FlexOps

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Marketing agency KPIs: a monthly scorecard with benchmarks

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An agency scorecard is a single page of numbers you look at once a month to see how the agency is really doing. I'd keep it to 12 to 15 numbers across 5 areas, which are financials, clients, delivery and team, pipeline, and how much still depends on you, and the benchmarks for each one are in the tables below.

Read this online at flexops.co/resources/marketing-agency-kpis

When an agency needs this

Most owners will tell you they know what's going on across their agency, and what I listen for is what they don't say. They usually aren't talking in terms of facts or figures, and they aren't considering the things that might have an impact on future revenue. They'll talk about what you'd consider lagging indicators, so things that have already happened, and they'll very rarely talk about leading indicators, which is the whole point of the scorecard.

When I go through this with an owner, the way I frame it is that we want to build a really clear picture of how the business is doing. I don't think it's as simple as saying that revenue is up or down, or that profit is up or down, or that the agency is doing well or badly. There's more to it than that, and you need a few key things across the business that help you understand how it's really performing.

It's most useful for agency owners under roughly £1m in revenue who don't have a single place to look at the business each month. If you already run a full management reporting pack it will probably feel a bit thin, but if you don't, I think it's the shortest route to knowing whether the agency is healthy.

You fill it in once a month, on the same day, using last month's closed numbers, and it should take you about 30 minutes. The pipeline and owner dependency sections are worth a 2 minute glance every week as well.

The KPIs to track, with a benchmark for each

I have a generic template for this, which is where the numbers below come from, but I build each client's scorecard from scratch, and the template gives us some inspiration and a starting point. I'd use these in the same way, so treat the targets as sensible starting points for a small agency and set your own once you've seen a few months of your numbers. If 16 feels like too many in month 1, fill in only the 5 marked "start here", which gives you 1 per area, and add the rest as the data becomes available.

Financials

These come from last month's closed numbers in your management accounts.

Number	Good	Act on it	Why it matters
Monthly revenue	Context only	Context only	It's the top-line trend, and I'd read it against the last 3 months and not against last year.
Gross margin	50% or more	Below 40%	This is revenue minus the direct cost of delivery. Below 40%, you're losing margin inside delivery.
Net profit margin (start here)	15% or more	Below 8%	It's what the business keeps. A dip is fine if you planned for it.
Cash runway	3 months or more	Below 2 months	Below 2 months, you tend to stop making decisions and start reacting to them.
Average client fee	Context only	Context only	Fewer clients at higher fees is a margin lever that a lot of agencies don't pull.

Clients

You calculate 2 of these, and the third comes from your client health tracker.

Number	Good	Act on it	Why it matters
Client retention (start here)	90% or more	Below 80%	Measured over a rolling 12 months. Losing and replacing clients is the most expensive way to stand still.
% of clients below your minimum fee	Under 10%	Over 25%	Under-priced clients cost the same to serve. Set your minimum fee first, then count.
% of accounts in green	80% or more	Below 65%	It's the earliest warning of churn you have, and it moves 60 to 90 days before revenue does. It comes from your client health score.

Delivery and team

This is where margin tends to leak without anyone noticing.

Number	Good	Act on it	Why it matters
Billable utilisation (start here)	70 to 85%	Above 90%	Too low and you're carrying idle capacity, too high and you're burning people out. Agree a definition of billable first.
Over-servicing	Under 20%	Over 33%	These are the hours beyond scope. It usually shows up as tired people long before it shows up in the P&L.
Team health score	70 or more	Below 55	It comes from a short pulse survey, so it's a softer number. Who sits below 55 for 2 months running matters more than the average.

Pipeline

If you only fill in 1 section when you're under pressure, I'd make it this one.

Number	Good	Act on it	Why it matters
New qualified enquiries (start here)	4 or more a month	Below 2 a month	No enquiries this month becomes a revenue problem in about 90 days. Qualified means the enquiry meets your client criteria.
Proposal win rate	30% or more	Below 20%	A full pipeline with a low win rate usually points to pricing, fit or the proposal itself.

