

---

# 2020 National Survey on Impact of COVID-19 on Marketing, Advertising, PR, Digital and Related Firms

---

**TobinLeff**

## TABLE OF CONTENTS

Executive Summary . . . . . 3  
Demographic Information . . . . . 5  
Impact on Financials . . . . . 9  
PPP Funding . . . . . 13  
Impact on Staffing . . . . . 16  
Office vs. Work from Home . . . . . 19  
Travel . . . . . 23  
Services . . . . . 25  
Future Trends . . . . . 27  
About TobinLeff . . . . . 30

## EXECUTIVE SUMMARY

In 2020, TobinLeff, LLC conducted a national survey of owners of Marketing, Advertising, PR, Digital, and related agencies to assess how COVID-19 affected their businesses and thoughts on the outlook for the future.

The Survey was divided into seven sections:

- Impact on Financials
- PPP Funding
- Impact on Staffing
- Office vs. Work from Home
- Travel
- Services
- Future Trends

### Demographic Information

110 respondents participated in the Survey, with 41% in Branding/Creative agencies and 83% in business for more than 10 years. The survey included roughly equal participation from all parts of the US, with only the Southwest being under-represented at 6.7%. Nearly 20% of participants work in the B2B space with just over 50% in B2C, seeing the greatest participation from the healthcare vertical at 43.12%.

### Impact on Financials

76% of respondents had a 2019 Adjusted Gross Income between \$500,000 and \$10,000,000, with roughly half between \$1,000,000 and \$5,000,000. **Those anticipating a break-even year or loss increased from 11% to 20% from 2019 to 2020, and an additional 21% projected a minimal profit of less than 5%.** This jump highlights the need for business owners to understand the value of their company and their exit plan options when times get tough.

Somewhat shockingly, **74% of participants indicate that they have clients who have gone out of business as a result of COVID.** Fortunately, only 24% have seen revenue declines of more than 25% for themselves.

### PPP Funding

90% of the survey respondents received PPP funds. About half received less than \$250,000, and only 2% expect to receive no loan forgiveness. The impact of the loans is evident, **as 36% of participants believed that they would have ended 2020 with a break-even or loss without the PPP funding.**

### Impact on Staffing

Surprisingly, **staffing saw minimal changes** with the average full-time employee count declining from 22.1 to 21, and **73% reporting no lay-offs**, likely due to PPP funding. The main change, however, is seen in the 42% of respondents who froze salaries in response to COVID. Despite the pandemic, 21% reported that recruiting new talent became easier.

### Office vs. Work from Home

55% of participants reported working entirely from home and only 9% continued to work fully from the office. Though the pandemic shifted the way we work, **65% indicated no negative client impact with the shift to working from home.**

The effect of work from home on internal teams has not gone unnoticed. 31% believe it has had a moderately negative impact on relationships and morale, while 24% think it has been moderately or significantly positive. Regardless of the internal impact, **39% have hope of returning to comparable pre-COVID office arrangements and 26% expect work from home to continue being their new norm.**

### Travel

Though 73% responded that they eliminated travel and transitioned to remote meetings in response to COVID, **76% expect travel to increase**, though not to the same extent as pre-COVID.

### Services

One positive impact seen is that **35% of firms expanded the services they offer clients.** 23% have moved into new verticals, which lines up with the trend TobinLeff has continued to observe in M&A activity during 2020.

### Future Trends

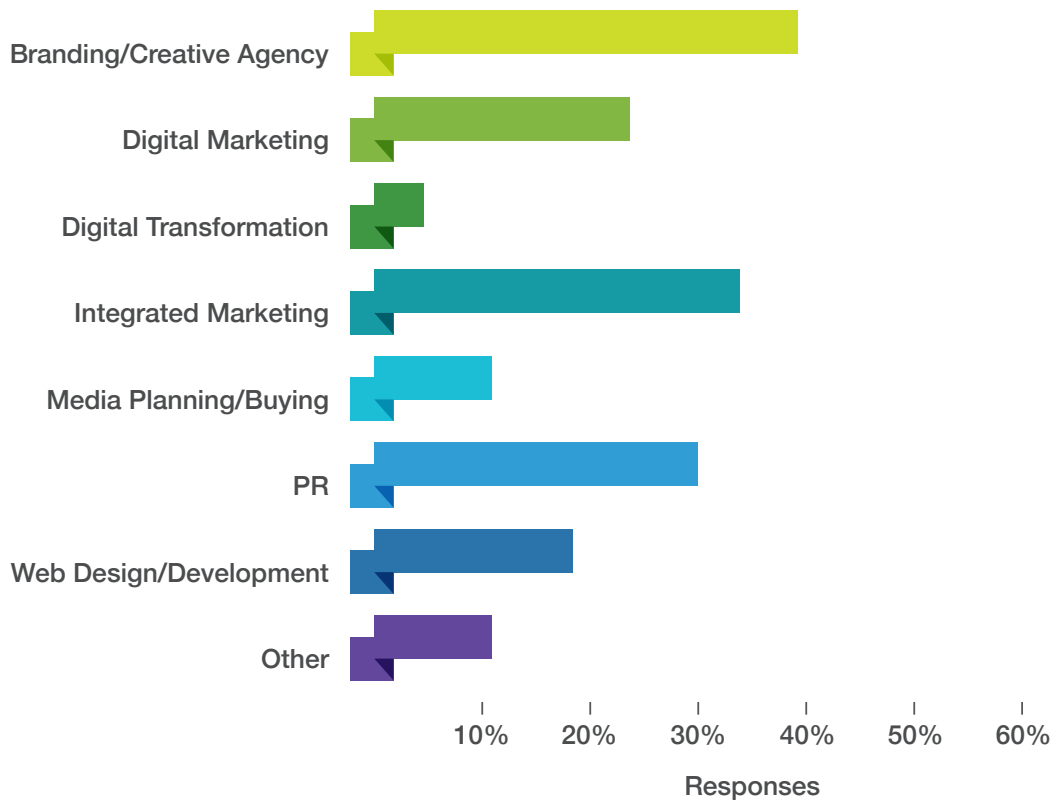
The majority of respondents believe that the worst is behind us, and **31% are more interested in mergers & acquisitions than they were pre-COVID.** In the end, 51% of the participants are optimistic that business will keep improving in the coming 6-12 months.

## DEMOGRAPHIC INFORMATION

■ 110 respondents participated in our survey. Nearly half (41.28%) are from Branding/Creative agencies, followed by Integrated Marketing (33.94%), PR (30.28%), and Digital Marketing (23.85%).

### Type of Firm

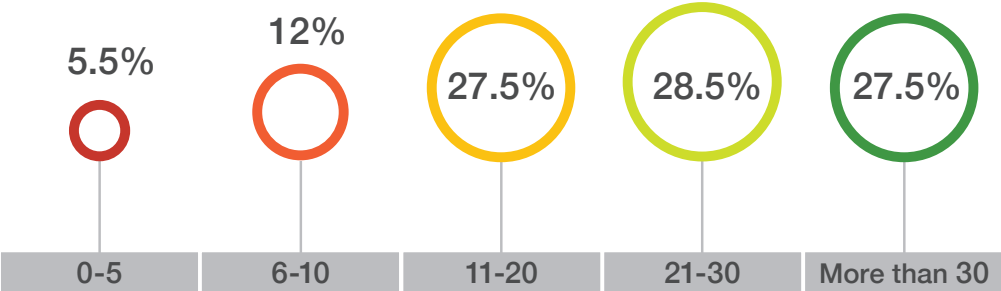
Answer Choices	Responses	
Branding/Creative Agency	41.28%	45
Digital Marketing	23.85%	26
Digital Transformation	4.59%	5
Integrated Marketing	33.94%	37
Media Planning/Buying	11.01%	12
PR	30.28%	33
Web Design/Development	18.35%	20
Other	11.01%	12



Overwhelmingly, respondents are from well-established firms, with 83% in business for more than 10 years.

