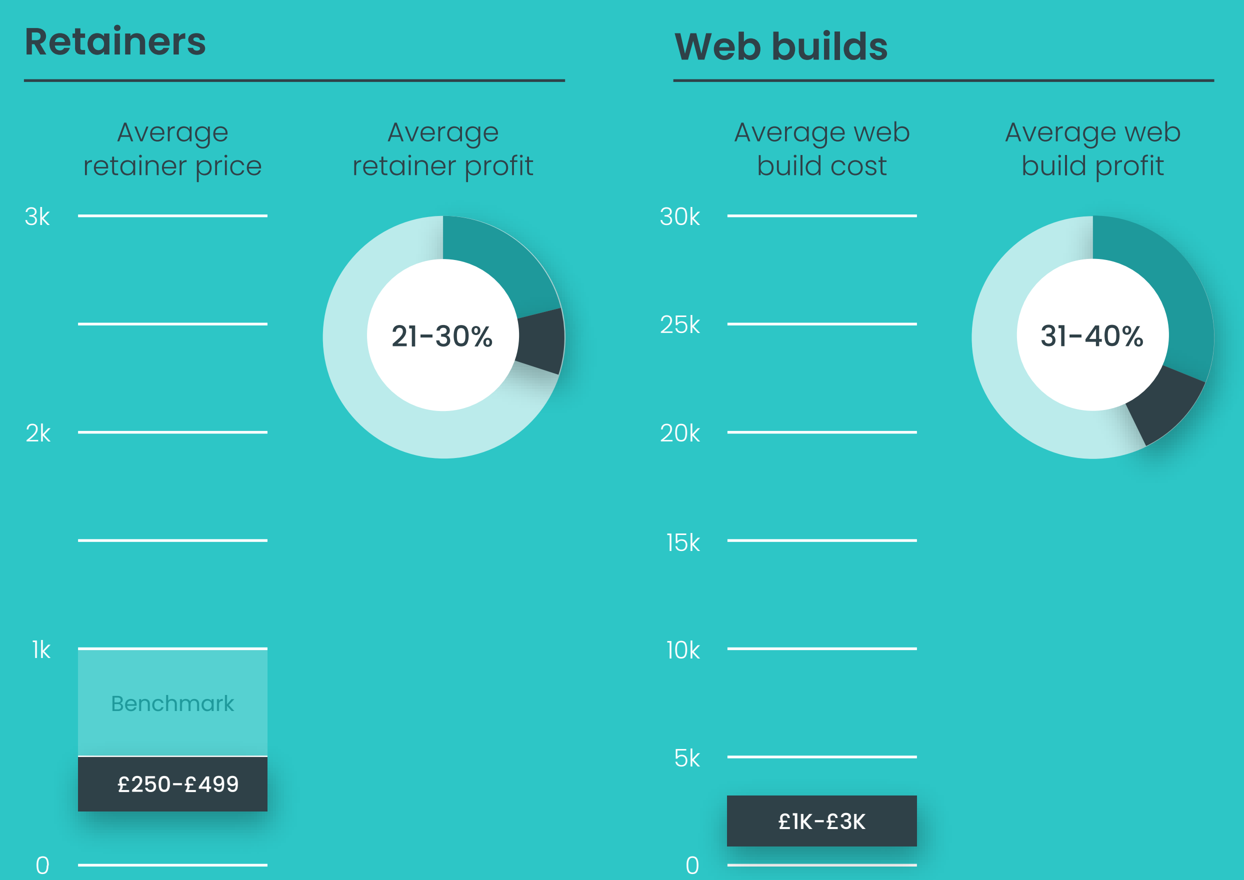
JANUSZ STABIK, GYDA

"Lots of agencies seem to be in a positioning nightmare. If you're going to offer retainers, know which business you're in. Either deliver small packages at low margin, but at scale, and say no to the consulting and tailoring.

Or do the consulting, have fewer clients, charge larger amounts, and say no to all the commoditised, low-end stuff. Getting caught in the middle is the worst place to be; doing bespoke retainers for clients at a low fee. Know the game that you're in and tailor your positioning to suit it.

Both approaches can be profitable. Agencies need to double-down, and say no to the other things."

£500k or under turnover



Most commonly included retainer services

- #1 Consultancy
- #2 Web design
- #3 Web maintenance
- #4 Web development
- #5 SEO

For those agencies with an annual turnover of <£500k, the biggest growth roadblock seems to be retainer pricing.

While their retainer offering appears to be very similar to the average agency's in terms of content, time spent, and type (set offerings, with set prices), these agencies are **under-charging by around 50%**, with the average price of their retainers coming in at only £250-499.

Hourly rates are also **smaller than average** – 27-37% less, in fact.

Even despite this, a proportion of these agencies are failing to secure retainers from new business. While 18.56% of them are in line with average, securing between 21-30% of retainers from new business clients, the same number manage to secure these deals with only 11-20%.

