



Uncovering the patterns
of resilient digital firms

2020



Report produced by



With additional insights from



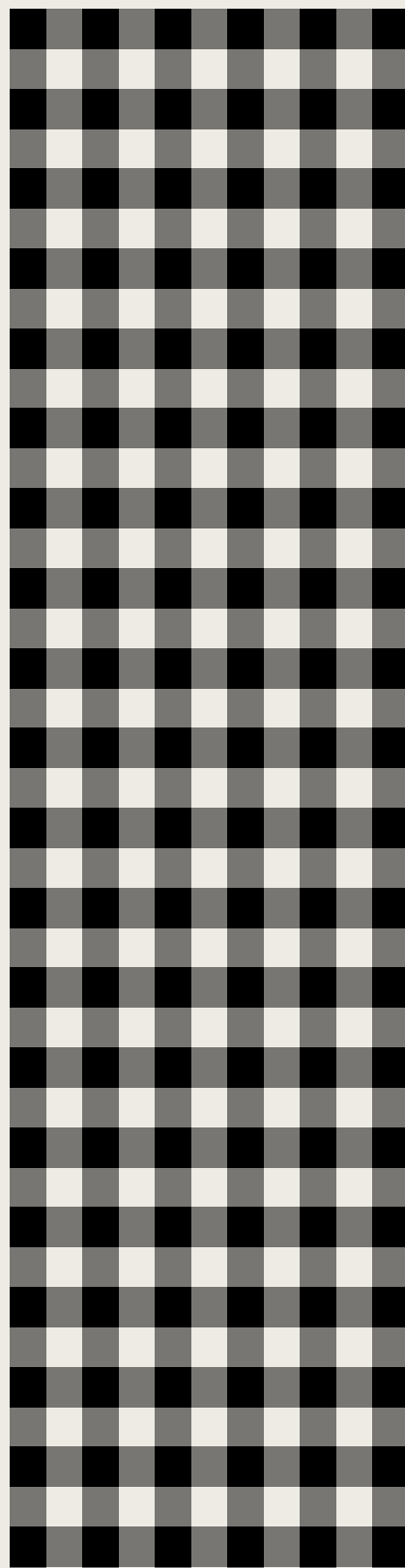
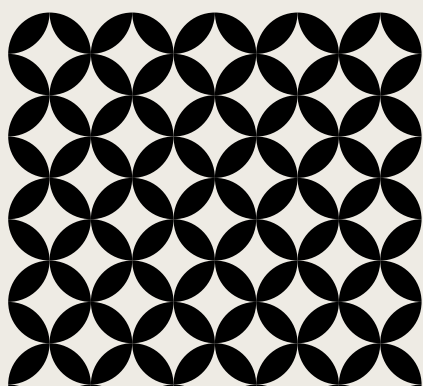
Contents

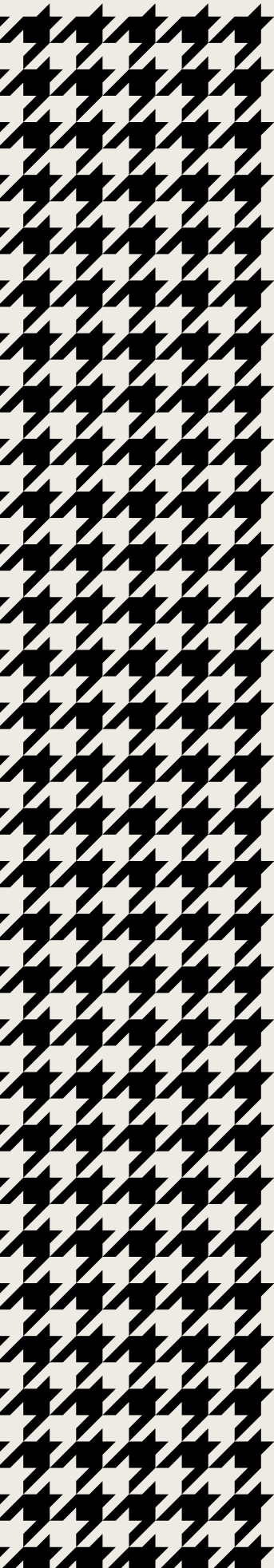
Key findings	6
Outlook	12
Growth	18
Cash management	30
Payments & cancellations	36
Operations	44
Stress management	56
Respondent details	62

To uncover the patterns of resilient firms, Pattern Report partnered with a panel of experts to bring you a thoughtful summary of how digital firms are doing in the first half of 2020 compared to the second half of 2020. From growth strategies, to project management, to cash management, to people management, billing strategies, and stress management, we've tied it all together to support you as a digital firm this year.

This survey was conducted between May 19th–May 26th, 2020 three months into the midst of a global coronavirus pandemic and the onset of an American civil rights movement. Approximately 96% of respondents were owners, C-levels, and executives from 84 digital service companies across Canada, United States of America, Mexico, United Kingdom, and South Africa.

Almost all respondents were at senior-level management positions within their firms. Of the respondents, most offer web design and development, and the top three industries respondents worked in include government/not for profit, business and professional services, and retail and commerce. Two thirds of respondents were companies with less than 20 employees.





Key findings

How are firms doing this year—specifically in quarter 2 2020 compared to expectations for quarter 3 2020? That's what we wanted to find out. The results here form a loose playbook that digital shops can use to adapt to this new but very volatile environment. We have found patterns in ways firms handle their positioning, in how they are generating revenue, in their cash management, in how they handle cancellations, in the way they manage projects and operations, and in how they managed the sudden shift to remote operations. Focus on the patterns optimistic firms share and learn from the patterns pessimistic firms share to run your firm more sustainably.



Patterns of optimistic firms

In general, smaller firms have the same or more optimistic outlooks while larger firms were more pessimistic about the future. Optimistic firms spent downtime during the second quarter reorganizing, repositioning, restructuring their internal operations, and raising or intending to raise capital. Many were well-prepared for a distributed working environment and remote tools and were already starting to see increased client demand in May. Most firms have experienced project cancellations but haven't renegotiated terms even when the cancellations are in breach of contract.

Firms that offered Email marketing, eCommerce, and Content marketing services tended to have better expectations for the second half of 2020. Firms focusing on B2B services, education, government or public sector, healthcare, financial services, entertainment, funded startups are more optimistic about the second half of the year. Respondents are stressed, but managers at optimistic firms are absorbing less stress from their team members and experiencing no changes (or an uptick) in productivity.

Owners and executives tend to be overly optimistic, which means they may not necessarily be doing the things they should to prepare for increasing global instability. For example, based on our report, optimistic firms were less likely to adopt additional lead generation tactics. This could be an issue should current lead generation dry up. They were also not negotiating during breach of contract, and were not accessing government funded debt to ride out the pandemic. This means they could experience a negative hit to profitability and sustainability in the future based on our prior research.

“We've changed our PM approach and pricing structure and signed new clients.

Hospitality, retail, politics specialty

“Economic uncertainty; however, we serve mostly B2B companies that feel more 'insulated.'

B2B Digital general specialty

“My business is thriving in this type of environment.

Entertainment, funded startups, government specialty

“Client is consolidating all their global work to one agency... i.e., U.S.

Higher ed, travel, ecommerce specialty

Optimistic patterns



Services offered:
eCommerce, Content marketing, Email marketing



Verticals served:
B2B services, Education, Government, Healthcare, Financial



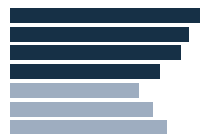
Less trouble filling sales pipelines and closing new business



Lead-generation tactics:
Inbound & Cold emails



Have raised or intend to raise capital



Have already reduced expenses



70% have experienced project cancellations



No cancellations, better outlooks



Few have adjusted payment terms even with contract breaches



PMs manage less than 5 projects



100% of projects on time and on budget



Remote distribution has grown 54%



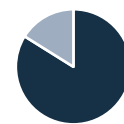
Know how and when to use their digital comms tools



Have better remote work systems



Optimistic firms are slightly less stressed



Most have a reliable support system

Patterns of pessimistic firms

Pessimistic firms surveyed have seen drastic reductions in monthly recurring revenue, uncertainty around contract renewals, and concern over the destabilizing impact of COVID-19. Impacted verticals like tourism, hospitality, charity and not-for-profit, and real estate are generally more pessimistic about the second half of the year. Firms report issues like uncertainty around the outlook of their industry vertical, slowing pipelines, paused projects, and client budgets being cut. They are having to renegotiate project payment terms, are not raising capital, and expect to cut expenses in the future. Managers at pessimistic firms are more stressed-out than those at optimistic firms and absorb more stress from their teams.



We went from \$250k profit in Q1 to a projected \$110k loss in Q2. Haven't seen enough change to think Q3 and Q4 will rebound enough to give it anything other than 1/5 (for 2nd half of 2020 forecast).

Nonprofits, industry organizations, government specialty



We work with the hospitality industry so client budgets have been massively cut and they are not willing to go on retainers, want to do things as time and material as all eyes are on marketing budgets at the moment.

Hospitality and real estate specialty



35% drop in our MRR basically overnight, coupled with a reduction of our average net new sales revenue by 30–50%.

CPG, B2B, ecommerce specialty



Our business is going to be significantly affected by social distancing rules.”

Credit unions, electronics, professional services specialty

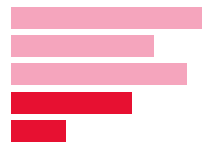
Pessimistic patterns



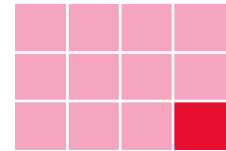
Services offered:
Digital media buying, Data analytics



Verticals served:
Tourism, Hospitality, Not-for-profit, and Real estate



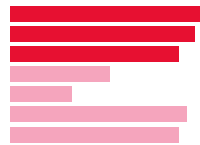
More trouble filling
sales pipelines and
closing new business



Lead-generation tactic:
Upselling current accounts



Are not raising
capital and don't
intend to



Expect to reduce
expenses in the future



1.5x times more likely to
change payment terms



Projects are late
and over-budget



PMs manage more
than 5 projects



Are less productive



Less adaptable
remote work



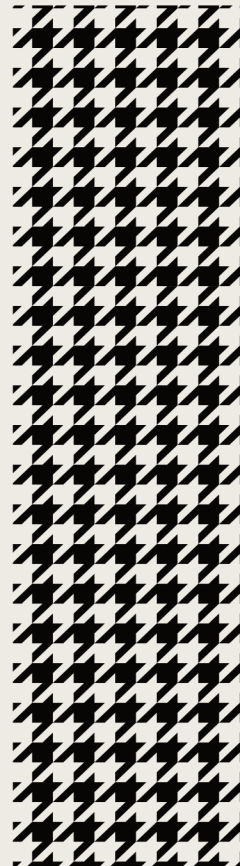
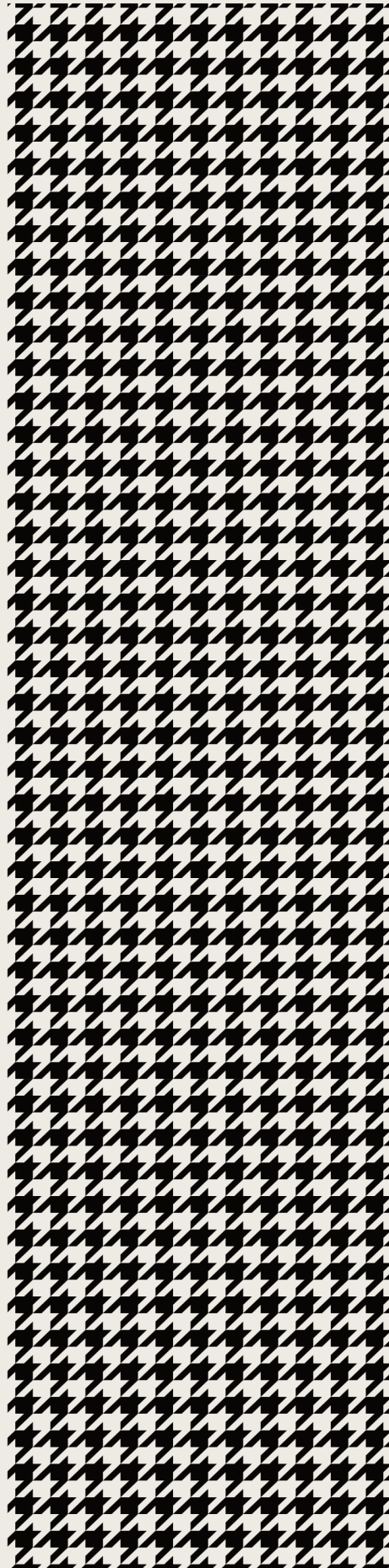
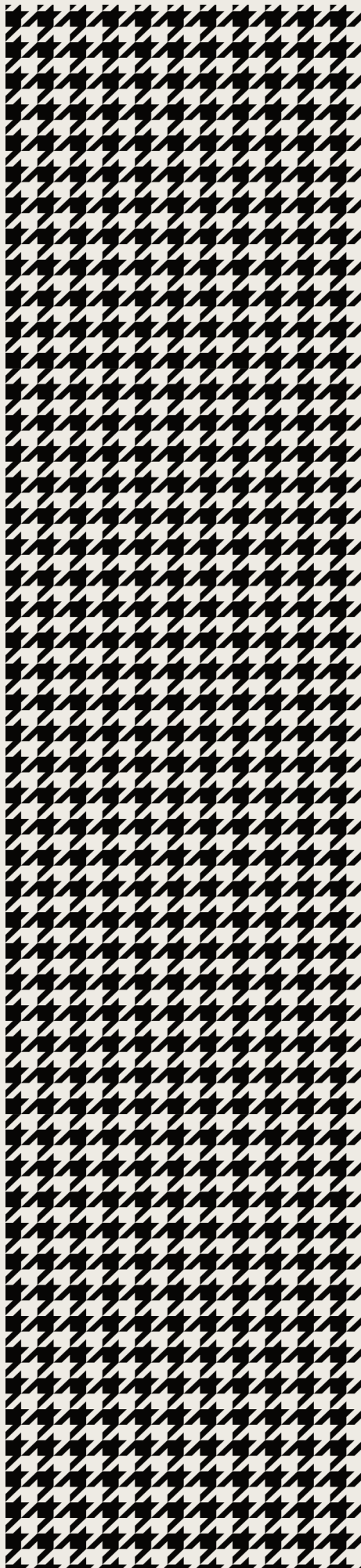
More stressed out



More stress from
the team

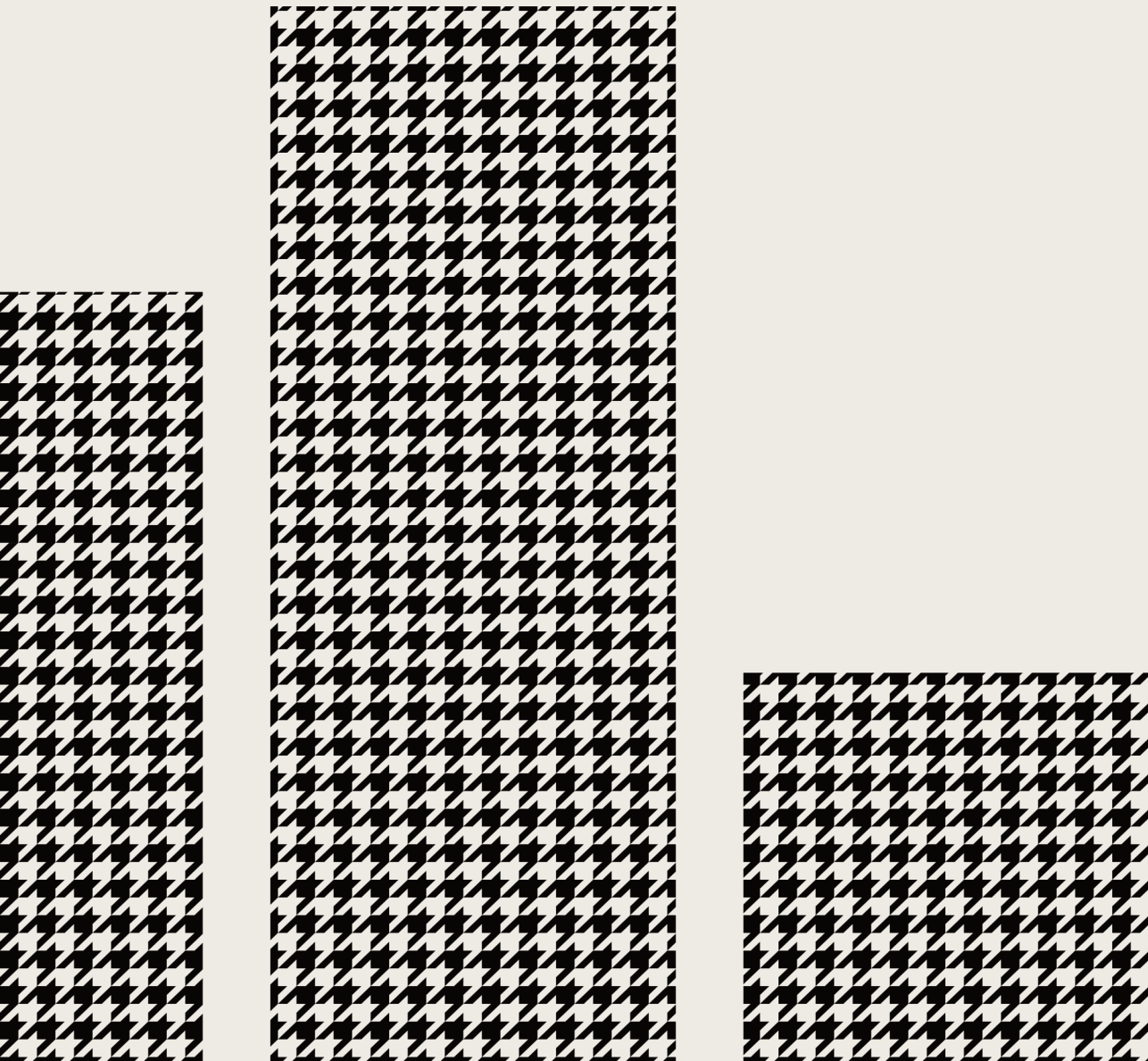


35% less likely to have a
support network



Outlook

We asked respondents to compare their expectations for the second half of 2020 to how their businesses fared in the first half 2020. These are the patterns that optimistic and pessimistic firms shared.



Respondent outlook for second half of 2020

Overall, respondents skewed slightly towards more positive outlooks for the second half of the year. 36% of firms have an optimistic outlook while 24% have a pessimistic outlook. Almost half of respondents expect business conditions to remain unchanged. Small firms tended to be more optimistic than large ones. Firms who specialize in real estate, consumer goods, government and non-profit, and professional services tended towards the most pessimistic outlook. Nearly 76% of respondents have the same or more positive outlook for the second half of 2020 compared to the first half.

2020 outlook

5%
Much better

31%
Better

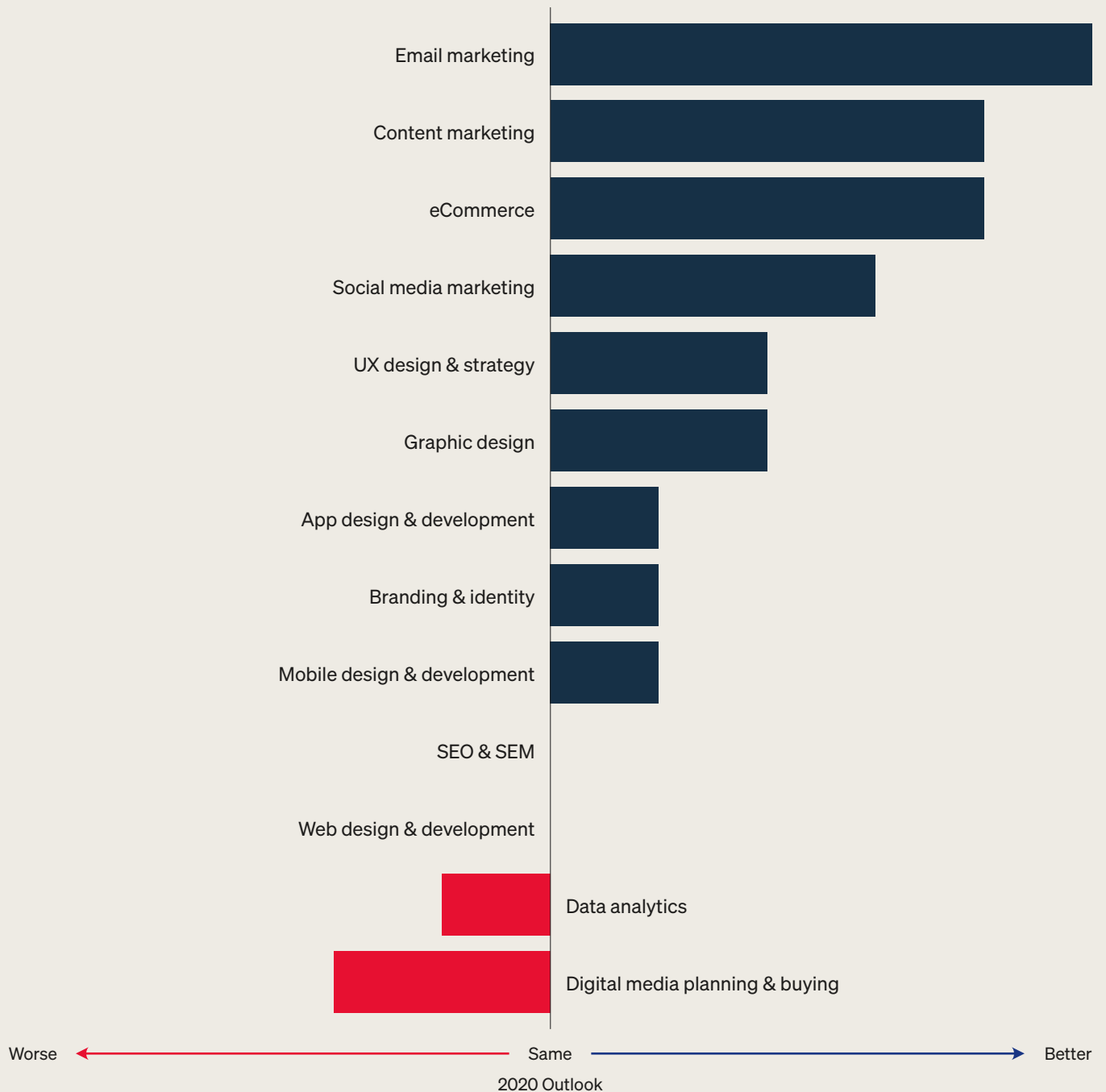
40%
Same

17%
Worse

7%
Much worse

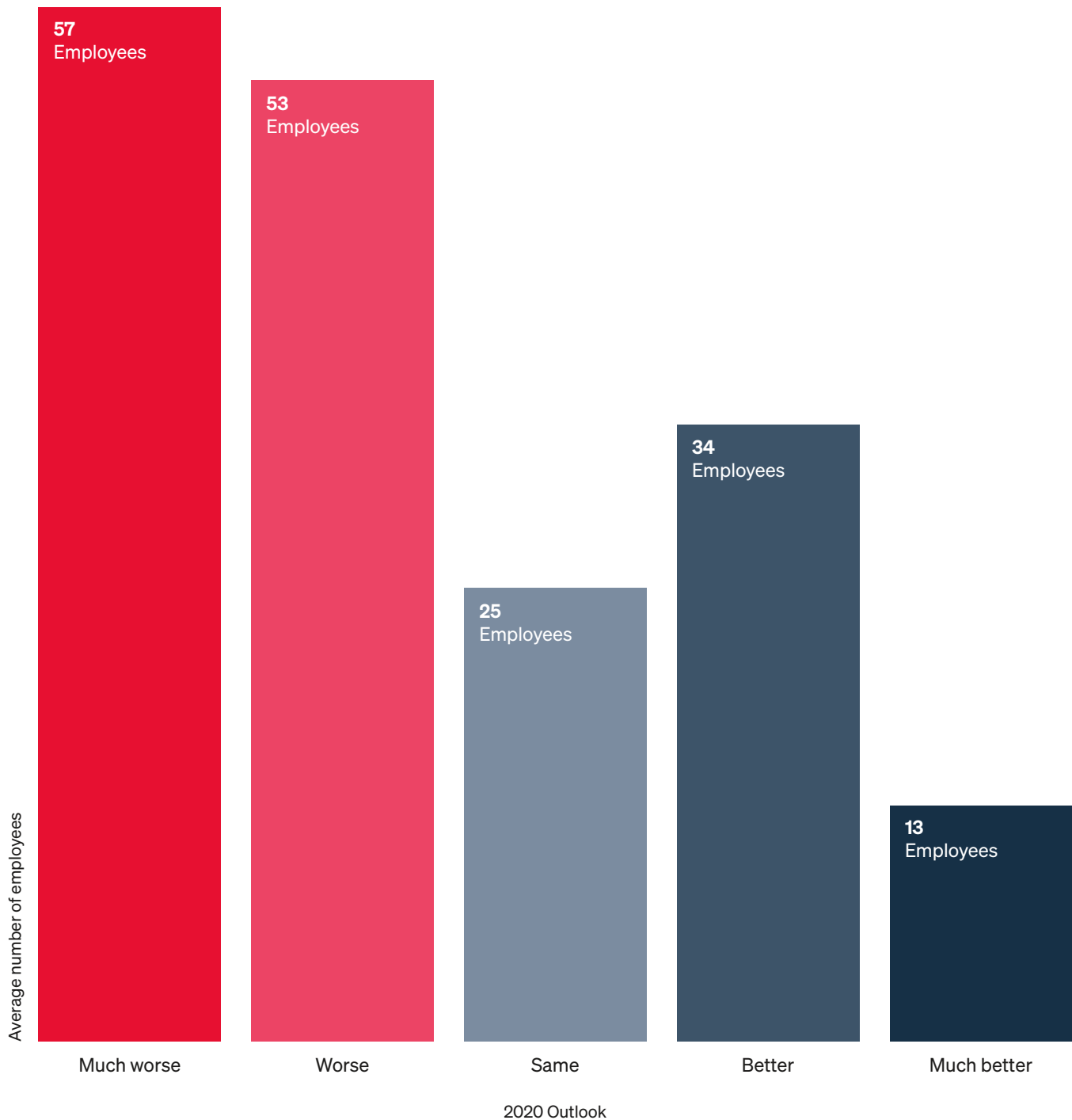
2020 outlook compared by service offering

Firms that offered Email marketing, eCommerce, and Content marketing services tended to have better expectations for the second half of 2020.