### Years In Business

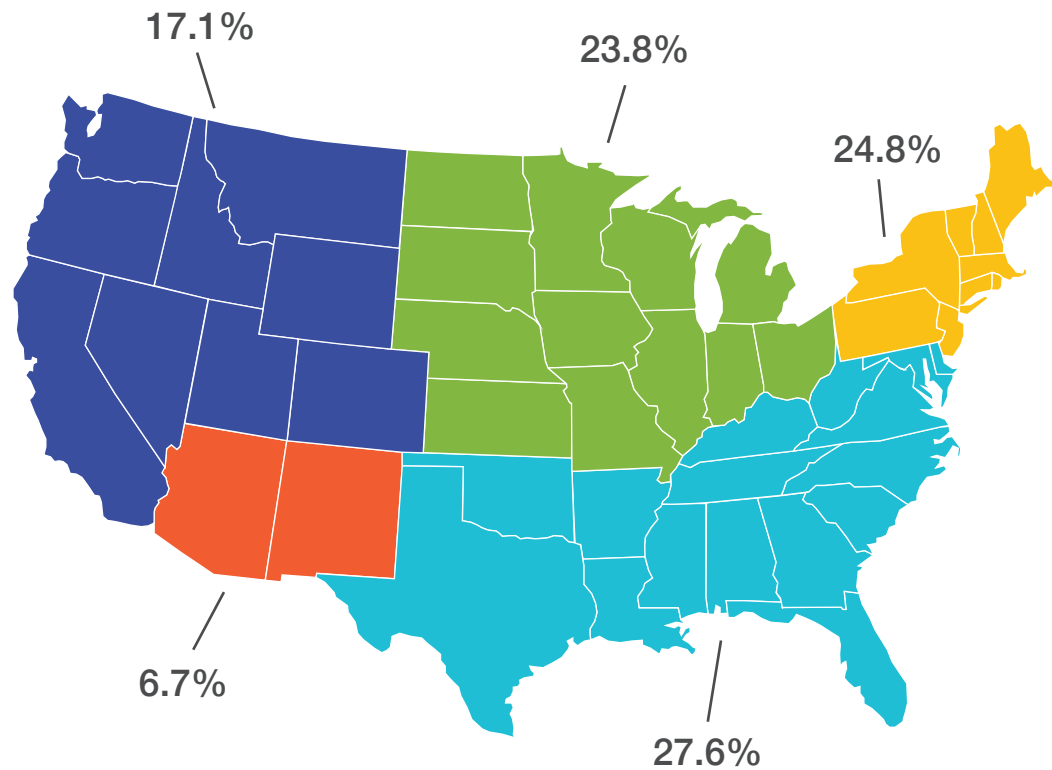
Answer Choices	Responses	
0-5	5.50%	6
6-10	11.93%	13
11-20	27.52%	30
21-30	28.44%	31
More than 30	27.52%	30



■ The Survey represents a truly national cross-section, with roughly equal participation from the Midwest, Northeast, South, and West. Only the Southwest is under-represented at 6.7%.

**Location**

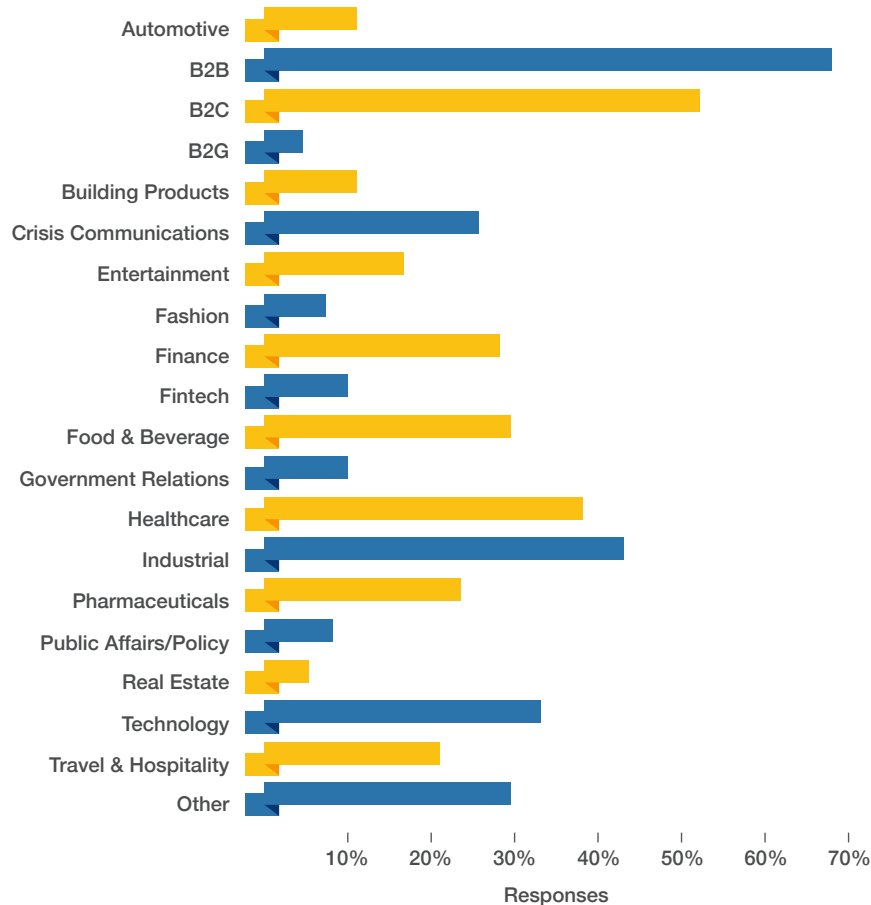
Answer Choices	Responses	
Midwest	23.8%	25
Northeast	24.8%	26
South	27.6%	29
Southwest	6.7%	7
West	17.1%	18



■ Nearly 20% of participants indicate that they work in the B2B space, and just over 50% are in B2C. Of specific industry verticals, Healthcare is the most served at 43.12%, followed by technology at 33.03%. 29.36% have a focus on the notoriously COVID-impacted space of Food & Beverage, followed by 21.10% in Travel & Hospitality.

