

# It Pays to be Direct: Hiring Agency-caliber Talent at a Fraction of the Cost

Ad agencies are no longer the only game in town for companies that need to hire talent for strategic, creative, and marketing work. As ad agency revenue has declined, their overall employment numbers are down, and agencies have witnessed an exodus of high-profile talent seeking to rediscover the “fun” in the business.

So if the ad agency model is on its way out, what will replace it?

After all, clients still need to get work done. They still need outside perspectives and creative new ideas to market their businesses, connect with customers and close sales.

The old model of the traditional ad agency is giving way to new ways of delivering creative work, using online talent platforms that make it possible for companies to directly hire the creative talent that they need, without paying the markups and hidden fees associated with the agency billing model.

A growing workforce of independent freelancers, consultants and creative professionals is now available to handle work on a project basis for a wide variety of clients – and rather than being limited to a specific agency in a specific geographic location, this new network of talent is accessible online.

Now more than ever, it is possible to go direct to the talent without paying the fees and markups of the agency middle-man. The cost savings can be significant – and the talent is still of a sufficiently high caliber. The same creative designers, copywriters, marketing strategists who used to bill their time for hundreds of dollars an hour in the agency world are now available to hire direct at a significant savings.

How much can clients save by hiring direct? To find out, Solvate asked the members of our talent network who had previously worked in agencies.

## The Solvate Talent Survey

In August 2011, online talent platform Solvate conducted a survey of members of our talent network who had experience working in agencies. We asked them: “At your last agency job, what was your hourly billing rate, and how much did you get paid per hour?”

The survey revealed a significant gap between the actual cost of the talent (in terms of the hourly earnings of the agency employees) and the actual costs charged by agencies to their clients.

The results were as follows<sup>1</sup>:

Average hourly rate billed by Agency	\$139.74
Average paid to Talent	\$58.04
Average Markup	\$81.70
Average % Markup	141%

These survey results showed that Solvate’s talent, during their prior experience at ad agencies, billed an average of \$139 per hour for their work, while being compensated approximately \$58 per hour in salary. This makes for an average markup (to cover agency overhead and profit margins) of \$81 per hour, of 141% of the individual’s average hourly salary.

This markup, while high, is not even close to being the highest agency markup. For example, agencies often mark up the hourly rates of junior-level staff and student interns at 4 or 4.5 times their salary.<sup>ii</sup> Perhaps the survey respondents were not having their hourly rates marked up as high due to their seniority – 33% of the respondents had worked at ad agencies for over 10 years, and 26% had 6-10 years of agency experience.

The average hourly billing rate of Solvate talent is approximately \$60 per hour – very close to the average \$58 per hour earned by our talent when they worked at agencies. This indicates that Solvate clients are paying only for the talent, with no overhead or markups. By hiring directly online, clients can get the talent they need, and independent creative professionals can earn just as much money (or more) than they did when they worked at an agency, but the clients are no longer having to pay the agency middleman and markups of the agency billing structure. Hiring talent directly online is truly a “win-win” for both clients and creative professionals.

Although it’s useful to see some aggregate data from the Solvate Talent Survey, many clients want to know more specifics. How do the hourly rates and cost savings compare for various specific roles? If a company needs to hire a graphic designer or a web developer, how much can they expect to save by hiring direct rather than hiring an agency?

The following table of data collected from a 2009 survey by the American Association of Advertising Agencies<sup>iii</sup> shows some of the average hourly billing rates for some of the most common creative services roles, and how they compare to hiring direct on Solvate.

Hourly Rates Charged to Clients					
Role	Agency (>500 employees)	Agency (<50 Employees)	Solvate <sup>iv</sup>	Savings with Solvate (vs. <50 employee agency)	% Savings (Solvate vs. <50 employee agency)
Creative Director	\$361	\$204	\$81	\$123	60%
Web Designer	\$130	\$131	\$70	\$61	47%
Copywriter	\$146	\$129	\$66	\$63	49%
Web Developer	\$119	\$142	\$76	\$66	46%
<b>Creative Team Average</b>	<b>\$189</b>	<b>\$152</b>	<b>\$73</b>	<b>\$78</b>	<b>52%</b>

To create this table, we compiled data for midlevel jobs at agencies (neither entry-level nor senior level) to try to determine an approximate relevant comparison of hourly billing rates. The most relevant comparison is to look at the Solvate data side-by-side with the smaller agencies (less than 50

employees), since most small-to-medium sized businesses would be more likely to consider hiring a smaller agency rather than one of the big shops with hundreds of employees.

