

# Micro-agency Benchmarking for DBA Members


Utilising data from the  
2023 DBA Annual Survey Report

dba

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



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## **Introduction**

The 2023 DBA Annual Survey took place over four weeks in May and June 2023, collecting data from across the DBA membership.

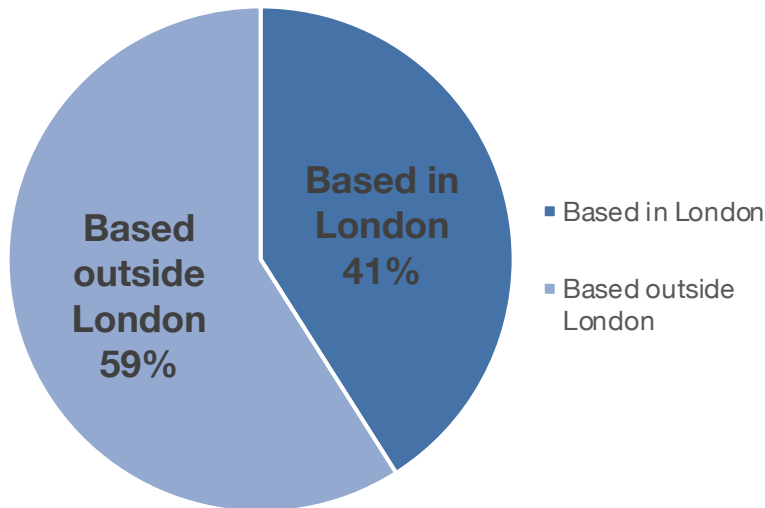
The following slides concentrate on data from micro-agencies i.e. those with five or less staff.

The full report based on all the data can be found at [www.dbareview.org.uk](http://www.dbareview.org.uk) (login required).

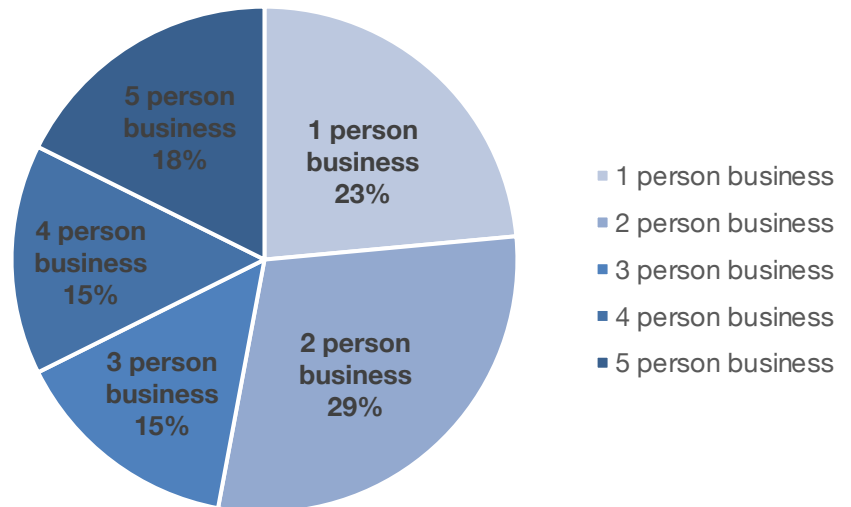
## Breakdown of respondents

41% of our micro-agencies are based in London, below the 50% average across the whole DBA membership. A little over 50% of respondents were either 1 or 2 person businesses, with the remaining respondents relatively evenly split between 3, 4 and 5 person businesses.

