Navigating the Agency Landscape 2025:

Growth, AI, and the Social Revolution

Understanding your challenges and aligning strategies for success in 2025

SCALED

CONTENTS

SCALED | cowgills

The State of Agency Survey 2025 is a collaborative project between Scaled and Cowgills, providing essential insights into the current state of the agency landscape.

Introduction

About the Author

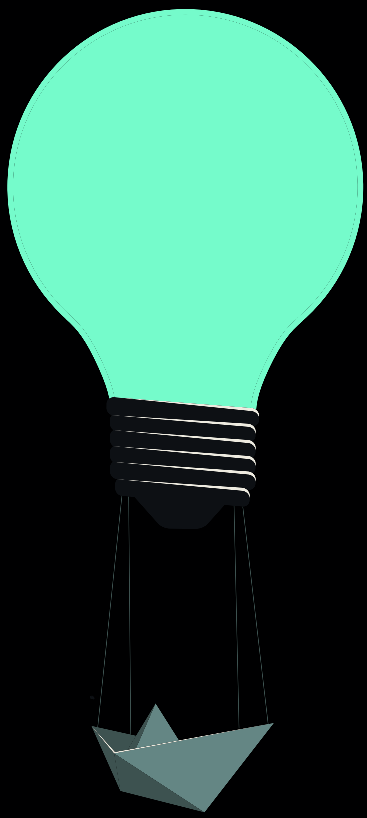
Simon Penson is a multi-exit founder and growth consultant, with experience spanning agency leadership, venture capital and private equity. After exiting Zazzle Media in 2020 and helping build a top UK VC firm, he founded Scaled to offer practical, experience-led support to scaling B2B businesses.

It's official! Despite ongoing market pressures, agency optimism remains remarkably high as we progress through 2025. This positive outlook comes with an evolving set of challenges that require fresh strategies and approaches.

Having surveyed UK agency leaders across creative, performance and full-service organisations, it's clear that the sector is at a fascinating turning point. Traditional methods are giving way to new approaches, particularly in how agencies attract and convert new business opportunities.

That's the overarching conclusion from this year's **State of Agency Survey**, as agencies embrace social-first lead generation strategies while grappling with emerging AI capabilities in an increasingly competitive market.

This competition, however, is posing serious questions for many agencies, and only those that adapt effectively will achieve the growth they anticipate.



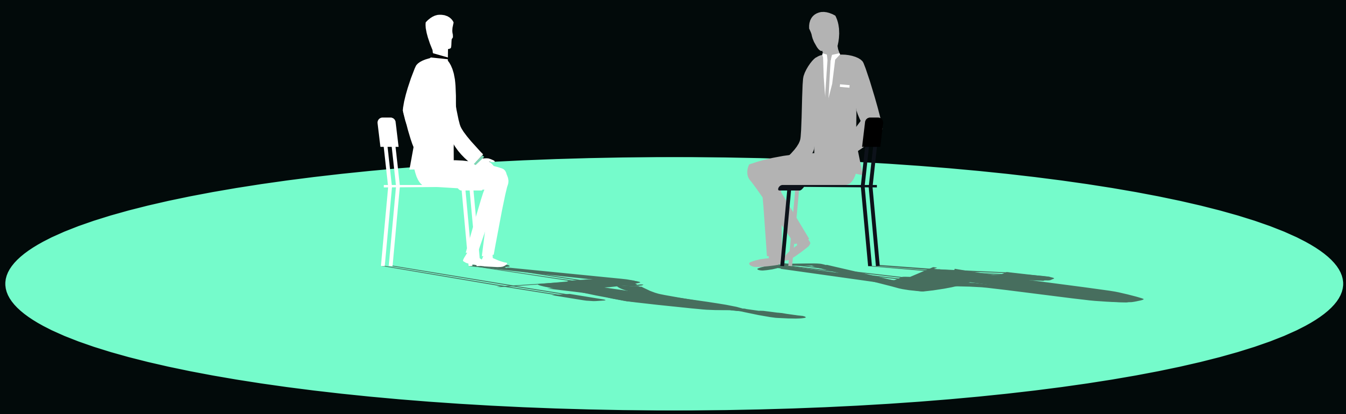
The challenge just intensified

While optimism is growing, so are client expectations. Agencies are under increasing pressure to deliver measurable results while adapting to rapidly evolving technologies and market conditions.

Only **25% of those polled have a clear investment plan for AI**, despite recognising its critical importance. Meanwhile, traditional sales methods continue to decline in effectiveness, and agencies struggle to fully leverage existing client relationships.

All these insights, and much more, can be found below.

Thank you to all who took the time to participate - without you, we couldn't have made this happen. Sharing these findings is a significant step towards progress, and both **Scaled and Cowgills** are committed to guiding you on these key topics to ensure we can all thrive in this evolving landscape.



In early 2025, we reached out to a group of agency professionals for their thoughts and insights on the current state of the industry.