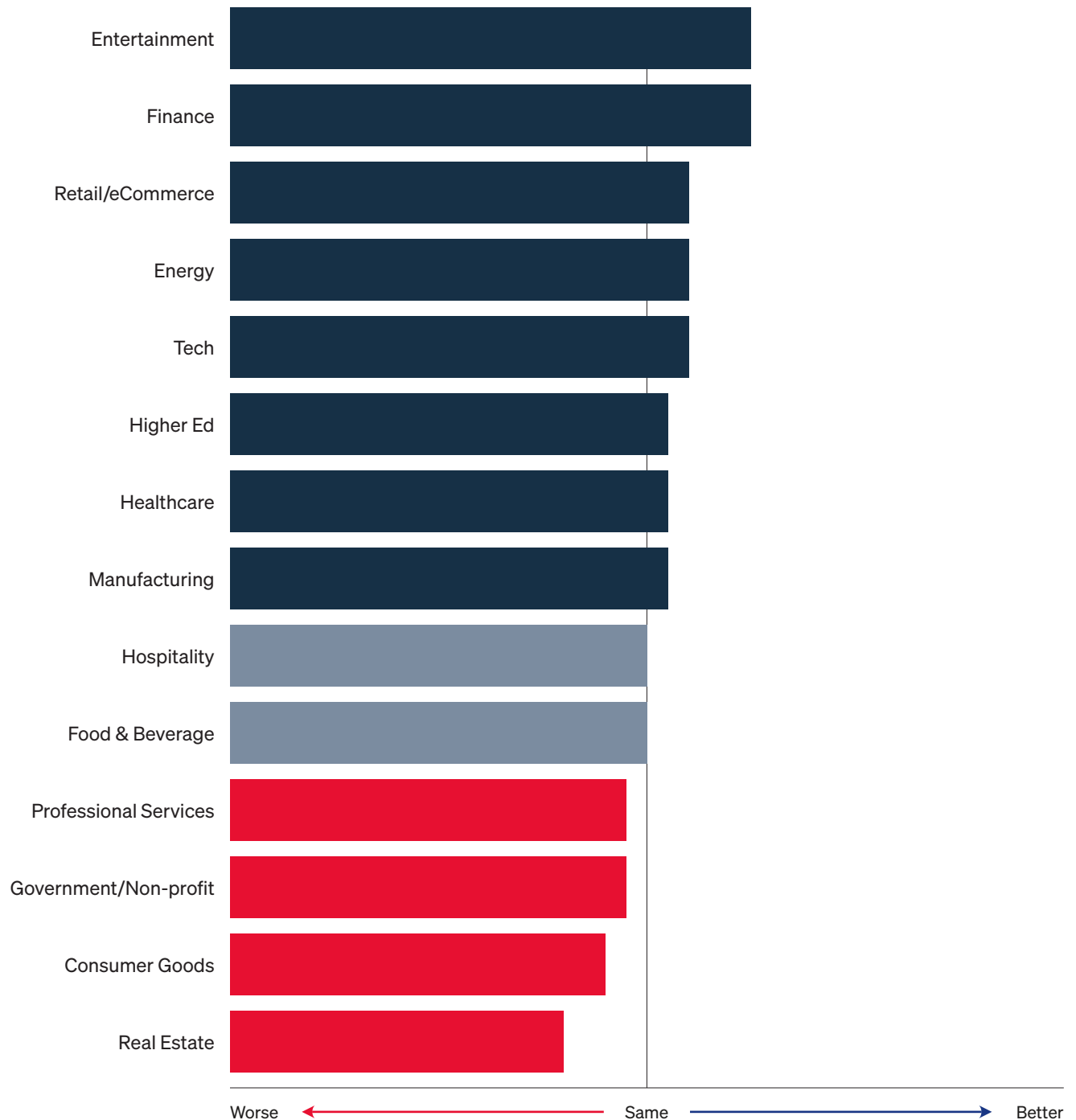
2020 outlook by firm size

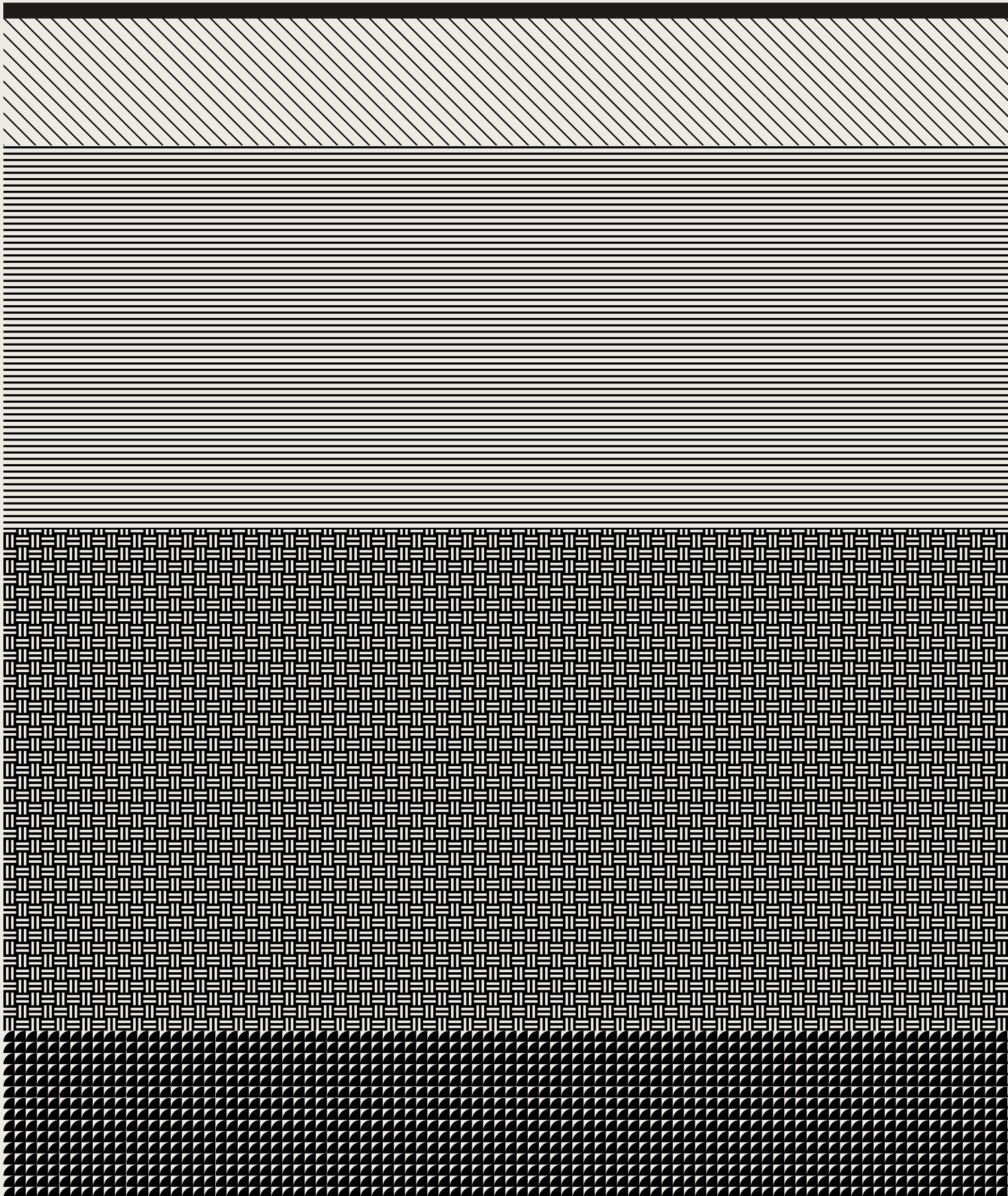
Firms with a higher number of average employees tended to have worse expectations for the second-half of 2020 than firms with smaller numbers of average employees.

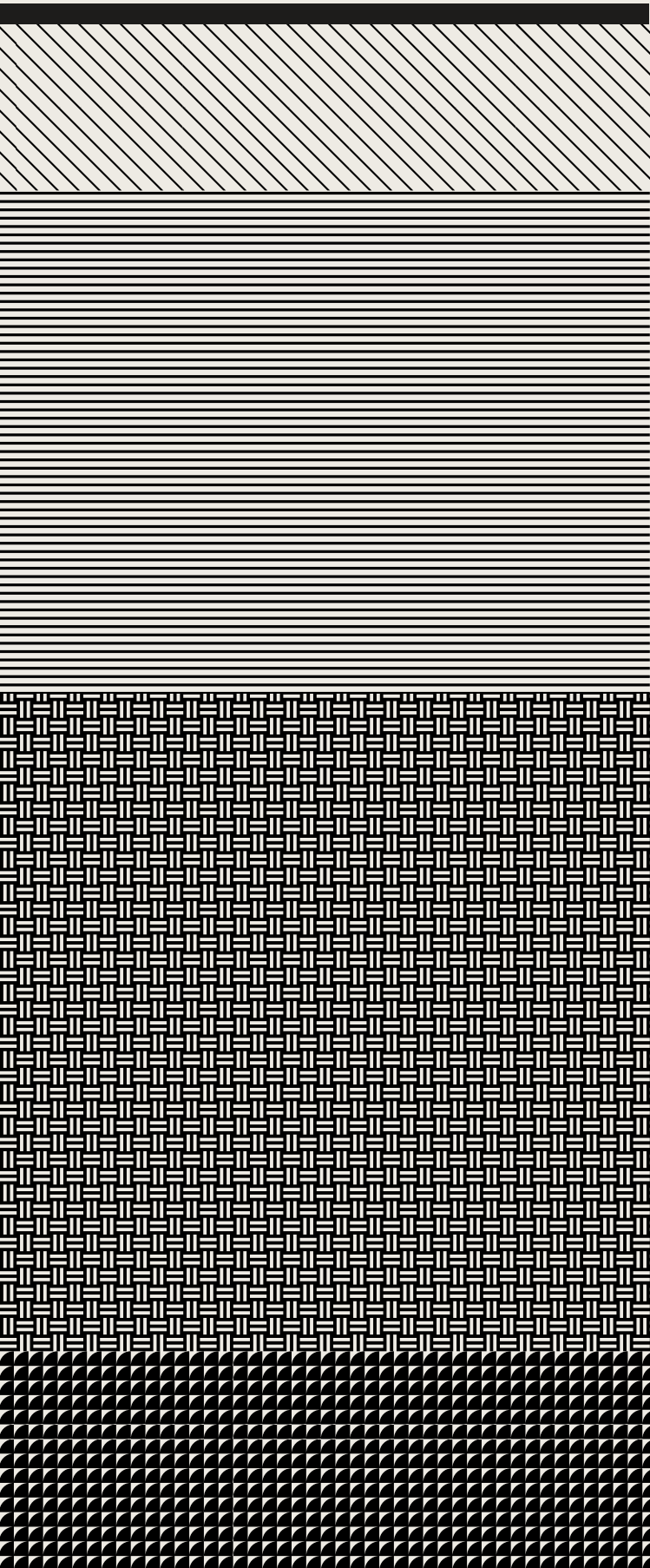


2020 outlook vs. main industries served

Firms in entertainment and finance reported being most optimistic, with those in retail/commerce, energy and tech following closely behind. Firms who were the least optimistic reported their main industries were real estate, consumer goods, government/non-profit, and professional services. Food and beverage and hospitality outlooks were the same as pre-pandemic levels.





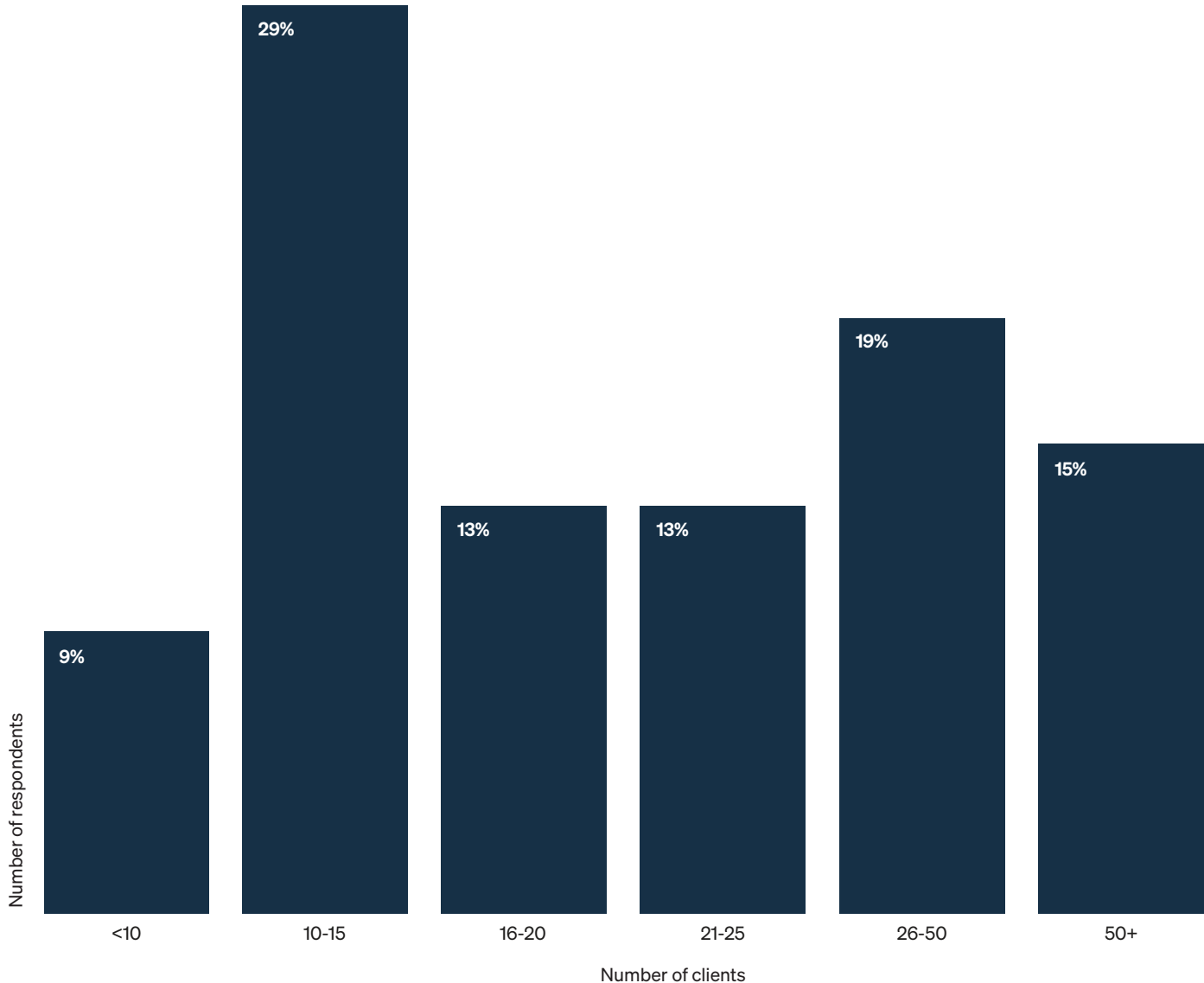


Growth

We took a look at how firms are growing their revenue this year and asked about client size and value, profitability, difficulty filling sales pipelines, and closing leads. We also asked managers what tactics they were using to improve lead generation and sales. Here's what respondents reported.

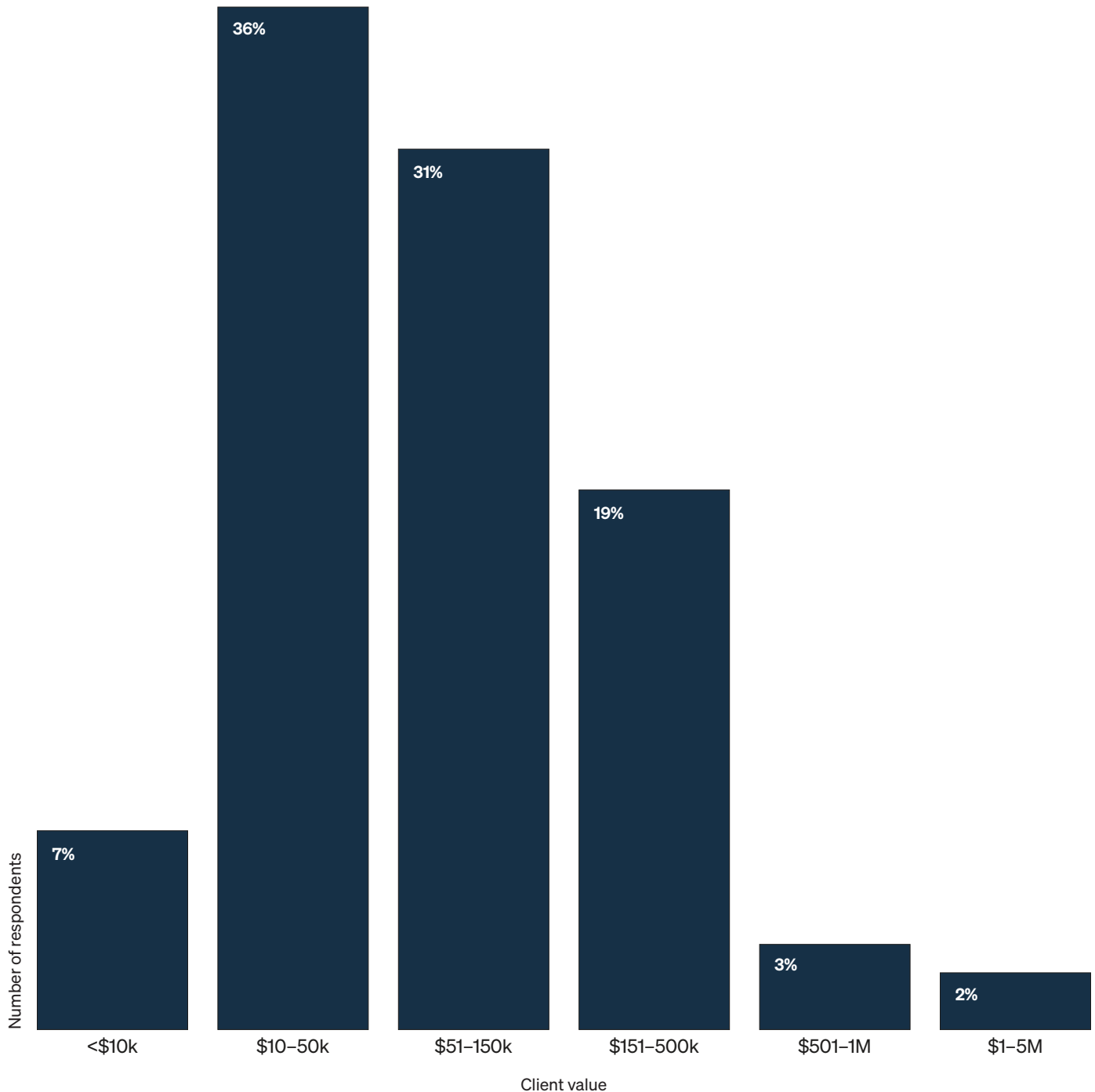
Average clients per year

Of the firms surveyed, half reported working with less than 20 clients per year. 13% worked with 21-25 clients, 19% worked with 26-50, and 15% worked with more than 50.



Average client value

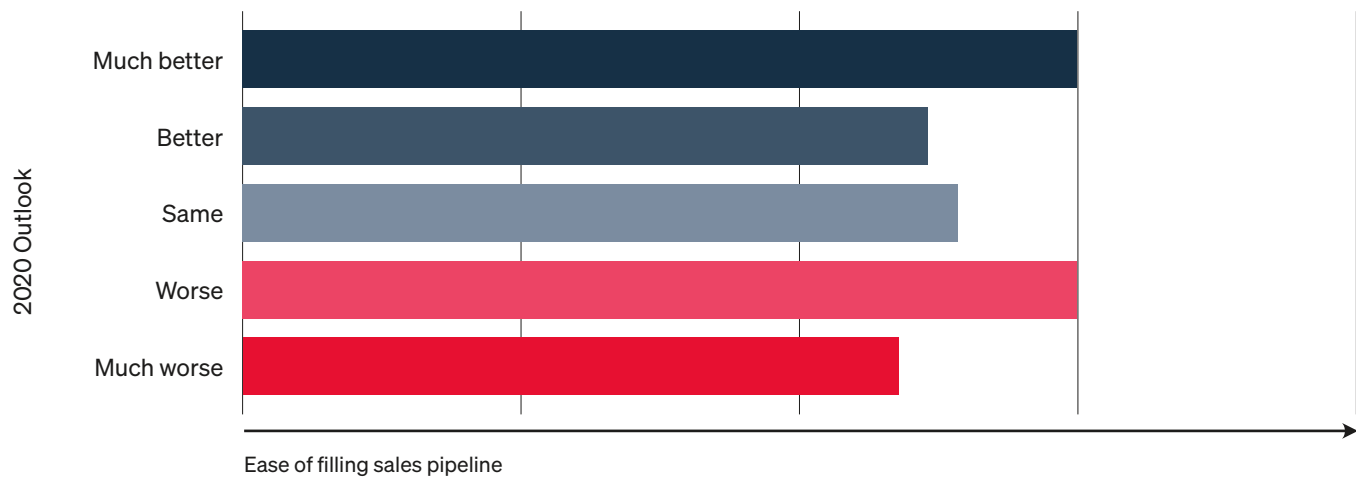
Over 74% of firms report that their average client value sits below \$150,000, and 19% sits between \$151,000–500,000 per year in 2020. Only 5% of firms reported over \$500,000–\$5M in average client value.