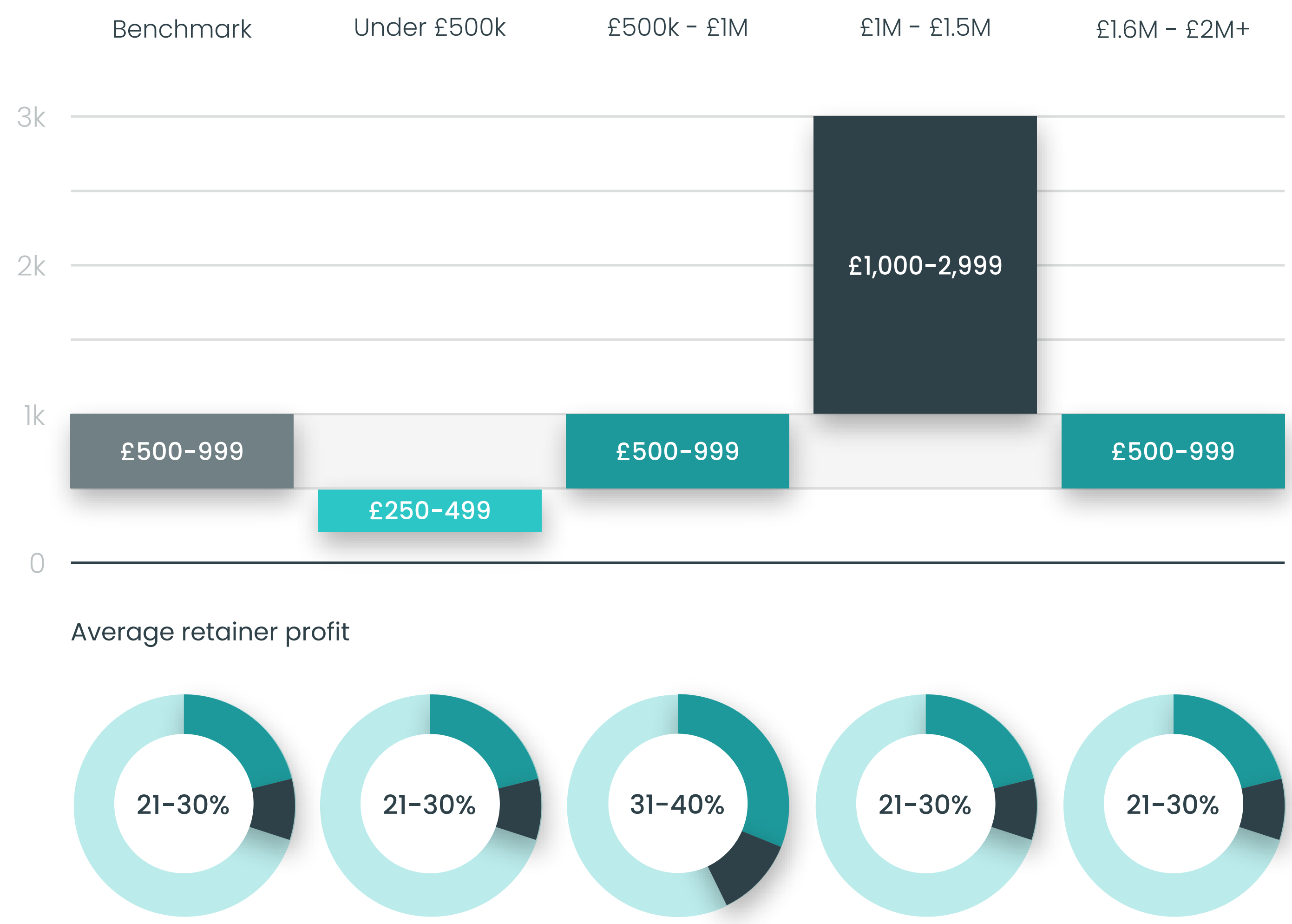
PAUL BARNES, MAP

"A healthy margin is difficult to define, because every agency is different. Generally we say, from a labour perspective, that 50% of your revenue should be spent on the workforce. You should be looking at something like double your wage costs in revenue."

This discrepancy is having a significant effect on their overall turnover, as evidenced by the fact their website builds (for those that offer them, which is over ¾ of this cohort) are priced in line with average, and their profit margin for builds is average, too.

In order to scale, these agencies need to revisit their pricing structures, and ensure that their packages are **competitive within the market**, while still accurately reflecting the time spent delivering them. Growth is also likely to come from a **renewed focus on new business**, and attracting these clients towards their retainers.

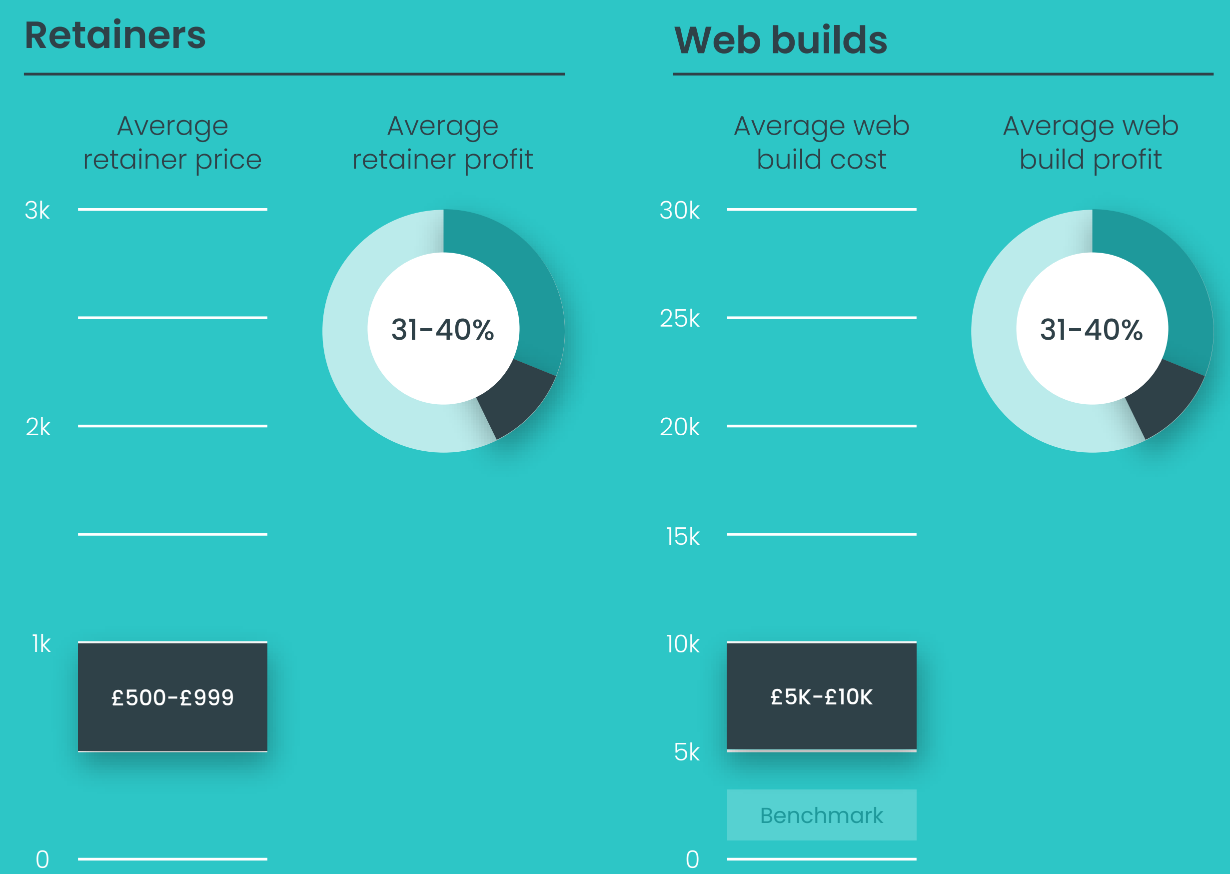
Average price of retainers



JOE HINE, SI PARTNERS

"In today's marketplace so many buyers are private equity backed, and one of the things private equity likes is security of earnings and quality of earnings. So retainers play into that. Anyone who has aspirations around realising value in the future, aside from their own investment and the stability of their own business, should be looking at growing retainers."