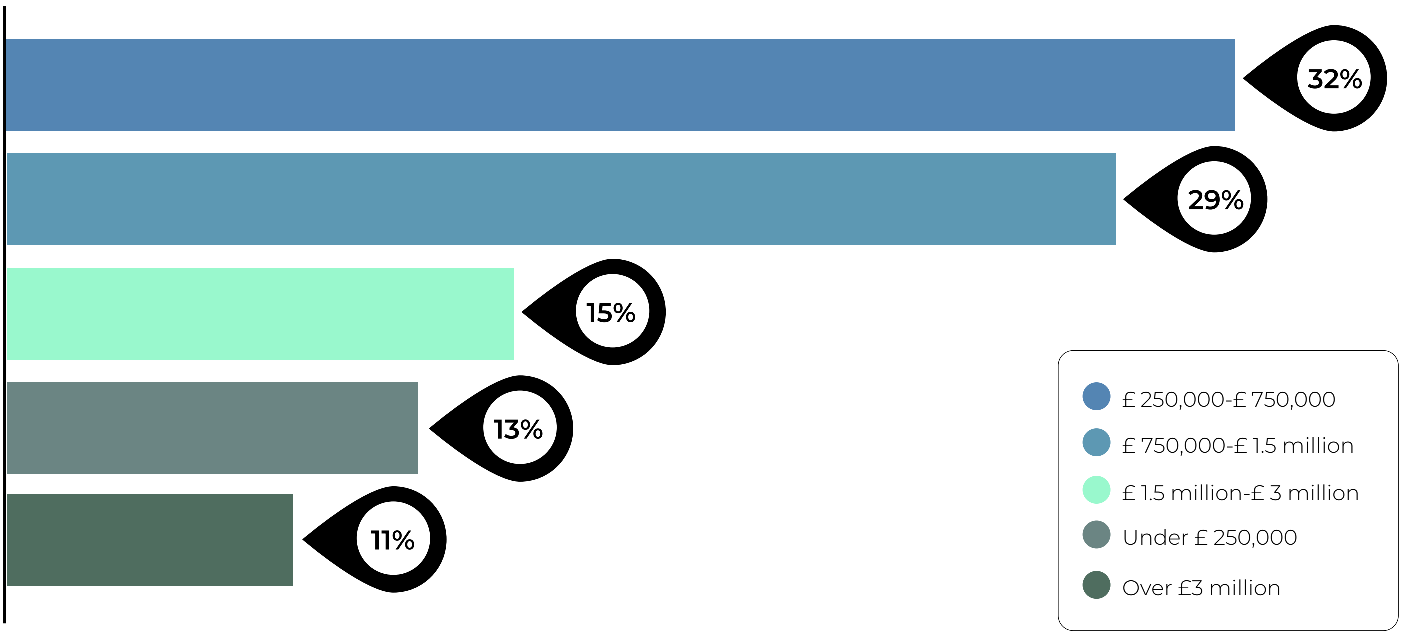
We narrowed our sample solely to agency decision-makers to gain an accurate understanding of the key issues and pain points in the sector, providing a high-level overview from the perspective of those shaping business strategies.

THE GROWTH OUTLOOK FOR AGENCIES IN 2025

The agency landscape in 2025 remains highly optimistic despite ongoing market challenges. Our survey reveals a confident outlook that sets the tone for the year ahead.

Most survey respondents sit in the sub-£1.5 million revenue bracket, with only 11% exceeding £3 million. This reveals a landscape dominated by small to mid-sized agencies, making the positive growth outlook even more notable given the resource constraints that often come with this stage of maturity.

FIGURE 1:
Which category does your current revenue sit?



The numbers speak for themselves:

01 **80%** 80% anticipate healthy to high growth

02 **76%** expect 2025 to be better than 2024

03 **70%** are seeing positive demand for their services

04 **50%** have increased staffing in the past 12 months

This confidence is driven by several factors. Agencies are adapting quickly to changing market conditions, embracing new technologies, and refining their service offerings to meet evolving client needs. The post-pandemic digital acceleration continues to create opportunities for agencies that can deliver measurable results.

However, this optimism must be matched with strategic planning. While growth expectations are high, so are client expectations. The **83%** of agencies reporting increased pressure from clients highlights that this growth won't come easily.

At Scaled, we've observed that agencies balancing optimism with pragmatic execution are best positioned to capture the most value. This means having clear growth strategies that acknowledge both opportunities and challenges.

The evidence suggests that 2025 could be a strong year for agencies that effectively navigate the evolving landscape while managing client expectations and embracing new technologies and ways of working.

Spotlight: The Commercial Reality Behind the Optimism

While agencies remain optimistic, most are still in early growth stages:

74% report revenues below £1.5 million

79% invest less than 10% of turnover into sales and marketing

55% operate on healthy but improvable 16 - 25% margins

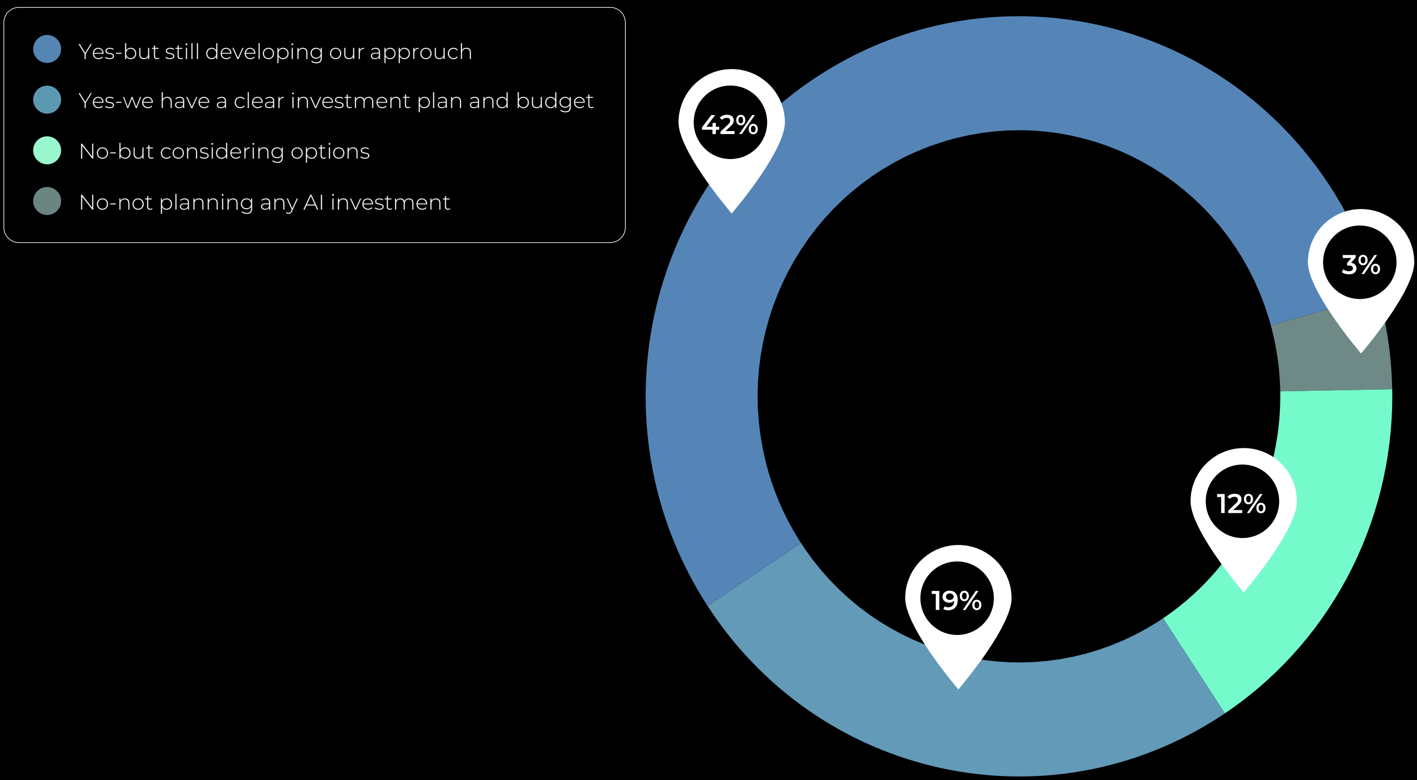
The takeaway? To meet high growth expectations, many agencies must shift from hope to habit - investing more strategically in sales, client expansion and tech.

AI READINESS: ARE AGENCIES FALLING BEHIND?

While agencies recognise AI as both an opportunity and a significant challenge, our survey reveals a concerning gap between this awareness and actual implementation strategies.

The stark reality is that only **25%** of agencies have a clear investment plan and budget for AI integration. Meanwhile, **55%** are still developing their approach, suggesting that while many agencies acknowledge AI's importance, they have yet to translate this recognition into concrete action.

FIGURE 2:
Do you have a plan to invest in AI over the next 12 months?



With over half of agencies achieving operating margins between 16-25%, and a significant portion (26%) charging hourly rates over £100 per hour, there appears to be financial capacity to accelerate AI investments. The current lag may therefore be more about direction and prioritisation than affordability.

This hesitation comes at a critical time, as adapting to AI and automation while maintaining quality has been cited as the biggest challenge agencies will face in the next **2-3 years**.

The AI readiness gap appears to stem from several factors:

- Uncertainty over which AI tools and platforms will deliver the best return on investment
- Concerns about implementation costs and training requirements
- Questions about maintaining creative quality while automating processes
- A lack of clear frameworks for measuring AI's impact on business outcomes

For the **25%** of agencies with clear AI investment plans, there is a significant competitive advantage to be gained. These forward-thinking agencies are positioned to improve efficiency, enhance creative outputs, and develop new service offerings ahead of competitors.

For the remaining **75%**, there is an urgent need to shift from contemplation to implementation. As client expectations continue to rise and competitors enhance their AI capabilities, the window for playing catch-up is narrowing.

At **Scaled**, we've found that successful AI adoption starts with identifying specific business challenges that AI can address, rather than implementing technology for its own sake. This focused approach allows agencies to demonstrate clear return on investment while building confidence in AI-enabled processes.

The message is clear:
Agencies cannot afford to delay their AI strategies any longer. Those failing to develop and execute clear AI implementation plans in 2025 risk falling permanently behind as the technology gap widens.

THE NEW RULES OF LEAD GENERATION

The agency lead generation landscape has undergone a seismic shift, with social media emerging as the dominant channel while traditional methods continue to decline.

