

How agencies use timesheets to be *profitable*

Plus recommendations from
4 agency coaches you can
action right away



Why we made this

It's a fact. Economic volatility and dwindling budgets pressure agency owners into making big decisions. Big decisions require data.

This ebook explores three areas of decision-making that depend on accurate timesheets: business planning, performance, and profitability.

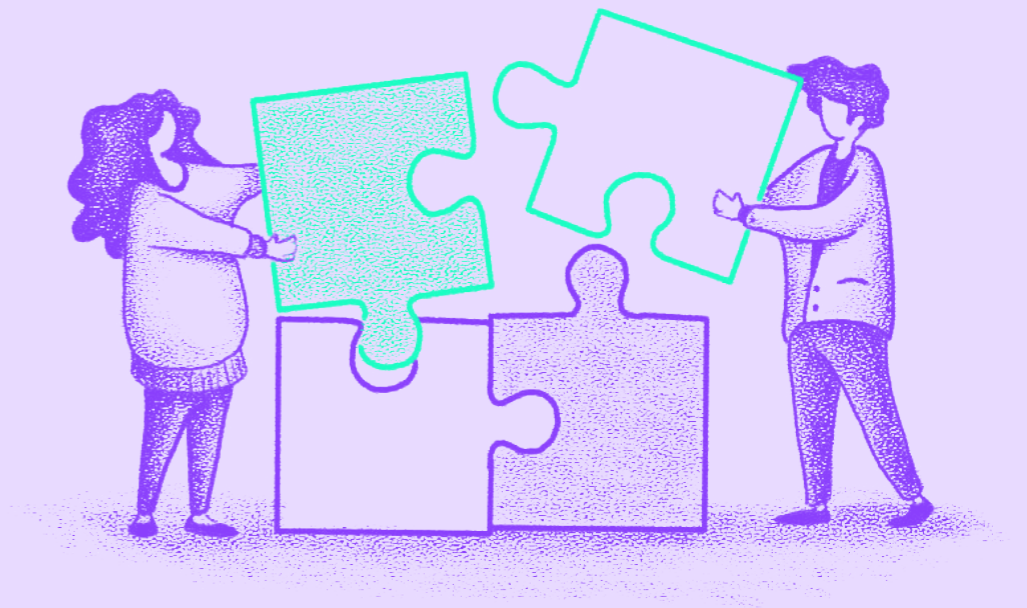
Why? The best agency leaders need strategic planning skills to operate profitable agencies. Data helps you manage risks and create models for

- Profit predictability
- Fair and profitable fees
- Competitive ways to service clients

These insights benefit agency owners, COOs, and CFOs equally. Use them to steer your agency toward greater success.



Catalina Butnaru,
Head of Product Marketing



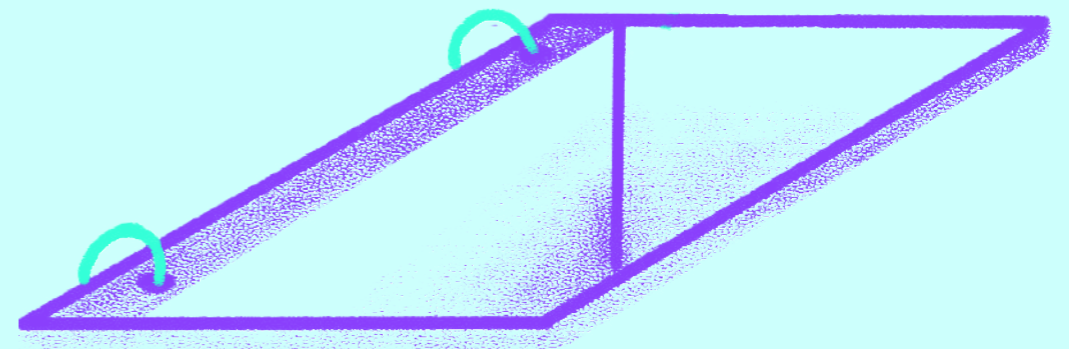
“Timely is more than a product. It’s a community. This is why we’re collecting insights from customers, industry experts, and our own data: to give back and empower our agency owners. This playbook is exactly that. Find the data and insights you need to plan for a successful year. And use timesheet data to meet your strategic and operational goals smarter and sooner.”



Mathias Mikkelsen,
CEO of Memory

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The contributors

We compiled and cross-checked data from five trusted sources. These are experts in agency growth, trend-sporters, and coaches.

We just want to say a huge thanks to these contributors as their passion for helping agencies thrive and grow make this content super-valuable to our community!



