

THE **SoDA** Report On

IN PARTNERSHIP WITH  Webflow



Agency Outlook Study '26

SoDA fielded an online survey in Q4 2025 targeting agency leaders and exploring the current business environment, key challenges, market dynamics, and the outlook for 2026. There were 251 respondents representing a range of agency types and sizes, primarily in the US (62%) and European (25%) markets.

Agency Type

- 49% – Digital Agency
- 19% – Brand / Creative Agency
- 10% – Ad / PR / Comms Agency
- 8% – Tech Svs / Consultancy
- 7% – Performance Mktg Agency
- 5% – Prod Co / Design Studio
- 3% – Other

Primary Market Served

- 65% – United States
- 26% – Europe
- 7% – APAC
- 2% – Global

Annual Revenue (USD)

- 39% – Less than \$5MM
- 19% – \$5-10MM
- 21% – \$10-25MM
- 10% – \$25-50MM
- 5% – \$50-100MM
- 5% – More than \$100MM

Role

- 54% – Founder/Owner/Partner
- 22% – CEO/President/MD
- 20% – VP-level Exec
- 4% – Director-level Exec

Primary Services

- 76% – Strategy / Consulting
- 65% – Websites / Web Apps
- 55% – Creative / Design / Prod
- 33% – Growth / Demand Gen
- 32% – Digital Prod / Platforms
- 31% – Content Mktg Programs

Industries Served

- 51% – Technology & Information
- 47% – Prof Svs / Consulting
- 47% – Healthcare / Wellness
- 44% – Financial Svs
- 37% – Retail / eCommerce
- 37% – Travel / Hospitality

SUMMARY FINDINGS



Summary Findings

The agency business improved in 2025 and the outlook for 2026 is positive.

The agency business slowly improved in 2025. In Q4, 73% of agencies projected revenue growth for the year and nearly half of respondents (49%) projected revenue growth of 10% or more. 68% also reported that their business is better off today than it was two years ago, suggesting that many bounced back (at least partially) from tough market conditions in 2023 and 2024.

Despite some negative headlines suggesting that the agency business will be under assault from AI, leaders are bullish on the outlook for 2026 and widely optimistic on the future of their business. 84% are confident that overall business performance will improve in 2026, and 75% report that they are optimistic about the future of their business.

AI adoption at agencies is already widespread; impact is real and growing quickly.

When it comes to AI technology, it's clear that the majority of agencies have moved from experimentation (2023/2024) to formal adoption and real impact.

81% of agencies already use AI for creative ideation and concept development, and 76% are using AI to automate or accelerate routine operational tasks. 75% report that AI is already impacting their business today and 48% believe that AI will have a significant impact on their business in the next 12-18 months.

When commenting on the impact that AI has already had on their business, agency leaders were largely positive and tended to focus on meaningful improvements in speed, efficiency, automation, insight, and even new revenue streams. There were obvious concerns expressed around the ways in which the technology will impact pricing models, the competitive landscape, and clients' expectations relative to speed and cost, but these were in the minority. In sentiment analysis for 167 verbatims, 67% outlined positive impact, 23% were mixed or neutral in their comments, and just 13% pointed to any negative impact on their business.

Summary Findings

The agency-client relationship is evolving with AI technology – intensifying existing challenges but also creating new opportunities.

We can expect a certain tension in the agency-client relationship, and the dynamic often fluctuates around expectations for pricing, speed of execution, depth of expertise, and other factors. AI technology is already intensifying some of these pressure points while also creating new opportunities and areas for collaboration.

Faster Turn-Around Times. 84% of respondents report that “faster turn-around times” is a growing challenge, and 45% agree that AI technology has intensified this expectation.

In-sourcing of Project Work. 81% acknowledge that the in-sourcing of project work by client teams has been a challenge in recent years, and 33% say that the challenge continues to grow in intensity and impact.

Pricing Pressure. 55% of respondents report that pricing pressure from clients is a growing challenge, and 39% report that clients are already expecting lower prices as a result of AI technology.

New Opportunities Emerge. 45% of agencies report that their clients are asking for direct support with AI strategy and implementation leading to new revenue opportunities. 70% see opportunities to leverage AI to improve speed, collaboration and creative output, and 72% also see opportunities to provide their clients with more proactive strategic leadership. 47% are using AI to develop new capabilities and service offerings, and 37% are developing their own, proprietary AI models and agents.

Summary Findings

Agency leaders are actively retooling operations, service mix, market positioning, and even underlying pricing models around the use of AI.

