Design Business Association

2023 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.

142 Member agencies responded
2022: 152

75% % of repeat respondents
(2022: 75%)

Member agencies by gross income

23.7%
<£500k
↓ **6.0%** 2022: 29.7%

19.4%
£500k – £1m
↑ **1.8%** 2022: 17.6%

20.9%
£1m – £2m
↑ **4.0%** 2022: 16.9%

36.0%
>£2m
↑ **0.2%** 2022: 35.8%

Member agencies by location

50.7%
London[1]
↑ **0.7%** 2022: 50%

Source of generated income

33%
Overseas income[2]
↓ **1%** 2022: 34%

Most prevalent disciplines

27%
Branding
↑ **1%** 2022: 26%

15%
Digital
↑ **1%** 2022: 14%

12%
Packaging
↓ **4%** 2022: 16%

1. Main offices of respondents are split 50/50 between London and outside the capital. Throughout the report there will be detailed analysis between London and regional offices.

2. Increased fee income in Europe and North America made up for declines in the Asia and Middle Eastern markets. Overall there was a 1% decline of overseas income.

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 27% of fee income across the sample (2022 – 26%). The second most prevalent was digital/websites at 15% (2022 – 14%). Other disciplines over 10% included packaging at 12.4% and strategy, research and innovation, making up 10.8%.

dba

Introduction

Welcome to the 2023 DBA Annual Survey Report, produced in collaboration with Moore Kingston Smith and with the support of our sponsors Paprika and VisionFR.

The past year to eighteen months has seen a change in the financial climate in which business has been operating. From a time for over a decade when interest rates were historically low, even with a landscape punctuated by Brexit and Covid, to a time period of rapid inflation and a cost-of-living crisis. Agencies are now finding that there are new complexities to managing their businesses. Navigating client pressure on fees, managing rising costs and being mindful of the welfare and financial pressures on their people; leaders have needed to consider sharp increases in both fees and salaries.

Whilst staff retention is still top of mind with the concern that talent could move elsewhere to seek higher pay, the business risks cited most widely this year are around new business in the short, medium and long term. Agencies are increasingly needing to have difficult conversations around value and rates whilst juggling a concern around reduction in client budgets overall. Without being able to articulate how effective your work is, it can be harder to champion the value you bring and navigate these complex challenges.

The DBA is here to help you understand the options you have as a business leader and to make the right decisions for your unique circumstances. Through webinars, online resources, one to one support and much more, our team is dedicated to providing the information and advice that helps your business and your team to flourish.

Deborah Dawton
Chief Executive, DBA

Executive summary

Last year, the report was written at a point where business sentiment was extremely positive, with 80% of agencies surveyed reporting this outlook. Agencies were naturally on a high given the apparent end of Covid and a strong UK economy, which saw many key metrics rebounding back above pre-Covid/ Brexit levels. This year's results are less optimistic, with positivity being experienced by 72% of agencies. However, a 72% positivity rate still remains higher than survey results of 2019-2021.

Over the past year the UK economy has fallen into a cost-of-living crisis, with inflation hitting generationally historic levels. Against this backdrop, agencies surveyed show gross income per head figures that have grown at 8.5% nationally, however this is not growth in real terms as double-digit inflation has negated the increase. There are also increasing concerns in the market around clients reducing budgets and being reluctant to start new projects, as well as balancing increased costs with pressure from clients on fees, whilst the most widely cited risk to business health is the lack of a new robust business pipeline.

As inflation is proving harder for the government to manage than initially anticipated and clients remain cautious around spend, the next 12 months sees only 63% of agencies expecting to increase gross income and 53% of agencies expecting to increase staffing levels.

National average income generated per head

£94,904

↑ 8.5%

Gross income per head

Gross income per head, including freelancers, increased by 8.5% nationally to £94,904. This is unsurprising due to the double-digit inflation we have experienced in the UK over the past 12 months.

The larger London agencies (over 20 staff) reported the highest gross income per head figures – on average £104,612. This exceeds the £100,000 per head figure traditionally recommended by Moore Kingston Smith as a target to generate strong margins, which is encouraging.

For a second year, there was a significant difference in gross income by both region and size. Average gross income per head was £101,690 for London agencies and £86,836 for regional agencies. Larger agencies generated an 18% premium in regional locations and 16.8% in London. It should be noted that the 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 typically 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 10

Executive summary

Freelancers

During and immediately after the Covid pandemic, many expected the freelance market to dry up as people switched to more secure full-time work. However the opposite seems to have been true as people strived for flexibility and greater work-life balance. The pool of talent available on a freelance basis has been invaluable to the design sector, which has traditionally struggled with resourcing.

The data shows that freelancers as a percent of total workforce have increased from 8.4% in 2022 to 12.5% in 2023. In 2020 the figure was 6.6%. From a monetary perspective, they are valued higher still, with 40% 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 23

Freelancers as percentage of workforce

12.5%

2022: 8.4%

Pay rises

In last year's report, over 95% of agencies stated they would be giving pay rises to staff at senior level or below. 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 3.2%. In addition, the majority of indirect staff below director level also experienced pay rises.

A useful observation is that charge out rates have increased by 6.3% on average despite the associated staff seeing 3.2% 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%. However, more senior staff are less likely to see pay-rises, with 44% and 41% of agencies expecting to give pay freezes to executive management and board directors respectively.

The expectation of pay rises is in line with staff retention being at the forefront of agencies' minds, while being a tacit acknowledgement that wages need to increase proportionally to inflation.

For more detail see page 22

3.2%

Average increase in pay (direct staff roles)

2022: 4.0%

Proportion of agencies giving pay rises to staff below senior level

95%

Main report

General sentiment on business performance

In this year's report, business health has been analysed over the last eight years back to 2016. These years include three major periods of turbulence for the UK – the EU referendum and Brexit, the Covid pandemic and now most recently, the cost-of-living crisis.

Now in the fourth year since the outbreak of the pandemic, members were asked to provide a general overview of how their business is fairing. In the previous year, business confidence had appeared to return to pre-Brexit referendum and Covid levels, with similar figures reported for all categories. However, this year we have seen a decline in business confidence, with agencies starting to feel cautious over the future outlook of the UK economy as a result of rampant inflation and increased costs.

It's not all bad news though, 71.8% of agencies still have a positive sentiment towards business health, with only 9.9% reporting negative sentiments. These figures are largely consistent with the pre-Covid period of 2018-19, where the primary concern for businesses was how 'hard Brexit' negotiations would affect the UK economy. Later in the report we discuss how companies see themselves operating in the next 12 months.

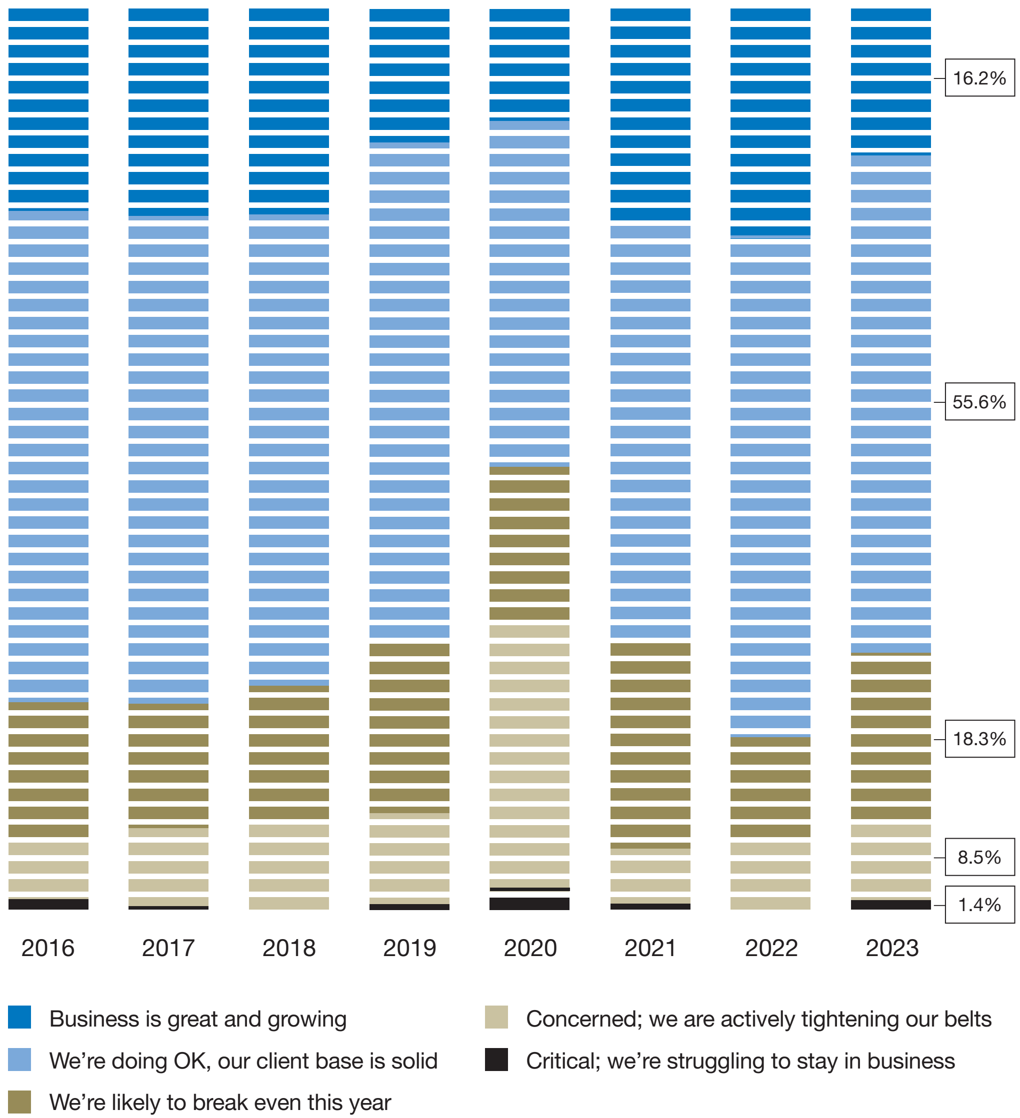
Business health of agencies remained relatively stable between 2016 and 2018 as Brexit negotiations were ongoing. Notably, there was a downturn in optimism in 2019 which can be attributed to the reality of Brexit.