**Key Verticals (Check all that apply)**

Answer Choices	Responses	Answer Choices	Responses
Automotive	11.01% 12	Food & Beverage	29.36% 32
B2B	68.81% 75	Government Relations	10.09% 11
B2C	52.29% 57	Healthcare	43.12% 47
B2G	4.59% 5	Industrial	23.85% 26
Building Products	11.01% 12	Pharmaceuticals	8.26% 9
Crisis Communications	25.69% 28	Public Affairs/Policy	5.50% 6
Entertainment	16.51% 18	Real Estate	13.76% 15
Fashion	7.34% 8	Technology	33.03% 36
Finance	28.44% 31	Travel & Hospitality	21.10% 23
Fintech	10.09% 11	Other	29.36% 32



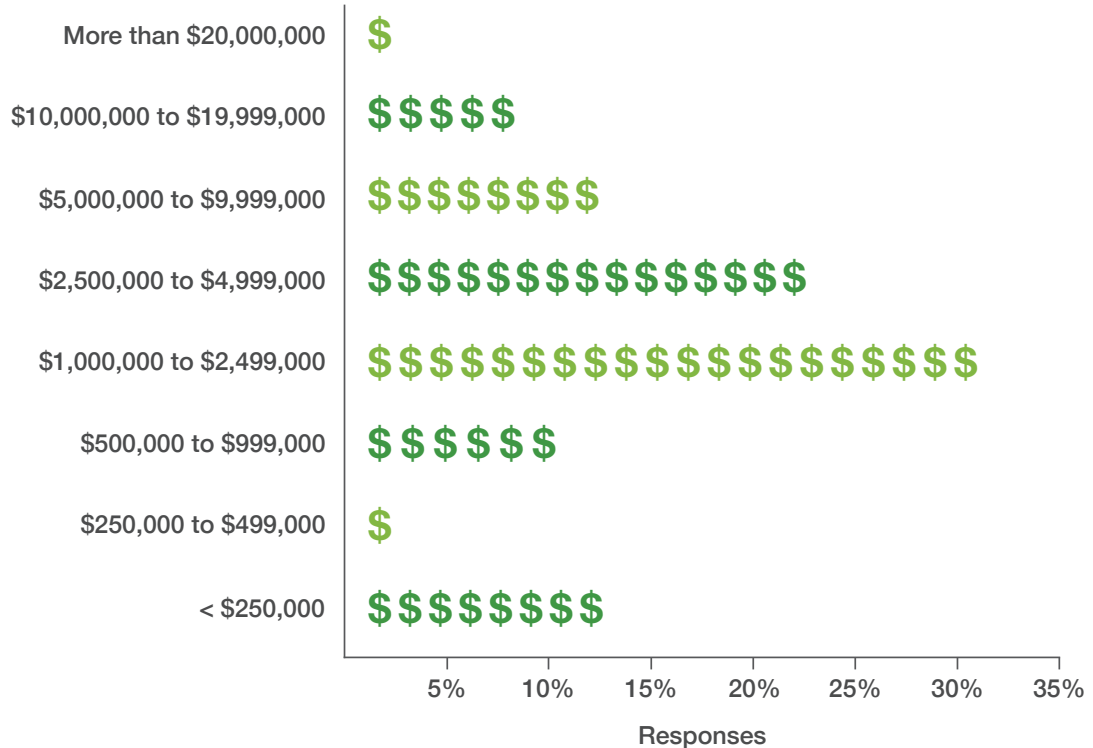


## IMPACT ON FINANCIALS

■ The size sweet spot for 2019 Adjusted Gross Income (Total Operating Revenues minus Direct Client Reimbursements, such as media buys, reimbursed travel, etc.) is \$500,000 to \$10,000,000, with 76% of respondents falling within this range, and roughly half between \$1,000,000 and \$5,000,000. 10% are \$10,000,000 or more.

### 2019 Adjusted Gross Income (Total Operating Revenues minus Direct Client Reimbursements, e.g., media purchases, reimbursed travel, etc.)

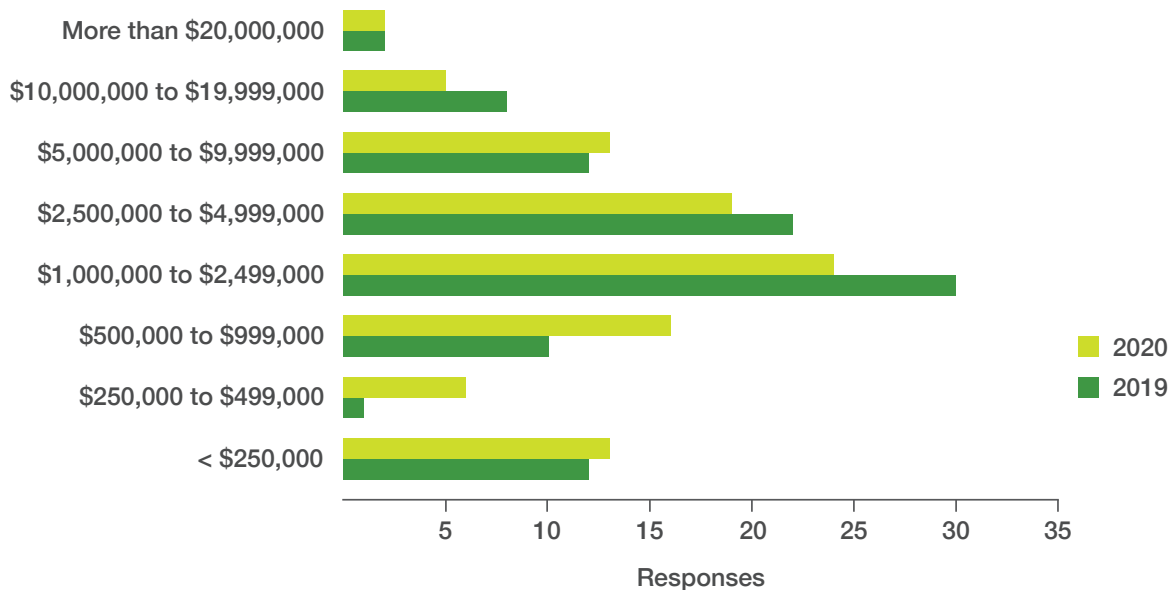
Answer Choices	Responses	
< \$250,000	12.37%	12
\$250,000 to \$499,000	1.03%	1
\$500,000 to \$999,000	10.31%	10
\$1,000,000 to \$2,499,000	30.93%	30
\$2,500,000 to \$4,999,000	22.68%	22
\$5,000,000 to \$9,999,000	12.37%	12
\$10,000,000 to \$19,999,000	8.25%	8
More than \$20,000,000	2.06%	2



■ Although not extreme, there is a suggestion that respondents expect some shrinkage of revenues in 2020. The number that expected AGI of less than \$1 million increased, while those expecting \$1 million or greater decreased.

**Projected 2020 Adjusted Gross Income (Total Operating Revenues minus Direct Client Reimbursements, e.g., media purchases, reimbursed travel, etc.)**

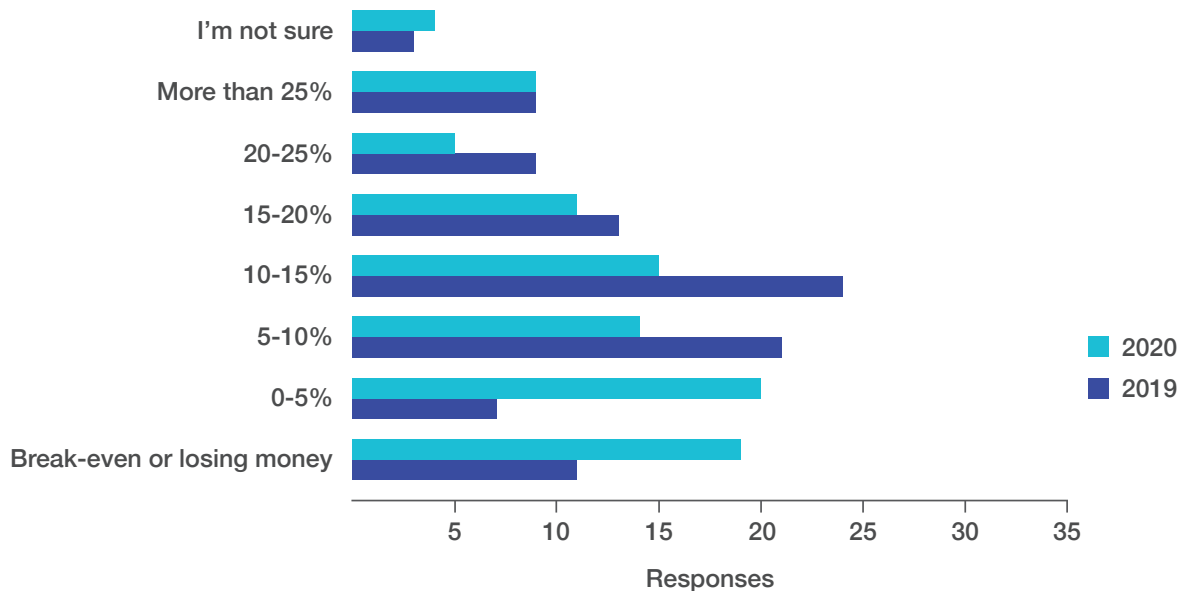
Answer Choices	Responses	
	2019	2020
< \$250,000	12	13
\$250,000 to \$499,000	1	6
\$500,000 to \$999,000	10	16
\$1,000,000 to \$2,499,000	30	24
\$2,500,000 to \$4,999,000	22	18
\$5,000,000 to \$9,999,000	12	13
\$10,000,000 to \$19,999,000	8	5
More than \$20,000,000	2	2



