

Creative Industry Outlook for 2009: A FunctionFox Report

Introduction

The FunctionFox Creative Industry Outlook 2009 survey was developed to determine what creative professionals are preparing for as we head in to 2009. Deployed on November 16, 2008 the survey was completed by over 200 creative professionals in North America.

Respondents were asked a series of four questions relating to staffing, projected revenue, challenges, and opportunities.

Overview

The results of the survey are prepared in this report, and include the following sections:

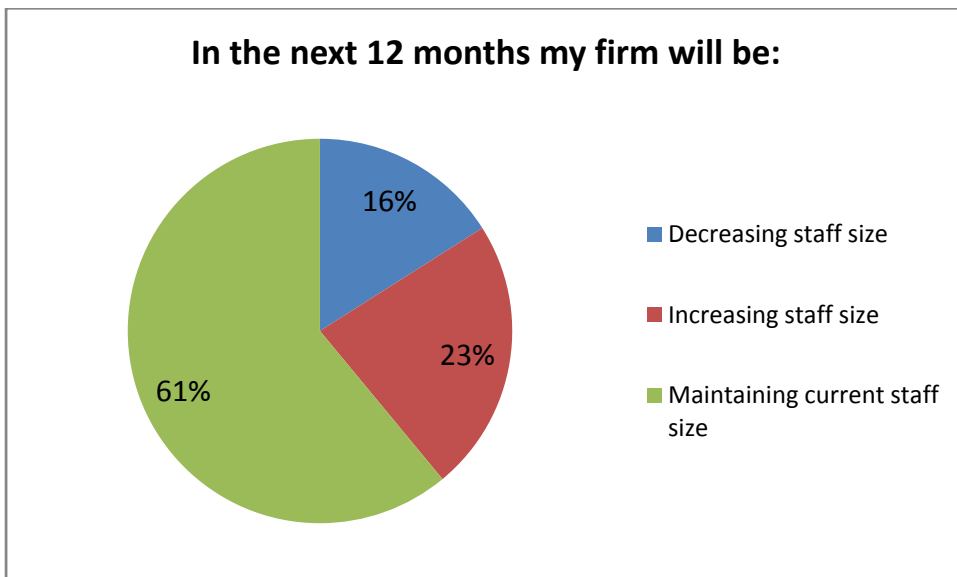
- [Results & Findings](#)
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 - [Revenue](#)
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 - [Challenges](#)
- [Conclusions](#)
- [Methodology](#)
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Results & Findings

Staffing

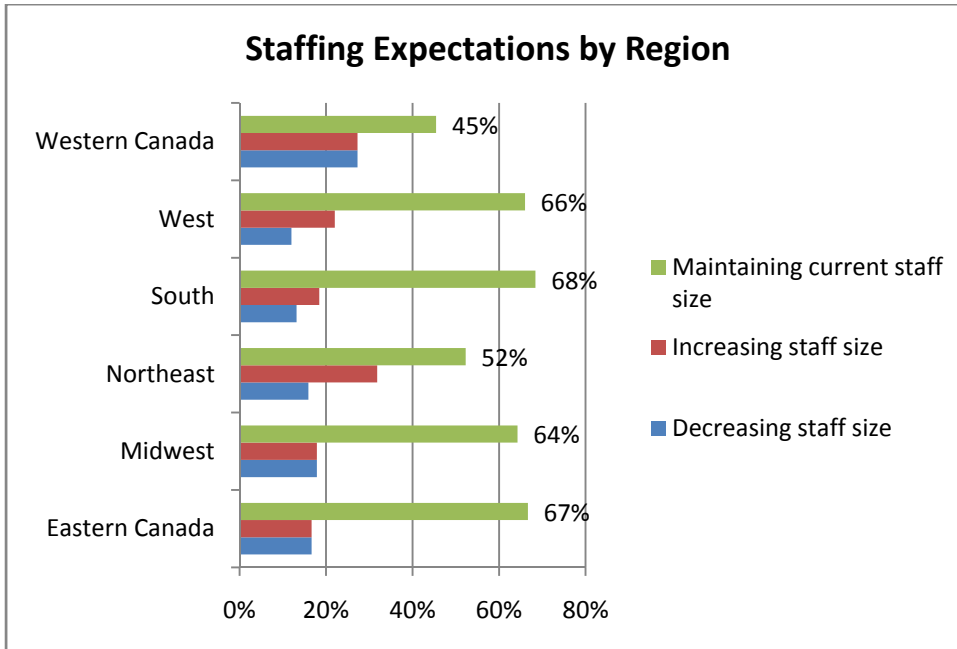
When asked if firms will be increasing, decreasing or maintaining staff size in 2009:

61% of firms surveyed expect to be maintaining current size over the period of the next 12 months. 23% of firms will be increasing staff over the next 12 months, while 16% of firms will be decreasing staff.



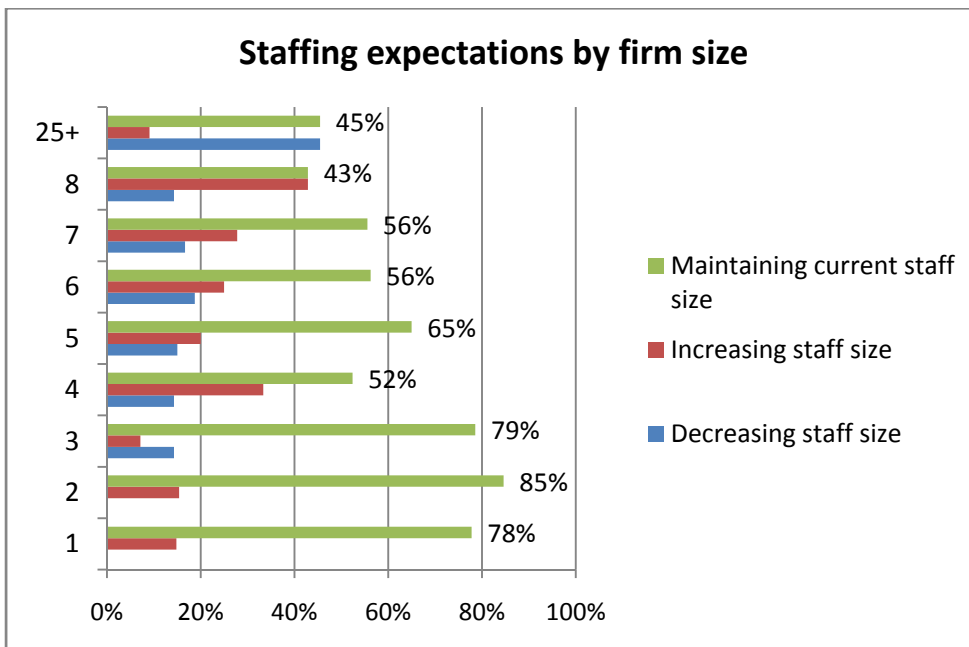
Staffing expectations for 2009 by region

The expectations of maintaining current staff size in 2009 versus increasing or decreasing staff is relatively consistent throughout various regions of the United States and Canada.



2009 Staffing expectations by firm size

Smaller firms expect to maintain current staff size in 2009, while larger firms are more likely to decrease staff size over the period of the next 12 months.

