

INTERIOR DESIGN

IN THE NEW ECONOMY

LESSONS LEARNED FROM THE GREAT RECESSION



AMERICAN SOCIETY OF
INTERIOR DESIGNERS

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Introduction

The Great Recession of 2008-2009 did more than slam the brakes on the building industry. It set off a chain reaction throughout the economy that continues to affect client demand. Faced with declining investment portfolios, job loss, tightened credit and uncertain prospects, consumers and businesses became cautious and started to question their accumulative habits. Unabashed indulgence gave way to conspicuous non-consumption. The growing popularity of “green” lifestyles made it socially acceptable to turn the necessities of lowering expectations and making do with less into chic virtues. Although the pendulum has begun to swing back toward “controlled consumption,” uncertainty in nearly all sectors of the economy has clients holding back.

For the interior design industry, the effect has been devastating. Once busy designers found themselves

with time on their hands as clients stopped calling and planned projects were put on hold or scrapped altogether. Requests for consultations went up as requests for design services declined. Product sales and specifications dropped, with clients choosing to conserve, refurbish and repurpose what they already had. Collaborators became competitors, and clients quickly learned that they could demand lower fees and other discounts from firms that were hungry for business.

Suddenly, the old ways of doing business weren't working any longer. Resourceful designers began taking steps to trim their operations and adapt their business models to the new environment. They, too, discovered they could get along with less. They found ways to improve their cash flow and get the most from the fees they were earning. Some branched out, moving into new markets or expanding the application of their skills. Over time, they began to think of themselves and their work in a new way. They didn't stop being designers. Rather, they reinterpreted the role of the designer in the so-called New Economy. What they learned may help other designers to make the most of the opportunities that will arise as the economy eventually rebounds.

About This Report

The information in the following pages is drawn from the experiences and insights of a group of ASID Fellows who participated in a World Café model discussion on the topic of how the recent economic recession has affected their interior design businesses and how business models and practices will need to change to stay competitive and profitable in the “new economy” that will emerge during the period of economic recovery. These individuals represent a wide range of design specialties, business types and professional experience. Many are principals in their firms and have weathered previous economic downturns during their careers. Although they expressed a diversity of perspectives during their discussions, they agreed as a group that the strategies they identified would help other interior design professionals succeed in the months ahead.

Think Lean, Mean and Green

Looking back on the boom years, design principals now recognize that they were more focused on the work—and the revenue—coming through the door than on what they were spending to run their businesses. If they were starting their firms from scratch today, they would make them smaller, more nimble, and much, much more competitive.

**RIGHT-SIZE
AND RETOOL
FOR TODAY'S
COST-
CONSCIOUS
MARKET.**

**Reduce
Overhead.**

- Keep office space and furnishings to a minimum.
- Eliminate client meeting area or conference room.
- Conduct cost reviews periodically for equipment, insurance, leases, etc. Are you paying more than you need to or for more than what you are actually using?
- Use the design center and the Internet as your samples library.
- Eliminate subscriptions to most publications.
- Use Zip cars rather than a rental or leased car.
- Scale back on perks and treats.

**Go
Green.**

- All designers in the firm are LEED accredited.
- Promote sustainable design services across all projects.
- Offer sustainable design consulting services.
- Operate a green office: conserve, recycle, repurpose, reuse.
- Telecommute when possible or work virtually to minimize travel.

**Be more
strategic about
choice of
projects/clients.**

- Follow the 80 / 20 rules for clients: 80% of your revenue comes from 20% of your clients, and, conversely, 20% of your clients will eat up 80% of your time if you let them. Focus your energies on your most profitable clients.
- Take time to get to know and understand the client before accepting the project.
- Weigh the cost/time benefit of accepting the project: Is it bringing value to your firm?
- Charge according to the contract or letter of agreement; don't give revenue away by not billing fully for your time or miscellaneous services.
- Drop clients who are slow to pay or overly demanding.
- Look for opportunities to do more product specification and fewer product sales, thereby reducing your overhead, liability and headaches.

