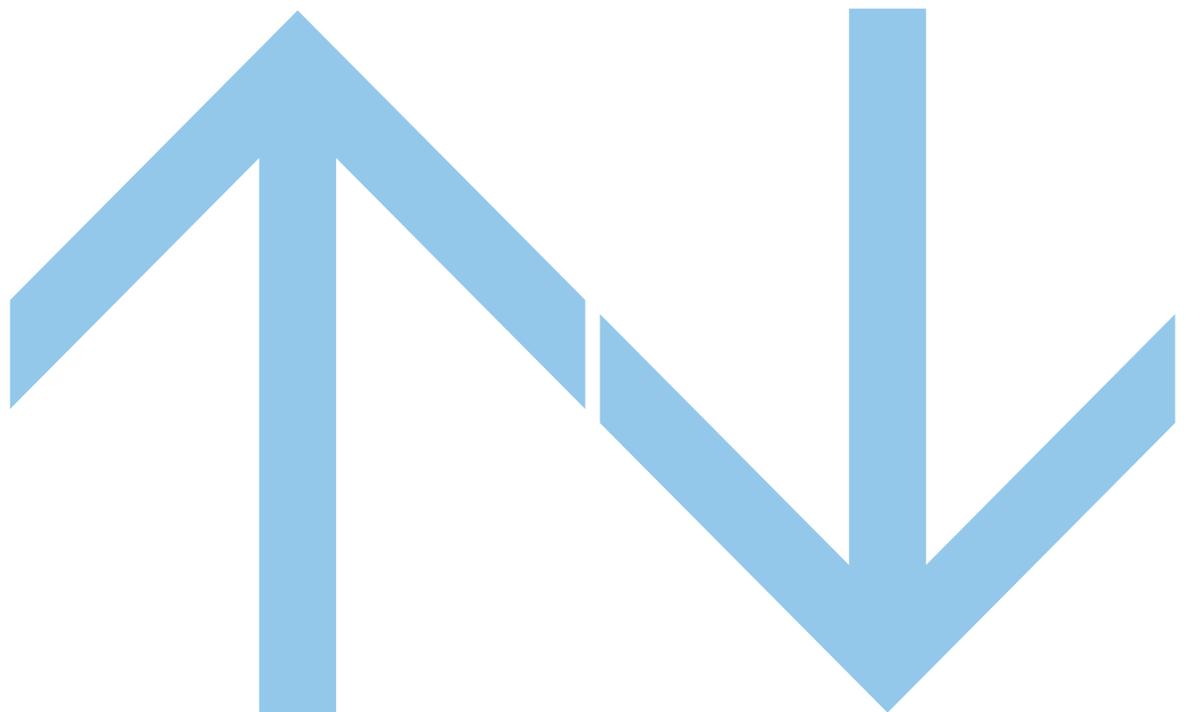

RIBA Business Benchmarking
2012/13 Executive summary

Prepared on behalf of the RIBA by Colander



Executive summary

Setting the scene

- This year, for the first time, it has been mandatory for all RIBA Chartered Practices to take part in this survey. This means that this is the first year in which we can say the results truly reflect architectural practice across the UK.
- Data has been analysed by RIBA Region and Nations in five size categories: Micro: «5; Small: 5 to «10; Small-medium: 10 to «20; Large-medium: 20 to «50; Large: »50.
- The information in this survey draws on data to the end of 2012.
- The mandatory rule has enabled us to apply weightings to our data analysis, which means that many of the figures reported are not comparable with the figures in last year's report. This is a one-off change and figures will be comparable in future years.
- 31% of practices in the UK have no salaried employees, only equity Partners and Directors, more than half have fewer than five people; only 10% have a headcount greater than 20; 3% have more than 50.
- London is home to 45% of Large practices.

Turnover and profitability

- Practices in this survey have a combined income of £1.58bn of which, almost half is earned by the Large practices.
- Over 60% of practices meet the Colander Benchmark, achieving 15% profit as a percentage of turnover. However, almost 60% of the Large practices fail to meet this benchmark.
- On average profit to turnover is around 22%. This percentage falls the larger the practice; almost 40% of Large practices make less than 10% profit.
- Large practices achieve almost twice the turnover per fee earner of Micro practices: £101k compared to £53k. London and Yorkshire are the only Regions to top an average of £75k; the lowest figures are achieved in Wessex.
- Across the survey, practices average £17.3k profit per fee earner. This rises from £14.4k for Micro practices to £17.1k for Large.

Expenses

- The average percentage of expenses spent on salaries is just over 67%, below the Colander Benchmark of 70%. Small and Small-medium practices average the highest percentage, just short of 72%. Practices in London and Scotland fall below 65%.
- Premises costs account for 28% of expenses (excluding salaries). Worryingly this rises to almost 40% for Small practices. Average premises costs per head are £4.9k and are highest in London: £6.2k. Practices in South average less than £3k.
- IT, telecoms and equipment account for 12% of expenses (excluding salaries), averaging £2.5k per head. In addition, dedicated IT staff account for 2% of the salary bill across the profession.
- Marketing costs account for 5% of expenses (excluding salaries), there is little fluctuation by practice size. In addition, dedicated marketing staff account for 1% of the salary bill across the profession.
- Dedicated accounting staff account for 2% of the overall salary bill.