■ The anticipated impact of COVID on Net Profits is much more striking than on AGI. In 2019, 11% of respondents report a break-even or loss for Net Profit Margin (Net Income as a percentage of Adjusted Gross Income) after fair market salaries for all major owners, and 7% report a Net Profit Margin of 5% or less. For 2020, these anticipated outcomes increase to 20% projecting break-even or loss, and 21% projecting less than 5%. Conversely, for every profit range above 5%, the number of owners projecting that level of Net Income decreases, with one exception. There is no reduction in the number of respondents projecting Net Income in excess of 25% (9%).

**Projected 2020 Net Profit Margin (Net Income as a percentage of Adjusted Gross Income) AFTER fair market salaries for all major owners**

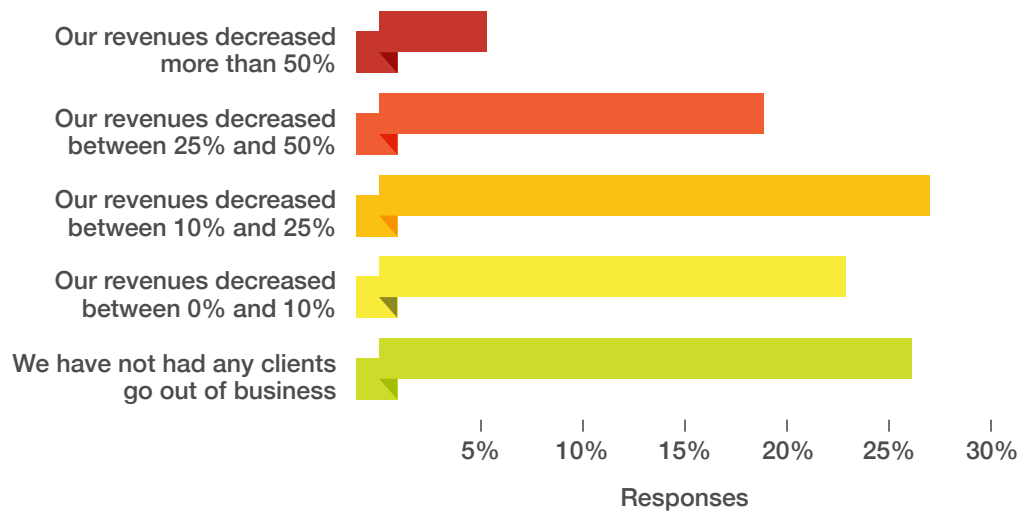
Answer Choices	Responses		
	2019	2020	Difference
Break-even or losing money	11	19	8
0-5%	7	20	13
5-10%	21	14	-7
10-15%	24	15	-9
15-20%	13	11	-2
20-25%	9	5	-4
More than 25%	9	9	0
I'm not sure	3	4	1



■ Somewhat shockingly, 74% indicate that they have clients who have gone out of business as a result of COVID. Fortunately, only 24% have seen revenue declines of more than 25%.

**How have your revenues been impacted by clients reducing their spend with you as a result of COVID-19?**

Answer Choices	Responses	
We have not had any clients go out of business	26.04%	25
Our revenues decreased between 0% and 10%	22.92%	22
Our revenues decreased between 10% and 25%	27.08%	26
Our revenues decreased between 25% and 50%	18.75%	18
Our revenues decreased more than 50%	5.21%	5

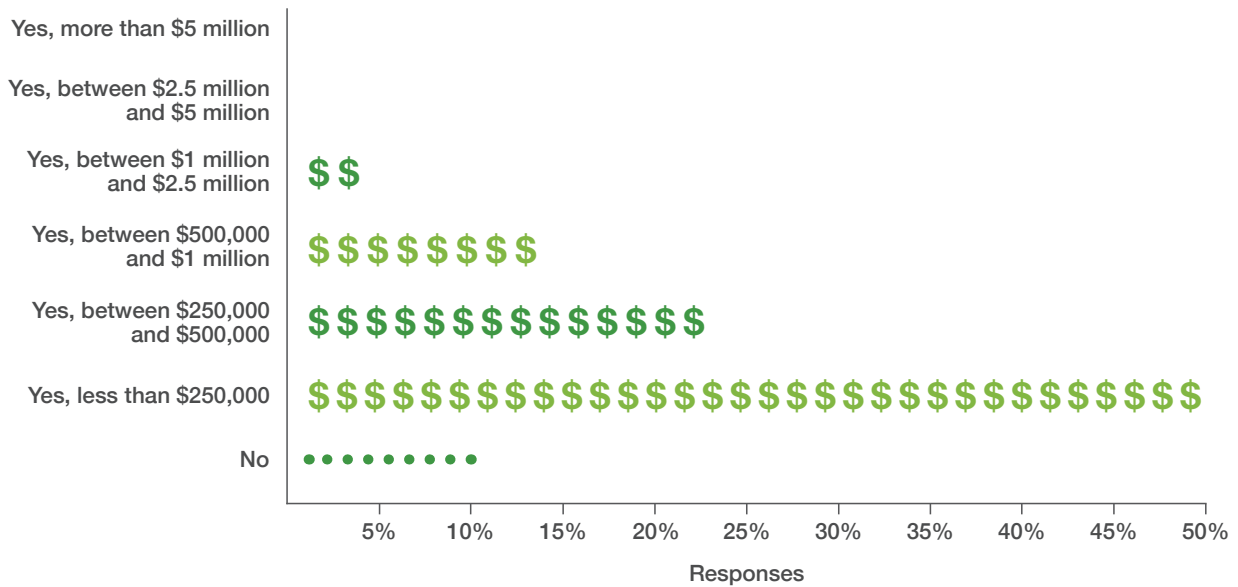


## PPP FUNDING

■ Only 10% of respondents did not receive any PPP funds. Approximately half received less than \$250,000, and none received more than \$2,500,000.

