

EBOOK

An Agency's Guide To Measuring And Improving Billable Utilization



TABLE OF CONTENTS

Introduction: Why understanding billable utilization is vital for agency growth	3
Utilization rate targets & benchmarks: What are they, key differences, and how to use them	5
Tracking billable vs. non-billable time	7
Setting billable utilization rate benchmarks	8
Reaching billable vs. non-billable targets	10
A roadmap for achieving ideal billable vs. non-billable ratios	11
Maximizing billable utilization with Teamwork.com	12
About Teamwork.com	15

Introduction:

Why understanding billable utilization is vital for agency growth

In its simplest form, billable utilization is about understanding how much time your employees spend doing things that earn you revenue. It's one of the most critical pillars of agency profitability, yet it is often misinterpreted, misunderstood, or overlooked completely.

If you want a productive and profitable agency, you need to understand how and where your time is being spent, and how much of that time is contributing to your bottom line. Without this information, you'll be flying blind into key business decisions like resourcing, scoping work, and forecasting future revenue.

That's why we've taken a deep-dive into agency utilization trends and insights, gleaned from an independent survey with over 500 owners just like you.

In this guide, we'll walk you through the research findings and what they mean, including:

- **What is billable utilization and how to measure it**
- **Billable utilization benchmarks and targets – how do you stack up?**
- **Advice from agency owners on how to effectively track and measure billable utilization**
- **How Teamwork.com can help you achieve your goals in 2024**



RESEARCH AT A GLANCE

Who we surveyed	Key Results
512 agency leaders (founders, c-suite, directors, and other management roles)	Only 18% of agencies always reach the billable vs. non-billable targets they set internally
All agency types – including creative, web development, PR + more	Only 1 in 4 agencies reach the gold standard of 60% or higher average overall billable utilization rate
Agencies with fewer than 10 to over 500 employees	52% of agencies are struggling to hit billable utilization rate benchmarks over 50%
1 in 4 are owners/founders	
78% have 10+ employees	
68% have been in the business for 10+ years	



Billable utilization rate targets and benchmarks:

What are they, key differences, and how to use them



What does billable utilization rate mean?

Whether you're au fait with the term or not, it's worth taking a moment to refresh our minds about what a billable utilization rate is. There is a lot of conflicting information about the terminology in the industry, which can cause confusion about why and how to use it.

In essence, the billable utilization rate signifies the percentage of billable hours out of the total available hours. It's an essential measure of how efficient an agency's workforce is being utilized, and gives a clear picture of the time spent on revenue-generating tasks versus non-billable tasks.

To determine the utilization rate, simply divide the number of billable hours worked by the total available hours, and then multiply the result by 100 to get a percentage.

Billable Utilization Rate =

$(\text{Total Billable Hours} / \text{Total Available Hours}) \times 100$

For instance, if any employee works 30 billable hours out of a possible 40 in a week, their utilization rate would be 75%. To find out the billable utilization rate for the entire organization, multiply these figures by the number of client-facing staff members you have.

HOW DO YOU MEASURE SUCCESS?

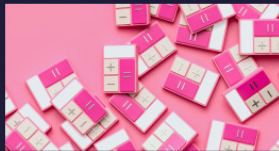
There are two key factors that will help you determine if your billable utilization rate is on the right track.

Setting internal targets

Getting staff to regularly and accurately fill out their timesheets (including all billable and non-billable hours) and setting expectations around how much of this time should be fee-generating is crucial for success. By setting an internal billable utilization rate target, such as 80% billable time for all staff, you will keep everyone on the right track and deliver profitable projects more consistently.

Measuring yourself against industry benchmarks

As well as setting internal targets, you can also measure your success against industry standard benchmarks for utilization. For agencies, it's generally recommended that you should shoot for 60% or higher average overall billable utilization.