Business management

- 62% of practices do not have a business plan and, of those that do, only 13% plan beyond one year.
- 40% of practices do not set annual targets for income or expenditure. 14% of practices do not forecast cash flow.
- 82% of practices have a documented Quality Management System.
- Large-medium practices use charge-out rates for their staff that are lower than those used by Small practices. Otherwise, the larger the practice, the higher the charge-out rates, across all levels of seniority. London practices average the highest charge-out rates.
- Despite the large percentage of very Small practices in this survey, only 20% of the profession operates as Sole Practitioners. 61% of practices are Limited Companies. Almost a quarter of Large-medium practices are Limited Liability Partnerships.

More than half the practices have fewer than five people



People

- Large practices, which represent 3% of practices, account for 40% of the 23,500 people in this survey.
- 17% of people in architectural practices are equity holders; for Micro practices the percentage is 58% compared to only 5% in Large practices.
- Technologists make up 10% of the workforce, a percentage that rises to 24% in Wales.
- Practices in London average the highest percentage of students.
- Freelance staff add the equivalent of 6% to the overall pool of fee earners. The Micro and Small practices make the most use of freelance staff.
- 14% of people are non-fee earners. This is well below the Colander Benchmark of non-fee earning staff being 20% of the workforce.
- More than a fifth of practices do not have job descriptions for all their fee earners.
- 76% of practices have a formal CPD strategy; 44% offer a graduate support programme.
- 30% of the workforce is female: 76% of non-fee earners but only a quarter of fee earners are women.
- The percentage of women falls by seniority: 40% of Architectural Assistants but only 12% of equity Partners or shareholder Directors.
- At all levels of seniority, the larger the practice the larger the average salary. Those working in London average the highest salaries.
- The average salary for employee architects is £39,697; this rises to £42,651 in London.

- On average, equity Partners and shareholder Directors take home a salary of £49,630, topped up with add-ons that average £6,566.
- On average, the salaries achieved by Partners or Directors increases by practice size: in Micro practices, their average salary is just over a quarter of the equivalent salary in Large practices.
- 54% of Partners or Directors in Large practices receive a salary of £100k or more.
- Non-fee earners salaries in Micro practices are 45% of those enjoyed by their counterparts in Large practices.

Marketing and new business development

- Only 16% of practices meet the Colander Benchmark of spending 1.5% to 2.5% of turnover on marketing. Unsurprisingly, with such a low spend, there is no correlation between marketing expenditure and profit, or between marketing expenditure and success at winning projects.
- Average marketing spend per fee earner is £1,060.
- 60% of practices undertake speculative design work.
- 50% of the profession's work is won as the result of a direct approach with no competitive process; 21% is won through straight fee bids.
- 75% of practices meet the Colander Benchmark of winning 50% of the work that they chase. However, there remains no correlation between success at winning work and profitability.
- 43% of all new projects comes from existing clients.
- 20% of income comes from projects outside the UK. This leaps to 36% for Large practices and 33% for London practices.

Client relations

- On average, practices worked on 42 projects, for 26 different clients in the reporting year.
- 96% of practices offer a full architectural service. 87% offer design services to Planning only, while only 42% offer a stand-alone production information service.
- Private corporate clients account for 42% of the profession's fees. A further 20% comes from the public sector; 19% from contractor clients and 13% from domestic clients.
- Domestic clients favour the smaller practices; all other client types favour larger practices.
- On average practices work in 5.5 different sectors.
- More than three-quarters of practices fail to meet the Colander Benchmark that no more than 40% of turnover should come from a single client sector; 17% of Micro practices work in only one sector.
- One-off houses account for 9% of the profession's fees. The residential market accounts for 25%; education for 15%. Mixed use (13%) and offices (11%) are the only other sectors to contribute more than 10%.
- 37% of projects are new build; 9% are conservation. Only 6% of projects are categorised as 'other project types' – for example consultancy or advisory projects.

60% of the headcount work in practices with more than 20 people

As they grow, practices need to change both their client base and their working methodologies



Conclusions

- Because of the mandatory rule, the dataset for this year's survey is representative of the profession.
- Regional diversity is clear; the south-eastern corner of the country is home to more than half the practices in the UK and 45% of Large practices are in the capital.
- Most practices are tiny, locally based and serving the residential market. However, most architects work in Large-medium and Large, national and international practices. Both business models are representative of the architectural profession and yet each could not be more different from the other.
- It's difficult for practices to grow because, to do so, they need to change both their client base and their business model. If growth is on the agenda then simply being a great designer, or a good project runner, is unlikely to be enough.
- To make the most of its position in this diverse market place, each practice must identify a clear proposition to its target audiences with client-focused leadership and efficient business management – as well as great design.



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