£500k - £1M turnover



Most commonly included retainer services

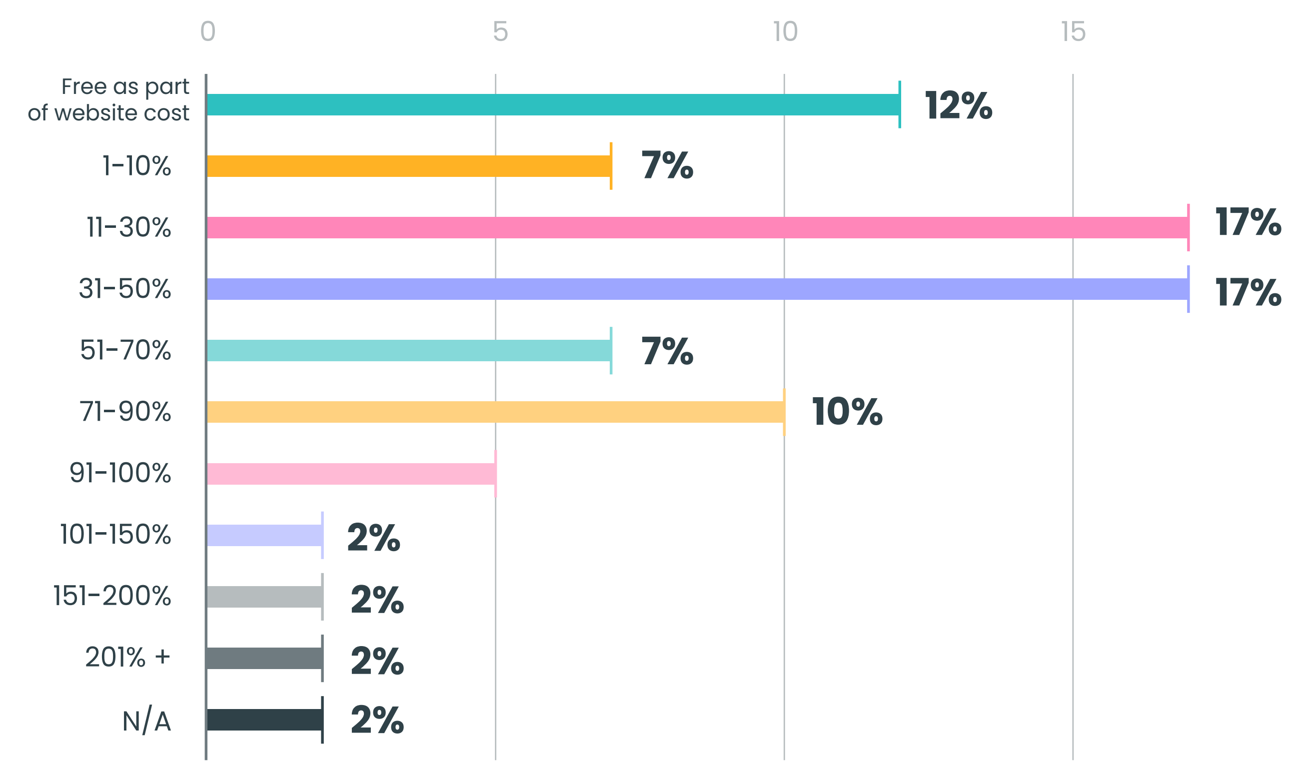
- #1 Consultancy
- #2 Web maintenance
- #3 Web design*
- #4 Web hosting*
- #5 Marketing strategy*
- #6 Tech support*
- #7 SEO*

*equal percentage inclusions

As annual turnover increases, survey results show changes within agencies' approach to their retainer package contents, as well as to their service pricing.

We start to see web hosting consistently added as a service from agencies who earn above £500k - although within this turnover bracket, they are yet to make any significant profit from it, adding only the average mark-up of between 11-50%. (see Fig. 6)

Fig.6 -Web hosting mark-up in the £500k-£1M turnover bracket



"Across the board, the most common way to charge for retainers was weekly (30.30%), with daily (22.73%) and monthly (20.20%) also proving popular. The least popular way to charge was quarterly, with only 4.55% uptake"

One significant area of turnover growth came as a result of website builds, for which these agencies charge between **233-400% more than average** on the up-front cost, with a 25-62.5% higher hourly rate than average.

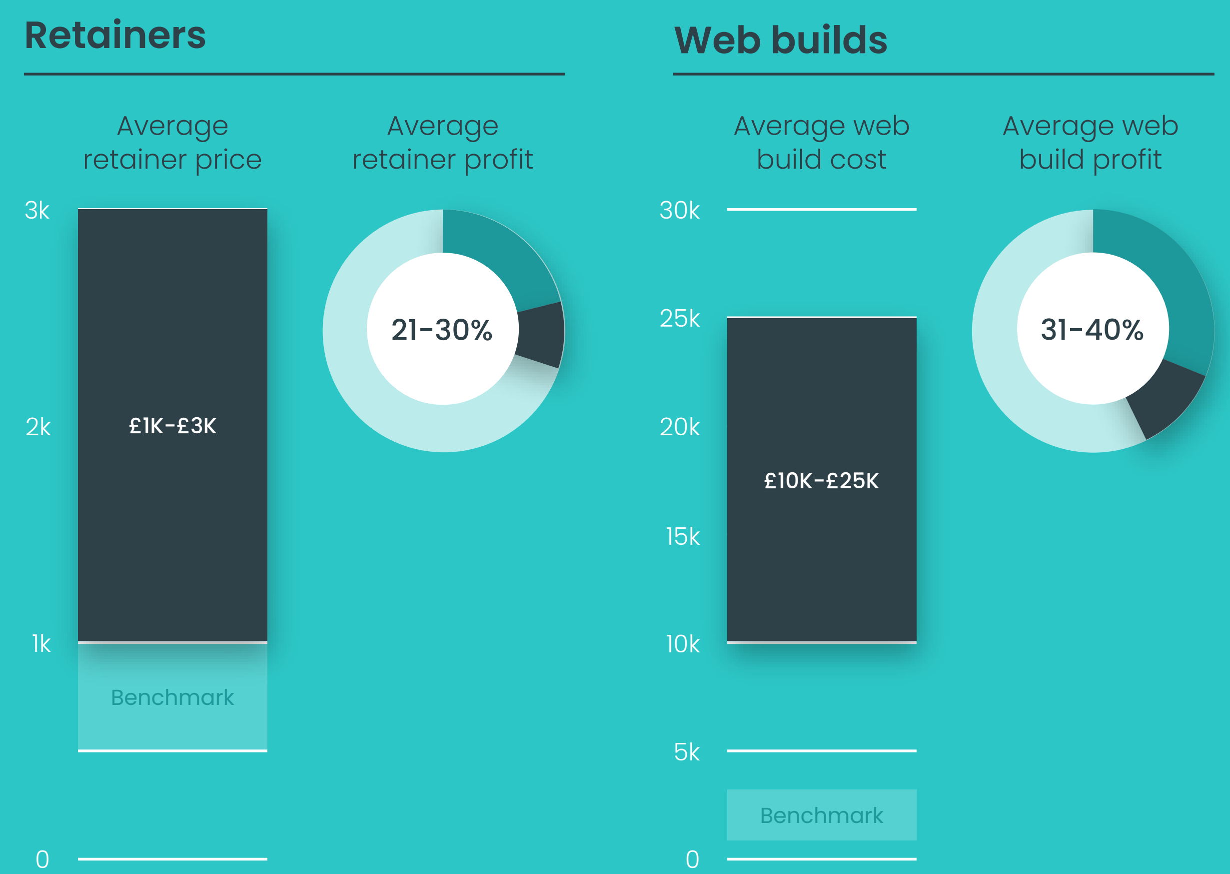
However, their profit margin on website builds remains the same as average - and it is their retainers which represent the **highest increase** of revenue growth.