Far from being just another tool for adoption, many agency leaders appear to view AI as an opportunity (or necessity) for foundational change in their business. 60% are actively re-evaluating their core business model, 35% are rethinking their pricing/commercial model, and 56% are repositioning their agency specifically around the use of AI. 47% are using AI to develop new capabilities and service offerings and 37% are developing their own, proprietary AI models and agents. Furthermore, 71% agree that AI technology will impact the number and types of roles that they employ at their agency. No doubt the size, structure and shape of agencies will continue to rapidly evolve.

Shifting market dynamics put pressure on agencies to invest more in sales/marketing, technology/R&D, and training/development for their teams.

While the market environment improved in 2025, agency leaders acknowledge a challenging road ahead – lead generation (53%), rising labor costs, access to top talent (41%), and pricing pressure (39%) are a few of the top concerns.

57% say that longer sales cycles have become a bigger challenge and 48% report higher costs to acquire new customers. Not surprisingly, 56% plan to invest more in sales and marketing in 2026.

While just 34% identified “AI strategy, adoption and transformation” as a top challenge facing their business, more pointed to the complexity of making this shift. The biggest hurdles for AI adoption and transformation are: developing new processes and workflows (59%), making good decisions about where to strategically focus (58%), picking the right technologies (41%), and wrestling with employee concerns/adoption (41%).

Given these dynamics, 53% plan to spend more on internal tech/infrastructure and R&D and 50% plan to invest more in employee training/dev in 2026.

A CLOSER LOOK AT THE DATA



Revenue Performance in 2025

As of late Q4, 73% of agencies projected revenue growth in 2025, with nearly half expecting to finish the year with growth of 10% or more. Agencies in Europe reported stronger growth than their counterparts in the United States and larger agencies (> \$10MM in annual net revenue) outperformed smaller agencies.

Revenue Growth in 2025	All	US	Europe	Rev < \$10MM	Rev > \$10MM
More than 20%	13%	12%	16%	14%	11%
10-20%	36%	37%	41%	30%	44%
0-10%	24%	21%	31%	19%	30%
Flat / No Growth	10%	11%	3%	12%	7%
Revenue declined	18%	20%	10%	25%	8%

United States vs. Europe

Reported Revenue Growth in '25	
United States	Europe
69%	88%

Reported Revenue Flat/Down in '25	
United States	Europe
31%	12%

Smaller vs. Larger Agencies

Reported Revenue Growth in '25	
Less than \$10MM	More than \$10MM
63%	86%

Reported Revenue Flat/Down in '25	
Less than \$10MM	More than \$10MM
37%	14%

The Struggle Is Real

Even though market conditions and revenue performance moved in a positive direction for many agencies in 2025, it’s worth noting that nearly one-third of respondents reported significant market challenges relative to revenue, margin performance, and/or cashflow.

Not surprisingly, those that struggled with revenue growth were much more likely to report other financial challenges. In comparing the “no growth” segment vs those reporting revenue growth of 10% or more in 2025, they were much more likely to also report shrinking margins (63% vs. 29%), challenges with cashflow/runway (43% vs. 16%), and that their agency was worse off today than it was two years ago (58% vs. 10%).

A Significant Minority Struggled in 2025

Shrinking Margins

43% said that profit margins are shrinking.

Revenue Flat/Down

27% reported flat or declining revenue in 2025.

Cashflow Concerns

28% reported that cashflow/runway is a top challenge.

Worse Off

28% said their agency is worse off than 2 years ago.

AI Adoption Is Ubiquitous

AI usage at agencies is ubiquitous. Of the seven broad use cases presented in the survey, 99% of respondents had adopted at least one and, on average, agencies had adopted four (4) of the seven (7) use cases.

When it comes to barriers standing in the way of more rapid AI transformation, leaders point to the creation/adoption of new processes and workflow (59%) and determining where to strategically focus their efforts (58%) as the top challenges.

Top Uses for AI at Agencies		Challenges for AI Transformation	
Creative ideation/exploration	81%	59%	New processes/workflows
Automate/accelerate routine ops tasks	76%	58%	Determining where to focus AI strategy
Generate final assets for production	52%	41%	Picking the right technologies
Rapid prototyping	52%	41%	Managing team concerns/adoption
Using AI to create new service offerings	47%	38%	Repositioning the agency around AI
Code generation/dev/testing	47%	35%	Pricing/commercial model for AI
Developing custom AI models/agents	37%	28%	Costs for investing in new tech
Other	3%	26%	Costs for employee training/dev

AI Impact Is Here and Growing

If 2023/24 were years for AI consideration and exploration, agencies began to see real impact on their business in 2025. 75% of agency leaders reported that AI was already having a real impact on their business today with an expectation of growing impact in the coming months. In fact, those who anticipate “significant impact” doubles from 24% today to 48% in 12-18 months.