Our survey findings paint a clear picture:

01

50% of agencies report that social media has driven the most leads by channel

02

60% say social media outreach is their most successful method for business development

03

Only 14% find conferences and trade shows successful for sales

04

A mere 12% consider phone calls effective for sales outreach

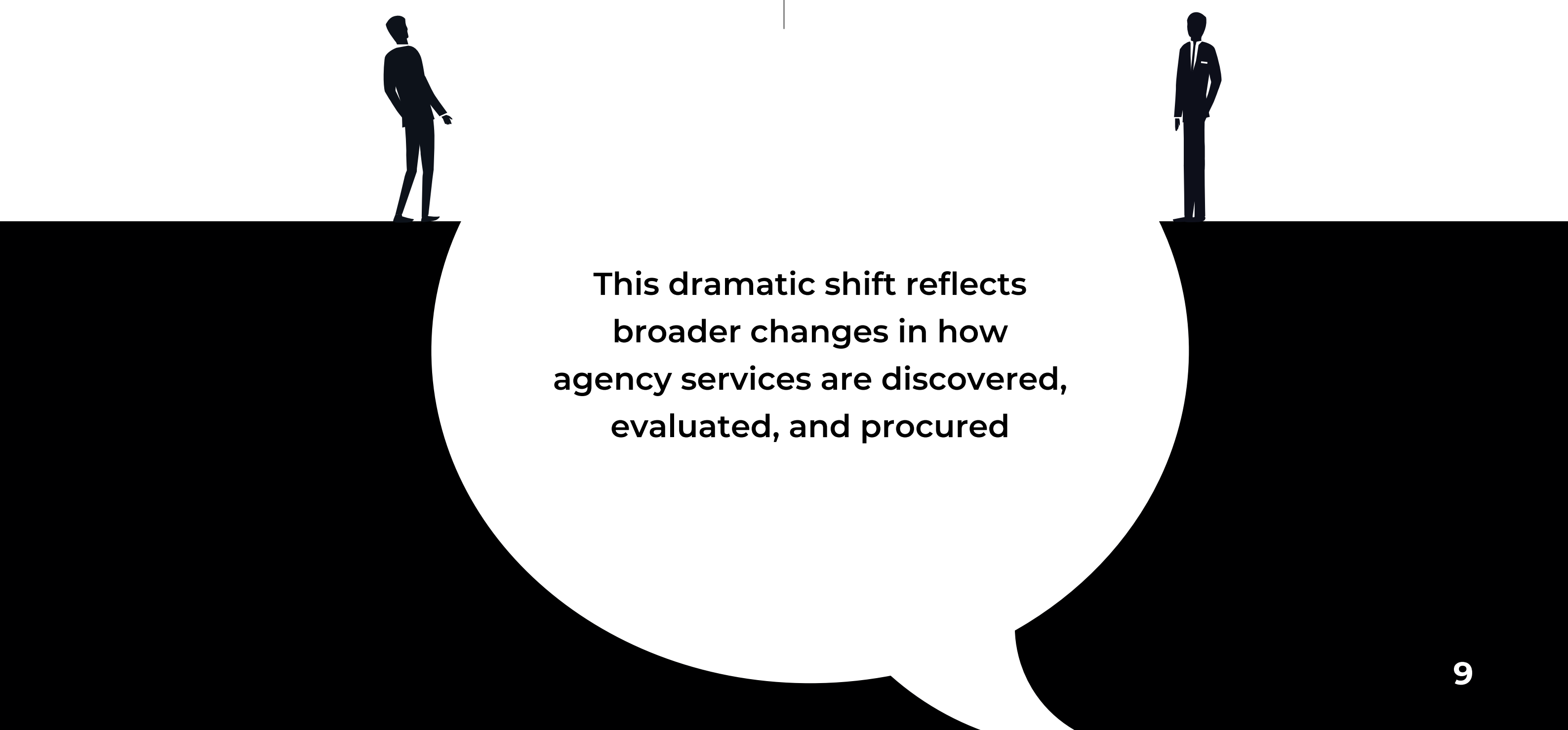
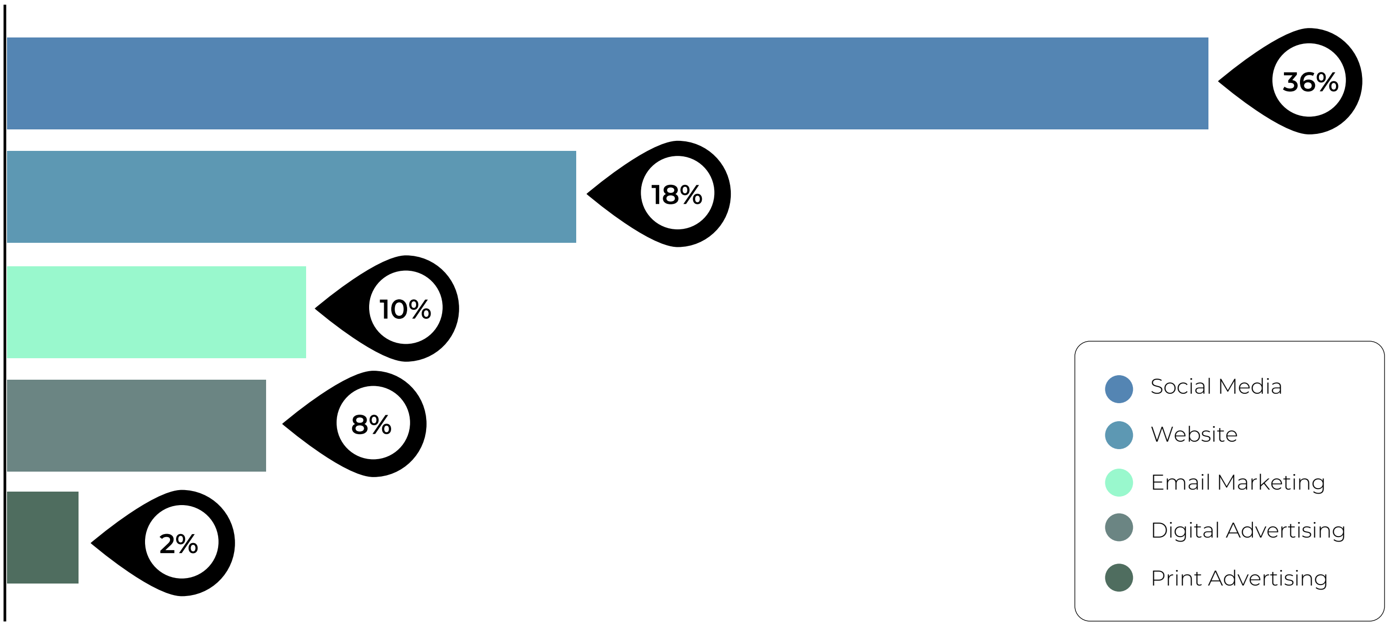