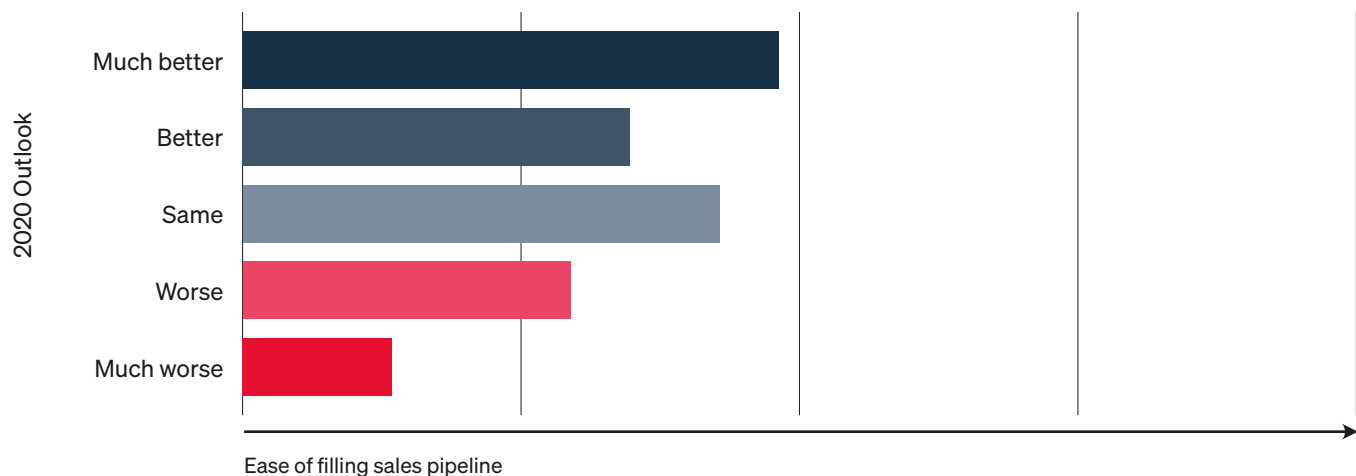
Sales pipeline stability before and during the pandemic

Even the most optimistic respondents reported having more trouble keeping their pipelines full but the increase in difficulty is much less for optimistic firms than for pessimistic ones. Pessimistic firms that were considerably less confident in their outlook had the same level of difficulty filling their pipeline before the pandemic, but a much more difficult time filling it this quarter.

Sales pipeline stability before the pandemic



Sales pipeline stability during the pandemic



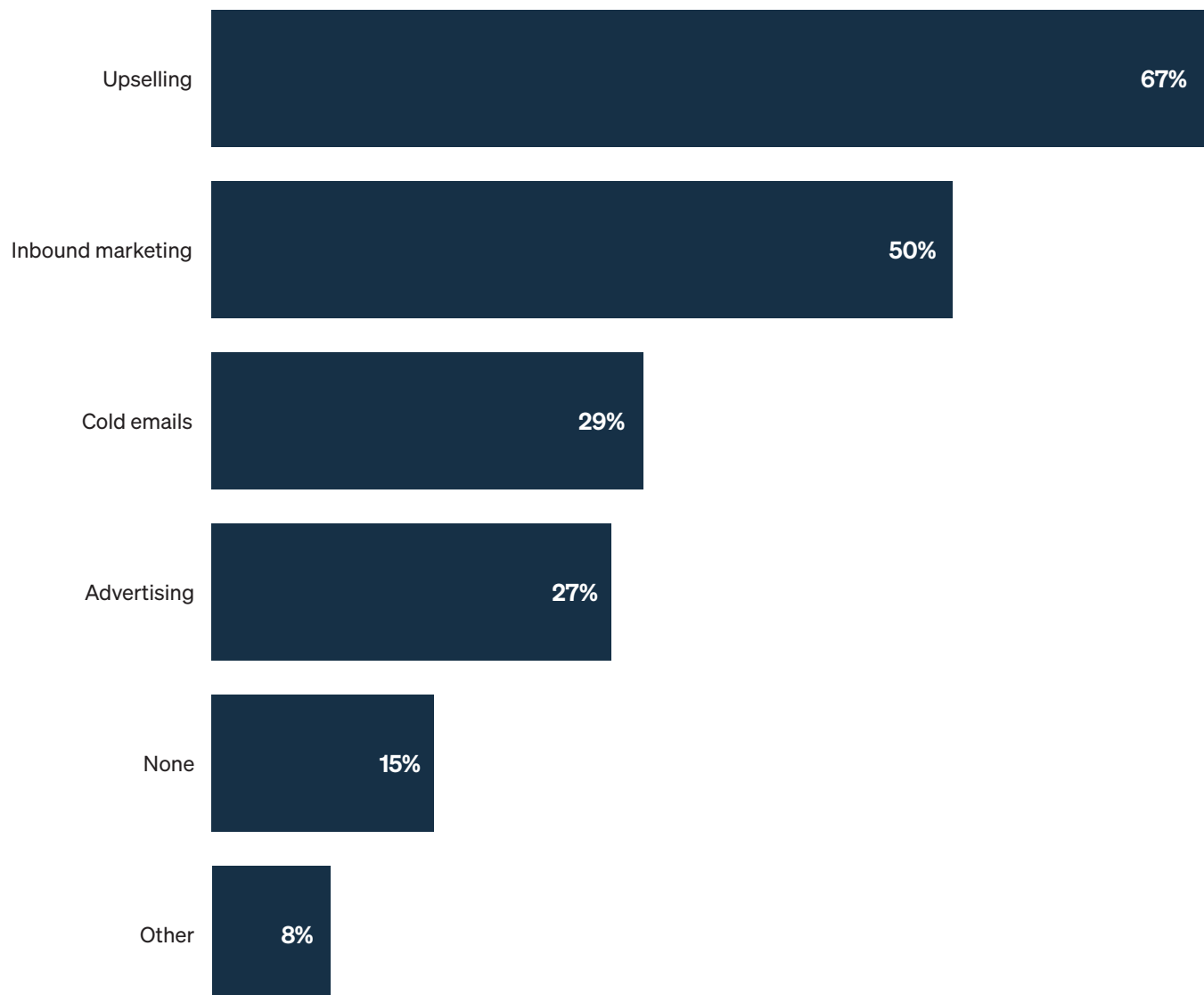
Outlook for closing new business in 2nd half of 2020

Optimistic respondents are finding it easier to close new businesses than managers with more pessimistic outlooks.



How firms are improving lead generation

Two-thirds of firms are focused on upselling current accounts to fill their pipelines, while half are focused on inbound/content marketing to drive leads. The remainder are trying things like cold email outreach and advertising to boost leads. While all firms had a similar focus on upselling and inbound marketing, optimistic firms tended to put more of a focus on cold email outreach to generate leads. Pessimistic firms focused more on upselling current accounts to drive leads than other tactics while optimistic firms relied less on this tactic.



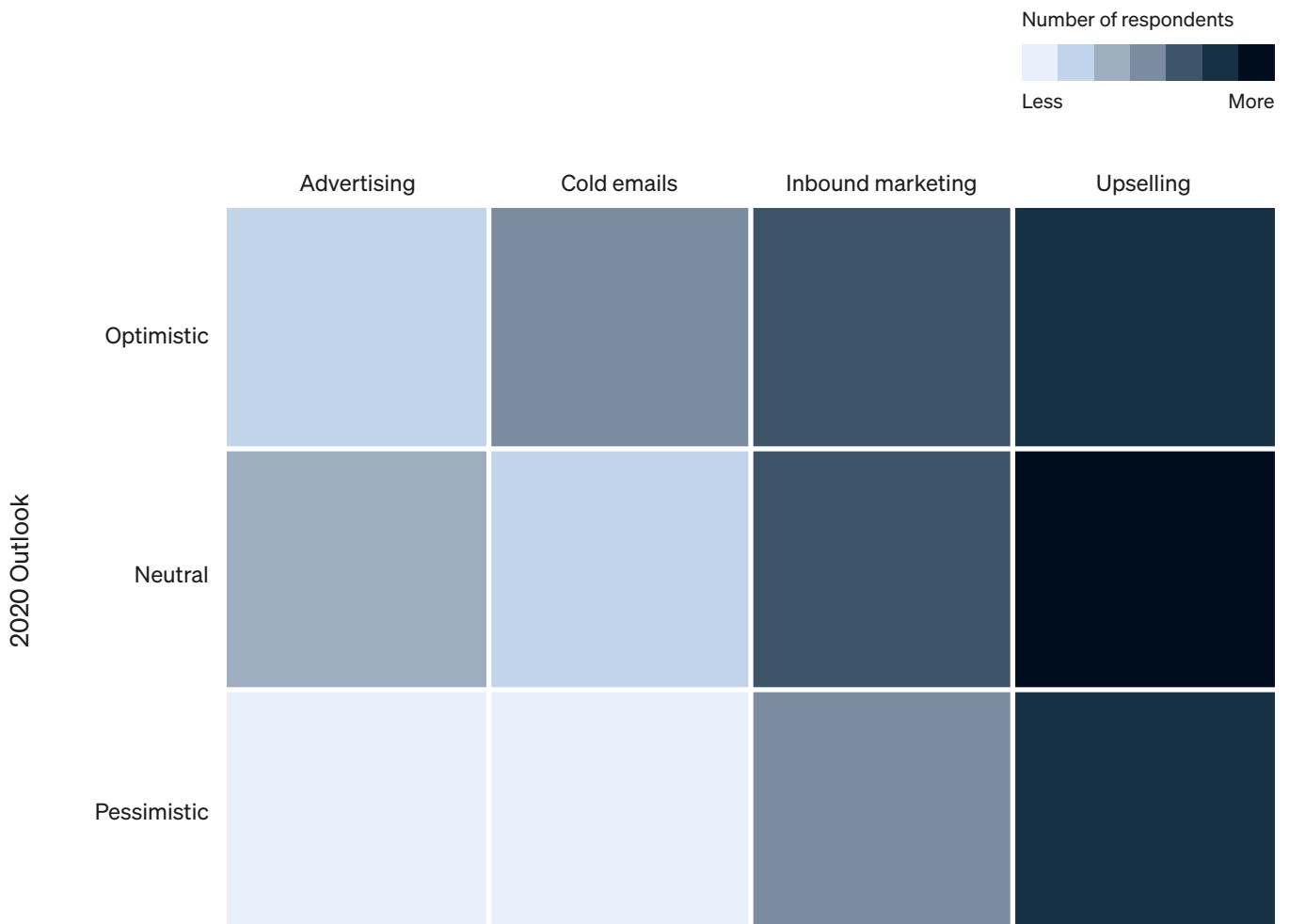
Lead generation tactics by outlook

Optimistic firms were more focused on upselling, inbound marketing, cold emails, and advertising to generate leads, whereas neutral and pessimistic firms spent time on upselling and inbound marketing.



Promethean says:

Make sure you are balancing your revenue channel focus and matching it to how quickly you need revenue. While upselling current accounts is one of the easiest and fastest paths to revenue growth, things like inbound marketing take time to drive meaningful results. From our research, cold outreach is the fastest way to drive business after upselling current accounts.



Difficulty closing new business

Just over half of the respondents indicated it is more difficult to close new business, while 12% find it easier. 43% of firm respondents indicated not taking action to improve their closing rates. Of those that are taking action, 60% of them have lowered prices, 1/3 have extended payment terms, and 8% have lowered or removed their down payment requirements.



Promethean says:

It is concerning that 60% of the firms taking action to improve closing rates have led with reducing prices. While this seems like an easy solution, it comes with difficult long-term consequences. Raising prices back to baseline is difficult even in a good economy. This tactic adds an unnecessary growth challenge. Before cutting prices, examine breaking the project into multiple smaller ones. If you must cut prices, communicate clearly that it is a temporary discount.

How difficult is it to close new business?

1% Much easier

11%
Easier

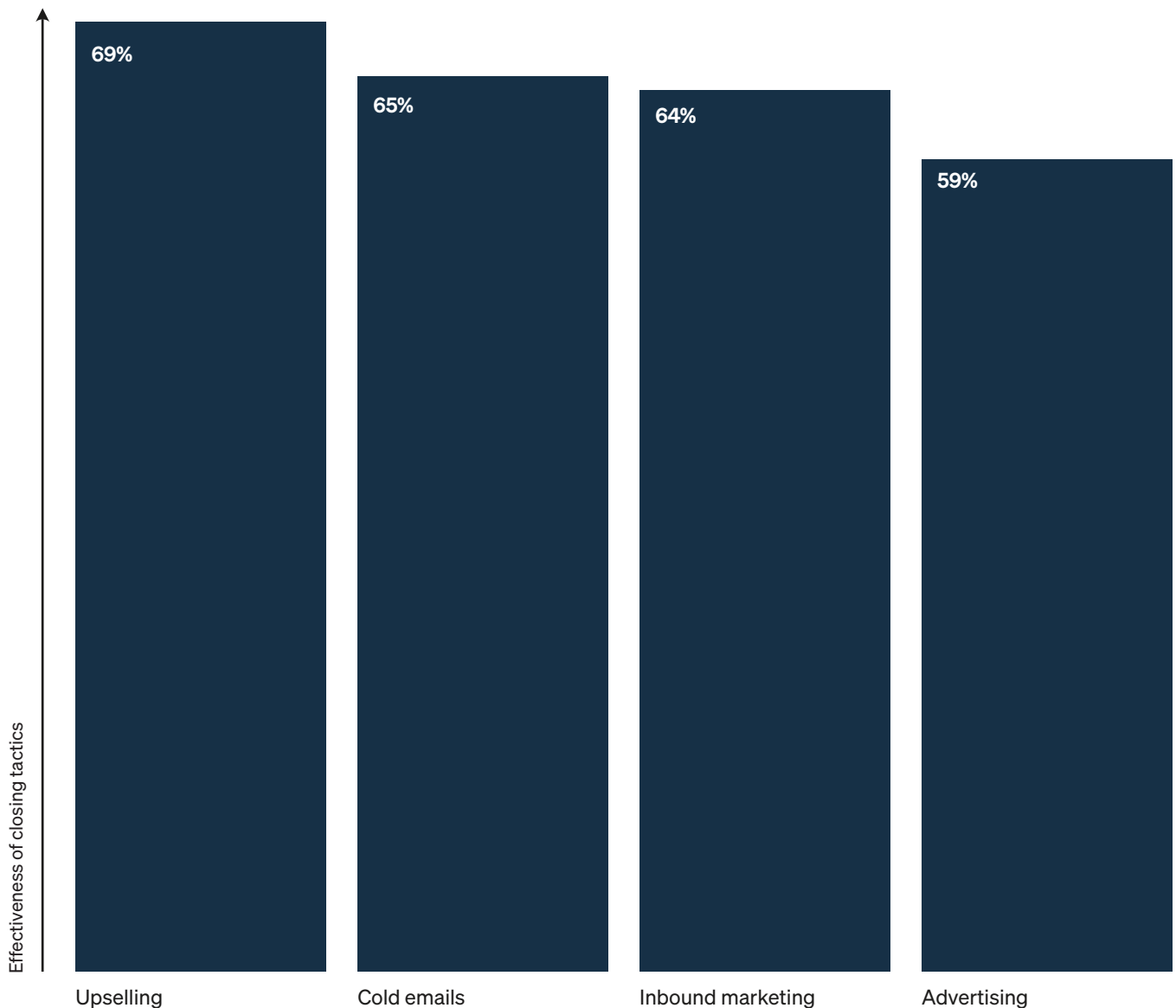
32%
Same

42%
More difficult

14%
Much more difficult

Sales tactic effectiveness during the pandemic

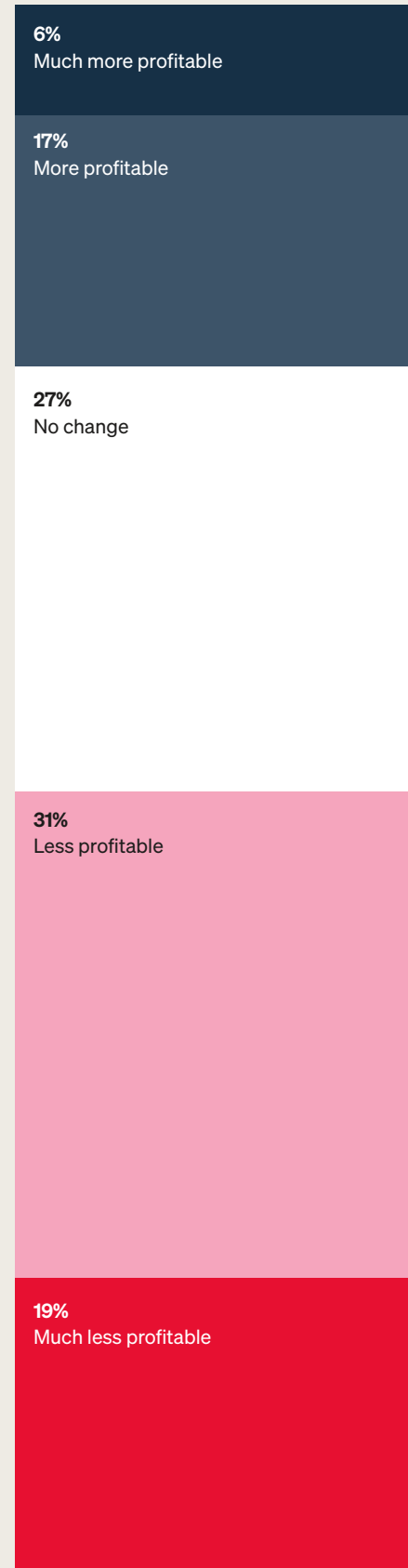
While almost everyone had a more difficult time closing business, some sales tactics were more effective than others. Several respondents reported tactics like increasing the number of project agreements, offering financing options, and doing micro projects with a guarantee, or discounts for new clients. Upselling existing client accounts was the most effective tactic while advertising was the least.



Profitability

Half of firms surveyed reported that they were less profitable over the last few months, while 27% reported no change, and 23% reported an increase to profitability. Firms who offered ecommerce, graphic design and/or development, and mobile design and/or development experienced the greatest negative impact to their profit margins over the last few months. Those that offered identity and/or brand design were the most resilient and had higher margins. Most respondents who offer any of the above services still had an optimistic outlook for the second half of 2020 despite negative profit margins.

Profitability impact during pandemic



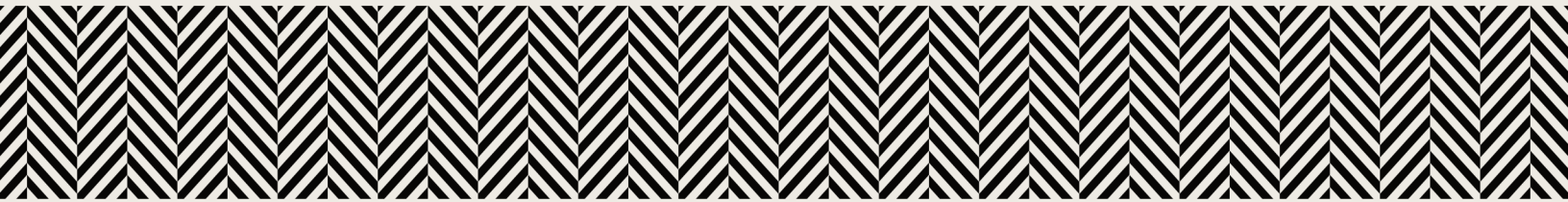
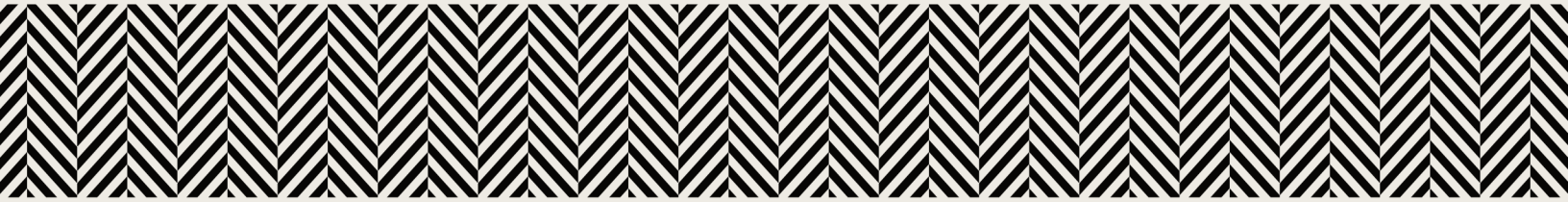
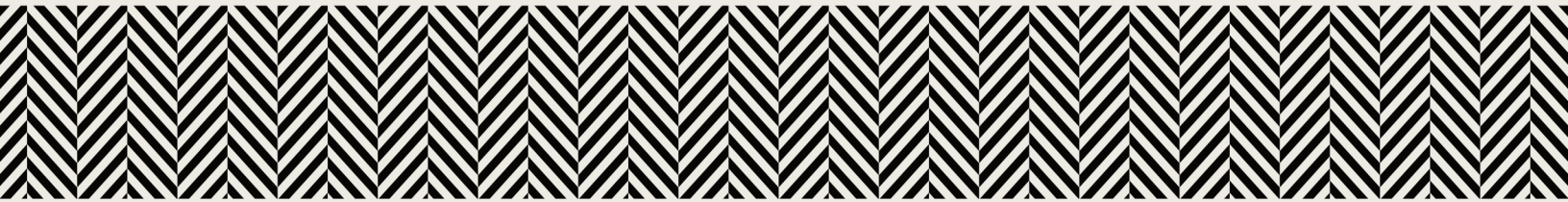
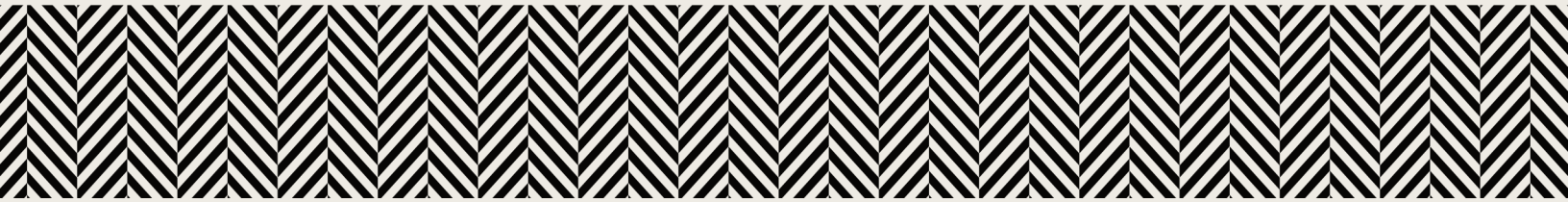
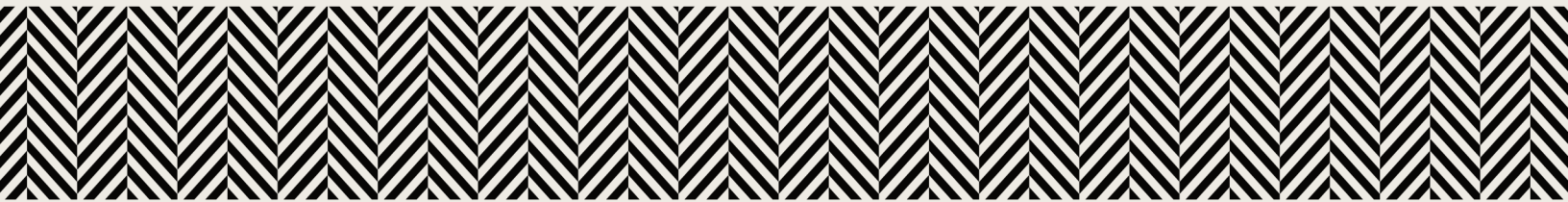
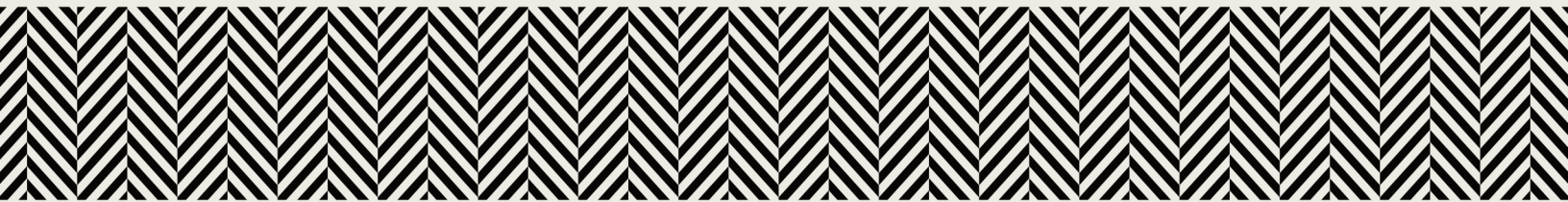
Services offered vs first half 2020 profitability

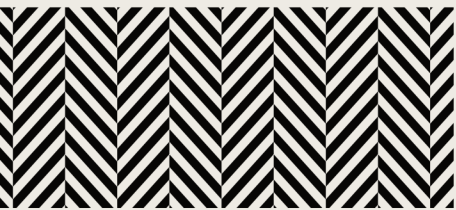
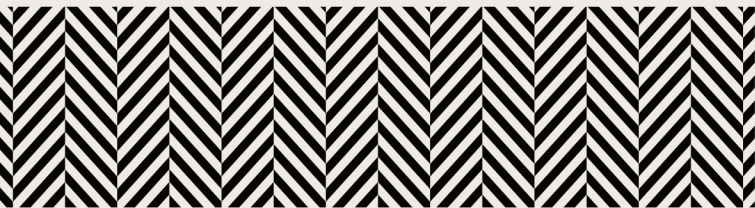
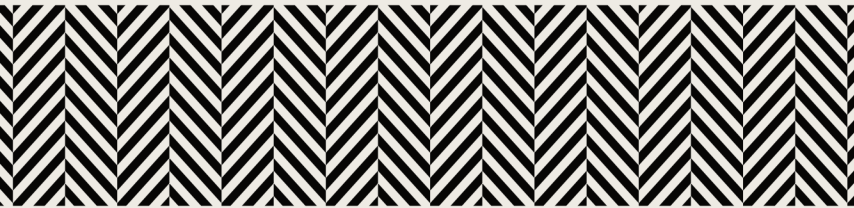
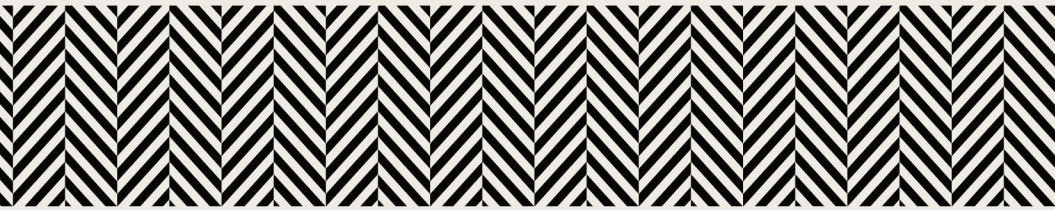


Promethean says:

This hit to profitability for ecommerce seems counterintuitive at first, with the increased demand from closed brick and mortar stores and grocery stores that need emergency ecommerce solutions. This could be explained by the large influx of digital agencies that have moved to serve this demand. We believe this, combined with the willingness of firms to lower rates, has negatively impacted on profits in this space.







