Design Business Association

2022 DBA Annual Survey Report

A report analysing the fees, salaries, utilisation, income, recovery rates, benefits, and trends of DBA member agencies

dba

In association with MOORE Kingston Smith

Supported by Paprika VisionFR specialist financial recruitment

Look out for these

Advice for the reader
Look out for these boxes throughout the report – they provide information and advice to our members.

152 Member agencies responded
2021: 154

75%
75% of responders last year also responded to the survey this year, up from 71% the prior year.

Member agencies by gross income

29.7%	**17.6%**	**16.9%**	**35.8%**
<£500k	**£500k – £1m**	**£1m – £2m**	**>£2m**
↓ **5.9%** 2021: 35.6%	↓ **0.9%** 2021: 18.5%	↓ **3.6%** 2021: 20.5%	↑ **10.5%** 2021: 25.3%

Member agencies by location

50%
London
↓ **1%** 2021: 51%

Source of generated income

34%
Overseas income*
↑ **6%** 2021: 28%

Most prevalent disciplines

26%	**16%**	**14%**
Branding	**Packaging**	**Digital**
↓ **2%** 2021: 28%	↓ **1%** 2021: 17%	

* Gross income from outside the UK has jumped from 28% to 34%. For a more detailed analysis see page 13.

We also asked which discipline of design the respondents operated in. As per last year, the most prevalent discipline was corporate identity and branding, comprising 26% of fee income across the sample (2021 – 28%). The second most prevalent was packaging, at 16%. Other disciplines over 10% were strategy, research and innovation, making up 11%, and digital/websites, at 14%.

Introduction

We're delighted to bring you the 2022 DBA Annual Survey Report.

As we moved on from the restrictions and challenges of the pandemic in 2022, it has been pleasing to see confidence return to the design industry. Although it is true that many in our sector have struggled in recent years, overall design businesses in the DBA community adapted very well to the issues put before them and encouragingly, members are now mainly in a good position.

Gross income is returning to pre-pandemic levels and opportunities are presenting themselves – as can be seen in the increase in overseas income being collected by members. There are however still some key concerns, notably the impact of macro-economic and political events.

The recruitment of new talent and the retention of existing staff also continue to be of concern. Many of the metrics covered in this report touch on these issues – from salaries and pay rises to ways of working – and can help you benchmark against your peers as you build a culture to take you and your team through the coming years. That's why we produce the DBA Annual Survey Report in collaboration with Moore Kingston Smith and with the support of our sponsors Paprika and VisionFR – to give you the confidence to move forward decisively with a firm handle on the numbers behind your business.

If you need support understanding any of the data in this report, or you would like to dig down and get a bit more detail in a particular area, please get in touch.

Deborah Dawton
Chief Executive, DBA

Executive summary

Last year, the report was written at a point where most agencies believed that we were past the worst in terms of Covid lockdowns and the resulting low business and consumer confidence. Pleasingly, based on the data collected for the year to 2022, it seems that this belief was well placed. Many key metrics have now finally rebounded back above pre Covid/Brexit levels. This is seen in the gross fee income per head figures, where like-for-like repeat respondents reported a 6% increase nationally and 2022 figures across the board surpassed 2020 levels.

This year, the general business sentiment is extremely positive. More businesses than at any point since 2019 believe that the health of their business is positive, with over 80% of agencies surveyed saying this. When assessing the upcoming twelve months, the figures were largely similar, with roughly 3 in 4 agencies expecting gross income to increase and 2 in 3 agencies expecting to increase staffing levels to compensate.

The qualitative data collected on business risks provides an interesting alternative slant on the future outlook. Whilst the mostly widely cited risk is recruiting, maintaining, and retaining talent, there are two prevalent narratives which are very revealing. One is the creeping worry about managing increased costs whilst clients put pressure on fees. This is symptomatic of the 'Cost-of-living-crisis' in which we reside where inflation has hit generationally historic levels. The other is the general risk of another significant macro-economic/political event and its effect on business. Having lived and worked through Covid, Brexit, and the Ukraine war in quick succession, it is unsurprising that businesses are worried on this front.

Nevertheless, it would be remiss to suggest that the overall sentiment is concern and risk when positivity and expectations of growth are the prevailing narratives.

Freelancers

There was a huge degree of uncertainty surrounding freelancers during and in the aftermath of Covid. Demand side was expected to dry up as freelancers were a cost that could be cut with minimal strings attached. The supply side was more uncertain as there was an argument that more people would switch to full time work to provide security over a guaranteed income, but contrastingly, there was an argument that the pandemic highlighted the freedom of flexibility to potential freelancers and prompted more workers to pursue their passions outside rigid structures.

The data shows that freelancers as a percent of total workforce have increased from 6.6% to 8.4% from 2020 to 2022. From a monetary perspective, they are valued higher still, with 43% of agencies spending more than 12% of their total wage bill on freelancers.

The demand for freelancers cements the fact they are an invaluable resource to deal with the peaks and troughs of agency work. Design agencies have long been grappling with the challenges project work poses in terms of resource planning which is why they have the highest use of freelancers amongst all the marcomms disciplines.

For more detail see page 18

Freelancers as percentage of workforce

8.4%

2020: 6.6%

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Gross income per head

Gross income per head, including freelancers, increased by 6% nationally to £87,456. This is unsurprising as last year's figures were dampened due to reporting on pandemic data. The highest average gross income figures were £98,884 as reported by large London agencies. This is close to the £100,000 per head figures which is recommended as a target to generate strong margins, which is encouraging.

Unexpectedly, there was a significant difference in gross income by both region and size. Average gross income per head was £97,464 for London agencies and £77,038 for regional agencies. Larger agencies generated a 23% premium in regional locations and there was a 7% premium in London. It should be noted that all these figures include full time equivalent freelancers, as well as permanent staff, to give a more realistic representation of how income is earned.

The lower fee income per head at the regional agencies correlates with their lower cost base. Staff are cheaper and their fixed costs such as rent are lower, therefore, they do not need to generate such a high fee income per head to cover these costs.

For more detail see page 13

National average income generated per head

£87,456

↑ 6%

3/4

of agencies expecting gross income to increase

Pay rises

In last year's report, between 90 and 95% of agencies stated that they would be giving pay rises to staff at senior staff level or below. Whilst we do not have data on all salaries within that employee subset, the results we have collected show that pay rises have generally been implemented. For the subset of direct staff roles sampled, average pay rises in the year were 4%. In addition, the majority of indirect staff below director level also experienced pay rises.

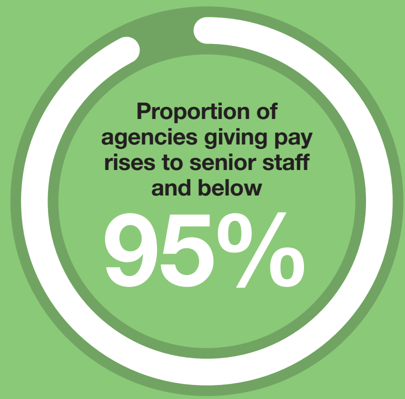
A useful observation is that charge out rates have only increased by 1.3% on average despite the associated staff seeing 4% average pay rises. We would expect these figures to move broadly in line with one another.

The outlook for pay rises in the coming year was similarly buoyant compared to last year. Over 95% of agencies anticipate giving pay rises to senior staff or below, with the most frequent estimated pay rise band being 4-6%. Fewer agencies expect to give pay rises to executive management and other board directors, with 36% and 46% expecting pay freezes respectively. The forecasting of pay rises is in line with staff retention being at the forefront of agencies' minds, whilst being a tacit acknowledgment that wages need to increase proportionally to inflation.

For more detail see page 20

4%

Average increase in pay since 2021 survey (direct staff roles)



Main report

General sentiment on business performance

In this year's report, business health has been analysed over the last seven years back to 2016. These years include major periods of turbulence for the UK – the EU referendum and Brexit, as well as the Covid pandemic and the war in Ukraine.

As in previous years, members were asked to provide a general overview of how their business is fairing. From an initial review, businesses appear to be in a similar situation to the period pre-Brexit finalisation and Covid, with similar figures reported for all categories. Encouragingly, 80.3% of agencies have reported positive sentiments with only 7.9% reporting negative sentiments. This was also the first year since 2018 in which no respondents regard their prospects as critical.