Location



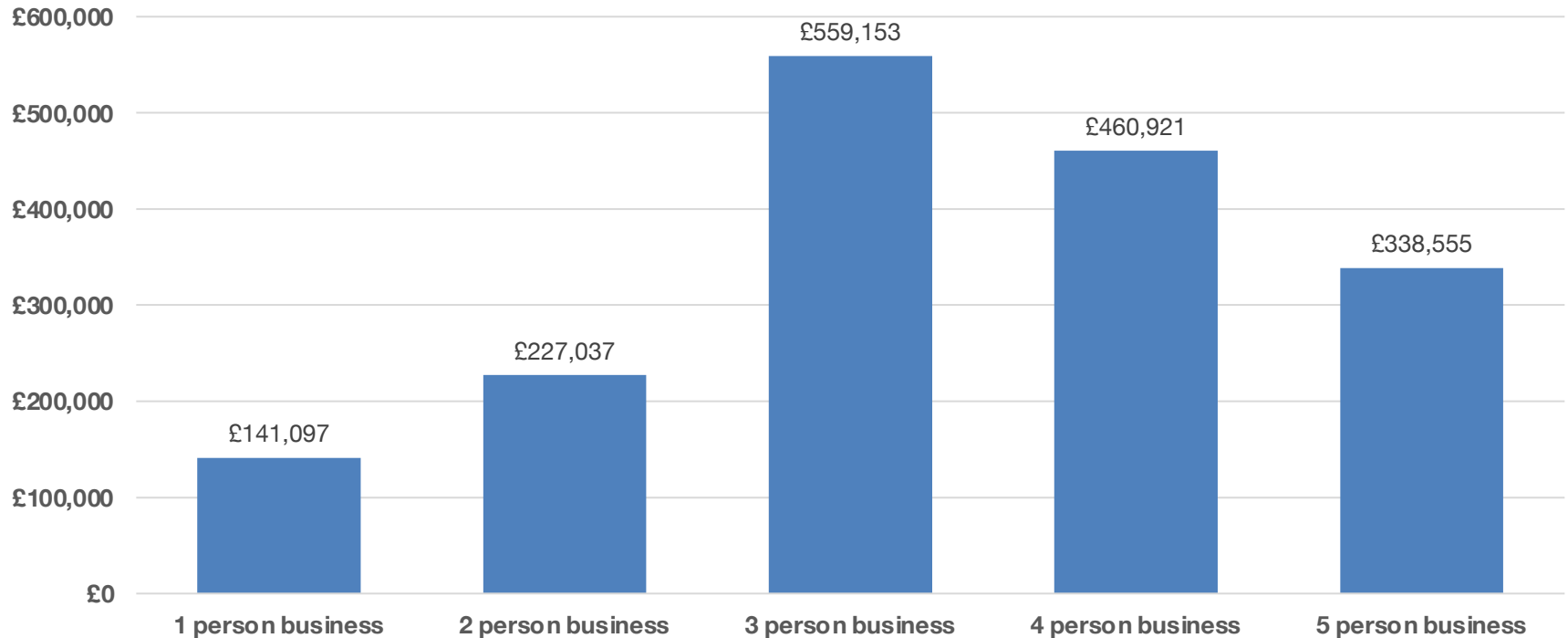
Breakdown of respondents by size



## Fee income

Within our sample, micro-agencies with 3 permanent staff had the highest income, which correlates with the fact that it was these agencies who used on average the highest number of freelancers.