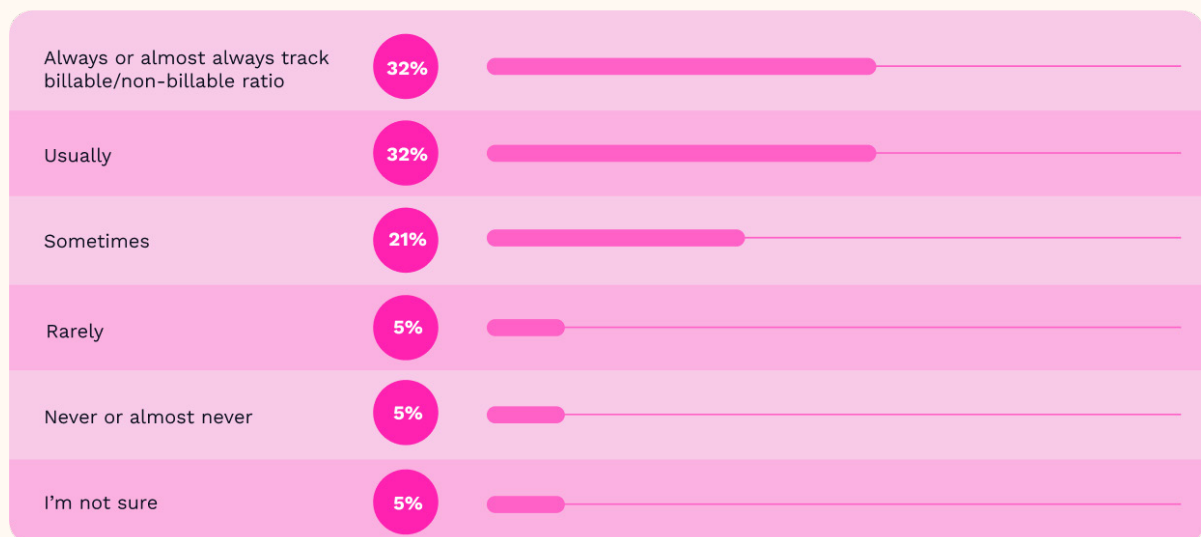
Try our free Utilization Rate Calculator

The ideal agency utilization rate is 60%. Do you know yours? Use our quick calculator to find out!

[Get your results](#)

Tracking billable vs. non-billable time

While not all agencies bill hourly, tracking billable vs. non-billable time is critical, even for agencies that price their services based on value rather than time. It ensures that agencies pay and assess team members accurately and appropriately based on billing expectations for their positions. Without this critical metric, it's difficult for agency leaders to quantify if an employee is earning their keep and to ensure the agency is meeting its profitability targets.



Gathering complete and accurate time-tracking data is always a challenge. You need to ensure the team doesn't see it as a punishment but rather a tool to help balance workloads and staffing needs.

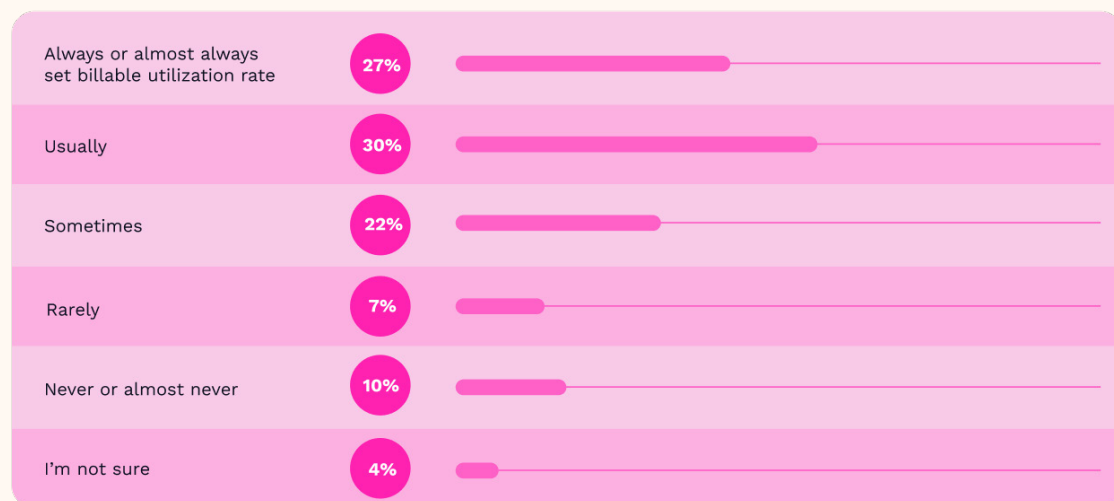
- Ali Lego, COO of COHN marketing



Setting billable utilization rate benchmarks

Setting billable utilization rate benchmarks

Over half of agencies always or usually set billable utilization rate benchmarks for roles on projects. Billable utilization is the percentage of an employee's total working hours spent on billable work, and is a key metric for agency leaders in determining if their staff costs are generating a return on investment and the reliability of their resourcing projections.