**Seek out
professionals
with
complementary
expertise.**

- Share office space with another professional or a couple of other professionals with different but complementary expertise who want to be a single owner [i.e., not business partners] but want to collaborate on projects.
- Look for smart, innovative, positive individuals who bring another perspective.
- Barter for other services.

Offer Expertise, Not Just Experience

One of the greatest competitive hurdles for interior designers is making the case for the value of their design services. Designers often fall back on the length of their experience to demonstrate their professionalism, but clients are looking for depth of expertise. To stand out from the pack, don't just show the client your portfolio; show them you have an in-depth understanding of their needs and how the design solutions you are proposing will address them.

Specialize.

- Don't try to be all things to all clients. Determine what you are good at, select a niche and become the best at it.
- Stay flexible and in tune with market demand to keep your expertise relevant.
- Consider blogging, publishing, teaching or making presentations to solidify your reputation as an expert.
- Focus on the design implications of broader regulatory requirements (e.g., OSHA, ADA, HIPPA) or on a subset of design, such as Universal Design, lighting, design research, specialized spaces for medical or technical fields, or environmental psychology.

**Develop a depth
of knowledge.**

- Get additional training or schooling, if necessary.
- Don't do the same type of project over and over. Look for projects that allow you to learn while doing.
- Keep up with current developments in your field through books, journals, websites, blogs, etc., as well as CEUs.
- Attend conferences and events targeted to your specialty area to learn about the issues that clients are facing and how their industry, attitudes or lifestyle is changing.
- Practice evidence-based design: Become familiar with the research related to your specialty area and understand its implications for your design and the impact it has on occupants' health, safety and behavior.

**Get
credentialed.**

- Get the appropriate credentials or certifications for your field, if there are any.
- Get LEED accredited.
- Consider getting an advanced degree in a related field, or possibly an MBA, to add depth to your design credentials.

Sell Solutions, Not Services

Designers traditionally have depended heavily on product sales to supplement billings for design services. More than half (56%) of a typical firm's revenue came from product sales, compared to less than a third (32%) from fees for interior design services. Changes in buying behavior and attitude, as well as the popularity of lifestyle retailers such as Restoration Hardware, Pottery Barn and Crate and Barrel, have greatly reduced the profitability of the traditional business model.

In the “new economy,” designers will need to increase the revenue they earn from fees to make up for declining profits from sales. To do that, say our

experts, designers will have to devise new ways of marketing their skills to set themselves apart from other design-related service providers. They need to let clients know that they offer not just interior design services in a narrow sense, but also ways of thinking and problem solving that result in more encompassing solutions.

**HERE
ARE SOME
STRATEGIES
TO CONSIDER.**

**Expand
your value
proposition.**

- Engage clients by offering innovative design solutions, not just good design. Focus on outcomes, not outputs.
- Expand the conversation with clients beyond aesthetics to the others ways they can benefit from good design: i.e., sustainability, health, safety, privacy, security, productivity, profitability, employee / customer satisfaction, etc.
- Seek out more consulting work; do less “hands on” designing. Get paid for what you know, not just what you do. (Hence, the importance of specializing.)
- Don't just focus on design work. Let clients know that you can provide other services as well, such as project management, planning and design thinking.

**Rebrand your
professional
skills.**

- Market your skills in facilitating change, i.e., how you can help clients—whether individuals or businesses—through transitional periods by realigning their spaces to meet their changing needs.
- Offer your services as a strategic planner, with an emphasis on collaborating with the client, stakeholders and other professionals to provide sustainable business solutions that address the triple bottom line (e.g., environmental, social and economic strategies).

Collaborate Instead of Partner

A partnership involves binding you and your business legally to a long-term shared association. It requires time to manage and can leave you vulnerable to debt or other liabilities. In today's more fluid design market, it makes sense to find talented and trusted professionals with whom you can collaborate on specific projects, rather than lock yourself into a partnership with another interior design professional. Look for both individuals and firms whose skills, experience and personalities you find compatible.