AI has also influenced client perspectives leading to both new needs and growing expectations for faster delivery timeframes and lower fees from agency partners.

AI Impact on Agency, <u>Today</u>		Projected Impact in <u>12-18 Months</u>	
Significant Impact	24%	48%	Significant Impact
Moderate Impact	51%	43%	Moderate Impact
Little Impact	23%	7%	Little Impact Impact
No Impact	2%	7%	No Impact

Top Client Requests Related to AI			
45%	Help w/ AI strategy and implementation	30%	Help with AI training/dev for staff
45%	Expecting faster delivery on projects	28%	Limiting use due to legal concerns
39%	Expecting lower fees for services	28%	Help creating custom brand models
30%	Asking for self-service tools to generate brand content/assets	26%	Expecting to take more work in-house

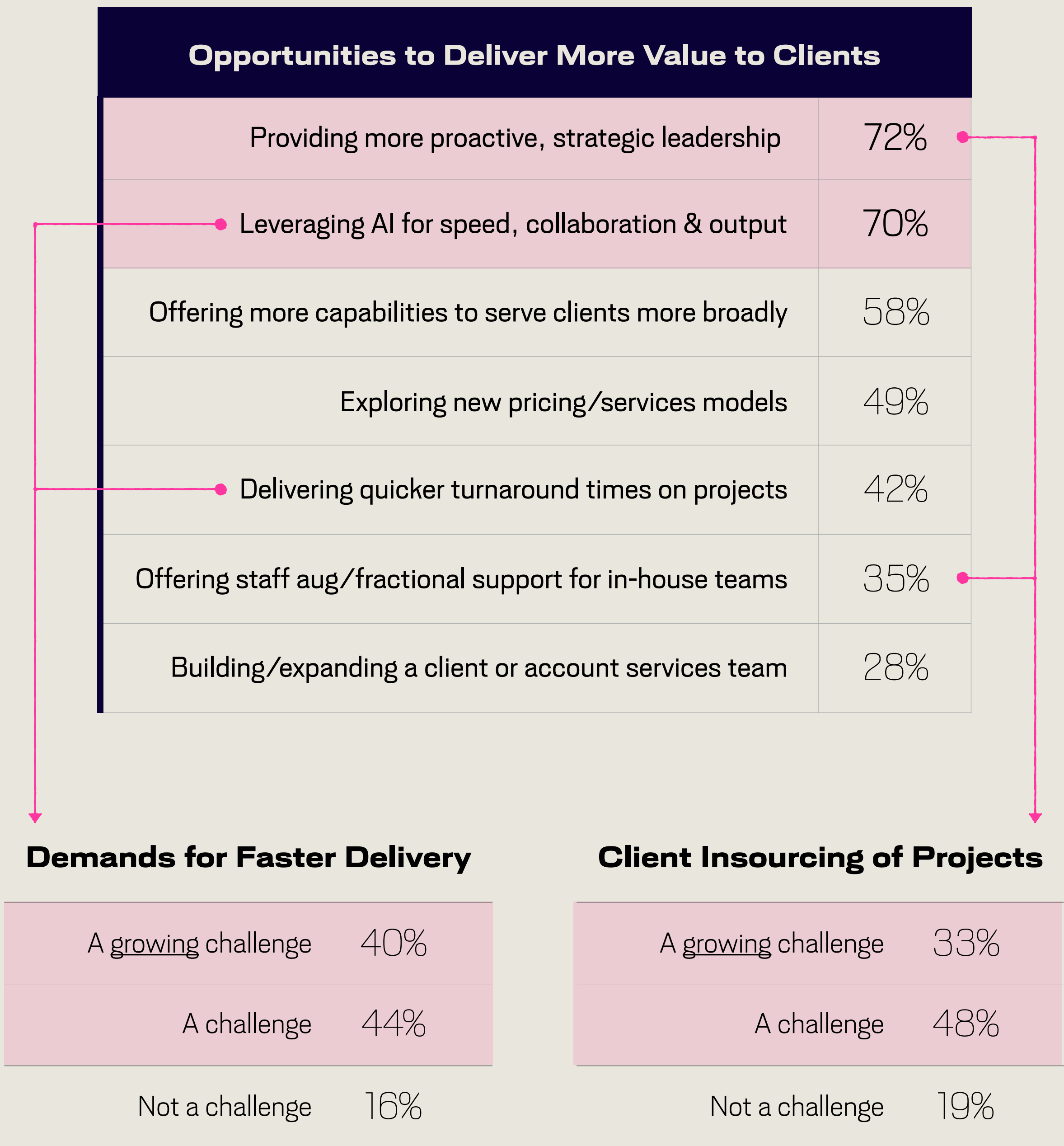
Verbatims on AI Impact

Agency leaders were asked to briefly describe the impact of AI on their business today. Of the 167 verbatims, 67% shared positive impact, 23% were mixed or neutral in their comments, and 13% pointed to the negative impact on their business. For those expressing a positive impact, 75% specifically used words like “efficiency,” “speed,” and “automation” to describe concrete benefits.

<div>Positive</div> <div>64%</div>	<div>“AI has turbocharged our delivery speed, reshaped client expectations and opened up entirely new service lines.”</div> <div>“3 years ago we started imagining what an AI-powered agency would look like; 2 years ago we launched exactly that; today we are seeing significant impacts in client results, our own revenue growth PLUS improved profit margins.”</div>
<div>Mixed/Neutral</div> <div>23%</div>	<div>“Rapid prototyping, democratizing design, but faster outputs have clients questioning value or expecting more for less.”</div> <div>“We're able to do more with the same number of people, but we are still spending the same amount of time (or more) ensuring deliverables are good enough.”</div>
<div>Negative</div> <div>13%</div>	<div>“The noise created by AI has introduced delays and uncertainty into the decision-making process. The overwhelming volume of AI-generated information often results in hesitation and indecision among our clients.”</div> <div>“Clients expect way more work for way less budget, without understanding the implications.”</div>

