

THE DESIGN BUSINESS

5 Insider Ideas to Thrive in Challenging Times

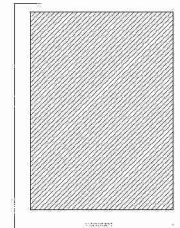
By Susan Schultz

It's been a little over two years since a short piece in The New York Times exposed, once again, the tough business challenges that lurk beneath the demure toile-covered surface of the design industry. "The Secret Source Is Out," published May 11, 2006, featured Paige Rense, the longtime editor in chief of Architectural Digest, declaring "It's much more difficult for designers today because people know so much... It's a whole new world and you ignore it at your peril."

This article, tucked away in the usually frivolous style section of the paper, has proven to be a lodestone many in the industry—both practicing professionals and those who worked within the broader manufacturing, marketing and product development fields for designers—have referenced in interviews and presentations. It signaled the public acknowledgement of something that had previously been discussed behind the trade-only access doors of showrooms and design centers: Design had become democratic.

Like any transition to democracy, it's been messy, treacherous, confusing and dismaying—with some designers and companies losing their way. But it's also been exciting, liberating and empowering. After all, there are more people aware of and interested in design than ever before—the market for design services has expanded exponentially.

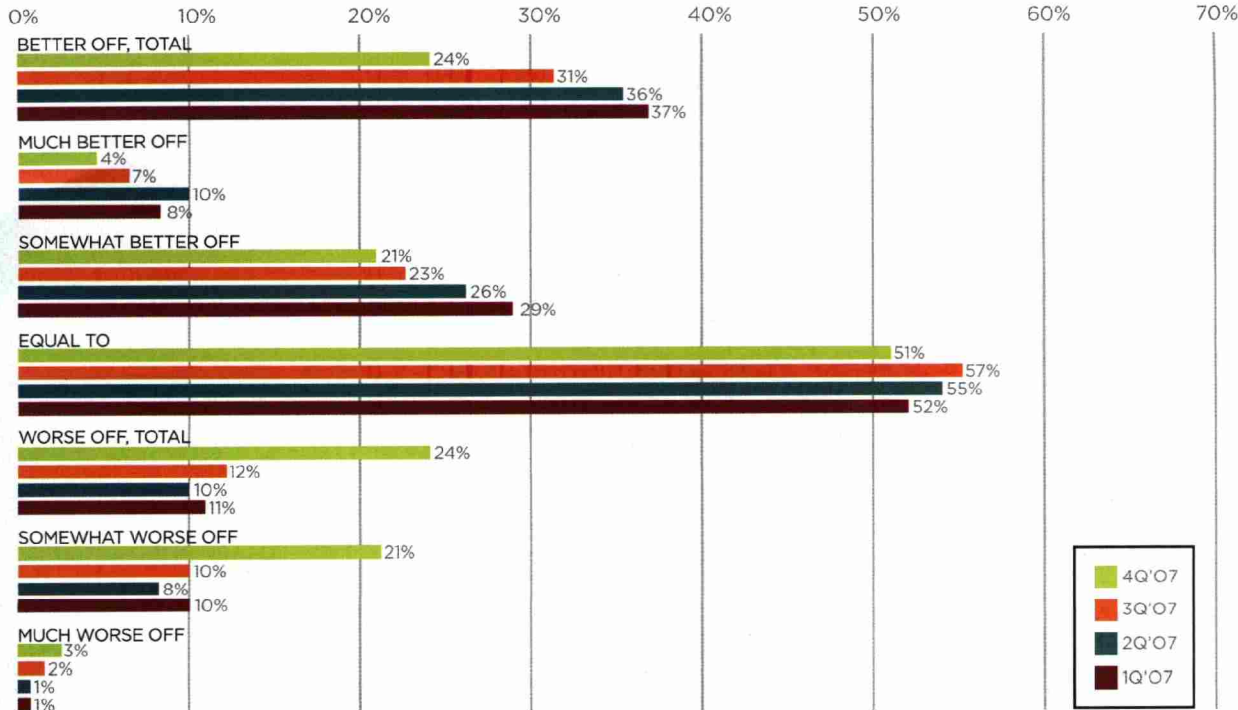
Then, on top of all the tumult within the industry, the economy—local, national and global—has swung from manic highs to depressive lows, compounding both the rate and the risks of change.



