

2020 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

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Look out for these

Advice for the reader

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

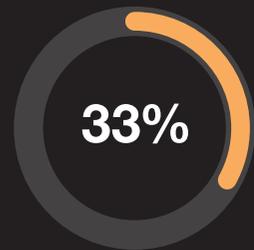


Member agencies responded
2018: 216

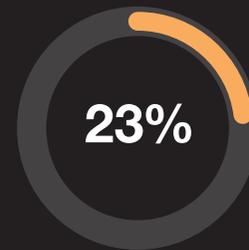


Also responded last year
85% of responders also took part last year, and 41% have participated in the previous 3 years.

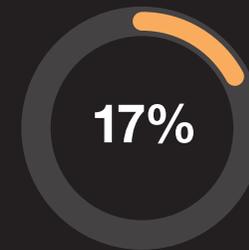
Member agencies by gross income



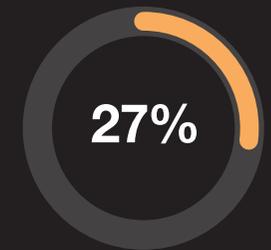
<£500k
⬆️ 0.1% 2019: 33.2%



£500k – £1m
⬆️ 2.2% 2019: 20.8%



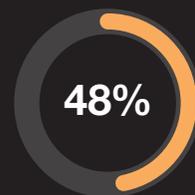
£1m – £2m
⬇️ 2.8% 2019: 19.8%



>£2m
⬆️ 0.8% 2019: 26.2%

Compared with last year, the spread of respondent size is very similar – with all categories varying between 1-3%. This leads to more meaningful comparisons within the survey results analysed within this report, as we are able to compare like with like.

Member agencies by location



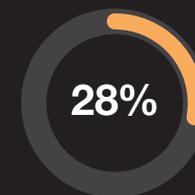
London
⬇️ 1% 2019: 49%

Source of generated income



Overseas clients*
2019: 28%

Most prevalent disciplines



Branding
⬆️ 4.9% 2019: 23.1%

How much of your work is digital?



Packaging



* This year, of the 28% overseas income 18% came from Europe, slightly up on last year's 16%. It remains to be seen whether this upward trend will continue if a trade deal is not reached by the "transition phase" deadline on 31st December 2020. However, in terms of new business, some 57% businesses are looking at targeting Europe and 43% the US.

This year Digital was removed as a separate discipline to reflect the continued integration of digital into other aspects of work making it an essential offering for many agencies. 85% of businesses said that digital played a part in their service offer, with it making up an average of 34% of income.

Executive summary

Over the last four years Brexit has dominated the headlines in the UK and this year was crunch time with regards to whether we would leave the EU with a withdrawal deal and a trade deal and how this would impact the UK economy. Then came a major shockwave throughout the world, the emergence of a new virus that was to have serious ramifications on how we live and thus on our economies. With the whole of the UK and a large portion of the world having experienced extended periods of lockdown, businesses were and still are experiencing unprecedented challenging times as a result of the worldwide pandemic.

Life as we know it may be starting to resemble normality, however many businesses are very much still dealing with how it has and continues to impact them. With most having dealt with the survival phase many businesses are now going through a recovery phase and determining how they can restart growth in order to ensure they thrive as they come out the other side. As a result of this, the survey comes at a time of significant uncertainty and worry. Britain leaving the EU may feel like a distant worry compared to COVID-19 sweeping in and shocking the economy. As is evident from the survey, there is significant unease felt across the sector as agencies struggle to raise revenue, hold on to staff, cut costs and deal with the uncertainty of the future.

Business health is always on director's and shareholder's minds – and now more than ever. Over the last few years, we have seen owners become more worried about the state of their business and this year sees 29% of owners being actively concerned and tightening their belts in a bid to save

their business. Unsurprisingly the number of agencies citing they are doing OK and consider their client base to be solid, has reduced. This can be expected, as uncertainty over client's fortunes has a direct impact on agencies. Fortunately, only 3% of business considered themselves in a critical state.

When asked about fee income predictions for the coming 12 months compared to the previous 12 months around 45% of agencies thought income would be down at least 10%. With this comes inevitable job cuts and a tightening of costs. Around a quarter of all agencies expect staff numbers to reduce by at least 10% over the next 12 months. Interestingly there are less agencies looking to cut staff costs than seeing a reduction in fee income – agencies must ensure that the proportion of fee income spent on people costs does not get out of kilter and should still aim to contain this to within 60% in as far as they can during these challenging times.

Across the sample some 15% of employees were furloughed as agencies were quick to take advantage of the government support available. Unsurprisingly junior staff were more likely to be furloughed than senior staff.

It is not all bad news, due to the pandemic the new off payroll working (IR35) legislation which was due to roll out in the private sector on 6 April 2020 was postponed until April 2021. This new legislation puts the onus on the employer engaging with the freelancer to assess their working status regardless of whether the freelancer invoices via a personal service company or not. This change in legislation was expected to be a large issue for the design sector and so the postponement will likely to be a relief for many.