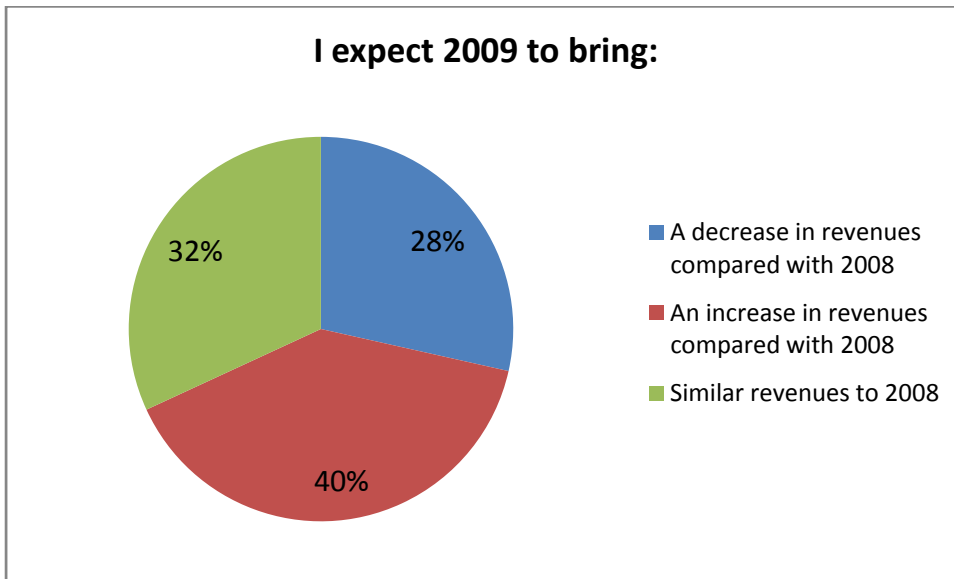


Revenue

When asked if firms are projecting an increase, decrease or similar revenues in 2009 compared with 2008:

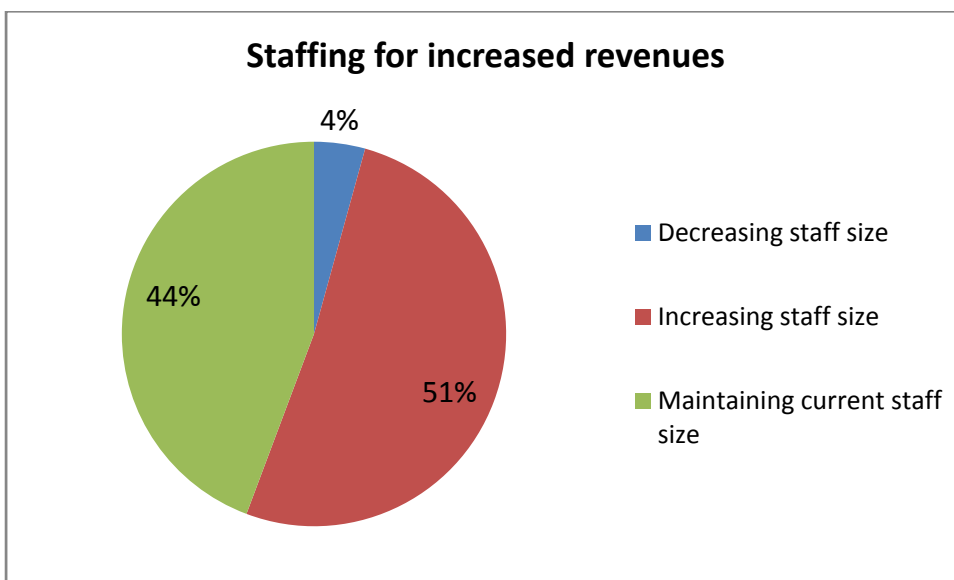
40% of firms forecast growth in revenues for 2009.

32% forecast similar revenues to 2008, while 28% predict a decrease in revenues in 2009.