FIGURE 3:
Which marketing channels have driven the most leads or clients for your agency in the last year?



The Power of Agency Branding & Thought Leadership

What's emerging clearly from our data is that in this social-first environment, agency branding and thought leadership have never been more crucial.

The agencies seeing the greatest success aren't just present on social media - they're strategically positioning their brand and elevating their leaders as industry authorities.

This approach creates a powerful flywheel effect:

01 Strong agency branding establishes credibility and recognition before direct contact

02 Executive thought leadership builds trust and demonstrates expertise

03 Consistent brand voice across platforms reinforces positioning

04 Personal brands of agency leaders amplify reach and humanise the organisation

05 Thought leadership content drives engagement, shares, and ultimately, inbound leads

The most successful agencies are blending company and personal branding strategies. They're developing distinctive agency positioning while simultaneously elevating key executives as thought leaders who embody the agency's values and expertise.

We've observed that agencies with leaders who maintain strong, authentic personal brands on platforms like LinkedIn are generating significantly more qualified leads than those relying solely on company accounts.

"These personal accounts typically achieve 5-10x the engagement rates of corporate profiles, extending reach dramatically at minimal additional cost"

The implications are significant for agency marketing strategies. Resources previously allocated to trade shows, cold calling, and traditional networking must be redirected toward building compelling social presences, developing thought leadership content, and strategically positioning the agency and its leaders as authoritative voices.

For agencies still relying heavily on traditional outreach methods or taking an ad-hoc approach to social media, these findings should serve as a wake-up call. The window of opportunity to establish a distinctive brand position and thought leadership platform is closing rapidly as forward-thinking competitors build increasingly dominant positions within their niches.

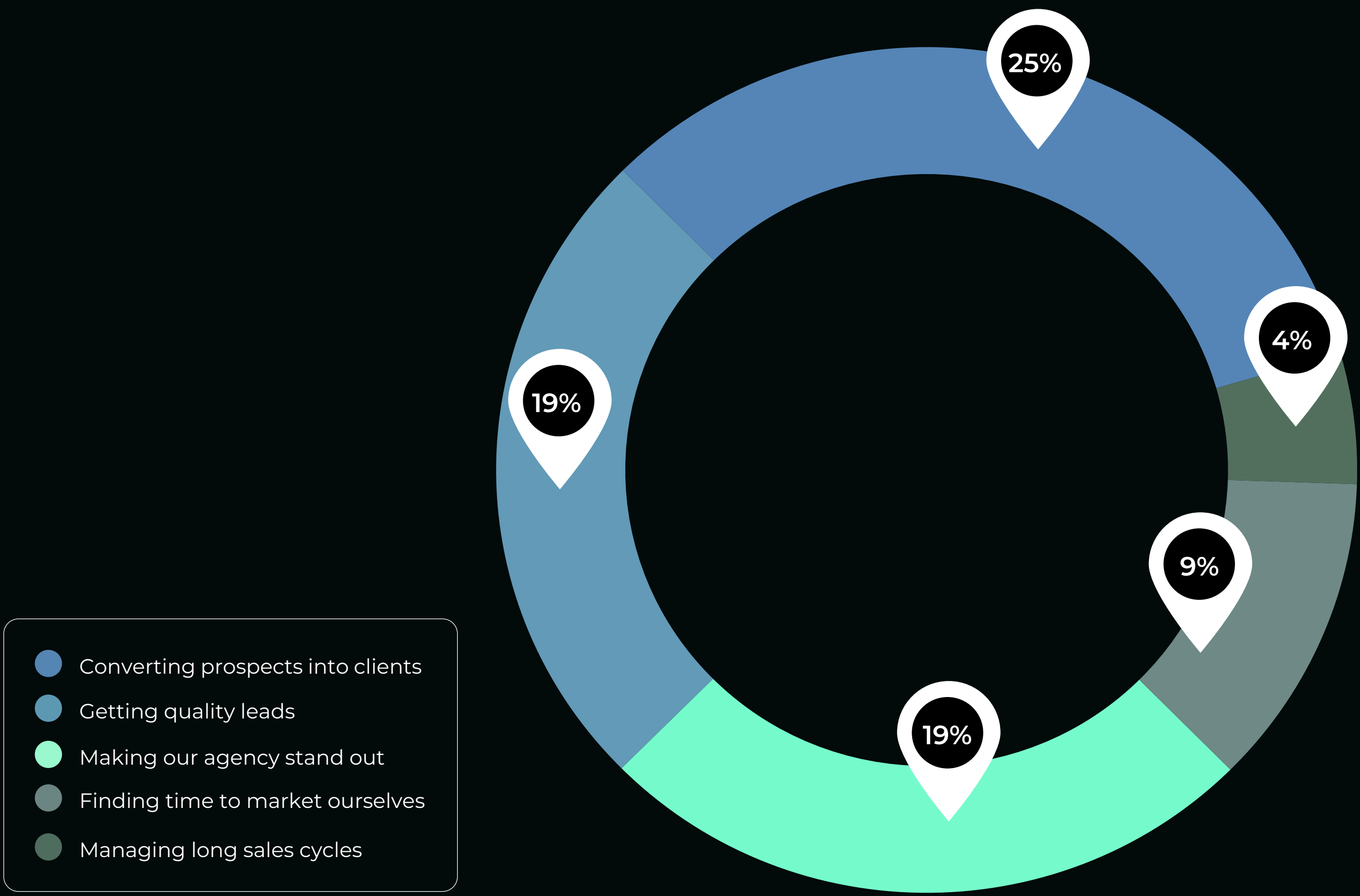
The end of 2025 will likely see an even greater divergence between agencies with coherent branding and thought leadership strategies and those still treating social media as merely another marketing channel.

