

# A guide to running a business in the **Graphic Design** sector.

The Creative Industries Innovation Centre (CIIC) supports the business of creative enterprise. The CIIC is part of the Australian Government's Enterprise Connect program, and is supported by the University of Technology, Sydney.

This Forensic Report summarises the insights drawn from our interactions with this sector. Overall, the CIIC has worked with more than 800 creative enterprises (2009-12).

## Talking point

### What can graphic design studios do to combat the rise in competition from freelance designers, digital and advertising agencies?

As experts in branding, many graphic design studios have a surprisingly poor branding strategy. Others lack a proactive sales approach. Both traits are hazardous in a market that is growing increasingly crowded.

Many small and mid-sized studios are struggling to compete with large digital and creative agencies offering 'holistic' solutions. Freelance designers and crowdsourcing websites such as [www.ggdesigns.com.au](http://www.ggdesigns.com.au) are also encroaching on their territory, leveraging lower overheads to offer discounted rates.

As this CIIC Forensic Report reveals, many graphic design business owners identify as creative rather than business leaders, and lack core financial and strategic expertise. This can manifest as poor cash flow and workflow management, profit erosion, sporadic sales and low staff morale.

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### Graphic Design

**\$1.1m**

Annual turnover

**7%**

Profit before interest & tax

**10**

Employees

**12**

Years in business

A typical CIIC client in the graphic design sector has an annual turnover of \$1.1 million, with profit before interest & tax of 7%. It employs 10 people, and has been in operation for 12 years.

## Pressure points

### Challenges specifically impacting the graphic design sector:



**\$4.3bn**

Revenue 2011-2012

The Australian graphic design sector generated \$4.3 billion in revenue in 2011-12 and is highly dependent upon the advertising and marketing sector. IBIS World predicts steady growth of around 3.4% p.a. for the next five years to \$5.15bn in revenue

### Rising competition

Freelance designers, crowdsourcing websites such as [ggdesigns.com.au](http://ggdesigns.com.au), and digital/advertising agencies are winning work that traditionally fell to graphic design studios. Along with in-house design and retracting market demand, this exposes studios to price competition.

### Lack of strategic management

Business principals oversee 'creative' aspects of the business, often to the detriment of strategic management.

### Financial mismanagement

Poor financial records and management systems, namely in quoting and job tracking, result in profitless jobs, burgeoning and costly debt.

### Branding & strategic marketing

Many graphic design firms have a surprisingly poor branding strategy and lack a proactive sales approach.

### Scale v Niche

Many studios prefer to remain small. They often struggle to compete with big agencies that provide vertically integrated services from branding strategy to design.

### Human resources

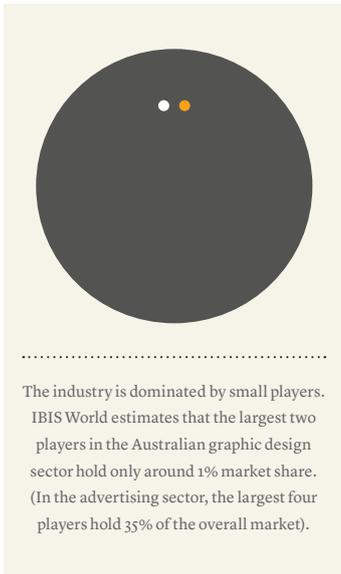
Poor internal communications; poorly managed staff; lack of career progression; and a lack of skills development are common challenges.

### Technology pressures

Constant equipment upgrades present cost management and training issues.

## Steps towards sustainable growth

The CIIC has identified the following steps to help graphic design businesses exploit market opportunities and achieve sustainable growth:



### Step 1 Devise a business strategy

Take a step back from the day-to-day running of the business to allocate time and resources to longer-term thinking. Free up time for longer-term strategic thinking by implementing efficient internal systems and processes; from weekly WIP meetings to customer relationship management (CRM) systems. Efficiency can also be improved by training employees to understand the commercial value of graphic design services.

### Step 2 Improve sales & business development

Consider developing a dedicated business development manager role. When devising a marketing plan, consider how your business and brand are positioned and identify unique selling points.

### Step 3 Scale up

Grow revenue by cross- and up-selling. Broaden your studio's offering to include a full suite of design services from creative design, to art production and re-touching. Developing strategic partnerships with other companies such as web developers, SEO or digital agencies is a low-cost means of adding de facto scale and breadth.

### Step 4 Develop product revenues

Harness the value of designs and processes to generate intellectual property (IP) based revenue streams, such as web or blog templates, products to tailor social media presences or e-commerce sites. With an increasing number of free products available on the web, research IP-development carefully or seek advice before you leap.

### Step 5 Think niche

Premiums can be charged for expert skills and experience. Within your service offering consider developing specialist skills in a niche such as branding for specific sectors; environmental graphics; digital/interactive design; e-commerce; infographic design; or in aspects of the design process, such as print management or web development.

## Summary

With increased competition from freelance designers, creative and digital agencies, Australian graphic design firms must find ways of generating more business. Opportunities include tapping into lucrative niches; especially those that arise from new technologies, monetising IP, or providing a full suite of design services to better compete with large agencies.

Culturally, graphic design businesses would be wise to address weaknesses in practical business skills. Success depends on having formal management processes in place, combining creativity with strategic thinking.

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