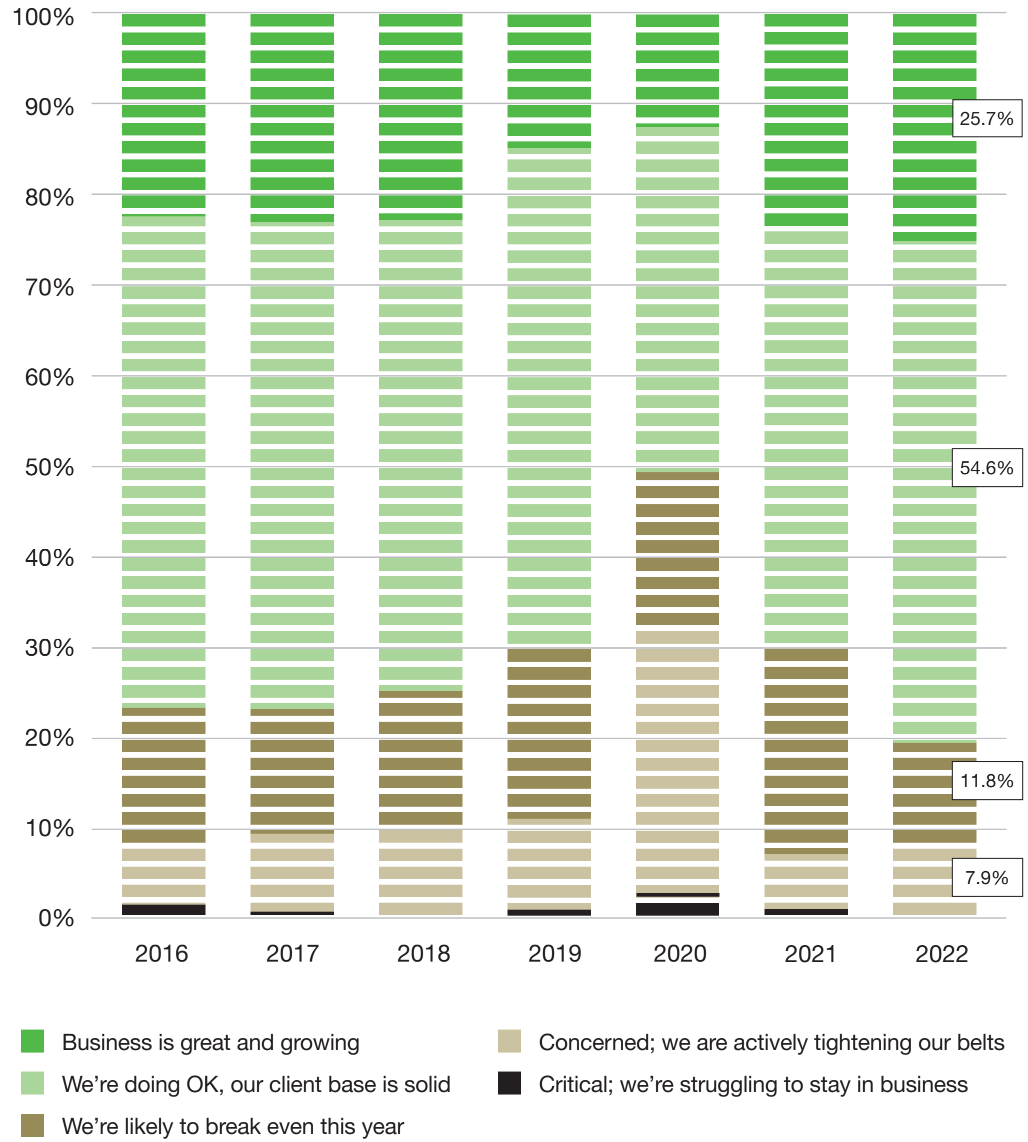
The data shows that businesses are largely over the double blow of Brexit and Covid. The impact of Covid has subsided significantly in the last year as the threat of lockdowns no longer looms as large and general consumer confidence has taken an upward turn. Given the timing of the data collection, it is important to note that the results arguably come too early to assess the full impact of the cost-of-living crisis and rampant inflation after the pandemic. We discuss where companies see themselves in the next 12 months and how they see the company operating later in the report (see page 7).

Business health remained relatively stable between 2016 and 2018, as Brexit negotiations were ongoing in 2017 and 2018 with the actual withdrawal seemingly a long way off. Notably, there was a downturn in optimism in 2019 with only 15% of agencies (down from 23% in 2018) considering their business to be great and growing. This fall can be attributed to the reality that Brexit was indeed going ahead amidst mass political uncertainty.

2020 was evidently a low point for business confidence as the UK left the EU and then the world was shut down to stop the spread of the novel coronavirus. These two generational events happening concurrently was as unexpected as it was catastrophic for individuals and businesses alike. This is evidenced by the steep increase in businesses being concerned about their future and taking active measures to cut costs. Only 38% of members believed they were doing 'OK and had a solid client base'.

There was a noticeable rebound of business health in 2021. On a pure business level, firms had adapted their working practices for the new normal and so their operations resumed efficiency. On a wider societal level, the impact of Covid vaccinations tilted the economy back towards pre-pandemic

Business health



Main report

confidence levels. As such, the number of businesses reporting positive health increased from 50.7% to 70.3% in 2021.

As expected, the 2022 results see the continuation of this trend. Considering that the majority of government support schemes for businesses, the Coronavirus Job Retention Scheme in particular, ceased to apply during 2021, this emphasises that businesses were able to survive on their own means. There was a small increase from 24.1% to 25.7% in businesses reporting top end ‘great and growing’ confidence. The most prominent change was the change in business confidence between ‘likely to break even’ and ‘doing OK’. The neutral ‘likely to break even’ figures fell from 22.8% to 11.8% whilst at the same time the positive ‘doing OK’ figures grew from 46.2% to 54.6%.

On an individual business level, there has been a significant divergence in fortunes over the last few years. It was really a case of right time right place for those working with the sectors that benefited from the pandemic such as technology, gaming, and online retail. Others working for sectors such as automotive or travel and tourism were not so fortunate.

By location

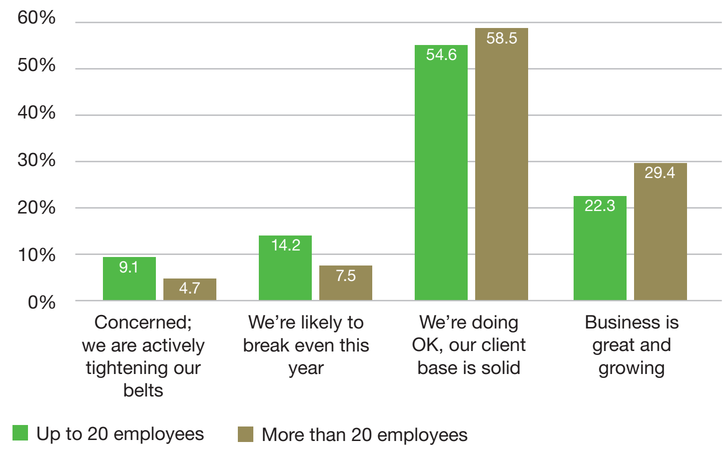
There is minimal difference between London and non-London businesses in this year’s data. Around 83% of London businesses report positive sentiments, compared with 79% of non-London businesses. However, the skewing towards ‘great and growing’ is much greater for non-London businesses (28% vs 22%) and hence the two data sets are quite comparable. This potentially indicates a return to the pre-Covid averages for all businesses in the industry.

By size

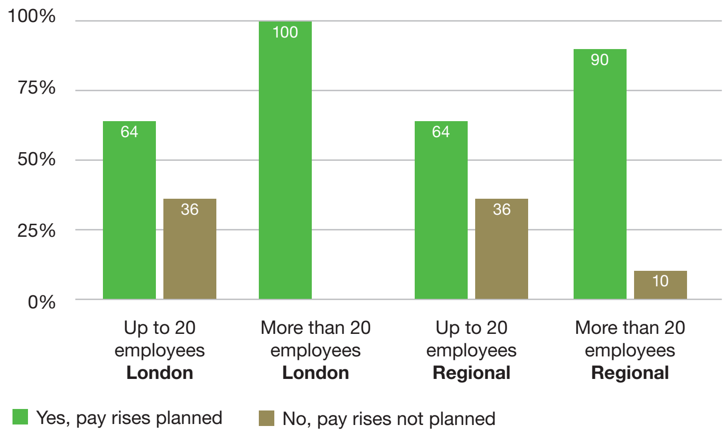
The size of the business has a greater disparity than the location when it comes to business health. Businesses with up to 20 employees reported 77% positivity versus 88% for businesses with greater than 20 employees. This is potentially self-evident, given that businesses who are performing well tend to hire more staff, but does still indicate that size provides resilience in the face of difficult market conditions.

The disparity between relative business health of smaller businesses and medium/large businesses is clearly illustrated by the data obtained on whether businesses are planning pay rises for the year. For medium/ large businesses, between 90 and 100% of businesses are planning on implementing pay rises, whereas that figure falls to between 60 and 70% for small businesses. The reluctance of small firms to give pay rises implies that their business confidence may be overstated, or that they feel the increases they gave last year are enough to keep their staff happy.

Business health – agency size



Pays rises – planned for 2022



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Like-for-like comparisons

There were 113 agencies who repeated their participation in the survey this year (75% of total responders), and a total of 90 agencies who have participated for the last 3 years enabling us to give some direct like-for-like trend analysis.

Of these businesses, the most significant change was the rebound of staff numbers after a significant dip in 2021. The total fell by 6% in the year to 2021 and has rebounded by 6% in the year to 2022. This is evidence of the resurgence of businesses in the post-Covid landscape. Freelancers continued to be a more prevalent feature in these businesses and have increased from 6.6% of total workforce in 2020 to 8.4% in 2022. The supplementation of full-time staff with freelancers can largely be attributed to two factors, firstly, the increasing employee-driven demand for flexibility in working practices and conditions post-pandemic, and secondly, the talent and recruitment crisis that is a prevailing narrative across many industries.

Gross fee income amongst repeat responders

	2020	2021	2022
London	£110,054,408	£99,741,704	£106,785,023
Out of London	£74,146,073	£72,185,396	£83,817,849
Total	£184,200,481	£171,927,100	£190,602,872

Fee income per head amongst repeat responders

	2020	2021	2022
London	£97,105	£97,020	£98,063
Out of London	£72,210	£73,500	£80,096
Total	£85,511	£85,210	£89,039

Regional gross income vs 2020

13%

3% London

Regional fee income per head vs 2020

9%

1% London

After a sizeable trough in gross fee income in 2021, the figure has soared back to pre-2020 levels in 2022, increasing to £190.6m from £171.9m in 2021. It should be noted that growth amongst the repeat responders is wholly derived from non-London businesses, as the total gross income of London businesses is still down on 2020, coming in at £107m in 2022 vs a peak of £110m in 2020. Percentage wise, London gross income is down 3% in 2022 vs 2020, whereas regional gross income is up 13%.

This pattern of comparative regional strength vs London is emphasised by the patterns in fee income per head in this data subset. Fee income per head has risen by a robust 9% in regional companies whereas it has only risen by a sluggish 1% in London.

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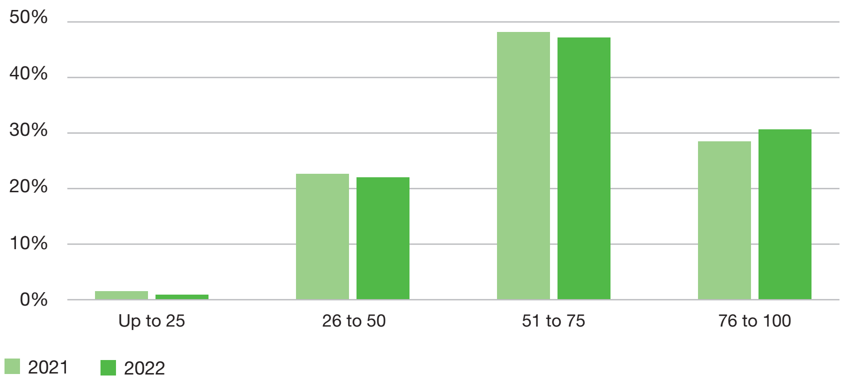
Confidence levels

On an overall national level, there was negligible difference in confidence levels when businesses were asked to rate how confident they are about the coming year. For the second consecutive year, three quarters of businesses ranked themselves as more confident than not by giving a score over 50, 77% in 2022 compared to 76% in 2021.