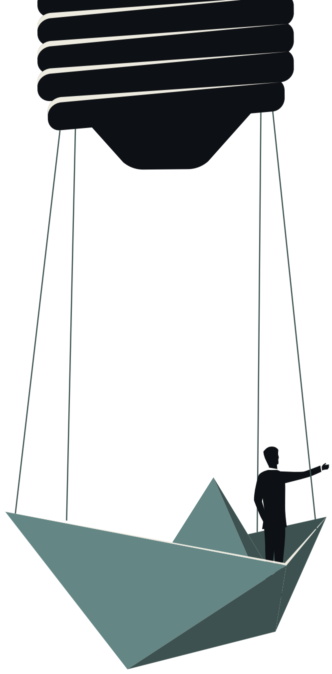
THE SALES STRUGGLE: CONVERTING LEADS IS HARDER THAN EVER

Despite high optimism about growth, agencies are facing significant challenges in their sales processes. Our survey highlights that converting prospects into clients remains a stubborn obstacle for many.

The data reveals a concerning picture, 33% of agencies cite converting prospects into clients as their biggest sales challenge, and 25% struggle with generating quality leads.

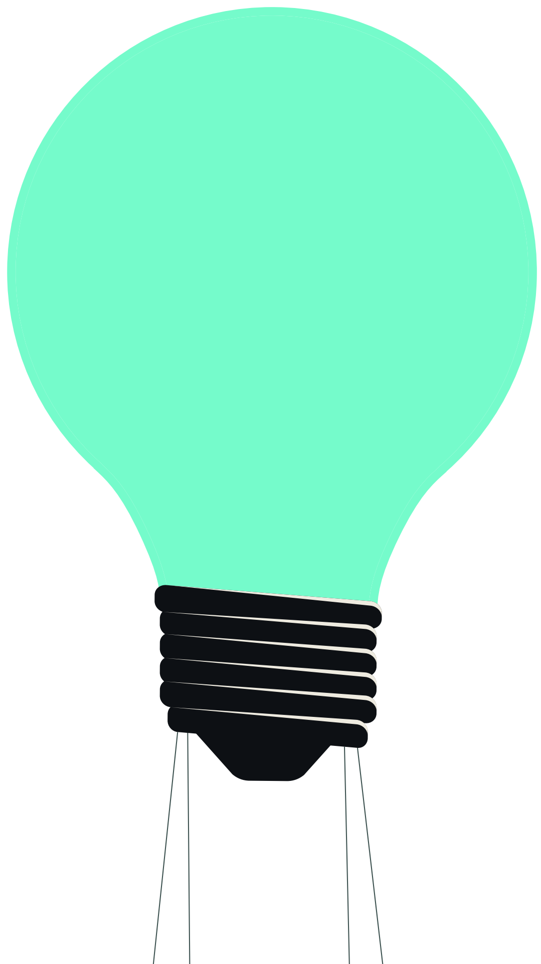
FIGURE 4:
What is the biggest challenge your agency faces in sales and marketing today?





This challenge may be exacerbated by underinvestment: **nearly 80% of agencies commit just 2–10% of their revenue to sales and marketing.** Given that converting prospects is cited as the biggest barrier to growth, this suggests a need to revisit sales and marketing resource allocation.

These challenges are further compounded by shifting client expectations and market dynamics. Over half of agencies feel pressure from AI adaptation requirements and tightening client budgets - creating a perfect storm that's making it harder to close new business. The conversion challenge appears to stem from several factors, including **25% of respondents finding it difficult to make their agency stand out from competitors and 83% reporting increased pressure from clients**.



We've observed that agencies succeeding in this environment are those who have fundamentally reimagined their sales processes. Rather than treating sales as a separate function, they're integrating it with thought leadership, content strategy and client success stories to create compelling narratives that address specific client pain points.

Notably, agencies that have tied their sales approaches to their social media strategies are seeing the best results. By nurturing relationships through valuable content and engagement before entering formal sales processes, they're creating warmer leads that convert at higher rates.

For agencies struggling with conversion, the message is clear: traditional "pitch and close" methodologies are increasingly ineffective. Success requires a more consultative, value-driven approach that begins long before formal sales conversations and continues well after initial interest is expressed.