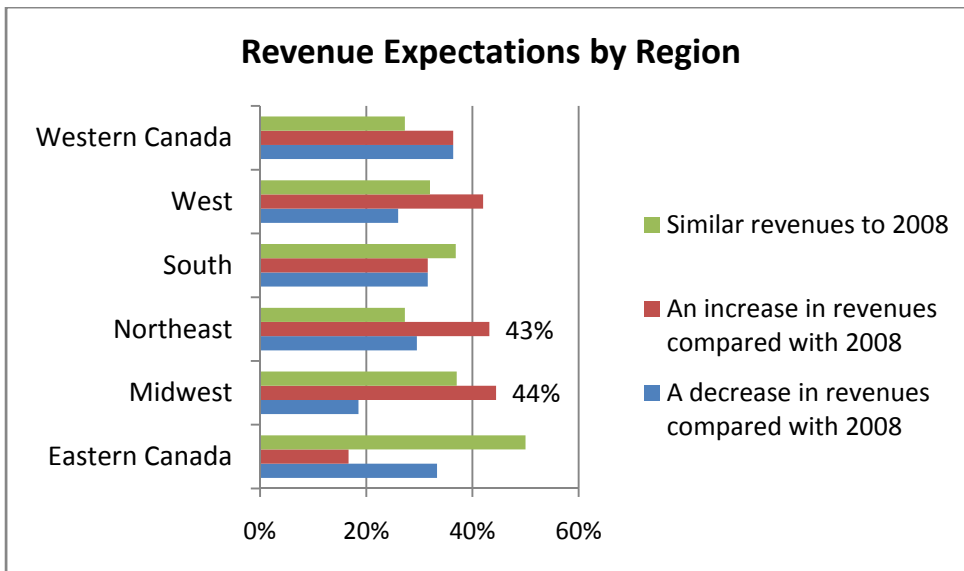
Staffing expectations for those that are planning on increased revenues

Of those who are planning on increasing revenues in 2009, 44% are planning on doing so with the same size staff that they have currently.



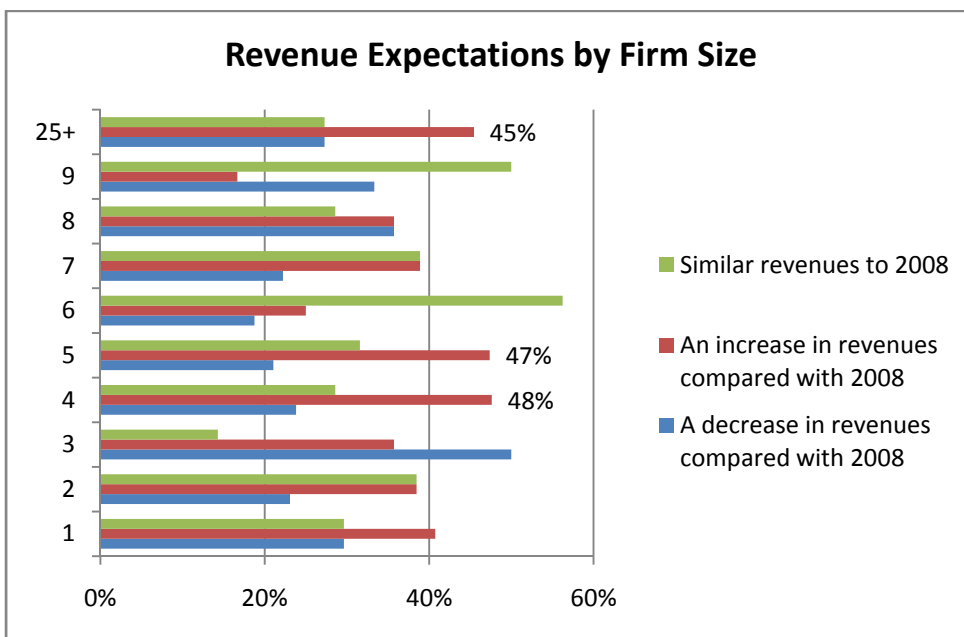
Revenue expectations by region

Firms in the Midwest and Northeast United States are the most optimistic about revenue growth, with 44% in the Midwest and 43% in the Northeast forecasting an increase in revenue for 2009.



Revenue expectations by firm size

4 and 5 person firms are the most optimistic in their abilities to increase revenues in 2009 with 48% of 4 person firms and 47% of 5 person firms predicting increased revenues in 2009. 45% of firms with 25+ staff are also predicting increased revenues compared with 2008.



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Challenges

Respondents were asked to rank the challenges facing their business from most challenging to least challenging, with options relating to categories in New Business, Lowered Budgets, Staffing, Technology and Profitably.