### Did you receive any PPP money?

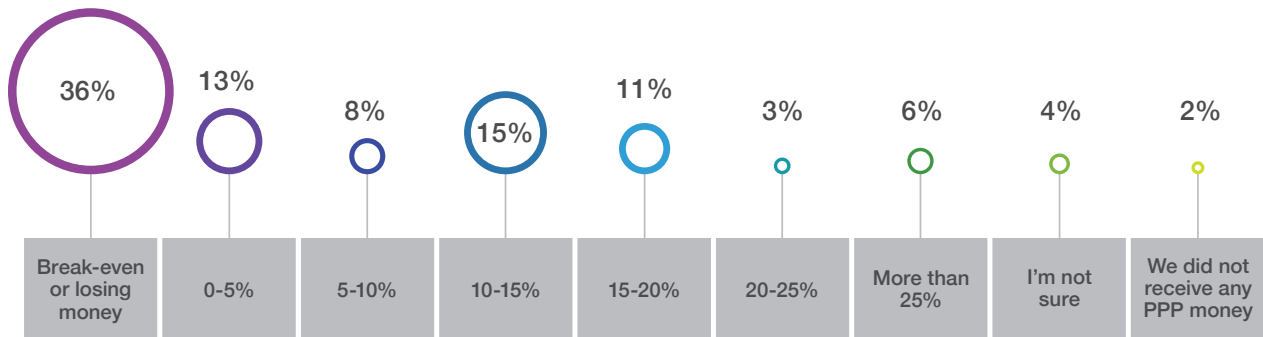
Answer Choices	Responses	
No	10.31%	10
Yes, less than \$250,000	49.48%	48
Yes, between \$250,000 and \$500,000	22.68%	22
Yes, between \$500,000 and \$1 million	13.40%	13
Yes, between \$1 million and \$2.5 million	4.12%	4
Yes, between \$2.5 million and \$5 million	0.00%	0
Yes, more than \$5 million	0.00%	0



■ Significantly, over one-third (36%) believe that they would have ended 2020 with a break-even or loss had they not received PPP funding, and nearly half expect that Net Profit would be less than 5% or a loss without this government assistance.

**Projected 2020 Net Profit Margin without PPP money AFTER fair market salaries for all major owners**

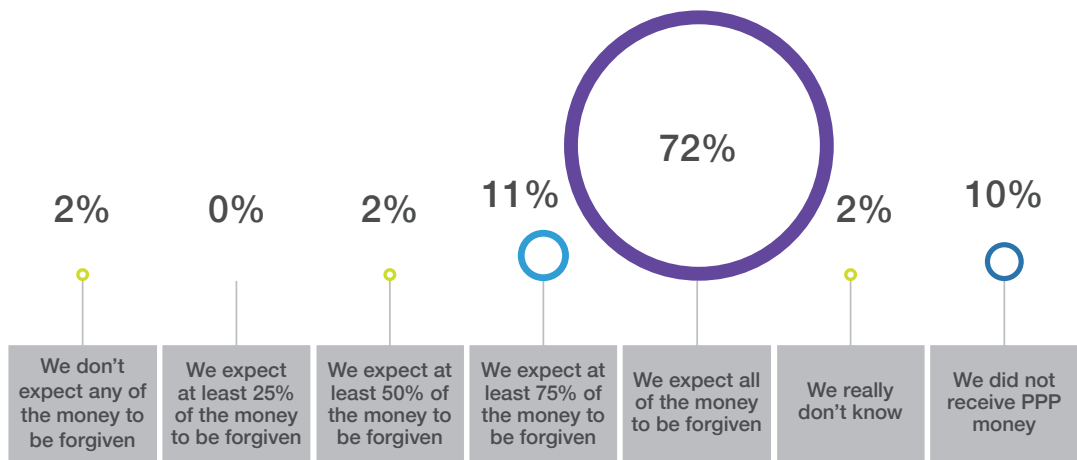
Answer Choices	Responses	
Break-even or losing money	36.08%	35
0-5%	13.40%	13
5-10%	8.25%	8
10-15%	15.46%	15
15-20%	11.34%	11
20-25%	3.09%	3
More than 25%	6.19%	6
I'm not sure	4.12%	4
We did not receive any PPP money	2.06%	2



■ 72% of PPP recipients expect the full amount of their loan to be forgiven. Only 2% expect no forgiveness.

**If you received PPP money, what is your expectation regarding forgiveness of the loan?**

Answer Choices	Responses	
We don't expect any of the money to be forgiven	2.06%	2
We expect at least 25% of the money to be forgiven	0.00%	0
We expect at least 50% of the money to be forgiven	2.06%	2
We expect at least 75% of the money to be forgiven	11.34%	11
We expect all of the money to be forgiven	72.16%	70
We really don't know	2.06%	2
We did not receive PPP money	10.31%	10

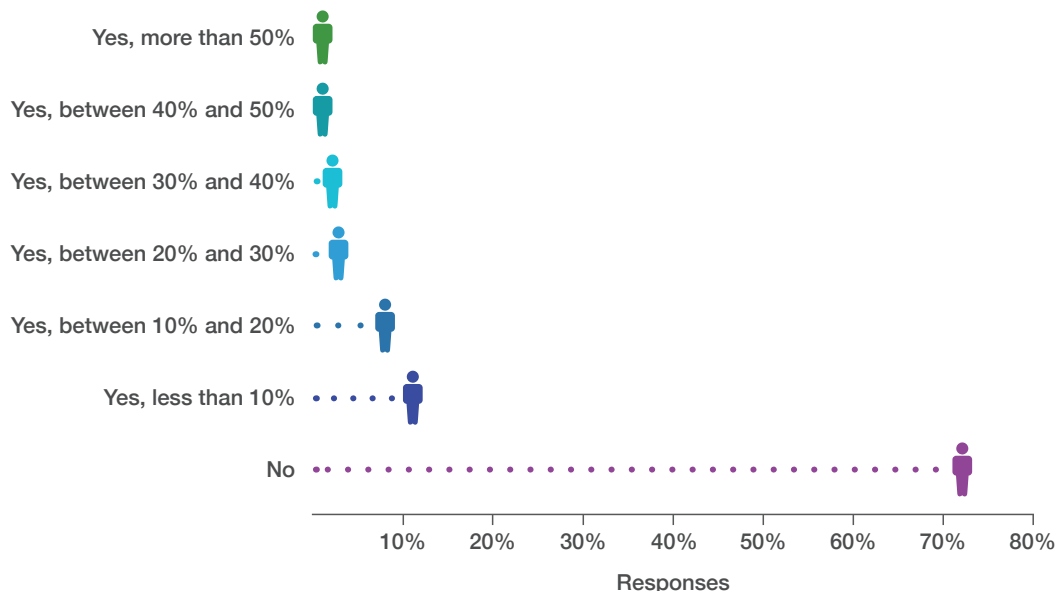


## IMPACT ON STAFFING

■ Respondents indicate surprisingly little impact on staff counts. The average reported number of fulltime employees pre-COVID is 22.1. As of the time of the survey during the pandemic, this number only reduces to 21. Presumably, this hiring stability is due significantly to PPP funding. Consistent with this finding, 73% report no lay-offs, and only 16% report laying off more than 10% of staff.

### Have you laid off any staff as a result of COVID-19?

Answer Choices	Responses	
No	72.92%	70
Yes, less than 10%	11.46%	11
Yes, between 10% and 20%	8.33%	8
Yes, between 20% and 30%	3.13%	3
Yes, between 30% and 40%	2.08%	2
Yes, between 40% and 50%	1.04%	1
Yes, more than 50%	1.04%	1





■ While 42% of respondents have frozen salaries in response to the pandemic, only 28% indicate that they have reduced salaries.