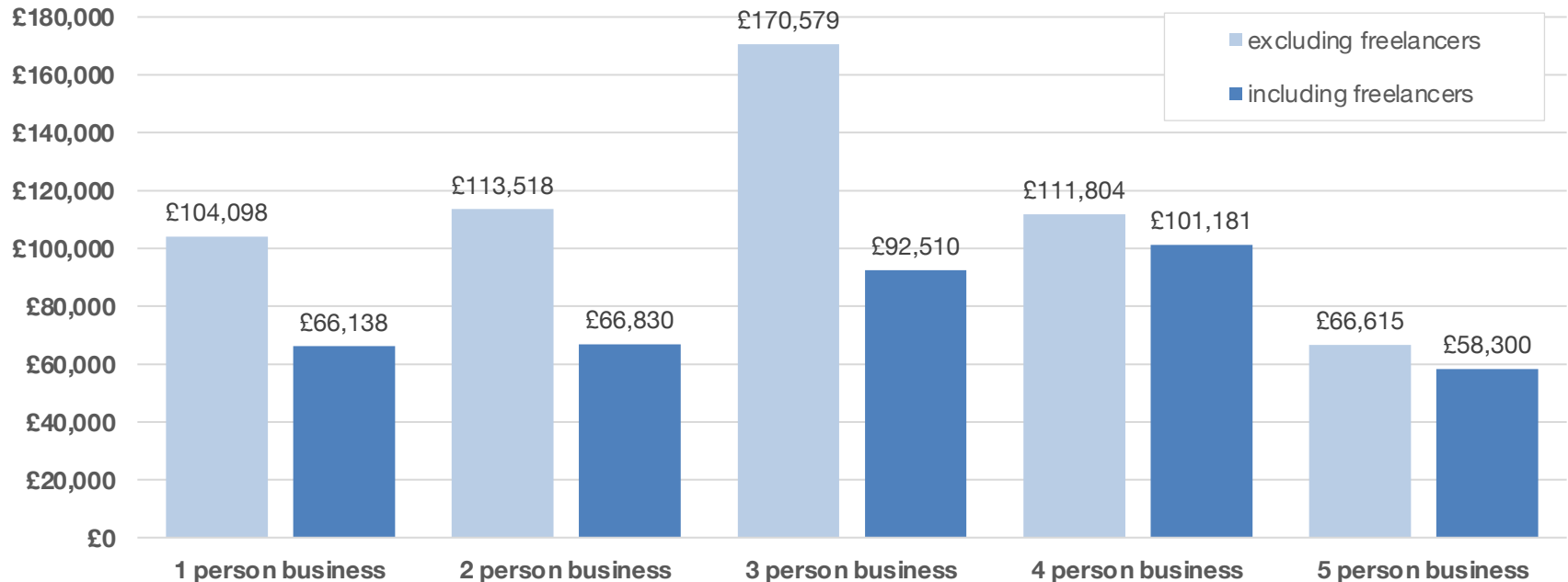
### Average fee income by size of micro-agency



## Fee income per head

Income per head (inc freelancers) across all micro-agencies has decreased slightly to £74,500 verses pre-pandemic levels. Despite 3 person businesses having the highest income, their freelancer use pulls down their income per head ratio below that of 4 person businesses.

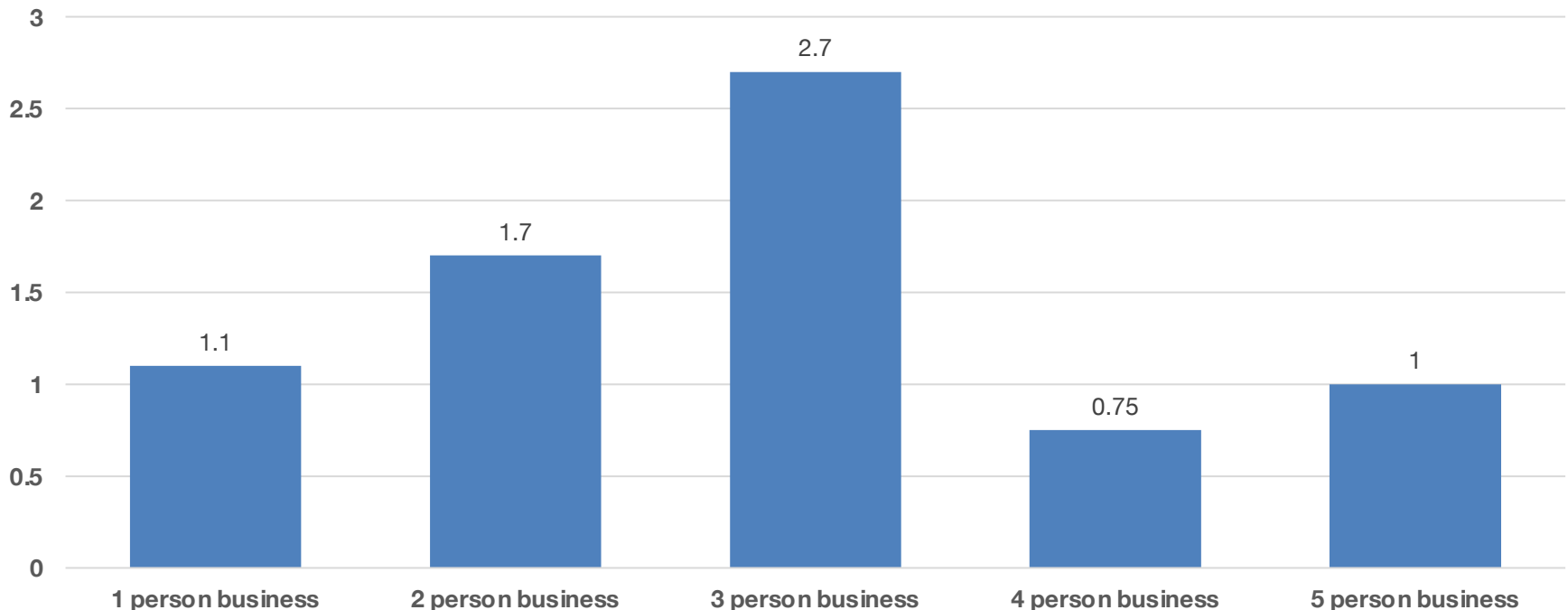
### Average fee income per head by size of micro-agency