Dan Hestbaek
Founder of Lift



Romans Ivanos
Head Coach and Founder of CEO
Operating Systems



Janusz Stabik
Management Partner at GYDA



Gareth Healey
Managing Partner at Cactus and award-winning
author of “Standout or die”



Achieve predictability

“Start with being brilliant at the basics”



Janusz Stabik,
Managing Partner at GYDA

It's not enough to measure how you've done at the end of the year. **You need to be consistent, measure often and focus.** Be very deliberate about:

- Your proposals and the type of clients you want
- Your operational margins: how profitable can you be?
- Your target client retention rate

Industry Benchmarks

44%

Average Gross Profit

The average gross profit for an agency is 44%, 10 points lower than consultancies. (Benchpress '22)

25%

A healthy net profit

25% is the minimum net profit benchmark you should aim for to keep your agency profitability in good health. (Gyda) to plan

4 months

Runway

46% of agencies had at least 4 months of cash in the bank in 2022. (Mailchimp)

Challenges

Hard facts can make challenges more manageable. A well-defined challenge is an achievable challenge. Here's what you need to look out for.



Unevenly distributed profits

Profit margins vary across clients and projects. 22% of agencies are billing by the hour; the rest charge by project or work on results-based compensation contracts. It's difficult to calculate your margins accurately when tracking your costs and hours worked for some clients, but not others.



Declining budgets

Sortlist CMO Nicolas Finet spotted a decreasing trend in project-by-project budgets, of around 33%. If your prices stay the same, you need 30-40% more projects. On the other hand, the 2023 IPA Bellwether Report signals an expected 18% increase in marketing budgets for UK markets alone. While 40% of companies want to spend more on marketing, it's a good time for agencies to help them use these budgets well and command a fair fee for their work.



Client churn

If you're a project-based agency, client churn could reach 50% annually. If your revenue is concentrated around a few big clients and you lose them, your profit will take a huge hit instantly. **You cannot afford to get complacent about client churn, even if it's considered a norm in service-based industries.**

How timesheets help

Know what you're consistently good at

Positioning is not just about marketing statements.

It's about creating proposals that consistently align with the unique value you deliver and entering client agreements that are **predictably increasing** both client satisfaction and your revenue.

With a clear value proposition and a matching proposal, you can strengthen your negotiation power and ask for minimum contract values with confidence.

Benchmark yourself often

...And measure your past success. Use timesheets to list high-impact services you deliver well. Create proposals that showcase these strengths, then orient your sales teams to attract the right clients for you.

Most time trackers limit your timesheet history to 90 days or less. **Timely doesn't.**



Your employees can go back to last year or the year prior and enrich their timesheets with tags that help you discover your strengths.

Perfect your estimate

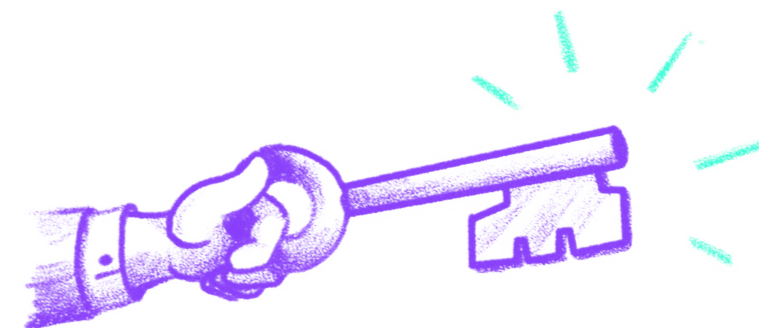
Bids add more details to proposals – such as costs and timelines.

Fair and accurate bids build trust with new clients.

Most importantly - you don't lose your negotiation power because you know when to stop compromising your margins.

Get cost breakdowns from timesheets

You can't guesstimate your bids. You need data. Using tags in Timely, run a report to see your time investments against billable rates for specific services. Use these insights to make sure your margins cover labour costs.



“Be 'brilliant at the basics'.

Profitability doesn't come from a big shiny new office, or a new piece of tech, it comes from doing the simple things well. Simple things like:

Estimating accurately

Timesheet accuracy

Reviewing the finances regularly

(monthly)

Managing costs

Ensuring gross margins

Are AT LEAST 50% (i.e. 2X what it costs you to deliver)

Making decisions quickly

Regular price increases

That is, being more like a business (with rigor and predictable practice) and less like a plate spinning, fire dousing agency of individuals. It's not exciting, but profit, growth, and true scale start with being brilliant at the basics.”