2020 was a low point for business confidence as the UK left the EU and the impact of Covid was felt. There was a steep increase in businesses being 'concerned' about their future and taking active measures to cut costs, by far the highest proportion in the eight years of monitoring. Back then only 38% of members believed they were 'doing OK and had a solid client base'.

In 2021 there was a noticeable rebound of business health, as firms adapted their working practices and the economy tilted back towards pre-pandemic confidence levels. As such, the proportion of businesses that were either 'concerned' or in a 'critical condition' reduced back to pre-pandemic levels, and the proportion that felt business was 'great and growing' shot back up.

2022 saw a continuation of this trend. Considering the majority of government support schemes for businesses ceased to apply during 2021, this indicated that most businesses were back on their feet. The most prominent change was the shift in proportions of those 'likely to break even' moving to 'doing OK with a solid client base'.

Business health



Main report

Economic turbulence has been prominent again during late 2022 and through to the current times, with rampant inflation and cost-of-living crisis providing agencies with cause for concern. Therefore following this upward trajectory in confidence of the past two years, our 2023 survey has seen sentiment reversed back down to 2018-19 levels. The most prominent changes were from top end 'great and growing' confidence, which fell from 26% to 16% of respondents. The corresponding shift from respondents occurred in the 'likely to break even' category, which rose from 12% to 18%.

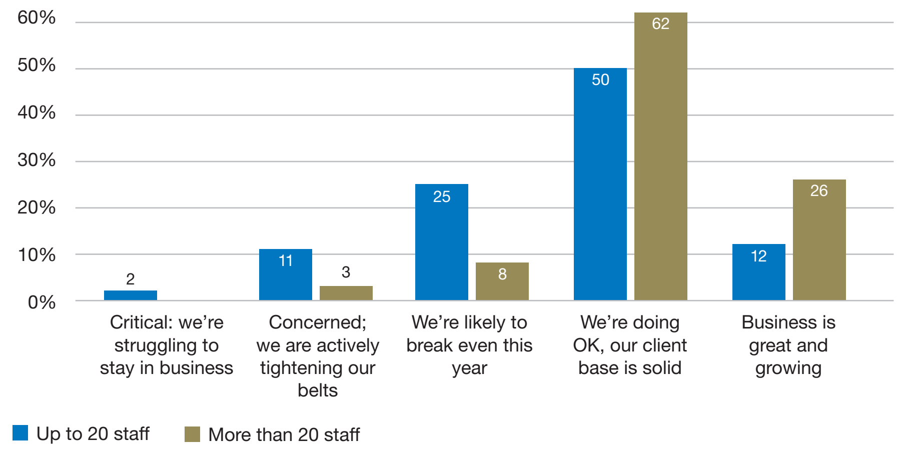
The current economic climate is volatile with further interest rate rises a possibility and inflation still high. Clients continue to be cautious with their spend. Therefore it is paramount for agencies to have defined, clear and measurable strategies, as this is the most likely route to success.

Comparison by location
When it came to business sentiment there was minimal difference between London and non-London businesses. Around 71% of London businesses are 'growing' or 'doing OK', compared with 74% of regional businesses. This indicates that economic concerns are being felt by agencies across the whole of the UK.

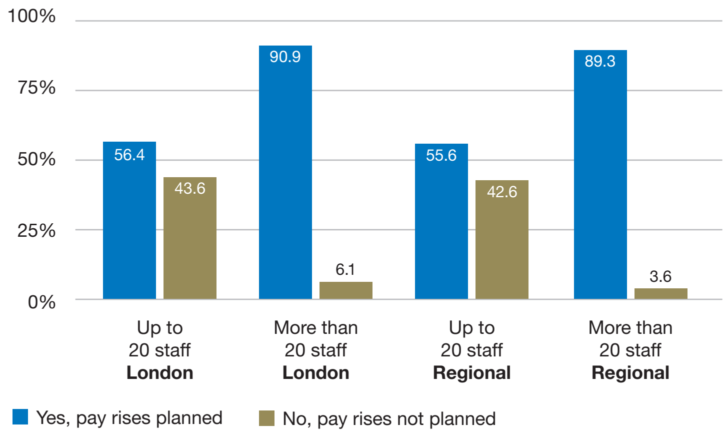
Comparison by size
The size of the business, however, has had a far greater effect than the location when it comes to business health. Larger businesses with greater than 20 employees were a lot more positive than smaller businesses, reporting 89% positivity compared to just 62% for the smaller consultancies. This indicates that size can provide resilience in the face of difficult market conditions. Smaller businesses can often be more vulnerable to challenging conditions as they are often reliant on a smaller number of clients. Larger consultancies tend to have a more diverse client base and so can be more insulated.

The disparity between relative business health of smaller businesses compared to larger businesses is clearly illustrated by the data obtained on whether businesses are planning pay rises for the year. Approximately 90% of larger businesses are planning on implementing pay rises, whereas that figure falls to approximately 56% for smaller businesses. The reluctance of smaller firms to give pay rises is consistent with their lower level of overall business confidence. Given the current competitive state of the employee market, smaller businesses need to ensure remuneration packages are attractive enough such that they don't start losing talent to larger businesses able to offer more. Consistent with general business confidence, geography didn't seem to impact on pay rise plans.

Business health – agency size



Pays rises – planned for 2023



Main report

Like-for-like comparisons

There were 107 agencies who repeated their participation in the survey this year (75% of total participates).

Gross income has increased by just under 7% for like-for-like agencies. Growth in London was slightly higher at 7.7%, whilst regional agencies grew at a lower rate of 5.6%. However, in the context of current inflationary rates, such increases don't represent real growth and agencies need to factor this into their forecasts to ensure that real growth targets are put in place. Otherwise they will slip backwards in real terms.

Overall fee income per head increased by just under 5% across all consultancies – again a below-inflationary increase, that needs to be kept in check to ensure it does not slide backwards in real terms. As is the usual trend, fee income per head remains higher in consultancies in London compared to those outside of London, by over 10%.

Gross fee income amongst repeat responders

	2022	2023	% change
Total	£228,399,811	£243,905,298	6.8%
London	£140,620,960	£151,450,438	7.7%
Out of London	£123,988,627	£130,922,662	5.6%

Fee income per head amongst repeat responders

	2022	2023	% change
Total	£89,061	£93,389	4.9%
London	£95,928	£98,363	2.5%
Out of London	£83,849	£87,723	4.6%

Gross fee income

6.8%

amongst repeat responders

Fee income per head

4.9%

amongst repeat responders

Main report

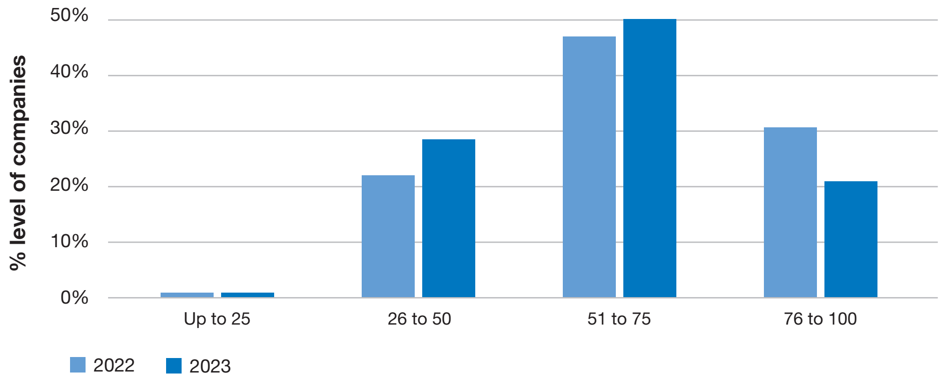
Confidence levels

On an overall national level, there was a decline in business confidence within the top quartile, with only 20.8% of agencies ranking themselves in this category compared to 30.5% in 2022. This is no surprise given the effects of high inflation and the cost-of-living crisis on the UK economy during the past 12 months. Despite these economic woes, this is the third consecutive year that over half of businesses ranked themselves as more confident than not, 71% in 2023 compared to 77% in 2022. This indicates that agencies still have a generally positive outlook and believe they can weather the current economic troubles.

