EXECUTIVE SUMMARY

Redesigning the agency value model

Written by Brian Kessman of Lodestar Agency Consulting for VoxComm

Foreword by Tim Williams of Ignition Consulting Group

EXECUTIVE SUMMARY

THE AGENCY INDUSTRY HAS A VALUE PROBLEM.

ACROSS REGIONS AND DISCIPLINES, AGENCIES ARE PRODUCING MORE WORK, FASTER, WITH BETTER TOOLS—YET MARGINS CONTINUE TO DECLINE, PRICING POWER REMAINS WEAK, AND GROWTH STILL DEPENDS ON ADDING HEADCOUNT. THESE OUTCOMES ARE THE PREDICTABLE RESULT OF BUSINESS MODELS THAT DEFINE AND MONETIZE VALUE IN TERMS OF EFFORT RATHER THAN IMPACT.

How an agency defines its value determines how profitably it can capture it.

When value is framed through hours, roles, or deliverables—even under fixed fees or retainers—clients and procurement default to comparison, cost control, and negotiation. AI accelerates this dynamic by compressing effort further, breaking the final link between time and perceived value.

Agencies that escape this trap do so by redesigning what we refer to as the agency value model—the system that connects how they define their value, how they sell it, how they deliver it, and how they price it.

The Problem with Legacy Models

Three forces are undermining traditional agency economics:

1️⃣ **Agencies are being penalized for efficiency.** In effort-based models, AI-driven efficiency lowers perceived value faster than it lowers cost.

2️⃣ **Changing pricing without changing what is being sold is ineffective.** Many agencies have replaced hourly billing with fixed fees or retainers, but their offerings remain custom, capability-led, and labor-dependent leaving economics unchanged.

3️⃣ **Revenue scalability remains tied to headcount and utilization.** Growth remains linear, capping margin, increasing complexity, and exhausting leadership teams.

The Four Agency Value Models

Most agencies operate within one of four model variations with recurring economic patterns:

1️⃣ **Busy by Design**
Broad services, custom scopes, growth through utilization. Teams are busy; margins are thin.

2️⃣ **Scaling with Strain**
Fixed fees replace hours, but economics remain time-based. Efficiency improves; scalability does not.

3️⃣ **Expertly Undervalued**
Strong expertise and credibility, but value is still sold as effort. Pricing remains negotiable and scale depends on senior leaders.

4️⃣ **Distinctly Scalable**
Expertise is codified into repeatable solutions. Pricing aligns with outcomes. Revenue scales without proportional headcount growth.

Most agencies, to their detriment, fall into one of the first three categories. This is a guide to becoming a Distinctly Scalable agency and a more profitable business.

What Distinctly Scalable Agencies Do Differently

They redesign their business across four dimensions.

1 Value Definition

Focusing on a narrow set of high-value client problems they are uniquely qualified to solve.

2 Value Design

Translating expertise into structured, repeatable solutions—often productized or AI-enabled.

3 Value Delivery

Building systems, workflows, and teams around outcomes rather than projects or utilization.

4 Value Capture

Using solution-based monetization systems that decouple price from effort and align revenue with impact.

Pricing changes *after* value is redefined, clear, repeatable, and defensible.

Why Solutions Change the Economics

Selling traditional services hands control to buyers.
Selling solutions helps agencies reclaim it.

- Solutions shift conversations from cost to impact.

- They reduce scope friction and renegotiation.

- And they make value easier for clients to explain internally

- They create revenue continuity beyond individual projects

- And they enable repeatability, automation, and scale

A true solution has three characteristics:

- A business-critical client problem worth paying for

- A repeatable, codified method

- A clearly intended outcome

Offerings without these characteristics behave like services regardless of how they are priced.

The Leadership Imperative

This is not a call for wholesale reinvention. Agencies that succeed

- ● Diagnose where their value model is constrained

- ● Identify the constraints limiting their ability to capture value

- ● Sequence change deliberately, not simultaneously

- ● Introduce new models alongside existing ones

- ● Let clients experience value differently before forcing change

Pricing is where tension shows up first, but it is not where the work begins.