Janusz Stabik,
Managing Partner at GYDA

Toolbox

[Agency Profit: The Rules of the Road - 4A](#)

[Agency Proposition Template](#) - Gareth Haley, CEO of Beyond Noise and award-winning author of “Standout or die”

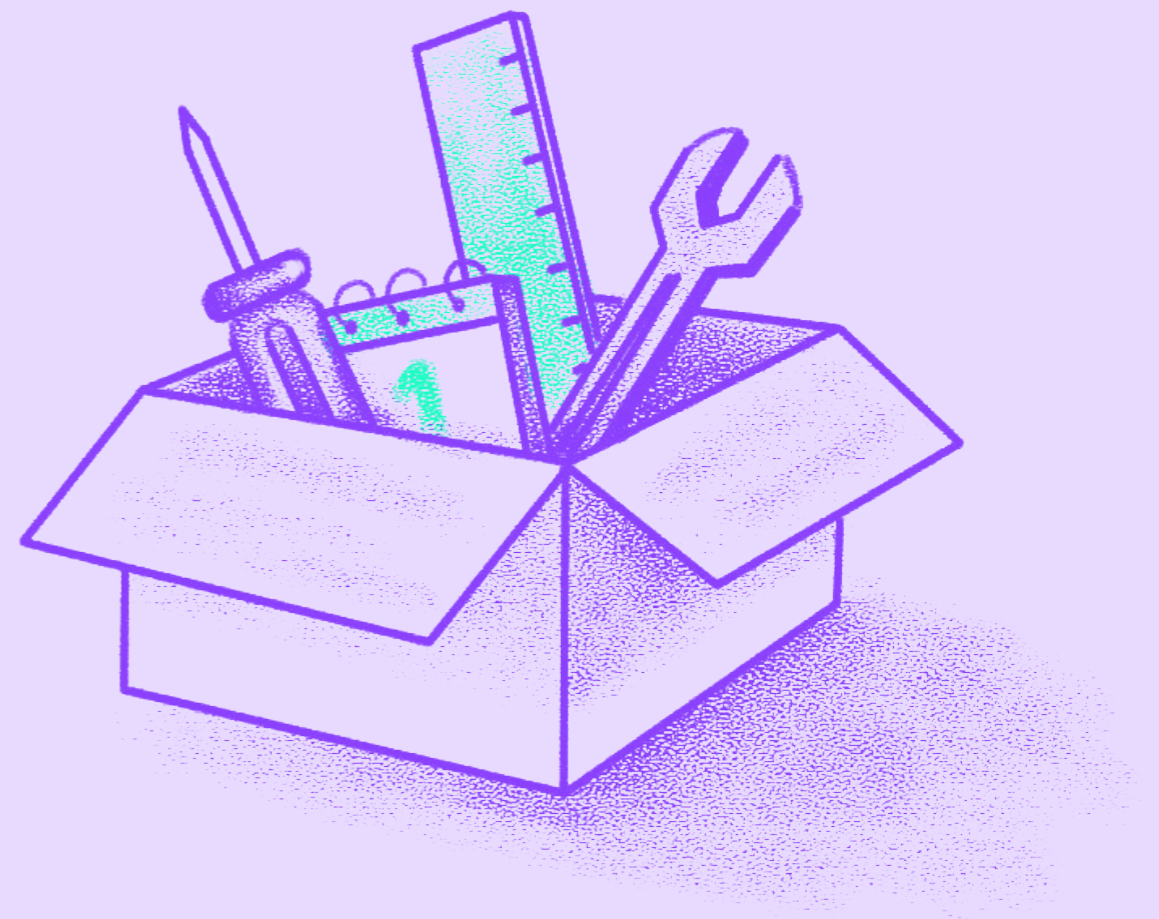
[Agency Profit and Loss Forecast Template](#) - Gareth Haley, CEO of Beyond Noise and award-winning author of “Standout or die”

[The ultimate agency growth playbook](#) by Lucy Snell

[Agency positioning worksheet](#) by AgencyDocs (paid)

[AMEC Integrated Evaluation Framework](#) - AMEC

[Use the CRUX framework to better screen clients](#)
- Sakas and co.



The science of lifting client retention rates

Customer retention is more predictable today than a few years ago. With the right tools and metrics, you can get back **30% of revenue** otherwise lost to involuntary client churn.

We spoke to Dan Hestbaek, founder of [Lift](#) — a platform that predicts client churn risk – about the science of churn reduction and the life-saving impact it can have for medium-sized agencies.