Cash management

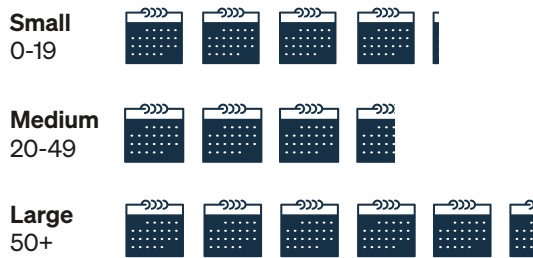
We asked firms about cash reserves, capital (including type) raised versus intent to raise in the future, and expense reduction. Most firms appear to have enough cash on hand, with a slight skew towards “too little.” Only 11% raised capital in the last few months with only 10% expecting to raise in the next few. Three quarters of respondents have reduced expenses already and just over half plan to reduce expenses in the next few months.

Cash reserves

The average firm held just over four months of operating expenses in cash reserves. Larger firms (50 or more employees) tended to hold above-average levels of cash at 5.4 months. Interestingly, we found that more cash on hand did not correlate to higher optimism.

2020 Cash reserves available for operating expenses

How many months of operating expenses companies reported having on hand.



Promethean says:

These higher cash balances kept by large firms coincides with more pessimistic outlooks. Larger firms normally tend to have lower levels of cash reserves as they have greater access to capital. One explanation for this could be that larger firms are building war chests in anticipation of rough waters. These reserves could be used either to keep the firm afloat and/or for acquisitions.

How firms rated their current cash reserves in 2020

1% Too high

7%
High

51%
Adequate

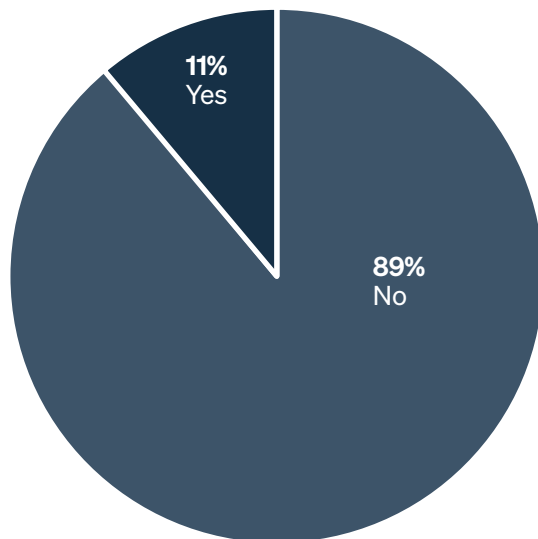
21%
Low

20%
Too low

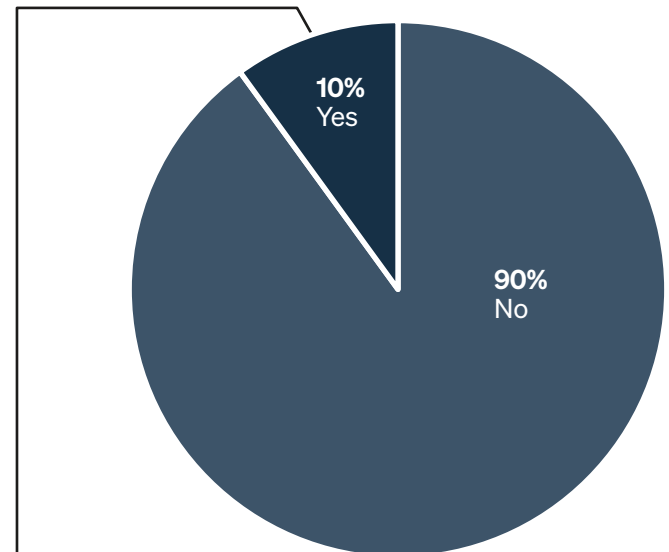
Capital

Most firms indicated they have adequate cash reserves, however there was a slight skew towards having too little cash on hand. Despite this, only 11% of firms raised capital in the last few months and only 10% plan on raising capital in the next few months. Half of respondents raised government supported capital, the other half were split between private equity and non-government supported debt like loans and other lending. This can be viewed as a positive indicator that even though firms have slightly too-little cash on hand, they don't expect to need to raise capital in the near term. Optimistic firms were more likely to report raising or an intent to raise capital.

Capital raised in first half 2020



Intent to raise capital in second half 2020

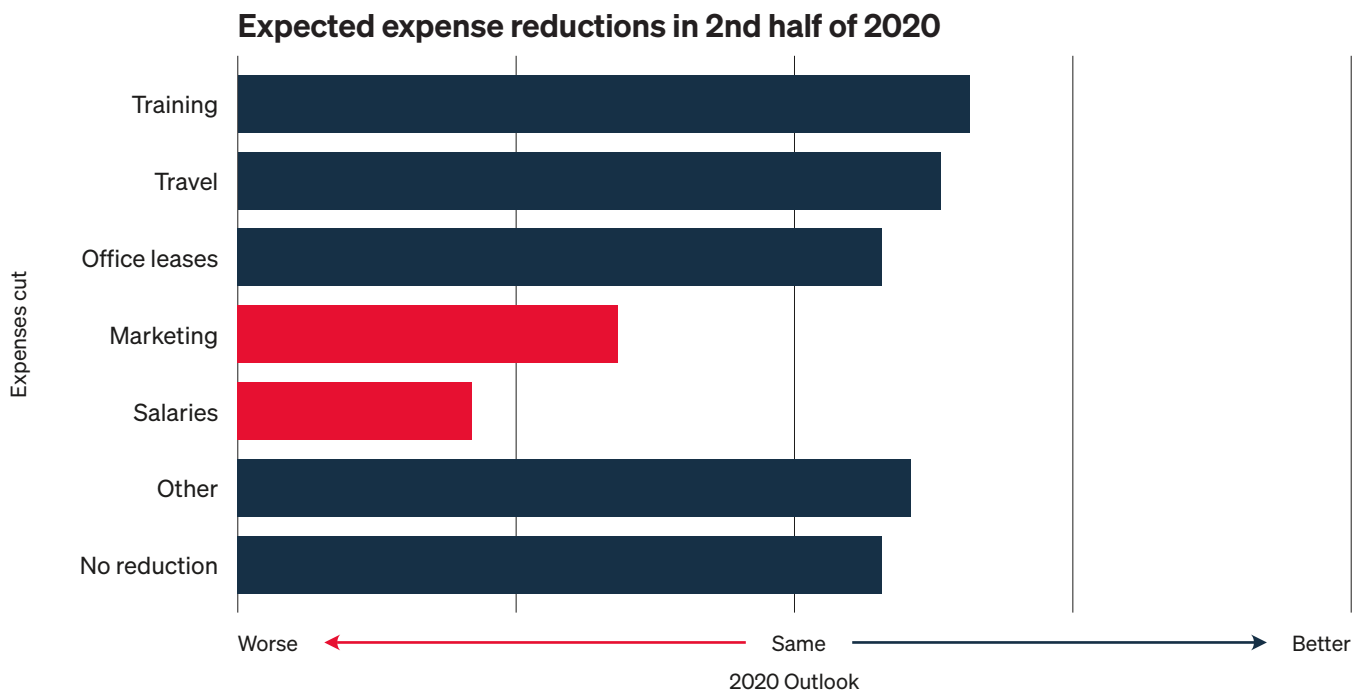
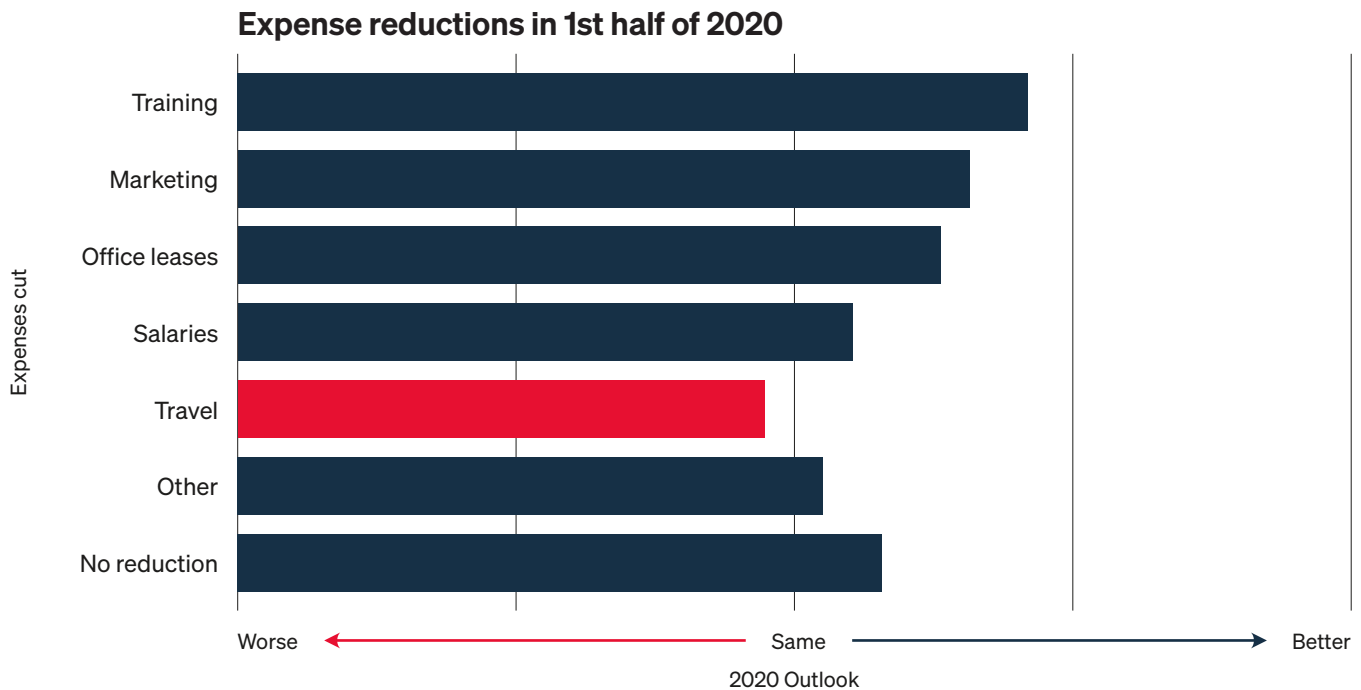


Type of capital firms are planning on raising



Outlook compared to expenses reduced before and during the pandemic

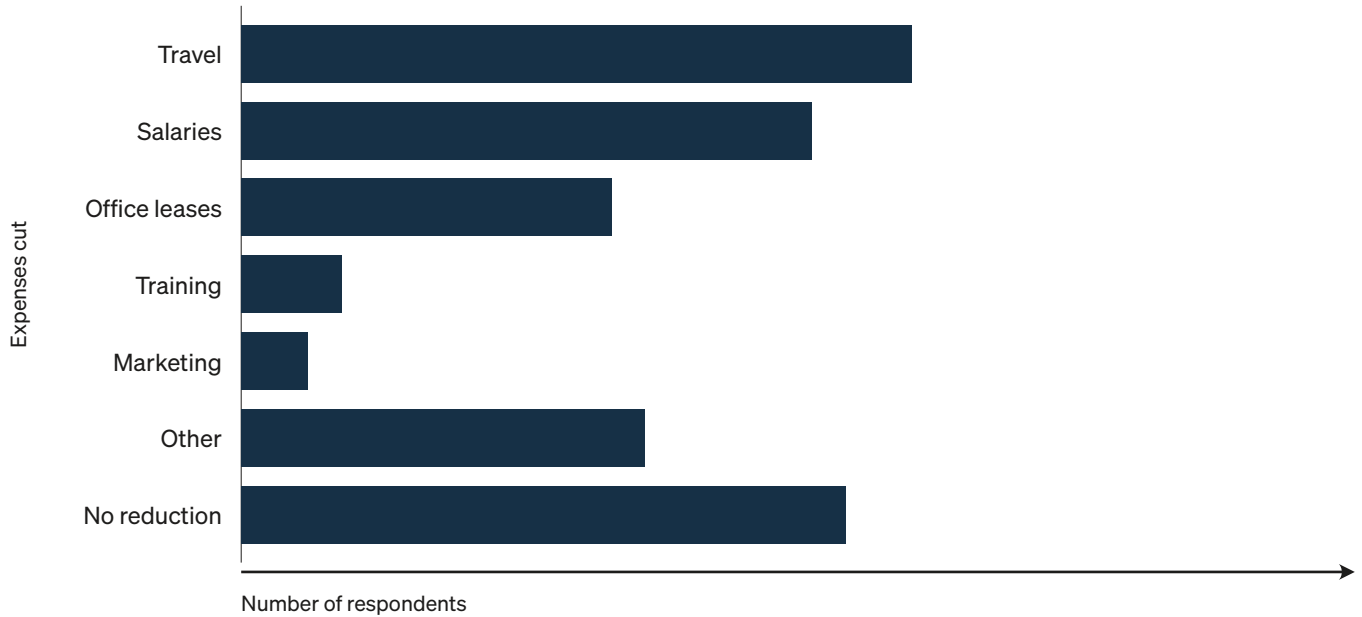
How firms expected to do in the second half of 2020 compared to the type of expenses they reduced vs expect to reduce in the second half of the year.



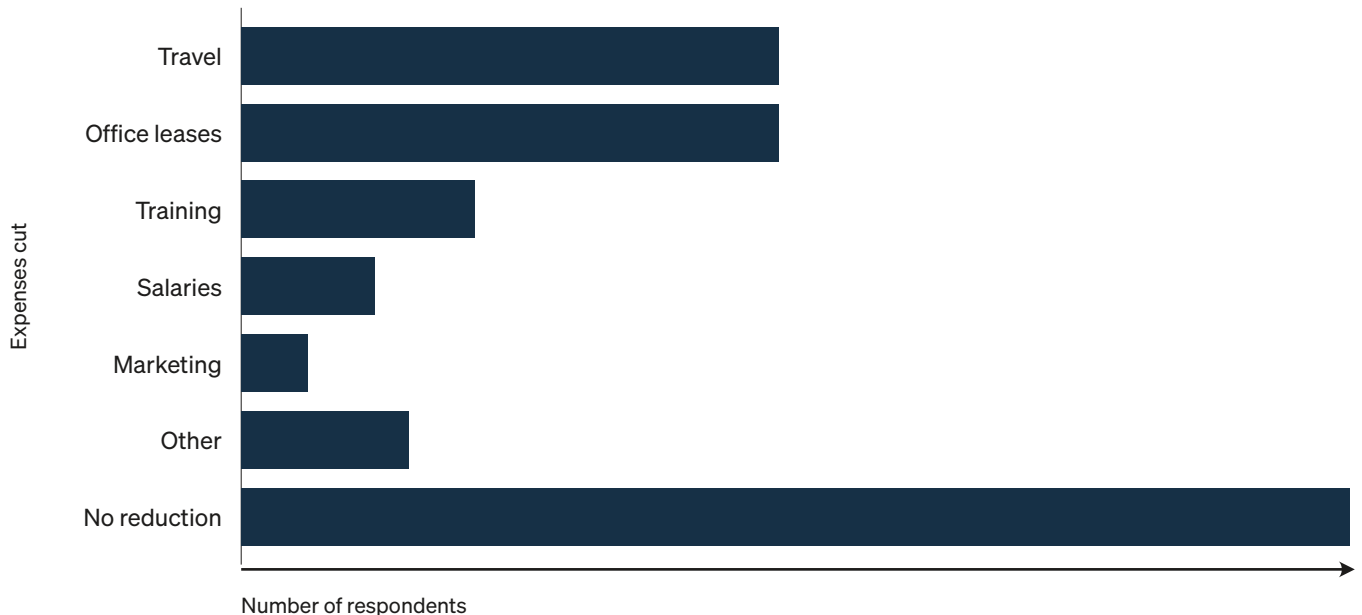
Expenses reduced in Q2 2020 compared to expected reductions

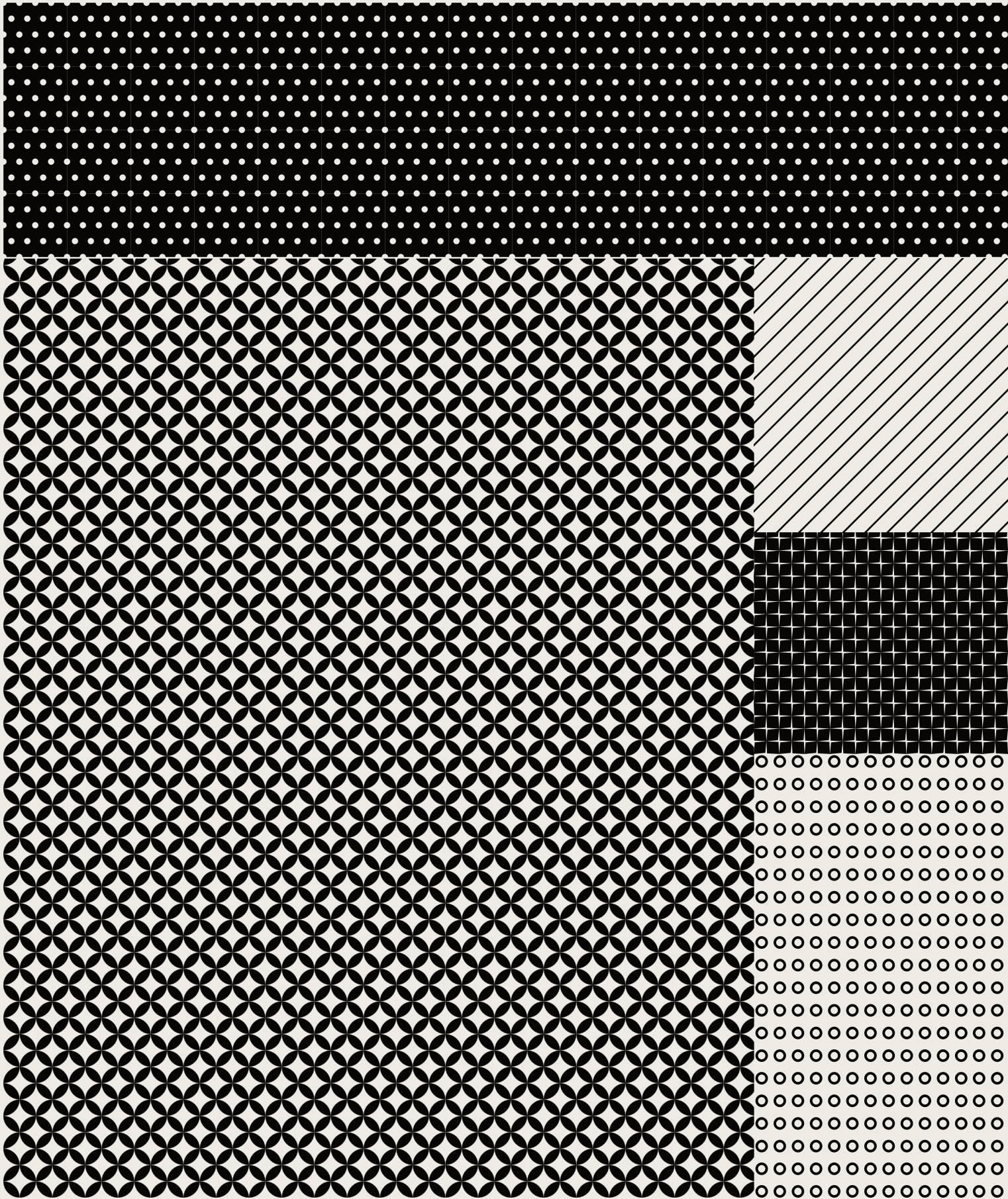
Most firms reduced travel, salaries, and miscellaneous expenses or had made no reductions in the first half of 2020, whereas in the second half most expected no reductions or travel and office lease reductions.