Although they're charging the average amount of £500-999 per retainer, these agencies are seeing 33-47% higher profit from them.

The reasons why are perhaps evidenced in their services offered. The most popular retainer inclusion was consultancy, although these agencies also offered marketing strategy and tech support alongside hosting as additional elements to the average services.

These inclusions, which do not seem to affect the time spent on retainer delivery, could represent **easy profit growth areas**, as they **generate additional income** without requiring significant additional resources.

£1M - £1.5M turnover



Most commonly included retainer services

- #1 Web Design
- #2 Web Development
- #3 Consultancy
- #4 Web hosting*
- #5 Web maintenance*
- #6 SEO*

*equal percentage inclusions

For those agencies with a turnover between £1M-£1.5M, it is not in profit margin but overall fees that they differ significantly from the average agency.

These agencies may well have doubled-down on their processes; they have **significantly higher website build fees** (733-900% higher, in fact), a higher average hourly rate, and a higher retainer price.

Their retainers are **largely tailored offerings**, which might have suggested inefficiency, if it weren't for the fact they spend the average amount of time on retainer delivery.

JANUSZ STABIK, GYDA

"I was pleased to see that bigger agencies are charging more. It means that as they've got bigger, they've put up their prices and they've found that their clients are willing to pay those prices. But from a client's perspective, there's no difference between them and the smaller agencies. It's a lesson for the smaller agencies - you can charge more too. These guys who are bigger than you are charging more because they have to, you could charge the same fee and actually make more money because you're smaller and you've got less overhead."

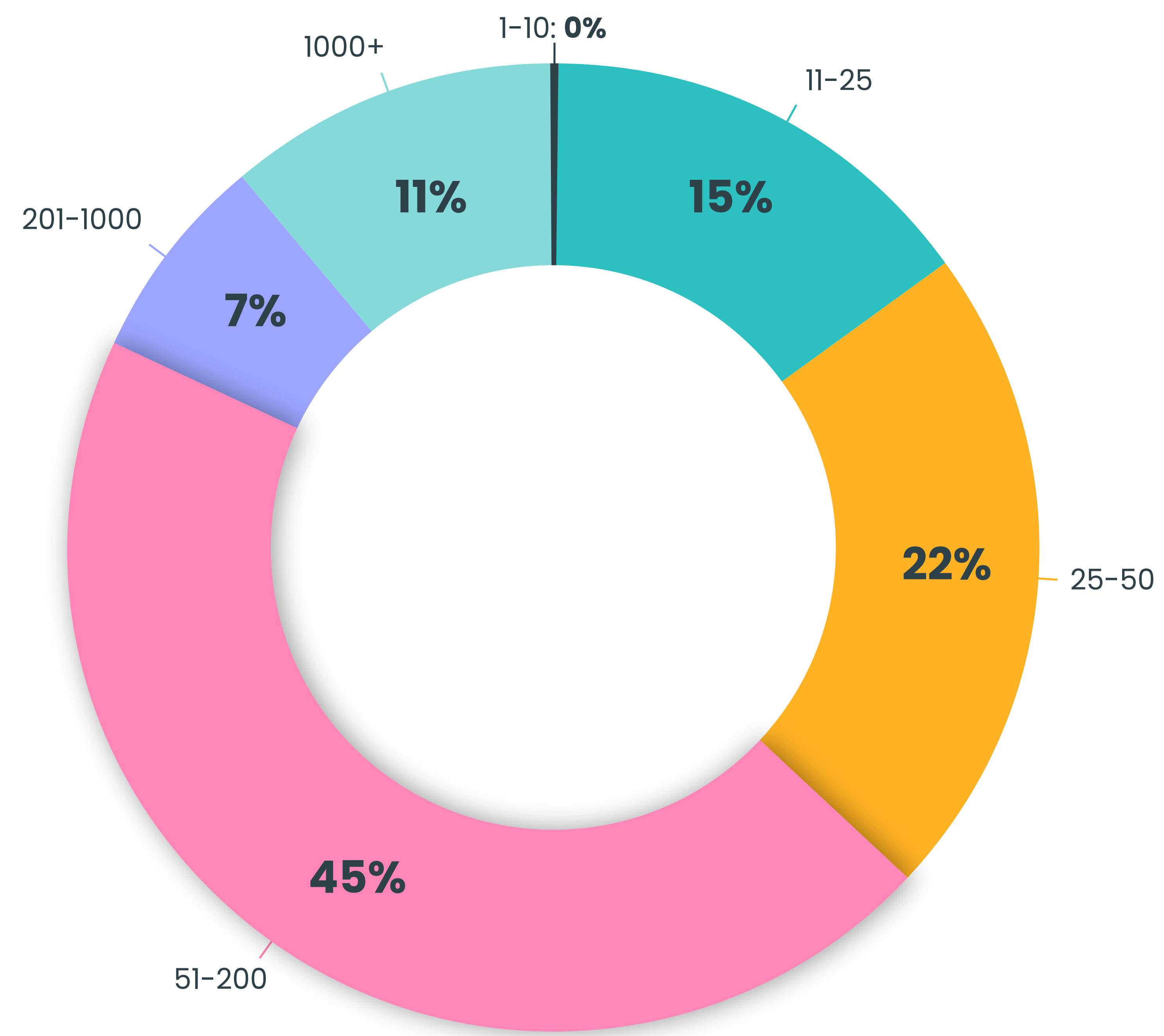
One way they do differ from other agencies in this regard? Their staffing; these agencies have a **higher number of staff** than average (51+). (see Fig. 7)

However, the profit margin achieved by these agencies on their web builds remains in-line with average (31-40%).