What's the key to minimizing customer churn for agencies?

The key? Data, not hope. On one hand, you need (timesheet) data to create project estimates like a pro, and on the other hand – you can use data to quantify risks, such as client churn, and take action before it's too late.



What is involuntary churn?

So, let's define churn a bit more. Voluntary churn is OK – like saying no to clients who don't match your strategy. Involuntary churn is caused by poor alignment of client expectations, reactive relationship management, poor chemistry and not being competitive enough as an agency. You also want to assess internally whether this is a one-off issue or whether it's a systemic issue across all clients that may cause more client churn over time.



Can measure and prevent churn more scientifically?

You can do that methodically with LIFT, a platform that turns two key metrics into predictors, using a proprietary formula. We've been monitoring more than +60.000 client/agency relationships over the past 8 years. This has given us a strong data foundation to build a proprietary methodology and understand what mechanisms trigger potential client churn or growth. A key aspect of this is measuring the client experience of the agency and the agency employee's experience of the clients they serve.



What's the benefit of addressing predictable churn early?

Through data, we know that by following the LIFT methodology, an agency will reduce their revenue churn at least 30% YoY. This means, an agency with 20% revenue churn before using LIFT will minimum reduce this to 14% the year after.



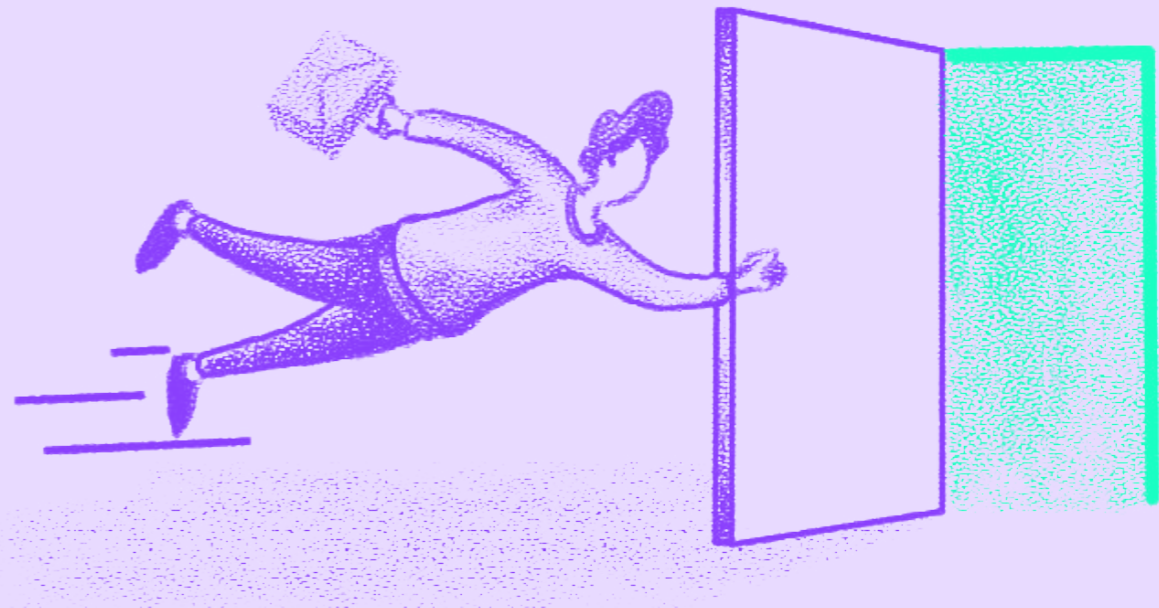
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Our takeaway:

Predictability gets you closer to building a valuable asset out of your business.

- **Using the LIFT methodology**, you protect at least 30% of your client revenue.
- **Using timesheet data**, you can empower client leads with project insights that will keep the conversation going, instead of reactively managing those relationships.



Prevent client churn, now

Communication, transparency, and collaboration are the ingredients for good client relationships.

These are nurtured on a 1:1 basis - Between your teams and your clients

Provide your teams with the training, data, and tools they need to strengthen relationships and assess likelihood of account retention and expansion.



Live project updates

Agencies love Timely because it's "Very easy to be transparent with your clients on how long each task has taken. Also, very fast to generate reports." says [Loupin](#), agency owner.

When sharing live reports with clients, coach your team to communicate how their work delivers outcomes, instead of debating the time spent on individual Entries. That's what your client is looking for.

With data and freedom to collaborate with clients on outcomes, employees will be more engaged with projects and less intimidated by timesheets.