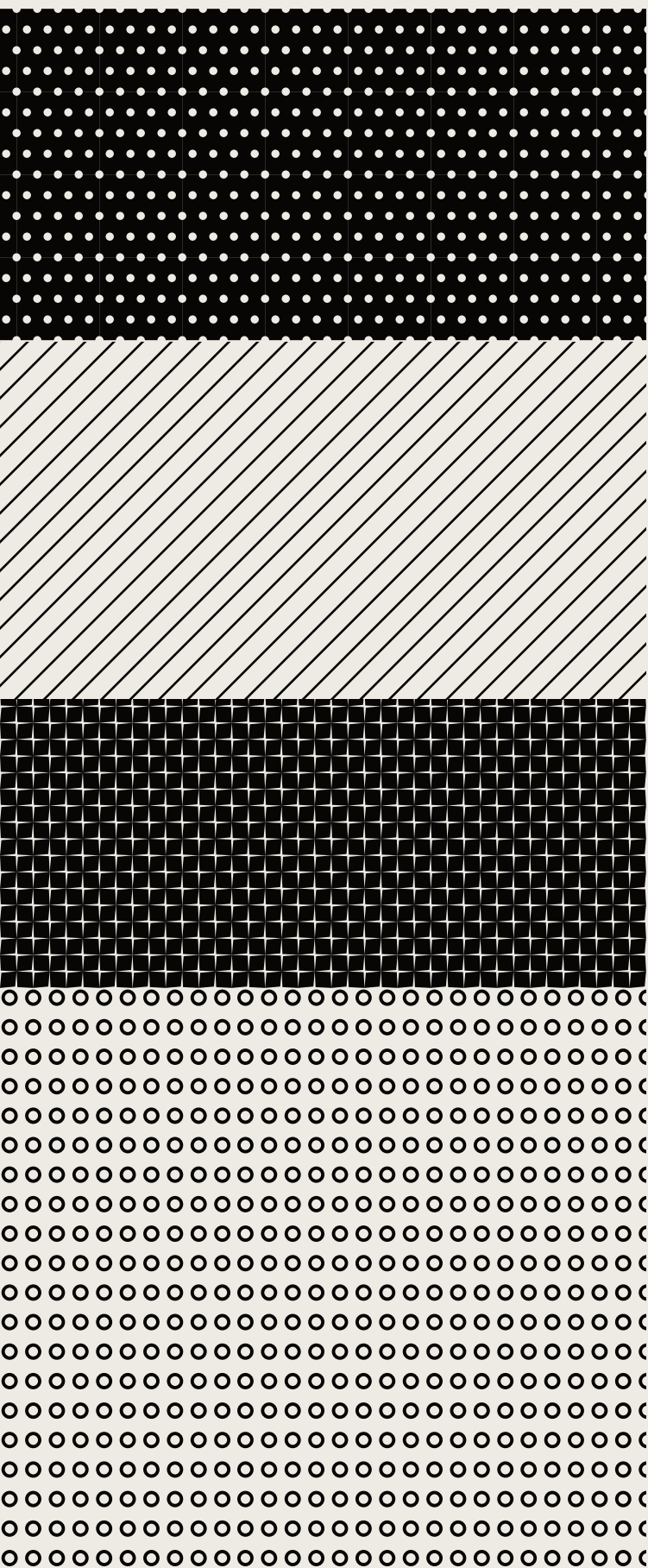
Expenses reduced in 1st half of 2020



Expected expense reductions in 2nd half of 2020







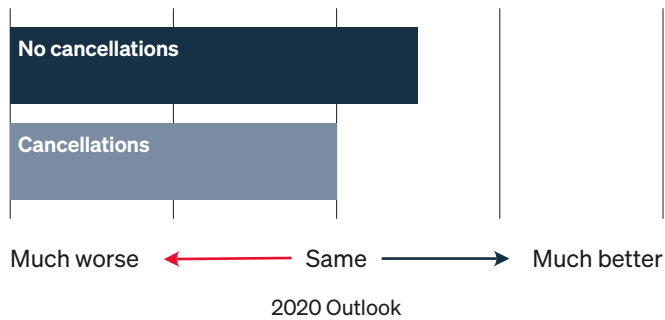
Payments & Cancellations

Firms reported on project cancellations, contract renegotiation, slow paying accounts, and adjusting payment terms. While most firms have experienced project cancellations, only 35% of respondents noted a breach of agreement, and just under half didn't ask for anything in exchange for the cancellation. Almost two-thirds of firms are experiencing delays in payment and only a fraction of firms are experiencing a client's refusal to pay. In response, firms are billing more frequently or getting bigger deposits. Firms that have not yet experienced a cancellation had better outlooks than those that saw all or portions of projects canceled.

Project cancellation

Respondents reported that 79% of firms have had clients request to cancel all or part of a project. Even if these cancellations were a breach of contract, only 17% of firms asked for anything from the client in exchange for the request to cancel.

Outlook compared to cancellations

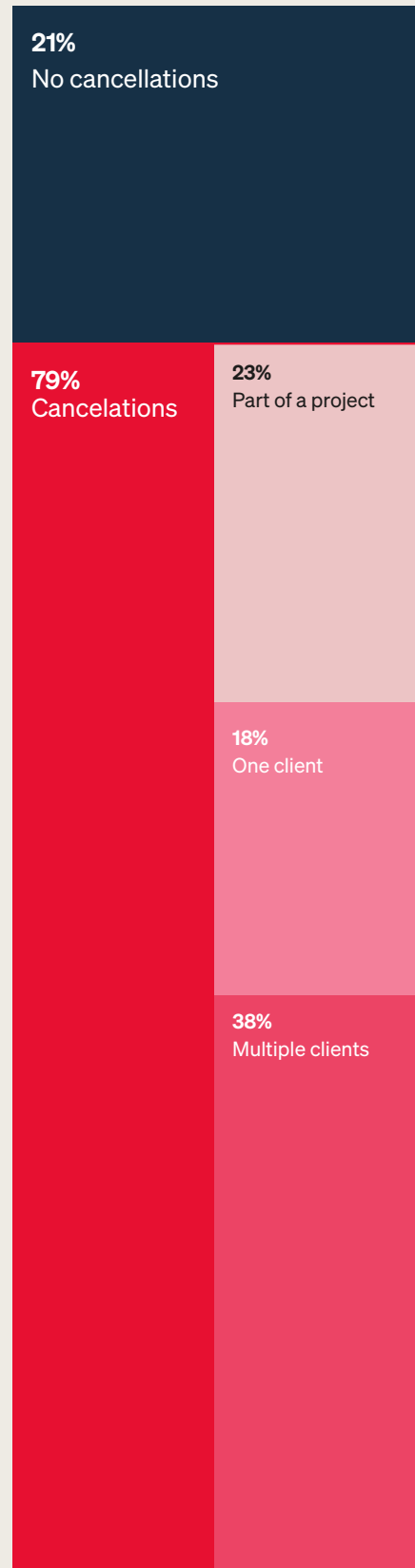


Matchstick says:

We believe that firms may not understand that certain client actions (asking to cancel a project, delay a payment, etc.) likely constitutes breach of the agreement or a modification of the agreement. This is an important legal point since both of those things create an opportunity for the agency to ask for something in exchange.

Project cancellations by client

Percentage of project cancellations reported by firms thus far.

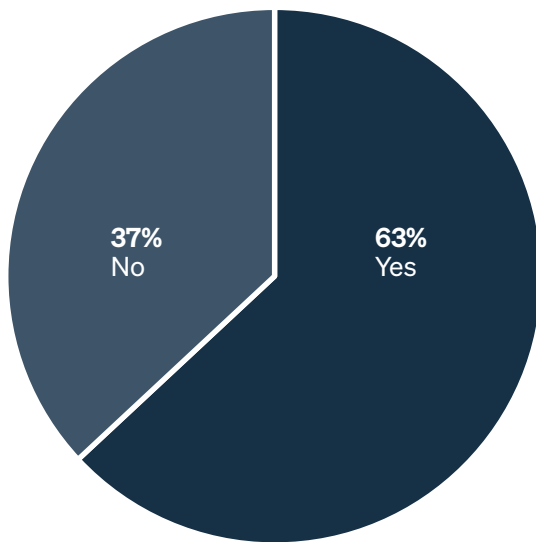


Delays and refusal to pay

While 63% of firms reported that clients are paying more slowly, less than 10% of those clients have refused to pay for the work.

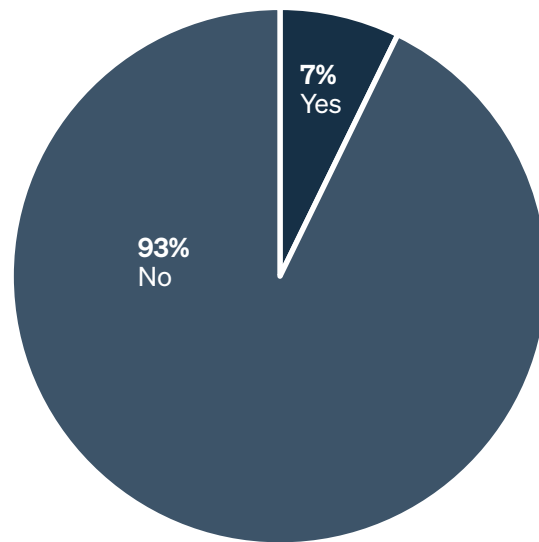
Clients paying more slowly

The percentage of clients who are paying more slowly as a result of the pandemic.



Clients refusing to pay for work

Percentage of clients who have refused to pay for project work due to the pandemic.



Matchstick says:

We're surprised that a full third of agencies report no slowdown in payments. This is counter to our anecdotal experience. Though usually people only contact us when there are problems such as slow pay, or no pay. People don't tend to call the lawyer when payments are fine.

Collection

Despite the slow payments, we are seeing firms take only slightly more aggressive action to collect on slow or non-paying accounts, with almost 14% of firms taking a less aggressive stance on late payments.

What firms are doing to collect on late payments with success

Automatic emails

Repeated polite contact, followed by light legal language

Adding a grace period for collection

Late invoice notices, and reaching out to client contact personally.

Early pay discounts

Work stoppage

De-prioritizing work

Creating a mutually beneficial payment plan

Empathy and compassion

Waiving credit card fees

Aggressiveness on collection of late or non-paying accounts

How aggressively firms are working to collect on slow or non-paying accounts.

7%

Much more aggressive

22%

Slightly more aggressive

57%

No change

4% Slightly less aggressive

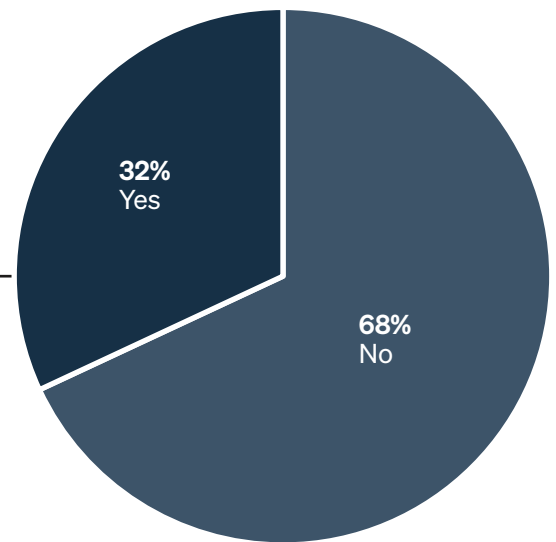
10%

Much less aggressive

Adjustments to payment terms due to COVID-19

A third of firms have changed their payment terms because of the pandemic. Half of those are requiring more frequent payments, while 18% are requiring larger deposits. Some firms report lengthening payment terms to support their clients, while others are shortening payment terms.

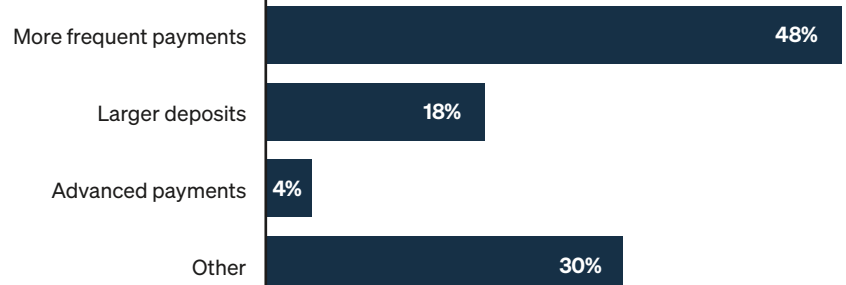
Percentage of firms who have adjusted their clients' payment terms due to the pandemic



Matchstick says:

The data confirms our experience that digital firms treat contracts sort of as a black box. They take the contracts they have or that lawyers draft and do not change them even when the project, client, economy changes. For example, digital firms should generally be getting more money up front. We think they have the leverage to ask for it. Setting up an agreement to get 50% down and 50% on delivery may be fine when the economy is good. But right now, these firms are taking on too much risk. Healthy companies invest in documents and procedures to help them negotiate smartly and teams (project managers in particular) are empowered to use the contract language to push on clients during negotiation.

How firms have adjusted payment terms during the pandemic

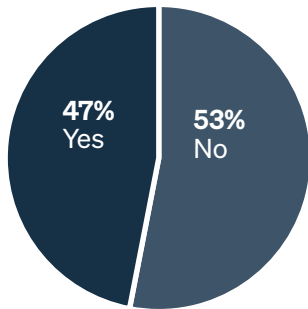


Adjusted payment terms compared to outlook

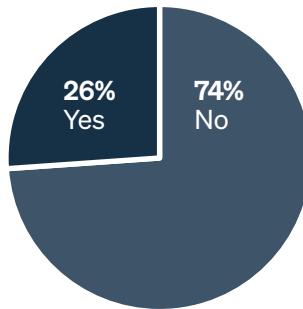
Firms who made changes to their payment terms also report a worse outlook for the second half of 2020. Pessimistic firms were almost twice as likely to have changed their payment terms than neutral or optimistic firms.

How firms who have adjusted their payment terms responded in terms of their outlook after the pandemic

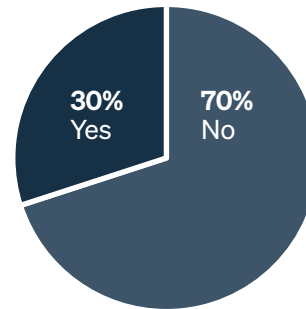
Pessimistic firms



Neutral firms

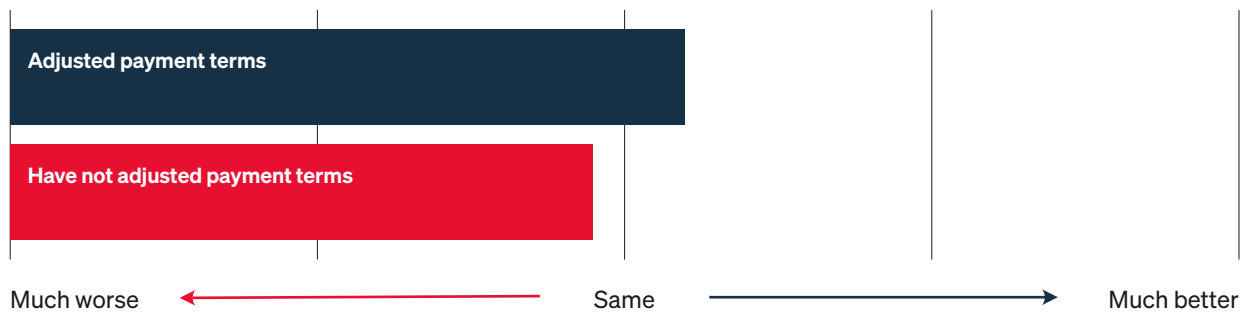


Optimistic firms



Outlook compared to payment term adjustments

Firms level of optimism compared to whether or not they have adjusted how they ask for payments on projects.



2% Much more negotiating power

10%
Slightly more negotiating power

55%
Same negotiating power

21%
Slightly less negotiating power

12%
Much less negotiating power

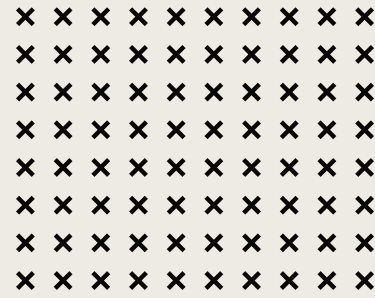
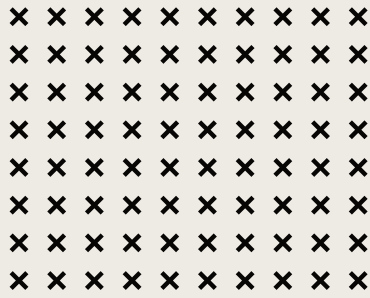
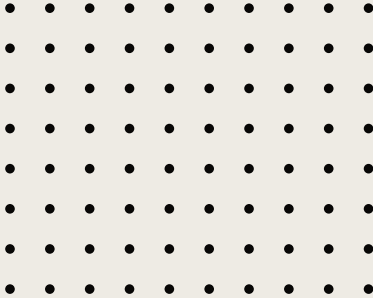
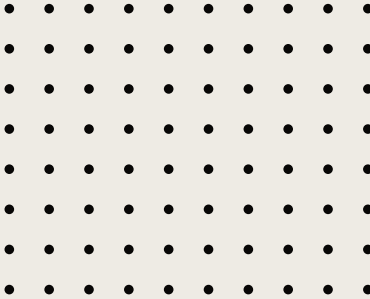
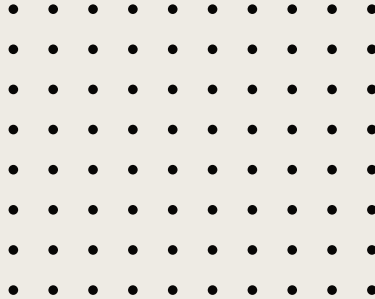
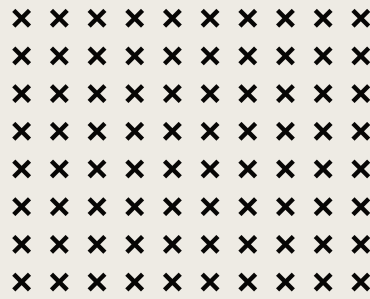
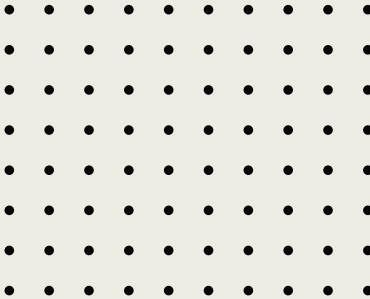
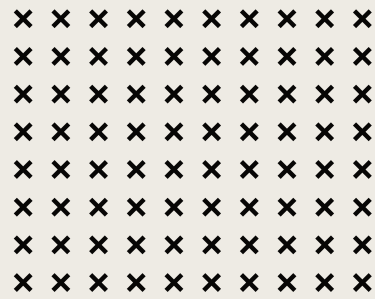
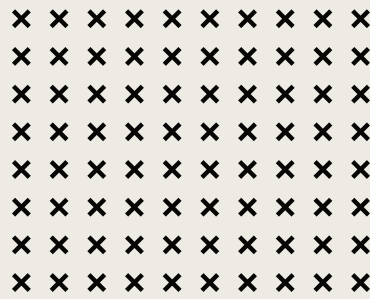
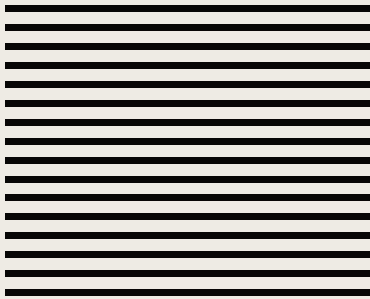
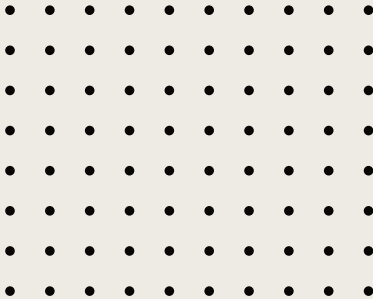
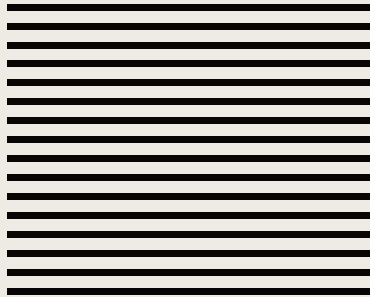
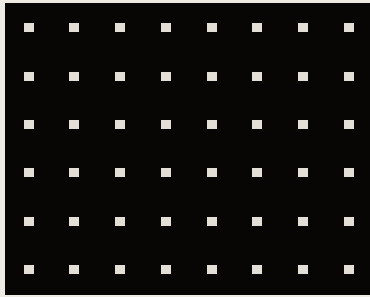
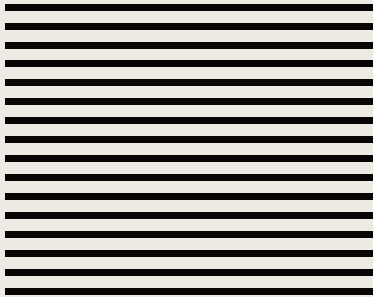
Negotiating power with prospects

While about half of firms reported the same leverage during negotiations, about a third reported less negotiating power.



Matchstick says:

Based on the data, it seems that firms don't view themselves as having more leverage (e.g., not changing payment terms in new deals, not asking for something in exchange when a client asks for adjustment in payment terms). We believe that digital firms have additional leverage in COVID days to negotiate better payment terms, additional protections, good scope management practices. But maybe not the overall price.



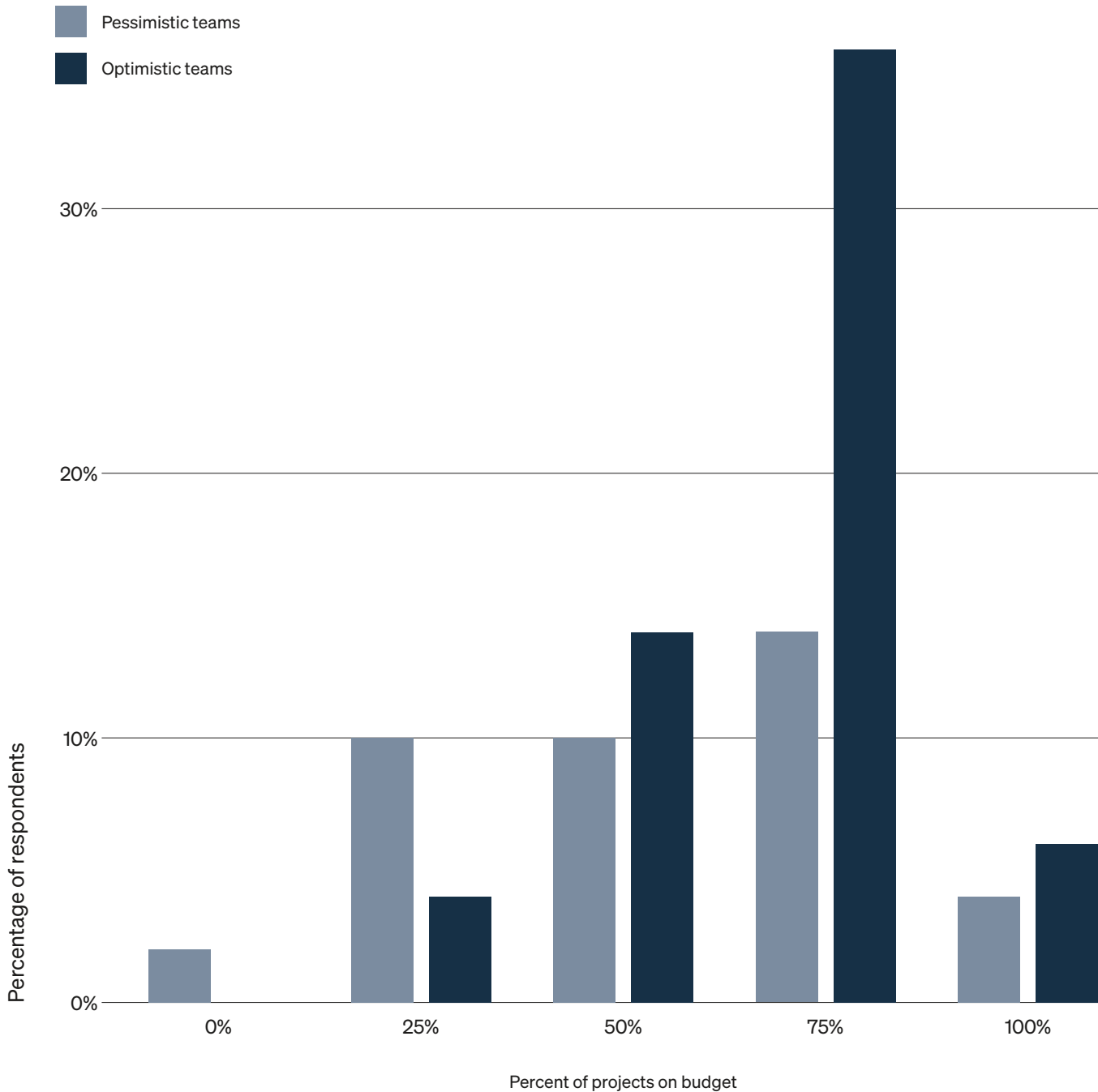
Operations

We surveyed firms on their operations and asked about their number of active projects compared to active project managers, whether those projects were on time and on budget, and we asked them about their productivity levels during the pandemic. Optimistic firms appear to have more effective project management systems and they were more likely to deliver projects on-time and on-budget than more pessimistic firms. Teams who limited active projects to 3–5 per PM also had a better outlook than firms with project managers who ran more than five projects at once. Most firms were just as or more productive during the pandemic than prior to the months leading up to it.