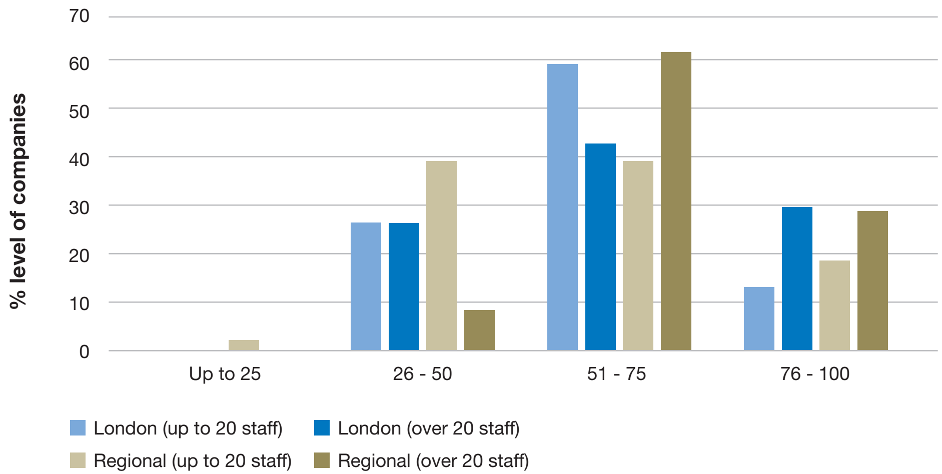
At first glance of the top quartile, there appears to be negligible differences between confidence of larger London and regional agencies. However when also assessing quartile 2, the regional agencies have a much greater overall confidence rating of 91.7% compared with London's 73.3%. A further interesting observation is the differing confidence levels between smaller and larger agencies. 41.7% of smaller regional agencies said they were apprehensive for the coming year, compared to just 8.4% of larger agencies.

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

Confidence for coming year 2023 vs 2022 – National



Confidence levels for coming year 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.

Expected income and staffing levels

Gross income expectations

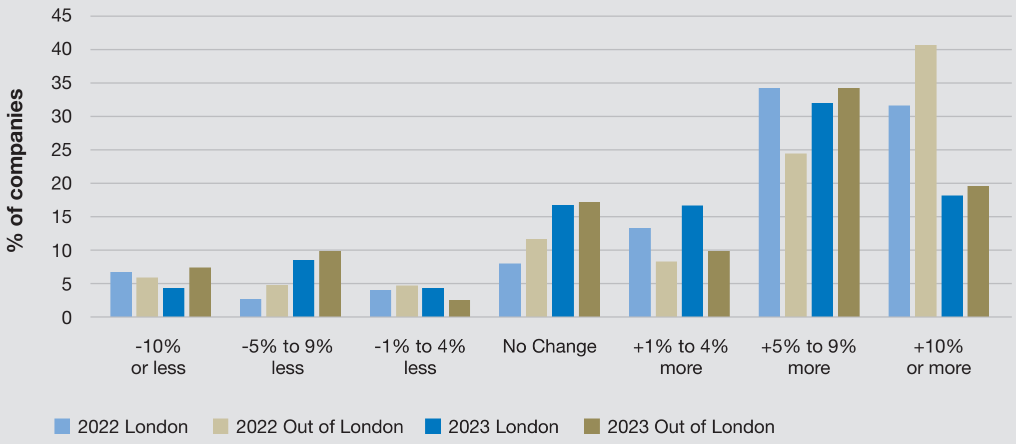
Agencies were asked to share their predictions on expected levels of income and staff over the next 12 months.

London vs regional

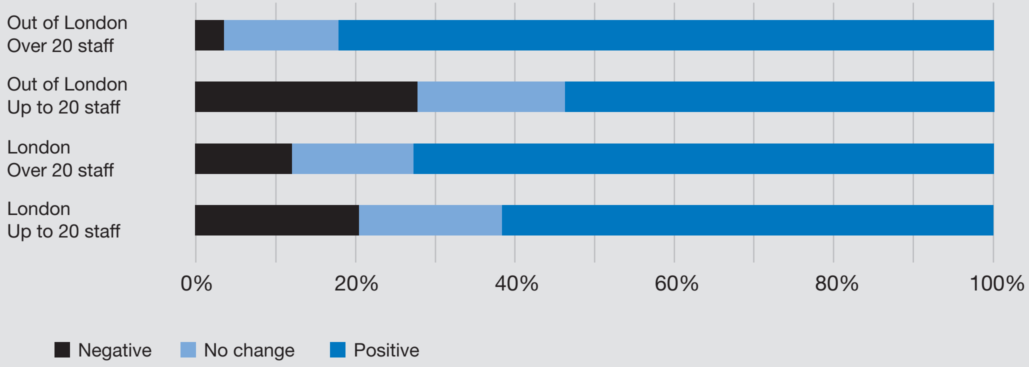
As expected, there has been a significant downturn in gross income expectations compared to our last survey in 2022. Only 18% of London agencies and 20% of regional agencies are expecting double digit growth this year, compared to 32% and 41% in 2022. Although it's worth noting that 2022 expectations were always going to be super positive for many agencies, due to being the first full year of economic normality since the start of the Covid pandemic. Overall there is minimal difference of gross income expectation between London and regional offices, consistent with business confidence being similar, on average, across all regions.

Of course, given the current levels of inflation, 10% growth would not be 10% growth in absolute terms. If agencies are seeing cost price inflation in line with the national average, income needs to grow by a stronger percentage to maintain overall margins, profitability, and ultimately achieve real growth. Ensure you factor this into income forecasts.

Gross income expectations over the next 12 months (2023 and 2022 comparison)



Gross income expectations by location and size



When assessing the positivity of growth expectations, London agencies reported a very similar level to regional agencies at around 65% positivity. These figures are notably lower than growth expectations 12 months ago, when roughly 75% were feeling positive about income prospects.

These figures support the decline in business health sentiment discussed earlier in the report and re-emphasise the fact that businesses are starting to feel more concern about the effects of high inflation and a turbulent UK economy.

By size

Yet again size seems to have more of an impact on confidence, with larger agencies having a more optimistic view of income growth than smaller agencies. In London, 73% of larger agencies have positive income expectations, compared to 62% of smaller agencies. Regional agencies are even more polarised when it comes to size, so this is a nationwide pattern. The reasons for this disparity cannot fully be evaluated without conducting a wider range of research, however they largely align with the data collected on risks and uncertainties, which is discussed in the 'business risks' section of the report.

Main report

Staffing level expectations

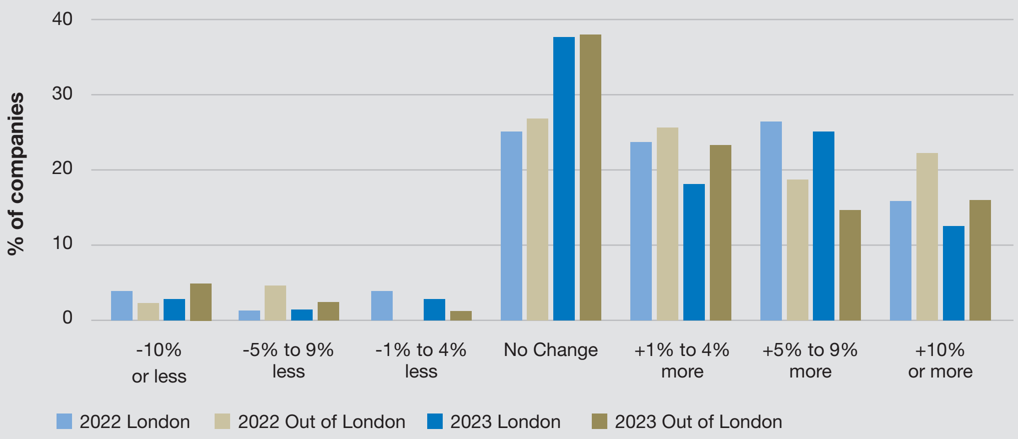
As expected, given people costs are the main expense for any agency, there is correlation between expected gross income levels and expected total staff levels in the next 12 months. Net expected increase in gross income is 44.4% with staffing levels expected to increase in 44.3% of agencies.

We recommend the ratio of people costs to revenue is no more than 60% in order to deliver a heathy 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.

London vs regional

Overall, 56% of agencies are looking to increase staff numbers, down from 66% in the previous year. This is similar across geographies. The figures are generally encouraging and are suggestive of a long-term pattern of staffing expansion. On balance, businesses are forecasting the rate of increase in staff numbers will be below that of the increase in fee income – supporting the hypothesis that inflation is included in the forecast 2023 income and as such not all of the increase requires additional talent to service it.

Staffing level expectations over the next 12 months (2023 and 2022 comparison)



By size

Consistent with income growth, smaller businesses are expecting a much lower increase in staff numbers over the next 12 months. Whilst 75% of larger companies expect to increase staff numbers in the coming year, the equivalent figure for smaller agencies is 42%. This is consistent with lower levels of confidence around growth in smaller agencies, and thus perhaps an increased nervousness of committing to additional costs until they are certain that income growth is forthcoming.