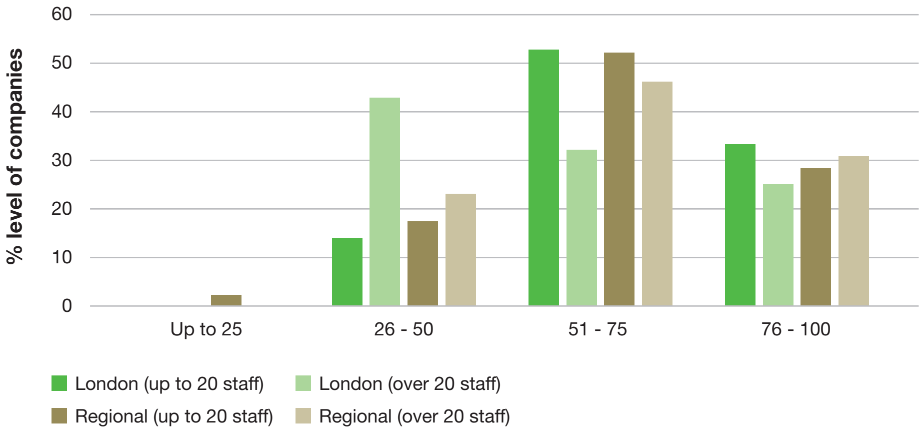
There was also negligible difference between London businesses and regional but there were some interesting observations when comparing small and medium/large businesses. There were minor differences between small and larger firms for regional businesses, but the contrast was stark in London. Here, 43% of agencies with over 20 employees said they were unconfident for the coming year, compared to only 14% of small agencies. This is supported by the data regarding expected gross income growth for the next 12-months. We will see this time next year whether these larger businesses were simply being cautious or whether their pessimism was suitably placed.

Click here for articles and guidance on how to improve your own confidence.

Confidence for coming year 2022 vs 2021– National



Confidence levels per region and size (%)



A score of 50 is neutral. Higher than 50 indicates level of confidence in the next 12 months being better than the previous 12 months, lower than 50 indicates lack of confidence.

Forecasting income and staffing levels

Gross income expectations

Agencies were asked to share their predictions on expected levels of income and staff over the next 12 months.

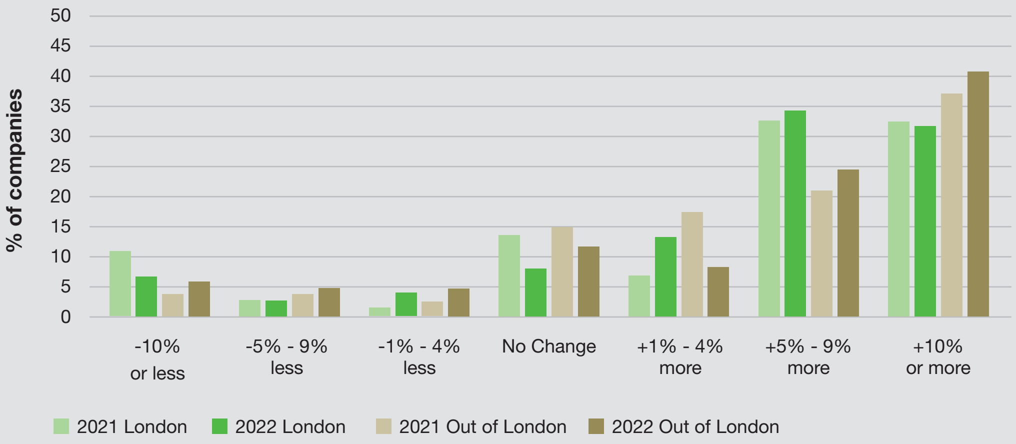
London vs regional

As expected, there has been a slight upturn in gross income expectations compared to 2021, which of course in itself was a vast increase on the anomalous 2020 figures. The top end figures suggest that regional offices are feeling more confident about gross income growth than London offices, with 40.7% anticipating double digit growth compared to 31.6% for London.

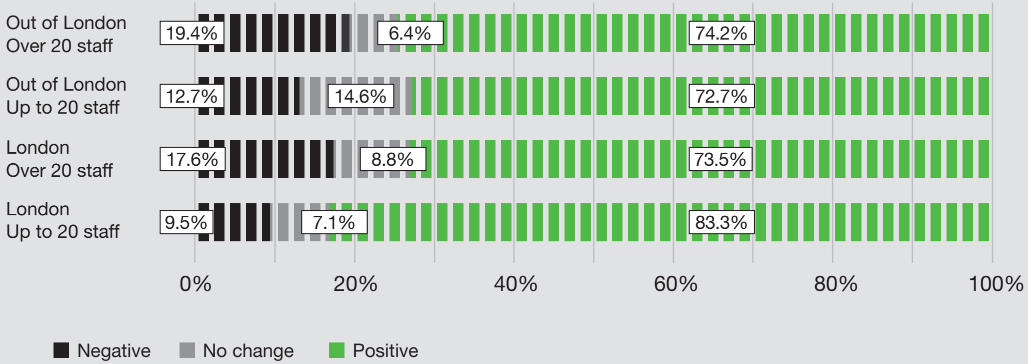
While this is extremely encouraging, the obvious caveat is that given the current rate of inflation, double digit growth will no longer result in such a big pat on the back. If agencies are seeing cost price inflation in line with the national average, income needs to grow by a strong percentage to maintain margins and profitability, and show real growth.

When assessing any growth expectation as positive, London agencies reported 78.9% positivity for income prospects compared to 73.3% for regional agencies. Hence, while the top-end positivity for regional agencies outstrips London, the overall positivity seems to be greater in London agencies.

Gross income expectations over the next 12 months (2022 and 2021 comparison)



Gross income expectations by location and size



These figures support the business health discussion earlier in the report and re-emphasise the fact that businesses are feeling even more positive this year than last.

By size

In a change to last year's report findings, it seems as if larger agencies have a more pessimistic view of income growth than smaller agencies. In London, only 9.5% of small agencies expect income to decline, compared to 17.6% agencies of over 20 staff. In regional agencies, the equivalent figures are 12.7% and 19.4%, so this is a nationwide pattern. The reasons for this disparity cannot be fully evaluated without conducting a wider range of research but they largely align with the data collected on risks and uncertainties, which is discussed in the 'business risks' section of the report.

Staffing level expectations

As expected, there is a strong positive correlation between expected gross income levels and expected total staff levels in the next 12 months. Whether agencies will be able to fulfil these staffing needs via recruitment of full-time staff during a fiercely competitive demand side labour market, or whether they'll need to enhance their workforce with freelancers, remains to be seen.

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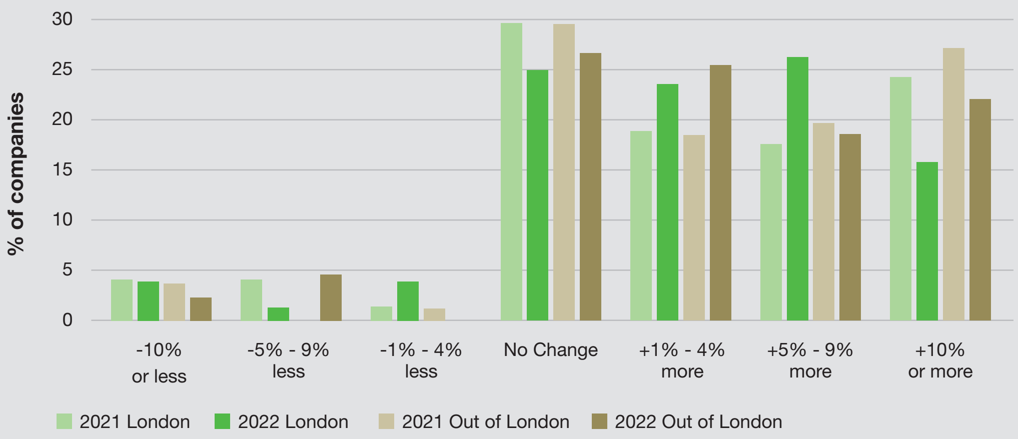
London vs regional

Overall, 66% of London agencies are looking to increase staff numbers, up from 61% in the previous year. The upturn is slightly less pronounced when considering regional firms, 66% of whom are expecting staffing increases compared to 65% in the previous year. The figures are generally encouraging and are suggestive of a long-term pattern of staffing expansion. In isolation, 2021 was always going to have staffing increases, given the general freeze on hiring/redundancies during 2020, so it is promising that the positive trend from 2021 has continued.

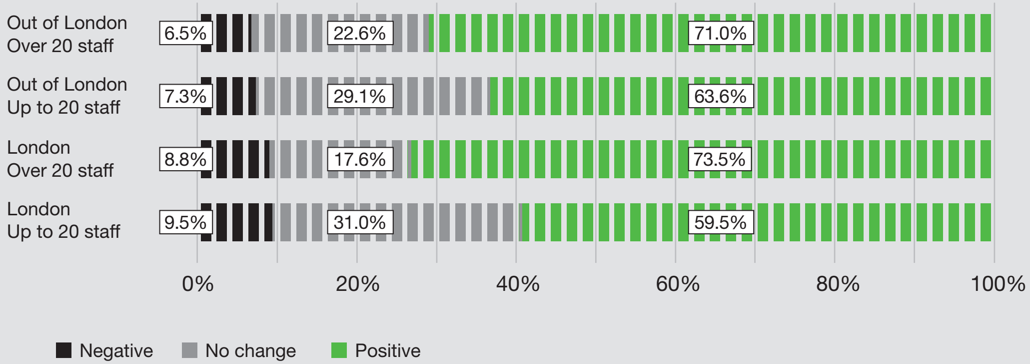
By size

Contrastingly to the patterns seen in the income growth data, it seems as though smaller businesses in general have less expectation of increasing staffing numbers in the next 12 months. 73.5% of larger companies in London, and 71.0% in other regions expect to increase staff numbers in the coming year. The equivalent figures for small companies are 59.5% and 63.6% respectively. Smaller agencies are perhaps more nervous of facing additional costs until they are certain that income growth is forthcoming.