So what's a designer to do?

Financial Well-Being

Do you feel better off, equal to or less well off now compared to three months ago?



The Luxury Consumption Index (LCI) was launched in January 2004 by Unity Marketing as a means to measure the pulse of affluent consumers across 1,000 to 1,200 households with incomes from \$100,000 to upwards of \$250,000. The Index is pegged to 100 points as of January 2004 and has been updated every quarter since, based on surveys that track five measures of consumer confidence. The measurement for the first quarter 2008 shed another 9.1 points to reach a historic low of 54.4 points. This follows the steep drop of 23.8 points in the fourth quarter 2007.

Window Fashions spoke with industry consultants, informed observers and a variety of practicing designers who are successfully building businesses in these challenging times. Each offered a wealth of insight as well as specific suggestions they have found useful. Here are the five most consistent themes raised:

Know Yourself

This is, perhaps, one of the most seemingly straightforward and historically referenced pieces of advice you'll ever come across, but it carries additional weight now due to research-obsessed, hyper-connected modern clients. If you don't know your strengths and address your weaknesses, as a designer and as a business, you risk being mis-defined, undervalued and marginalized—by your clients, your suppliers and your competi-

“Our 60-year-plus family business history is based on cultivating strong relationships in the industry, providing superior customer service, craftsmanship and custom, quality product,” says Ian Gibbs, partner, The Shade Store. “These basic principles haven’t wavered during economic or style trend cycles. The concept for The Shade Store was to make the whole process simpler and more accessible for consumers who now take a more active role in design.”

Marketing Matters More Than Ever

Word of mouth and personal references will always be valuable marketing tools, especially in such a customer-centric business. But there is so much competition for the consumer’s attention, and

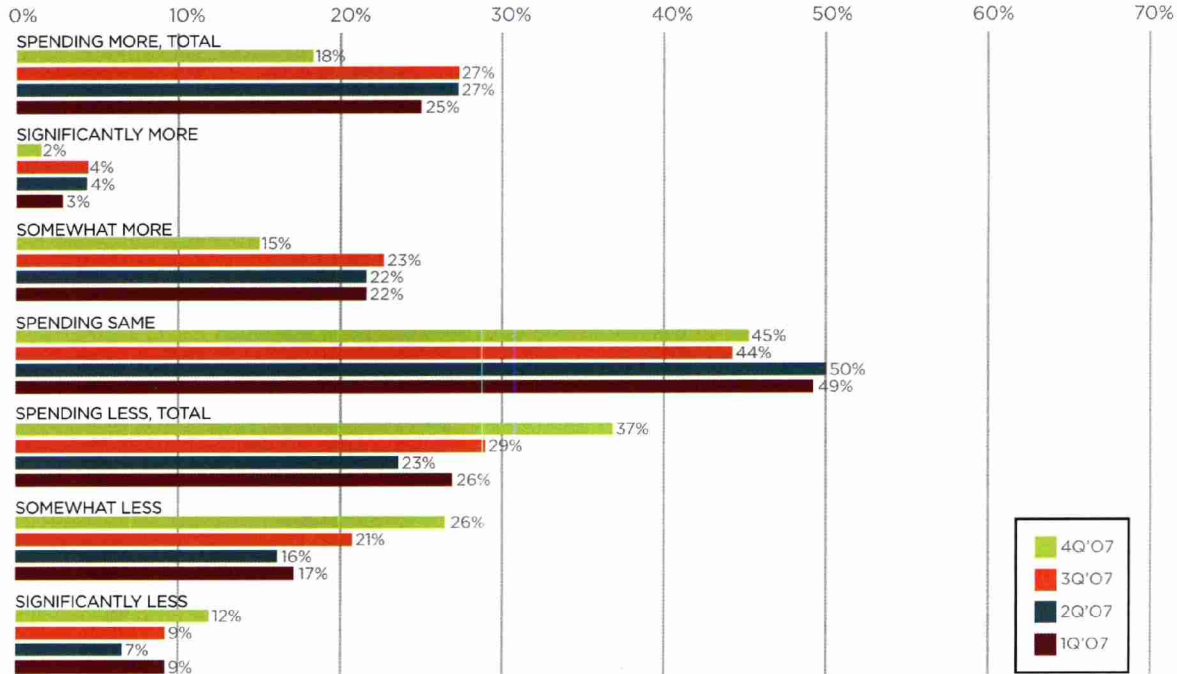
still so much misperception regarding the design profession, that getting your message out, clearly and to the right audience, is among the most important tasks a design business needs to take.