Main report

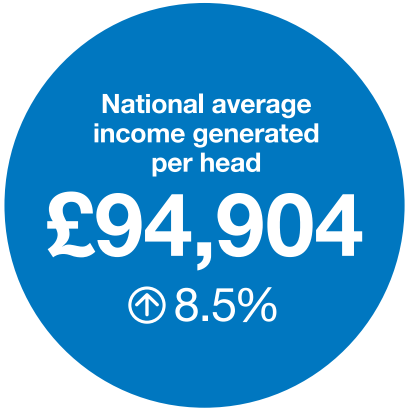
Gross income per head

Gross income per head, including freelancers, has increased by 8.5% nationally to £94,904, following on from the upward trajectory of 2022. The patterns are relatively consistent between London and regional agencies.

We recommend agencies aim for gross income per head (including FTE freelancers) in the region of

£110,000 – £130,000

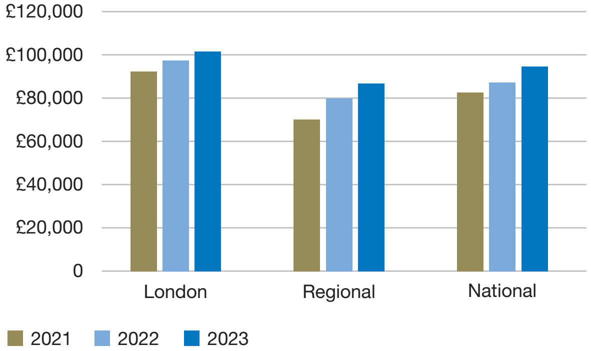
in order to generate healthy margins after covering all costs. For many years this target sat at £100,000 to £120,000 but rapid inflation has now made it an annually moving target. London based agencies have, for the first time, exceeded £100,000 for an average income per head, but regional firms still have a way to go. The obvious caveat is that regional firms typically have lower costs so aiming for £80,000 to £100,000 may be more realistic for many.



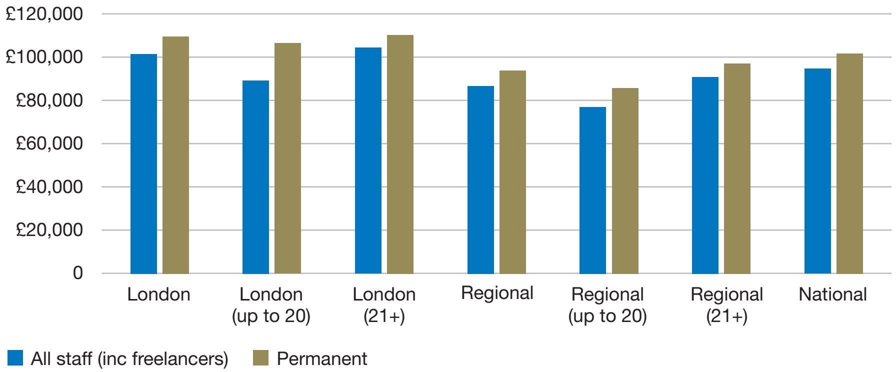
The split of 2023 data into region and size highlights the expected pattern that larger agencies generally command a higher gross income per head than smaller agencies. There is a £15k increase in London and a £14k increase in regional agencies.

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. Taking freelancers into consideration reduces overall gross income per head from £101,948 to £94,904 (being the more realistic figure included in the analysis above), with the effects consistent across the London and regional agencies.

Average gross income per head (2021-2023)



Average gross income per head (Region and size)



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 three most common responses for each question.

New business was identified as the main concern across all three timeframes. 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. This is not surprising considering clients' nervousness to commit to spend whilst the economic climate remains uncertain, which was cited as a key issue in almost one third of agencies in the short and medium term. On a more positive note it did not appear as one of the top three concerns for the longer term – demonstrating a longer term confidence of clients returning to normal levels of spend.

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?
44% of agencies New business pipeline	**47% of agencies** New business pipeline	**50% of agencies** New business pipeline
31% of agencies Frozen / reduced client budgets or reluctance to commit to projects	**29% of agencies** Frozen / reduced client budgets or reluctance to commit to projects	**26% of agencies** Balancing increased costs with pressure from clients on fees
25% of agencies Balancing increased costs with pressure from clients on fees	**24% of agencies** Balancing increased costs with pressure from clients on fees	**24% of agencies** Retaining, maintaining and recruiting talent

Cost-push inflation enters the 2023 data as a significant short, medium and long-term risk – this was not unexpected and was a key issue for a quarter of agencies across all three time-frames. Whilst clients have always put pressure on fees, this is now coupled with huge cost pressures. Agencies need to be brave as well as robust in passing costs onto clients, particularly with respect to core charge out rates.

During the previous two years the main concern voiced by respondents had been related to people and talent. However, given current economic uncertainty, this is no longer identified as a key short, or medium term, issue, but does remains so in the long-term. It is important for continued consideration that losing talent can come at a high price: recruitment costs, loss of knowledge and cost of onboarding and training.

Some agencies mention sustainability and climate change as a key issue 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. B-Corp certification is also on the increase across the marcomms sector and of course includes social and governance as well as environmental targets.

Main report

Billing

Invoicing

While profit and revenue metrics are important business measures, ultimately cash flow is the most crucial barometer of health, as paying employees and key suppliers is crucial to survival. Establishing the benchmarks for billing standards across the industry provides a useful reference point for agencies to assess themselves against.

There has been minimal change in the makeup of invoice timing since 2021. The standard practice in the industry is to mostly invoice in arrears, but invoice some jobs in advance. Obviously the more that consultancies can invoice in real time the better, as this speeds up the working capital cycle. Happily for some consultancies there are some clients, 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

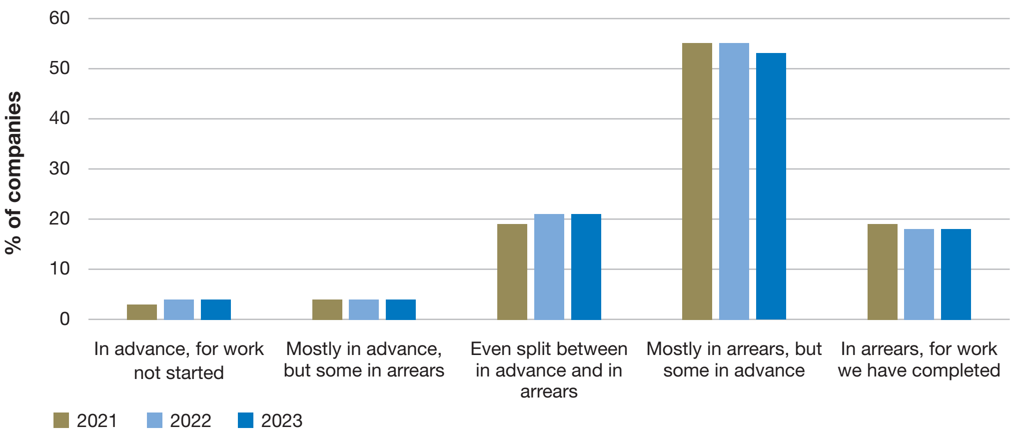
When it comes to payment terms, the overwhelming industry standard is to offer one-month payment terms, and this has increased from 54% of respondents in 2021 to 80% in 2023. This is perhaps indicative of the repeal of flexibility offered during Covid and a move back to standardised payment terms.

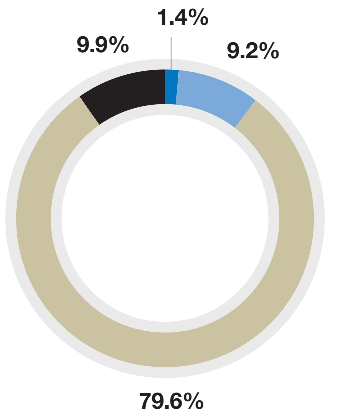
Clients' payment terms

However, it is important to point out that payment terms are not always accepted by clients. Indeed 14% of respondents were forced to accept their clients' payment terms rather than their own more often than not, with only 4% of respondents getting their favoured terms more than three out of four 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. Remember that payment terms can be a useful negotiating factor used before reducing price.

As the cost of capital increases it is even more important to shorten the working capital cycle to lessen any requirement for external borrowing. Cash is king during tough times and enables business owners to make decisions that are in the interest of the longer term health of the business rather than being forced into shorter term decisions.

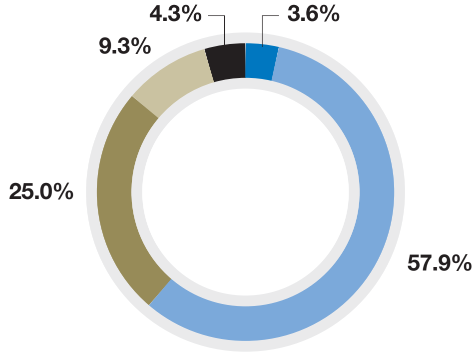
When do you invoice your clients?





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 yours?

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

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 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 following 18 common roles where averages could be determined across all sizes and locations. The averages are as per the following table.