If a client was going to compile a sample “creative team” of a creative director, web designer, copywriter and web developer, the average hourly billing rate for all four of these roles would be \$152 per hour at a typical small agency, and \$73 per hour by utilizing the Solvate Talent Network. Hiring talent directly via Solvate represents a total cost savings of approximately 52% off the standard hourly billing rates of a traditional agency.

## Conclusion

As clients look to cut costs and achieve better results, the old ad agency model of big markups and high hourly billing rates is likely to continue to struggle. At a time when the freelance workforce is growing at twice the rate of the regular workforce<sup>v</sup>, it is easier and more efficient than ever before for companies to find the talent they need without having to pay for the traditional cost structure of an agency.

Solvate’s new model of directly hiring creative professionals can deliver agency-caliber talent at half the price.

- **Agency-caliber talent:** According to Solvate’s survey of the talent network, our talent have years of experience in agencies, where they earned an average hourly salary of \$58 per hour (\$116,000 per year). These independent professionals are now charging approximately that same hourly rate to their Solvate clients – but without the big markups and overhead that go with the agency billing structure.
- **Half the price:** When compared with data from the AAAA’s most recent Labor Billing survey, the cost of Solvate talent compares quite favorably to their counterparts at agencies. Even though Solvate’ independent consultants and freelancers still charge a similar hourly rate to what they got paid during their agency days, the lack of overhead and lack of markups means that clients get a much better deal – a 52% cost savings according to our example.

Ad agencies still have a role to play in shaping the public conversation about the brands we follow and the products we buy. But for companies who are looking for a leaner, more efficient, more cost-effective way to get creative marketing work done, hiring direct may prove to be the smartest option for the new realities of today’s economy – or any economy – for years to come.

### How much can your company save by hiring direct?

To get a clearer understanding of how much your company can save by hiring talent direct, Solvate offers an Agency Rate Card Review. This free service shows companies how the hourly rates charged by their ad agency compare to the (often substantially lower) rates charged by individual consultants, freelancers, designers and developers who are part of the Solvate talent network.

By talking with a member of the Solvate team, you can find out exactly how much your company can save based on current agency billing rates – either from your own agency’s rate card, or by comparing rates with industry-standard billing rates published in the AAAA Labor Billing Rate survey.

Solvate offers a Software-as-a-Service online platform that connects companies with pre-screened, vetted, reliable independent creative professionals who deliver agency-caliber results at a 52% cost savings compared to standard agency billing rates.

You've seen the industry-wide data and Solvate survey results; now see how this new model of delivering creative work can save money for your company.

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<sup>i</sup> 2011 Solvate Talent Survey. Responses were culled from a survey of established independent professionals across the U.S. in the Solvate Talent Network.

<sup>ii</sup> AIGA Center for Practice Management, "Setting Rates for a Firm," published online at [http://cpm.aiga.org/setting\\_rates/firm\\_rates](http://cpm.aiga.org/setting_rates/firm_rates) [cited on September 12, 2011]

<sup>iii</sup> American Association of Advertising Agencies, "Labor Billing Rate Survey Report," published October 5, 2009, available for purchase online at [http://www.aaa.org/news/press/Pages/100509\\_LaborBillingReportRelease.aspx](http://www.aaa.org/news/press/Pages/100509_LaborBillingReportRelease.aspx) [cited on September 12, 2011]

<sup>iv</sup> Source: Hourly billing rates of the Solvate Talent Network, average of the top 40 listings for each role, as categorized in the Solvate search engine

<sup>v</sup> Mark Koba, "Freelance Nation: Slump Spurs Growth of Contract Workers," CNBC, April 3, 2009, published online at [http://www.cnbc.com/id/29996988/Freelance\\_Nation\\_Slump\\_Spurs\\_Growth\\_of\\_Contract\\_Workers](http://www.cnbc.com/id/29996988/Freelance_Nation_Slump_Spurs_Growth_of_Contract_Workers) [cited on September 12, 2011]