## Freelancer use

Micro-agencies with 3 full-time staff also employed an average full-time equivalent (FTE) of 2.7 freelancers enabling them to earn a higher gross income. Agencies made up of 4 people hired the least freelancers (0.75 of a FTE person).

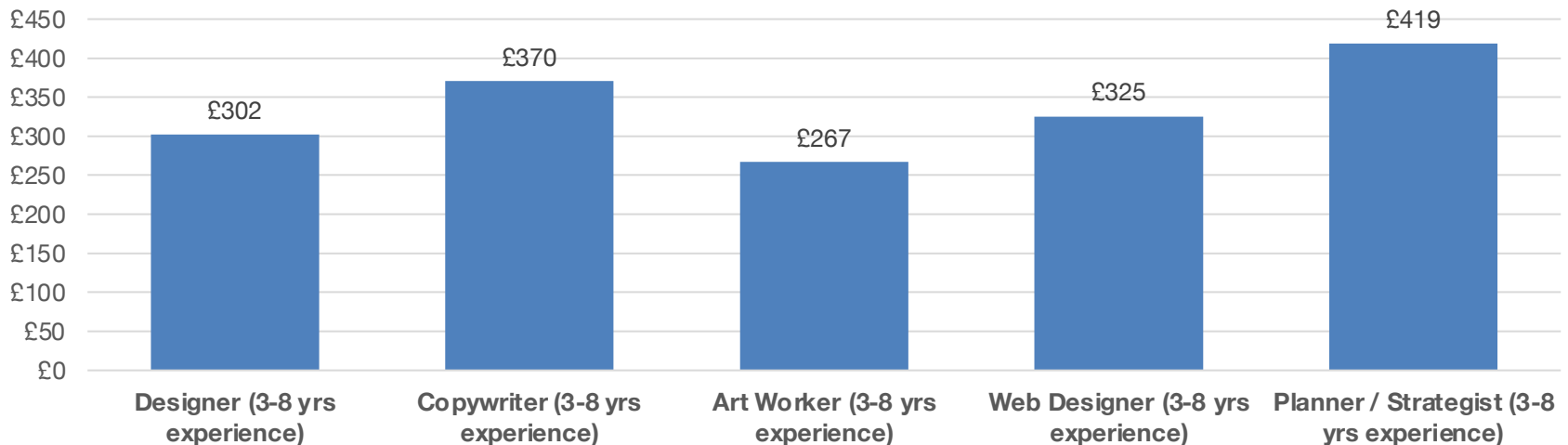
Average FTE freelancer use for each size of micro-agency



## Freelancer use

Micro-agencies spend an average of 16.6% of total staff costs (inc director pay) on freelancers, compared to an average of 7.3% across the whole of the DBA membership. Generally, micro-agencies paid freelancers less than the DBA membership as a whole – designers and artworkers 6.6% and 5% less respectively. Web designers and planner / strategists were paid over 12% less. Copywriter rates were similar regardless of the size of business.