"We share Timely reports willingly and upfront, enabling us to have profitable and positive relationships with customers due to a significant reduction of manual processing via spreadsheets".



Stuart Wyman,
Walpole Partnership

Manage risks

Position any necessary fee increase to communicate value

Updating your fees should be more than a defensive strategy to counter rising costs.

At the end of '22, PRCA's confidence tracker reported that 56% of PR agencies are raising their fees by an average of 10%, primarily to combat inflation. Others are still reluctant. Why?

The mantra that lives rent-free in our heads is that price increases are bad. **That's not true.**

Facts:

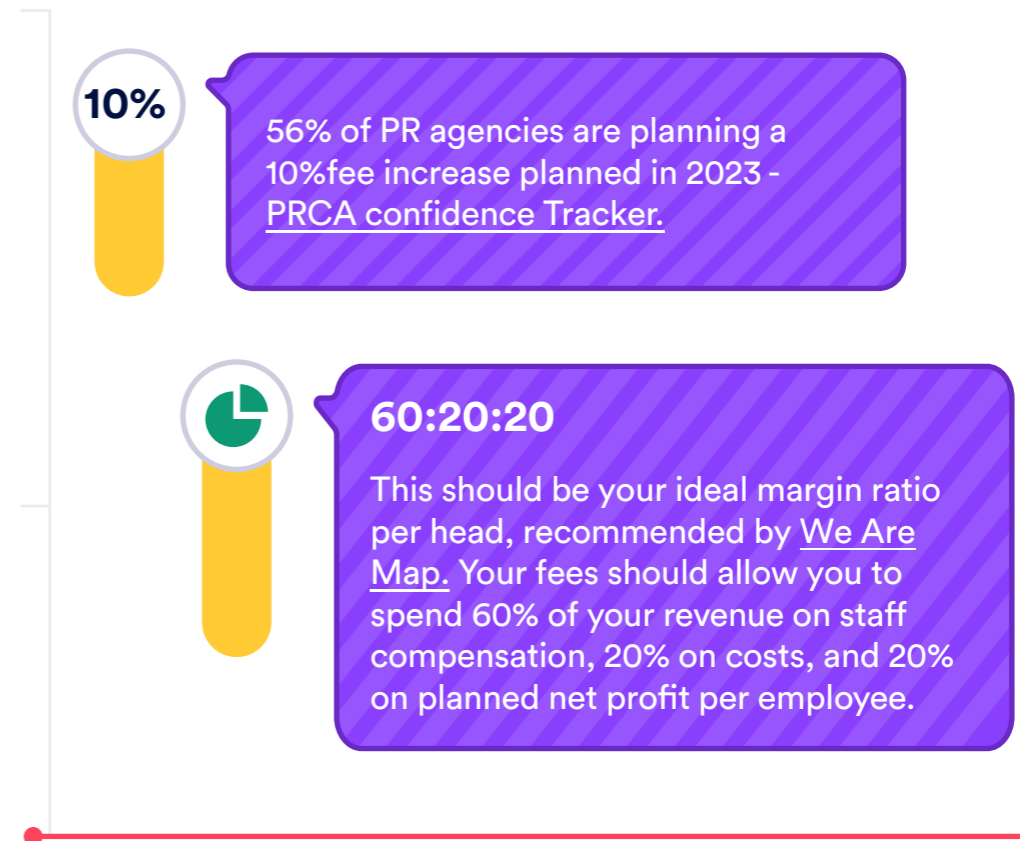
- Top agencies invest capital into new technologies, skills, and services. On top of operating costs.
- Top agencies fight for better talent who demands better compensation.
- Top agencies carry more risk than clients at much smaller profit margins.

There are three reasons why you need to think deeply about your fee strategy.

Yes, times are hard. You, however, are not in the game to survive, you're here to build an asset out of your agency.



Industry Benchmarks



“How do you raise your fees during an economic downturn? You have to raise your value. It means upgrading your offer and positioning yourself better. You may have the best ideas and service, but you need to make it clear to prospects how you impact their top line. Your value is determined by your market, not vice versa.”



Romans Ivanovs,
Head Coach and Founder of CEO
Operating Systems

Challenges

Agencies employ a variety of pricing models. Even if you're not charging by the hour, here three cost-related risks to watch out for:

Overtime

Not that employees are working overtime. But they may be doing work beyond what's been in agreed in retainers because they always go the extra mile. And that's fine. Employees who take ownership and show high engagement are valuable. But, they don't think like an owner. Over time, unmonitored overtime creates cost-inefficient engagements.