Your goal for billability is 75% of the total hours, and your goal for utilization is 60% of the total hours.

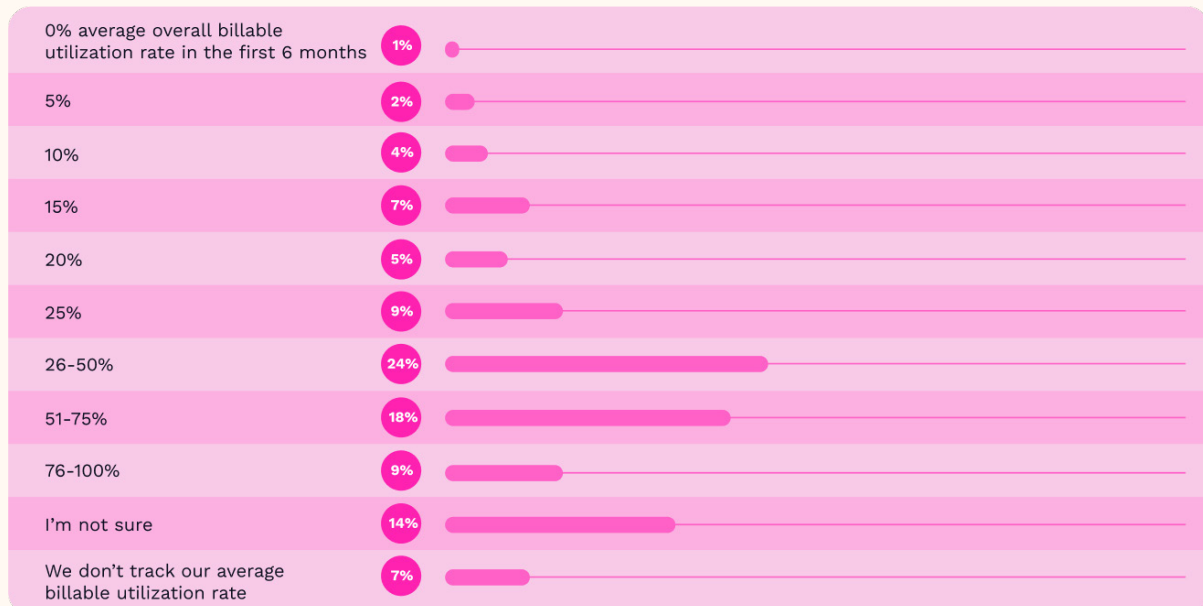
Why? Because not every billable hour will get charged to a client. There are several reasons for this but it often comes down to overservicing clients, inaccurate estimates, or inefficient work time.