Freelancer day rates paid by DBA member micro-agencies

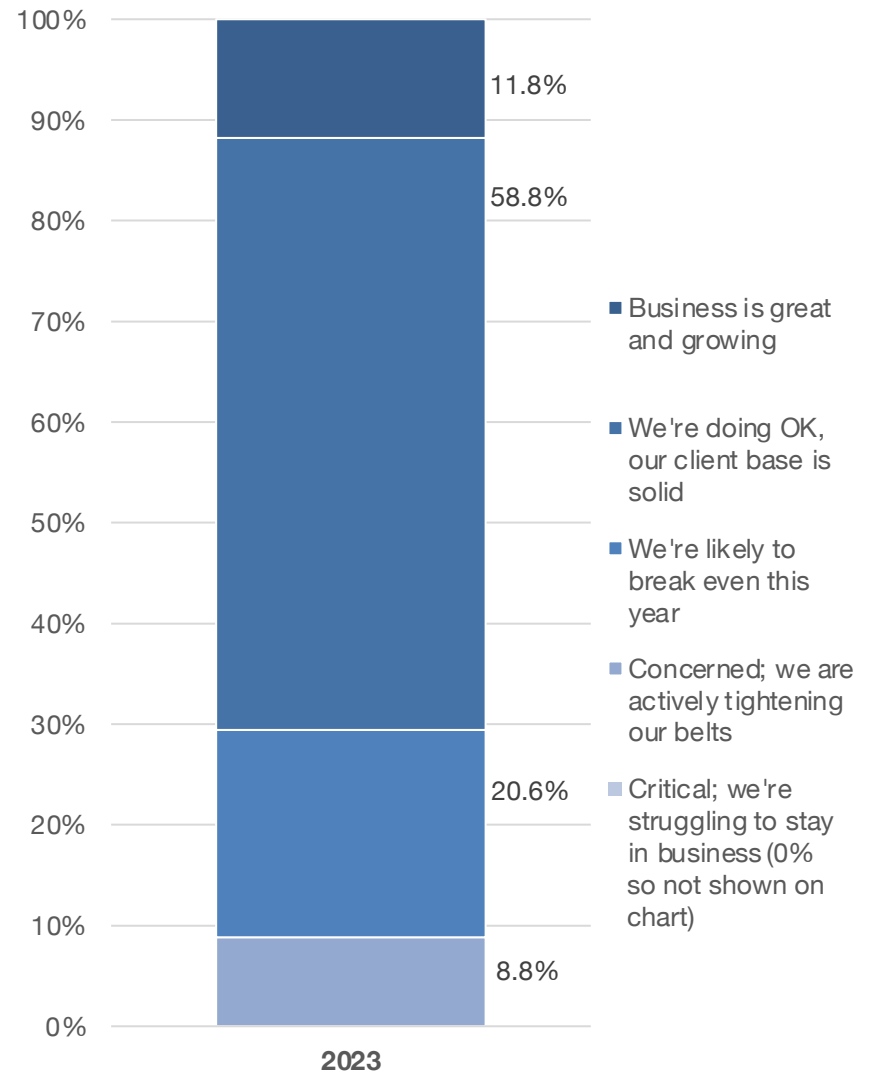




## Business Health

We asked (in June 2023) the question “How’s business?” with five options for the answer. The responses from micro-agencies corresponded loosely with those from the membership as a whole.