UNLOCKING GROWTH:
CLIENT REFERRALS & CROSS-SELLING

One of the most striking findings from our survey is the significant missed opportunity in leveraging existing client relationships. Despite the challenges in new client acquisition, agencies are failing to fully capitalise on their current client base.

The numbers tell a compelling story:

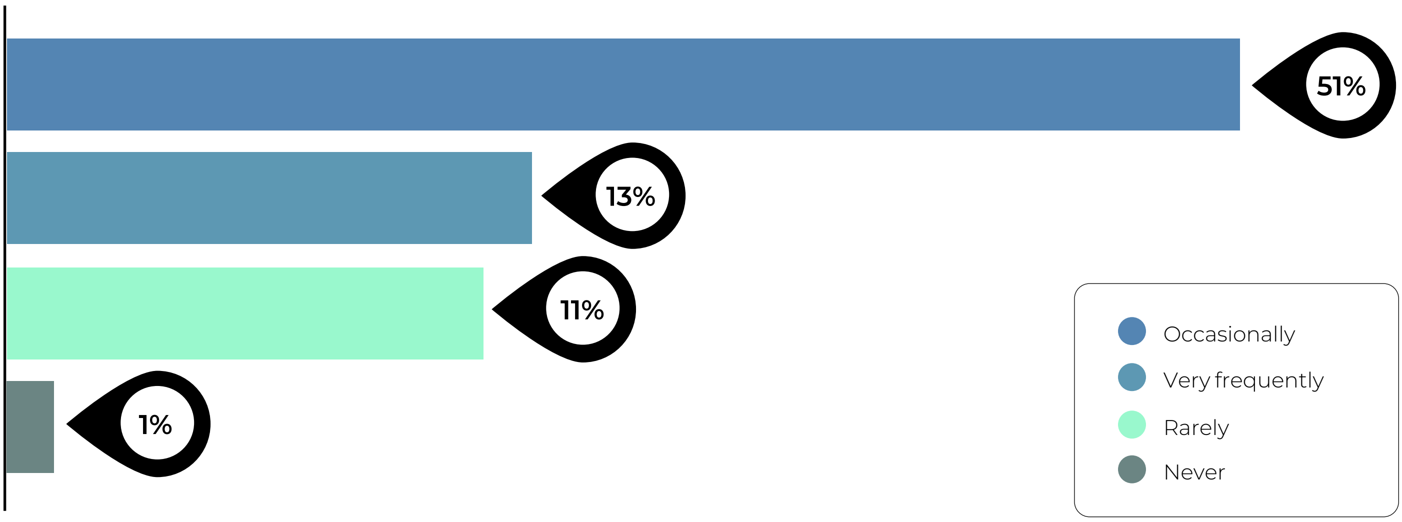
01

61% of agencies only pursue cross-sell/up-sell opportunities occasionally and primarily with key clients

02

67% report that their clients only occasionally refer business to them

FIGURE 5:
How often do your existing clients refer new business to you?



This represents a substantial untapped growth potential. With 80% of agencies expecting healthy to high growth, and many struggling with lead generation and conversion, these existing relationships could be the key to meeting ambitious targets.

Despite respectable operating margins, with 55% of agencies landing in the 16-25% range, very few are exceeding this. Greater focus on expanding existing relationships - a low-cost route to revenue - could be key to unlocking higher profitability without proportional increases in spend.

The reluctance to pursue cross-selling opportunities appears to stem from several factors:

01 Focus on acquiring new clients rather than expanding existing relationships

02 Lack of formal processes for identifying expansion opportunities

03 Concern about damaging client relationships by being too “salesy”

04 Insufficient training for account teams on identifying and pursuing growth opportunities

Similarly, the low rate of client referrals suggests that agencies aren't effectively activating their satisfied clients as growth engines. This could be due to:

01

Not explicitly asking for referrals

02

Making the referral process too complicated for clients

03

Missing opportunities to incentivise referral behaviour

04

Inconsistent client satisfaction that undermines referral confidence

We've seen agencies transform their growth trajectories by implementing structured programmes for both cross-selling and referrals. These programmes typically involve comprehensive approaches combining team training with formalised systems for identifying opportunities and making referrals easy for clients, all supported by consistent measurement to track performance.

The potential impact is significant. Agencies that successfully activate these untapped opportunities can reduce their dependency on increasingly competitive new business channels while strengthening existing client relationships.

For agency leaders looking to achieve their 2025 growth targets, a systematic approach to cross-selling and referrals represents one of the highest-leverage opportunities available - particularly when new client acquisition is becoming more challenging and expensive.

CONCLUSION: THE GROWTH PARADOX

The State of Agency Survey 2025 reveals a striking paradox at the heart of the UK agency landscape: unprecedented optimism exists alongside fundamental challenges that threaten to undermine growth aspirations. While 80% of agencies anticipate healthy to high growth, our findings expose critical gaps between ambition and execution. The most successful agencies in 2025 will be those that resolve this paradox by aligning their growth strategies with the new realities of the market:

01

The key to unlocking sustainable growth lies not in doing more, but in doing differently. Traditional approaches to business development, client expansion, and technology adoption are proving increasingly ineffective.

02

Agencies must pivot from conventional wisdom to embrace social-first lead generation, systematic client relationship expansion, and committed AI implementation.

03

Those that make this pivot decisively will capture disproportionate value in the evolving landscape. Those that don't risk finding their growth ambitions perpetually out of reach, regardless of market optimism.