Staffing level expectations over the next 12 months (2022 and 2021 comparison)



Staff growth expectations by location and size



General discussions

As expected, given people costs are the main expense for any agency, the average agency in our dataset is expecting both gross income and total staff levels to increase in the next twelve months. Net expected increase in gross income is 62.5% with staffing levels expected to increase by 57.9%, therefore the growth in staffing levels is expected to lag slightly. Nevertheless, this is in line with expectations given that new staff are usually hired as a reaction to a business's income expanding and not vice versa.

It will be interesting looking forward to see how the split of full-time employees vs freelancers continues to evolve and whether demand in the labour market will continue to outstrip supply.

We recommend the ratio of people costs to revenue is no more than 60% in order to deliver a healthy profit margin. Agencies must therefore be mindful of this when planning for the longer term to ensure their people costs ratio does not get out of kilter.

Main report

Business risks

Agencies were once again asked three questions in relation to what they considered were the biggest risks to their business in the short, medium and long term. Agencies were able to list as many risks as they felt necessary. The table below shows these and includes the four most common responses for each question.

What are the biggest issues facing the business right now?	What are the biggest issues facing the business in the near future?	What are the biggest issues facing the business in the long term?
31% of agencies Talent - retaining, maintaining and recruiting	**29% of agencies** Talent - retaining, maintaining and recruiting	**25% of agencies** Talent - retaining, maintaining and recruiting
16% of agencies New business	**23% of agencies** Macro-economic and political events impacting the general economy	**24% of agencies** Macro-economic and political events impacting the general economy
15% of agencies Clients with frozen / reduced budgets or reluctance to commit to starting projects	**16% of agencies** Managing growth and profitability while juggling new processes and ways of working	**18% of agencies** New business
15% of agencies Macro-economic and political events impacting the general economy	**15% of agencies** Balancing increased costs with pressure from clients on fees	**15% of agencies** Balancing increased costs with pressure from clients on fees

For the second consecutive year, the main concern voiced by respondents involves people and talent. Last year's comments focused more on culture as businesses struggled to come to terms with hybrid working. This year there is more concern over recruitment and the retention of staff.

The difficulties of recruiting the right talent are extremely pertinent and are being experienced across a wide range of industries at the current time. This is incredibly difficult for design agencies, two thirds of whom are expecting to increase staffing levels in the next twelve months. It is important to consider that losing talent can come at a high price: recruitment costs, loss of knowledge and cost of onboarding and training.

Whilst this is the main business risk across all three timeframes, its prevalence diminishes gradually whilst moving forward as the scope of macro-economic events as a business risk inflates. This is unsurprisingly a huge concern for businesses given the recent dual seismic events, Covid and Brexit, and the recent predictions of an impending recession. Out of all the issues, this is the one which businesses have least control over. Contingency and worst-case scenario planning is possible, but as it will not fully mitigate the risk it seems prudent for businesses to remain concerned about this.

New business remains a common theme amongst business risks. The short-term assessment of new business risk is predominantly concerned with volume and uptake of new clients, whereas the longer-term view is more associated with client base diversification.

Unsurprisingly, cost-push inflation enters the 2022 data as a significant medium/long-term risk. In June 2022, annual CPI inflation had reached 9.4%, a level not seen for 30+ years in the UK. The main associated business risk is the combination of increasing costs with clients' reluctance to accept increasing fees. Agencies might need to start becoming more selective in their client retention and acceptance to ensure that they are achieving margins sufficient to outstrip cost growth.

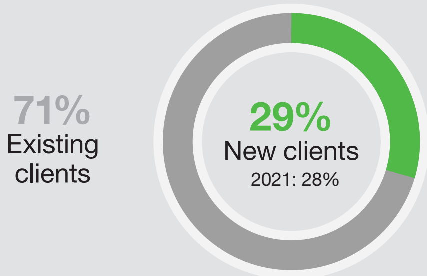
Some agencies mention sustainability and climate change as a risk they see in the future. With so much focus in the media around climate change, it is expected it will not be too long before all companies are required to report on their impact on the environment and the active contribution they are making to reduce their carbon footprint. Currently, it is only UK quoted companies who are required to report on their global energy use in addition to greenhouse gas emissions in their annual Directors' Report.

Main report

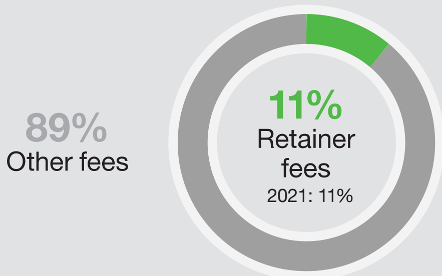
New business

Agencies were asked how they bill their clients, whether their income is from new or existing clients and whether they are changing their offer and targeting new sectors.

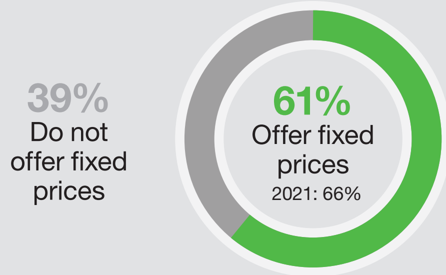
What % of your income in the last year has been from new clients?
29% of income from new clients (up 1% on last year). Larger agencies have a higher % of their income from retained clients (74% compared to 68% for those with up to 20 staff).



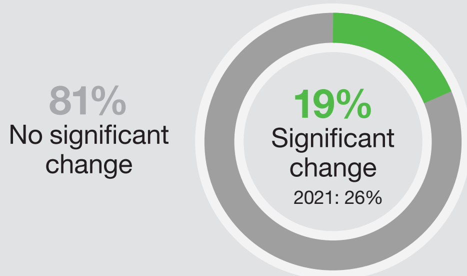
What % of your income in the last year has been on a retainer basis?
11% retainer fees (no change on last year). Unsurprisingly, given the usual project nature of design work, only 11% is from retainer fees. Design agencies have been grappling with the challenges this poses in terms of resource planning for many years now, and is why they have the highest use of freelancers amongst all the marcomms disciplines.



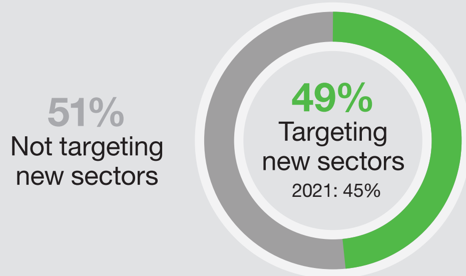
Do you offer clients fixed prices depending on type of product or practise value pricing?
A decrease in those offering fixed prices, from 66% to 61%. This may be due to clients wanting to keep a closer eye on hourly spend while they are remaining cautious.



Have you significantly changed your offer during the last 12 months?
19% of agencies have significantly changed their offer in the last 12 months – down from 26% last year. Not surprising considering the covid pandemic allowed so many agencies to reconsider their positioning and relaunch during 2021. There may follow a bedding in period as agencies try to make their new offer successful.



Are you targeting new sectors that you have not worked in before?
49% of agencies are targeting new sectors, up from 45% last year. As concerns around new business rise it is a natural reaction to cast the net wider in terms of finding potential clients



Main report

Billing

Invoicing

There has been minimal change in the makeup of invoice timing since 2021 as evidenced by the graph below. The standard practice in the industry is to mostly invoice in arrears but invoice some jobs in advance. This makes sense given that most clients would not oblige to pay up front for cash flow reasons. Nevertheless, there are some entities, such as public sector companies, which need to spend whole budgets by a certain date and hence want to be billed up front.

Standard payment terms

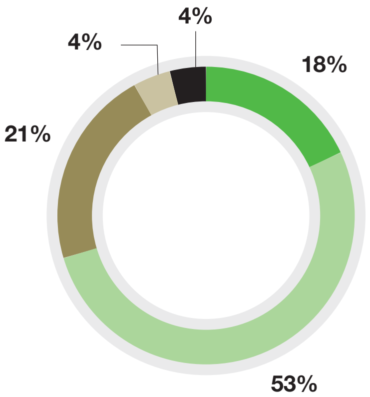
Through analysis of standard payment terms, the overwhelming industry standard is to offer 28-day payment terms. This has increased in frequency from 54% in 2021 to 75% in 2022. This is perhaps indicative of the repeal of flexibility offered to customers during Covid and a move back to standardised payment terms with no variance by customer.

Clients' payment terms

It is important to point out however, that payment terms are not always accepted by clients. Indeed, 30% of respondents were forced to accept their clients' payment terms rather than their own more often than not, with only 19% of respondents getting their favoured terms more than 3 out of 4 times. Flexibility is an important facet of a business, but it is also vital to not set a precedent of giving in too easily to client demands as this shifts the power dynamics unfavourably.

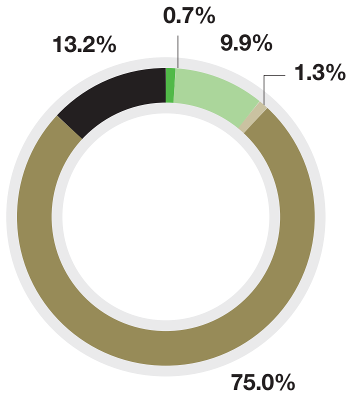
Payment days

The average time taken for respondents' invoices to be paid has stayed relatively constant from the prior year, increasing from 45 days to 46 days. Given our expectation of 28 day payment terms, this means that a huge proportion of customers are paying invoices late. This is not ideal for the working capital flow of our member agencies and reemphasises the importance of credit control as a function of a business's finance team.



