



Digital Agencies & AI

Expectations, adoption rates, and impact.

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SECTION 01

Introduction

89% of digital agencies are building AI into their workflows.

The artificial intelligence wave that's gripping the business world has taken an especially interesting hold on digital agencies. We asked 268 agency leaders across three surveys about their thoughts on AI and to detail how they're implementing the tech in their agencies. There's a lot of promise wrapped up in this tech and agency leaders have equally high expectations.

Agency leaders who run higher-performing agencies tend to view AI more positively. They have the luxury of experimentation. Their teams are encouraged to try new AI tools, and they're uncovering novel ways to build it into their workflows. As the tech evolves, those agencies are able to learn and share more quickly. This virtuous education cycle is leading to greater familiarity and more positive expectations.

There's still hope for agencies further behind on the AI curve. Only one in five shops have any kind of structured learning process in place. There's plenty of time to build these processes into your shop's DNA. Just a bit of structure goes a long way in closing this education gap.

For those who can identify and integrate AI into their agencies, the potential benefits to productivity, margins, and, to a lesser extent, growth appear to be monumental. Realized productivity gains of 0-49% are common, even in these early stages. If this matures into average productivity gains of 25-49%, it implies a net margin of 36% for the standard agency. It's difficult to overstate the potential gains to agency valuations from AI, even if the only gains are what we've already observed.

About The Author

[Nicholas Petroski](#) is the founder of Promethean Research.

Since 2015, he has helped over 100 digital agency owners better understand their industry and chart more effective paths to success.

Prior to cofounding Promethean, Nick worked as an equity analyst at a Wall Street firm where he covered the enterprise software and semiconductor industries.

When he's not in the office, you can find him backpacking around the Midwest or making elaborate firewood in his woodshop.



Contributing Agency Leaders

In addition to our surveys and interviews, we invited five agency leaders who are doing amazing things with AI to share their perspectives on this transformative trend.

They include:

Sarah O’Keefe, the CEO of Scriptorium

Adam Kurzawa, the head of Partner Development at ExpandTheRoom

JP Holecka, the CEO POWER SHIFTER Digital

Dale Bertrand, the President of Fire&Spark

Wayne Pelletier, the Owner, Resonant Pixel Co.



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SECTION 02

Expectations & Adoption

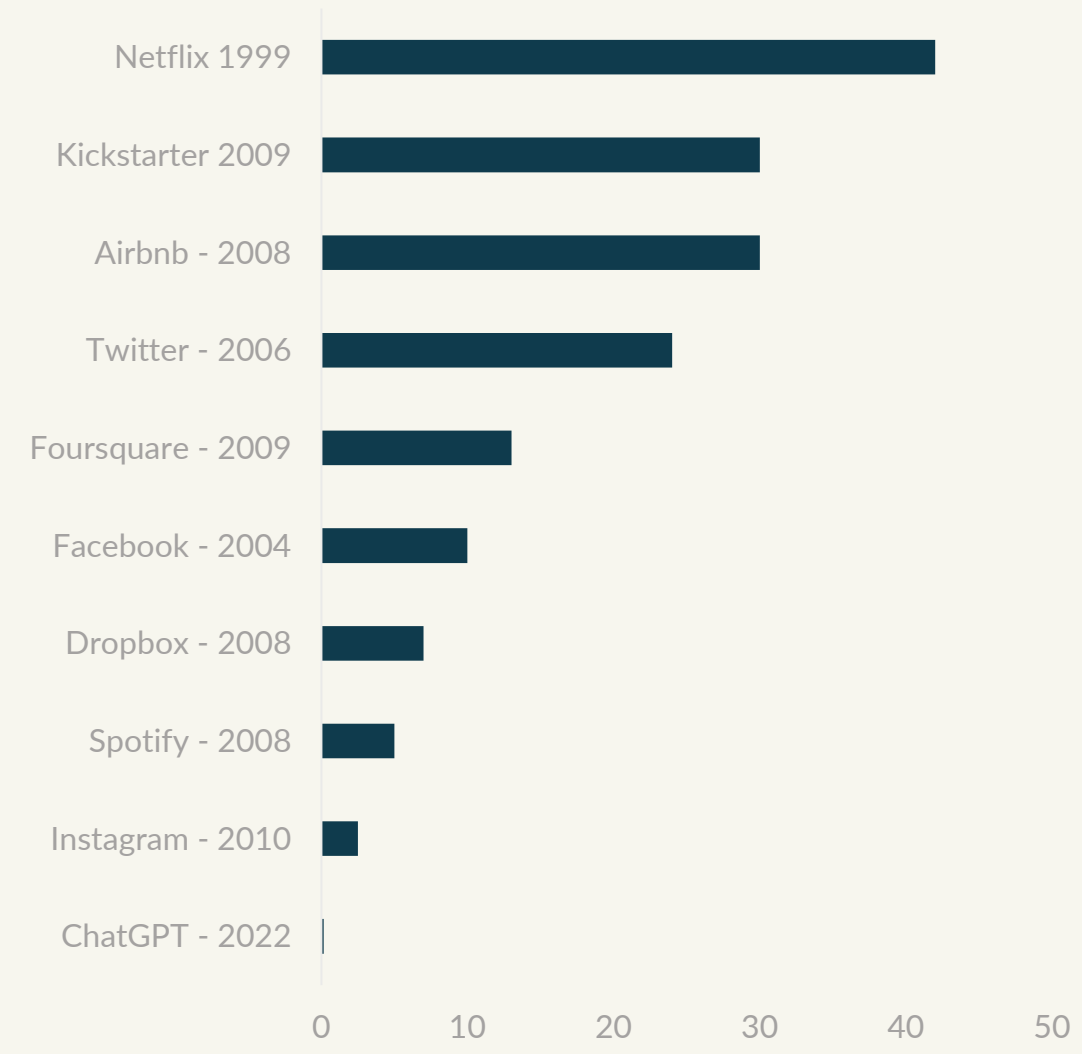
Agencies Have Adopted AI Tech Incredibly Quickly

Since its launch in November of 2022, ChatGPT has been one of the fastest-growing applications ever. It took only 5 days to reach 1M users. Faster than any consumer app that came before it. Its growth in the digital agency space has also been nothing short of astounding.

In our first survey in January 2023 that included an AI component, we found that 54% of the agency leaders who responded had already begun experimenting with AI in their agency. Three months later, the number of agencies planning or using AI had jumped to 89%.

89% of digital agencies are now planning or using AI

Adoption Rate in Months to Reach 1M Users



Source: Promethean Research – Company Filings & Announcements

Expectations are Rising

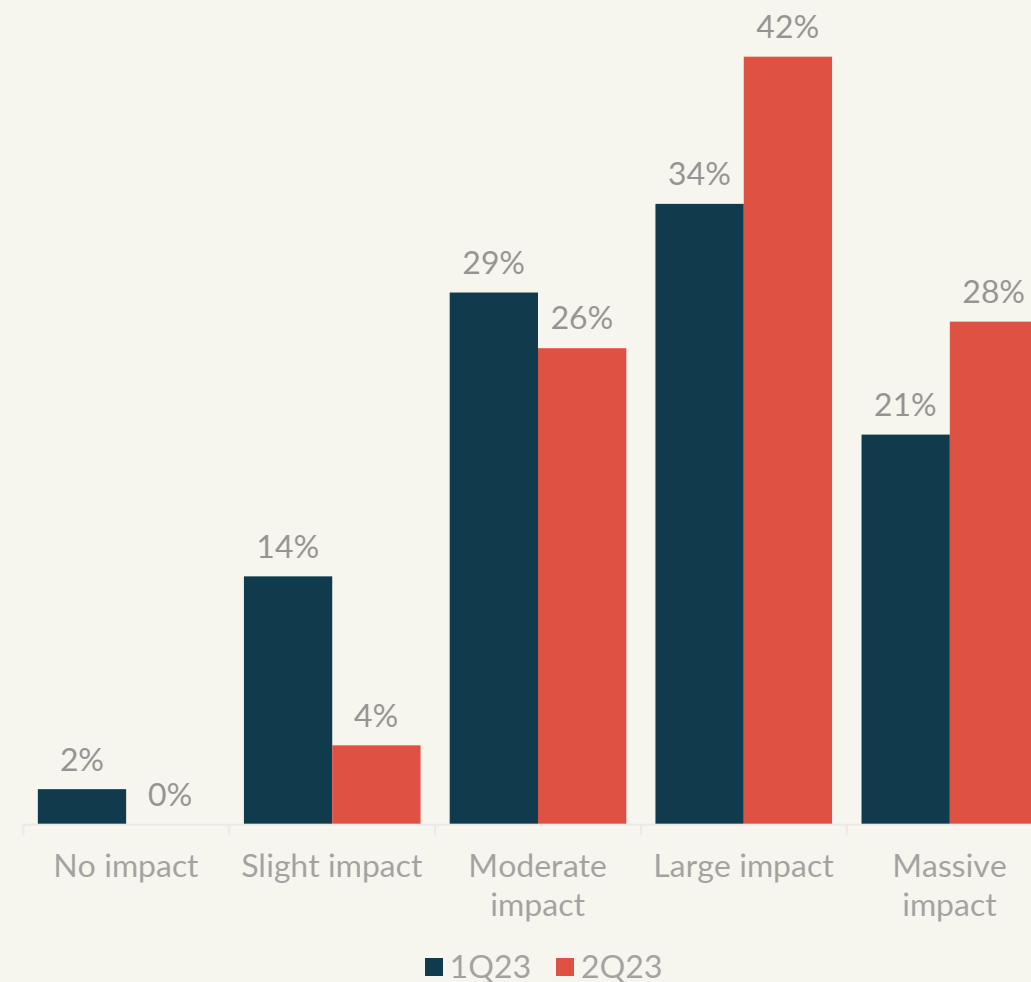
Owner opinions are shifting. In our April survey, 55% of the respondents expected AI to have a large or massive impact on their agencies over the next 2-3 years. In our July survey, this jumped to 70%.

Agency owners who are expecting more significant impacts from AI typically report better metrics. They tend to have lower involuntary employee turnover, higher Rev/FTE, faster revenue growth, higher profit margins, and they charge higher hourly rates.

As tools mature and leaders begin to realize productivity benefits, their expectations for the impact that AI will have on their agency are growing.

70% of digital agency leaders expect AI to have a large or massive impact on their agency

“How big of an impact will artificial intelligence have on your agency over the next 2-3 years?”



Source: Promethean Research – State of Digital Services Survey | Digital Agencies & AI Survey

Sarah's Perspective on The Impact and Adoption of AI

We anticipate using AI as a component of the content systems we are building for our customers. AI is helpful in ensuring compliance with style guides and adherence to coding standards.

Many technical documents are subject to compliance and regulatory requirements. Delivering a document that is inaccurate can result in fines or delays in market approval. For products that have health and safety risks, problems in the content could result in injury or even death. As a result, technical communication will be slow to adopt generative AI to create content.

However, a private language model that builds on reviewed, approved content to summarize or recast information is of interest to many product content organizations.

I expect the AI wave to mirror the rise of machine translation. MT is heavily used for gisting and quick summaries where the stakes are lower. For regulated and high-stakes content, MT is combined with review and post-editing by translation professionals.