**Develop a
stable of
non-interior
designer
professionals
with whom to
collaborate.**

- Establish an ad hoc team of professional “associates” (e.g., lighting designer, acoustics specialist, environmental designer) that you can draw on as needed, giving you more flexibility to bid on a greater variety of projects.
- Look for professionals outside the interior design field or building industry who can bring new ways of thinking and doing things to your practice.

**Connect with
other firms
that have
complimentary
talents/skills.**

- Research other firms in your area to find out what types of projects they do to identify those that may have need occasionally for your talents/skills.
- Explore potential opportunities to collaborate on projects that otherwise would be outside the scope of either firm to take on.

Build Brand, Build Relation- ships

When you are busy with projects, it's easy to neglect the marketing side of your business. When business starts to slow down, it may be too late, however, to catch up with the competition. Make it a part of your business plan to take time to do what's necessary so you don't have to worry about where your next project is going to come from.

Use a broad array of communications tools (websites, Facebook, Twitter, LinkedIn) to build your brand.

- In today's globally networked world, opportunities and competition can come from anywhere at any time. Use the tools available to make yourself known and set yourself off from the rest of the pack.
- Word of mouth is great advertising, but today's potential clients are looking for you online. If you don't have a website and at least some social networking presence, clients are going to question how professional you are.

**Network with
potential clients
and potential
collaborators.**

- While it's important to attend events with your peers, also make an effort to attend events, such as tradeshow, lectures, breakfast or lunch meetings, where potential clients or collaborators are meeting with their peers and stakeholders. Get to know them and their business needs.
- Take time to maintain relationships with past clients. Give them a call, send them a note, or invite them to lunch. Let them know they are more to you than just a project. Such courtesies can lead to future work or referrals.
- Get involved in community and volunteer organizations to make yourself more visible.

Anticipate Future Opportunities

No one can know for certain what will happen to the interior design industry in the next several years as the country struggles to recover from the economic crisis. Much depends on the rate of recovery and which sectors of the economy bounce back first. Nonetheless, one can identify trends that will impact the built environment in the near future and likely create opportunities for interior designers.

Ushering in the new aging

With the vanguard of the Baby Boom generation turning 65 in 2011, pressure will begin building up in the housing market. Many of these retirement-age boomers may choose to stay in the workforce some years longer in order to rebuild their nest eggs and maximize their Social Security benefits. Over the next several years, however, more and more will either need to make modifications to their homes or opt to sell their current home and move into a smaller, lower-maintenance residence. Knowledgeable designers can fill an important role not only by providing needed design services, but also by assist-

ing older homeowners in making suitable decisions with regards to optimizing the value of their homes and selecting an appropriate new residence.

Aligning design with values

An important element of design is expressing the personality of the client, whether individual or corporate. Today, for socially and environmentally responsible clients, that involves making choices about the environmental impact of the design, the sources of products and the conditions under which they were manufactured. Interior designers can provide a valuable service helping clients sort through the various claims made by manufacturers to identify products and materials that best align with their personal or corporate values.

Facilitating design conversations

Design projects often require putting together teams of specialists, consultants, independent professionals and contractors who may or may not have worked together before or with the client before. As managers and mediators of the design process, interior

designers are well suited to assume the role of facilitator, bringing team members together, with each other and/or with the client, to ensure each member understands how the others are contributing to the project and how their tasks may intersect or overlap. They also can serve as “interpreters,” helping to bridge disciplines and “translate” requirements to make the process run more smoothly.

Perhaps the greatest opportunity awaiting interior designers during the coming recovery will be to reshape the practice of interior design. Even before the economic crisis, some designers were beginning to question whether the predominant view of interior design was accurate and relevant for the 21st century. In the years ahead, as they jockey for position in the New Economy, designers may discover that their greatest contributions are yet to come.

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