- Drew McLellan, agency owner & CEO of Agency Management Institute

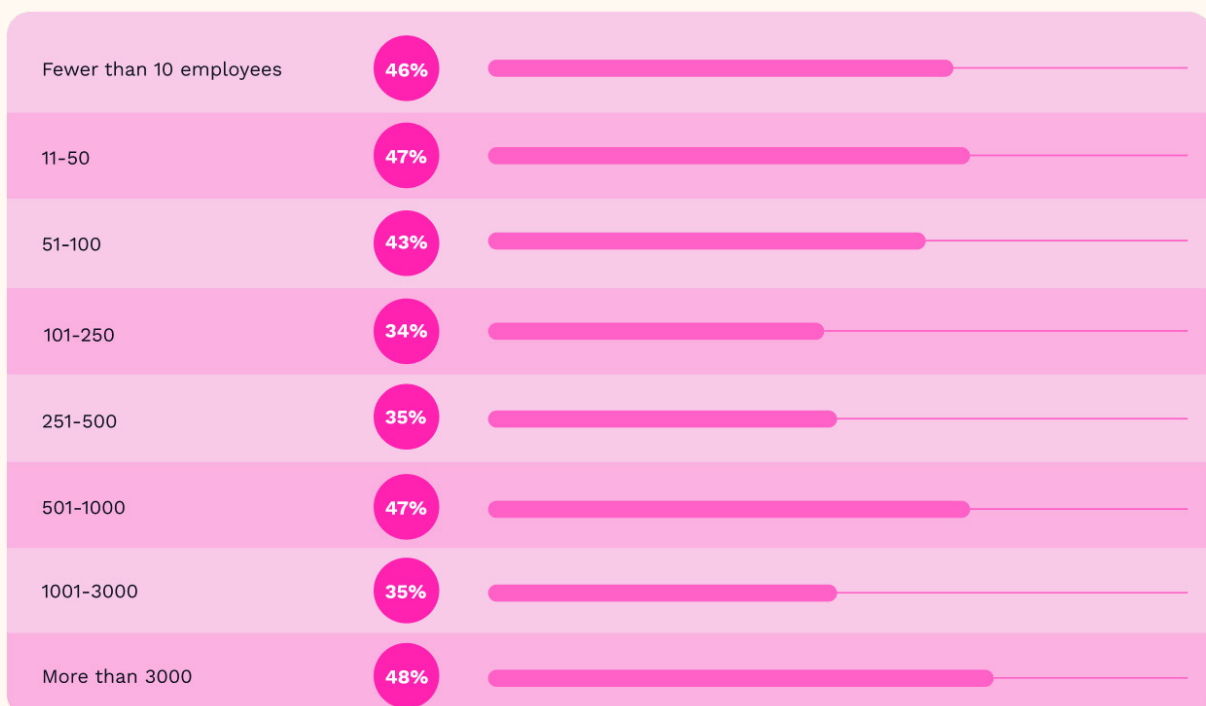


Reaching billable utilization rate benchmarks

In the first six months of 2023, only one in four agencies reached the gold standard of 60% or higher average overall billable utilization rate. Billable utilization rate benchmarks allow appropriate utilization evaluation by function and give team members clear expectations for their billable time.



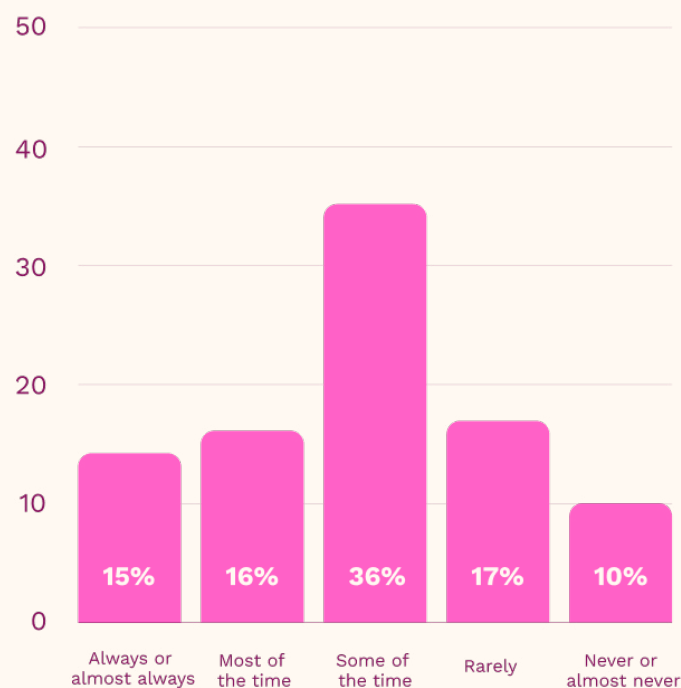
Average billable utilization rate by size



Reaching billable vs. non-billable targets

Setting internal targets

Only 18% of agencies always reach the billable vs. non-billable targets they set internally — meaning agency leaders aren't monitoring performance against them, or they're not addressing the issue with managers and team members.



Address a lack of team compliance with time-tracking by exposing them to the reports that are being generated and engage them in conversations that happen around it. Celebrate projects that went well, and be curious about ones that didn't. You'll immediately see your team connect the dots.

- Marcel Petitpas, Co-Founder & CEO of Parakeeto





A roadmap for achieving ideal billable vs. non-billable ratios

What agency leaders who participated in our research shared with us.

“We achieve a high ratio of billable vs. non-billable time by **recording and managing capacity and utilization clearly and frequently**.”

“**Super lean team.** Non-billable work usually shifts to just a few members of the team so the majority of our **FTEs are working through billable client work** as their number one priority.”

“Make sure projects are **scoped accurately and generously**. Push back on clients when they say prices are too high. Have clever and empathetic ops people.”

