

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 Entrepreneurs' Infrastructure Programme, 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 1,500 creative enterprises (2009-2014).

Talking point

Can graphic designers deliver the commercial value that clients demand?

Graphic designers often complain that, "Clients aren't willing to pay for good graphic design".

But this complaint misses the point. Clients aren't interested in "good graphic design" – they want solutions to problems that will make them more profitable. There is a fundamental mismatch in how designers position their services, versus the commercial value the market demands.

This mismatch is exacerbated by the fact that graphic designers are now competing against any form of communication that drives awareness of brands, from an advertisement in the Yellow Pages to social media and PR.

Studios are also competing against digital and creative agencies offering 'holistic' solutions; freelance designers and crowdsourcing websites; and even DIY web tools.

To stand out in a crowded market, graphic design studios should better utilise their branding expertise to take a more proactive sales approach.

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.



\$4.5 billion

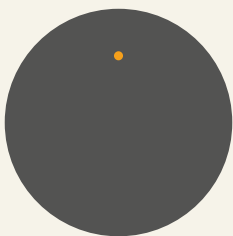
Revenue 2013-2014

The Australian graphic design sector generated \$4.5 billion in revenue in 2013-14 and is highly dependent upon the advertising and marketing sector. IBIS World predicts steady growth of around 3.7% p.a. for the next five years.

IBISWorld

Pressure points

Challenges specifically impacting the graphic design sector:



The industry has a low level of market share concentration, with the largest operator earning an estimated 0.6% of industry revenue. Average revenue per establishment is expected to reach \$270,000 in 2013-14.

\$270,000

Average revenue per establishment 2013-2014

IBISWorld

Rising competition & falling demand

Freelance designers, in-house designers, crowdsourcing websites and digital/advertising agencies are winning work that traditionally fell to graphic design studios.

Design for design's sake

Few clients care about beautiful design – they simply want to grow their brands and revenue. Yet most designers struggle to communicate the commercial value of their work.

Lack of strategic management

Business principals oversee 'creative' aspects of the business, often to the detriment of strategic management. Balancing creative and commercial skillsets is imperative.

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 designers position themselves as "communications specialists". If everybody is saying the same thing, it's not that special – a differentiated value proposition, and a robust sales & marketing plan, are essential.

Scale vs. Niche

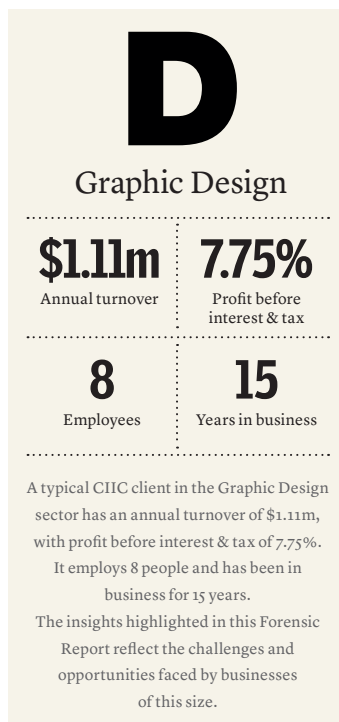
Many studios prefer to remain small, yet struggle to compete with big agencies that provide vertically integrated services from branding strategy to design.

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:



Summary

This Forensic Report reflects the CIIC's work with over 1,500 creative enterprises in Australia. To register for a free Biztro session or an Entrepreneurs' Infrastructure Programme Business Evaluation, visit www.creativeinnovation.net.au

Step 1 Devise a business plan

Take a step back from the day-to-day running of the business to allocate time and resources to longer-term thinking. Designers have an advantage over other business people in this regard because they tell business stories through design. Business planning is merely about telling the story of a business in words, numbers and pictures.

Step 2 Determine your value proposition

Identify the value you are providing to the customer. Remember, design is a means to an end – not the end in itself. Clients want their investments in promotional branding to lead to increased revenue. Your value proposition should address this. The CIIC helps businesses look at their value proposition in detail using the Business Model Canvas (developed by Alexander Osterwalder and Professor Yves Pigneur).

Step 3 Create a sales & marketing strategy

How much time and resources do you devote to sales and marketing? Are you effectively using your networks? Do you have a strategy for generating referrals? How are you using the current job to get the next job? Do you have a customer database? These questions will help you to devise a sales & marketing strategy.

Step 4 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 5 Think niche

Premiums can be charged for expert skills and experience. 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.

Step 6 Improve financial management

Are you charging enough to generate a decent margin? Are you promptly collecting payment from your customers? Do you have a cash flow budget in place? It is vital to track the profitability of all jobs by comparing the hours worked versus the hours quoted, and generating financial reports regularly.

Step 7 Develop product revenues

Harness the value of designs and processes to generate 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.

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 intellectual property, 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, and acknowledging that most clients don't care about design – they care about outcomes. Adjust your value proposition accordingly.