Owner dependency

I'd answer these honestly or leave them out.

Number	Good	Act on it	Why it matters
Owner hours in delivery (start here)	Under 30% of your week	Over 50%	Above 50%, the business is running on you and not on its systems. A rough number is better than no number.
Escalations landing on you	2 or fewer a week	More than 5 a week	Each one that comes up to you is a gap in the layer below. I'd count them for a week and not guess.
Protected growth time	6 hours or more a week	Below 3 hours	Sales and marketing time is usually the first thing given up to firefighting. Count the time you spent, not the time you blocked out.

How to mark each number

Each number gets 1 of 3 marks every month.

Mark	What it means
Good	It's inside the target, so leave it alone.
Watch	It's outside the target but it isn't serious yet. Look again next month.

Mark	What it means
Action	Deal with it this period.

If you'd like 1 overall health score, count Good as 100, Watch as 50 and Action as 0, and take the average across every number you filled in.

Give every number an owner

Every number on the scorecard gets a named owner. In my experience a number that nobody owns doesn't get gathered, and by month 3 the scorecard is empty and the habit has gone. That's also why I'd keep it to 12 to 15 numbers, so each one has to fight for its place.

How to make it a habit

There are a few things I'd do from month 1.

- **Keep the history.** Copy each month's values into a running sheet. 3 months tells you very little, but by 6 months you'll see most of what you need to.
- **Set the targets once.** Set them against your own business in month 1, write down why you chose them, and then leave them alone.
- **Don't guess the borrowed numbers.** The % of accounts in green comes from a client health tracker and the team health score comes from a pulse survey. If you don't run those yet, I'd leave both blank, because a guessed number is worse than none and you'll believe it next month.
- **Write notes while the numbers are in front of you.** I'd note what moved this month and why, what you're worried about, and the 1 thing to fix in the next 30 days. In 6 months' time the notes are what tell you why a number moved.

Where owners get this wrong

Where this goes wrong most often is that the scorecard doesn't get used. It's something you need to do once a month, maybe once a fortnight, and you need to do it properly. If you're not going to take the time to do it, you won't have visibility across the business, and fundamentally you can't learn anything from it.

The second is reacting to a single month. 1 bad month doesn't tell you much, so I wouldn't react to it. If the same number is off 2 months in a row, though, that's usually a decision that's being put off. I'd either put a name and a date against it, or take it off the scorecard for now.

The third is moving a target because you missed it. I understand why it happens, but it makes the whole exercise worth a lot less, because you can no longer tell whether the business got better or the target got easier.

Questions owners ask about this

What KPIs should a marketing agency track?

I'd track a small set across 5 areas: financials, clients, delivery and team, pipeline, and owner dependency. If you're starting from nothing, the 5 I'd begin with are net profit margin, client retention, billable utilisation, new qualified enquiries and the share of your own week that goes on delivery.

What's the difference between a leading and a lagging indicator?

A lagging indicator tells you about something that has already happened, such as last month's revenue or profit. A leading indicator tells you about something that's likely to affect revenue in the future, such as new qualified enquiries or the share of your accounts in green. I'd want both on the scorecard, because most owners only talk about the first kind.

What's a good profit margin for a marketing agency?

As a starting point for a small agency, I'd want net profit at 15% or more and I'd act if it's below 8%. For gross margin, 50% or more is good and below 40% needs attention.

How often should I review my agency's numbers?

Once a month is enough for the full scorecard, on the same day each month. I'd glance at pipeline and your own time every week, because those 2 can change quickly.

How many KPIs should an agency have?

I'd say 12 to 15 at most. Every number needs somebody to gather it, and the more you add, the less likely it is that the scorecard gets filled in at all.

If you'd like a hand with it

If you'd like to go through which numbers matter for your agency and what good should look like, drop me a note or, by all means, book a call. If you'd like a quicker read on where the agency stands first, the Agency Health Check takes a few minutes.