“We classify **all client-based work as billable**, regardless of whether or not we invoice it. Any other time (internal, PTO, etc.) is classified as non-billable.”

“Consistently achieving a high percentage of billable vs. non-billable time requires **streamlining processes**, prioritizing client work, delegating non-billable tasks, **leveraging technology**, and fostering a **billable-focused culture** within the agency.”

“We have 100% on timesheet completion by 10 a.m. the next business day. This allows for **accurate data input**. The team is also trained to **track their time on any project conversations as billable to that project**.”

“Check how long tasks take and where we can be more efficient, either by using **automations** or **optimizing the process**. **Expectancy and mindset training**; Susan, you have 10 hours to work on an article, no need to spend 15 to make it perfect.”

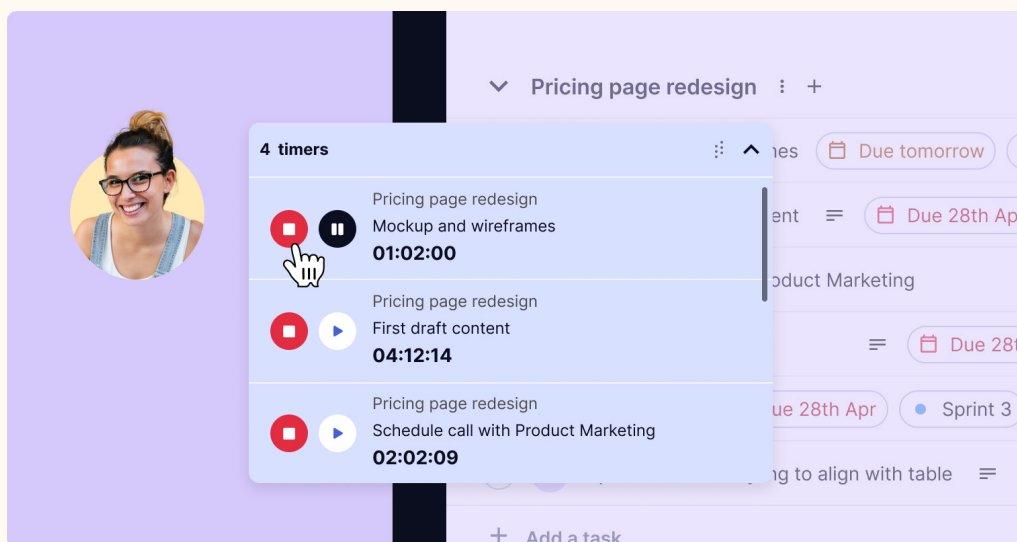
Maximizing billable utilization with Teamwork.com

Below are just some of the ways that Teamwork.com can help your agency to capture, track, and measure billable utilization accurately and efficiently.

Seamless time-tracking

With Teamwork.com's built-in time tracking, your teams will find it so intuitive to log time that you'll see compliance go through the roof. Whether you log time directly on a task, in your timesheet, or on the mobile app, there are many easy ways to document your time.

Personal timesheets allow users to log time in bulk and spot any gaps in their week. Assigned tasks will automatically appear here so nothing slips through the cracks. Prefer to log time as you work? Start and stop the timer in real time or just punch in the total time when the task is done. Time reminders will automatically be sent to those with gaps in their week, so you can stop the chase and ensure everyone has logged their time.