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	£101,624	£115,666	£88,961	£132,946	£93,374	£62,500	£117,296
Creative Director	£81,466	£92,798	£79,160	£99,093	£73,318	£70,082	£77,288
Design Director	£63,150	£66,402	£63,125	£68,147	£58,244	£54,197	£60,493
Senior Designer (>8 yrs exp)	£46,548	£51,218	£52,425	£50,012	£42,698	£41,008	£45,113
Designer (3-8 yrs exp)	£34,509	£35,740	£35,320	£36,116	£33,032	£32,181	£33,918
Junior Designer	£25,674	£26,643	£26,333	£26,771	£24,761	£23,942	£25,619
Production Manager	£52,372	£55,885	£52,667	£56,628	£46,189	£36,200	£47,854
Senior Art Worker (>8 yrs exp)	£44,461	£49,670	£49,750	£49,635	£40,579	£39,486	£41,380
Art Worker (3-8 yrs exp)	£35,506	£36,383	£35,300	£37,157	£35,067	£34,000	£33,820
Technical Lead	£57,757	£83,667	–	£83,667	£49,984	£46,266	£55,563
UX/UI Designer (3-8 yrs exp)	£40,228	£47,179	£50,000	£46,239	£36,438	£38,283	£35,700
Strategy Director	£91,052	£96,495	£80,800	£103,929	£84,574	£76,857	£88,432
Client Services Director	£75,253	£78,442	£64,136	£84,999	£70,974	£62,364	£79,585
Senior Account Director (>8 yrs)	£64,197	£67,841	£60,944	£70,616	£70,616	£58,886	£59,171
Account Director (>8 yrs exp)	£53,689	£57,382	£60,944	£55,780	£49,257	£46,729	£51,279
Senior Account Manager (3-8 yrs exp)	£42,466	£45,806	£44,500	£46,882	£39,514	£38,897	£41,181
Account Manager (3-8 yrs exp)	£34,720	£35,732	£34,429	£36,340	£34,021	£31,179	£35,975
Account Executive	£26,121	£27,547	£25,200	£28,450	£25,157	£24,650	£25,546
Average	**£53,933**	**£59,472**	**£53,176**	**£61,856**	**£50,433**	**£45,428**	**£53,067**

Main report

We have year on year comparisons for 15 job roles. On average, the salaries for these 15 roles have increased by 3% 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 by role and location/size of company.

There are a couple of notable takeaways from this analysis. The average salary increase is slightly higher in London than in regional businesses, but the difference between smaller and larger businesses is considerably more pronounced. Employees in these roles in small studios in London saw only a 0.8% raise compared to a 5.2% raise for similar employees in larger companies. The pattern was similar in regional studios, with a 1.3% decline in small businesses compared to 4.4% in larger businesses. Although it's worth noting that salary declines in director roles are distorting the overall average.

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	-5.9%	-1.4%	-11.0%	7.9%	-4.7%	-31.4%	15.7%
Creative Director	9.0%	5.2%	-7.0%	9.5%	10.2%	11.6%	8.0%
Design Director	1.6%	0.8%	-4.9%	4.0%	1.2%	-1.7%	1.8%
Senior Designer (>8 yrs exp)	3.6%	7.1%	10.2%	4.2%	0.9%	0.9%	-0.7%
Designer (3-8 yrs exp)	2.9%	1.9%	2.1%	1.6%	2.3%	9.1%	2.3%
Junior Designer	5.4%	2.6%	2.9%	2.5%	6.1%	6.7%	5.5%
Production Manager	3.4%	1.6%	23.9%	-0.6%	3.7%	-17.7%	7.1%
Senior Art Worker (>8 yrs exp)	4.9%	3.0%	1.5%	3.6%	3.8%	4.3%	3.8%
Art Worker (3-8 yrs exp)	-1.8%	-5.0%	-14.9%	4.1%	1.7%	-5.1%	-0.3%
UX/UI Designer (3-8 yrs exp)	14.4%	29.7%	44.9%	20.9%	2.9%	3.5%	5.5%
Strategy Director	5.0%	0.2%	-14.5%	7.3%	6.8%	6.7%	5.5%
Client Services Director	-4.7%	-12.0%	-22.3%	-5.5%	-3.3%	-3.5%	1.1%
Account Director (>8 yrs exp)	2.9%	1.7%	4.2%	0.5%	3.4%	-4.2%	9.1%
Senior Account Manager (3-8 yrs exp)	2.1%	5.9%	7.0%	6.5%	-4.2%	0.0%	-4.4%
Account Manager (3-8 yrs exp)	2.8%	3.2%	-9.6%	12.1%	4.0%	1.6%	6.1%
Average	**3.0%**	**3.0%**	**0.8%**	**5.2%**	**2.3%**	**-1.3%**	**4.4%**

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 17% (2022: 19.5%) more in small London agencies than small regional agencies and 16.6% (2022: 14.6%) more in larger London agencies compared to larger regional agencies.

There were significant pay rises for UX/UI Designers and Creative Directors, at 14.4% and 9% respectively, both of which were higher than inflation during the year. Other roles had varied salary increases, all of which were significantly lower than an inflationary increase.

Average salaries of principals
The data shows that, on average, CEO salaries increased by only 0.5% in the year to 2023. This is somewhat expected given the overall data in the survey is showing that agencies are starting to feel the effects of rising costs and are less confident for the future outlook of their businesses. National CEO salaries still remain lower than those paid out in 2020 before the start of the Covid pandemic.

There is a clear geographical discrepancy in the CEO salary data, which is a reverse of the continued pattern seen in the prior year data. On average, London CEOs experienced a 8% pay rise, although those at smaller agencies received more of a rise than those at larger agencies.

Contrastingly, Managing Directors nationally enjoyed a 2% salary increase but this varied depending on the size of the business. MDs of larger agencies suffered 4% decreases in London and 2% regionally. Whereas, small agencies enjoyed increases.

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.

Job title	National (all sizes)	London (all)	London (up to 20)	London (21+)	Regional (all)	Regional (up to 20)	Regional (21+)
CEO – 2023	£129,743	£152,124	£132,857	£159,617	£118,070	£84,221	£147,687
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
Managing Director – 2023	£93,892	£105,868	£85,865	£129,205	£87,289	£76,840	£102,715
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

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 that charge out rates increase in line with pay rises.

When comparing average charge out rates, we have looked at the same 18 roles for which an average salary could be determined.

On average, charge out rates have increased by 6% nationally. The data patterns show that increases vary greatly between job roles, location and size of the business, rather than being tailored in line with salary inflation.

Of the 18 specific roles analysed, 15 have had an increase in charge out rates, with the highest being Account / Client Managers, which has had a 19% increase to £144 per hour. There were two other double-digit increases to charge out rates: Creative Directors increased by 12% to £165 and Strategy Directors increased by 10% to £199. Charge out rates for other roles would have risen at a lower rate than current inflation, which indicates that agencies are not passing all of their additional staff costs onto customers.

Job title	National	London	London (up to 20)	London (21+)	Regional	Regional (up to 20)	Regional (21+)
Executive Creative Director	£205	£231	£159	£263	£186	£162	£202
Creative Director	£165	£185	£161	£200	£149	£137	£158
Design Director	£150	£161	£145	£169	£142	£120	£155
Senior Designer (>8 yrs exp)	£117	£127	£122	£132	£111	£107	£117
Designer (3-8 yrs exp)	£105	£112	£112	£112	£100	£95	£104
Junior Designer	£91	£95	£108	£91	£89	£86	£91
Production Manager	£130	£145	£145	£145	£115	£82	£121
Senior Art Worker (>8 yrs exp)	£109	£117	£99	£127	£106	£97	£112
Art Worker (3-8 yrs exp)	£98	£103	£96	£107	£93	£97	£96
Technical Lead	£124	£175	–	£175	£114	£108	£123
UX/UI Designer (3-8 yrs exp)	£108	£106	£130	£100	£108	£128	£100
Strategy Director	£199	£209	£181	£221	£184	£169	£192
Client Services Director	£156	£175	£139	£189	£140	£126	£153
Senior Account Director (>8 yrs exp)	£144	£155	£165	£139	£139	£118	£146
Account Director (>8 yrs exp)	£132	£163	£184	£152	£126	£113	£137
Senior Account Manager (3-8 yrs exp)	£111	£121	£110	£129	£104	£91	£113
Account Manager (3-8 yrs exp)	£111	£112	£94	£118	£101	£92	£107
Account Executive	£90	£92	£94	£98	£89	£84	£92
Average	**£140**	**£144**	**£132**	**£148**	**£122**	**£112**	**£129**

Main report

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	7%	6%	-13%	15%	13%	1%	21%
Creative Director	12%	6%	4%	4%	16%	13%	14%
Design Director	4%	1%	-3%	3%	15%	7%	18%
Senior Designer (>8 yrs exp)	4%	5%	4%	6%	5%	3%	9%
Designer (3-8 yrs exp)	5%	6%	4%	8%	5%	6%	7%
Junior Designer	8%	7%	5%	11%	13%	9%	15%
Production Manager	3%	0%	45%	-6%	13%	-14%	15%
Senior Art Worker (>8 yrs exp)	8%	3%	-6%	9%	14%	10%	18%
Art Worker (3-8 yrs exp)	1%	-6%	-15%	1%	9%	-8%	20%
Technical Lead	7%	-8%	0%	-8%	6%	-2%	15%
UX/UI Designer (3-8 yrs exp)	5%	-2%	13%	0%	9%	22%	8%
Strategy Director	10%	5%	6%	8%	16%	11%	18%
Client Services Director	-3%	-8%	-17%	-3%	1%	-4%	7%
Account Director (>8 yrs exp)	4%	25%	67%	9%	3%	-10%	14%
Senior Account Manager	5%	3%	-8%	10%	6%	-6%	14%
Account Manager (3-8 yrs exp)	19%	13%	4%	13%	13%	5%	19%
Average	**6%**	**3%**	**6%**	**5%**	**10%**	**3%**	**15%**

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**

Charge out rates

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

15% 2022: 26%

premium for a large agency in London

and an:

18% 2022: 18%

premium for a small agency in London.