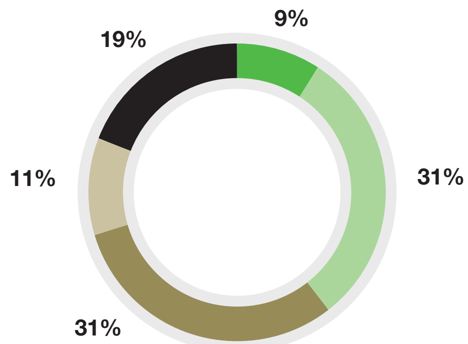
When do you invoice your clients?

- In arrears, for work we have completed
- Mostly in arrears, but some in advance
- Even split between in advance and in arrears
- Mostly in advance, but some in arrears
- In advance, for work not started



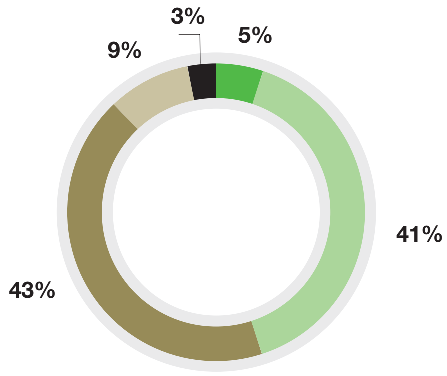
What are your standard payment terms?

- 7 days
- 14 days
- 21 days
- 28 days
- 28 days to 1 month



What % of time do you have to accept your clients' payment terms over your's?

- 0%
- 1 - 25%
- 26 - 50%
- 51 - 75%
- 76 - 100%



Average payment time for invoices

- Up to 20 days
- 21 - 40 days
- 41 - 60 days
- 61 - 100 days
- Over 100 days

Main report

International work

Gross income from outside the UK has grown since 2021 in relative terms, from 28% to 34% of total fee income. Prior to 2020 the proportion of income from international clients rose steadily each year from 20% in 2015.

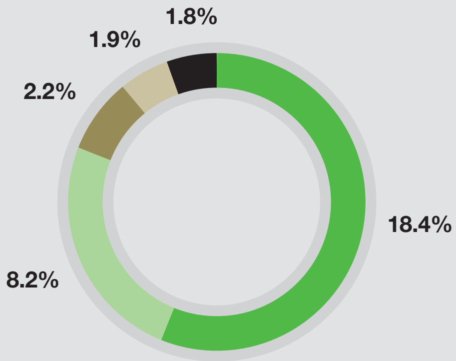
The 6% jump this year has been driven by growth across the board in all regions. There has been a 2% rise in gross income from Europe, from 16.8% to 18.4%. This may seem small, but in monetary terms it is a 15% increase on the previous year. North America also saw a significant rise to 8.2% of all gross income.

Despite income from the remaining regions being relatively marginal (making up 7.3% of the total) they have also seen large increases, having collectively doubled over the last year. Income from Asia (excluding China) now makes up 2.2% of the total, up from 1.4% last year and the Middle East now accounts for 2% of total income, up from 1%.

This increasingly international outlook is reflected in the targeting of foreign markets. 54% of members said they were actively looking to increase income from overseas clients, with a wide spread of regions being targeted. Europe, as is usually the case, is the number one region being targeted, with 84% looking to increase their new business there. North America is being targeted by 74% of members, followed by Asia (excluding China) on 32% and the Middle East on 27%.

There might be some skewing of these figures for the larger agencies in the survey as 12% of businesses had an overseas office (a trading entity rather than just a sales presence), with 40% of those having offices in North America.

Those managing to succeed in increasing overseas clients will of course benefit from the potential weakness of sterling over the coming year. They either benefit from increased income, or from the client being happier with paying less depending on which currency they are paid in.



Agency income from outside the UK as % of total income

- Europe (excl. UK)
- North America
- Asia (excl. China)
- Middle East
- Rest of the world

Gross income per head

Gross income per head, including freelancers, has increased by 6% nationally to £87,456, returning to the level seen in the 2020 report before the impact of the Covid pandemic. The patterns are relatively consistent between London and regional agencies, although regional agencies' growth in the prior year was slightly faster at 10%.

We recommend that agencies aim for gross income per head (including FTE freelancers) in the region of £100,000 to £120,000 in order to generate healthy margins after covering all costs. The largest agencies are just below this bracket at £98,884 (excluding freelancers). Evidently, the average London agency is close to this bracket, but regional firms still have a way to go. The obvious caveat is that regional firms typically have lower costs.

The split of 2022 data into region and size highlights the expected pattern that larger agencies generally command a higher gross income per head than smaller agencies. The difference is far more pronounced at regional level, with a c.£16k increase when comparing large agencies to smaller agencies. In London, the differential is c.£7k.

Freelancers are a key factor to consider in assessing gross income per head. They are often missed from 'number of staff' statistics yet are usually earning fees and as discussed are an invaluable resource for agencies. If freelancers are not included in the calculations, the overall gross income per head increases to £97,429, but this does not give a realist figure for agencies to benchmark against because usually their freelancers will be fee earners.

Average gross income per head (Region and size)

Main report

Direct staff salary levels

Direct staff are those involved directly with clients. As in prior years, there are some roles where there are not enough respondents in all categories for an average salary to be calculated. Therefore, when we are comparing size and location, we are doing so across only the most common like-for-like roles, for which an average could be determined.

We have also excluded the Chief Executive Officer and Managing Director salaries from the averages, as this was deemed to be too variable and could distort the averages too greatly. These are reviewed later in the report.

We have summarised the results for the 14 common roles where averages could be determined across all sizes and locations.

Looking for more detail?
In all we collect data on 55 staff roles, the full details of which are available to those who participated in the survey at **www.dbareview.org.uk**

Job title	National	London	London (up to 20)	London (21+)	Regional	Regional (up to 20)	Regional (21+)
Executive Creative Director	£108,029	£117,353	£99,917	£123,165	£97,982	£91,143	£101,402
Creative Director	£74,752	£88,237	£85,143	£90,518	£66,559	£62,817	£71,549
Design Director	£62,134	£65,843	£66,381	£65,520	£57,539	£55,136	£59,427
Senior Designer (>8 yrs exp)	£44,924	£47,822	£47,565	£48,019	£42,302	£40,640	£45,450
Designer (3-8 yrs exp)	£33,527	£35,069	£34,583	£35,561	£32,274	£29,502	£33,142
Junior Designer (<3 yrs exp)	£24,367	£25,977	£25,591	£26,109	£23,334	£22,439	£24,275
Production Manager	£50,674	£55,032		£56,960	£44,548		£44,698
Senior Art Worker (>8 yrs exp)	£42,366	£48,230		£47,922	£39,107	£37,875	£39,865
Art Worker (3-8 yrs exp)	£36,145	£38,278		£35,700	£34,496		£33,923
Strategy Director	£86,745	£96,279	£94,546	£96,826	£79,188	£72,000	£83,809
Client Services Director	£78,949	£89,158		£89,941	£73,375	£64,636	£78,715
Account Director (>8 yrs exp)	£52,201	£56,398	£58,500	£55,513	£47,658	£48,778	£46,986
Senior Account / Client Manager	£41,604	£43,256	£41,583	£44,028	£41,255	£38,897	£43,059
Account / Client Manager	£33,761	£34,611	£38,071	£32,409	£32,720	£30,700	£33,909
Average	**£55,013**	**£60,110**	**£59,188**	**£60,585**	**£50,881**	**£49,547**	**£52,872**

Main report

On average, the salaries for these 14 roles have increased by 2.6% across the sample as compared with the same job titles last year. This is indicative of small inflationary rises, which are far outstripped by the general rate of inflation in the economy. The variations by job were pronounced, as shown by the following table of percentage movements in average salaries.

There are a couple of notable takeaways from this analysis. The average salary increase is extremely similar between London and regional businesses, but the difference between small and larger businesses is considerably more pronounced. Employees in these roles in small offices in London saw only a 0.4% raise, compared to a 4.9% raise for similar employees in larger agencies in London. The pattern was less emphatic but similar in regional offices, with 2.4% raises in small businesses compared to 4.5% in larger businesses.

Changes to salary levels from previous year

Job title	National	London	London (up to 20)	London (21+)	Regional	Regional (up to 20)	Regional (21+)
Executive Creative Director	-3.6%	-3.7%	-13.6%	-0.7%	-1.6%	12.0%	-8.8%
Creative Director	-1.8%	4.0%	-1.5%	8.9%	-1.1%	1.1%	-2.4%
Design Director	4.8%	6.8%	12.5%	3.8%	1.8%	5.7%	-1.9%
Senior Designer (>8 yrs exp)	4.5%	4.3%	3.4%	5.0%	3.9%	5.0%	4.2%
Designer (3-8 yrs exp)	9.6%	11.5%	10.0%	13.0%	8.3%	1.8%	7.6%
Junior Designer (<3 yrs exp)	4.7%	8.4%	5.2%	10.3%	2.6%	2.1%	2.0%
Production Manager	2.7%	0.2%		5.3%	-3.2%		-0.9%
Senior Art Worker (>8 yrs exp)	-0.8%	8.4%		7.2%	-3.8%	-6.7%	-2.0%
Art Worker (3-8 yrs exp)	19.5%	20.7%		12.7%	22.0%		20.0%
Planning / Strategy Director	0.3%	-0.3%	-9.0%	3.9%	-0.5%	-13.1%	8.5%
Client Services Director	7.9%	3.6%		1.9%	16.9%	7.3%	21.2%
Account Director	2.2%	1.9%	4.0%	1.2%	1.6%	6.9%	-1.5%
Senior Account / Client Manager	1.2%	-0.4%	-6.0%	1.7%	5.1%	3.9%	6.7%
Account / Client Manager	5.3%	-2.2%	-1.1%	-6.1%	7.6%	2.8%	10.1%
Average	**4.0%**	**4.5%**	**0.4%**	**4.9%**	**4.3%**	**2.4%**	**4.5%**

*Those highlighted in green indicate increases of over 10%.