The only reason this wasn't listed as issue #1? You have to know yourself to market yourself effectively.

“We can no longer afford to rely solely on word of mouth,” says Benjamin Bradley, partner, Bradley Thiergartner Interiors, New York, N.Y. “We recently hired a PR firm to manage our marketing, an effort that has included new branding and opportunities to expand our industry involvement. We have also invested in our own personal shopping bags which we always use instead of carrying and advertising for other concerns.”

Luxury Spending Trends

Compared to 12 months ago, are you spending more, less or the same on luxury now?



3 Specialize

As design awareness and accessibility have grown, so has design competition. Being a "designer" is no longer enough. Specializing in a specific market niche is a great way to both cut through the competitive clutter and command higher fees. Plus, the opportunities for specialization have never been better.

Think beyond the generic catch phrases "high-end" or "luxury"—the meaning of which are highly personalized—and look to growing, underserved or esoteric markets where your expertise truly can be seen and valued.

"The word 'only' is going to take on tremendous relevance," says Fred Berns, design industry coach. "To be the 'only' in your field, to be the leader in your niche, will help safeguard you and launch your business into greater profitability."

4 Build Strategic Partnerships

It's a tough time to go it alone. Reach out to your suppliers and your subcontractors and work together to create marketing programs that benefit all of you—after all, they should have your best interests at heart.

Reach out to non-design companies that target the same clientele as you and brainstorm on innovative ways to work together. Reach out to other specialty trades you may not have considered—HVAC contractors, architectural color consultants—and develop ways to build partnerships.

"I see an underdeveloped potential in collaborative working relationships—groups of small firms with specialties who work together as a team," says Meg