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 agencies are able to remove some overhead costs because of a hybrid working environment, there is still the expectation that there will always be a premium for London agencies.

Average national charge out rate increase

6.0%

2022: 1.3%

Main report

Charge out rates

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. 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 was:

12% 2022: 11%
in London
and:

15% 2022: 4%
outside London.

We know from the survey data that larger firms are generally feeling more confident about their business and the future outlook, which can make it easier for them to consider increasing their charge out rates.

Average charge out rates of principals

Job Title	National	London	London (up to 20)	London (21+)	Regional	Regional (up to 20)	Regional (21+)
CEO – 2023	£224	£270	£236	£281	£190	£165	£234
CEO – 2022	£214	£241	£237	£243	£184	£184	£184
CEO – 2021	£194	£212	£173	£262	£180	£181	£180
Managing Directors – 2023	£164	£186	£158	£223	£151	£137	£178
Managing Directors – 2022	£166	£197	£179	£225	£142	£128	£165
Managing Directors – 2021	£158	£193	£153	£231	£129	£112	£178

At an increase of 5%, the charge out rate of CEOs was largely in line with the 6% national average increase of other direct staff roles. However, the average charge out rate for MDs declined by 1%. Given the role of an MD has less emphasis on chargeable time, it's perhaps unsurprising that there has been less focus on increasing this rate.

The most noticeable increases were CEOs within the larger agencies – their charge out rates went up by 16% in London and 27% in the regions. This increased the premium of CEOs in larger agencies to 19% in London and 41% regionally. MDs' charge out rates grew by 6% regionally but overall declined by the same amount in London, hence the overall small decline mentioned earlier. A further breakdown of the data shows that this decline occurred in small London agencies, with larger agencies remaining largely consistent with the previous year.

As expected, there is still an enormous premium on London rates compared to regional rates, with CEO rates being 42% higher and MD rates being 23% higher.

Click here for more guidance on setting charge out rates.

Main report

Indirect staff salary levels

Indirect staff are classified as those staff members who are not directly client-facing. We have compared 9 roles which have sufficient data points to draw a meaningful comparison between 2023 and 2022.

The data shows that two of the roles saw an average salary decrease, with the most pronounced being the 7.9% decrease for HR Directors. The average salary of a Finance Director in our sample had negligible change while the seven other roles had salary increases. The largest increases came from Executive Assistants at 28%, Heads of IT at 20% and Finance Managers at 11%. These increases do seem extreme, and are perhaps driven more from a shift in those completing the survey year on year, given the smaller numbers of respondents that are likely to be employed in these roles.

On average 15.7% of an agency's workforce is made up of indirect staff. This figure however will be skewed by small agencies who typically outsource key indirect functions such as HR and finance.

Average salaries of indirect staff

Job title	2023	2022	Change	Change %
HR Director	£68,586	£74,430	-£5,844	-7.85%
HR Manager	£47,420	£44,128	£3,292	7.46%
Head of IT	£70,900	£58,881	£12,019	20.41%
IT Coordinator / Administrator	£36,571	£31,561	£5,010	15.87%
Receptionist / Administrative Assistant	£27,873	£26,882	£991	3.69%
Personal / Executive Assistant	£39,950	£31,140	£8,810	28.29%
Finance Director	£77,031	£77,686	-£655	-0.84%
Finance Manager	£49,302	£44,534	£4,768	10.71%
Bookkeeper / Finance Assistant	£30,761	£29,900	£861	2.88%

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

Indirect staff as a percentage of an agency's workforce

15.7%

2022: 15.4%

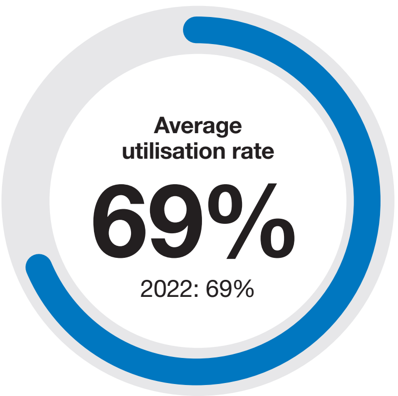
Main report

Utilisation rates

This is the percentage of direct staff time that is recorded as chargeable to clients and thus potentially billable.

We refer again to 18 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 81% for a Designer with 3-8 years' experience. Overall, across the 18 job roles, utilisation was at an average of 69%, the same figure as 2022. The following graph of utilisation by year shows that there has been minimal movement during the year amongst different job roles.



Job title	National	London	London (up to 20)	London (21+)	Regional	Regional (up to 20)	Regional (21+)
Executive Creative Director	47%	46%	47%	45%	51%	54%	48%
Creative Director	63%	63%	62%	63%	65%	62%	70%
Design Director	73%	73%	84%	69%	73%	75%	72%
Senior Designer (>8 yrs exp)	80%	81%	82%	80%	81%	81%	81%
Designer (3-8 yrs exp)	81%	82%	82%	83%	80%	80%	80%
Junior Designer	79%	81%	83%	80%	76%	75%	78%
Production Manager	66%	67%	58%	68%	68%	65%	69%
Senior Art Worker (>8 yrs exp)	80%	82%	99%	83%	81%	79%	82%
Art Worker (3-8 yrs exp)	78%	81%	80%	81%	75%	70%	79%
Technical Lead	69%	68%	–	68%	69%	66%	74%
UX/UI Designer (3-8 yrs exp)	77%	75%	75%	75%	81%	80%	81%
Strategy Director	63%	63%	62%	63%	65%	66%	64%
Client Services Director	55%	57%	68%	54%	56%	52%	61%
Senior Account Director (>8 yrs exp)	66%	66%	56%	70%	68%	73%	66%
Account Director (>8 yrs exp)	66%	68%	74%	66%	66%	62%	69%
Senior Account Manager (3-8 yrs exp)	66%	69%	70%	68%	65%	59%	70%
Account Manager (3-8 yrs exp)	66%	69%	66%	69%	65%	61%	69%
Account Executive	62%	63%	46%	64%	63%	61%	64%
Average	**69%**	**70%**	**70%**	**69%**	**69%**	**68%**	**71 %**

Main report

Generally, there is minimal difference in utilisation rates in similar job roles across experience levels, whether that be for designers and art workers, which tend to have utilisation rates of circa 80%, or account managers at circa 66%. There is a pronounced lower utilisation rate in more senior director roles. 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.

There is negligible difference when comparing utilisation rates by geographical location and by size of agency. All data sets are showing utilisation rates between 68% and 71%.

Staff utilisation rates remain a key metric for a design agency, and we recommend 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 that helps drive profitability. Agencies should also be mindful that cultural processes are implemented and maintained which encourage and nurture accurate time recording.

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

Recovery rates

How much of the actual time spent on client work are agencies able to recover? As an average across all agencies, 81% – the same as last year, which had been the first time this metric had exceeded 80% in the last 10 years.

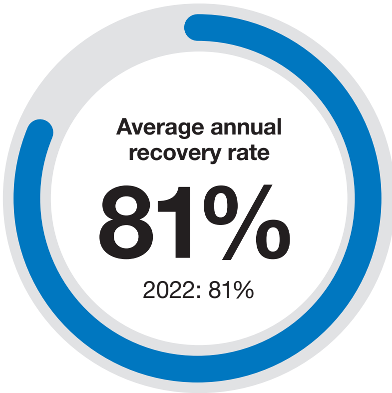
Traditionally, agencies have in effect worked for free on Fridays – 20% of the time they spend on client work does not get charged for. At least now a little bit of Friday is paid for.

London based agencies are fractionally better at recovering their time spent on client work. The same can be said for the larger agencies compared to smaller ones, but again only a slight difference.

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.



Pay rises

The figures on pay rises echo the business confidence sentiment discussed earlier in the report. When asked the question ‘Are you planning pay rises this year?’, 68% of agencies nationally replied yes. The figure was slightly higher in London than regionally. There is more of a disparity between smaller and larger agencies. Around 90% of larger agencies intend to implement pay rises, but only 56% of smaller agencies. While the 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 more generous rise than their equivalents in smaller agencies.