We surveyed respondents about remote work policies, company distribution before and after the start of the pandemic, clarity around internal communication, and how effectively teams use their tools. The majority of our respondents expect to see distributed work environments remain elevated through the first half of 2021. Those with more optimistic outlooks expect a much more significant increase in remote work (54% growth from pre-pandemic levels) than those with pessimistic outlooks (36% increase from pre-pandemic levels).

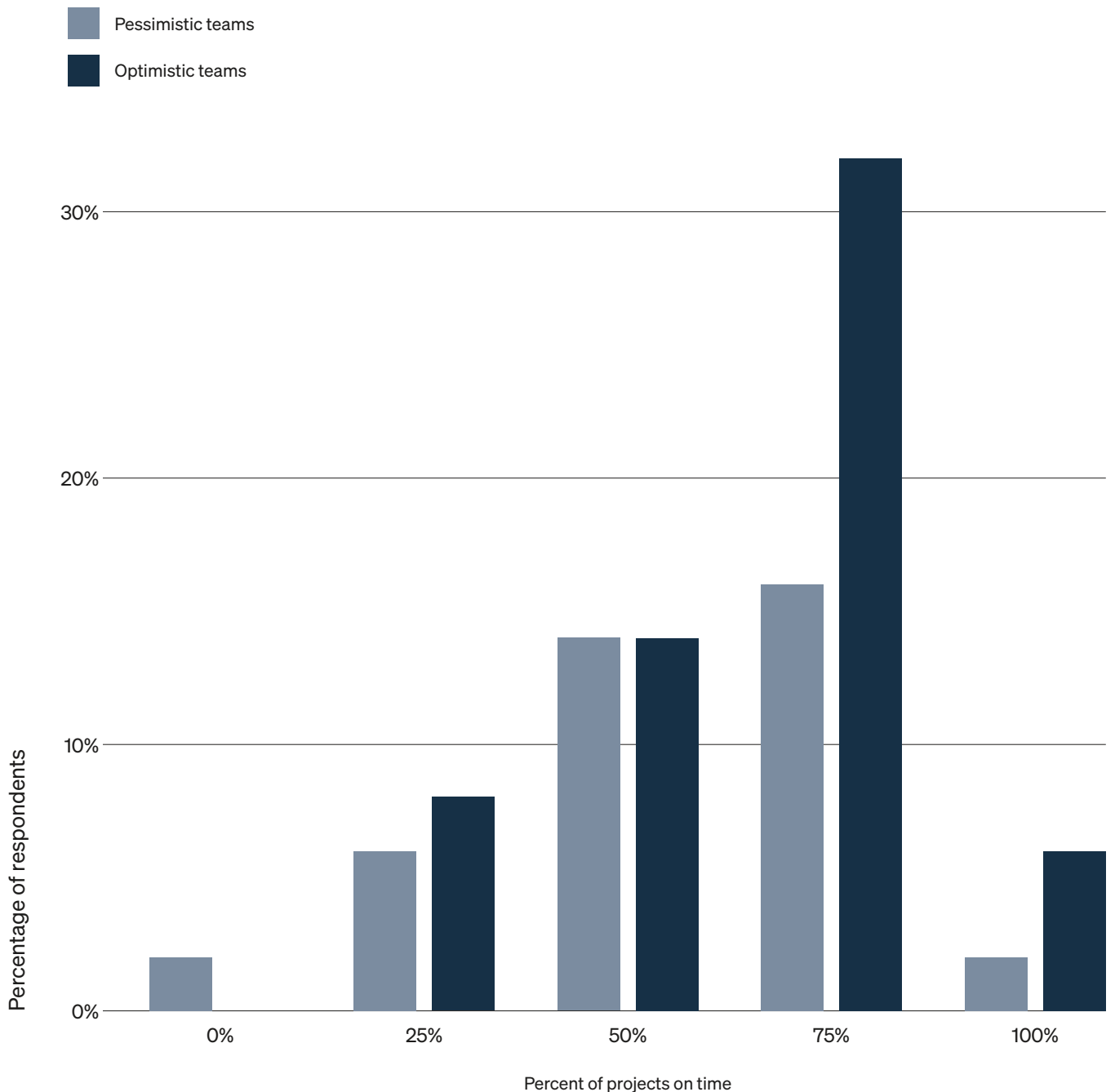
On-budget projects vs outlook

Percentage of firms on-budget projects compared to their outlook for the second half of 2020. Firms who complete their projects on budget 75% of the time or more are generally more optimistic about the second half of 2020 than firms who don't.



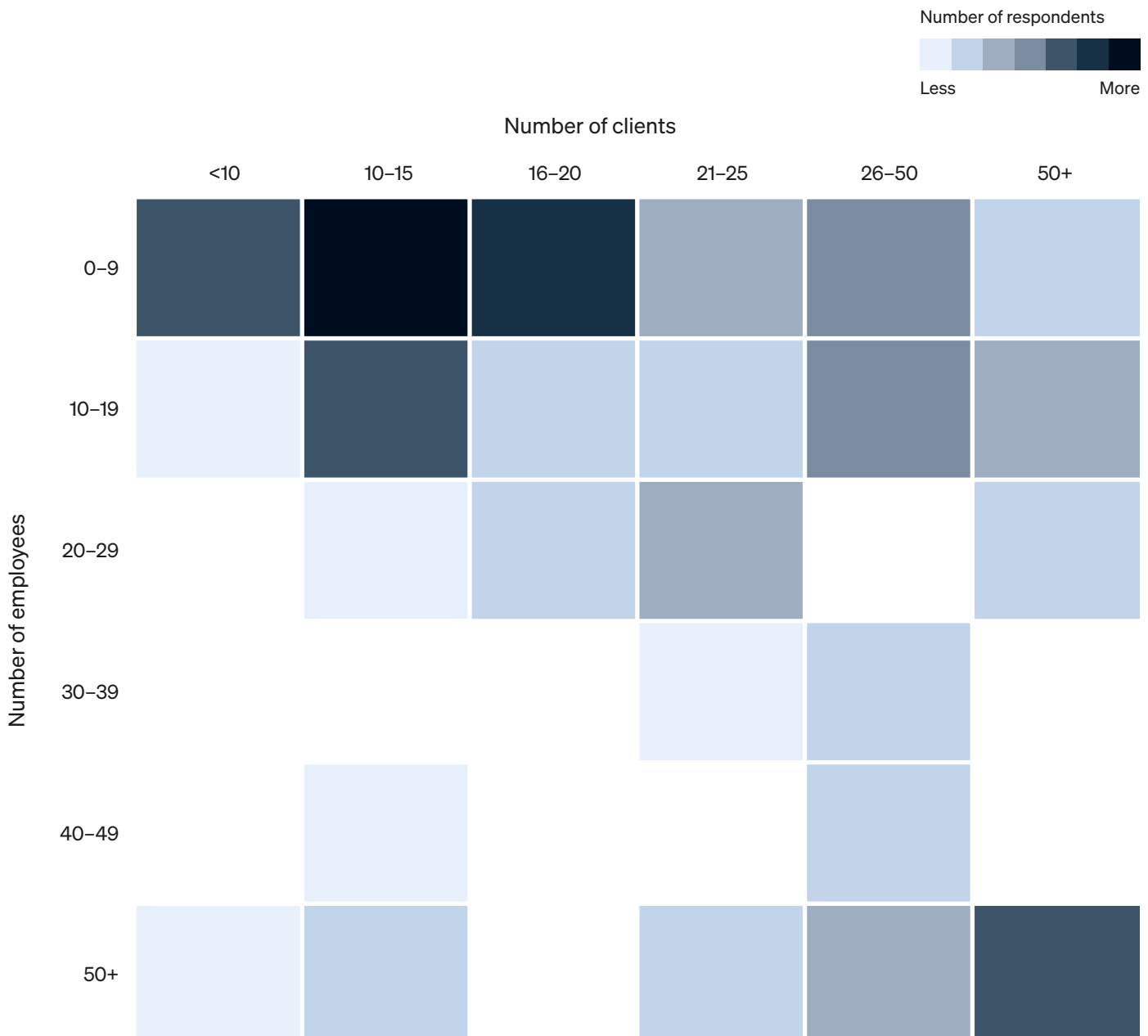
On-time projects vs outlook

Percentage of firms on-time projects compared to their outlook for the second half of 2020. Almost half of respondents reported that they complete 75% of their project on time with those reporting optimistic outlooks doubling the number of pessimistic respondents. The rest of respondents indicated that 50% or less of their projects were on time.



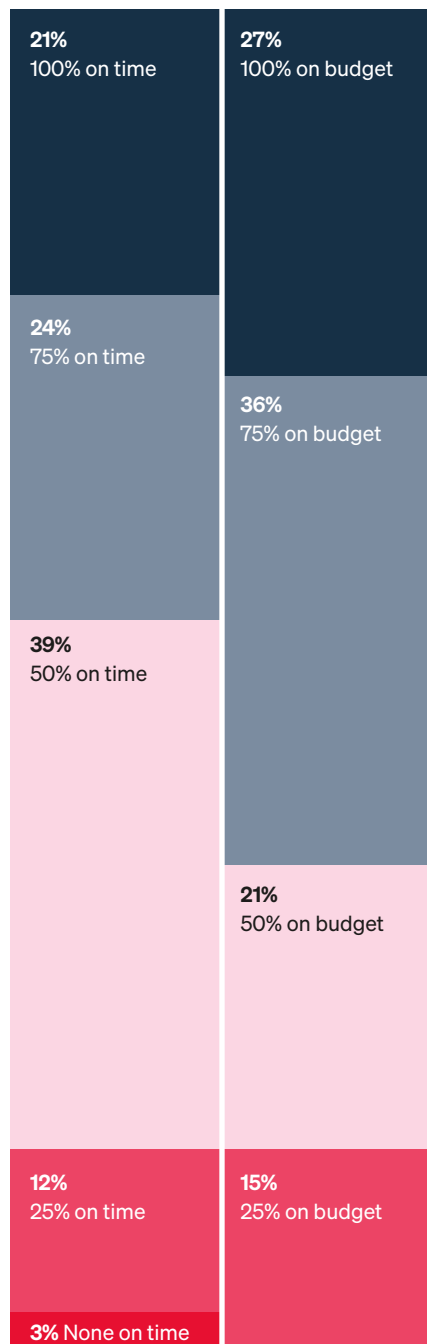
Number of clients a firm works with compared to number of employees

Most firms reported having under 9 employees and working with up to 20 clients. Many respondents of firms between 0–19 people indicated they had between 26–50 clients. Firms who reported having over 50 employees also reported having over 50 clients.

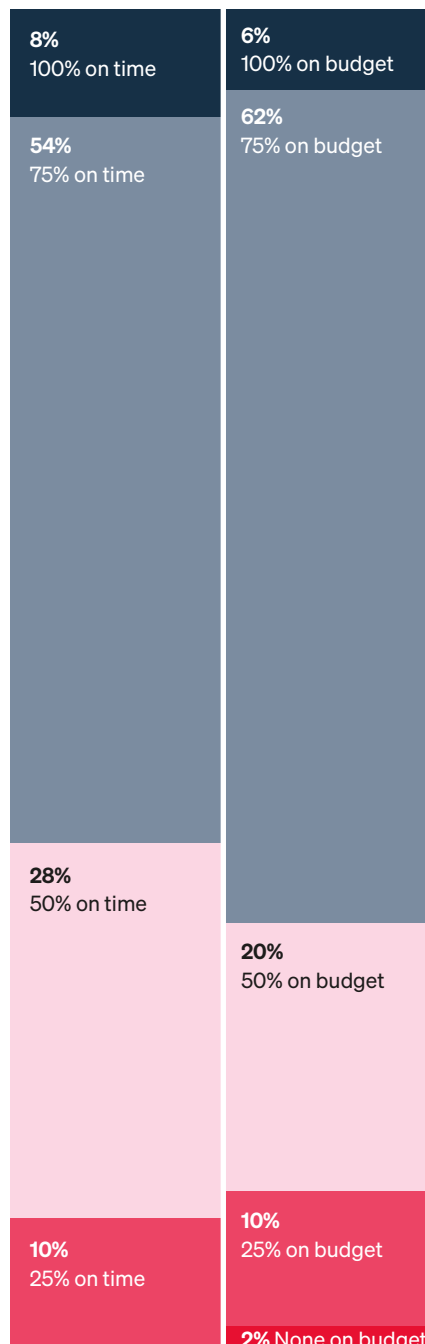


Active clients vs healthy projects

15 or less active clients



More than 15 active clients



Firms that managed more than 15 clients tended to deliver projects in a more timely manner than those with fewer than 15 clients. Our data shows that 62% of the firms who serve more than 15 clients per year delivered projects on time $\frac{3}{4}$ of the time. Only 45% of the firms serving less than 15 clients per year delivered projects on time $\frac{3}{4}$ of the time. The firms with more clients also had a slight edge in delivering projects on budget, 68% versus 63%.



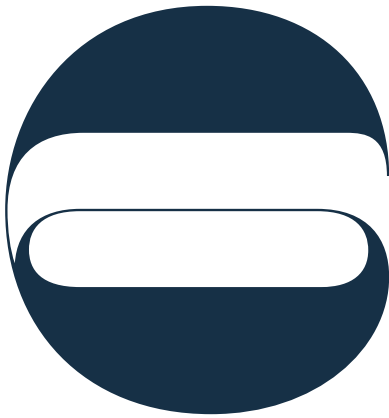
Louder Than Ten says:

Normally, we expect firms of any size that work with more than 15–20 clients to have less healthy projects that drag and go over budget. This is because each project value would be low while there is always a minimum amount of effort needed to sell that project, set it up, and manage its stakeholders and related risk. When its value is too small and too many projects are running, this capsizes the team and reduces productivity, often eating into profit margins. The reason this data shows a correlation around healthier projects when company size mirrors client total might be related to a couple of factors. One, respondents might be larger firms who have more experience, more dialled processes, and a smoother project cadence that adds up to healthier projects. Or these firms might be running out of the box projects or campaign-based projects that are more defined and predictable which means they would lose less of their budget goal changes and stakeholder misalignment or risk. We'd want to look at a bigger data set to be sure.

Number of projects per PM

While our data shows that most project managers are running about 6 projects, companies whose project managers run 3–5 projects have a better outlook than those that run more. Firms that had PMs who managed 5 or fewer projects had a more positive outlook while firms with PMs who managed more than 5 projects had a slightly worse outlook.

Number of projects per PM

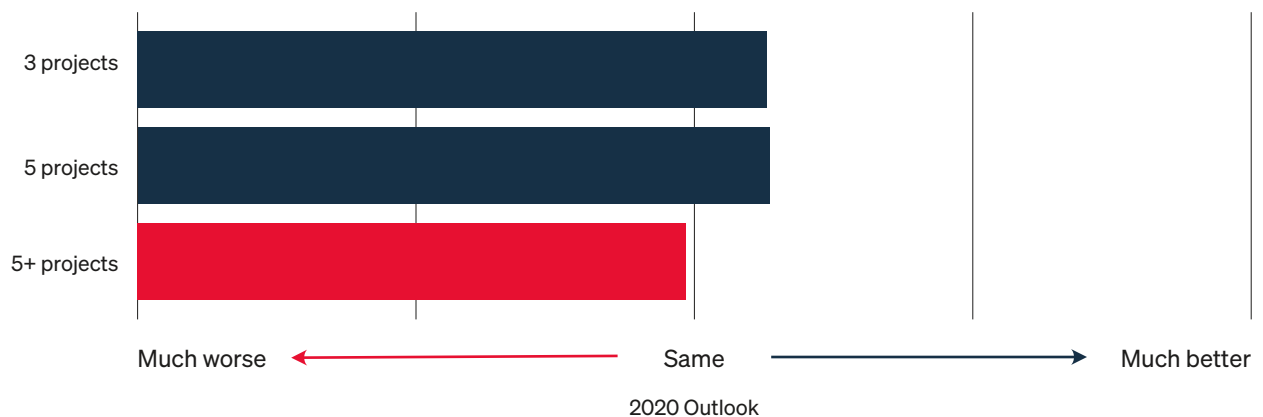


Louder Than Ten says:

When you can systemize your project management and avoid splitting your focus, you have better relationships with clients and can complete projects to a higher standard. Plus you can get them launched on time. This should have a positive impact on profitability, but it also lowers the likelihood that you will have to pump your sales pipeline with a higher number of smaller value projects.

Outlook compared to number of active projects per PM

How optimistic or pessimistic firms were about the second half of 2020 compared to the average number of projects project managers run at any given time.



Processes

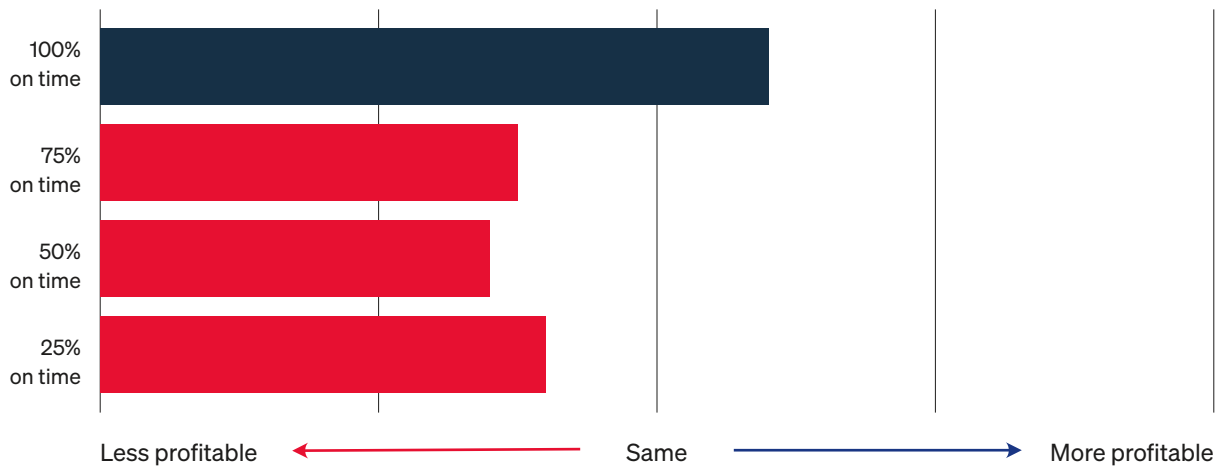
Firms with strong internal processes, as evidenced by being able to deliver projects on time and on budget, improved their profit margins slightly over the last few months while those with weak internal processes experienced declines. When projects were 100% on budget, median profitability was much higher compared to projects that were only 25% on budget.



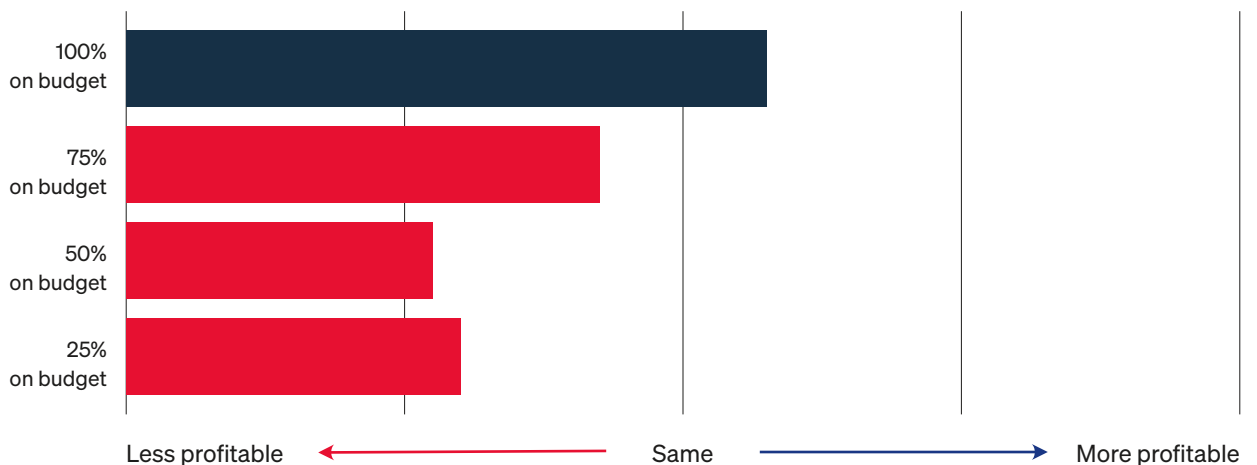
Louder Than Ten says:

The data confirms that the organizations who focus on great project management practices and can deliver projects on time and on budget can also weather unpredictable periods and changes to their project environment better. In order to be more profitable, great project management is not a nice to have, it's essential.

Profitability compared to projects that are on time



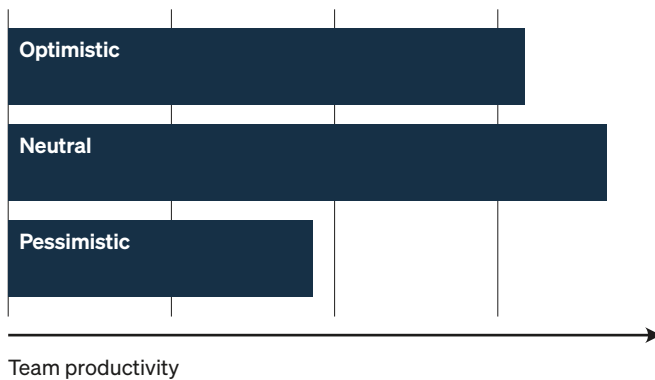
Profitability compared to projects that are on budget



Productivity

71% of respondents reported that their team's productivity has increased or stayed the same throughout the last several months, whereas 29% of teams were less productive. Pessimistic firms tended to have experienced greater impacts to productivity than neutral or optimistic firms. Teams who worked remotely before the pandemic began reported the same productivity levels and equal outlooks for the second half of 2020 as those who shifted to distributed working arrangements as a result of the pandemic.

Team productivity by outlook



Louder Than Ten says:

Normally we would expect productivity to decrease during a stressful global event like this, but because individuals are stuck at home, commutes have been removed, and there is not a lot to do outside of the house, our bet is that people are working longer hours to try to keep things running smoothly and banding together to weather the storm. While we'd expect remote-first companies to be more practiced at things like facilitating video calls and handling distributed communication more frequently, it's possible that shops who have gone remote overnight were still conducting a lot of their work in similar ways (online rather than in person) and didn't find it as challenging to make the switch as they thought they would.