[Sarah O'Keefe](#)
[CEO, Scriptorium](#)

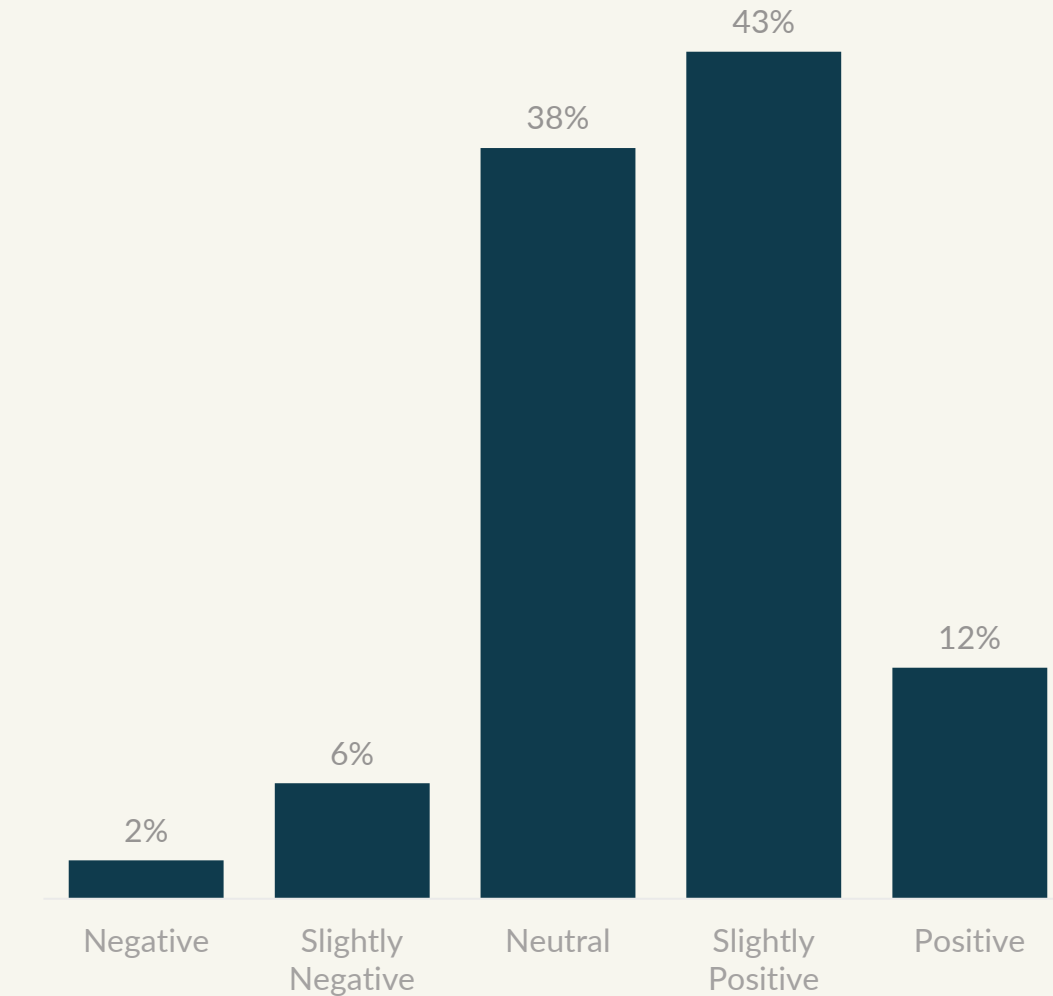


Higher Performers Have More Positive Expectations

It's not just the size of AI's impact that correlates with better agency metrics, those anticipating positive impacts from AI tend to fare better. They generally experience lower involuntary employee turnover, faster revenue growth, higher margins, and higher utilization rates.

This suggests that those expecting significant positive transformations from AI are running agencies that are operating at more advanced levels.

“Will AI Have a More Positive or Negative Impact on Your Agency?”



Source: Promethean Research – State of Digital Services Survey

Familiarity Leads to Greater and More Positive Expectations

Agency leaders who rated themselves and their teams as more familiar with what's possible with AI, also expect AI to have a more massive impact on their agency over the next 2-3 years. Those that were less familiar are expecting more moderate impacts.

This underscores the importance of education within the digital agency space. Ensuring that leaders and their teams are on the same page about AI's capabilities could be a critical factor in unlocking its potential.

That need for education becomes even more important when we take into account the strategic implications. The more informed a team is, the higher the chance they'll come across tools and workflows that allow them to do more and/or better work than other agencies. We'll explore the exact financial impacts of this later, but for now we can assume these improvements can lead to lower overall costs for the more aware agencies.

This gives those agency leaders some interesting options:

- They could simply enjoy the higher margins and take larger draws.
- They could reinvest the higher margins back into revgen activities to grow the agency more quickly.
- They could sacrifice the margin gain to lower prices to grow their client base.
- They could reinvest the gains in their team to increase their average talent level and thus charge higher prices.

Those options are where the real value of this shift lies. As agencies begin to realize these benefits, they'll be better positioned to react to shifts in their operating environments. Beyond reducing their risk and increasing their longevity, this should also increase the value of those more advanced agencies.



“Working with Promethean was the most impactful decision we’ve made in the ten years since I started RocketBike.”

Max Greenhood
Founder & CEO, RocketBike

[More info on how we help digital agencies succeed](#)

SECTION 03

Awareness & Readiness

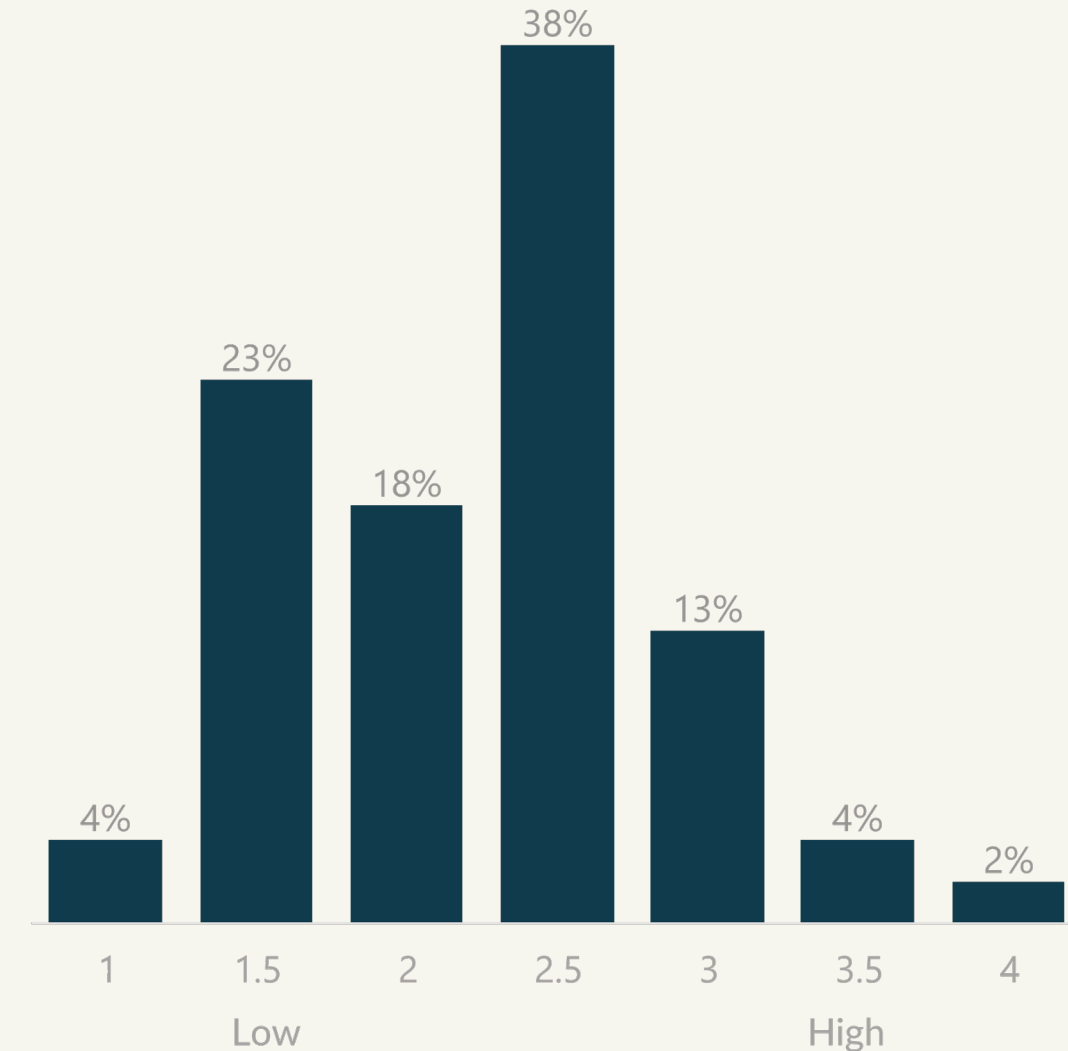
Leaders Believe Their Own Agency is Less Aware Than the Average Agency

We scored each respondent based on how familiar they were and how familiar their team was in regards to what's possible with AI. Potential scores range from 1 to 4, with a midpoint of 2.5. A 1 indicates they were generally unaware of what's possible with AI tools today, and a 4 indicates that they are highly aware of what's possible with AI.

The average agency scored 2.2. This suggests that most agency leaders perceive themselves and their teams as being slightly below average in their understanding of AI's potential. With the firehose of new AI information coming out daily, it's easy for agency leaders to feel like they're not as up-to-date as they should be.

The varied responses further highlight the knowledge gap present in the marketplace. This could help explain the mixed adoption rates and strategic approaches we're seeing across agencies.