**Have you frozen staff salaries as a result of COVID-19?**

Answer Choices	Froze Salaries	Reduced Salaries
Yes	40	27
No	56	69



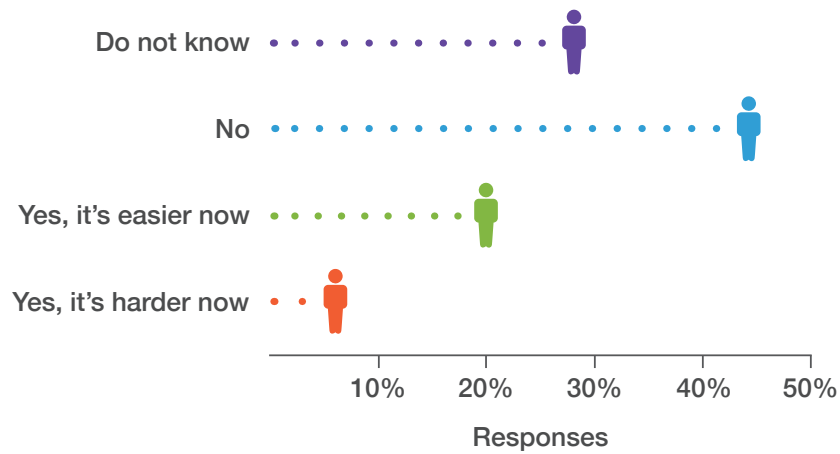
Froze Salaries

Reduced Salaries

■ Talent recruitment does not seem to be a big issue. Only 6% feel that recruiting has grown more difficult, while 21% actually are finding it easier.

### Has the pandemic affected your ability to attract new talent?

Answer Choices	Responses	
Yes, it's harder now	6.25%	6
Yes, it's easier now	20.83%	20
No	44.79%	43
Do not know	28.13%	27

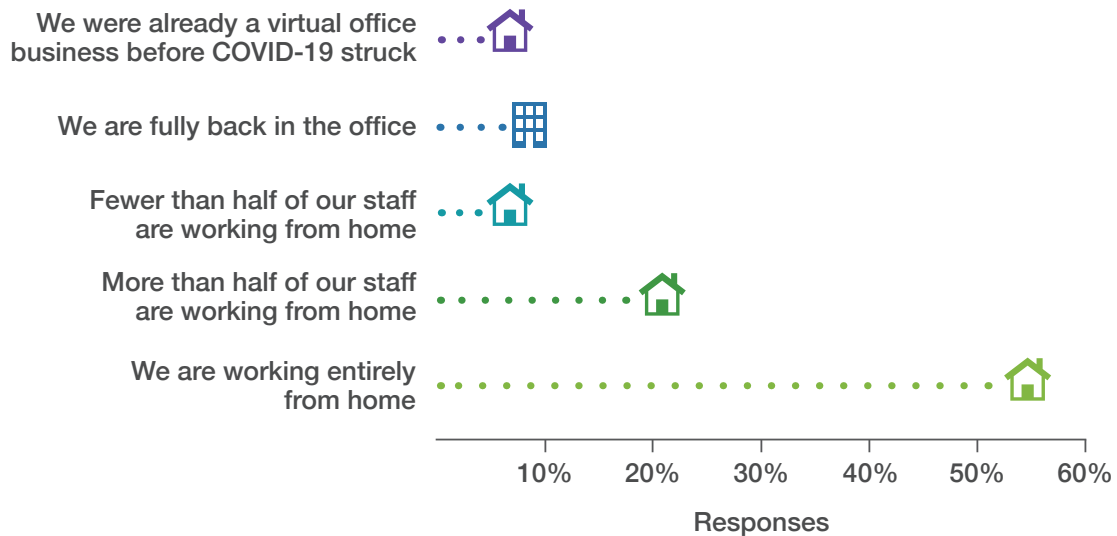


## OFFICE VS. WORK FROM HOME

■ At the time of the survey, over half (55%) of respondents are working entirely from home, with another 21% indicating that more than 50% of their staff are working from home. Only 9% are working fully from the office.

### What is your current office situation?

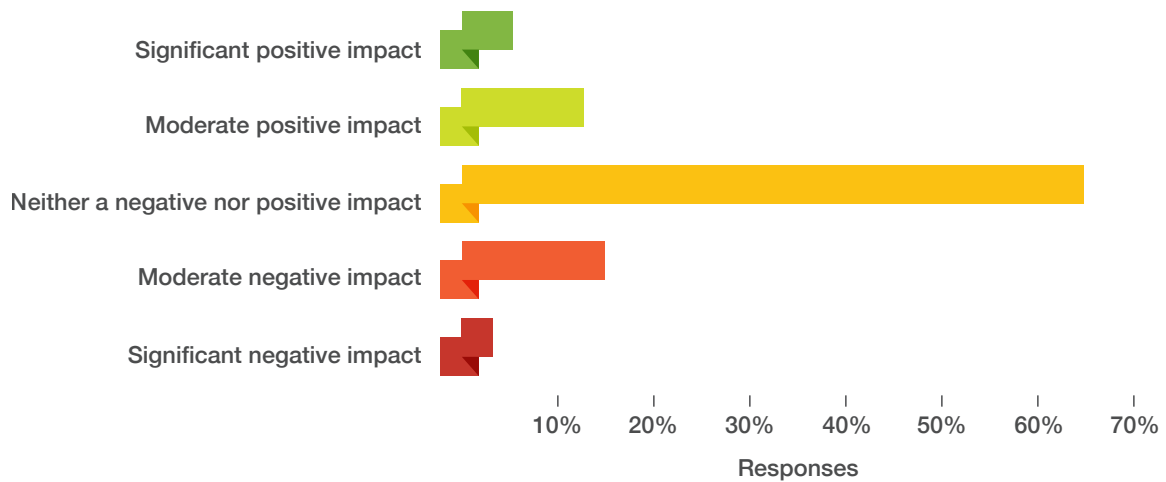
Answer Choices	Responses	
We are working entirely from home	55.21%	53
More than half of our staff are working from home	20.83%	20
Fewer than half of our staff are working from home	7.29%	7
We are fully back in the office	9.38%	9
We were already a virtual office business before COVID-19 struck	7.29%	7



■ A piece of good news is that, of those working from home, 65% report no negative client impact, and 18% believe it has moderately or significantly improved client relationships or service.

### How has work from home impacted client service and relationships?

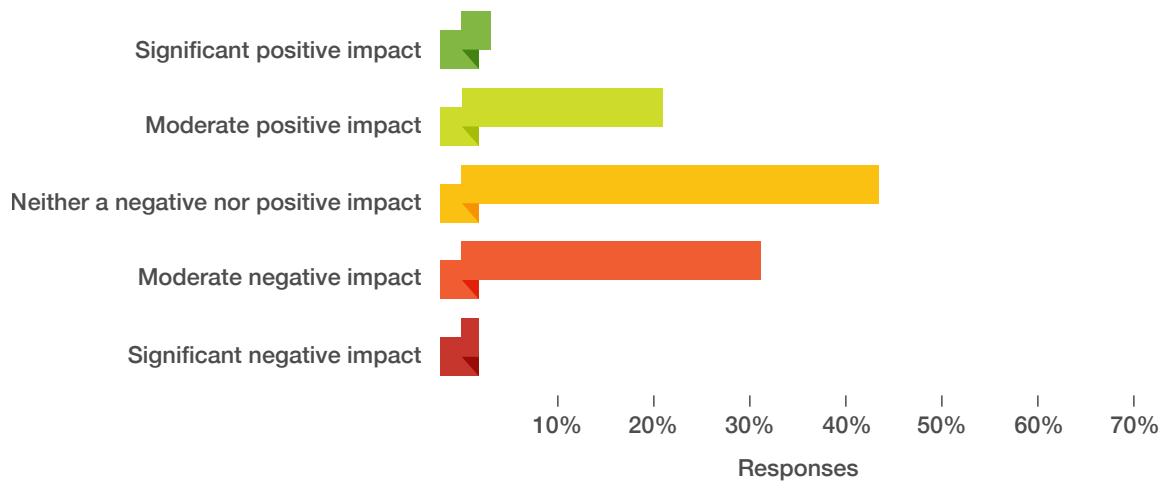
Answer Choices	Responses	
Significant negative impact	3.13%	3
Moderate negative impact	14.58%	14
Neither a negative nor positive impact	64.58%	62
Moderate positive impact	12.50%	12
Significant positive impact	5.21%	5



■ The picture is slightly less rosy when it comes to internal effect. 31% believe that working from home has had a moderately negative impact on staff relationships and morale. While this is more negative than the client impact, the positive side is actually better with 24% believing it has been moderately or significantly positive.