Changes to team productivity during the pandemic

10%
Much more productive

23%
Slightly more productive

38%
No change

24%
Slightly less productive

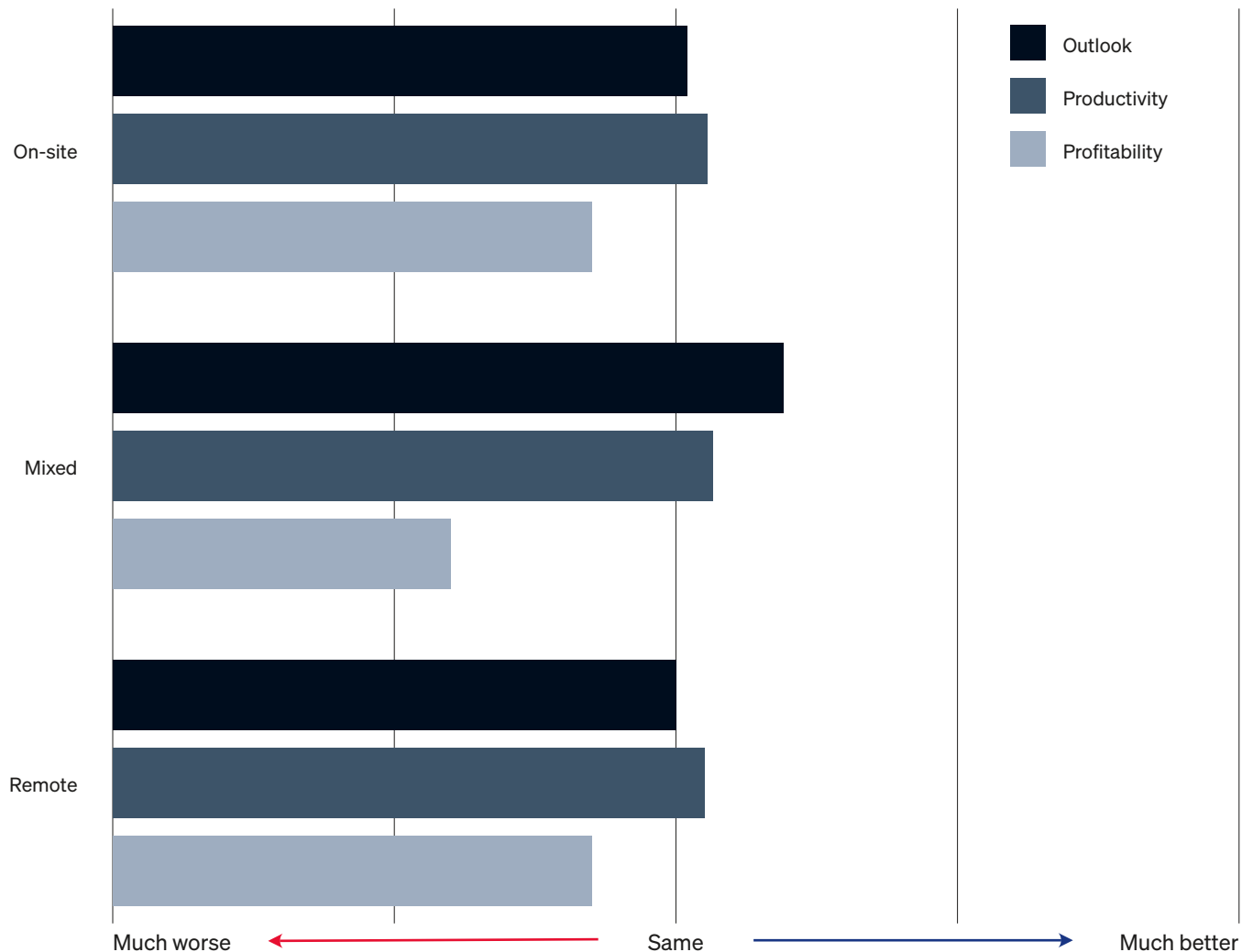
5%
Much less productive

Distributed operations

We surveyed respondents about remote work policies, company distribution before and after the start of the pandemic, clarity around internal communication, and how effectively teams use their tools.

The majority of our respondents expect to see distributed work environments remain elevated through the first half of 2021. Those with more optimistic outlooks expect a much more significant increase in remote work (54% growth from pre-pandemic levels) than those with pessimistic outlooks (36% increase from pre-pandemic levels). Firms that were partially distributed (some teammates onsite and others remotely distributed) appear to be hit the hardest by a profit dip since the onset of the pandemic.

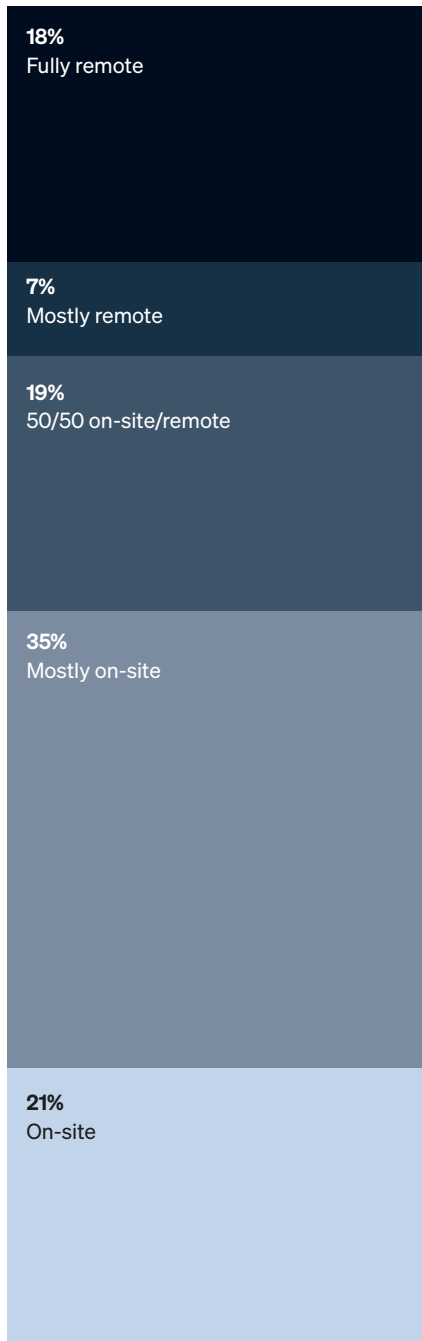
Outlook, productivity, and profitability compared to remote distribution



Firm distribution before and after the pandemic

Most respondents reported working onsite most of the time pre-pandemic. When the pandemic began, 82% of respondents reported moving to a fully remote state. After the pandemic, respondents report that over half of them expect to stay mostly remote while the rest indicated they would still be working at an office with some frequency.

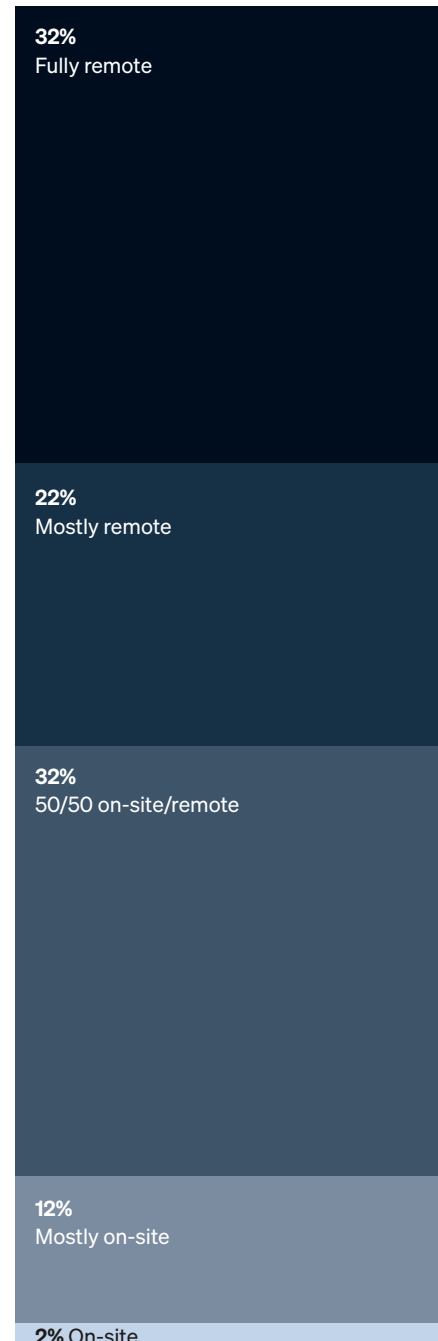
Pre-pandemic



During pandemic

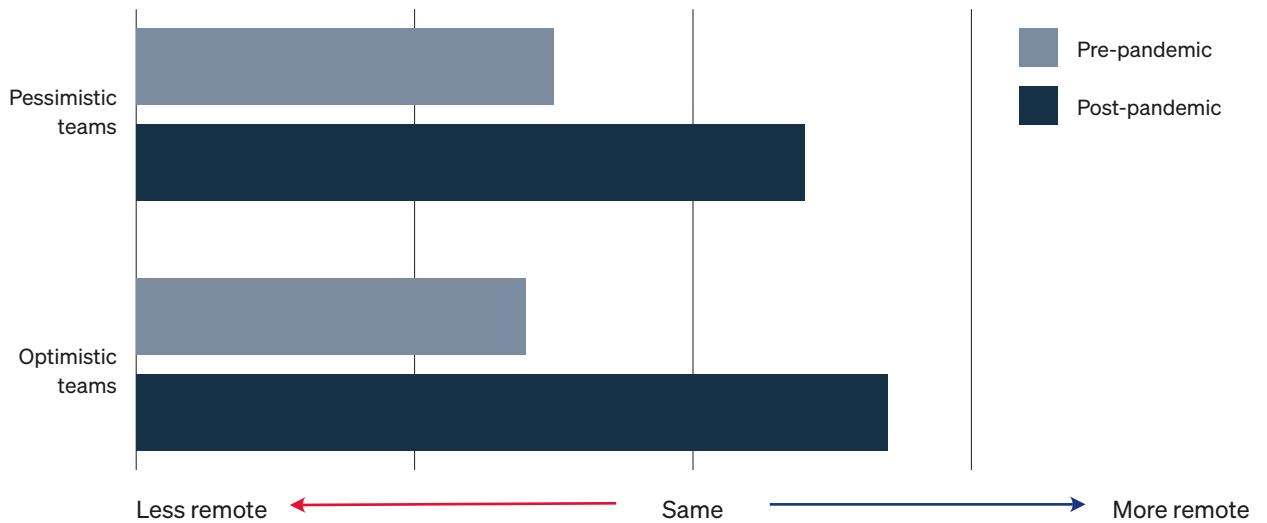


Post-pandemic expectations



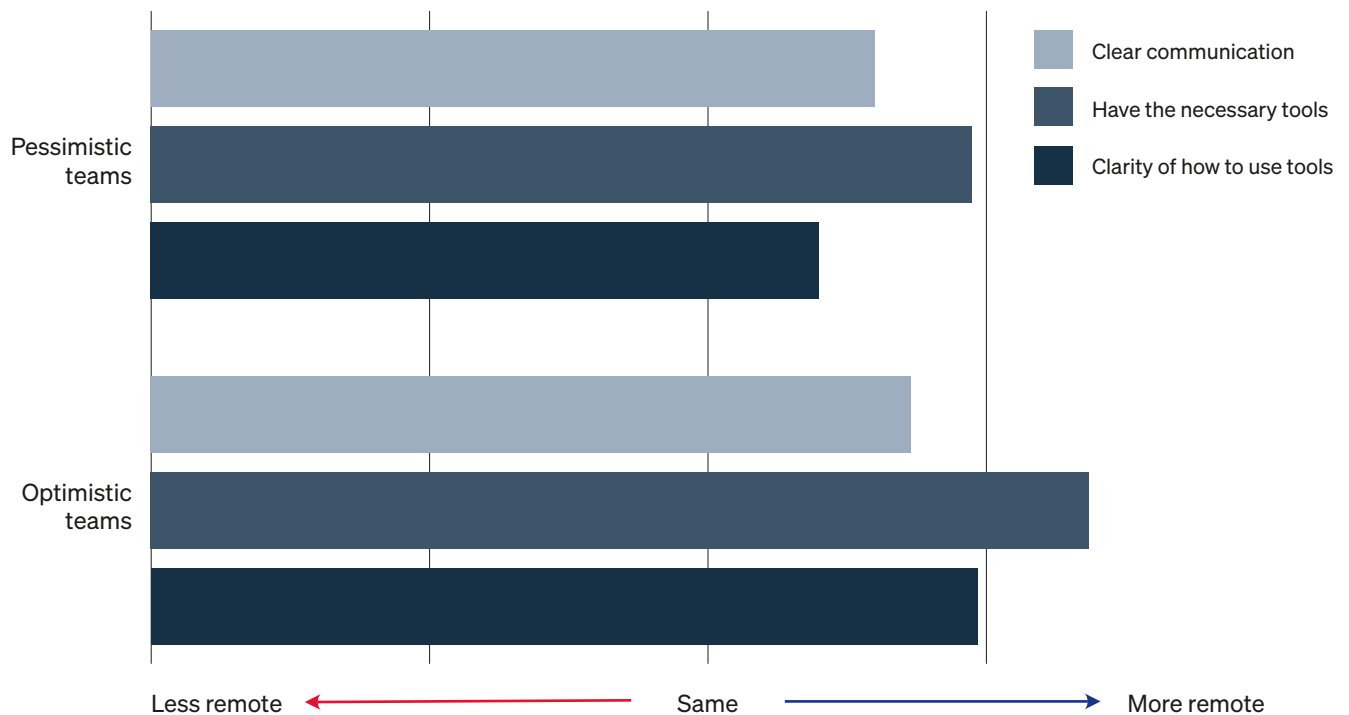
How many firms expect to stay remote

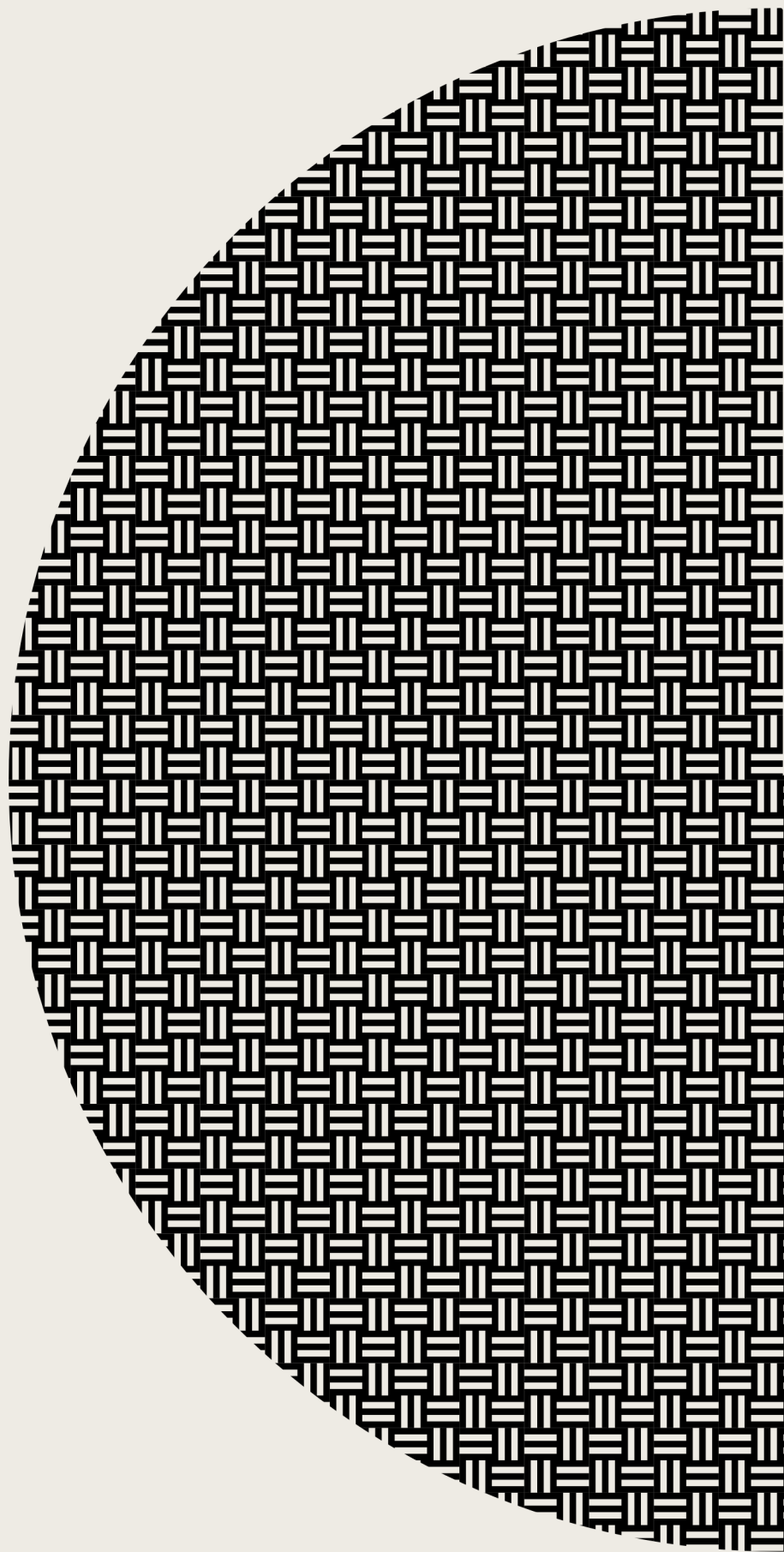
How optimistic and pessimistic firms anticipate adjusting their operations after the pandemic. Both optimistic and pessimistic firms had a similar distribution of workforces (slightly on-site) prior to the pandemic. While almost every firm is expecting to operate more remotely in the future, optimistic firms are preparing for a significantly more distributed workforce post-COVID.

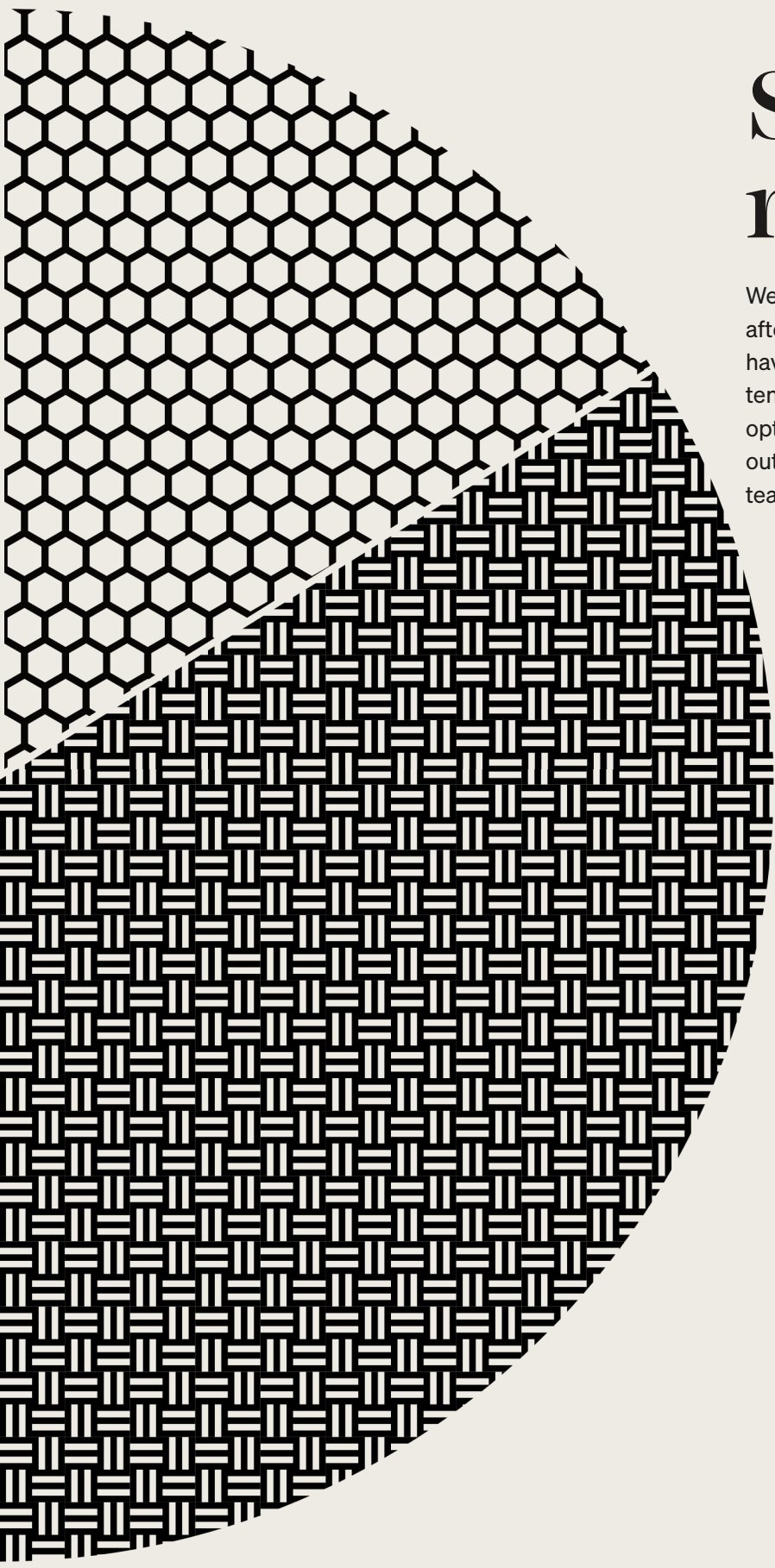


Distributed communication and tools

Optimistic firms appear to have slightly better-distributed work systems in place. They are more likely to have clear communication systems, and a remote working policy in place and their teams are more likely to understand when and how to use their digital communication tools.







Stress management

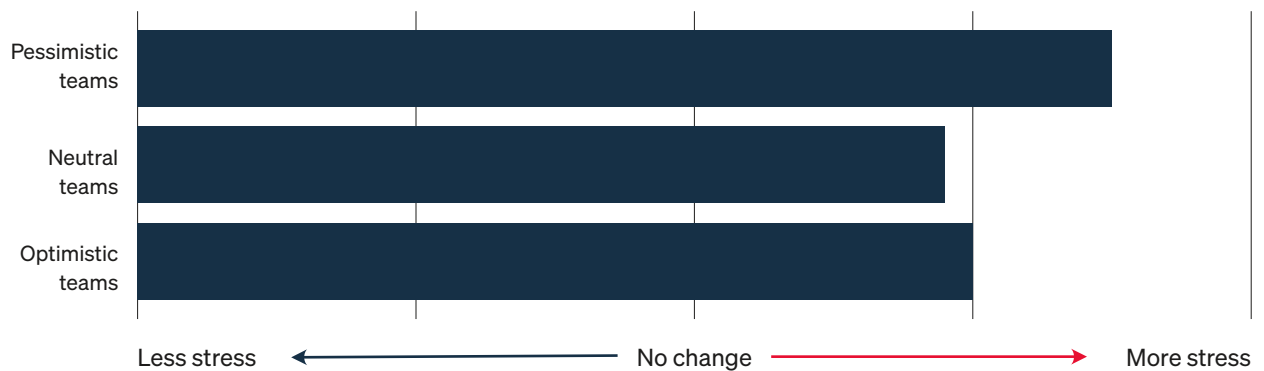
We asked firms about their stress levels before and after the pandemic and whether or not respondents have the support networks they need. Pessimistic firms tended to experience slightly more stress than optimistic ones and we found owners with poor outlooks taking on slightly more stress from their teams.

Overall stress levels

Distributed team leaders have seen almost equal growth in stress levels as primarily on-site teams. Respondents indicated that teammates are stressed about balancing remote work with childcare, fears of job loss, and the long term impact of the pandemic. Managers also noted that employees were stressed about big things like the recession and remote meeting fatigue.

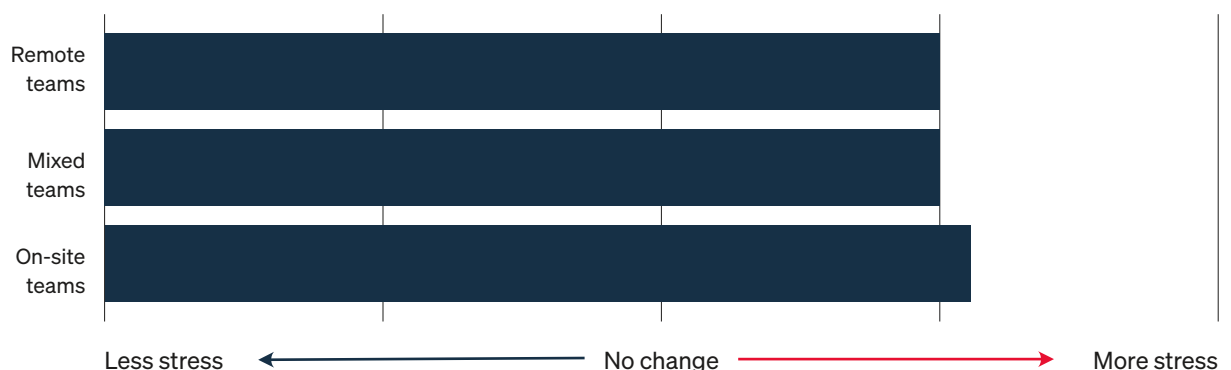
Stress levels compared to outlook since the pandemic began

How respondents are experiencing stress compared to how optimistic or pessimistic they report feeling.



Pandemic stress levels for onsite vs remote teams

How respondents are experiencing stress compared to how distributed their teams were since the pandemic started.



Support network

Firm respondents reported that over 84% of them have a support network they can lean on.