Agency AI Awareness Score Distribution

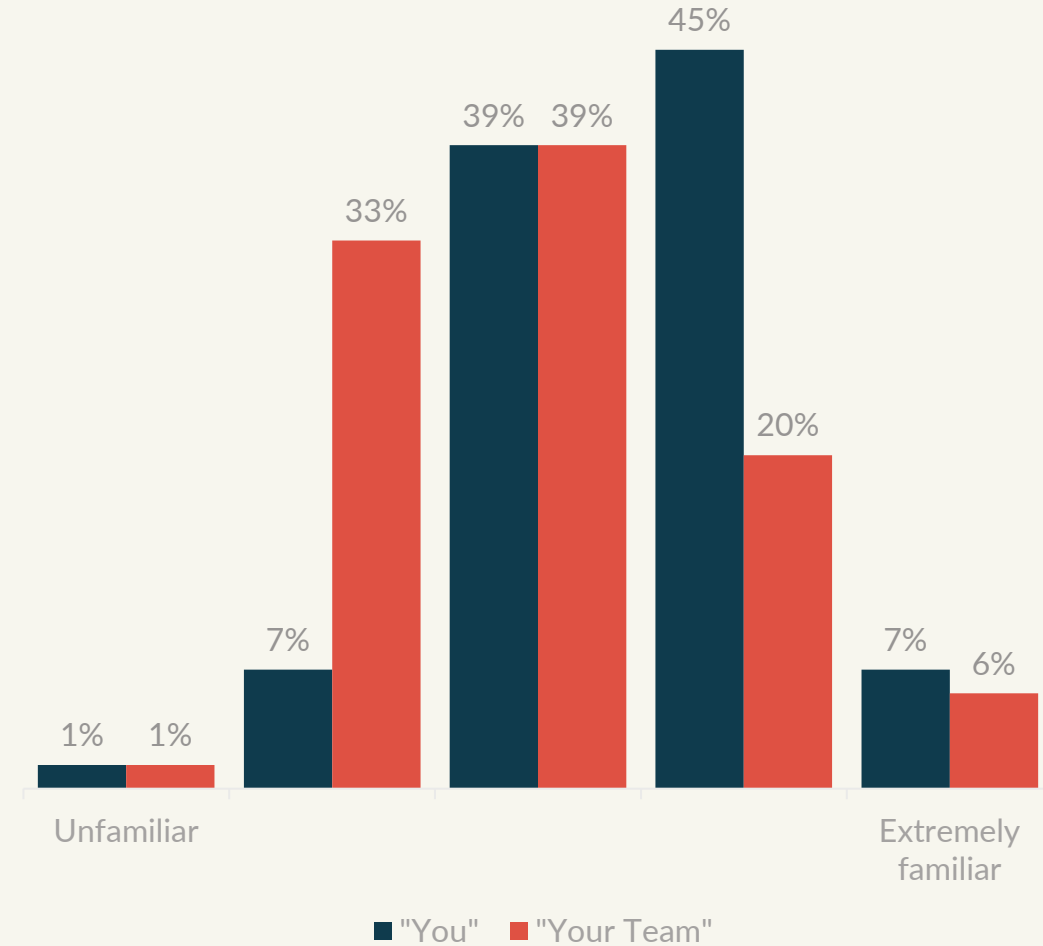


Source: Promethean Research – Digital Agencies & AI Survey

Leaders Say They're More Aware Than Their Team

Most agency leaders in our survey reported they were more familiar with what's possible with AI tools today than their team was. This presents an interesting challenge for digital shops as successfully implementing these tools requires buy-in and understanding from front-line team members. We're seeing the bulk of the process innovation from those implementing the tools. They tend to know their processes best and are more able to spot improvement points that can be addressed with AI. Increasing their understanding of what's possible with AI tools today can significantly impact an agency's ability to identify and integrate them.

"How familiar are you with what's possible with AI tools today?"



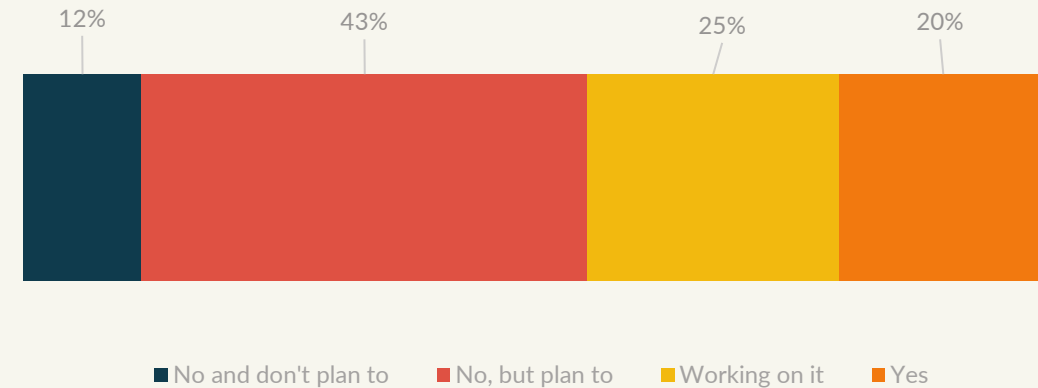
Source: Promethean Research – Digital Agencies & AI Survey

Structuring Agency Education

Only a fifth of the agency owners surveyed had a formalized structure for regularly keeping teammates updated on AI developments. If it turns out that owners actually are more informed, establishing a standardized way to share new information on these trends could go a long way in shrinking the knowledge gap. Even if they aren't, a structured way to share knowledge across an agency can be incredibly helpful. These could include show-and-tell style meetings where team members can give a quick intro to a topic of interest, dedicated Slack channels to discuss new industry developments, and a curated list of resources that are available to employees. Whatever form it takes, agencies that install some kind of structured updates and learning will develop teams that are better able to evaluate and integrate new tech like AI.

20% of digital agencies have any kind of structured education in place to keep their team updated on AI

Presence of a Formalized Structure for Regularly Keeping Agency Teams Updated on AI



Source: Promethean Research – Digital Agencies & AI Survey

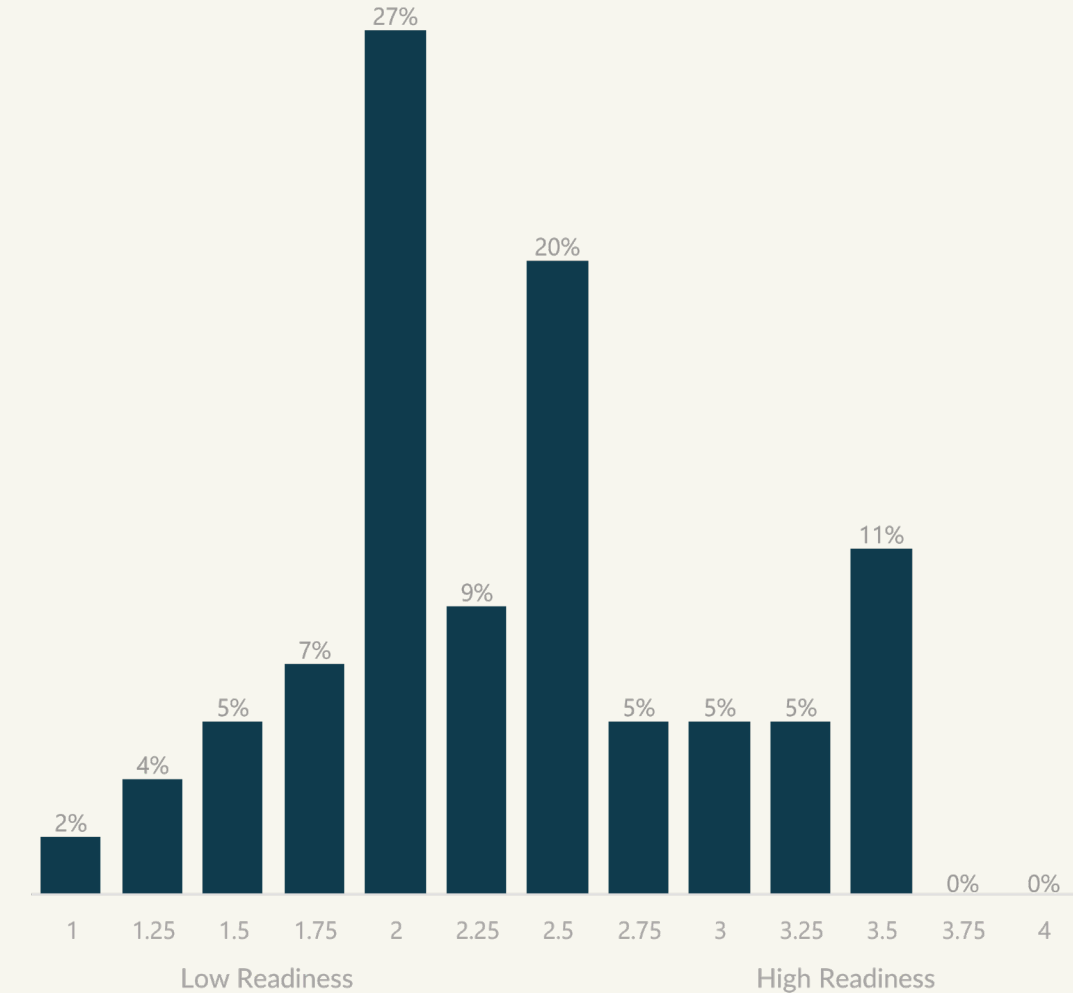
Agency Readiness Level (ARL)

Our “Agency Readiness Level” (ARL) is based on how far along shops are in implementing their AI strategy, their communication with teammates on AI policies, how well they stay updated on AI, and their communication with clients on their use of AI in client work. Values range from a low of 1 to a high of 4.

The average ARL for shops in our survey was 2.4, which indicates that most respondents were either in the process of developing or already working on implementing their AI strategies.

Many agency leaders have taken a cautious approach to AI, electing to let the tools develop more before integrating them into their workflows. We expect to see the industry’s average ARL rise as agencies get more concrete data on their experiments and as the industry gets more clarity around AI use on client work.

Digital Agency Readiness Level Scores



Source: Promethean Research – Digital Agencies & AI Survey

SECTION 04

Implementation Progress

Agencies Have Adopted AI Tech Incredibly Quickly

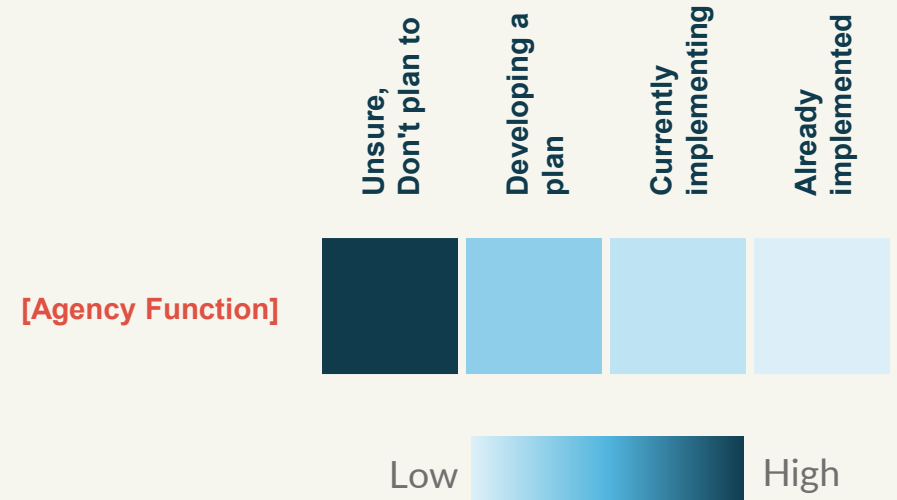
The following heatmaps display the percentage of responses we received for each stage of AI tool implementation for different agency functions.

Revenue Generation (Account Management, Sales, and Marketing)

Value Delivery (Coding, Design, Marketing, Copywriting, and Video Creation)

Agency Operations (Project Management, Accounting / Finance, Human Resources, and Culture)

The darker the square's color, the more agencies reported being at that particular **implementation stage** for a given **agency function**.



Revenue Generation

Some of the most common early use cases for AI at digital agencies were in revenue generation areas. Further automating things like sales outreach, social media content creation, and SEO content. We see this represented in our surveys, with most shops being farther along in their implementation process for internal marketing, somewhat less so for sales, and with the majority still in the early stages in account management. Rather than representing any kind of strategic prioritization, this variation in adoption is likely due to the availability of tools for specific functions.