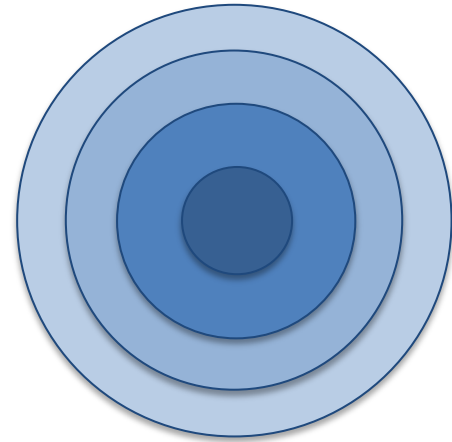
70% of micro-agencies responded positively. Just over 20% gave a neutral response and almost 9% were concerned about the state of their business.



## **Taking on staff**

It is no secret that staff costs are the biggest percentage of an agency's overheads. The DBA recommends a target of staff costs to not exceed 60% of gross income\*.

(\*including freelancer costs)



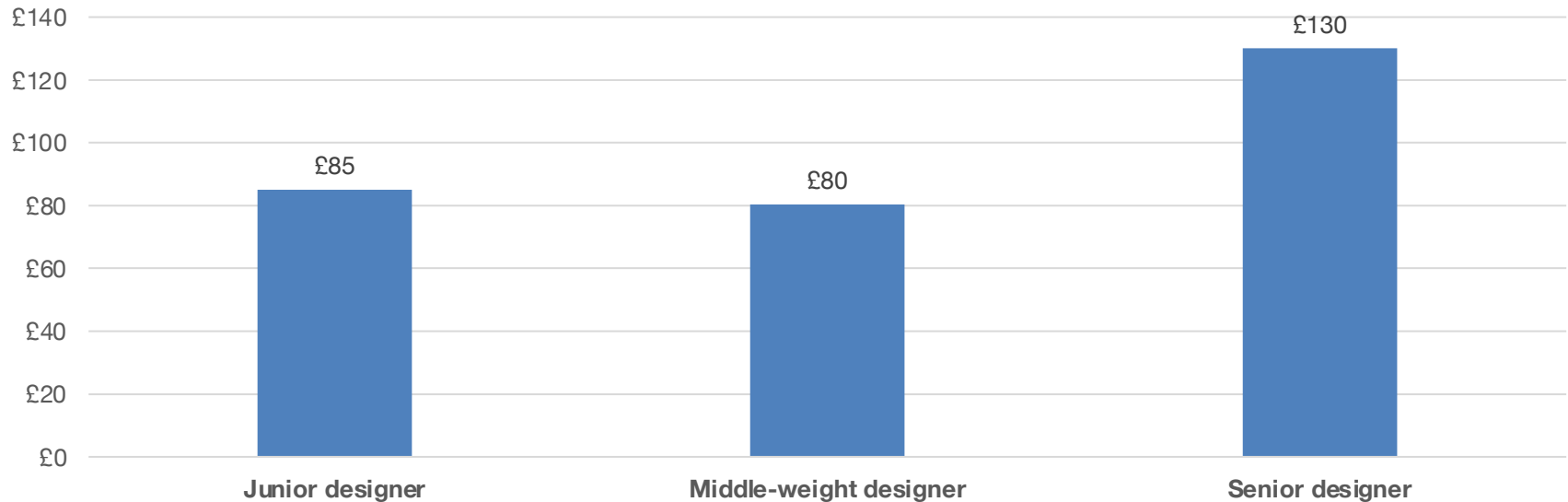
Managing people is also what owner / managers cite as the most difficult issue in running a small design agency. This includes everything from managing the logistics around contracts and policies to establishing and maintaining the culture of the agency.

Amongst all this, it is essential that hourly rates, salaries and utilisation rates are monitored in order to make sure profit margins are maintained.

## Average hourly rates

We looked at the average hourly charge-out rates for the three most common employees at micro-agencies. The rates were similar for juniors and middle-weights but jumped over 60% for seniors. This is perhaps the more relevant figure because 58% of all design staff at micro-agencies were described as 'seniors' and might have their rates blended with those of the owner / manager.