### How has work from home impacted staff relationships and morale?

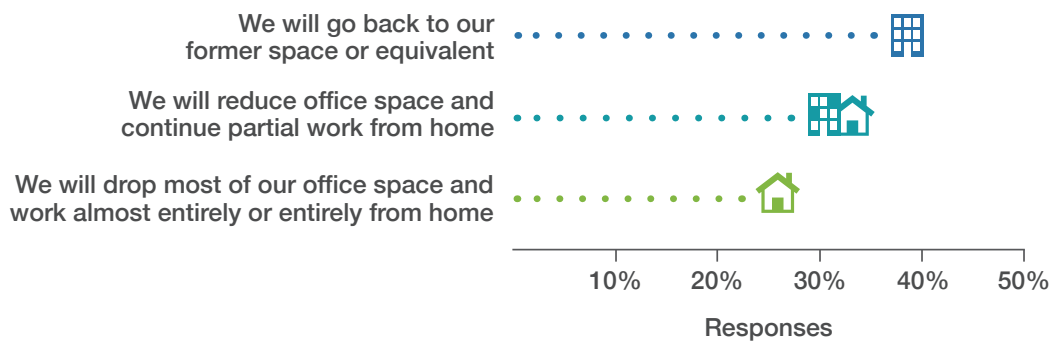
Answer Choices	Responses	
Significant negative impact	1.04%	1
Moderate negative impact	31.25%	30
Neither a negative nor positive impact	43.75%	42
Moderate positive impact	20.83%	20
Significant positive impact	3.13%	3



■ Overall, and not surprisingly, the long-term prospects for centralized offices appear to be changing. Only 39% believe they will return to an office arrangement comparable to what they had pre-COVID, and fully 26% expect to work fully or almost fully from home.

**What do you anticipate will be your office usage after the pandemic?**

Answer Choices	Responses	
We will drop most of our office space and work almost entirely or entirely from home	26.32%	25
We will reduce office space and continue partial work from home	34.74%	33
We will go back to our former space or equivalent	38.95%	37

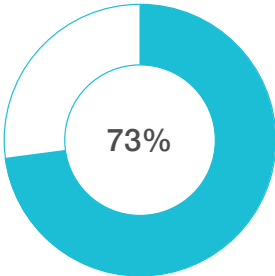


## TRAVEL

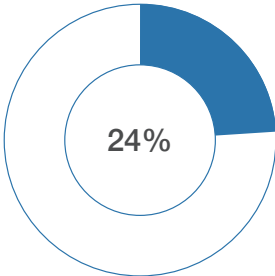
■ 73% of respondents eliminated all travel and moved to a completely virtual meeting framework.

### How has your approach to travel changed?

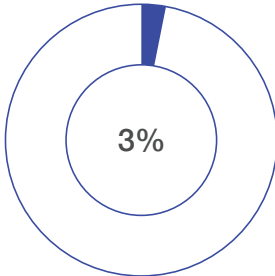
Answer Choices	Responses	
We are not traveling at all and are conducting all meetings virtually	72.92%	70
We are traveling some, but less than pre-COVID	23.96%	23
Our travel is the same as it was pre-COVID	3.13%	3



We are not traveling at all and are conducting all meetings virtually



We are traveling some, but less than pre-COVID

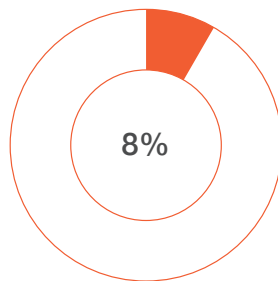


Our travel is the same as it was pre-COVID

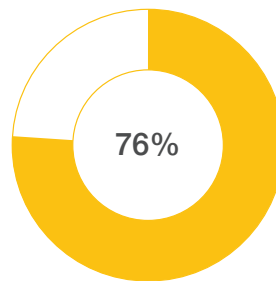
■ Post-COVID, 76% expect travel to increase but not to return to pre-COVID levels. With both office overhead and travel contributing significantly to operating expenses, these long-term changes should enhance future profit margins. On the other hand, those firms focused on the commercial real estate and travel & hospitality spaces may continue to find that their clients’ marketing dollars are held more tightly as those industries struggle. The question, of course, will be whether marketing firms can use the reduced demand and resulting increased competition as an argument for the survivors actually to spend more on marketing in order to compete.

### How will your approach to travel change post-COVID?

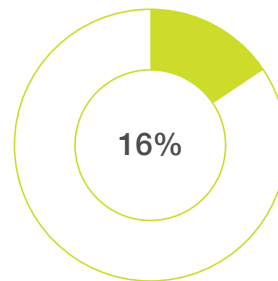
Answer Choices	Responses	
We will not travel at all and will conduct all meetings virtually	8.33%	8
We will travel some, but less than pre-COVID	76.04%	73
Our travel will be the same as it was pre-COVID	15.63%	15



We will not travel at all and will conduct all meetings virtually



We will travel some, but less than pre-COVID



Our travel will be the same as it was pre-COVID

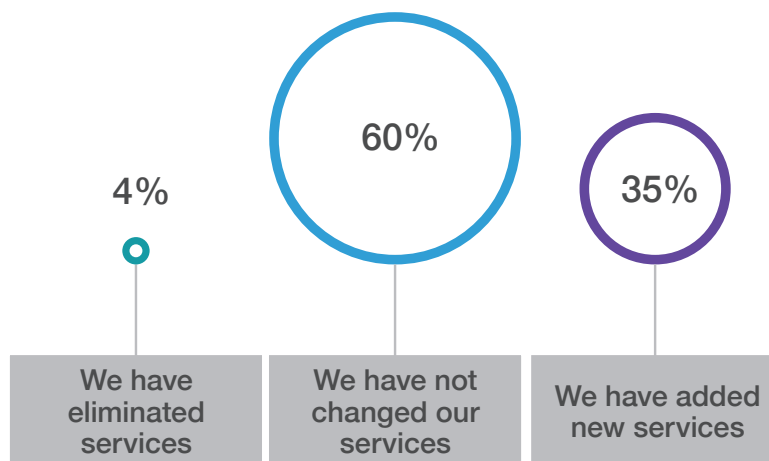


## SERVICES

■ If anything, COVID appears to be a boon to innovation and service offerings among marcomms. While only 4% have eliminated services, more than a third (35%) have responded by expanding what they provide to clients.