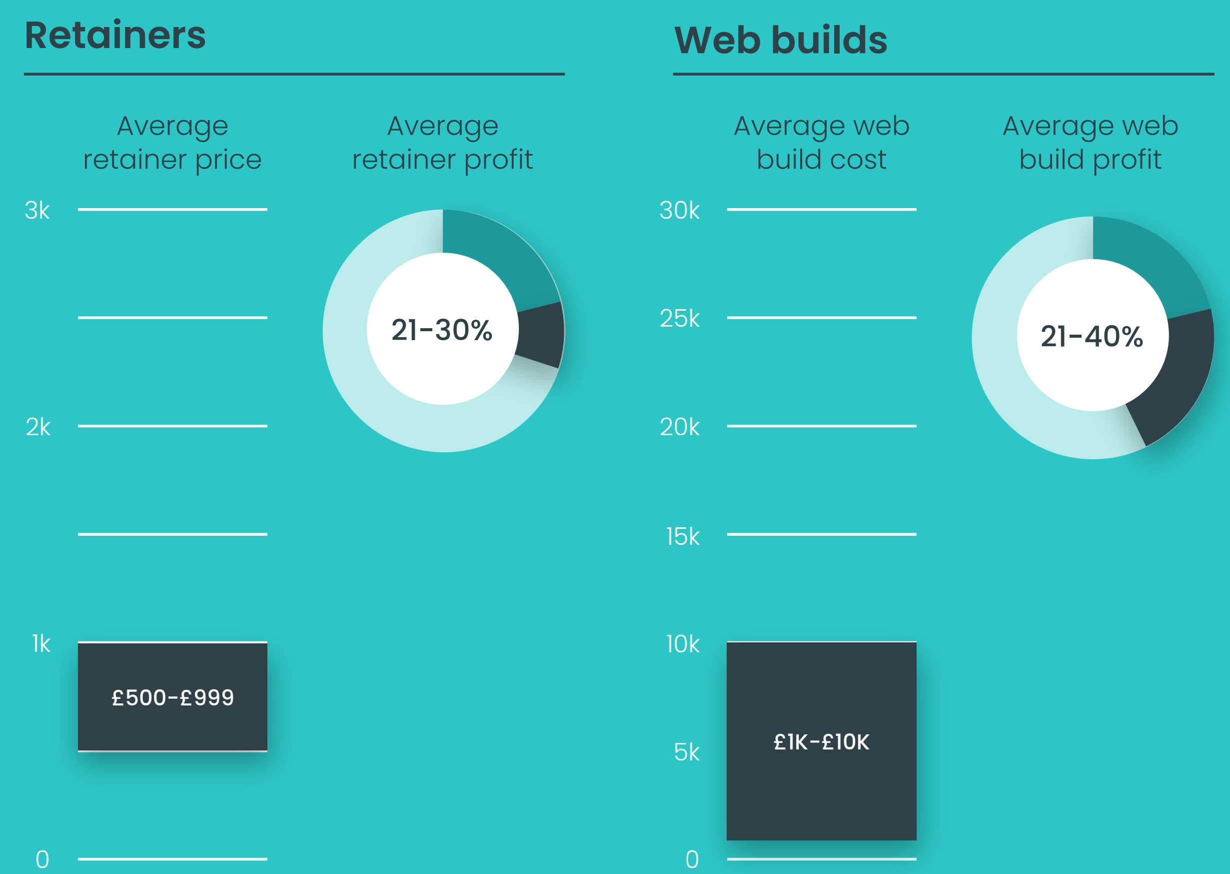
In order to scale, it's on their margins that these agencies should focus. Given their already high fees, they should look elsewhere for ways to increase efficiency and maximise profitability.

Some positive steps have already been taken, such as in their mark-up on web hosting; between 31-50%, which is **66-181% higher than average**.

Fig.7 - Staffing for agencies in the £1M-£1.5M turnover bracket



£1.6M – £2M+ turnover



Most commonly included retainer services

- #1 Web Design
- #2 Consultancy
- #3 SEO
- #4 Tech support
- #5 Web hosting

Perhaps surprisingly, our research showed that agencies within this turnover bracket are actually missing out on some key revenue opportunities.

While their high turnover would suggest a slick business process, the survey identified several ways in which they were **less successful at leveraging their retainers** than lower-earning agencies.

For example, even with the trend towards increasing web hosting mark-up seen in agencies of a similar annual turnover, many agencies within this bracket are **failing to take advantage** of this opportunity. Doing so would bring them in line with their competitors - and is something they can confidently assume their clients would be used to seeing.

JOE HINE, SI PARTNERS

"I still think the most successful agencies are the ones that say, 'my core business is a retained relationship, and that's how I maintain a steady flow of clients, and then I can upsell to those once I've built trusted advisor relationships."

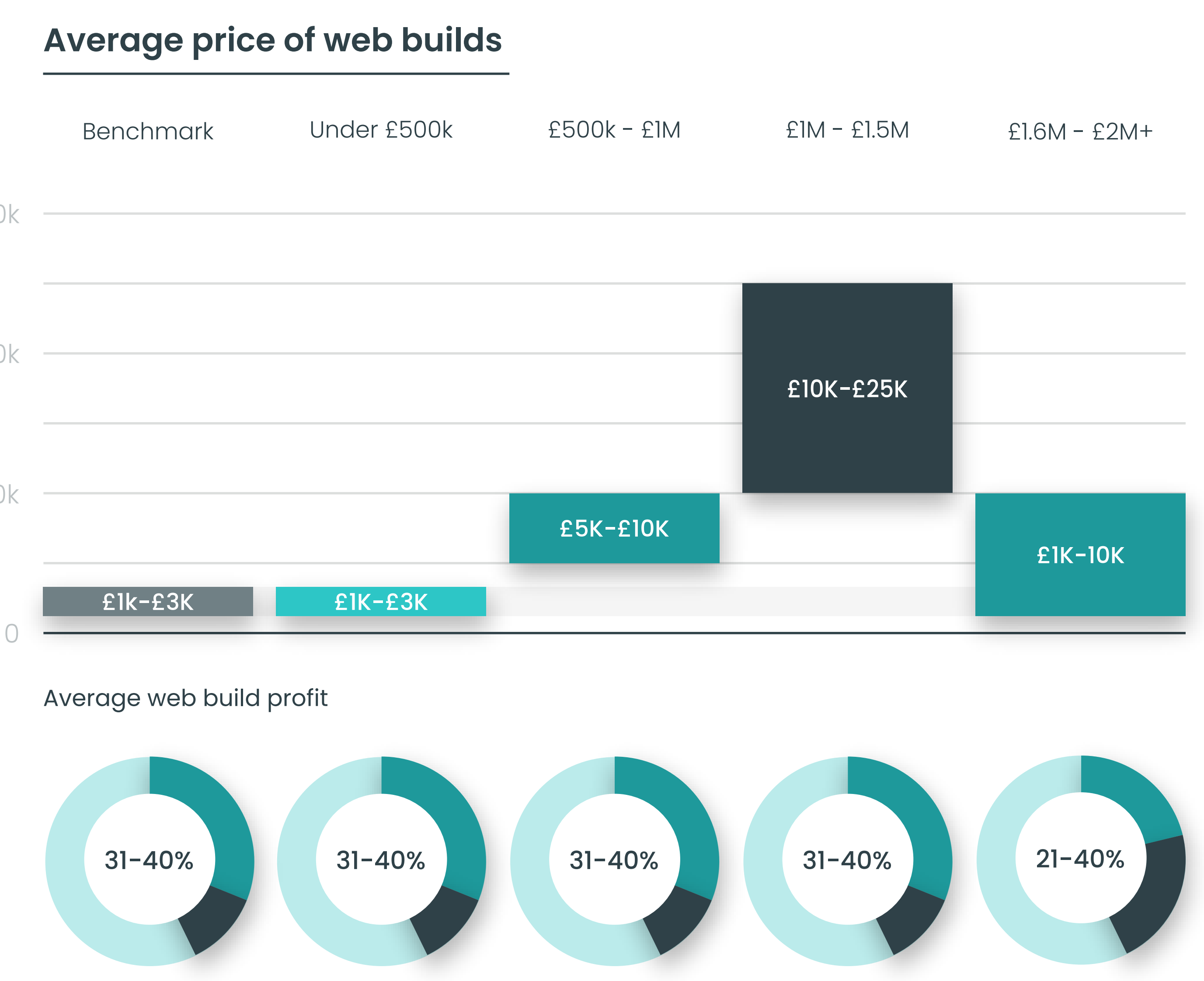
Similarly, they're failing to consistently secure a high percentage of retainers from new business, despite spending much longer delivering them - between **15-21 days a month**. Their profit margin for website builds is also wider than average, with a range spanning from 21-40%, suggesting that some of these agencies are under-charging for their web builds.