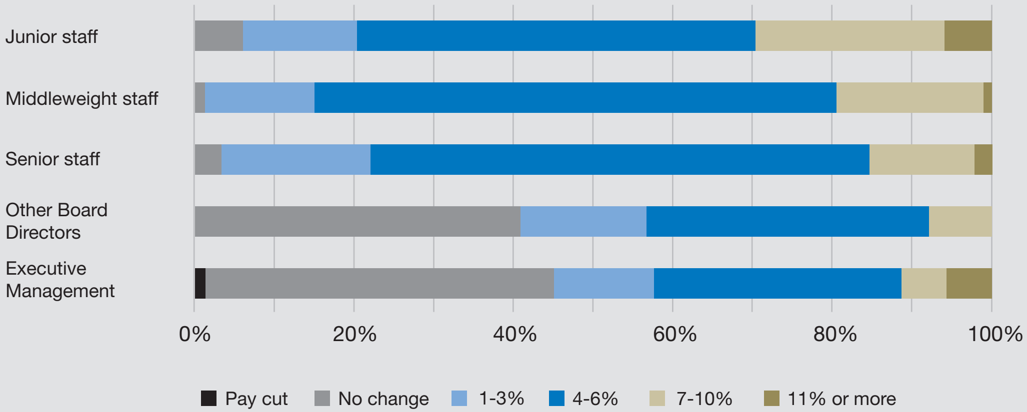
	National	London	London (Up to 20)	London (21+)	Regional	Regional (up to 20)	Regional (21+)
Yes, planning pay rises	68.3%	72.2%	56.4%	90.9%	67.0%	55.6%	89.3%
No, not planning pay rises	31.7%	27.8%	43.6%	9.1%	33.0%	44.4%	10.7%

Following the trend of last year’s data, employees at the higher end of the pay-scale are likely to see lower pay rises comparative to their more junior colleagues. Indeed, 45% of Executive Management and 41% of other board directors are expected to see pay frozen or cut in the next year. This is unsurprising given that particular employee group is usually composed of equity owners, who have more to gain from the performance of the business increasing over the longer term as shareholder value increases. In addition, their influence on dividend policy means they may be able to extract remuneration from the business in a different and more tax efficient manner compared to other 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.

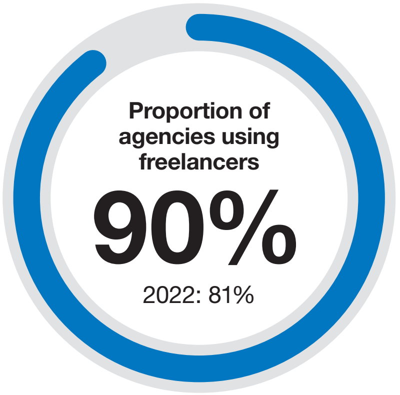
Annual planned pay rises by employee category



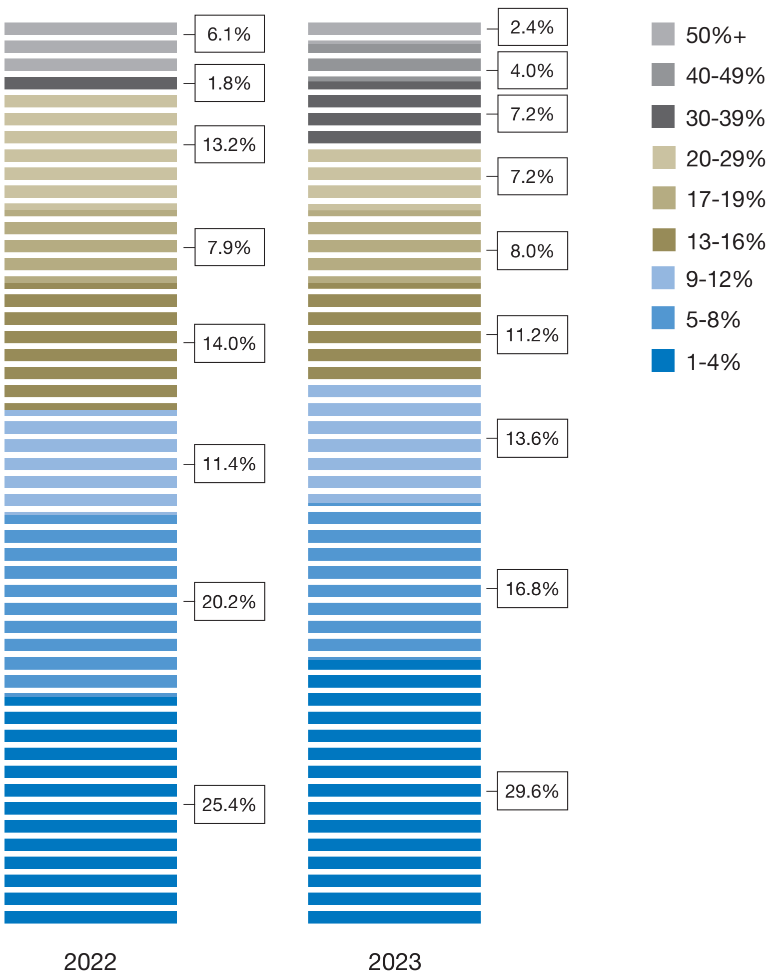
Main report

Freelancers

The number of agencies engaging workers on a freelance basis has increased in the year by 9% to 90%. This is no surprise given one of the biggest issues facing businesses right now is clients' reluctance to start new projects, which 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 the coming years.



Proportion of total wages spend on freelancers



21% of agencies spend over 20% of their wages cost on freelancers, which is in line with the prior year. Whilst more expensive than permanent staff, the use of freelancers or short-term contracts provides agencies with the necessary flexibility to meet capacity requirements of ad-hoc projects as needed.

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.

Click here to download a template 'Freelancer agreement and NDA'.

Main report

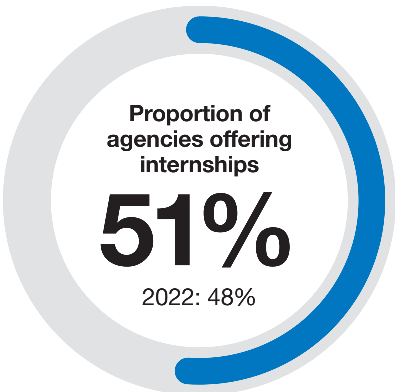
National freelancer day rates annual comparison

Job title	2023	2022	Difference	% Difference
Designer (3-8 yrs exp)	£324	£315	£9	3%
Copywriter (3-8 yrs exp)	£372	£367	£5	1%
Art Worker (3-8 yrs exp)	£281	£273	£8	3%
Web Developer (3-8 yrs exp)	£391	£355	£36	10%
Planner / Strategist (3-8 yrs exp)	£481	£482	-£1	0%
Account Manager (3-8yrs exp)	£306	£290	£16	6%

There are little distinguishable trends in freelancer day rates between small (<20 staff) and larger companies so we have omitted this from our analysis. 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 4% 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 6.4%. Whilst high levels of inflation remain prominent, we can expect the going rate for freelancers to continue on an upward trajectory.

Click here for more guidance on freelancers.



Internships

Since the peak in 2019, the percentage of respondents offering internships has gradually been declining from 63% down to 48% last year. It has increased to 51% in the current year. This could be either supply based, with the administrative burden outstripping the usefulness to companies, or demand based, with students being more study focused or finding it easier to get full-time experience instead of internships. It could also be a mix of these factors. Arguably for the first time since the 2008 recession, we are in a labour market where the balance of power is held by the employee rather than the employer, so it may be unsurprising that graduates are foregoing internships for more permanent employment.

An interesting trend is that the disparity of internship wages between current students and graduates has returned in 2023, after the gap had started to narrow in 2022. The average weekly wage for a student intern has declined to £336 whilst the average for a graduate has grown to £405, which now represents a 20.5% premium.

Nevertheless, the offering of internships remains a critical tool by agencies within the industry to increase their long term talent pool. While agencies still offer internships, they must be careful to adhere to national minimum wage guidelines to avoid breaking employment law and causing reputational damage.

Agencies should be warned that if an intern is **not** undertaking their internship as part of a Full-time Education or Higher Education course, then they are usually legally entitled to the minimum wage. Those agencies just paying travel expenses to interns who have already graduated may be acting illegally.

Click here for more guidance on internships and placements.

Average weekly wage

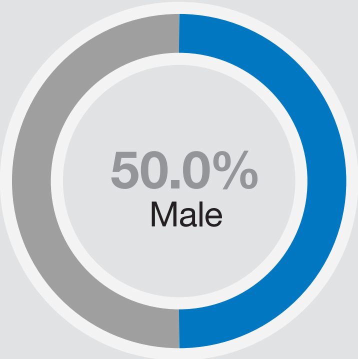
Job title	Students	Graduates	Difference	Difference %
2023	£336	£405	£71	20.5%
2022	£340	£363	£23	6.8%
2021	£274	£336	£62	22.6%
2020	£275	£343	£68	24.7%

Main report

Gender profiles

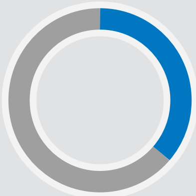
For the third consecutive year, the overall gender split across all roles and all respondents was equitable at 50% each.