36% of respondents cited their greatest challenge for 2009 as, “New Business: Finding new clients”.

31% said, “Profitability: Reaching desired (target) profit margins” will be their greatest challenge in 2009.

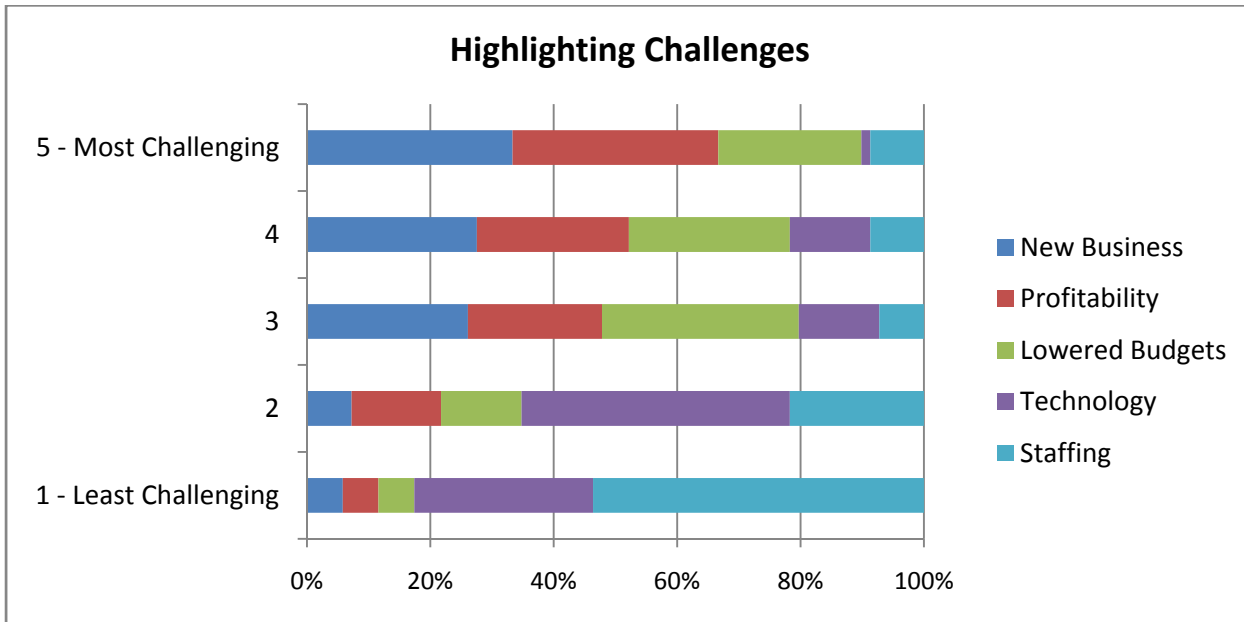
39% claim that, “Staffing: Attracting and retaining necessary talent” will be their least significant challenge in 2009.

The following table shows details of how respondents ranked each category:

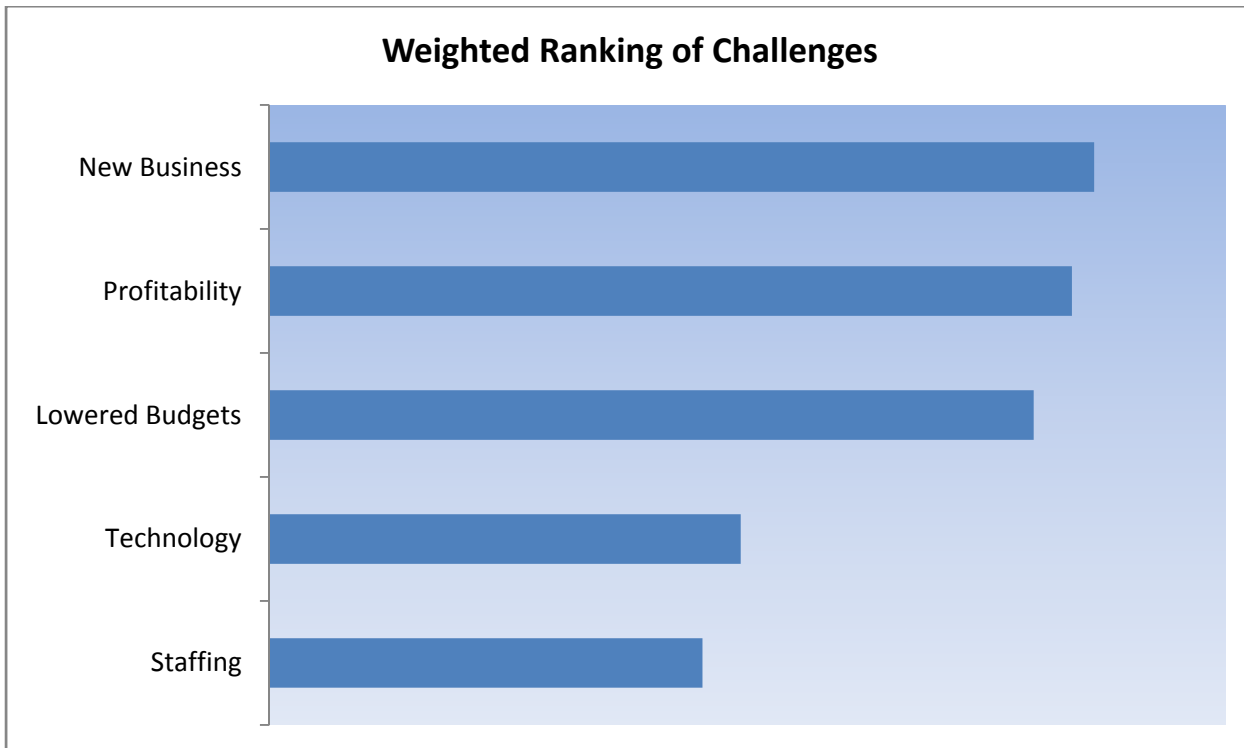
	1 - Least Challenging	2	3	4	5 - Most Challenging
New Business: Finding new clients	5%	10%	19%	29%	37%
Lowered Budgets: Expected to do more, with less	3%	12%	29%	31%	24%
Staffing: Attracting and retaining necessary talent	41%	24%	15%	9%	10%
Technology: Keeping current with changes in technology and media	24%	36%	24%	14%	3%
Profitability: Reaching desired (target) profit margins	4%	9%	22%	31%	33%

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The following graph highlights the data in the above chart, and helps show visually the degree to which, New Business, Profitability and Lowered Budgets are significant challenges for creative professionals, and the degree to which technology and staffing are less significant challenges for 2009.



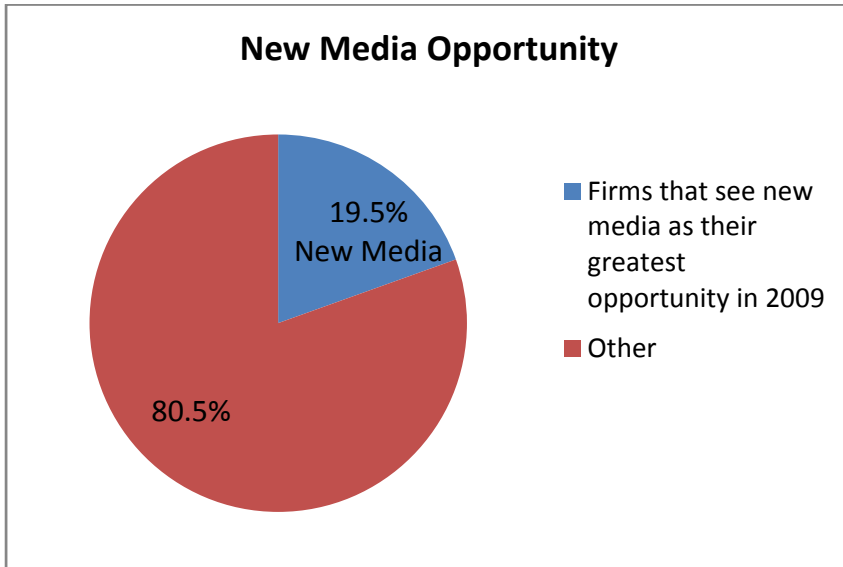
This is also highlighted in a weighted ranking of challenges:



Opportunities

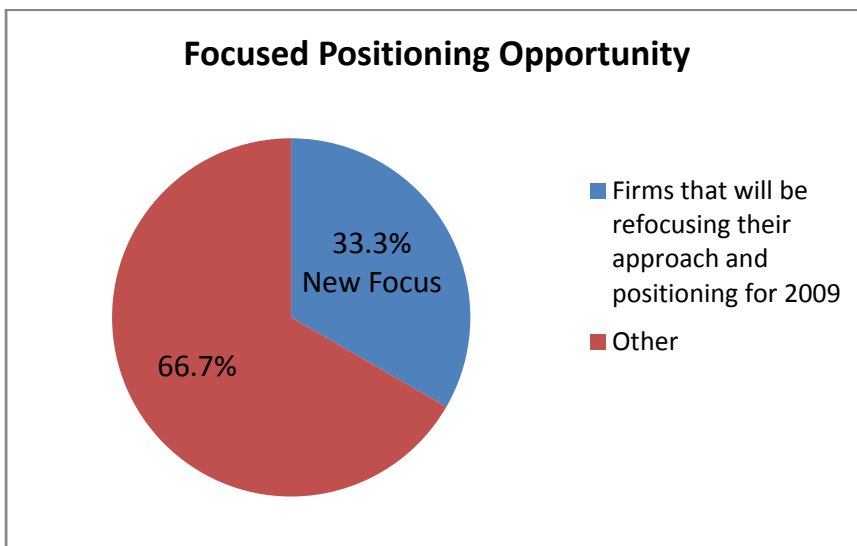
Regarding opportunities for 2009, respondents were asked the simple open-ended question of, **“What do you see as being the greatest opportunity for your firm over the next 12 months?”**

Without prompting, nearly 20% of respondents suggested that opportunities relating to new media, the web and/or social networking offered the greatest opportunity for their firms.



One third of organizations indicated opportunities related to refocusing their offering or repositioning their firms to meet current demands as being their greatest opportunity in 2009.

Examples of open-ended answers included in this grouping were response like, 'Repositioning to a specific industry'; 'We have narrowed our positioning in order to capture a more targeted client base'; 'driving inbound inquiries by establishing our position as an expert in a specialized field.'



Conclusions

A positive outlook for smaller creative firms in 2009

While the world economy takes a significant downturn going into 2009, marketers and creative professionals remain optimistic, with 72% of firms projecting stable or increased revenues for 2009, while less than one third of firms (28%) are preparing for a downturn in their own revenue potential.

Despite mass layoffs and cuts to large firms in various industries, the outlook for small creative firms remains stable, with only 16% of small creative firms predicting a need to reduce staff. A full 84% of firms will be either maintaining or increasing staff, with 61% of firms maintaining current staff size for 2009, while 23% of firms plan on adding additional staff for 2009.

“Since we are a consultancy the massive layoffs across multiple industries is actually working in our favor.”

More staff doesn't necessarily mean more revenue.

Of the firms that are planning on increasing revenues in 2009, 44% are planning on doing so with the same size staff as they have currently.

Many firms will be using the slow down in the economy as an opportunity to do more with less. Smaller firms will also be most prepared to keep current staff members, as evidenced in the chart: Staffing expectations by firm size.

“Several larger, more expensive firms in our area have closed, affording some opportunity for us in terms of new business.”