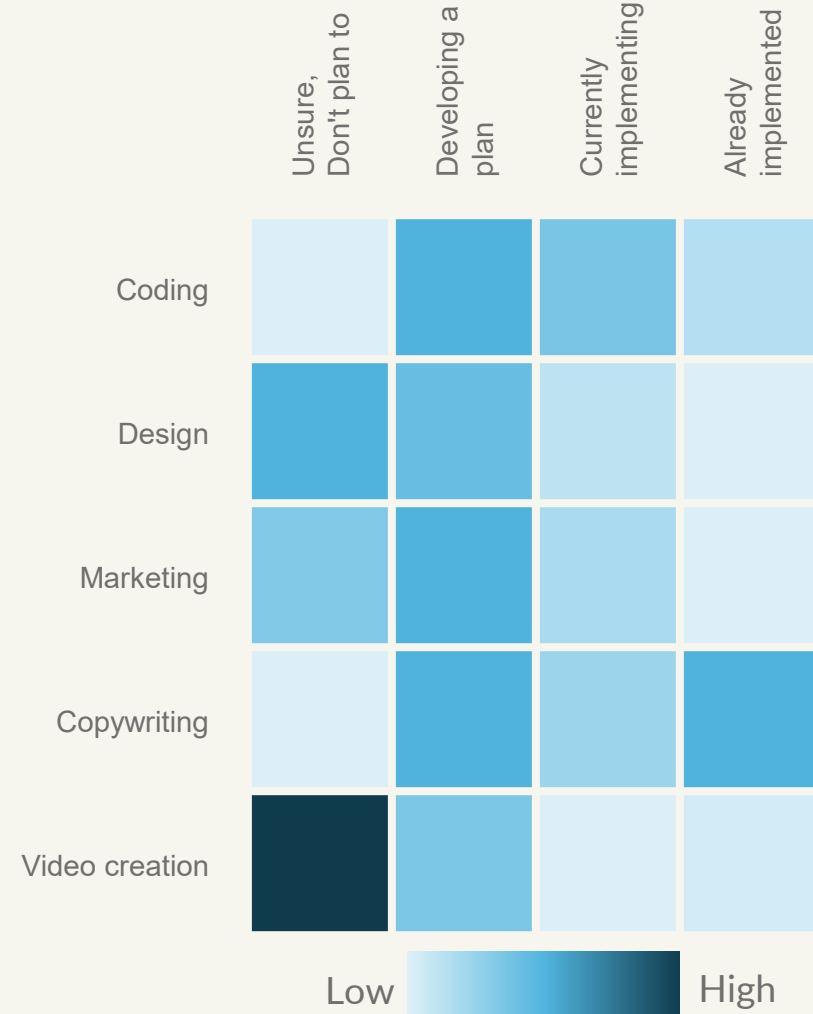


Source: Promethean Research – Digital Agencies & AI Survey

Value Delivery

When it comes to using AI for client work, the two most popular areas of use are copywriting and coding. The use of AI in both design and marketing has grown substantially since our 1Q23 survey.

Substantial questions about using AI in client work remain and revolve around things like accuracy, bias, quality control, copyright, and privacy. We have seen agencies attempt to address the accuracy, bias, and privacy challenges with custom-trained Large Language Models (LLMs), but these aren't foolproof. Copyright issues will be worked through slowly once legal precedents are set. Quality control and hallucination challenges are a function of the LLMs themselves, and so far, agencies have had little ability to improve them. For now, human intervention is still necessary.



Source: Promethean Research – Digital Agencies & AI Survey

How AI is Shaping Value Delivery at Agencies Today



While not exhaustive, the most frequent places we are gaining velocity is by using A.I. as a starting point for code, assisting in quantitative and qualitative user research efforts, and in the ideation phase for new product builds.

[Adam Kurzawa](#)
[Head of Partner Development at ExpandTheRoom](#)



Microsoft's GPT powered Co-pilot is revolutionizing our tech team's workflow. It's like gaining an extra coder in terms of output. Contrary to the predicted industry-wide AI-driven layoffs, we're witnessing a shift towards AI-enhanced productivity that may slow new hires.

AI isn't replacing us; it's amplifying the output of agency employees.

[JP Holecka,](#)
[CEO POWER SHIFTER Digital](#)



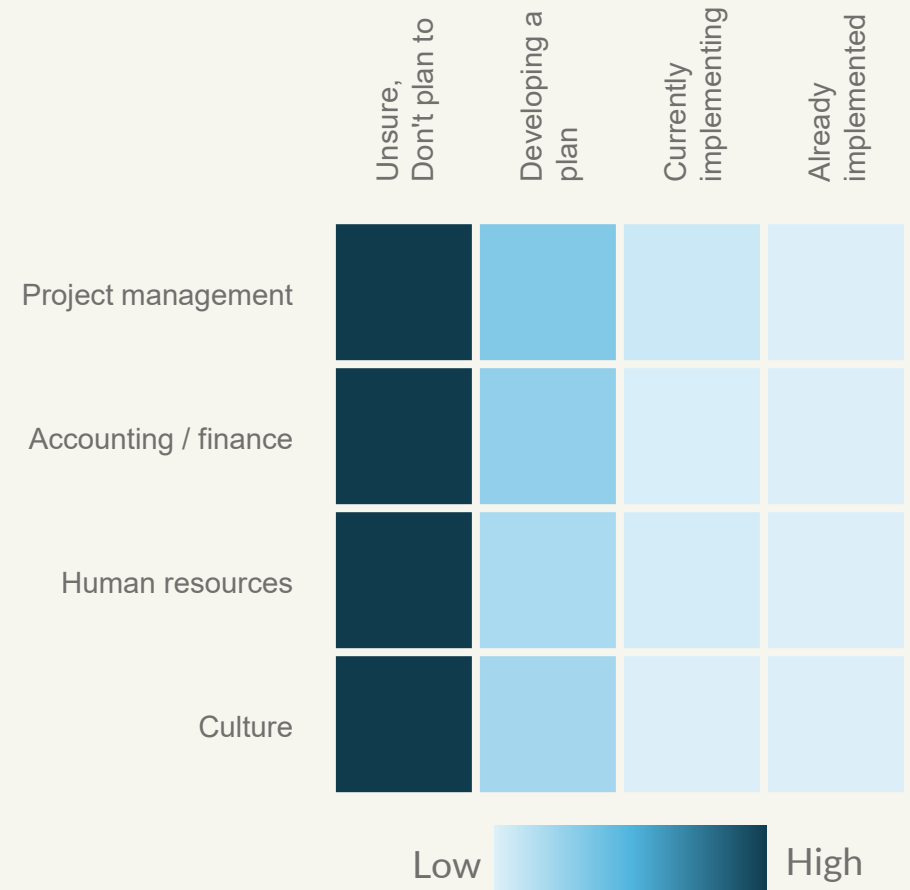
A few years ago, my team at Fire&Spark produced a video interview series with marketers from purpose-driven brands. Today, using AI tools, we can cut the time required to produce the videos in half. AI dramatically reduces the time it takes to research guests, organize the live shoot and edit the final video.

[Dale Bertrand](#)
[President, Fire&Spark](#)

Agency Operations

For ops-related tasks, most shops are still in the very early stages. Project management was the only area that had any meaningful activity past the planning phase, and even then, it was light at just 14%.

Ops tools are still in their infancy with the more popular project management tools (Notion, Asana, Monday, ClickUp) only recently launching their AI components. Many of these early components are a repurposing of other LLMs. Accounting software like Xero has had machine learning features for years, but these features aren't distinct AI tools. Currently, AI use in this space is primarily limited to the AI/ML features currently present in ops software or in niche workflows via outside tools.



Source: Promethean Research - Digital Agencies & AI Survey

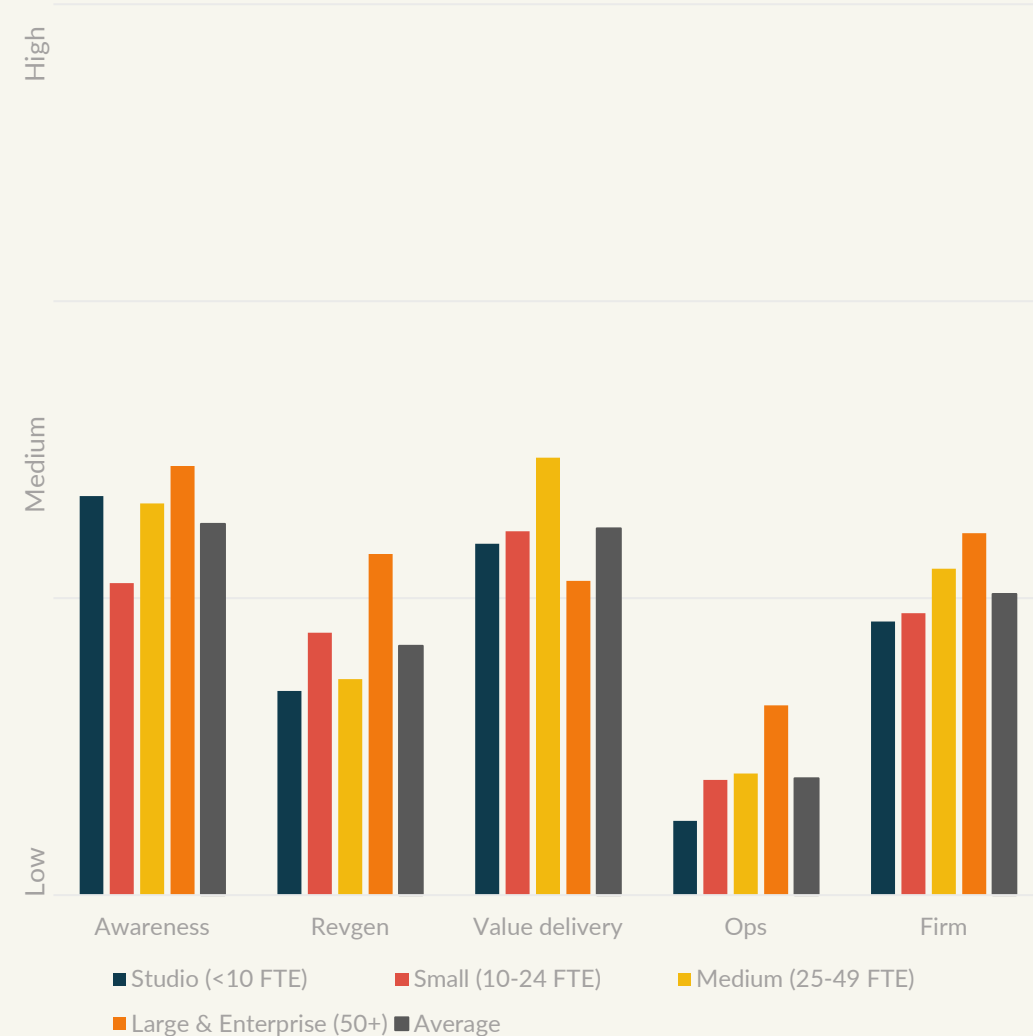
Agencies Are Still in the Early Stages

Overall, most agencies are still in the early stages of developing and implementing their AI plans. The following chart displays the average level of AI maturity across the various agency functions and also provides an aggregate average firm-wide score. We scored each section individually and then averaged them for each response.

We found that the larger an agency is, the more mature its AI position. Larger firms typically have additional capacity to experiment with new technologies, and they're also able to absorb failed experiments more easily. This freedom to experiment is a common theme throughout the successful implementors. They tend to be more advanced agencies with more mature operations.

2/5 is the average firm-wide Digital Agency AI Maturity Score, slightly below Medium

Digital Agency AI Maturity Levels



Source: Promethean Research - Digital Agencies & AI Survey

How Adam is Thinking About AI Adoption

I really believe the combo of us being slowly and more frequently exposed to A.I. products in our daily life and the level of clearly written articles about how the stuff frankly works has been a massive reason why the sentiment shifted so quickly.

