Benchmark My Practice & Profit Improvement Strategies

12th August 2021

1pm

Charnwood for Solicitors

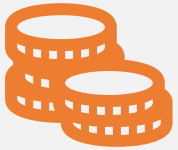
Intro to Charnwood Accountants

- Formed in 2004
- Act for around 40 solicitor businesses
- Paula Wheatley

MISSION FOR THIS SESSION

To ensure that every attendee leaves and puts into practise at least 1 tip from this webinar.

Overall target for partners – Industry Averages



Super profit per partner £66,000

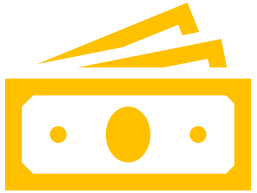
Above takes account a notional salary of £85,000

Therefore your profit share should be at least £151,000 per annum

Practical ideas on how to improve partner profits generated by your firm – 3 main concepts

Staff efficiency

Increase income



Reduce overheads

Staff efficiency – Industry Averages

Fee earner salaries as % of income

28.4%

Average fee earner salary

£40,000

Support staff salaries as % of income

18%

Average support staff salary

£23,000

Do you record fee earner time?

Amazing how many firms don't time record, essential in any professional practice:

- To know which staff members are delivering the fee income.
- To understand if making a profit on fixed fee arrangements, e.g. conveyancing.
- To support inefficient staff, or assist with performance management.
- To show which spend too much time on Facebook. Nowhere to hide.
- Start by developing a fee earner time matrix…

Fee earner time matrix

Fee earner	Hours per annum	Expected Chargeability	Chargable Hours	Chargeout Rate	Expected Chargeable time
AB	1782.5	60%	1069.5	£ 250.00	£ 267,375.00
AC	1782.5	60%	1069.5	£ 250.00	£ 267,375.00
AD	1380.0	85%	1173.0	£ 150.00	£ 175,950.00
AE	1104.0	85%	938.4	£ 150.00	£ 140,760.00
AF	1782.5	85%	1515.1	£ 150.00	£ 227,268.75
AG	1782.5	85%	1515.1	£ 150.00	£ 227,268.75
AH	1782.5	85%	1515.1	£ 150.00	£ 227,268.75
AI	1357.0	85%	1153.5	£ 150.00	£ 173,017.50
			Expected annual turnover		£ 1,706,283.75
				Actual turnover	£ 1,500,000.00
			Excess / (Shortfall)		-£ 206,283.75

Fee earner time matrix – Reasons for a shortfall

Un-realistic charge out rates.

- Staff cannot deliver the work in the budgeted hours so overrun.
  - Particularly relevant to fixed fee work.

Client relationships and disputes.

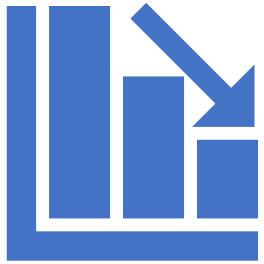
- Going over budget and not setting the client expectations in advance, leading to fee disputes.

Staff not chargeable enough.

- Have to consider other duties, e.g. marketing, practise development, staff management etc.
- Without recording non-chargeable time, staff are not accountable to what they are doing.

Non salary overheads as a % of fee income 30.6%

Overheads – Industry Average



Overhead management

PI insurance usually biggest single overhead.

- Consider using a broker to review policies.
- Consider taking an 18 months policy to fix longer term rates.

Business rates.

- Have you considered your rating, use of an agent to challenge, Charnwood recently had a 21% reduction and £10k refund after challenging.

Leases.

- Many firms take on long equipment leases which carry a significant premium over purchase and loan.

Utilisation of technology.

- Many firms still have too high reliance on traditional paper and post.

Utilities.

- Ensure in a fixed contract, use a broker to take away the headache.

Expensive financing.

- Many firms not carrying enough working capital so using expensive short-term finance for VAT, PI and practising certificates.

Overhead management – good practice

Significant increase in fraud.

- At least 4 clients with combined losses in excess of £100k.
- Who authorises invoices, are these email or physical?
  - As well as fraud can lead to savings such as printing costs
- Who sets up new payees on the bank, are details checked verbally?

Purchase authorisation.

- Who can buy for the business?
- Does the business have budgets for discretionary spend, e.g. marketing, entertaining etc.?

Financial monitoring.

- Do the management accounts provide enough information?
- Are annual accounts compared to last 4 years to show long term fluctuations?