While the average agency within the £1M-£1.5M bracket will charge an hourly rate of up to £150, these agencies, on average, only charge up to £80 per hour.

The good news is that, even despite these areas of potential growth, retainers are still proving to be the backbone of these agencies; evidence suggests that the time they're allocating for retainer delivery means there is a financial benefit to doing so.

For those agencies on the lower end of the revenue spectrum, it follows that pivoting your business further towards a more heavily-weighted retainer-based structure could result in more revenue.

And for these agencies with higher turnovers, increasing both staff and retainer price could make it easier for them to scale further. Their percentage of retainers from new business is, on the whole, **lower than average** (1-30%), which would imply that an increased focus on growth in this area could bring in more ongoing clients - and more annual turnover.



Specific growth opportunities

During our survey analysis, we were able to identify further areas of potential growth amongst the data collected from the survey respondents, not related specifically to turnover.

These opportunities are relevant for agencies of every size and specialism, and take into account trends and patterns brought to light in the data collected from our survey respondents.

Including overheads, cost of sale, non-billable staff

While it wasn't particularly common amongst survey respondents to include overheads, cost of sale and non-billable staff within their retainer fee, our data suggests there are several benefits to doing so.

Only 15.66% of agencies reported including overheads, the same number included cost of sale, whereas only 7% accounted for non-billable staff within their retainer fees.

The majority of agency hourly fees fall within the £81-100 range. However, our research has shown that amongst agencies who account for overheads, it's **more common to raise that figure** to between £101-130.

Doing so has resulted in a 99% higher turnover than average, including a **33-47% higher profit margin** from their retainers.

Clearly, for a relatively small mark-up on their hourly charge, these agencies are better able to account for their outgoings, leading to more profitable retainers.

This same fee adjustment leads to higher profit margins on website builds, too. Agencies who included overheads, cost of sale or non-billable staff within their retainers saw web build profit margins rise to between 41-50% – the **highest profit** seen within the categories of our research.

Another notable divergence from the average was that those agencies including overheads, cost of sale or non-billable staff within their retainer pricing also reported tailoring their offering to each individual client - something which we have noted can also correspond to a higher retainer fee.

PAUL BARNES, MAP

"Some agencies are afraid to apply a mark-up to something that they don't feel they've added value to. They struggle to justify it to themselves, and have confidence, when it's something that doesn't necessarily have time against it."

"Over 15% of agencies had more than 6 retainer packages available"

JANUSZ STABIK, GYDA

"It's mind-blowing, but not surprising, that a fifth of agencies make no profit on web hosting.

A win/lose (where your client receives a service and you receive no margin) is a sure-fire race to the bottom. By cross-selling hosting to your existing clients, and adding margin, it's free money.

Profit is not a dirty word, it's essential to a healthy business. That's how your clients, and big brands are operating, they're adding a premium onto the services and products that they provide, and it's ok for you to do it too."

Offering hosting in retainer packages

As previously noted, those agencies who offer website hosting services are charging on average a higher retainer price overall.

It makes the lack of uptake for offering this service amongst a **majority of agencies** (75.76%) particularly surprising. Especially when taking into account the popularity of similar and related services, such as website maintenance.

Amongst those agencies already including website development and maintenance within their retainers, only 36% also include the related service of web hosting.

Failure to include web hosting alongside development and maintenance could imply a lack of confidence in how to offer this service.

This seems to be supported by the fact that, interestingly, even amongst those agencies offering web hosting there is reluctance amongst some to charge a significant mark-up.

While some of the highest-earning agencies include **a hosting mark-up of around 50%**, the most common percentage mark-up remains only 11-30% (or 66-181% lower).

"Most agencies (54.04%) had between 1-2 hosting providers"