Delivering More Value to Clients

The more things change, the more they stay the same. While the agency-client dynamic continues to evolve, many of the fundamental questions remain the same. Agency leaders believe that AI will help them address client expectations for greater speed, collaboration, and output. The insourcing of project work by client teams is a growing challenge that agencies may address by delivering more strategic value or offering fractional support to in-house teams.



Top Challenges for Agencies

When asked to identify top challenges facing their business, leaders pointed to a range of issues in sales, talent, growth, and more. Organizational change related to AI transformation was a top challenge for just 34% of respondents. It’s worth noting, however, that client expectations around the use of AI technology and what they believe it enables places additional pressure on agencies to evolve.

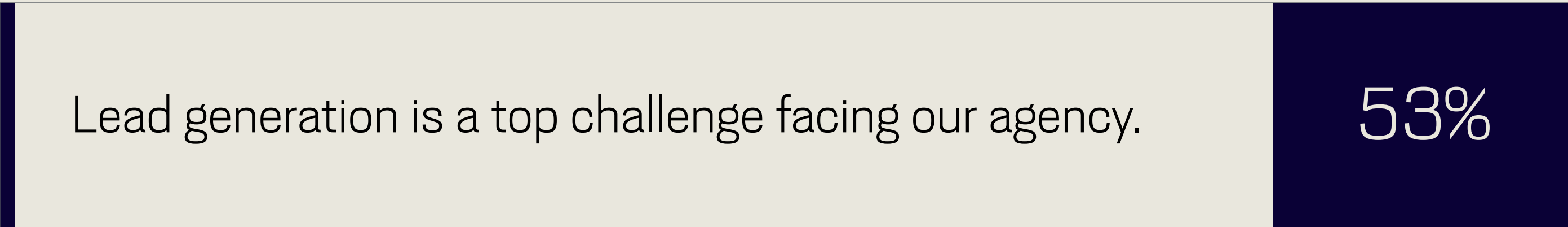
Top Challenges Facing the Agency Business			
53%	Lead generation	31%	Repositioning agency / value prop
41%	Rising labor costs / access to talent	28%	Pricing approach / biz model change
41%	Managing growth / scaling effectively	28%	Cashflow / cash runway
39%	Pricing pressure	25%	Shrinking profit margins
36%	Competitive landscape	23%	Launching new services / capabilities
34%	AI strategy/transformation/org adoption	13%	M&A plans (buy, merge or sell)

Growing Client Expectations for What AI Can Deliver

Faster Project Delivery	Lower Agency Fees	Self-Service Capabilities
45%	39%	30%

A Tough Sales Environment

Lead generation is one of the most common concerns for agency leaders, but lead volume isn't the only problem. Leaders are nearly unanimous in pointing to pricing pressure (93%), longer sales cycles (92%), and higher client acquisition costs (90%) as a challenge for their business with nearly half stating that these are “growing challenges.” More than half also agree that growing competition in the market has negatively impacted their pricing power.