29%

of owners are actively concerned about the health of their business

15%

of employees were furloughed

[Click here to catch up on support and guidance offered by the DBA during Covid-19.](#)

Executive summary

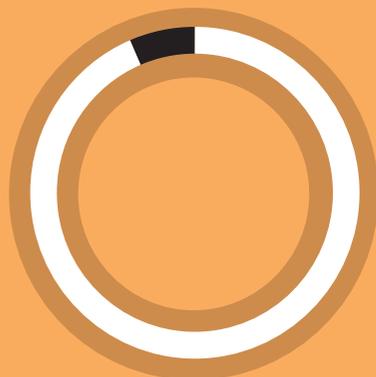
Gender and diversity profiles

Now in its fourth year, gender pay gap reporting has come into force for organisations with over 250 staff. Included within the survey questions, we again asked respondents to detail the gender balance in their agencies across all roles. While our questions do not ask about difference in salaries, there is still a certain amount of information to be gleaned from the proportion of males and females in roles of different levels. Encouragingly, agencies reported an almost even split in their workforces as in prior years. However, over the four years there has been very little change when delving deeper behind the figures and again we see that more senior positions are predominantly held by men, while women are much more prevalent in supporting roles, often topping out at a middle-management level.

Of course these statistics will not change overnight, however discussions around the gender pay gaps will only help to reduce the gap over time and the groundwork laid by agencies now could dramatically alter the gender diversity within agencies for staff of all levels over the next 10 years as the current junior staff rise up to more senior positions.

In terms of racial diversity, the industry still has some way to go with some 94% of the workforce being white.

For more detail see pages 28-29



94%
of the workforce is white

Salaries and charge out rates

It's more bad news for employees, as normally around half of operational employees would be looking to receive a 1-3% pay rise when salaries are next reviewed. However, the majority of agencies are now looking to reduce unnecessary payroll costs and make use of the governments furlough scheme.

This year sees the majority of agencies planning on pay freezes or indeed pay cuts with more senior staff suffering the most. The situation regarding lack of pay rises was particularly prevalent in agencies outside of London and those with less than 20 staff.

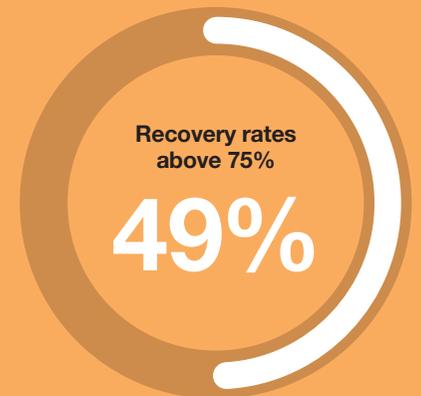
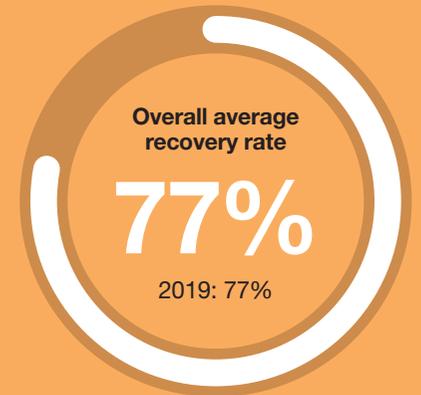
For more detail see pages 10-15

Recovery rates

Many agencies are failing to make adequate recovery on the time spent by staff, with an average of 77% of time spent actually recovered, very similar to the previous two years.

Of the agencies who responded, only 49% have recovery rates of between 76% -100%. What is more worrying is that in the current climate, recovery rates are expected to decline due to inefficiencies, IT issues and possible communication problems.

For more detail see page 9



Click here for more guidance on how to improve your recovery rate.

Executive summary

Employee remuneration packages

The range of benefits offered to employees continues to increase and improve as agencies compete with competitors to attract and retain talent. The number of agencies offering benefits to all levels of staff have increased from 2018 (the last time respondents were asked).

Over 85% of agencies have a training budget for staff – a further increase on the previous two years. The average budget allocated per head was £536 – however this was a small reduction on last year. Some 50% cited that training budgets have been cut as a result of cost savings necessitated by the COVID pandemic.

Whilst there have been no further increases to the mandatory employer pension contributions since last year's survey, we have, on the whole, seen an increase in the number of employers exceeding the employee contribution. The amount contributing an additional 4% or above has increased each year as pensions become a more important part of the remuneration package.

For more detail see pages 22-23

Internships

Internships provide a valuable stepping-stone from education into the work place, especially for graduates. There has been a lot of discussion in the news around how the Class of 2020 are going to be impacted by the pandemic and whether they will be able to step straight into a career after university. The percentage of agencies intending to take on graduates from the class of 2020 was 34%.