ABOUT SCALED

Scaled is a consultancy built by founders, for founders. We support ambitious agency leaders to scale faster, with less friction. Founded by Simon Penson, a multi-exit agency founder and VC consultant, Scaled brings together a senior team that's been in your shoes - and knows what it takes to build enterprise value, not just revenue.

We work hands-on across the full commercial engine: from proposition and go-to-market strategy through to sales, marketing, RevOps and client success. Whether you're pushing for scale or preparing for exit, we plug in where it matters, bringing lived experience and execution support to help you grow with confidence.

ABOUT COWGILLS

We're a people business, and as accountants and business advisors, our team of financial and business experts are dedicated to empowering your business with insights that drive growth.

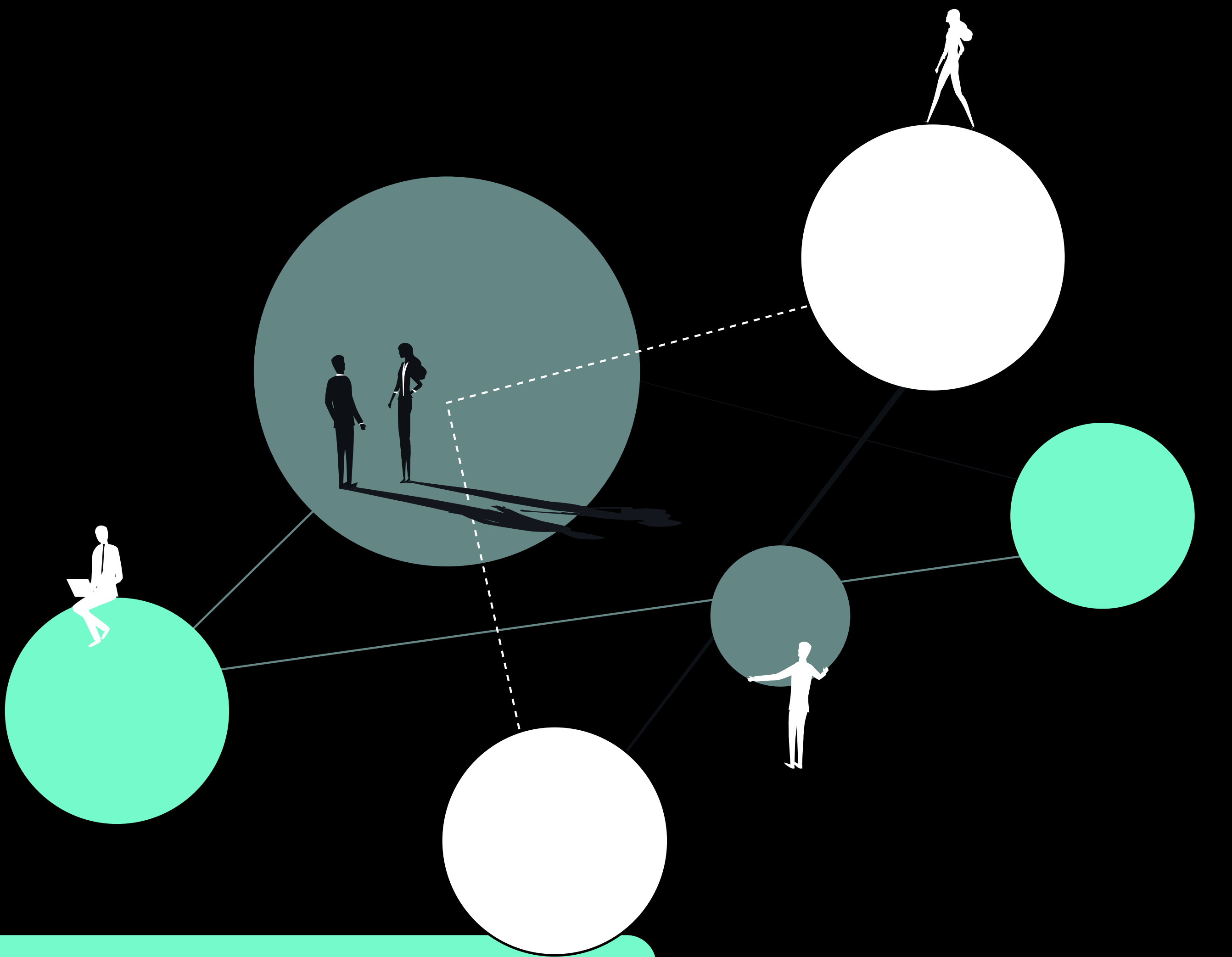
Our integrated and tailored approach brings together dedicated sector knowledge with proven financial advice and accountancy expertise, helping entrepreneurial businesses succeed.

We're also a part of the Sumer Group - a top 13 accountancy firm - which gives us a national backing, with a huge support network. Perfect for any business looking to scale.

A Message from Scaled and Cowgills

We hope you've found the insights from our State of Agency 2025 Survey valuable for your strategic planning. These findings represent the collective wisdom of the UK's leading agencies navigating this transformative period.

At Scaled and Cowgills, we remain committed to providing guidance to support the agency sector's continued success and thrive in an increasingly complex business environment.



If you have any questions about implementing the strategies suggested by these findings, please get in touch via

Contact Number
07545909632

Email
hello@scaled.co.uk

Brought to you by the teams at:

SCALED | cowgills

SCALED

www.scaled.co.uk