Main report

Direct staff salary levels

Although the proportional raises were similar between London and regional offices, the starting point is that there is a huge salary premium associated with working for a London agency compared to a regional agency. Employees in like-for-like roles are paid:

9.5% 2021: 18%

more in small London agencies than small regional agencies

and:

14.6% 2021: 18%

more in larger London agencies compared to larger regional agencies

There were significant pay rises for mid-level employees in roles with 3-8 years' experience. Art workers in this experience band were typically paid 19.5% more in 2022 than 2021 and likewise designers were paid 9.6% more in 2022. This could be indicative of a dearth of talent in the mid experience range or could be due to a shift in the nature of work required by agencies.

Average salaries of Principals

The data shows that, on average, CEO salaries increased by 4% in the year to 2022. This has gone some way to reverse the pay cut between 2020 and 2021 but the figures are still yet to return to the 2020 level.

There is a clear geographical discrepancy in the CEO salary data, which continued the patterns seen in the prior year. On average, London CEOs experienced a 4% pay cut, which was primarily driven by pay cuts in larger agencies, whose CEOs experienced a 15% decrease. On the other hand, regional CEOs experienced a 14% pay rise, which was driven by a 10% increase in the pay packets within larger firms.

Contrastingly, Managing Directors saw a 4% decrease in salary across all companies in all regions. However, it should be noted that 2021 saw an increase and so comparatively to 2020, the figures are fairly stagnant.

The largest variances year-on-year for MDs were found in London, with MDs in small businesses experiencing a 16% pay decrease. It was, however, good news for MDs in larger London agencies, whose pay increased by 7% on average.

The difference can be exaggerated by companies which remunerate their owner-managers via dividends rather than salary. This tends to happen in smaller companies that are more likely to be owner-managed and thus, for tax planning reasons, dividends may be chosen over salary and/or bonus. It should be noted, however, since the dividend tax rate increased there is now less of an advantage to taking dividends over salary once the basic rate band is used up.

Job title	National (all sizes)	London (all)	London (up to 20)	London (21+)	Regional (all)	Regional (up to 20)	Regional (21+)
CEO – 2022	£129,060	£141,165	£119,000	£149,690	£121,448	£94,325	£139,531
CEO – 2021	£124,473	£146,432	£120,200	£175,389	£106,917	£92,600	£127,098
CEO – 2020	£133,584	£147,719	£111,088	£177,100	£124,694	£87,750	£149,324
Managing Director – 2022	£92,293	£107,629	£86,252	£134,944	£84,754	£71,281	£104,350
Managing Director – 2021	£95,934	£113,463	£102,068	£126,062	£83,624	£70,031	£106,974
Managing Director – 2020	£93,120	£109,466	£90,592	£120,149	£82,426	£65,484	£95,673

Indirect staff salary levels

Indirect staff are classified as those staff members who are not directly client-facing. We have compared 11 roles which have sufficient data points to draw a meaningful comparison between 2022 and 2021.

The data shows that four of the roles saw a salary decrease on average, with the most pronounced being the 16% decrease in the Personal/Executive Assistant role. The average salary of a Finance Director in our sample had negligible change, whilst six roles saw an increase of salary, with those at the lower end of the wage scale, Bookkeeper, and IT administrator, experiencing the largest proportional increase.

The data shows that indirect staff make up on average 15.4% of an agency's workforce. This figure will be swayed by small agencies who typically outsource key indirect functions such as HR and finance, but does highlight, as expected, that a huge majority of staff are client-facing and thus probably being charged out for client billings.

Average salaries of indirect staff

Job title	2021	2022	Change	Change %
HR Director	£70,438	£74,430	£3,992	5.7%
HR Manager	£44,769	£44,128	-£641	-1.4%
Head of IT	£62,930	£58,881	-£4,049	-6.4%
IT Coordinator / Administrator	£27,571	£31,561	£3,990	14.5%
Studio Manager / Traffic Manager	£38,550	£35,386	-£3,164	-8.2%
Project Manager	£41,705	£42,753	£1,048	2.5%
Receptionist / Administrative Assistant	£25,765	£26,882	£1,117	4.3%
Personal / Executive Assistant	£36,906	£31,140	-£5,766	-15.6%
Finance Director	£77,703	£77,686	-£17	0.0%
Finance Manager	£41,212	£44,534	£3,322	8.1%
Bookkeeper / Finance Assistant	£27,302	£29,900	£2,598	9.5%

Indirect staff as a percentage of an agency's workforce

15.4%

Looking for more detail?
Those who participated in the survey that this report is based on can get more in-depth data on salaries at **www.dbareview.org.uk**

Main report

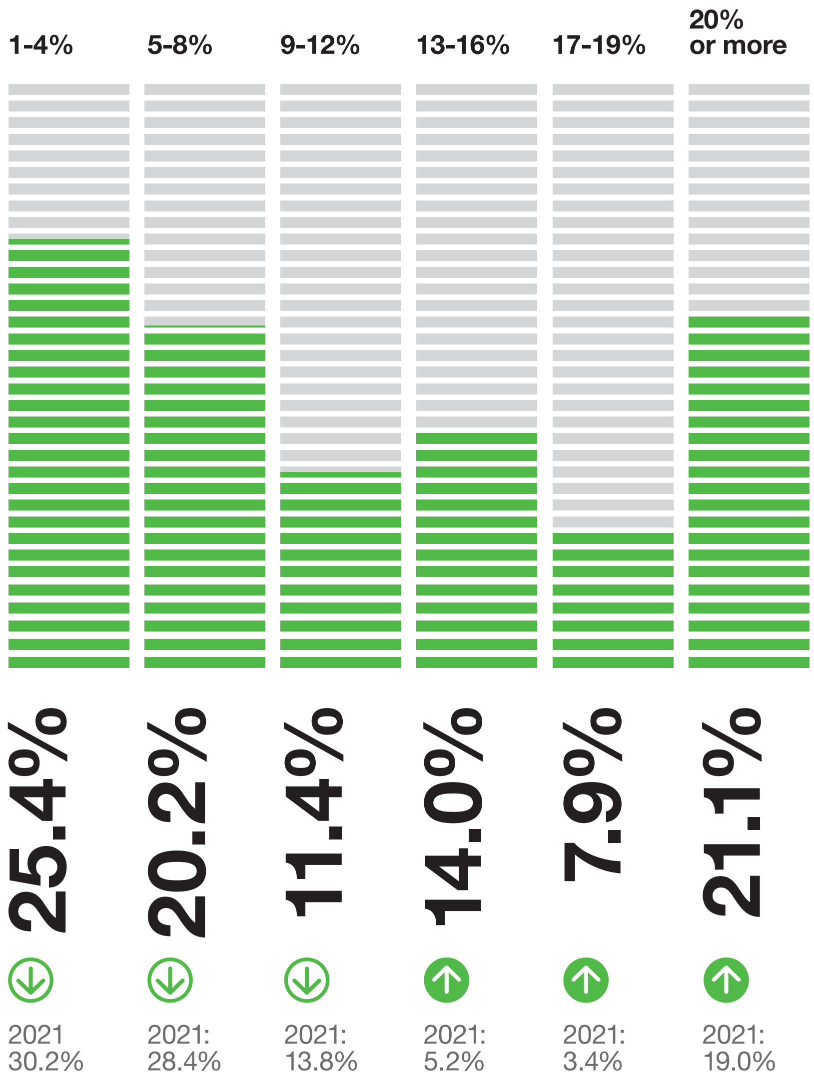
Freelancers

The number of agencies engaging workers on a freelance basis has decreased in the year by 4% to 81%. However, this does not paint a wholly accurate picture of the use of freelancers. Amongst companies who completed the survey in each of the last three years, freelancers have been increasing as a percentage of total workforce, increasing from 6.6% to 8.4% between 2020 and 2022. This further cements the fact that freelancers are an invaluable resource. With companies across multiple industries struggling for recruitment and talent, we can expect this trend to continue in coming years.

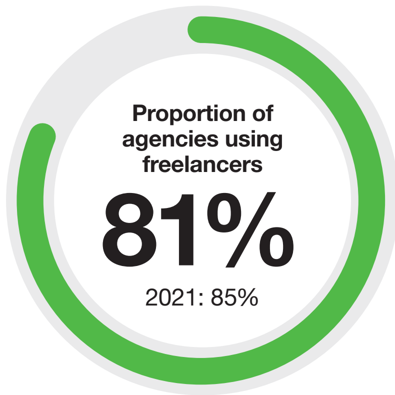
Of the agencies, 21% spend over 20% of their wages cost on freelancers compared with 19% last year. In an industry where much of the work is project based, the use for freelancers or short-term contracts (while more expensive than permanent staff) remains an important way of keeping monthly costs flexible, which may be the reason why freelancer use has grown further. The proportion of agencies spending over 12% of wages on freelancers has grown from 27.6% to 43%, which highlights the growing importance of freelancers as a resource.

Click here to download a template ‘Freelancer agreement and NDA’.

Proportion of total wages spend on freelancers
Average 14.1% (2021: 12.1%)



Getting the balance right between this more expensive but flexible resource and permanent staff is crucial. Agencies need to continually review their use of freelancers and assess at what point they should consider making permanent hires to replace freelance resource that is in constant use. Having someone at senior level in charge of monitoring agency capacity and signing off use of freelancers is crucial to ensure extra resource (and thus cost) is brought in only when required.



Main report

National freelancer day rates annual comparison

Job title	2021	2022	Difference	% Difference
Designer (3-8 yrs exp)	£296	£315	£19	6%
Copywriter (3-8 yrs exp)	£345	£367	£22	6%
Art Worker (3-8 yrs exp)	£260	£273	£13	5%
Web Developer (3-8 yrs exp)	£334	£355	£21	6%
Planner / Strategist (3-8 yrs exp)	£436	£482	£46	11%

There is little distinguishable trend in freelancer day rates between small (up to 20 staff) and larger companies. The figures do show that there is generally a small premium on day rates paid in London compared with regionally. This is in line with expectations, given the higher cost of living associated with the capital.

The day rates paid to freelancers have generally increased by 6% in the year. This is outstripped by the rate of CPI inflation in the 12 months up to the date of data collection, which was 9.4%. As inflation continues to spiral, we can expect the going rate for freelancers to continue on an upward trajectory also.

Click here for more guidance on freelancers.