Ad-hoc client requests

It's Friday. You receive an email from a happy client – to pick your brains on a quick app mockup based on the website you've just delivered. Free work or cross-sell opportunity? How your team handles ad-hoc requests matters. How they respond to clients who've taken an entire summer to sign off contracts matters.

Have a plan in place. Charge for:

- Project revitalization fees
- For new work, in case the scope has been revised
- Rushed delivery to complete the project “yesterday”



Sunk costs

25% of agencies absorb the cost of pitching and brainstorming. The client delays sign-off. Yet, you still pay for labour costs. To what extent – it's unclear, unless you track and limit your upfront investments before the client agrees to work with you.

Alternatively, you work only on flat-fee projects, you're making some capacity and timeline assumptions, but your team takes longer to deliver on all of them. Do you revise your fees on-the-go or let your margins suffer?



How timesheets help

Use itemized labour in your favour

Unexpected requests from existing clients are cross-sell or upsell opportunities. Treat them as such, and respond with swift estimates.

Analyze your real-time and cost investments in similar jobs using timesheets, and use the formula to know what your minimum fee should be. Then, take it further with value-based pricing.

Clients want to solve a bigger problem than the one articulated in individual requests. Charge for that outcome.

Estimate jobs with timesheets

Agencies that standardize timesheet creation are better positioned to quickly compile estimates for specific jobs.

Use tags to define the type of service, which stage of delivery it fits in, and who's owning that particular type of work.

If the workstream owner, for example, a Senior Digital Marketing Consultant, doesn't have the capacity, then your estimate will include both a fair price and an accurate deadline.

Fees for thinking, not (just) executing

To avoid falling in the trap of delivering only tactical jobs, bundle work into productized strategic services.

Client wants 3 more content pieces? Propose a perspective series instead, to update your client's brand perception.

*"Whilst stopping charging client work by the hour is wise, **not measuring the time spent on client work is foolhardy.**"*

Time is money, goes the old saying. But time is also data. It's essential data for managing your agency and optimising its profitability. It's vital for business planning and monitoring the performance of both your clients and people. If you don't track time, how will you know whether you're over-servicing clients or overloading your team?"



Gareth Healey,
CEO of Beyond Noise and award-winning author of "Standout or die"

Cost-effective delivery

Project-based creative work tends to over-run. Introduce a process for your creative outputs and alerts to monitor risks for overtime work.



Track time on project-based work

Project-based work is based on assumptions before it's based on data. When you have a solid practice of timekeeping for projects too, you'll have the evidence you need to know your true cost and time investments.

This will help you productize your services faster and offer competitive prices with fair margins.



Connect timekeeping to project management to reduce non-billable time

Use Timely in tandem with your project management tools. You won't have to worry about duplicate management work because Timely's capabilities allow you delivery managers to sync projects, tasks, and roles with Asana, ClickUp, and Monday.

Time savings that fall under project management and admin means cost savings for your business.

create

“We’ve now just started to properly use the time budgeting, especially on large projects, so now it’s mostly running reports. We go in to run a time report on each member of staff, how long they’ve used it to create a project, whether that project is over/under the time budget assigned.”



