

Calculating Project Costs

PROJECT COSTS – are the basis by which you can make a financial living from your creative practice.

This works on the basis of setting costs which are market competitive, reflective of the work completed (quality + volume) and viable in that it provides you with

- a level of income which covers your overheads
- generates a surplus for investment into your enterprise.
- pays you a monthly salary

Aim:

To calculate the project costs of a project you have already completed
To develop a personal appreciation of the value/cost balance of your creative practice
Establish an awareness of the 'going rates' of payment in the design industry
Develop your judgement of how many hours design practice requires.
Develop your facility for preparing quotes for future design work

Objective:

- Identify the hours of work completed in undertaking and conclusion of a given project
- Identify the additional costs incurred in completing a project.
- Calculate the project costs in terms of the 4 typical project costs.
- Calculate the total fees for a given project
- Prepare a 'project fee quotation' letter

Methodology

Projects Fees are made up of key areas of expenditure, namely -

Design costs - Cost of your time -

Other costs - Disbursements & rechargeables - the cost you incur as a matter of completing & delivering the project to the client

You are to retrospectively calculate the **Project Fee** for the project you have most recently completed.

Based on this previously completed project, you are to calculate the full project costs and prepare this as though you were 'bidding' to win the project which has been 'offered out for tender' by a new client.

Stage the project costs in terms of 4 key project stages

- Project Inquiry + Interpretation
- Concept Generation / Ideation
- Design Proposal
- Proposal Specification

Design Fee Costs - You shall need to identify the time (hours) you have committed to each of these stages. Then based on the '**going daily rate**' calculate the design fee for each project stage.

Divide the daily rate by 8 hours (the number of hours you would typically work in 1 day) – this gives you an hourly rate.

Multiple the numbers of hours of work committed to for each project stage by this hourly rate.

This shall give you the total design fee for that stage.

Worked example:

£200.00 'Going Daily Rate' – divided by 8hrs = £25.00 hourly rate

*Say you committed 15 hours for **project stage 1** (Project Inquiry + Interpretation)*

*15 hours x £25.00 hourly rate = £375.00 design fees for **project stage 1***

But of course you incur **other costs** in the completion of any of the four project stages. So you shall need to calculate these additional costs and add them into the total of each project stage.

Other Costs – You need to identify other costs which you have incurred at each project stage and include these in your calculation.

Rechargeables

It is important that the prospective client understands in advance that these rechargeables will be billed separately from, and in addition to, the fees quoted. The client will probably want a fixed quotation for rechargeables before giving the go ahead for the project, and the designer should include a prudent contingency in this price. If it is not possible to calculate and quote a price, agree with the client what items will be invoiced as rechargeables, and try to provide likely maximum and minimum figures as guidelines.

Disbursements

Expenses which are incurred specifically on a client's behalf, such as project travel and subsistence should be treated in the same way as rechargeables, and billed to the client with whatever mark-up the consultancy applies. Items to be classed as disbursements should be agreed with me client before the start of the project, and the quotation should include an estimate for these.

4 stages of Structured Costs

Once again, structure these additional costs in terms of each of the four project stages

By combining & totalling the **design fee costs** and **other costs** for each project stage, you shall be able to provide a structured + detailed fee quotation for each project stage and an overall fee quote for the complete Project Fee

In the future you shall need to complete this exercise in advance of actually of doing the project - *as an estimate*. The accuracy of these estimates is crucial if you are to get paid for all the work you shall need to do in order to successfully the project.

Estimates are notoriously difficult to get right.

So by preparing retrospective quotes you fully practice the process of calculating hours and costs. But also you reflect more fully on how long you personally take to complete the necessary design practices. This shall develop e your judgement when it comes to preparing Design Fee quotation.

Design Fees Quotation Letter

Draft a letter to 'the client' which outlines your Design Fees Quotation for the undertaking, completion and delivery of the project. It should also outline the 'general terms of business' for the duration of the project.

Ensure you apply your personal branding identity to the letter.

See related study notes which shall extend your understanding of this topic

Calculation of daily charge rate

Based on the Design Week 2012 Annual Salary Survey, the standard day rate for the 'freelance design' sector is £200.00 per day

Design practice to date has involved 3 full-time internships (total of 18 months company based experience) and an additional 5 live projects which have been completed during undergraduate study.

The design practice completed for these professionally based projects has been well received.

This is evidenced by the fact that 3 of the companies involved have made written commitment to use **Inovatio Design Services™** as their preferred freelance supplier.

Furthermore, 2 of the internship projects have progressed to production stage and the Thesis Project from my graduate year is the subject of a Patent application and has been also Design Registered with www.IPO.gov.uk It has also been exhibited at the NEW DESIGNERS SHOW 2014

The **Inovatio Design Services™** brand is a protected trademark, with the OHIM - Office for Harmonisation in the Internal Market –EU.

This professionally referenced evidence is presented as advocacy of the competitiveness of the practices, services and quality of the design practice which **Inovatio Design Services™** offers.

It therefore is considered viable that **Inovatio Design Services™** can successfully operate on a daily charge rate of £200.00 per day is a viable proposition.

The average working day is expected to be 8 hours per day. This gives an hourly project charge of £25.00 per hour

Justin Corkin

29 July 2014

Project Quotation

Based on a daily rate of £200 per day, working an 8 hour day - £25.00 charge per hour

project: **Nike Retail POS–Extreme Lite TM**

project phase	hrs	charge
Project Inquiry + Interpretation	15hrs	£375.00
Concept Generation / Ideation	14 hrs	£350.00
Design Proposal	22 hrs	£550.00
Proposal Specification	10 hrs	£250.00
Design Fee	<i>sub-total</i>	£1525.00

rechargeables

Modelling + Prototyping Materials		£325.00
Printing + Presentation Materials		£125.00
	<i>sub-total</i>	£450.00

disbursements

Visit to ITC Trade Fair - 3 days		£600.00
Travel to ITC – costs have been reimbursed		nil
4 client meetings – time + travel @ £125.00		£600.00
	<i>sub-total</i>	£1200.00

TOTAL **£3175.00**

Annual Income Forecast 2014-2015

Annual 365 days

days per year	non-business days	
102	Personal time - flexible	2 days per week
52	Part Time Job - flexible hours	1 day per week
	<i>business days – average allocation</i>	
91	Studio Practice + Client Interfacing	
24	Networking + Promotion	2 days per month
24	Marketing + Sourcing Work	2 days per month
24	Business Administration	2 days per month
24	Client Support	2 days per month
24	Business Development + CPD	2 days per month
211	Business Workdays <i>- of which 150 are forecast to be chargeable</i>	
<p><i>150 days with an average of 15 days per project sets the need to secure 10 paying projects per annum</i></p> <p><i>based on 150 chargeable days at £200.00 per days forecasts an annual income at</i></p> <p>£30,000 per annum</p>		