Pricing Pressure	
A <u>growing</u> challenge	53%
A challenge	38%
Not a challenge	7%

Longer Sales Cycles	
A <u>growing</u> challenge	57%
A challenge	35%
Not a challenge	8%

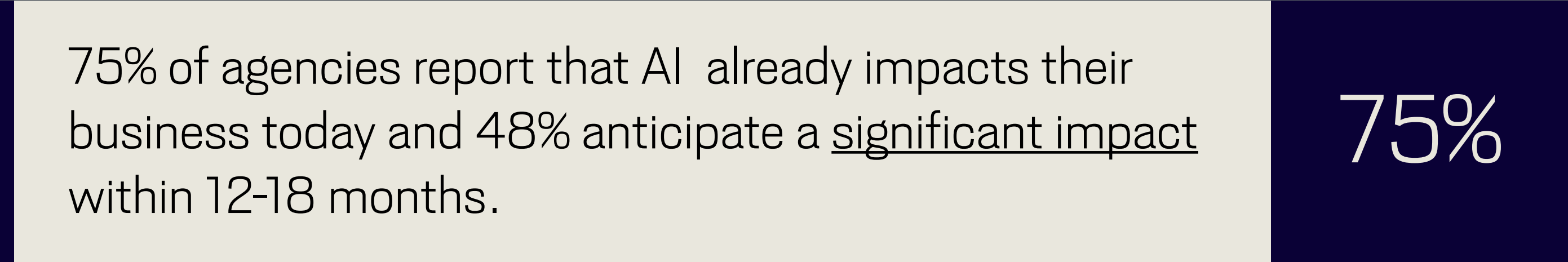
Higher Client Acquisition Costs	
A <u>growing</u> challenge	48%
A challenge	42%
Not a challenge	10%

Reduced Pricing Power*	
Agree	51%
Disagree	35%
No Opinion	15%

*Response to the statement, “Increased competition has negatively impacted our pricing power.”

AI Transformation Is Here

Far from being just another tool for adoption, many agency leaders appear to view AI as an opportunity (or necessity) for foundational change in their business, and they’re looking at agency positioning, pricing models, new services, proprietary IP, and even team structure as key levers for change.




AI Is Beginning to Impact Fundamentals in the Business

Agency Positioning	38% are actively repositioning their agency to reflect their usage of AI.
Pricing Model	35% of agencies are rethinking their pricing and commercial model relative to the use of AI.
New Services	47% of agencies are using AI to develop entirely new service offerings for their clients.
Proprietary Tools	37% of agencies are developing proprietary, custom AI models and agents.
Team Structure	71% agree that, “AI technology will impact the number and types of roles we employ at our firm.”

Spending Plans in 2026

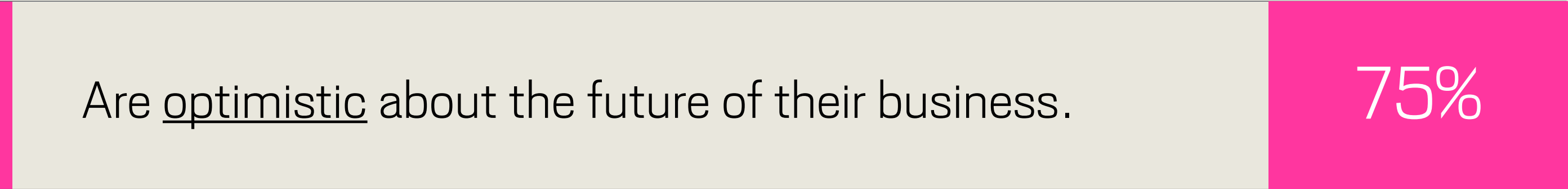
A challenging sales environment and the need to invest in AI transformation are important considerations for the market ahead. It's not surprising then that 56% of agency leaders plan to invest more in sales and marketing, 53% are putting more resources behind internal technology, infrastructure and R&D, and 50% plan to increase spending on employee training and development.