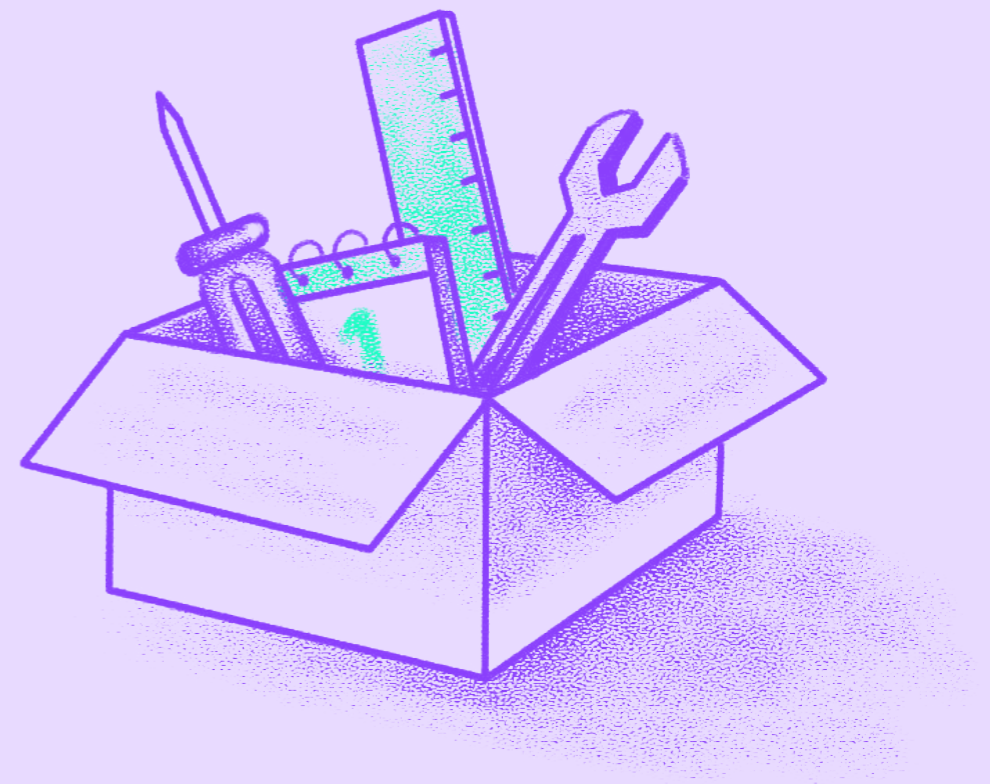
Sophie Warner,
Director of Operations

Toolbox

[Why are you still chasing timesheets?](#) - Timely

[Create systems to ensure new requests from past clients are both profitable and stress-free](#) - Sakas and Company

[Ten steps to building a creative work process](#) - Ziflow



Increase competitiveness

Increase competitiveness by staying ahead, using data, and applying rigor to your processes.

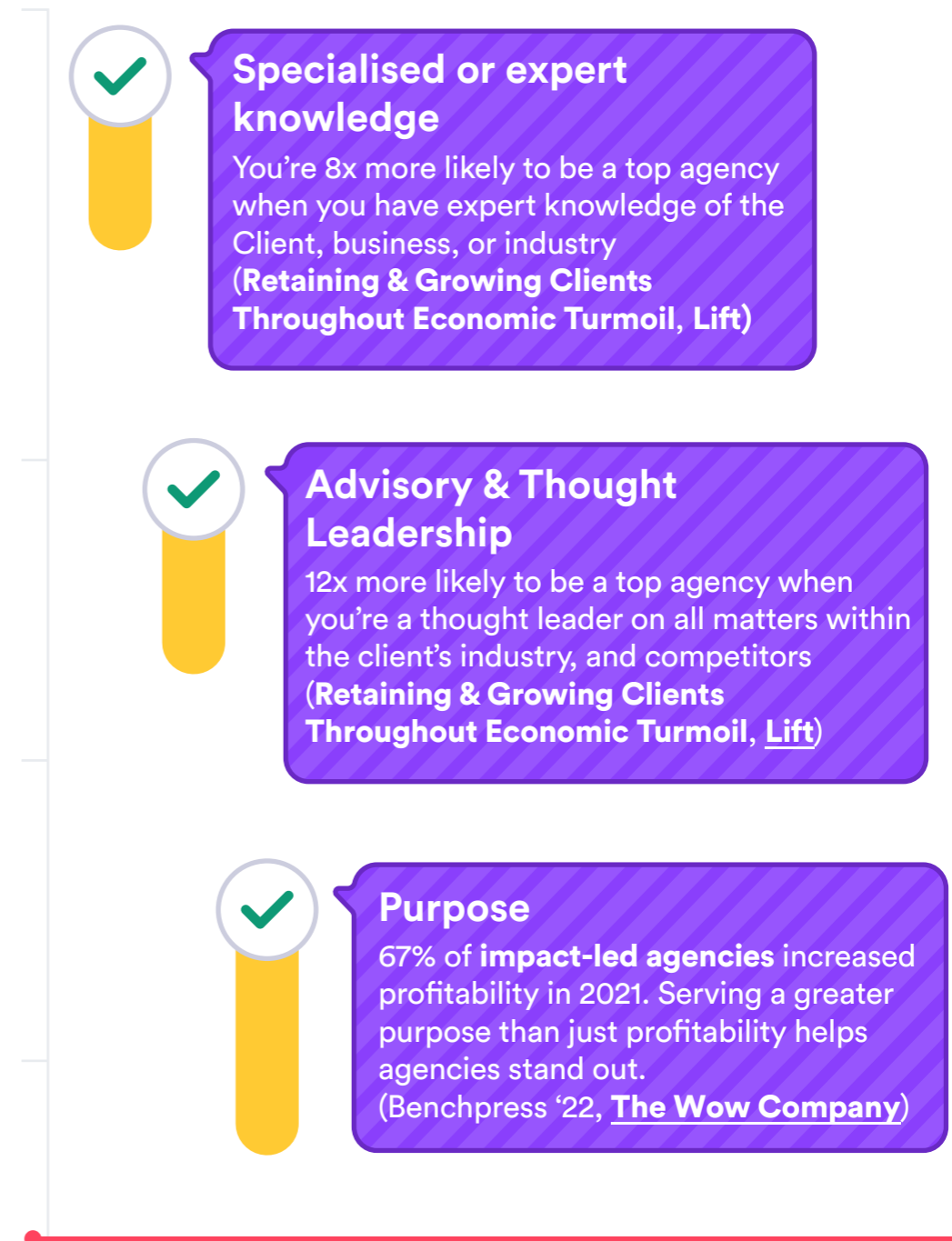
Agencies are making lower profits than consultancies, but the lines between consultancies and agencies are blurring slowly. Keep staying ahead by offering relevant services and by turning ideas into outcomes faster than your peers.