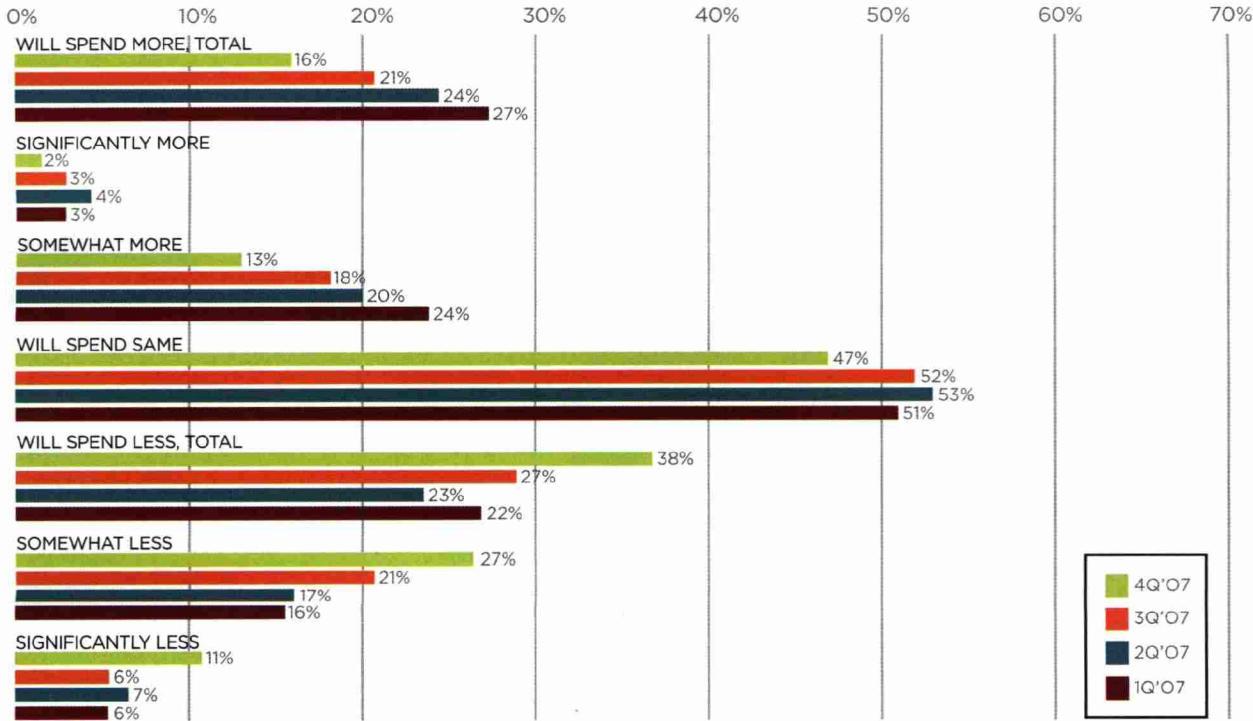
Rodgers, principal, Marguerite Rodgers Ltd. of Philadelphia, Pa. "If we can put landscape architecture, acoustics and lighting teams together with our expertise, we have the capability of handling a larger project without having to maintain a large office."

5 Recognize There Is a Values Shift

It's an election year, and that alone adds to the sense of impending change. But there is also the psychological effect of the housing slump and the uncertainty on Wall Street. The overall credit crunch will have growing economic impact, as thousands of businesses defer purchasing and tighten inventories. Rising costs and a weak dollar heighten the sense of financial vulnerability.

Luxury Consumers' Future Spending Expectations

Expected Spending on Luxury in the Next 12 Months



Another indicator reaching record levels tracks future spending expectations. A total of 41 percent of those surveyed expected to spend less on luxury items in the next 12 months, compared to the 13 percent who anticipate spending more.

The United States is still, by any standards, an incredibly wealthy country. However, the mood is shifting away from extravagance and indulgence to a more socially-aware consciousness.

"We've been splurging on luxury spending for the past 10 years, and today's affluent consumers have grown resistant to luxury as a status offer," says Pam Danziger, founder, Unity Marketing. "In terms of what drives purchasing, we're moving from a consumer-based society, where brands and products mattered, to a caring-based society, where social values matter."

Within each of these five broad themes there are, of course, myriad specific examples that can be acted upon. Connie Valente, who grew her custom window

business, Creative Blinds & Décor, from nearly all blinds and shades to a full-service soft goods design and fabrication resource (and recently won two first-place awards—one in the *Window Fashions* Ingenuity Workroom competition and one in the Envision Design competition), has begun to emphasize the energy conservation aspect of her products.

"The improved R-values gained by window treatments are now much more a part of my discussions with clients," says Valente, who is based in Atlanta. "I make sure to address that the right treatments not only help save on energy costs, with energy conservation as an important part of being 'green,' but also another long-term benefit of light-controlling treatments, specifically with motorization options, is that it helps increase the