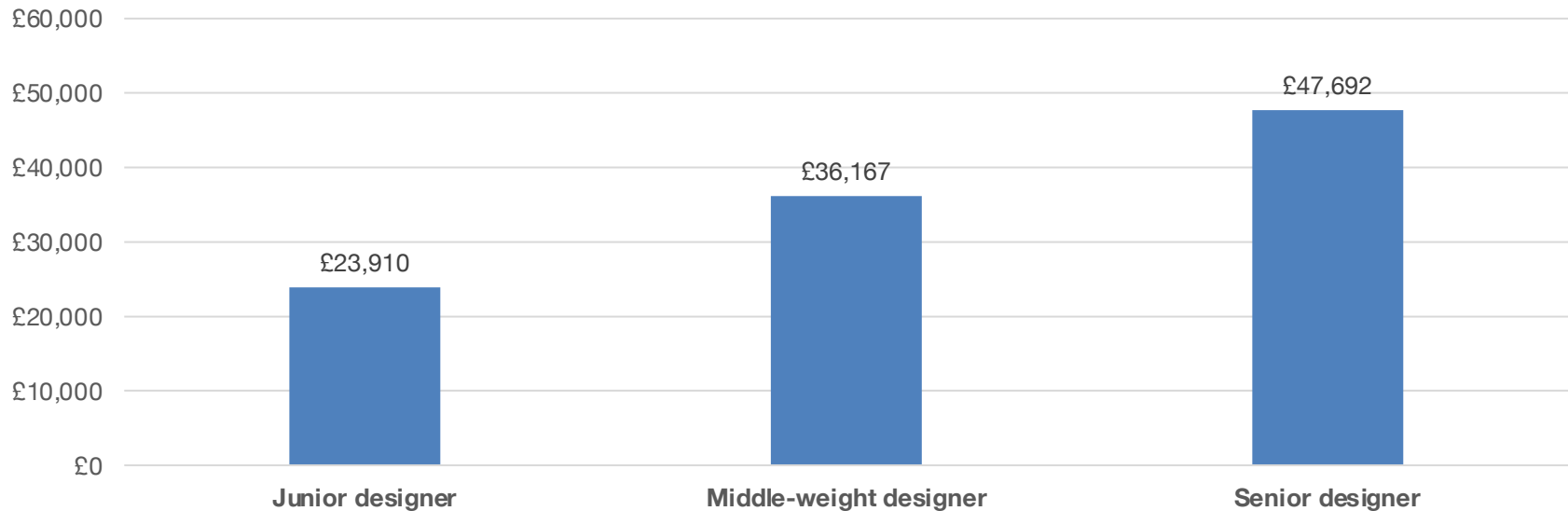
### Hourly charge out rates



## Average salaries

In previous years, salaries for designers at micro-agencies were considerably lower than the national average across all DBA members. In 2023 however, the salaries are comparable with the average for the wider membership, apart from junior roles which tend to be about 6-7% lower.