Ask someone on the street to explain how blockchain works. Then ask that same person about A.I. The latter is a concept that's so much easier to grasp. How it works. How to use it. How it might benefit you.

It's definitely making tech fun again.

[Adam Kurzawa](#)
[Head of Partner Development at ExpandTheRoom](#)



How's Your Shop Stack Up? Benchmark Your Digital Agency to Find Out!

Gain a complete understanding of how your agency stacks up across revenue, operations, and financial metrics, along with a review call to chat through ways to improve them.

Quickly understand your shop's performance across 16 core metrics critical to measuring your firm's health. Based on our years of research culminating in over 4,000 financial and operational data points and over 9,000 hourly rate data points, and 1.1M+ positioning and service mix data points.

[More info on Agency Benchmarking with Promethean Research](#)

		Suboptimal	Healthy	Optimal
Revenue Metrics	Revenue Growth	•		
	Hourly Rates	•		
	Rev / FTE	•		
	New Clients			•
	Client Tenure			•
	Client Concentration	•		
Operational Metrics	Employee Growth	•		
	Utilization			•
	Project Load	•		
	Employee Churn		•	
Financial Metrics	Days Sales Outstanding			•
	Cash on Hand	•		
	Operating Expenses			•
	RevGen Investment	•		
	Margins			•
AI Maturity	Awareness & Readiness		•	
	Revgen	•		
	Value Delivery			•
	Operations		•	

SECTION 05

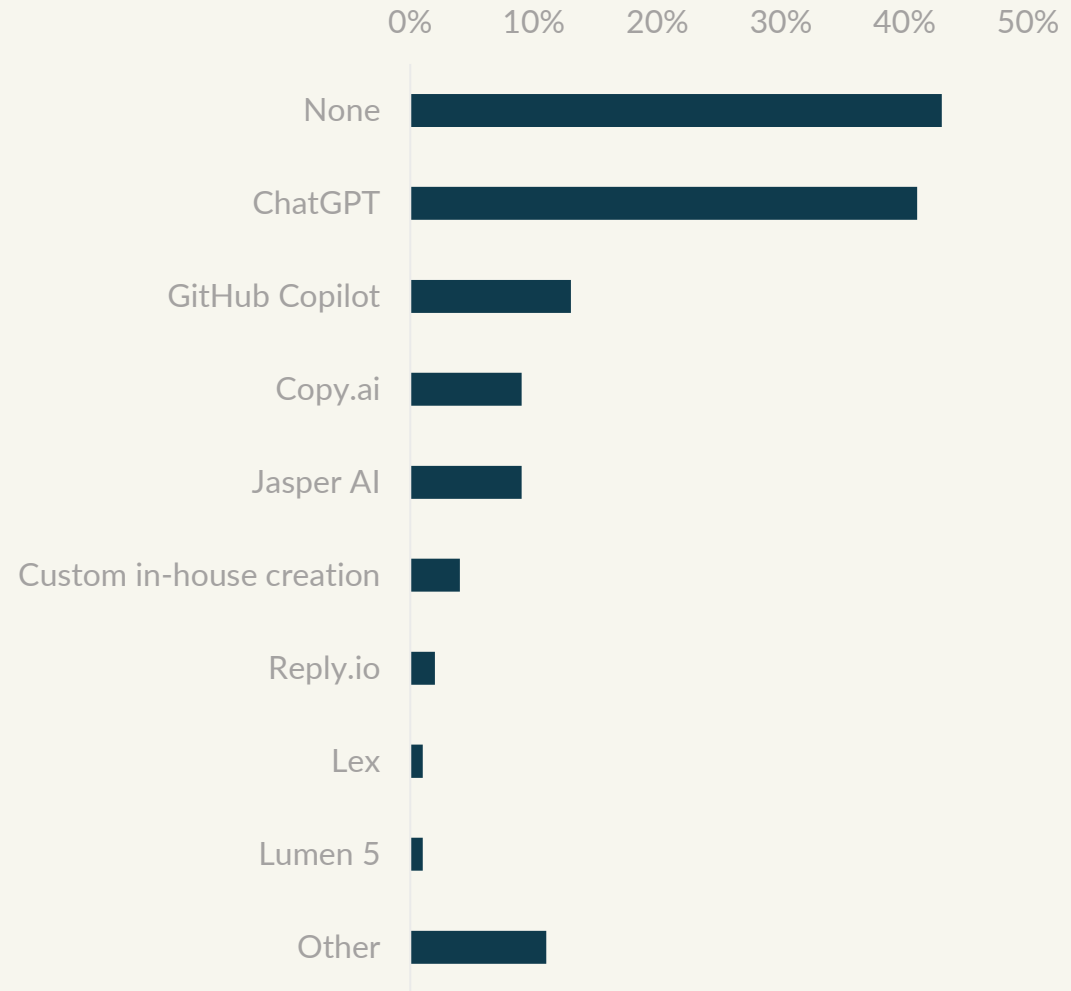
Tools & Use Cases

More Use Cases but Fewer Tools

In January, we surveyed 95 agency owners and asked them which AI tools they were currently using.

Six months later, we're seeing a much wider range of use cases but a narrower list of tools used across various agency functions. While other tools were mentioned, most shops have settled into primarily using ChatGPT and GitHub Copilot.

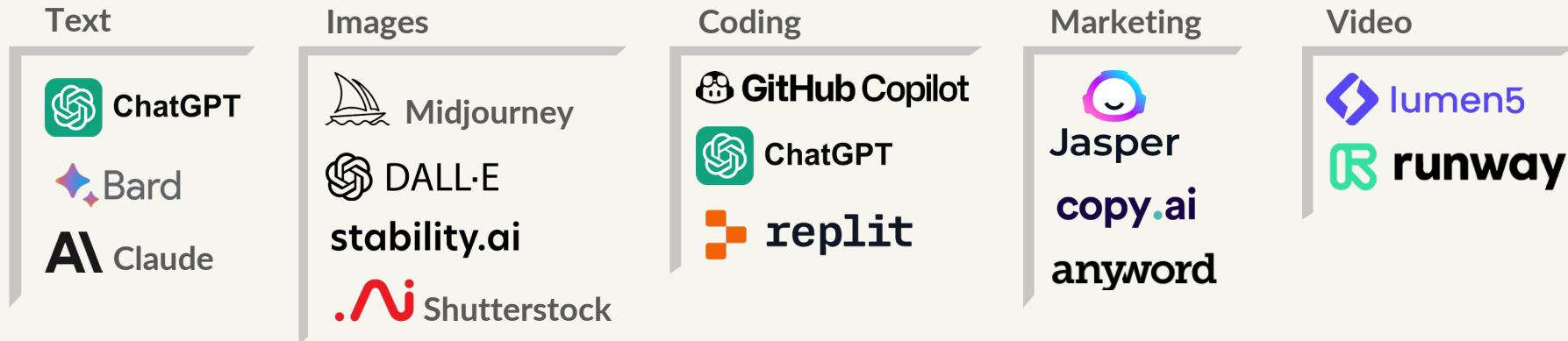
Percent of Digital Agencies Using Specific AI Tools: January 2023



Source: Promethean Research – Digital Agencies & AI Survey

Digital Agency AI Tool Market Map

There are a seemingly endless number of AI tools, with new ones coming out every day. Here are the most popular tools in use by agencies today as reported in our surveys.



Source: Promethean Research – Digital Agencies & AI Survey

Five Primary Use Cases

01 | Content Creation & Copywriting

These applications focus on using AI to enhance the creation of written content for various purposes.

Idea Generation: Using ChatGPT for generating ideas, improving efficiency in the creative process.

Content Starters: Assisting with content starters, content marketing production, SEO blogs.

Copywriting: Multiple instances of copywriting, including drafting ad copy, web copy, brand names, and more.

Qualitative Analysis: Pulling out themes for qualitative analysis of surveys.

Common tools used: ChatGPT, Jasper.ai, anyword.

02 | Coding & Development Assistance

These applications utilize AI to aid in coding, development, and debugging.

Paired Programming: Acting as a paired programming buddy to speed up coding and find better solutions.

Debugging: Using AI to debug code for client projects.

Automation: Coding automation, automated code reviews, and producing scripts for bid adjustments.

Coding Support: Creating code snippets, answering questions, and code writing assistance.

Common tools used: GitHub Copilot, ChatGPT + Code Interpreter, repl.it.

Source: Promethean Research – Digital Agencies & AI Survey

Five Primary Use Cases Continued

03 | Marketing & SEO

These applications leverage AI for various marketing activities, including research and SEO.

SEO: SEO optimization, creating SEO blogs, and keyword research.

Research & Strategy: Market research, planning, and strategy, content outlines.

Content Generation: Using AI for generating marketing content, content creation, and strategy.

Common tools used: ChatGPT, Jasper.ai, copy.ai.

04 | Translation & Language Processing

These applications employ AI for language translation and summarization.

Translation: Website copy and ad copy translation.

Automation: Automated meeting notes.

Summarization: Quick summarizations of meeting notes, documents, and reports.

Common tools used: ChatGPT, Google Bard, Otter.ai.

Source: Promethean Research – Digital Agencies & AI Survey

Five Primary Use Cases Continued

05 | Education & Skill Development

These applications use AI as a tool for learning, coaching, and skill enhancement.

Tutoring & Coaching: Using AI as a tutor and coach to improve staff skills.

Creativity Playground: Using LLMs as a playground for sparking creativity and new ideas.

Common tools used: Notion AI, plugins with GPT, Code interpreter.

Source: Promethean Research – Digital Agencies & AI Survey

SECTION 06

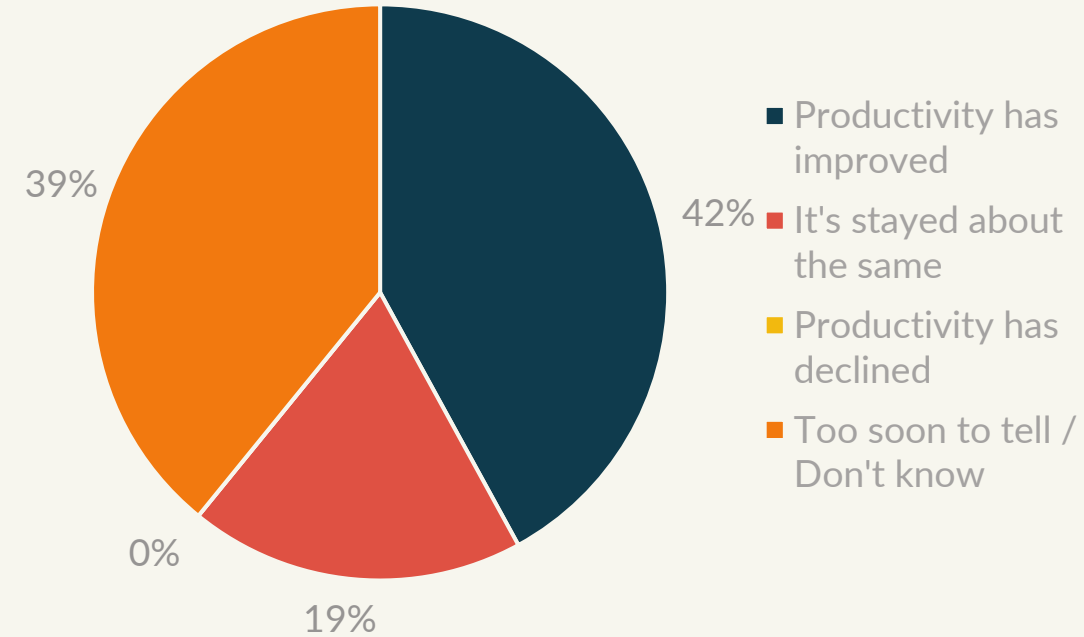
Reshaping Agency Financials

42% of Agencies Have Seen Productivity Improvements

42% of the agency leaders surveyed have already seen productivity improvements from AI. 19% reported no improvement, 0% saw declines, and 39% said it was too soon to tell or that they didn't know.