Income

The 4 factors that make up your income generation

Number of leads

X

Conversation rate

X

Number of transactions

X

Average sale price

=

Fee income

4 factors – Subtle changes

	Base line	Example 1	Example 2
Number of leads	1000	1000	1000
	x	x	x
Conversion rate	50%	50%	53%
Number of customers	**500**	**500**	**525**
	x		
Number of transations	1	1.05	1.05
	x		
Average sale	£ 2,500.00	£ 2,500.00	£ 2,625.00
Revenues	**£ 1,250,000.00**	**£ 1,312,500.00**	**£ 1,447,031.25**
Impact on income		£ 62,500.00	£ 197,031.25
% Impact		5.00%	15.76%

4 Factors – Ideas to improve

Number of leads

Networking events

Host own Seminars

Direct Approach

Referral partnerships

Hospital advertising

Commission agreements

Leaflet drops

Offers

Social Media Advertising

Google Adwords

CSR in the local area

Diversify to new areas of work

Number of transactions

Better service – makes customers come back

Under promise/over deliver

Keep in regular contact

Newsletter to keep in contact

Discounts for 2nd purchase i.e. with conveyance

Targeted promotional gifts for A grade clients

Wine and dine with regular customers

Train your team to understand all the services you offer

Conversion rate

Team selling incentives

Active follow up procedures

Written guarantees

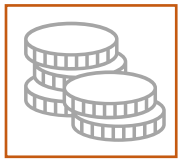
Hand delivery of large proposals

Pleasant greeting at all touch points

Wine and dine

Office environment and welcome

Allow prepayment for a discount



Average price per sale

Increase prices!