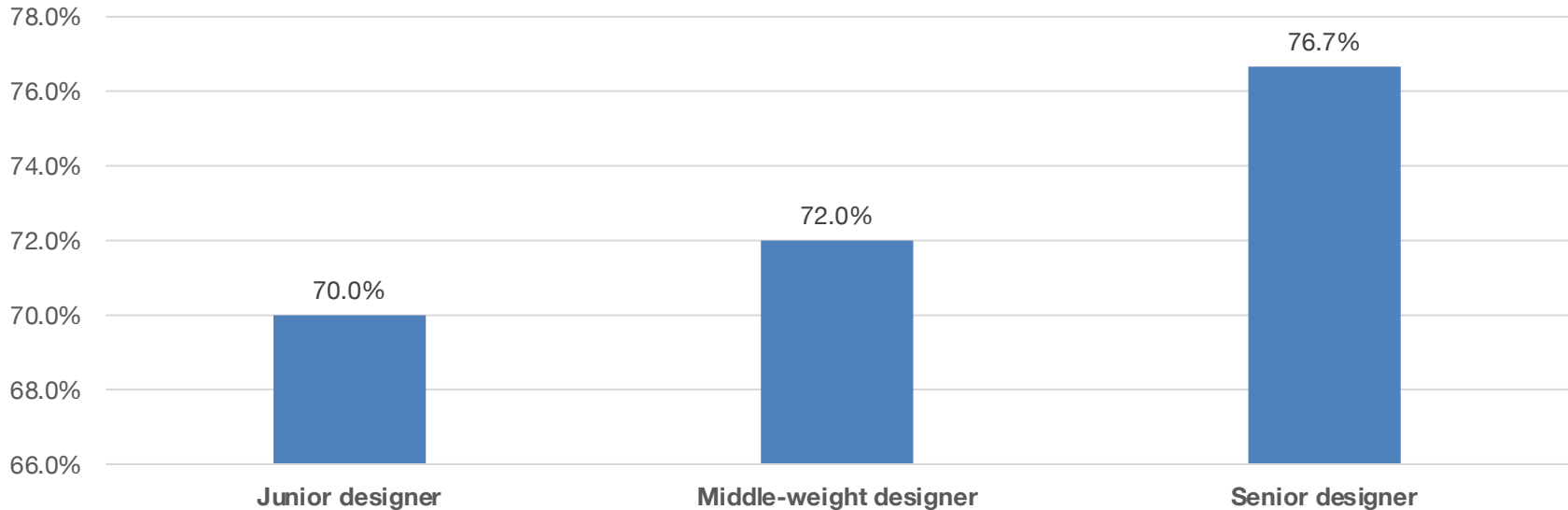
### Average salaries



## Average utilisation rates

Both junior and middle-weight designers are under utilised in micro-agencies compared to the national average within the DBA membership. There is capacity to hand more work to these levels of staff to free up the owner / manager, but this is often difficult in a small business where a client is paying for the relationship with the principal.

### Utilisation



## **Sole traders**

The average hourly charge-out rate for sole traders / single employee limited companies in the DBA membership is £100, with the lowest of £50 and the highest of £400 excluded as outliers.

**£100 p/h**

This is up 30% from £77 per hour in 2017, which is roughly in line with inflation over the same six-year period.

## **New business**

For micro-agencies in our survey, an average of 29% of fee income came from new clients won that year. Existing clients accounted for the remaining 70.8%.

# 29%

This compares with the average figure for the membership as a whole, which is at 23% - a slight difference possibly due to larger agencies maintaining ongoing client relationships rather than ad hoc project wins.

## **Export (overseas clients)**

It is no surprise that small agencies have a lower percentage of their income coming from overseas clients. On average this is 14% this year compared to the membership average of 33%.

**14%**

The mean of 14% still gives an unrealistic impression of “overseas trade”. The median for the group is only 5%, as the total is skewed by a small number of agencies with a high level of income mainly from European clients.



## **Conclusion**

Good financial management gives you creative freedom. It gives you the ability to say 'no' to the work you do not want to do, that is not profitable, and does not enhance your reputation or engage your staff.

Without the need to scramble for money you can choose the clients which are right for you and your business.

Understanding your financial situation enables you to make business decisions with confidence. Quoting for work, recruiting staff, moving office, buying new equipment - these decisions can only be made after you fully understand how your business sits financially.

## What next?

Search the DBA website for guidance on financial matters.

[www.dba.org.uk/members-area/resources](http://www.dba.org.uk/members-area/resources)

Contact Adam Fennelow, Membership Director at the DBA to discuss any issue you may be struggling with.

[adam.fennelow@dba.org.uk](mailto:adam.fennelow@dba.org.uk)

Get expert financial advice. The **DBA Experts Register** features a range of finance experts. Call us if you need help deciding who to talk to.

[www.dba.org.uk/members-area/experts](http://www.dba.org.uk/members-area/experts)

## Take part

The 2024 survey collecting data will be open for completion in May 2024 – please participate in the survey to ensure we can continue providing financial benchmarking reports.

## Partners

The DBA Annual Survey Report is produced in association with Moore Kingston Smith. [www.mks.co.uk](http://www.mks.co.uk)



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