Assessing team productivity rates and being able to attribute them to a specific cause is more art than science, but the fact that zero agency leaders reported productivity drops is encouraging. It highlights how low the risk of experimenting with adding AI to agency workflows is from a productivity perspective. It's also encouraging that so many have seen improvements with how new and unrefined the tools are. We expect to see additional improvements as tool sophistication improves.

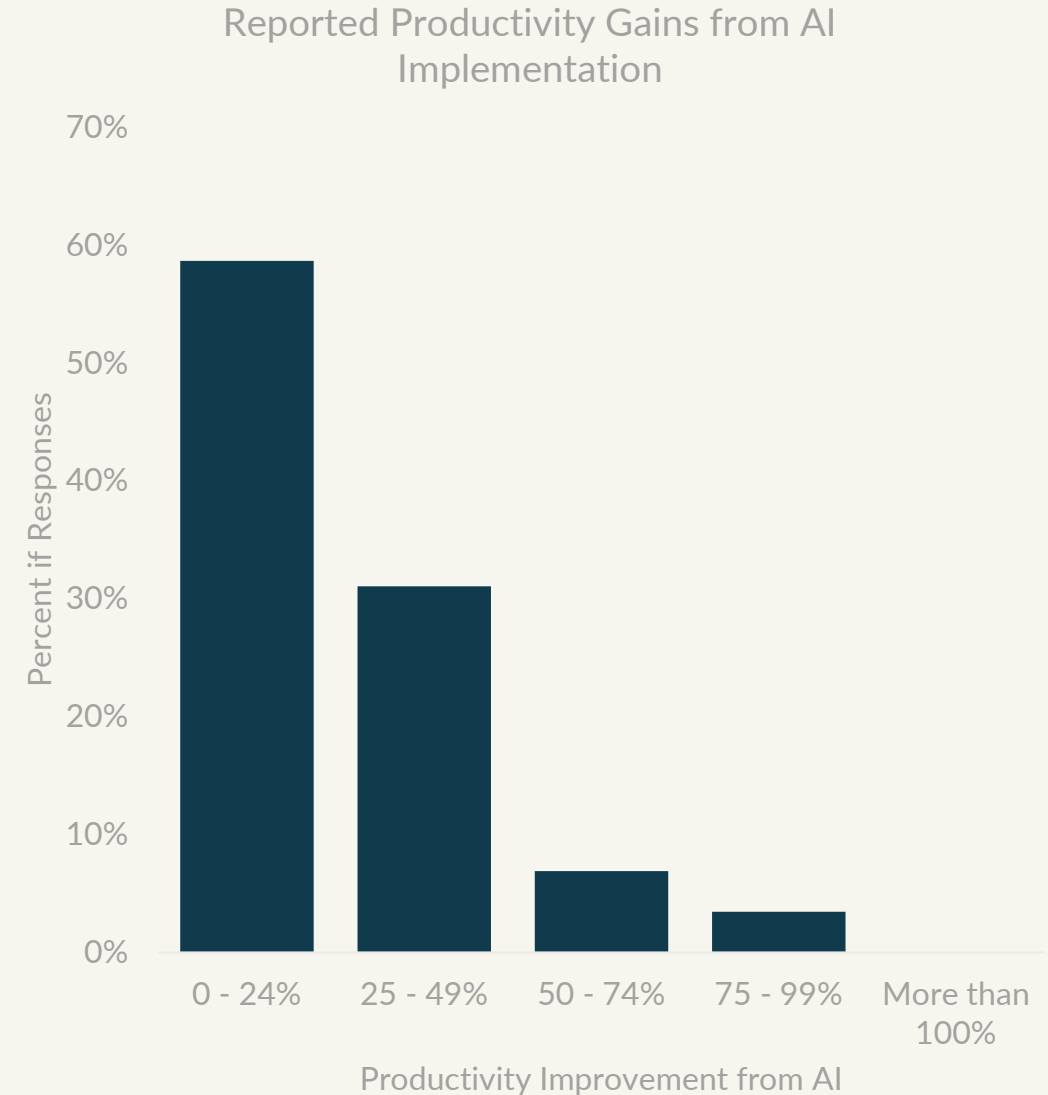
"How has your team's productivity changed since implementing AI tools?"



Source: Promethean Research – Digital Agencies & AI Survey

Most Productivity Gains are in the 0-24% Range

Of those who saw productivity improvements, 59% said they fell in the 0-24% range, while the remaining 41% saw improvements of 25% or more. In early 2022, we hosted informal interviews with agency owners to assess how their productivity levels were changing with respect to AI implementation. During those interviews, we found that the average agency experienced a 15-25% increase in productivity, with few seeing anything more than a 30% improvement. This new data leads us to believe that the level of productivity improvement has risen since the beginning of the year, and coupled with implementation maturity, significant productivity gains remain.



Source: Promethean Research – Digital Agencies & AI Survey

Wayne is Seeing Consulting Costs Offset Productivity Savings

We are observing two realities:

1. Our customers are comfortable with AI experimentation for content or code production. We are actively consulting to expand this limited vision.
2. Customers expect time or cost savings, but the extent to which these can be realized is limited to the consistency of AI output quality. To date, the quality of content and code produced by AI is poor.

This conflict between customer comfort and reality demands enough consultation to exhaust any savings in productivity for the time being.

In contrast, leveraging AI for strategic assistance and research significantly impacts productivity and operational effectiveness. It is through constant consultation that we can bring these realities together.

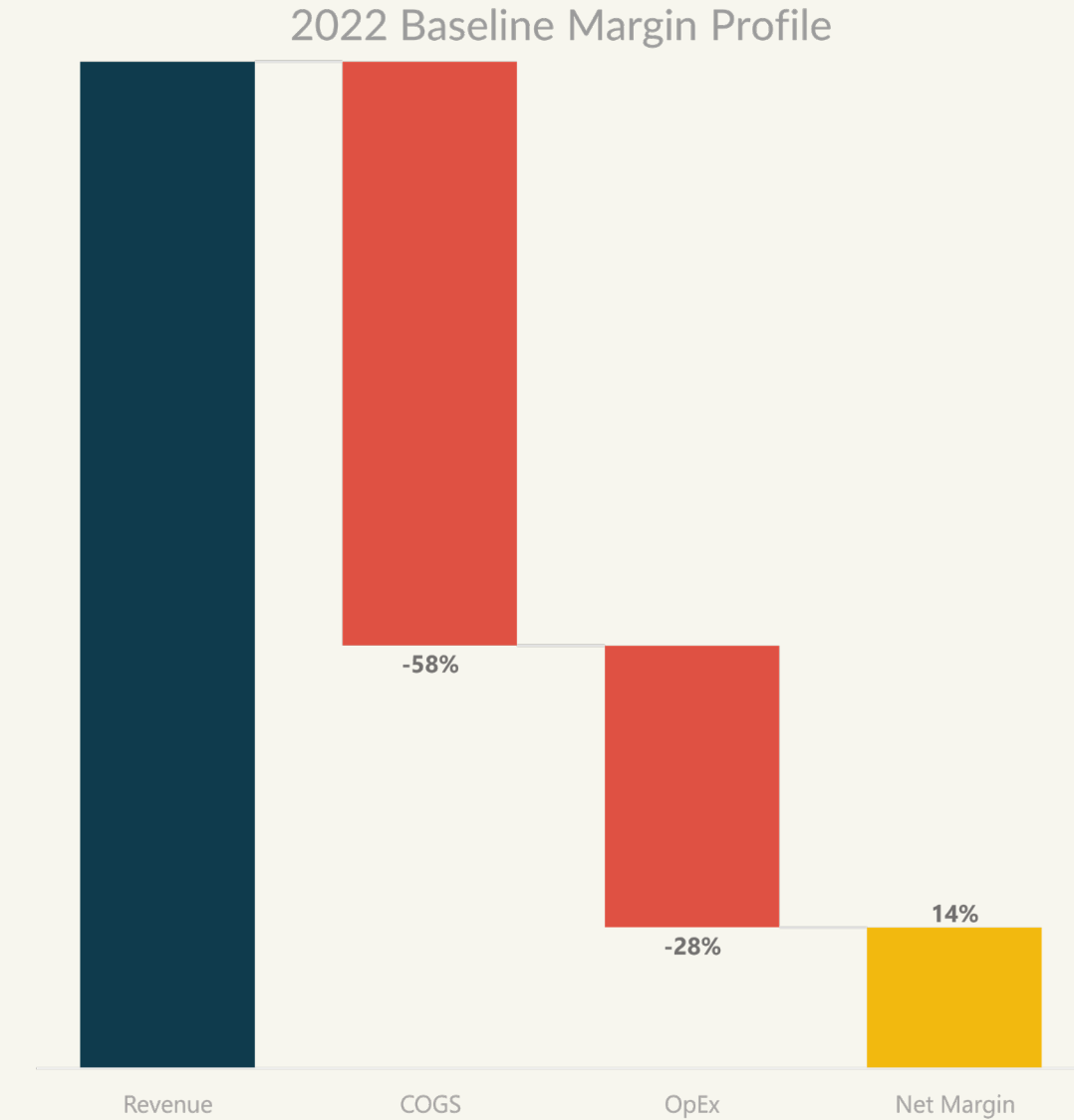
[Wayne Pelletier](#)
[Owner, Resonant Pixel Co.](#)



Standard Agency Margin Profile

For three years now, agency profitability has been under immense pressure from record demand and talent scarcity. These forces, along with generally high inflation, have conspired to significantly increase salaries while making it harder to find talent. During the second half of 2022, agencies began to experience spotty sales pipelines. This showed up as poor utilization rates for the year and further weighed on margins.

To the right is the standard margin profile for a digital agency in 2022. They spend 58% of their revenue on Cost of Goods Sold (primarily salary expenses for value delivery employees) and 28% on Operating Expenses. This leaves an average pre-tax net margin of 14%.