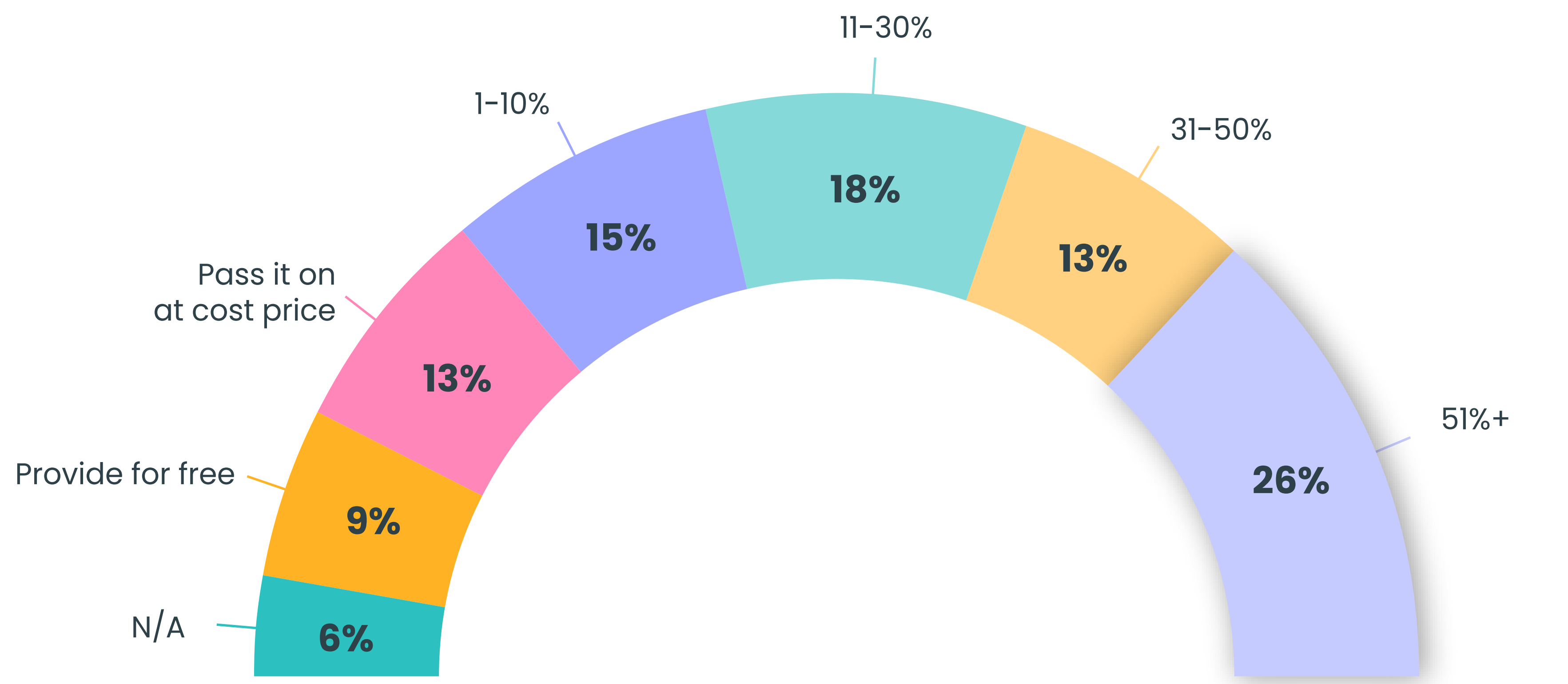
That's a **missed opportunity** for agencies. Especially when you consider that those with web hosting are charging more on services like website builds than average, too.

Should the hesitancy to include web hosting within a retainer package amongst smaller agencies speak to a lack of confidence - they should be reassured to know that their competitors have already taken this step, to great success.

When further grouping together charges to encompass those more confident agencies, we can see that a quarter of agencies who offer hosting are adding an **additional mark-up of 51%+**. (see Fig. 8)

Additionally, including web hosting within a retainer correlates with a 100-200% retainer price increase, with no additional time spent on delivery, or concurrent higher staffing rate.

Fig. 8 - Percentage mark-up added to hosting in retainers



"The majority of agencies (78.79%) offered website builds as part of their retainer services"

"More than a fifth (21.72%) of agencies make no profit on website hosting"

JANUSZ STABIK, GYDA

"One of the things I was most pleased to see was SEO, and additional services to support web design and build, bumping up profitability. I see that whole market [web design & build] as being a little bit risky, so these recurring retainer-based services that you can deliver at scale, help to really support-bottom line profit."

Overall profit margins from website builds remain in line with average, and while those from retainers included some higher values, the most common response remained only 11-20%.

All this implies that agencies with a lower turnover, who currently don't benefit from these inclusions, don't need to alter their profit margins across the board, but simply edit their fees in order to see significant growth.

Offering SEO & content marketing in retainer packages

Another area of significant growth that is often-cited amongst agencies is the **demand for SEO support**.

With this in mind, we paid particular attention to those agencies who had included SEO services within their digital packages, to discover whether the industry buzz around SEO is warranted. Our survey findings would suggest it is.

Our research revealed that these agencies saw **99% higher turnover than average**. In fact, they are registering a higher percentage of profit from their retainers (31-40%), a higher than average retainer price (£1k-2,999), and the ability to charge more for website builds - hourly rates are between 25-58% higher than average for this service.

That doesn't mean there isn't still some **room for improvement**, however. One surprising omission identified by our research was a relative lack of crossover between SEO and content marketing services.

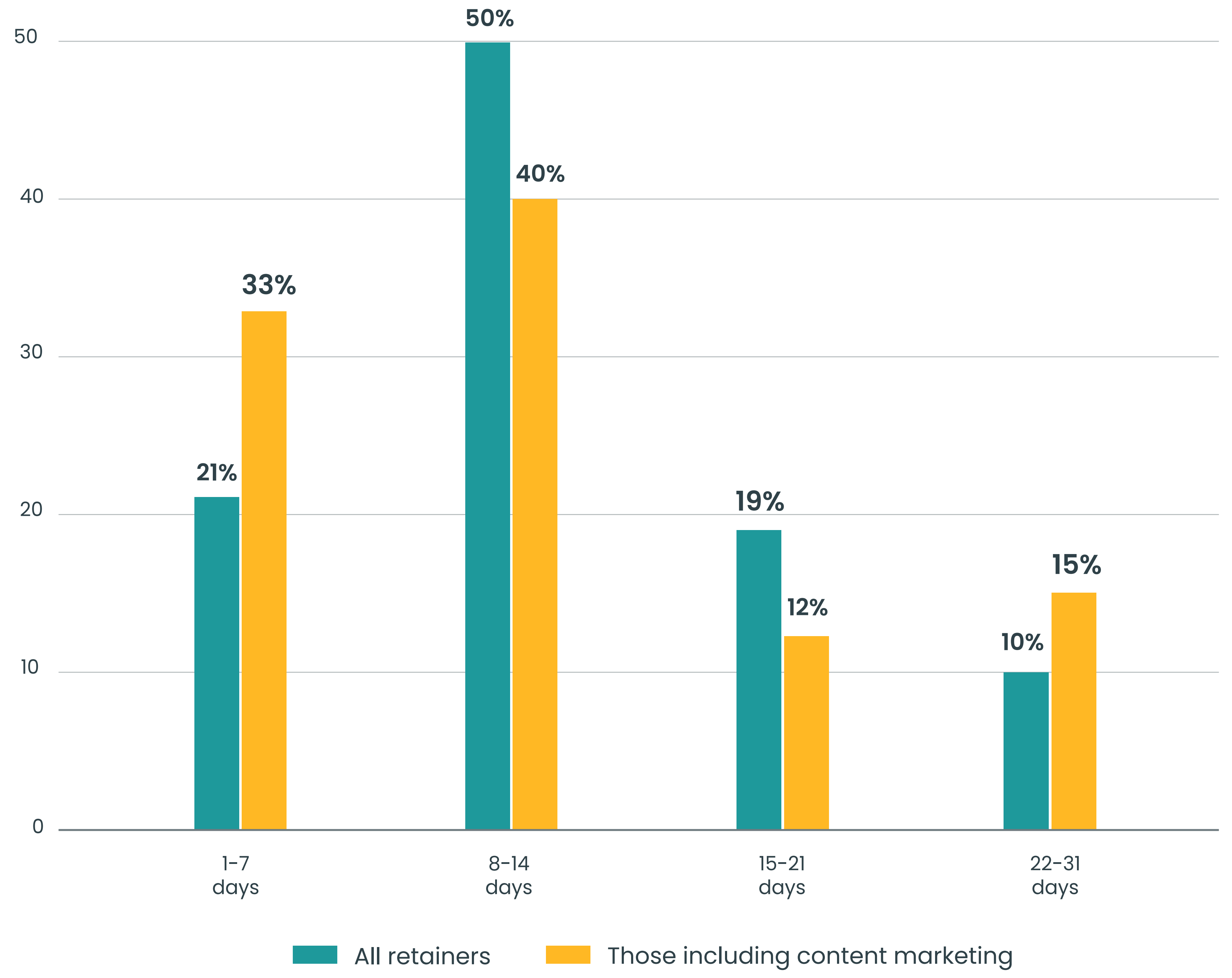
While 28.57% of SEO agencies also offered content marketing, that leaves a majority of them without this synchronous offering – something which would likely increase customer demand.