Employee split: Male vs female

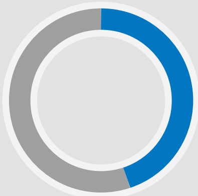


50.0%
Female

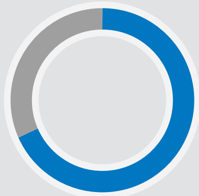
Gender split by department



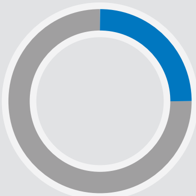
Business management & department heads
Male 63.7%
Female 36.3%



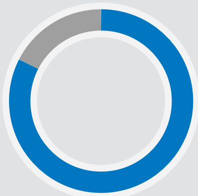
Design
Male 54.9%
Female 45.1%



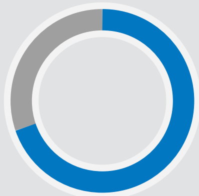
Strategy & planning
Male 31.4%
Female 68.6%



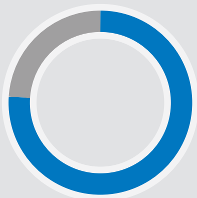
Digital
Male 74.7%
Female 25.3%



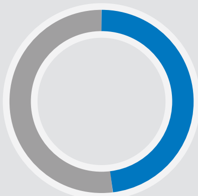
Account handling
Male 16.8%
Female 83.2%



New business / marketing
Male 30.4%
Female 69.6%



Support
Male 24.1%
Female 75.9%



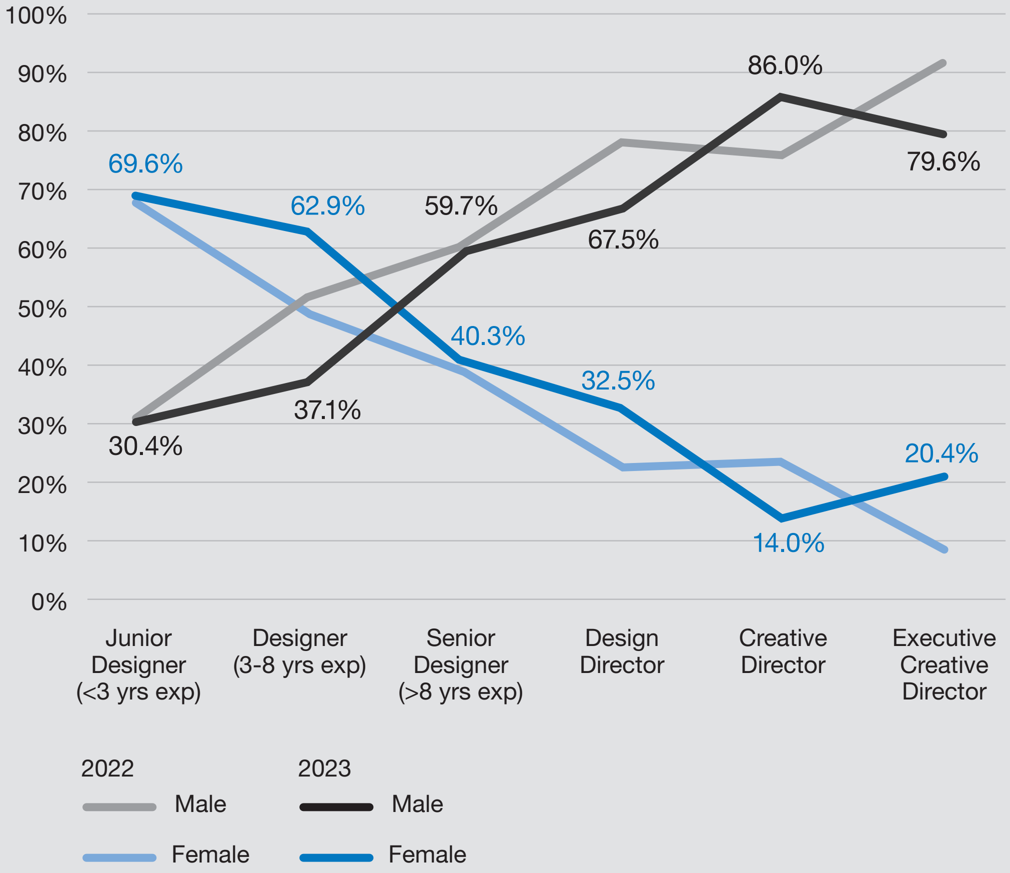
Additional staff
Male 51.6%
Female 48.4%

Encouragingly there has been a 5% increase in the percentage of females in top director roles, contained within the category 'business management & department heads' during the year. However, the absolute percentage of these positions held by females is still only 36%. Active change is required before we see women being equally represented in management teams across this and other industries.

Average gender pay gap
18.6%

Main report

Gender split in creative roles



The gender split in creative roles

The graph on the left shows the gender split across creative roles as they increase in seniority. As can plainly be seen, there is a general downward trajectory in female representation as roles get more senior, and the reverse for males. Although the percentage of females in Creative Director roles has dropped, there has been some improvement in representation in Design Director and Executive Creative Director roles.

The gender pay gap

The gender pay gap is not the same as equal pay. It is a legal requirement that men and women are paid the same rate for the same work. The gender pay gap is the difference between the average pay for all men and all women in a business. The average (or mean) pay gap is calculated by adding all staff salaries in gendered groups and dividing the difference by the total male number.

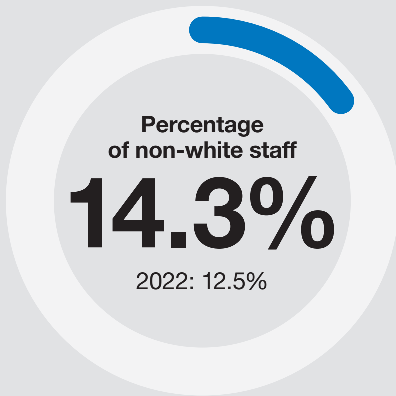
The average gender pay gap within DBA member agencies is 18.6%. This varies with both location and size of business. Regional agencies have a slightly lower pay gap at 18% whereas in London the average is 20.5%. This, however, masks the fact larger London agencies have an average gender pay gap of 19.6% – the average for the capital is skewed by the 24.4% average for small London based agencies.

Larger regional agencies have the best average gender pay gap of 17.1%.

Diversity

This year, there has been a small improvement in the ethnic diversity of staff within member agencies. The percentage of non-white staff has increased from 12.5% to 14.3%, with the largest subgroup being South Asian, accounting for 2% of the total workforce.

Click here for more guidance on DE&I in the design sector.



View from our sponsors

With the survey reporting that growth expectations have been halved, there is obvious apprehension among DBA members. The biggest risk that members perceive immediately, in the short term and the long term, is where the new business to support the current level of operations is going to come from.

When times are tough, belts get tightened. Many businesses prefer to take the "wait and see" approach, which is becoming a growing concern for many agencies that are already worried about new business pipelines, freezing or reduced marketing budgets, or clients stopping work completely.

Agencies have always been accustomed to unpredictable clients and the peaks and troughs of the business cycle. However, with inflation seemingly entrenched and the economic outlook uncertain, there is a real prospect of overcapacity in the market, which means some agencies will decline, and some will disappear.

As always in a challenging market, companies that are efficient and manage their finances well are at the least risk, and some will actually thrive, as clients seek those qualities. Agencies now need to do everything they can to manage costs without making significant sacrifices or disrupting a well-functioning agency.

Fundamentally, agencies can't afford waste – wasted time, wasted resources, and wasted expenses. They need to start implementing the right structure to increase efficiency by having the right processes and workflows in place. This reduces errors, miscommunication, and scope creep, all of which play a vital role in profitability.

The report shows critical measures, such as average utilisation and the proportion of indirect staff, have remained static, suggesting that increased efficiencies have not yet occurred on the whole. Now is the time when they need to make every penny, every hour, every project, and every resource count, rather than waiting until they are truly under pressure. However, we have recently seen an increase in agencies showing interest in systems like Paprika that will help them weather whatever the next 12 months may bring.

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.

Nick Tomlinson
Managing Director at Paprika Software
www.paprika-software.com

There are some positive aspects to this year's Annual Survey Report – such as the fee income growth and increase in fee income per head – but there are also a few clouds on the horizon that are giving some businesses a certain level of concern.

It was only a matter of time before the post-pandemic optimism died down a bit. Margins are being squeezed as agencies are now dealing with pressures around costs and wage inflation together with the ever-present pressure from clients on fees.

The survey highlights that agencies are managing to increase their fees – on average by 6% – which in previous years would have been a great result but double-digit inflation during the last year negates this increase in most respects. Agencies will need to increase their fees and/or work more productively at the same time as managing their overheads to maintain or improve profit margins. For example, reducing the time written off (or given away to clients for free) which is still running at nearly 20%, would result in either better productivity (fee income per head) or permit reduced headcount.

It's also encouraging to see that the average increase in staff cost per role in 2023 looks well controlled at just 3% (albeit that rates for some senior roles have been frozen or reduced to compensate for larger increases at junior levels) but continued cost-of-living pressures will likely see further challenges to wage control next year.

One way of managing these financial levers is to have a senior finance person (full or part time) who understands the design industry and can help guide the business through these challenging times. Having appropriate finance personnel in your business who can provide accurate and meaningful financial data on a timely basis, and then a senior finance employee to interpret the information and work closely with the leadership team, means that forward looking decision-making and business planning has appropriate financial rigour.

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 at any level.

Deborah and Greg Broadbent
deborah.broadbent@visionfr.co.uk
greg.broadbent@visionfr.co.uk
www.visionfr.co.uk

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 1 May and 16 June 2023, 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
- 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 2023
Our survey was compiled from the responses given by 142 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	35	24	**59**
Regional	50	20	**70**
Both	4	9	**13**
Total	89	53	**142**

This report has been compiled with support from the following:

Data collection and analysis
Roger Ingham, Data Alive

Analysis and report writing
Esther Carder, Partner, Moore Kingston Smith
Jennifer Pearson, Manager, Moore Kingston Smith
Archie Wilkinson, Assistant Manager, Moore Kingston Smith

Design
Spire Studio

Design Business Association
Tel: +44 (0)20 7251 9229
enquiries@dba.org.uk

www.dba.org.uk