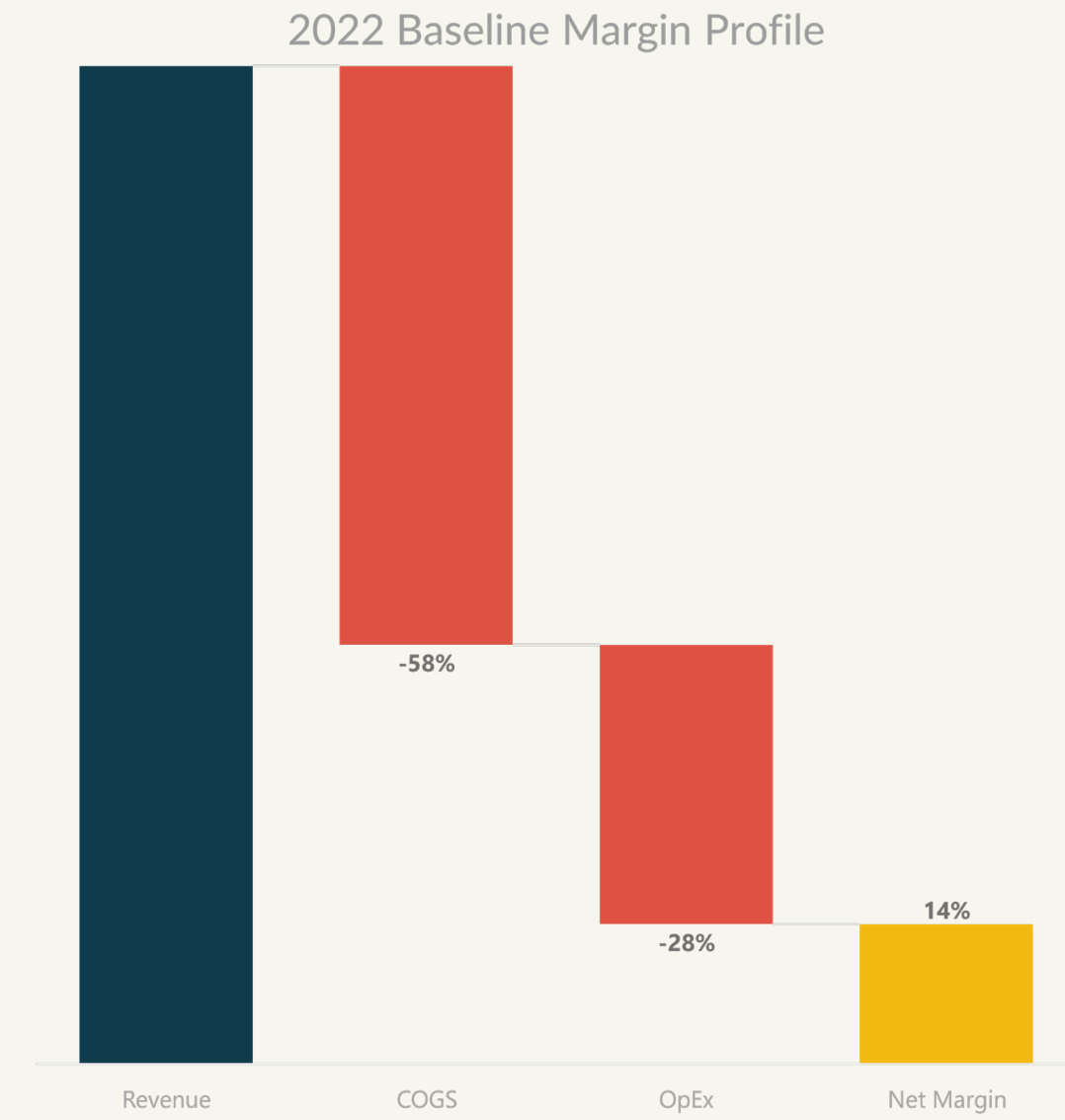


Source: Promethean Research – State of Digital Agencies Survey

The Potential for Margin Expansion is Enormous

As agency teams become more proficient with implementing AI, we expect that the average level of productivity increase will grow above 25%. This view is further supported by the number of agencies that have yet to fully implement AI tools across their production teams. Only 19% of the agency leaders surveyed reported that they have “Already implemented” their AI strategy in Coding, 10% in Design, 12% in Marketing, 29% in Copywriting, and 4% in Video creation. There is a significant amount of implementation work yet to be done, and thus a significant amount of productivity increases yet to be realized.

Keep the baseline margin profile in mind as you walk through the sensitivity analysis on the next page.



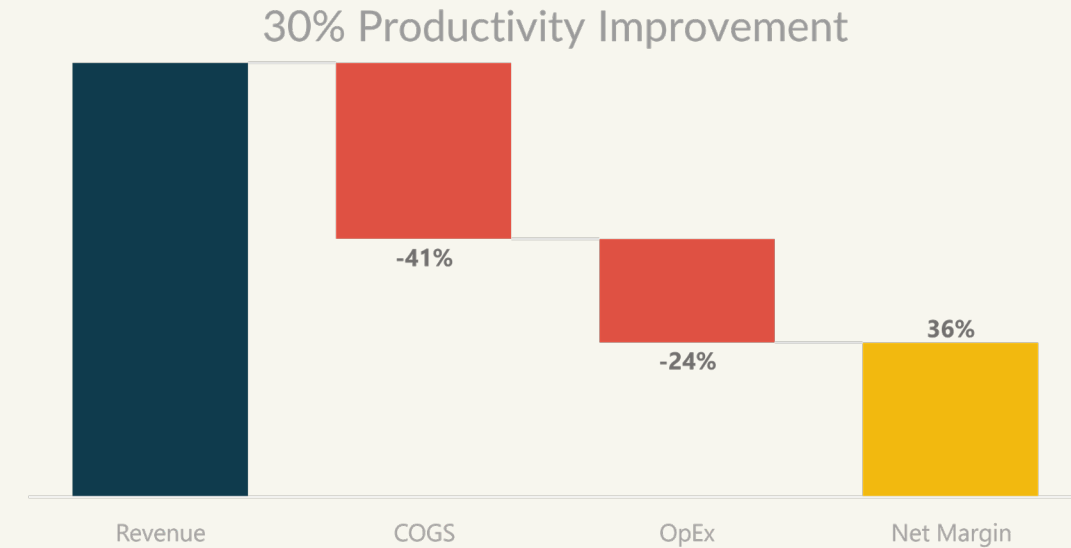
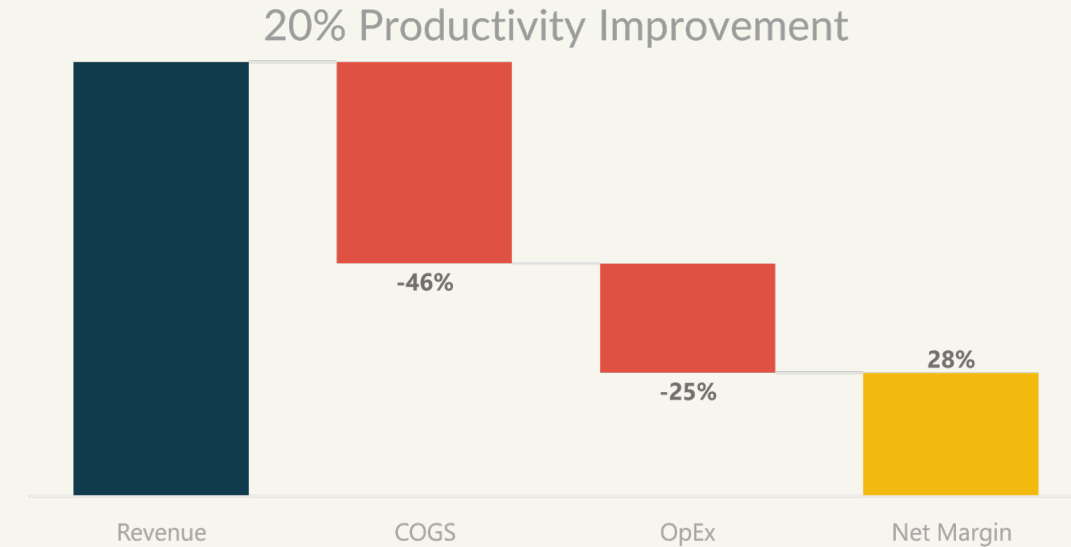
Source: Promethean Research – State of Digital Agencies Survey

Productivity Sensitivity Analysis Results

Productivity gains from AI have the potential to have a profound impact on agency margins. To demonstrate this, we evaluated how the 2022 baseline margin profile would change based on productivity improvements to the COGS and OpEx lines. We limited the COGS impact to 95% to account for 5% of the costs that wouldn't be affected by productivity increases (non-employee costs). We did the same for OpEx costs but at 50% since there are more non-employee OpEx costs.

A 20% productivity improvement results in a 103% increase in net margin to 28%. A 30% improvement yields a 154% increase in net margin, and a 40% improvement gives a 206% increase in net margin.

2-3x is the potential net margin uplift from AI productivity gains

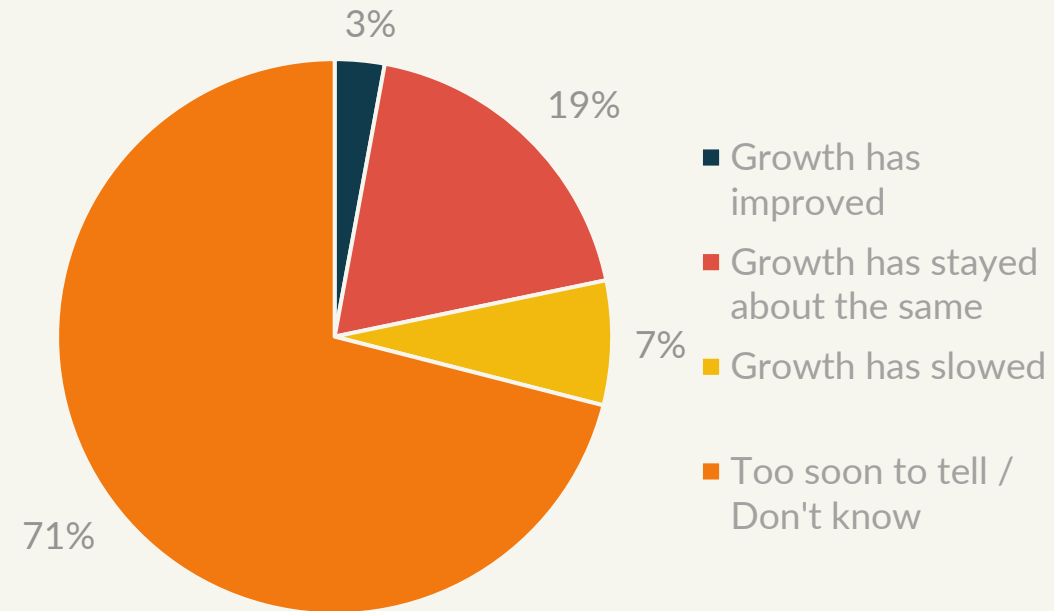


Source: Promethean Research – Digital Agencies & AI Survey

No Evidence of an Impact on Agency Growth...Yet

While the productivity improvement is evident, agency leaders have not seen the same kind of impact on growth. This is likely due to RevGen implementation rates being far lower than Production rates. Only 1% of agencies had fully implemented AI in Account Management, 5% in Sales, and 16% in Marketing. This leaves even more potential for improvement in growth than it does in margins.

"How has your agency's revenue growth changed since implementing AI tools?"



Source: Promethean Research - Digital Agencies & AI Survey

Build an Agency That's Ready for AI & Whatever Comes Next

Optimize your agency to boost margins, reduce friction, and make growth easier with an Agency Assessment from Promethean.