In fact, of the 16.67% of surveyed agencies who included content marketing services within their retainers, the percentage of those who charged hourly rose significantly, with almost a quarter (24.24%) billing this way.

This might suggest less time being allocated for the delivery of these services. This conclusion is supported by the fact that, although 8-14 days was still the most common length of time spent on retainers each month, a full third (33.33%) reported **spending only 1-7 days**. (see Fig. 9)

Should it prove true that complementary services require relatively little additional time, agencies such as those offering SEO should consider structuring their retainers in order to better meet all of their customers' needs – thereby optimising their output and **re-establishing their ROI**.

Fig. 9 - How much time do you spend on average on your retainers each month



JOE HINE, SI PARTNERS

"It's the creative businesses who are still trying to get retainers 'back', because it's something that isn't in vogue. Performance marketing, however? Completely in vogue, so everyone's happy to pay retainers, and it's easy to prove the ROI."

PAUL BARNES, MAP

"Your customer doesn't really care how much time has gone into something that they're paying for - they care about value. So it's coming up with productised pricing that makes the most sense – the perceived value to the customer is key. Put yourself in your customer's shoes and work out something that delivers value to both of you, and come away from that mindset that everything has to be about time for money. "

Including reporting within retainers

Given the aforementioned anecdotally-reported pressure from agencies to prove ROI to their clients, you would perhaps expect reporting to feature prominently within retainer packages.

However, **only 16% of all agencies surveyed** offer reporting.

This represents a missed opportunity to communicate results with clients and re-establish the ROI of a retainer - especially given the relative ease with which a reporting dashboard can be incorporated into most agency offerings.

Amending retainers

Only 26% of the agencies we surveyed said that they were **not "frequently" amending** their retainer packages.

Which, given that a similarly low figure of 32.83% reported that they approached their retainers with the intention to give a "tailored offering to each client", implies something interesting about the structure of a majority of agencies' retainer packages.

Evolving business practices and offerings are common, but a consistent need to amend packages might suggest either clients or agencies themselves are **unsatisfied with the set structures** they have in place.

This is supported by data that showed how, amongst our survey respondents, frequent adjustments can correlate with higher average retainer prices – as well as seeming to align with higher turnover, higher hosting markups, and higher charges for website builds – perhaps suggesting that those agencies are finally landing on a structure which is profitable for them.

For those agencies who don't amend their retainers, higher fees for website builds **aren't resulting in higher retainer profit margins** - which means that they're not experiencing the same level of growth from their retainer offerings as their peers.

Targeting new business with retainers

There's another significant reason why re-focusing a retainer strategy is a good idea – and that's to better target new business, and increase the rate at which they sign up to retainers.

Aside from the obvious **future-proofing** this ensures, our data suggests a link between agencies who secure a higher rate of 31-60% new business from retainers, and higher profit margins across the board.

These agencies had an average retainer price 100-200% higher than the baseline agency, and a profit margin on web builds between **25-32% higher than average**.

Hourly rates were also higher - translating into a higher fee for both retainers (£1k-2,999) and some website builds (there was a consistent range between those charging £1k-25k).

This may be related to the type of services primarily offered by these agencies. Rather than eCommerce sites, such as those the average agency largely works on, those with a higher percentage of new business retainers more commonly worked on **custom brochure sites**.

Of course, the underlying cause of the correlation could simply be that, by focusing on growing their retainer offerings, agencies are winning more, and **higher-value, customers**.

JOE HINE, SI PARTNERS

"If your retainer is relatively small, and your projects suddenly become quite big, then your business can change quite rapidly - those projects start to inflate and take over. You need to be continually feeding the retainer machine to ensure that there's not too much growth from project-based opportunities, which can bias your business towards just one or two clients."

PAUL BARNES, MAP

"You're more likely to have the confidence to charge a premium, and you're going to find it easier to win more work, and be less competitive, if you've got a specialism. It's easier to resource, easier to find the right people, easier to network, easier for business development… And you've got a competitive advantage because your team are, day-to-day, just focused on one thing and getting a deep level of knowledge in one specific area."

Summary

For many agencies, retainers provide a reliable backbone to their business structure. They provide certainty over income, visibility when budgeting, and ensure a rolling revenue even during uncertain times.

However, our research identified potential opportunities available to most agencies who revisit their approach to their retainer packages. Rather than accepting them as an unexciting but dependable element of your business structure, viewing **retainers as sites of growth** has the potential to supercharge your profit margin.

The good news? Our research found that achieving consistent growth is a matter of several small, practical changes, (rather than total retainer overhauls), and an attitude shift among agencies.

Practical steps that the average agency could take in order to align with this new best practice include: adding higher mark-ups to web hosting; including overheads in retainer fees; and ensuring retainers include complementary services, for best ROI visibility.

In terms of attitude, agencies would benefit from **focusing on building confidence** in their retainer offerings. This can be achieved in a variety of ways: by narrowing their scope, and specialising in a particular offering or product; by backing themselves with higher rates and more hires; and by focusing on signing up a higher percentage of new business clients to retainers.

The past few years have proven that agencies are nothing if not **adaptable and resilient**. At Nimbus, we have no doubt that our agency partners will be able to pivot, streamline, and make the most of their retainers – and we'll be right by their side, supporting them all the way.

MIKE CROOK,
MANAGING DIRECTOR,
NIMBUS

RECIPE:

Retainer Best Practice

- ☐ Create set packages to optimise time spent, which will increase your margins
- ☐ Establish set prices to produce more stable income, and better measurement of profit
- ☐ Aim for 30% profit margin or higher across your retainer packages
- ☐ Create a strategy focused on retainers which specifically targets new business
- ☐ Consider including consultancy within the retainer to improve overall value
- ☐ Ensure you are maximising the web hosting mark-up opportunity to increase profit
- ☐ Consider accounting for overheads within your retainer pricing
- ☐ Don’t be afraid to increase your prices

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