Main report

Pay rises

The figures on pay rises echo the positive business confidence sentiment discussed earlier in the report. When posed the question “Are you planning pay rises this year?”, 76% of agencies nationally replied yes. The figure was higher in London at 80% than regionally at 73%. There was an even clearer disparity between smaller and larger agencies than the regional differences. The intention to implement pay rises was almost unanimous in larger agencies – 100% in London and 90% regionally. The comparative figures for smaller agencies were 64% across both London and regional offices. Whilst this specific data does not quantify the size of the pay rises, it is evident that workers in larger agencies are far more likely to see their hard work rewarded with a higher wage packet than their equivalents in smaller agencies.

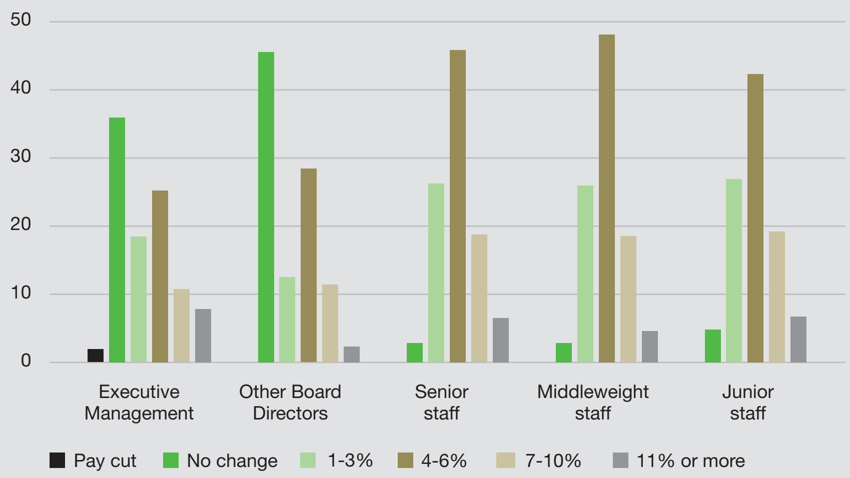
Following the trend of last year’s data, employees at the higher echelons of the pay-scale are likely to see lower pay rises comparative to their more junior colleagues. Indeed, 38% of Executive Management and 46% of other Board Directors are expected to see pay frozen or cut in the next year. This is unsurprising given that employee group is usually composed of equity owners, who have more to gain from the performance of the business increasing. This is because increased business performance typically increases the valuation of their shareholdings. In addition, they may be able to greater dictate dividend policy and hence extract remuneration from the business in a different and more tax efficient manner than through ordinary remuneration channels.

Outside of Director level, we see a relatively even pattern of expected pay rises between Senior, Middleweight and Junior staff.

Click here for more guidance on staff benefits.

	National	London	London (Up to 20)	London (21+)	Regional	Regional (up to 20)	Regional (21+)
Yes, planning pay rises	75.7%	80.3%	64.3%	100.0%	73.3%	63.6%	90.3%
No, not planning pay rises	24.3%	19.7%	35.7%	0.0%	26.7%	36.4%	9.7%

Annual planned pay rises by employee category



Main report

Charge out rates

The relationship between revenue and employment costs is absolutely key to maintaining profitability. It is recommended that staff costs (including freelancers) should ideally absorb no more than 60% of gross income (fee income plus mark-up on recharged costs). Therefore, agencies must ensure charge out rates increase in line with pay rises.

When comparing average charge out rates, we have looked at the same 14 roles for which an average salary could be determined.

On average, charge out rates have increased by 1.3% nationally, with a 1.0% increase in London and a 1.2% increase in regional firms. Whilst the data is not completely comparable, as the 'Digital Technical Lead' and 'UX/UI Designer' role have been omitted in the current year due to insufficient data, the average increase is remarkably similar to last year's figures, which also saw a 1.3% rise on average. This pattern suggests that agencies are quite regimented in their charge out rate increases and are inclined to increase rates on a standard basis each year rather than tailoring increases in line with actual salary inflation.

Job title	National	London	London (up to 20)	London (21+)	Regional	Regional (up to 20)	Regional (21+)
Executive Creative Director	£192	£218	£183	£228	£165	£161	£167
Creative Director	£147	£175	£155	£193	£128	£121	£138
Design Director	£144	£159	£150	£164	£123	£112	£131
Senior Designer (>8 yrs exp)	£112	£121	£117	£124	£106	£104	£107
Designer (3-8 yrs exp)	£100	£106	£108	£104	£95	£90	£97
Junior Designer (<3 yrs exp)	£84	£89	£103	£82	£79	£79	£79
Production Manager	£126	£145		£154	£102	£95	£05
Senior Art Worker (>8 yrs exp)	£101	£114		£117	£93	£88	£95
Art Worker (3-8 yrs exp)	£97	£109		£106	£85		£80
Strategy Director	£181	£199	£170	£205	£158	£152	£163
Client Services Director	£160	£191		£194	£138	£131	£143
Account / Client Director	£127	£130	£110	£140	£122	£126	£120
Senior Account / Client Manager	£106	£118	£120	£117	£98	£97	£99
Account / Client Manager	£93	£99	£90	£104	£89	£88	£90
Average	**£126**	**£141**	**£131**	**£145**	**£113**	**£111**	**£115**

Average national charge out rate increase

1.3%

Looking for more detail?
In all we collect data on 55 staff roles, the full details of which are available to those who participated in the survey at **www.dbareview.org.uk**

Main report

Charge out rates

Of the 14 specific roles analysed, 9 have had an increase in charge out rates, with the highest being Client Services Director, which has had a 10% increase to £160 per hour. The increase for this role was more pronounced in London, increasing by 9.6% compared to a 5.8% increase regionally. Contrastingly, the role with the largest decrease was Senior Account / Client Manager, whose charge out rates fell by 6.1% overall, 7.3% in London and 3.9% regionally.

Location
For those like-for-like roles, there was an average:

26% 2021: 30%

Premium for a large agency in London

and an:

18% 2021: 11%

Premium for a small agency in London.

Which means an average premium of 25% for London agencies.

As one would expect, to cover higher salary and premises costs, practically all grades of staff in London are charged out at a higher rate than their counterparts outside of London. Even if we see agencies being able to remove certain costs because of employees continuing to work from home, or in a hybrid environment, there is still the expectation that there will always be a premium for London agencies.

Changes to charge out rates from previous year

Job title	National	London	London (up to 20)	London (21+)	Regional	Regional (up to 20)	Regional (21+)
Executive Creative Director	-6.9%	-2.7%	-8.5%	-1.9%	-9.4%	0.1%	-14.4%
Creative Director	2.9%	7.8%	15.9%	3.3%	0.1%	1.1%	0.3%
Design Director	3.0%	2.6%	7.3%	2.0%	-0.4%	2.0%	-3.1%
Senior Designer (>8 yrs exp)	2.5%	2.1%	5.4%	-1.8%	4.3%	5.0%	1.8%
Designer (3-8 yrs exp)	1.3%	-1.2%	6.5%	-8.0%	5.3%	2.3%	4.4%
Junior Designer (<3 yrs exp)	1.8%	-1.4%	28.1%	-17.5%	8.2%	15.6%	-0.7%
Production Manager	5.3%	5.1%		6.8%	0.1%	-8.5%	4.6%
Senior Art Worker (>8 yrs exp)	-4.3%	0.8%		-6.1%	-2.7%	-12.0%	1.0%
Art Worker (3-8 yrs exp)	5.3%	10.2%		8.7%	0.8%		-5.1%
Strategy Director	8.2%	6.7%		6.7%	3.2%	-1.6%	7.1%
Client Services Director	10.0%	9.6%		2.6%	5.8%	4.4%	5.6%
Account Director	-1.4%	-7.9%	-14.8%	-4.6%	3.9%	6.0%	2.8%
Senior Account / Client Manager	-6.1%	-7.3%	10.8%	-10.3%	-3.9%	-7.8%	-1.1%
Account / Client Manager	-3.9%	-10.7%	1.1%	-11.6%	0.8%	1.4%	0.7%
Average	**1.3%**	**1.0%**	**5.7%**	**-2.3%**	**1.2%**	**0.6%**	**0.3%**

Main report

Company size

Charge out rates for larger companies generally remain higher, covering their more formal staff structure with many more administrative roles and larger fixed costs, such as rent and other overheads. Also, the larger agencies are more likely to have larger clients with bigger budgets that can cope with the higher charge out rates.

The premium paid by clients for using a larger agency did however fall to:

11% 2021: 22%
In London
and:

4% 2021: 5%
Outside London.

A much smaller premium for large regional firms, but it still exceeds the salary percentages paid to those who work in larger agencies.

Average charge out rates of principals

Job Title	National	London	London (up to 20)	London (21+)	Regional	Regional (up to 20)	Regional (21+)
CEO – 2022	£214	£241	£237	£243	£184	£184	£184
CEO – 2021	£194	£212	£173	£262	£180	£181	£180
CEO – 2020	£191	£217	£180	£250	£180	£151	£221
Managing Directors – 2022	£166	£197	£179	£225	£142	£128	£165
Managing Directors – 2021	£158	£193	£153	£231	£129	£112	£178
Managing Directors – 2020	£147	£176	£153	£205	£123	£117	£141

The rate increases of CEOs and MDs have greatly outstripped the average rate increase of other direct staff roles, increasing by 10% and 5% respectively. However, this is unsurprising as these roles typically took the largest freeze / cut in rates during Covid. The most notable increase is the 37% increase in the charge out rate of CEOs within small London agencies. There is indeed now a minimal premium attached with the rates for a CEO of a larger agency compared to a smaller agency across all regions including London.

As expected, there is still an enormous premium on London rates compared to regional rates with CEO rates being 31% higher and MD rates being 39% higher. This is greater still but largely in line with the premium across all direct staff rates. Ideally, charge out rates across the board would increase largely in line with the salary inflation of the associated roles. However, this year charge out rates have only increased by 1.3% compared to 4.0% salary increases for the employees in those roles. The sluggishness of charge out rates in response to salary inflation will continue to drive down margins unless businesses cut costs elsewhere. The ratio of salaries to charge out rates is an important metric for any agency to consider.

Click here for more guidance on setting charge out rates.