Upsell

Avoid low profit work

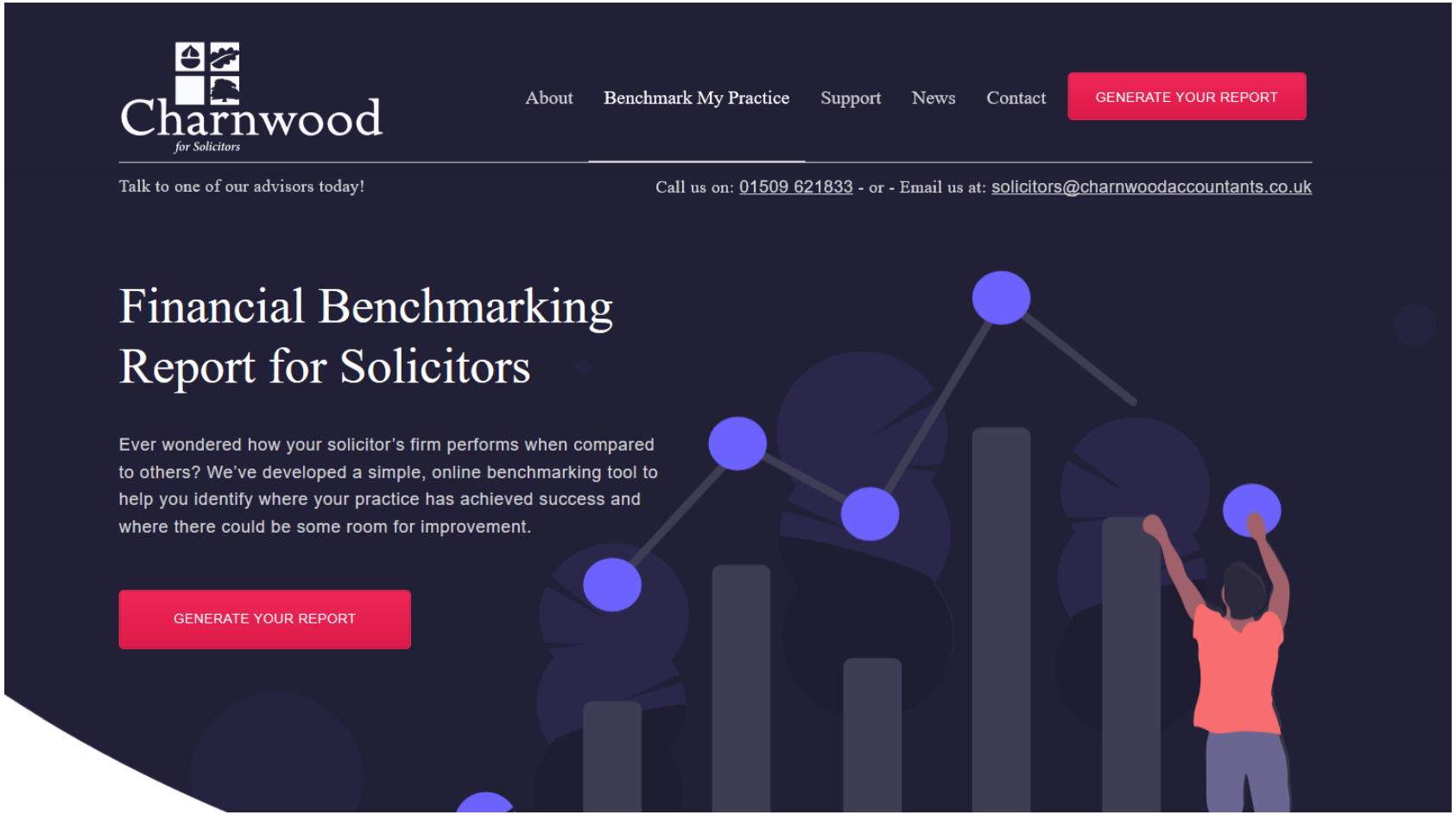
Stop working with D grade clients

Interim bills

Prepaid plans for estate work

Undertake new types of work

Benchmarking



Benchmarking page example

3 Employed fee earner salaries as a percentage of fee income and average salary cost per fee earner

Employed fee earner salaries shown as a percentage of fee income tells you how much of your fee income is being spent on the salaries that directly relate to the income being generated.

We have used this calculation in conjunction with the average fee earner salary for your practice.

Charnwood Accountants's employed fee earner costs as a percentage of fee income is **20.12%**. This is **29.15%** better than the industry average of **28.4%**.

Charnwood Accountants's average salary cost per fee earner is **£26,630**. This is **33.42%** better than the industry average of **£40,000**.

Overview

We have calculated that your result is more than 10% better than the industry average. Put simply, this means that the income being generated by fee earners, compared to the cost of their employment, is less than other practices.

Should you wish to look at this result in more detail, then you could review the following:

- Are any fee earners being paid more than the industry average? If yes, are they also generating a higher than average fee income? If this isn't the case, then you may need to consider whether you are offering too high a salary at the commencement of employment, or if the employee has previously generated a good level of fee income but isn't any longer. Perhaps they need assistance with their workload, or maybe they have become demotivated?

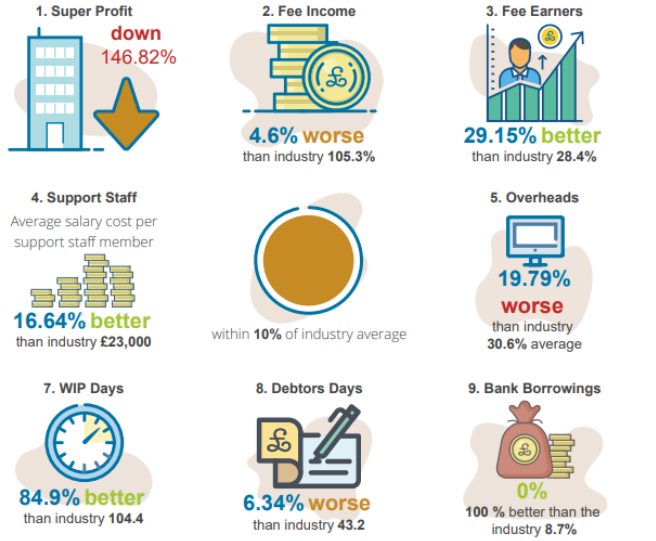
9 Conclusion

Overall, this report shows that you are running a profitable business, well within industry averages, but at least one area of your practice may require improvement.

To improve your results, it is worth considering every outcome in this report. Where any of these outcomes show that you are not achieving the industry averages, then you may need to develop a suitable strategy. Every suggestion we have made can be used in isolation, or as a starting point to enable you to develop a detailed analysis of your fee income and associated costs.

We hope this report has provided you with some simple yet effective tools to help you improve at least one area of your practice.

If you would like a free, no obligation meeting with us to discuss this report, or any other services that we offer, then please give us a call on **01509 277478**.



Any questions?

The shameless part

- We’re looking to grow our solicitors department and would love to work with more solicitors.
- We think we’re very good at it but don’t take our word for it.

One off offer for attendees:

A free 2 hour meeting to assist with the completion of the benchmarking report, results analysis and target setting session with one of our solicitor specialists.

And finally……

- We also work with solicitors as their 3rd party tax specialist on work such as:
  - CGT reports in divorce and estate cases.
  - 30 day CGT reporting on conveyancing transactions.
  - Business valuations for disputes and as expert witness.
  - Retainer service for ongoing tax advice for your teams.
  - Assistance with tax planning for corporate transactions.
  - Assistance with tax planning in complex trust matters.

Thank you all for taking the time to listen today

Slides will be sent around

paulaw@charnwoodaccountants.co.uk

01509 277478

https://charnwoodforsolicitors.co.uk/

Thank you for listening

Charnwood
for Solicitors