Agency Spending Plans for 2026		Increase	Flat	Decline
	Labor Costs (full-time employees)	52%	37%	12%
	Labor Costs (freelance/contract/outourced)	42%	49%	9%
	Sales & Marketing	56%	41%	3%
	Internal Tech / Infrastructure / R&D	53%	42%	5%
	External Tech / Software Partnerships	34%	58%	7%
	Outside Business Advisors / Consultants	22%	65%	13%
	Employee Training / Development	50%	46%	4%
	Employee Benefits / Incentives	41%	53%	6%

92% of agencies are projecting revenue growth in 2026 with 67% anticipating growth of 10% or more. Just 52% plan to spend more on full-time employees suggesting that leaders may try to absorb growth though AI efficiency and/or other labor models.

Outlook for 2026

Leaders remain optimistic about the future of their business and their prospects for growth in 2026. 92% are forecasting revenue growth with 67% anticipating growth of 10% or more. 84% also express confidence that overall business performance in 2026 will exceed what they were able to deliver in 2025.



Revenue Growth in '26	All	US	Europe	Rev < \$10MM	Rev > \$10MM
More than 20%	20%	16%	27%	22%	17%
10-20%	47%	51%	45%	38%	58%
0-10%	24%	24%	25%	28%	19%
Flat / No Growth	4%	4%	2%	4%	3%
Revenue decline	4%	4%	2%	6%	1%

Improved Performance in '26	All	US	Europe	Rev < \$10MM	Rev > \$10MM
Very confident	33%	32%	38%	26%	43%
Somewhat confident	51%	50%	53%	52%	49%
Not very confident	11%	13%	5%	15%	7%
Not confident at all	4%	4%	2%	6%	1%
I just don't know	1%	1%	2%	2%	1%

Parting Thoughts

1. It's always a challenge to gauge the speed of a hype train relative to an unknown destination. It's even more of a challenge when you're standing still. No doubt there is plenty of noise when it comes to our AI fever dreams. But if this study shows anything, it's the speed and seriousness with which agency leaders are moving. A disciplined and thoughtful approach to AI transformation at your agency is fine, and it's doubtful that there's all that much "first-mover" advantage for a services business. That said, the conditions call for urgency and focus. Find areas of real impact and amplify rather than dabble across the ten thousand use cases that might one day be.
2. The idea that smaller, independent agencies are more nimble and able to ingest change more rapidly than their larger counterparts has become axiomatic in our industry. While it often proves to be true, there is a risk in assuming this to be an inherent competitive advantage. Data hidden more deeply in the study suggests that larger agencies appear to be moving with more urgency and investing more heavily in AI technology. While it's reasonable to start with productivity gains, stopping there is a mistake. Larger agencies seem to be more serious about changing their pricing model, retooling their org structure, re-imagining their core services, and inventing new ones with proprietary AI models and agents. It's the difference between agency optimization and agency transformation.
3. When asked to comment on the impact of AI on the agency business, one leader simply replied, "VUCA." It's a framework developed in the 80's to describe volatility, uncertainty, complexity and ambiguity; no doubt an apt acronym for these times. Leaders in our survey were overwhelmingly positive about the year ahead and optimistic in the future of their business. That's great news. But it's important that we don't mistake optimism as a proxy for actual market conditions. Technology disruption, globalized competition (for talent and for business), and a challenging new business environment persist into 2026. The smart leaders are optimistic AND actively working to turn these levers into new opportunities through focused positioning, lean staffing models, healthy investments in R&D/technology, and a sales/marketing approach that recognizes the limits of inbound, organic growth.



About SoDA

SoDA is a global network of digital agency founders, creative innovators and technology disruptors. With 90 agencies in more than 20 countries, our members help the world's leading brands imagine and create the future of digital experiences. Find us online at www.sodaspeaks.com.

About Webflow

Webflow is the AI-native Website Experience Platform built for how modern agencies deliver and scale high-impact digital experiences, enabling visually stunning, enterprise-grade websites and web applications that drive measurable client results. Built for the Answer Engine era, Webflow brings together AI-native creation tools, a composable CMS, and robust infrastructure to support faster collaboration from strategy to production, streamline delivery across teams and clients, and maintain the governance, performance, and brand integrity required at scale.



Disclaimer

This information is provided for educational purposes only. It is not intended to be nor should it be used as a recommended standard or requirement in your decision-making.

All data in this report is self-reported by the respondents. Numbers are rounded up and, as a result, sets of numbers may not always add up to 100%.