For more detail see page 27

Freelancers

The number of respondents using freelancers has increased marginally to 84% from 80% this year. However, the overall amount spent on freelancers as a proportion of total people costs remained the same as in the prior year at 17% as agencies continue to use freelancer's as an important flexible resource.

Whilst the use of freelancers was generally one of the first things to be cut during the pandemic, in an industry where much of the work is project based, the use of freelancers for short-term contracts remains an important way of keeping monthly costs flexible. The increasing range of digital talent and

other skills required on a project-by-project basis also makes it difficult to employ all the skill sets required on a permanent basis.

For more detail see pages 16-17

Gross income per head

The average fee income per head across the whole sample was £87,410, an increase of 6% on last year's £82,338.

As in previous years the larger agencies tend to have higher gross income per head with the smaller agencies seeing gross income per head on average being just over half that of the larger agencies.

It should be noted that these figures include freelancers as well as permanent staff to give a more realistic representation of how income is earned.

As expected the average fee income per head of the London agencies was more than those of the regional agencies and it was the larger London agencies reporting the very highest average income per head of £105,127 – this was above the minimum £100,000 target which is pleasing to see.

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

For more detail see page 20



View from our sponsors



As ever, the DBA survey provides a wealth of historical data for members to benchmark their own performance against. But in 2020, as never before, the relevance of historical data to our current situation is limited.

I found myself looking immediately at the section on Expected Income and Staffing Levels where, unsurprisingly, 50% of respondents are expecting a drop in income this year, most of them by more than 10%. How are we supposed to plan for that?

Dwight D Eisenhower famously said, "Plans are worthless, but planning is everything." What we need is not a change of plan but a change of planning.

Driven by the urgent need for rapid change, agencies must move fast and prove their willingness to adapt and embrace agile methods in order to make informed and faster decisions during times of disruption. Disruption leads to opportunity; and thriving is more than ever about being prepared for the unexpected.

With Paprika as the single source of metrics for your business you can access real-time data information and hard facts that help you to create new levels of visibility, agility and productivity. We must ensure that all our teams are joined-up within our businesses, whether they are in an office or working from home literally anywhere in the world.

In an ever-changing landscape, the ability to embed data and analytics in a planning process that never stands still is crucial to moving forward.

Together we can thrive on changes and challenges.

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



In creative agencies, the company is only as good as its people and so the emphasis of the DBA Annual Survey Report on people-based measures is very pertinent, and the results should provide very valuable intelligence for DBA members. However, whether looking at salary levels, charge-out rates, utilisation, recovery rates or many of the other financial & HR metrics contained in the report, knowing how to use and act upon this data to improve an agency's financial performance is key.

At VisionFR, we help creative agencies hire the best financial talent to do just this. The current economic climate remains uncertain and, whilst it is encouraging to see the report highlight some level of optimism, keeping a close eye on staff cost to gross profit ratios will continue to be hugely important over the next year, and understanding the levers that influence this core metric equally so. We believe that having the appropriate senior finance expertise in the business – whether full time or part time – to support agency leaders and improve the commercial acumen of client facing employees is essential. In our experience, such an investment will not

be a cost to the business as having the right senior finance input will improve overall profitability and ensure that decision-making and business planning has appropriate financial rigour.

VisionFR is a specialist financial & HR recruitment consultancy, owned and run by former CFOs from the marketing & 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 (& 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 1st June and 31st July 2020, with respondents asked to report information as current. In order 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 in order to improve the usefulness of the survey going forward and to discuss current areas of interest.

We have included information regarding the minimum, maximum and average salaries, charge out rates and utilisation rates where relevant.

Information representing the upper and lower quartiles is available on the Annual Survey Report website www.dbareview.org.uk. These figures have been included to let readers know how responses are spread between the minimum and maximum results. As 25% of responses fall between each pair of lines, this suggests that popular responses are found where lines are close together.

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
- Mark up on third party bought in services
- Gender balance within job roles
- Freelancer usage
- Training programmes
- Pension schemes
- Use of interns

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

- The expected impact of Covid-19
- Intake of Class of 2020
- Ethnicity
- Maternity and paternity
- Employee benefits

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 a sufficient amount of sample data have been removed from the appropriate graphs.

Response rate and coverage 2020

Our survey was compiled from the responses given by 145 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 follows:

Compared to last year's sample we had less respondents from smaller agencies and a similar number of larger agencies. Therefore larger agencies formed a higher proportion of the sample this year. We also received a lot fewer responses from regional agencies this year resulting in more of a balance between regional and London respondents.

	Up to 20 staff	More than 20 staff	Total
London	46	32	78
Regional	55	27	82
Both	15	15	15
Total	116	59	145



dba

This report has been compiled with support from the following:

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