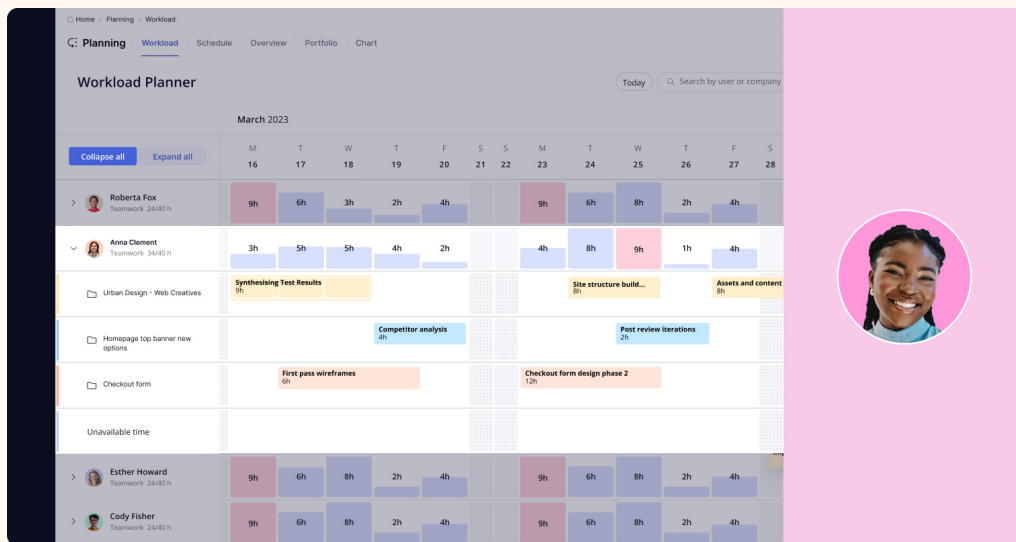


Better resource and capacity management

Teamwork.com's resource management tools allow you to manage your team effectively, from long-term forecasting to day-to-day capacity planning, and report on everything.

Our Workload Planner offers a complete picture of everyone's short term capacity at-a-glance, and enables you to easily reassign tasks, avoid bottlenecks and make sure no one is overworked or underutilized.

With our Resource Scheduler, forecast and plan resources for projects months, quarters, or even years in advance. Use it to map out where and when a user should be working, and for how long – offering greater visibility on what is required to deliver work profitably (and when you may need to hire more people or sell more work).



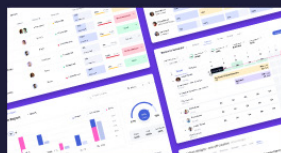
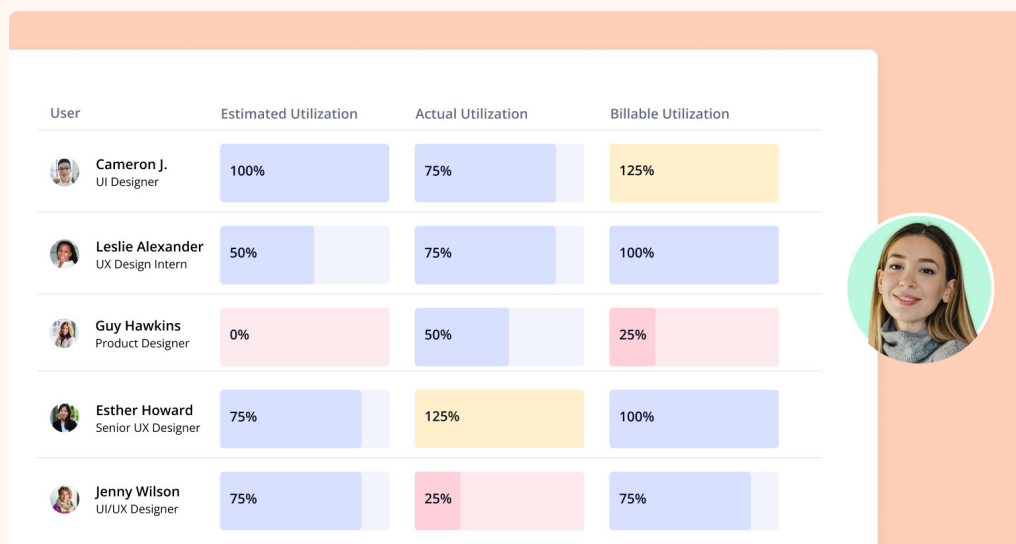
Advanced reporting

With Teamwork.com's Utilization Report, easily check how your team's time is being distributed. Reports automatically include a users' estimated, actual, billable, and non-billable utilization so you'll always know if someone is overworked or underused.

The Time Report allows you to quickly see the split of your logged billable, non-billable, and billed time to help you achieve your ideal billable time targets.

Need a real-time view of your financial performance for each project and by client? Use our Profitability Report for exactly this, and easily track against your budget.

You can also build custom reports for any occasion. Rearrange your data based on project, user, task, or milestone for a tailor-made report.



Want to learn more? Dive into every feature to see what you could achieve

[Explore Teamwork.com](#)



About Teamwork.com

Teamwork is the only platform with best-in-class client operations and powerful project management in one place. We work with over 20,000 businesses – including 6,000 agencies – to help them drive business efficiency, grow profits, and scale confidently.

[Visit us](#)