Utilisation rates

This is the percentage of direct staff time that is recorded as chargeable to clients and thus potentially billable. Setting appropriate charge out rates is only useful if the time can actually be billed on to the client.

We refer again to the 14 job roles explored in the direct staff section above with the following results shown in the table.

Utilisation rates varied from a national average of 47% for an Executive Creative Director to 84% for a Senior Art Worker. Overall, across the 14 job roles, utilisation was at an average of 69%, which is the second consecutive increase of 1% across the same job set. The graph opposite of utilisation by year shows that there has been minimal movement since 2020.

Generally, there is minimal difference in utilisation rates in job roles between experience banding of roles below Director level. The clear decrease in charge out rates is in roles, such as Client Services Director and Design Director. This is expected given the most senior staff are typically involved in more non-chargeable activities, such as business development, new client pitches, strategic work and general management of the business.

Job title	National	London	London (up to 20)	London (21+)	Regional	Regional (up to 20)	Regional (21+)
Executive Creative Director	47%	50%		50%	44%	42%	47%
Creative Director	62%	61%	58%	65%	63%	64%	62%
Design Director	71%	71%	66%	72%	72%	71%	73%
Senior Designer (>8 yrs exp)	80%	82%	84%	81%	79%	78%	80%
Designer (3-8 yrs exp)	79%	82%	79%	83%	77%	76%	78%
Junior Designer (<3 yrs exp)	77%	82%	81%	83%	74%	69%	78%
Production Manager	65%	69%		70%	65%	60%	67%
Senior Art Worker (>8 yrs exp)	84%	84%		84%	84%	82%	85%
Art Worker (3-8 yrs exp)	83%	88%			80%	88%	77%
Strategy Director	62%	60%	49%	63%	63%	67%	60%
Client Services Director	53%	47%		47%	58%	53%	62%
Account Director	67%	71%	75%	69%	67%	69%	66%
Senior Account / Client Manager	68%	67%	64%	68%	70%	69%	70%
Account / Client Manager	66%	76%		74%	62%	54%	67%
Average	**69%**	**71%**	**70%**	**70%**	**68%**	**67%**	**69%**

There is negligible difference in utilisation rates between large and smaller agencies but geographically, there is a slight difference between London and regional utilisation, with London rates at 71% compared to 68% regionally.

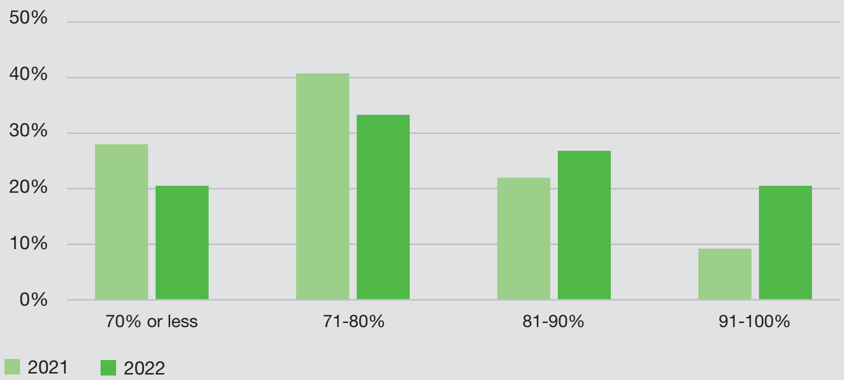
Staff utilisation rates remain a key metric for a design agency, and we recommend that every agency should have target utilisation rates for different levels of staff which are clearly communicated and monitored alongside recoverability of time. Understanding the utilisation of each level can help an agency determine its capacity and therefore identify when it needs to be staffing-up to avoid spreading resource too thinly.

When reviewing and setting utilisation rates it is important that recovery rates are monitored alongside this. It is the combination of the two which helps drive profitability. Agencies should also be mindful that cultural processes are implemented and maintained which encourage and nurture accurate time recording.

Main report

Utilisation of roles 2020-2022

Change in recovery rates (since last year)



Recovery rates

How much of the actual time spent on client work are agencies able to recover? As an average across all agencies, 81% - an increase of 4% on last year and the first time it has been above 80% in the last 10 years.

Traditionally agencies have worked for free on Fridays – at least now there is a small part of Friday they are charging back to clients.

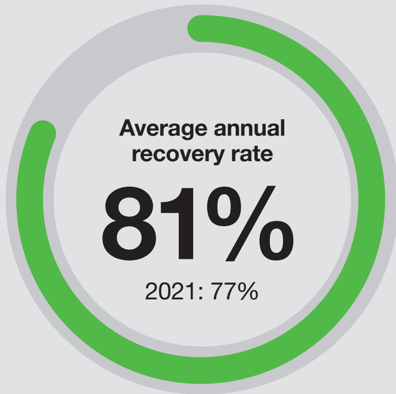
London based agencies tend to be better at recovering their time spent on client work with an average of 84.3%. For larger London based agencies this increased to 85.6%. Regional agencies are still hovering just below the 80% mark regardless of their size.

Agencies must ensure projects are scoped in sufficient detail to allow them to be properly priced so the agency can go back to the client should work be done outside the original brief.

Agencies should set target recovery rates and monitor on a timely basis to determine what sort of work delivers the better recovery. Recovery rates can also feed into measurement for performance-related bonus schemes.

However, recovery rates should not be considered in isolation – they must be looked at in conjunction with utilisation rates i.e. the amount of an employee's time that is put down as potentially chargeable. The combined effect of each is the proportion of hours worked that are ultimately billed. An improvement in the combination of these two ratios will mean a reduction in the ratio of fee income spent on staff costs, and thus an increase in profitability.

Click here for more information and resources on utilisation and recovery rates.



View from our sponsors

Paprika

This year, the overall confidence in business performance is extremely positive, with 80% of respondents reporting business is 'OK and stable' or 'great and growing', which is the highest proportion since before 2016.

But, as ever, the world of business moves fast, and we wonder how much the mood has changed in the few months since the survey data was collected.

The biggest immediate, near and long-term concerns expressed in the survey are related to finding and retaining the best people, and this is closely related to the worrying issue of inflation. The survey reports charge out rates rising at less than half the rate of salaries, which is not sustainable.

In the current economic uncertainty, where managing costs is more important than ever, managers need to track staff capacity. The percentage of freelancers in the workforce have been steadily increasing over the past two years, and agencies need to review their use and assess whether they should hire permanent staff.

Another noticeable result from the survey is the increase in overseas income (from 28% last year to 34% of income this year). There is a silver lining to the recent currency decline. British design has always been well respected, and now it has become significantly more competitive (by 20% in the American market). There is an opportunity here for the bold and confident.

Our clients tell us that finding the right processes and ways of working between teams, freelancers and hybrid workers is crucial to increase profitability and managing growth.

The essence of Paprika, as an all-inclusive agency management software, is to provide owners with immediate, real-time information about all aspects of the performance of their business, while offering a central hub of collaboration for their teams, no matter where they are. The need for this has never been greater. If you are interested in seeing how Paprika can transform your agency, visit our website to **book a demo** or contact us at info@paprika-software.com.

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VisionFR
specialist financial recruitment

It's great to see business growth and continued optimism in the industry in the DBA's 2022 Annual Survey Report, following the first full year of trading after the worst of the pandemic.

That said, there are undoubtedly challenges ahead as businesses wrestle with the impact of wage inflation caused by scarcity of talent and cost of living pressures. One of the principal business risks highlighted in the survey is the need to attract and retain talent and, whilst money can help, it simply adds to the wage inflation. The challenge here is to attract and retain talent in creative ways that don't break the bank, to provide real career development opportunities and, importantly, make the business a more exciting place to work than your competitor.

The survey also highlights pay rises, both already given in the current year and planned for the year ahead, together with the limited ability to increase prices or rates to clients in line with these staff cost increases. Managing the staff cost to gross profit ratio is key, and this therefore points to the need to improve productivity/efficiency, or manage other overheads more tightly, if profit margins are to be maintained.

Having the right finance team in place, whether full time or part time depending on the business size, is critical. They can provide accurate and meaningful financial data on a timely basis and interpret it to ensure that decision-making and business planning has appropriate financial rigour, both when businesses are growing, and also if times get tougher.

Similarly, having a strong HR function to ensure that staff are being cared for and provided with the right opportunities, is equally important. To help make the business a great place to work, especially in a competitive employment market.

VisionFR is a specialist financial and HR recruitment consultancy, owned and run by former CFOs from the marketing and creative sectors. We have first-hand experience of the pleasures and the ongoing challenges of running agencies, and so are well placed to consult with you should you be looking to recruit into your finance or HR teams.

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Terms of reference

This survey follows similar investigations carried out in previous years to establish current practices and to identify trends. The current survey was undertaken between 10 May and 9 July 2022, with respondents asked to report information as current. To aid comparability and enhance the usefulness of this survey, the format used in previous years has broadly been followed. However, some alteration has been made to some of the questions to improve the usefulness of the survey going forward and to discuss current areas of interest.

As in previous years, information was requested from members to assess issues such as:

- Business performance
- Remuneration across the industry
- Charge out rates
- Gross income per head
- Freelancer usage

New areas this year include current social and economic issues as follows:

- Business risks
- Billings
- Pay rises

Results were analysed between:

- Companies based inside and outside of London
- Companies with more than 20 employees and those with less than or equal to 20 employees
- Companies offering different principal design services

The location of a company is taken to be in each region in which they have an office, e.g., if a company has an office in London and Yorkshire, they would fall into both London and Yorkshire for the location analysis.

The principal activities of a company have been taken to be those services ranked by respondents as representing at least 25% of their gross income. All replies were treated anonymously.

Job positions and locations failing to collect enough sample data have been removed from the appropriate graphs.

Response rate and coverage 2022
Our survey was compiled from the responses given by 152 DBA member businesses from across the UK, working within the key design disciplines.

The businesses varied in size from one person entities to consultancies with over 100 full-time staff. The breakdown of respondents was as shown in the table below.

	Up to 20 staff	More than 20 staff	Total
London	39	27	**66**
Regional	52	24	**76**
Both	3	7	**10**
Total	94	58	**152**

This report has been compiled with support from the following:

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