Respond to shifts in demand

According to Janusz Stabik, managing partner at GYDA, agencies who lost momentum last year kept competing on price – to the detriment of profit. (**State of the Nation 2022**) One-off projects in web and development, apps, and video production forced them to cannibalize their margins.

Industry Benchmarks

Competitiveness indicators

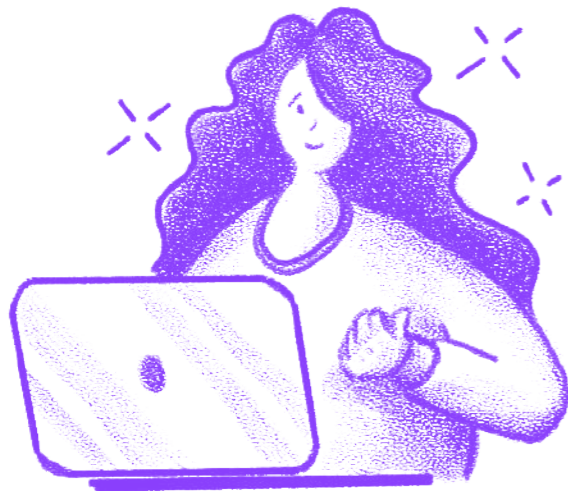


Agencies who strengthened repeatable services – SEO, TikTok, content - won. The beauty of repeatable services is that when the medium changes, the strategy changes too.

This is where you come in. What's your strategic input into how brands can best use emerging channels and trends?

Don't dodge data

You want to elevate your offering, but your numbers don't add up. You make short-term decisions to win a few more deals. Stop.



Janusz Stabik, CEO of GYDA, urges agency owners to always measure utilization and gross margins *"like your heartbeat."*



Your long-term strategy needs to be to increase your utilization rate to above 80%. That's your billable time investment. In tandem with reducing your overheads, so you keep gross profit margins above 60%. We've seen in chapter 2 how a combination of fee increase and cost control can get you there.

Raise your positioning

A list of services is not a value proposition. A list of services doesn't command a higher fee. So what does?

Outcomes. Brand awareness is not an outcome. Protecting and increasing market share is. Revenue is. Competitiveness is.

Full-service and specialized agencies are hired by clients who care about outcomes but don't have the expertise and time to achieve them. It's the outcome your value proposition needs to describe, in your client's language.



As agency coach Romans Ivanovs says, "Gain absolute clarity of your client's avatar and their deepest desires and problems. Then re-engineer the solution tailored to them. And finally, speak **to your market and prospects using their language.** That is critical."

It's time to stand out. It's time to elevate from delivering services to being outcome-driven.

What our customers say

hasan & co.

“By capturing every hour that goes into each project, we can follow project budget spend to proactively manage the return of our work... [and] calculate better base hourly rates for future projects.”



Oskari Leino,
Director of Business
Control & Operations

CORSEARCH[®]

“At a higher level, Timely gives us an overview of how we’re doing with our projects: if we are fulfilling the hours, if we are spending less or more time on client projects, and we look at people’s performance and capacity.”



Ivan Rainovski,
Delivery Director at Corsearch

 **Yummygum**

“We can estimate our performance against competitors to offer competitive pricing that we know is profitable.”



Vince Schwidder,
Founder and UX Director

 **CutTheWeb**

“We have a much better understanding of how long projects take. Previously we had only a feeling; now we know on average how much we do at the beginning of campaigns, and keep that in mind when creating proposals for clients.”



Bart Hoogervorst,
CutTheWeb, SEO & Online
Marketing Strategist