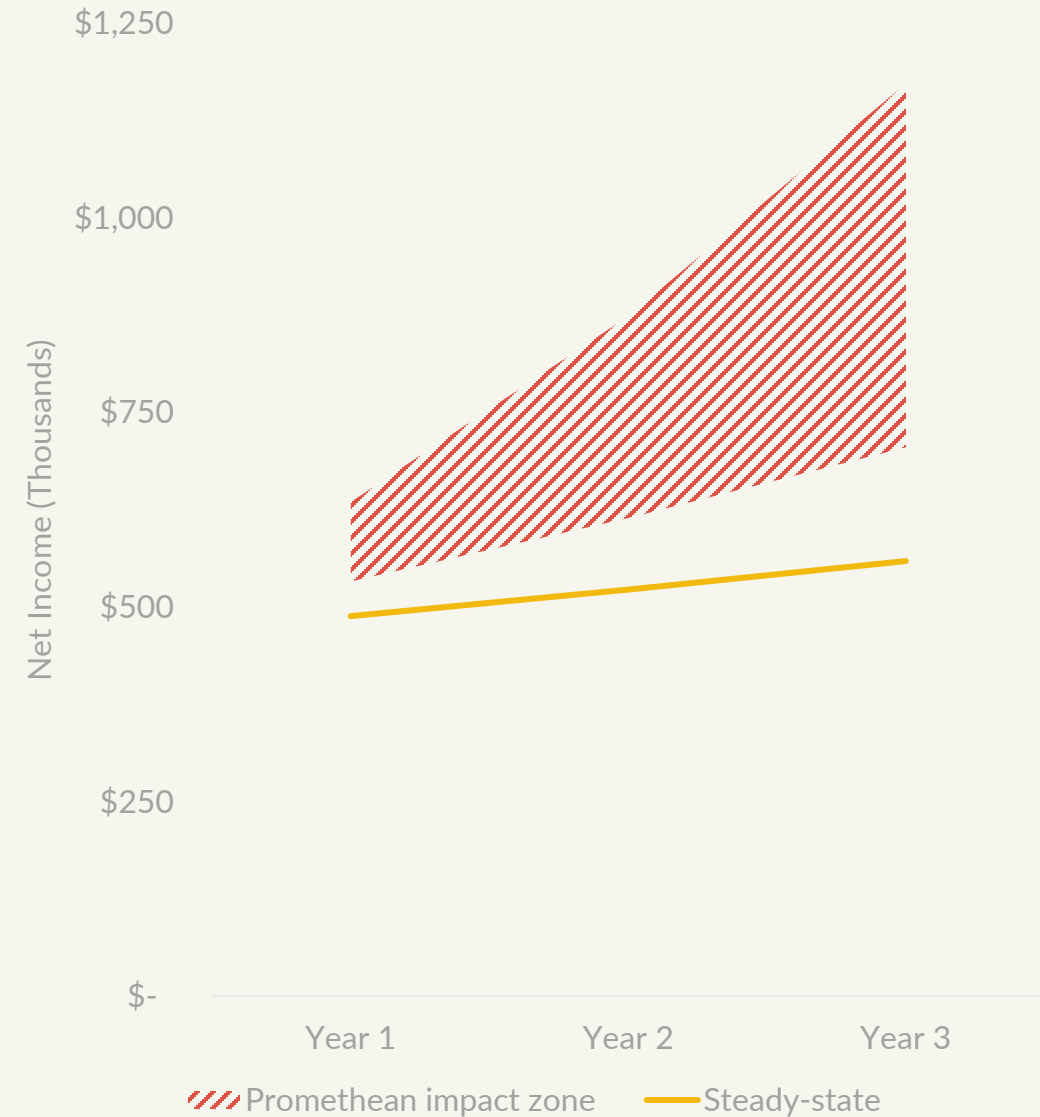
Potential Impact Example:

A 35 FTE firm, growing at 7%, that generates \$155k/FTE at 9% margins.

The agency should generate around **\$1.57M** in net income over 3 years at this **steady state**.

After working with us, we could expect the revamped firm to generate between **\$1.85M** and **\$2.68M** in net income over those same three years. A 52% increase at the midpoint.

[More info on an Agency Assessment with Promethean Research](#)



SECTION 07

Looking to the Future

How Agency Leaders are Thinking About the Future



At this stage of the adoption curve, we're seeing conservative clients (or the late majority) in the market loosening their concern around experimenting with A.I. Web3 seemed to be on the tip of every client's tongue, but it was a more complicated technology and tougher to understand. A.I. has been sprinkled into everyday products making the prospects of utilizing A.I. to benefit clients' products less daunting.

[Adam Kurzawa](#)
[Head of Partner Development at ExpandTheRoom](#)



Our clients are looking for ways to use AI as a supporting technology in the content lifecycle to increase productivity rather than as a substitute for content creators.

[Sarah O'Keefe](#)
[CEO, Scriptorium](#)



At Fire&Spark, we are experimenting with a dedicated AI automation specialist role within the agency. She researches AI capabilities, educates the larger team and identifies areas for process improvement. So far, having someone with a dedicated focus on AI has allowed us to experiment at a much faster rate.

[Dale Bertrand](#)
[President, Fire&Spark](#)

Summary & Outlook

AI adoption at agencies has grown faster than anyone could have expected, moving from just over half of agencies in the first quarter to nearly all by the second quarter. This rapid experimentation and integration of AI tools have become a focal point across the industry, leading to high expectations for AI's capabilities and impact.

However, challenges exist. A significant disconnect is emerging between the rapid advancement of AI technology and the rate at which agencies are sharing new information. Only one-fifth of agencies have implemented structured AI updates, leaving those less informed at a disadvantage compared to high-performing, more aware firms.

Examining implementation maturity levels reveals uneven progress. While there have been strides in Awareness and Value Delivery, maturity in Agency Operations-related areas lags behind. Of the tools used, the majority of agencies reported using some combination of OpenAI's ChatGPT and GitHub's CoPilot. Other tools were reported, but these two were used by almost everyone.

The financial appeal of AI is also evident. In the face of years of ongoing margin pressure from inflation and rising salaries, AI's potential to reshape agency profit margins is compelling. The early gains we see and the untapped potential bodes well for the industry. The industry's focus on maximizing AI's productivity benefits will likely continue, though the implications for pricing remain uncertain. It's possible that as agencies realize these benefits, they could be incentivized to compete on price. We've seen three straight years of substantial price increases from agencies, and it will be interesting to see how this plays out.

In summary, the industry is undergoing a transformation that dwarfs previous shifts, including the move to remote work during the pandemic and the subsequent digital transformation gold rush. In the next 2-3 years, success is likely to favor agencies that can seamlessly integrate AI across all facets of their operations, from revenue generation to value delivery and beyond. Achieving this requires a solid foundational base and a culture that encourages and rewards experimentation. The AI revolution isn't just on the horizon—it's here, and it's reshaping the digital agency industry.

Advice That's Led to Impressive Results

Digital agency owners who've worked with us have been able to grow faster and earn higher margins.

MICRO-CASE: Agency Merger Evaluation & Strategy Recommendations

Dan reached out about merging two agencies. He wanted a growth strategy that would take advantage of the combined entities' strengths. After an extensive discovery phase, which included employee surveys, interviews with management, and detailed financial modeling, we uncovered a potential disaster. There was a significant risk to combining the agencies that wasn't apparent before. We recommended against the merger and provided a strategy and implementation plan to grow organically. This preserved the value inherent in HyperDrive today and provided a strong foundation to build on.

Let's see if we can help you and your agency

4.2X
Revenue
Growth

5.2X
Net Income
Improvement

SECTION 08

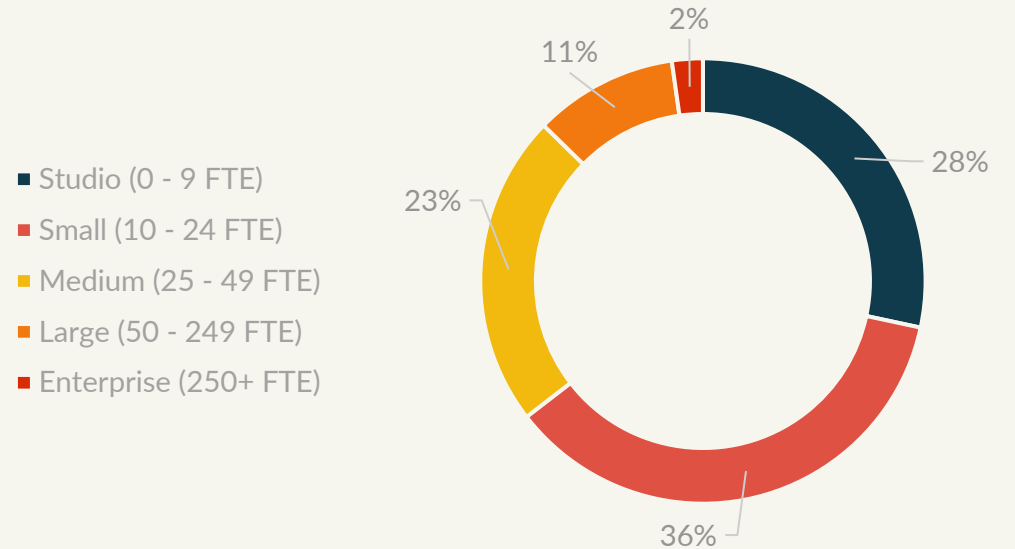
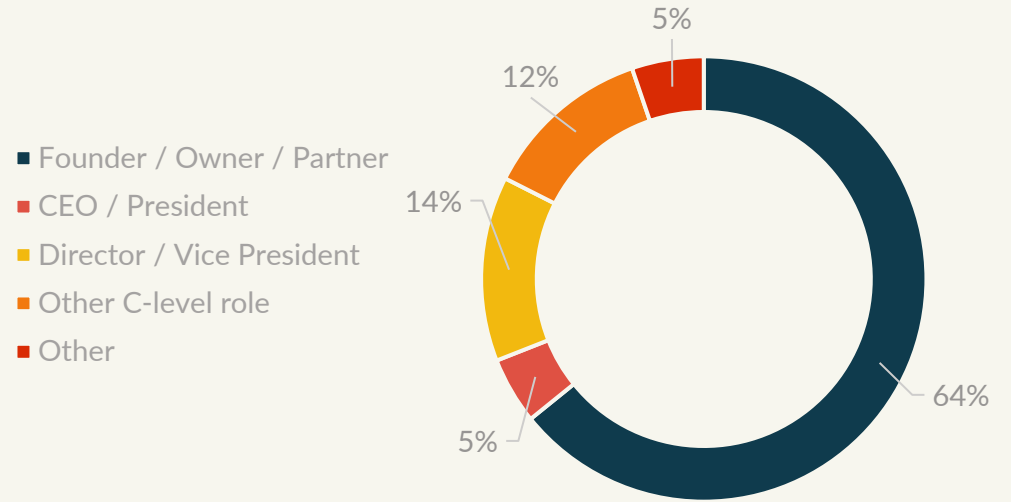
Methodology & Demographics

Respondent Demographics & Sources

This report is a compilation of 268 responses from digital agency owners, leaders, and managers, primarily from North America. It includes data and analysis from the following surveys:

- Digital Shop Tools Survey – Fielded January 2023, 96 responses
- State of Digital Services Survey – Fielded April 2023, 103 responses
- Digital Agencies & AI Survey – Fielded July 2023, 69 responses

In addition to the survey work, this report includes analysis from interviews with owners, managers, and employees, plus specific company analysis, and public data. Please see the associated reports for exact demographic data pertaining to each.



For more information, including research and resources for digital shops, visit us at [Promethean Research](#).