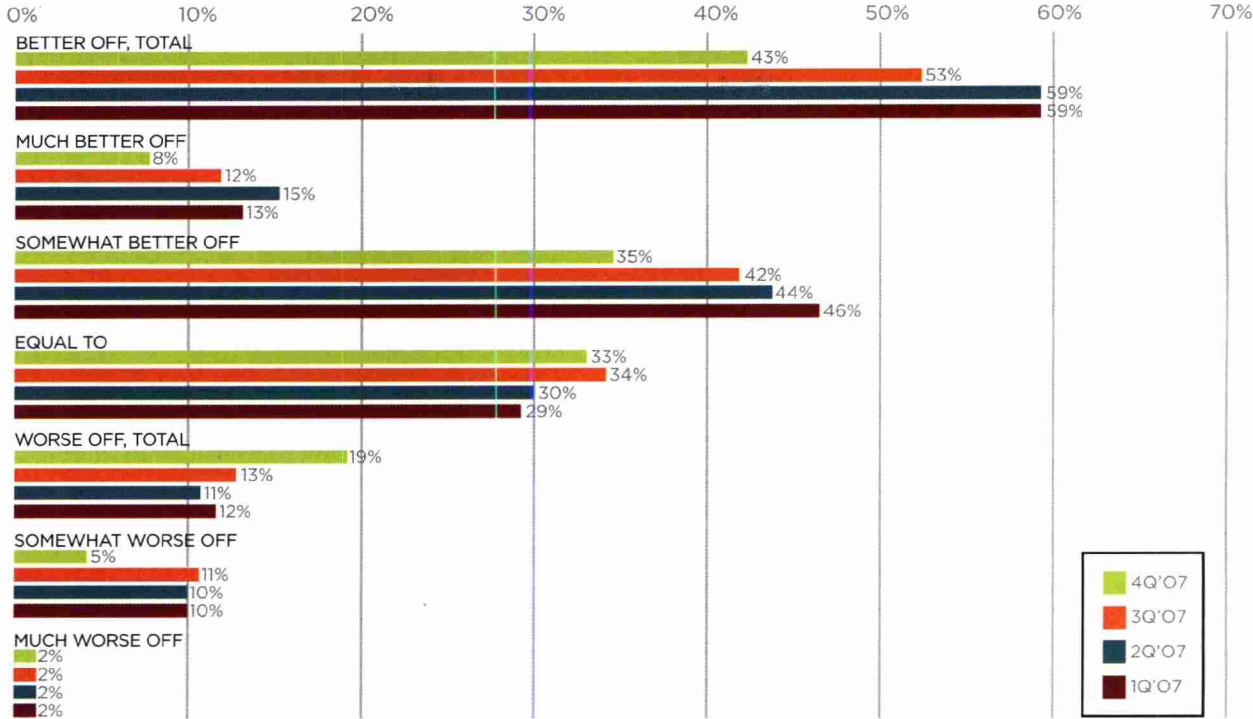
life and beauty of all the other furnishings in the room."

Valente also mentions that the sluggish housing market and weak dollar abroad does have an upside: "People are staying in one place, and staying home, which means their home has become even more important as a place that needs to be a comfortable refuge." This take, a "love the home you're with" point of view, was echoed by several others. Enid Harvey, a Bossier City, LA-based Interiors by Decorating Den owner has had several repeat customers contact her in recent weeks.

"They want to continue to make home improvements, room by room. Some of them have even specifically mentioned they have cut back on vacations in order

Financial Prospects

Financial Prospects for the Next 12 Months



to continue work on their homes," she says.

Berns takes this idea one step further, urging designers to be more proactive with their current clients. "I've often found that many designers don't take advantage of business that's in their own backyard," Berns said. "Focus on working with clients that know and trust you; figure out additional ways to service them. Many clients don't even realize the full range of services a designer can offer. If you're doing the flooring, ask about the window treatments; if you're doing one office, ask about the others."