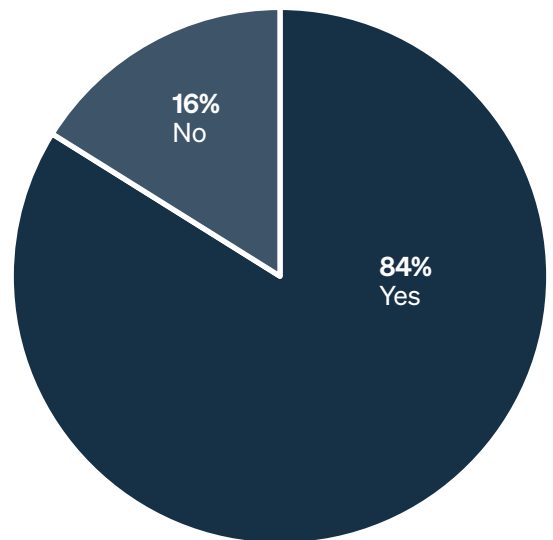
How much stress respondents are feeling from their team by outlook



Louder Than Ten says:

The majority of stress for owners appears to come from managing their office leases as many building owners are refusing to discount or delay monthly rent.

Support network availability



What respondents said will bring them hope after the pandemic is over

Even with hardships ahead, firm respondents have hope for the future. Here's what they're looking forward to when the pandemic comes to an end.



My competition will be out of business.

Startups, SaaS, medical specialty



Rebuilding a better system that prioritizes life over money—Clean energy, sustainable food, ethical brands.

Clean energy, sustainable food, ethical brands specialty



The pandemic got me thinking about recession proofing and now "pandemic proofing" more than ever, so I'm excited to make us a more future proof company.

Craft CMS, Shopify, design agency development support specialty



Perfect time to be radical. New ideas that weren't being adopted can now be tried. This is when we switch and shift our minds for a better global future.

Entertainment, funded startups, government specialty

“ *Seeing independent brands and B2B brands starting to invest in digital marketing that they haven't tried in the past. This is due to convention center/trade show cancelations. Seeing success in digital is changing perceptions on marketing in the B2B space.*

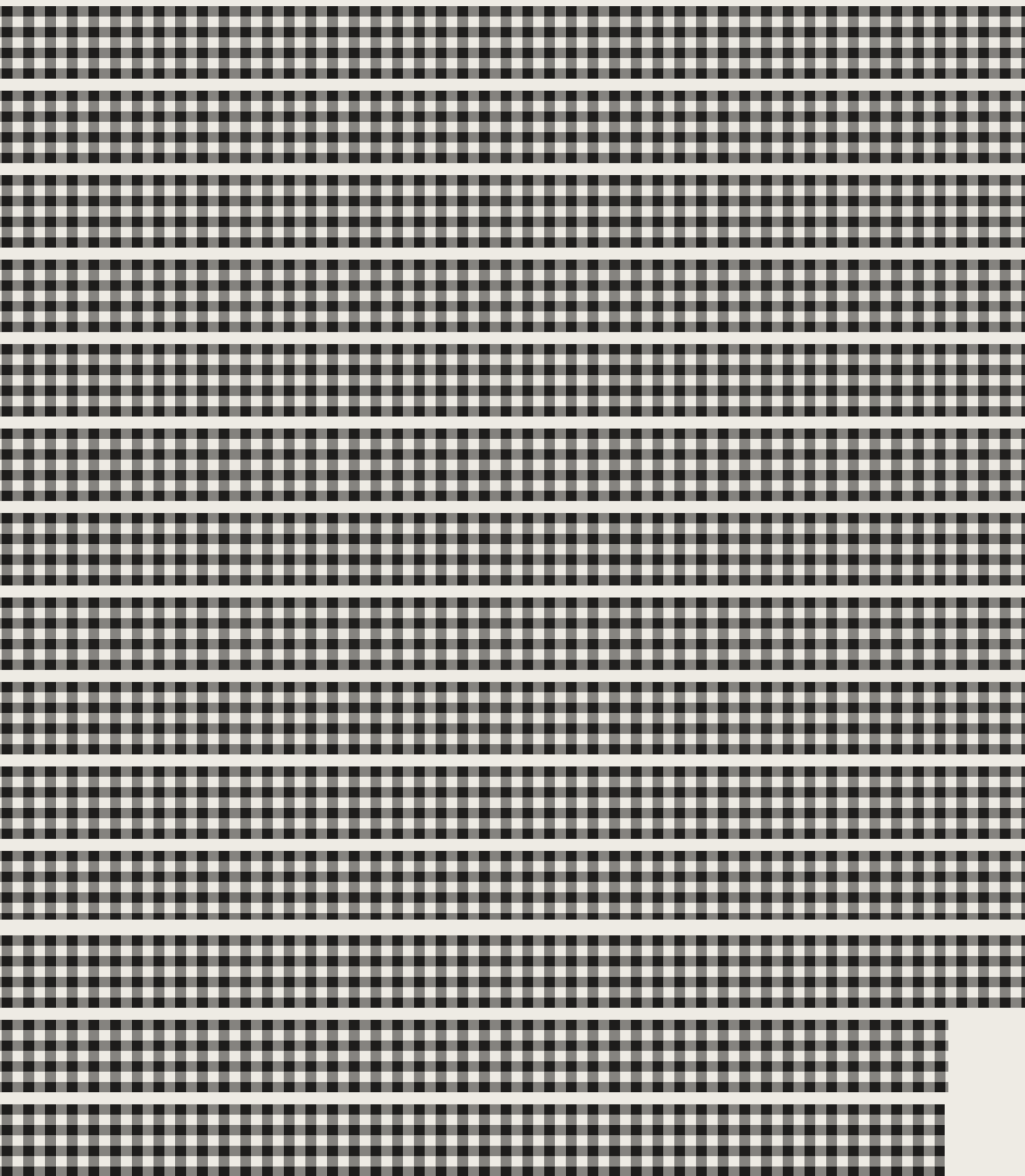
CPG, B2B, early stage brands specialty

“ *I think knowing that after difficult times in the past (9/11, the 2008/9 recession, death of loved ones, etc.), I've personally found myself and others around me become better people. Difficult experiences shake things up and cause you to think differently, ultimately in a good way. They help to filter out unimportant things and prioritize what and who really matters.*

Hospitality and tourism, start-ups, business services specialty

“ *I'm seeing a lowering digital divide brought on by increased consciousness around inclusive design and accessibility. Employers recognize remote work is possible, which creates options for young families to raise kids, individuals with disabilities to participate equally, and diversity of the team to increase beyond local borders.*

Nonprofit, higher ed, health specialty





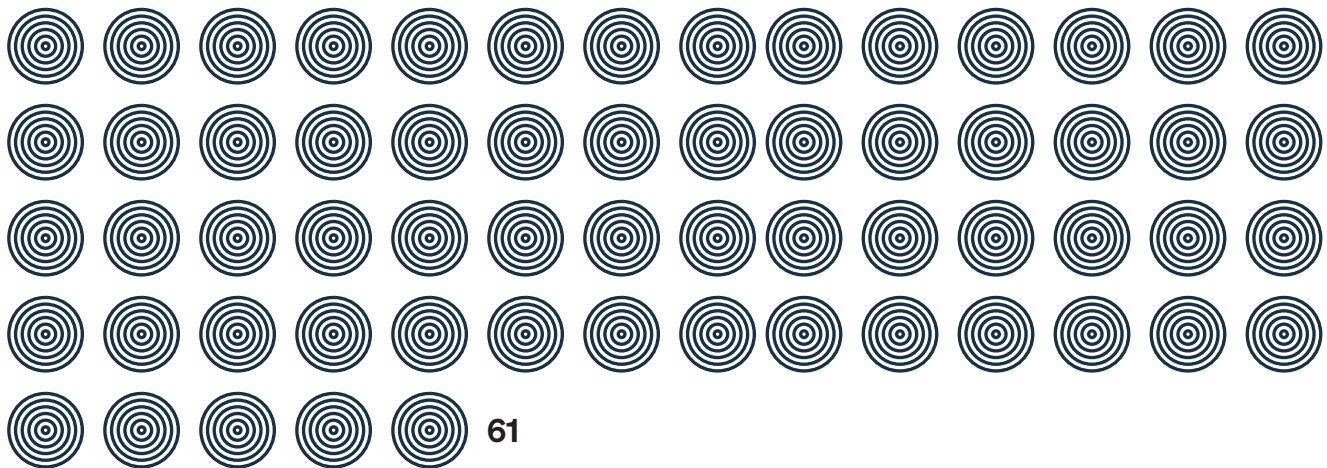
Respondent details

The company sizes, outlooks, services, verticals, and roles reported by respondents.

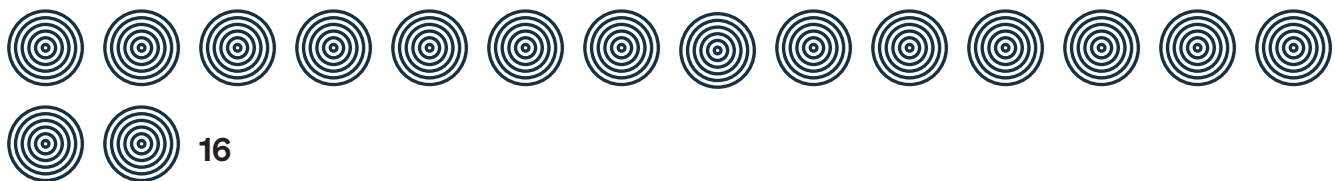
Number of respondents

Almost all of our 84 respondents were at senior-level management positions within their firms. Two thirds of respondents were companies with less than 20 employees which is in-line with Promethean's broader industry research on digital firms.

CEO/Owner/President



Director/VP-level



Other C-level

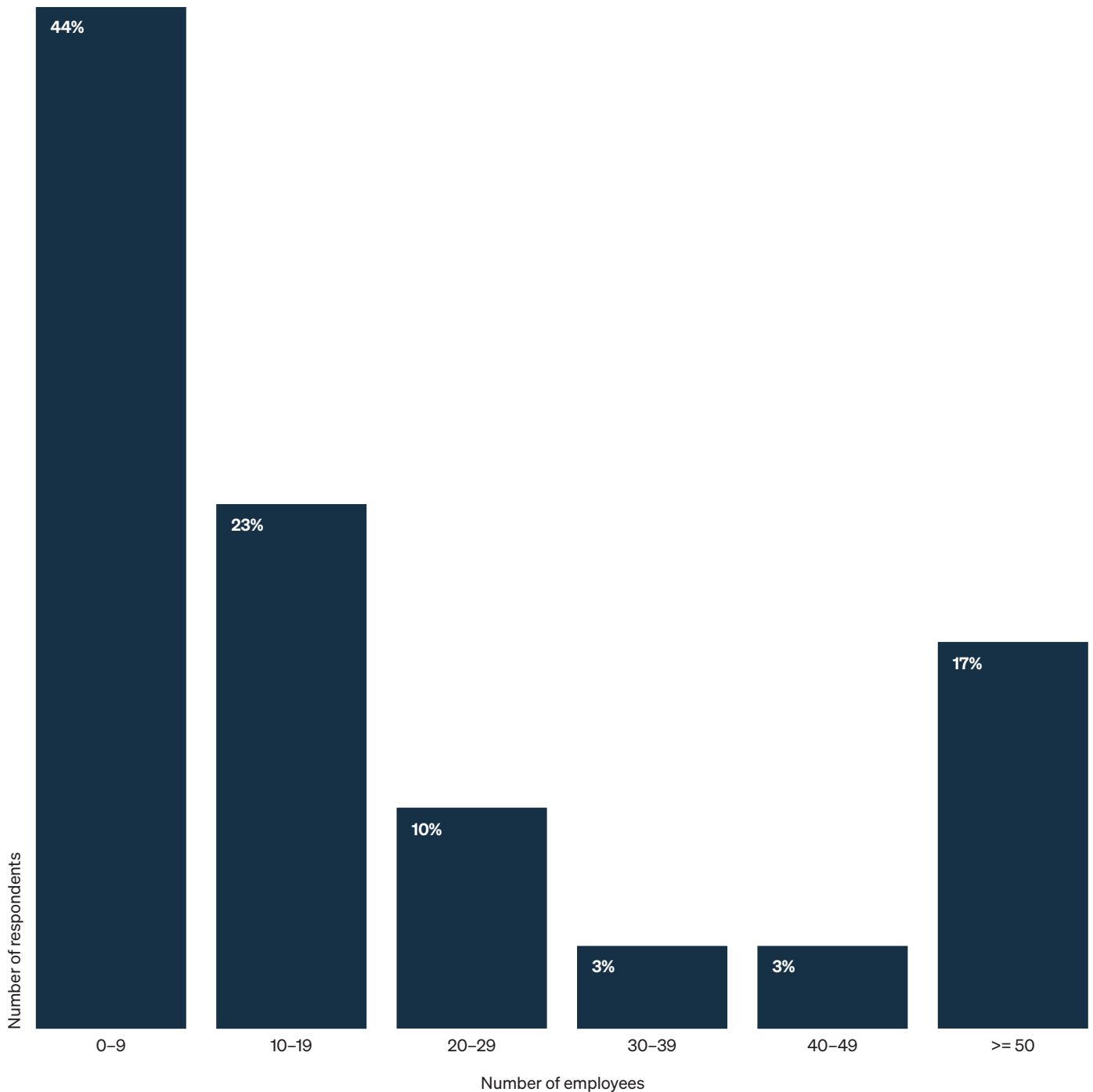


Other



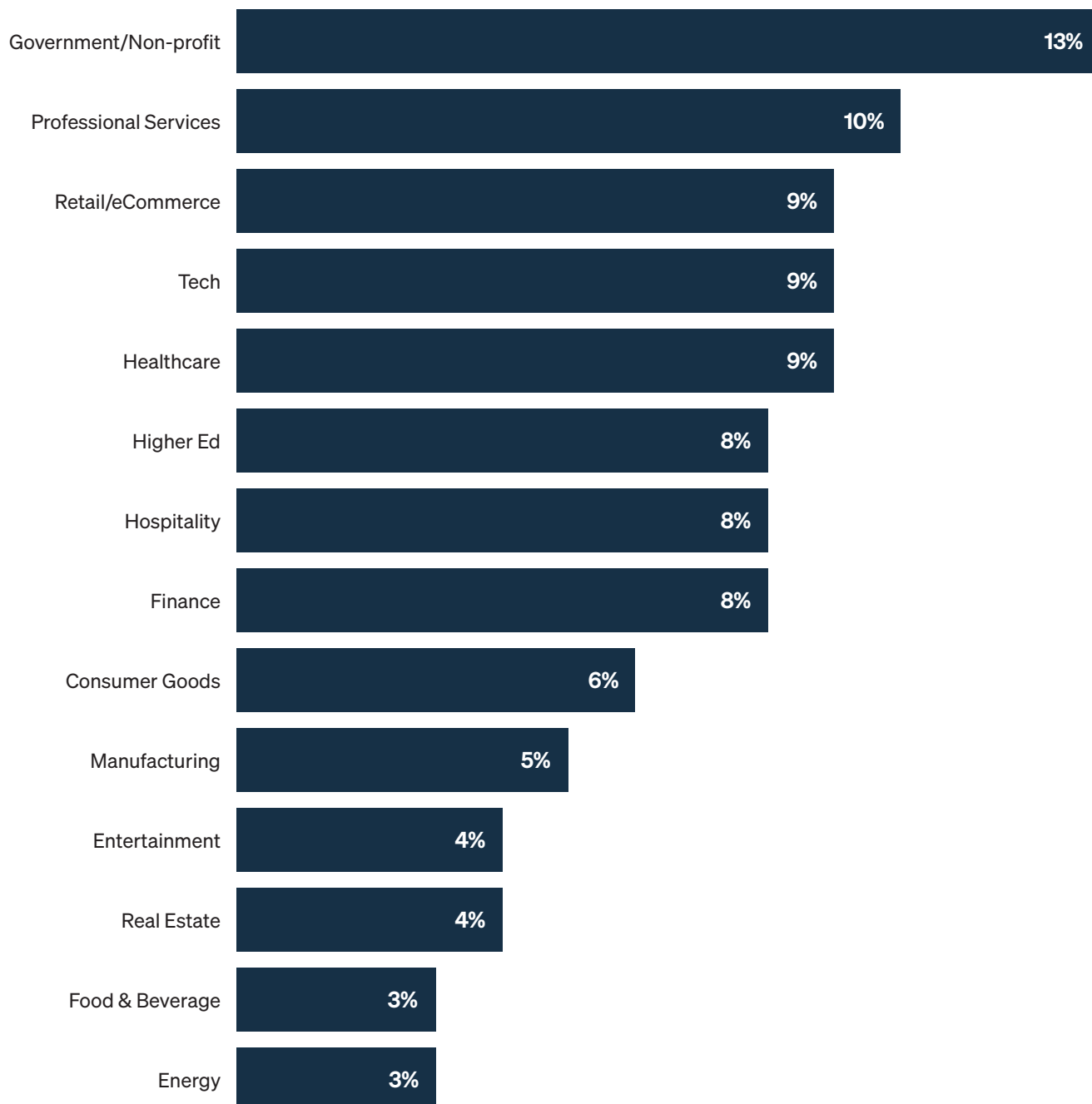
Company sizes by respondents

The breakdown for company sizes given by respondents. Most firms had less than 20 employees, 13% were between 20-39 people, and 20% had 40+ employees.



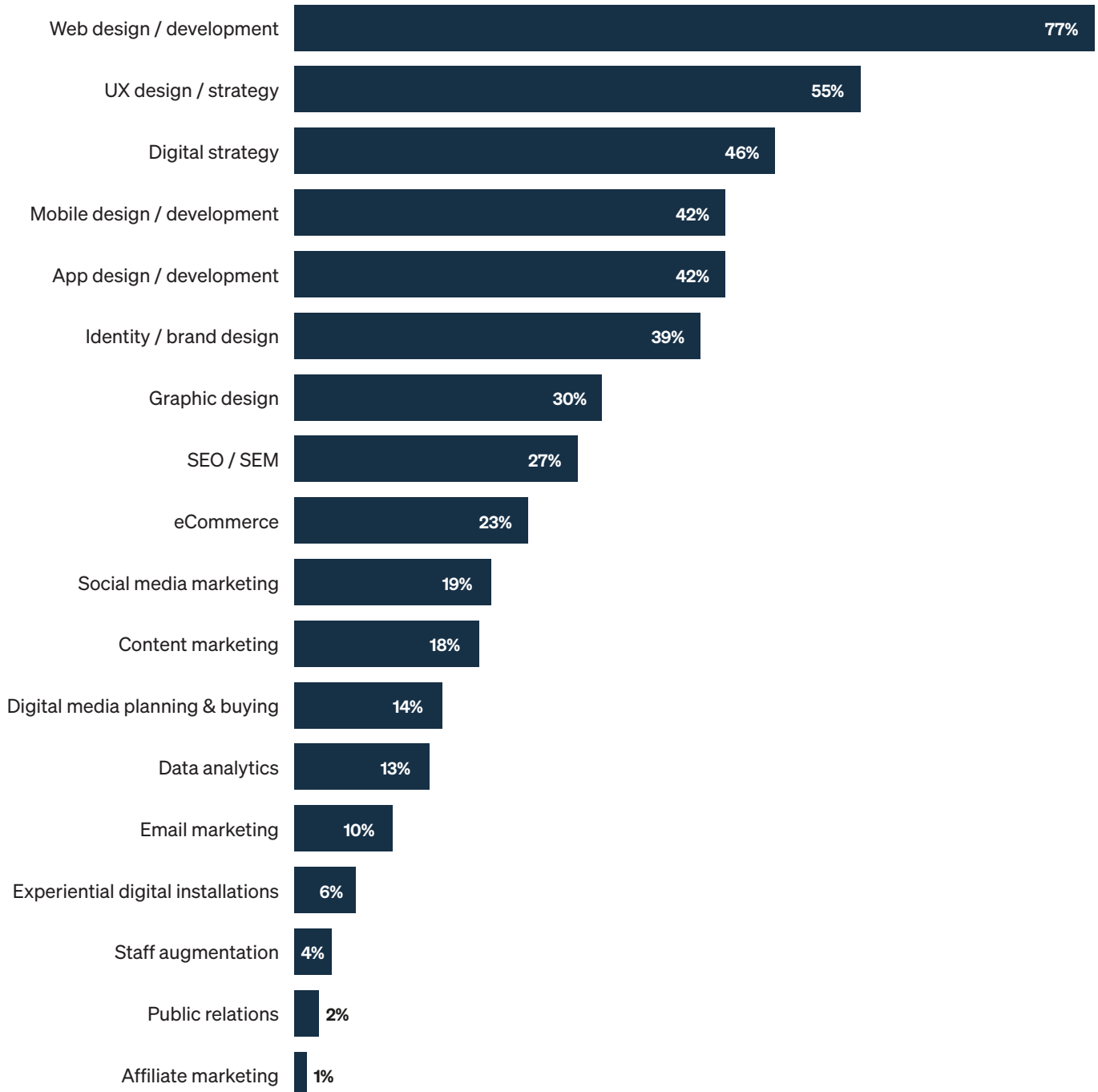
Service industry focus

Respondents were well-distributed with respect to the industries they served. The most common ones were government and nonprofit, and business/professional services at 13% and 10% respectively.



Main services offered

Our survey focused heavily on the outlooks for digital firms. Core services offered by firms in our survey were web design and/or development (77% of firms), UX design and/or strategy (55% of firms), and digital strategy (46% of firms). These were followed closely by app design or mobile design and/or development (42% of firms), and identity and/or brand design (39% of firms).



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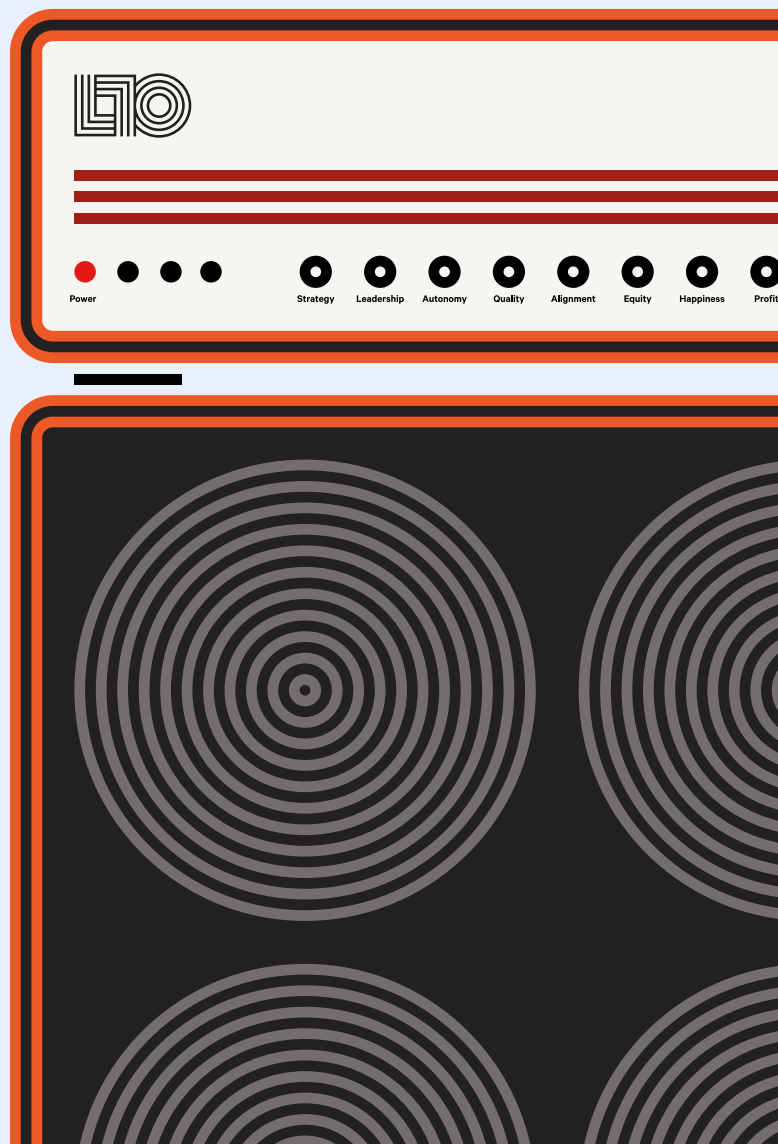
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