### How has the pandemic affected your service offerings?

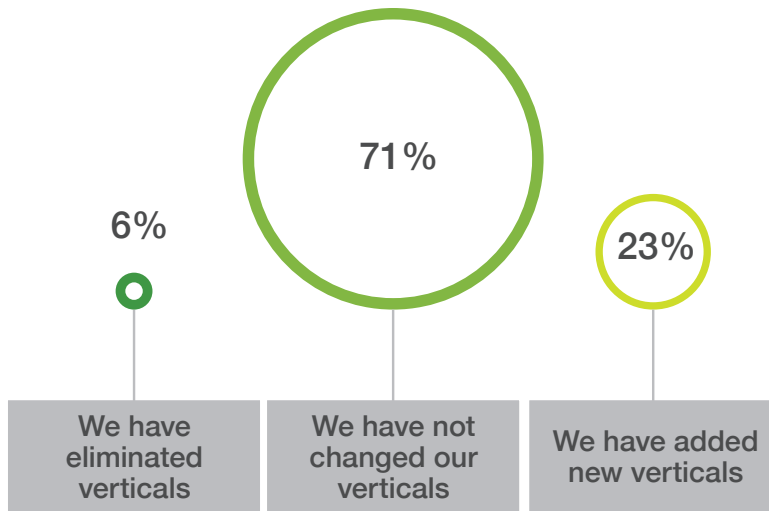
Answer Choices	Responses	
We have eliminated services	4.17%	4
We have not changed our services	60.42%	58
We have added new services	35.42%	34



■ Similarly, 23% have broadened their reach into new verticals, while only 6% have eliminated categories.

**How has the pandemic affected your verticals served?**

Answer Choices	Responses	
We have eliminated verticals	6.25%	6
We have not changed our verticals	70.83%	68
We have added new verticals	22.92%	22

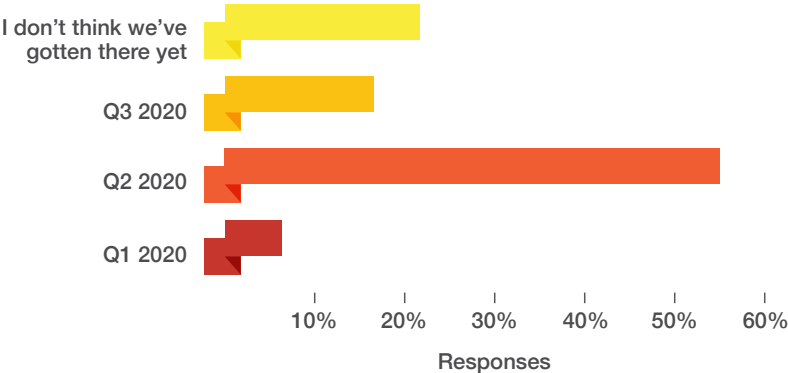


## FUTURE TRENDS

■ The general sentiment is that the worst is behind us. As of Q3 2020, 55% had their worst quarter in Q2, and only 22% feel that the worst is yet to come.

### What has been the most difficult quarter for your business as a result of the pandemic?

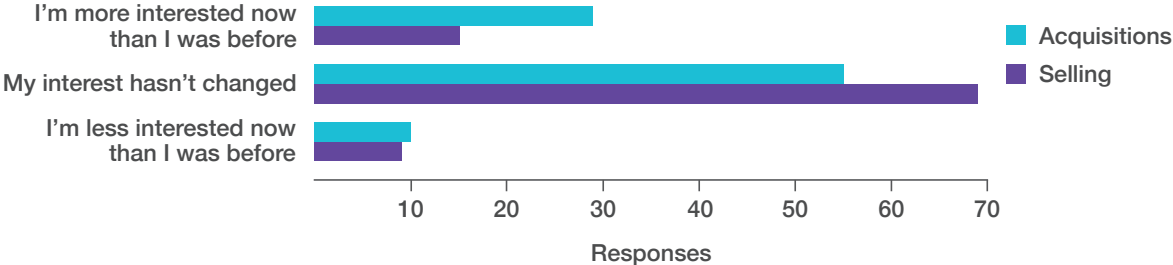
Answer Choices	Responses	
Q1 2020	6.25%	6
Q2 2020	55.21%	53
Q3 2020	16.67%	16
I don't think we've gotten there yet	21.88%	21



■ With adversity comes opportunity. 31% are more interested now in acquiring or merging with another firm than they were pre-COVID. The two biggest reasons given are the desire to increase revenues, and the feeling that there may be a wealth of acquisition opportunities. On the flip side, fewer firms are more interested in selling, with 16% expressing a greater interest now than pre-COVID. For at least some of these, it is because they have had a drop in revenues or profitability and feel the need to wait to rebuild the business before going to market.

### How has the pandemic changed your feeling about selling your firm?

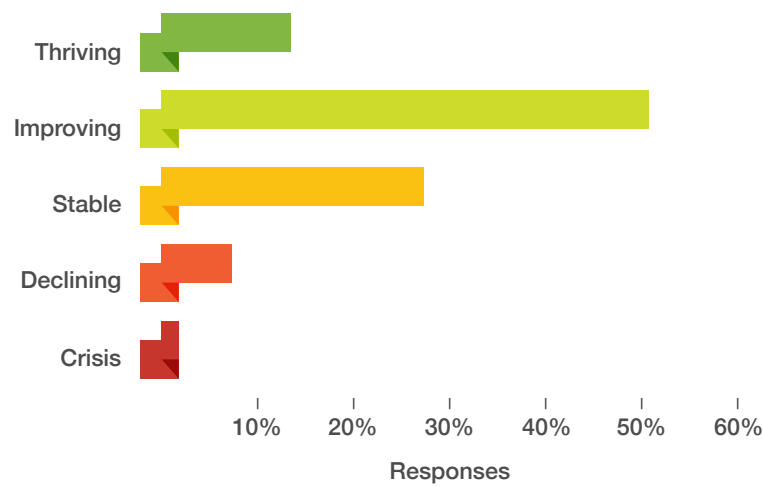
Answer Choices	Acquisitions	Selling
I'm less interested now than I was before	10	9
My interest hasn't changed	55	69
I'm more interested now than I was before	29	15



■ Marketers are an optimistic bunch. 51% look forward to business improving over the next 6-12 months, and 14% expect it to be thriving.

**What is your expectation for your business for the next 6-12 months?**

Answer Choices	Acquisitions	Selling
Crisis	1.05%	1
Declining	7.37%	7
Stable	27.37%	26
Improving	50.53%	48
Thriving	13.68%	13



## About TobinLeff, LLC

TobinLeff is an M&A advisory and exit planning consulting firm that helps owners of marketing, advertising, PR, digital, IT, and related companies build and monetize business value. On the build side, we:

- Craft Value Enhancement Plans
- Deliver strategic consulting and implementation services
- Provide M&A services to source, structure, negotiate, and help close acquisitions and acquihires

To help clients convert business value into personal wealth, we:

- Craft Exit Plans
- Design and implement Management Buy-Out Plans
- Provide M&A services to source, structure, negotiate, and help close sales of client companies to outside buyers, private equity groups, and internal partners or management teams

With over a decade of service, we have assisted more than 135 owners with exit planning solutions and M&A transactions to buy and sell companies. All but one of our partners have owned marketing agencies. We are based in Pittsburgh, with partners in New York, Orange County, and North Carolina.

Please visit our website at [www.tobinleff.com](http://www.tobinleff.com) for additional information and case studies.

**Contacts:**

**Scott Leff**

sleff@tobinleff.com

412-515-0120, ext. 102

**David Tobin**

dtobin@tobinleff.com

412-418-1231