Rodgers agrees with that strategy, saying, "We would like to be indispensable to our clients, in a way that they can't imagine being without us. I am not cur-

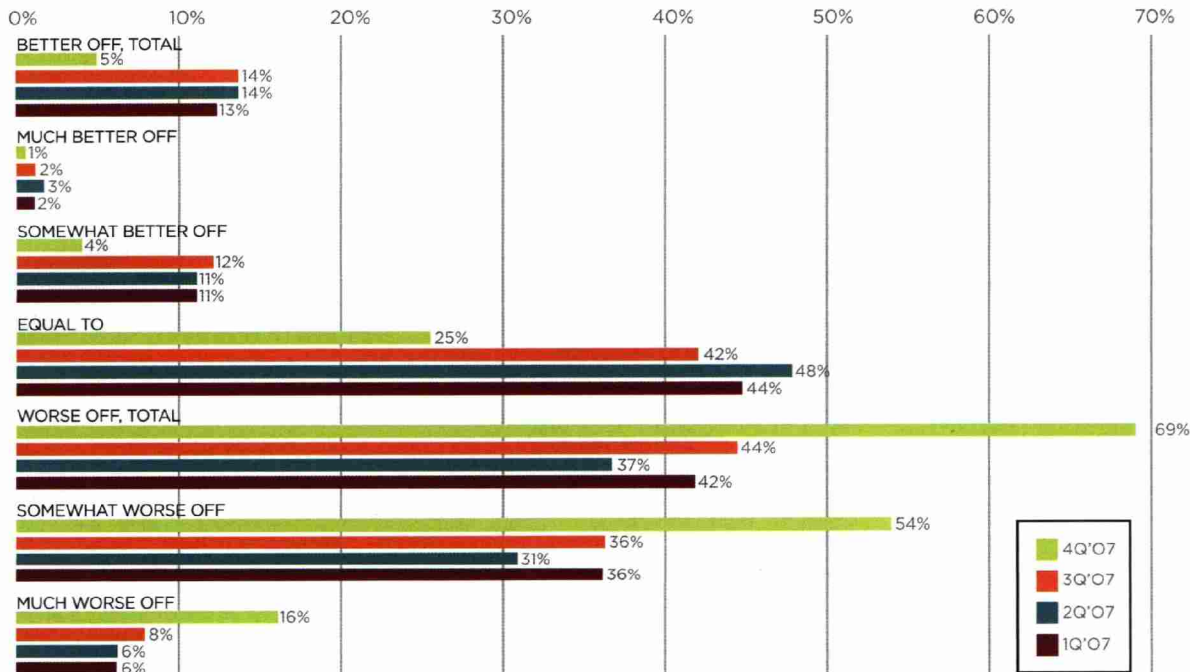
rently marketing for new clients; I am working to be of the best possible value and service to my current client base."

Rodgers mentions several steps her company has taken toward that goal: presenting products and plans in terms of energy-efficiency, anticipating specialty needs and lining up partners who can fulfill such needs are currently at the top of her list.

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Confidence in Financial Health of Country

Overall Financial Health of Country



One of the indicators used to establish the Luxury Consumption Index is a question that rates the overall financial health of the country. When asked in the first quarter 2008, a total of 71 percent answered in the negative, pushing the "worse off, total" response to its highest level ever. This plays a large part in dragging down the overall LCI.

REACH OUT TO NEW NICHES

For designers interested in exploring new markets, consider these niches:

MEN: "In the past several years, men have become increasingly conscious and proactive about style and design," says Ian Gibbs, partner, The Shade Store. "We are definitely seeing our customer base of young, urban male professionals steadily increase. Whether they're focusing on design in an effort to 'impress the ladies' or simply because they have become more style-conscious, who knows? The point is, it's happening."

Gibbs' business, the clean sleek look of both the stand-alone shops and the website, also happens to be particularly appealing to this audience. Possibly, an entirely subconscious decision on the part of Gibbs, and co-founders, brother Adam Gibbs and cousin Greg Spatz, but one that is creating obvious benefits.

WEBSITE DESIGN AND ONLINE TOOLS are where Mary McCurdy, WFCP Master, of Mary Etta Designs, Anaheim Hills, Calif., sees potential. "Banking online? Who knew that would become commonplace so quickly? My competition has already decided to reduce drapery design to a few clicks of the mouse. So we will have to offer the next best thing in design online!"

For more ideas about reaching new niches, go to window-fashions.com.