Finding new clients a chief concern

With industries outside of marketing and creative services feeling the squeeze of a down economy, creative professionals will face challenges in attracting new business. As many as 37% of respondents cited, “New Business: Finding new clients”, as their most significant challenge facing their business in 2009. Opportunities will be available to firms that are prepared to tackle the challenge of finding new clients.

“Lay the groundwork for new business so when the economy finally turns around we will be in a good position to capitalize on the up swing.”

Adding 'New' Media to the arsenal

Embracing so called 'new media' as 'media' in a more encompassing mix of technology and traditional design and creative service is part of the game plan for many small creative firms. Almost 20% of respondents listed their greatest opportunities in 2009 as relating to focus or addition in the areas of web / interactive or social media.

“Development and utilization of new technology to extend the marketing budgets of our clients.”

Opportunity to acquire new talent

As many large companies scale down and release talented people back into the job market, acquiring high quality staff will be an opportunity that has not been available to the creative service companies previously - particularly to smaller

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firms. 41% of firms claim that, “Attracting and retaining necessary talent” will be their least significant challenge in 2009 compared with challenges relating to new business, lowered budgets, technology and profitability.

“Opportunity to bring in better talent without increase in payroll”

Strong positioning offers great opportunity

Firms that are positioned as experts have incredible advantage over firms that are unable to strongly state their expertise in a particular niche or specialty. As companies cut budgets and seek fresh thinking from smaller creative firms, many will begin their search by looking for experts firms with a proven track record within a given category. As many as one third of firms recognize the need and benefit of strong positioning – 33% of respondents stated examples relating to strengthening positioning and honing focus as being their greatest opportunity in 2009.

Methodology

Purpose

The FunctionFox Creative Industry Outlook for 2009 was constructed to allow creative professionals to share insight into challenge, expectations and opportunities facing their business heading into 2009.

Survey Method

Respondents were invited to participate in the survey by email as part of the November issue of the FunctionFox [About Time Newsletter](#). The survey itself was delivered as an online survey using a reputable online survey software.

The Survey

A copy of the survey as it appeared online for respondents is included as [Appendix A](#) of this report.

Survey Deployment Date

November 16, 2008

Survey Closing Date

December 1, 2008

Sample Size

The survey was completed by 209 respondents. Partially complete surveys were eliminated from results.

About the Sample

FunctionFox is a leading resource provider for thousands of creative professionals. FunctionFox [newsletters](#), [articles](#), [webinars](#) and [software](#) cater specially to professionals in design, advertising, public relations, web and marketing communications. FunctionFox Newsletter subscribers offer a representative sample of creative professionals, as the subscriber base of the newsletter specifically represents over 45,000 creative professionals. Assurance that this sample is representative of creative professionals was further checked and validated in question 6 of the FunctionFox Creative Industry Outlook for 2009 Survey, where respondents confirmed type of business. Respondents who failed to answer question 6 were eliminated from survey results.

Further Information

For questions regarding the FunctionFox Creative Industry Outlook for 2009, please contact info@functionfox.com or call 1.866.369.8463

Appendix A: Original Copy of the Survey (as it appeared online)

FunctionFox Survey: Creative Industry Outlook for 2009

Interested in knowing what other creative professionals are preparing for in 2009?

Simply complete the following anonymous survey (3 - 4 minutes).

1 In the next 12 months my firm will be:

- Increasing staff size
- Decreasing staff size
- Maintaining current staff size

2 I expect 2009 to bring:

- An increase in revenues compared with 2008
- A decrease in revenues compared with 2008
- Similar revenues to 2008

3 Rank the following challenges facing your business in 2009, with **1 being the least challenging**, and **5 being the most challenging**

	1	2	3	4	5
New Business: Finding new clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Staffing: Attracting and retaining necessary talent	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Profitability: Reaching desired (target) profit margins	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Technology: Keeping current with changes in technology and media	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Lowered Budgets: Expected to do more, with less	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

4 Open Ended: What do you see as being the greatest opportunity for your firm over the next 12 months?

Page 2 of the Original Survey:

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Page 2 of 2

Location, type of business and firm size are used to properly relate survey information. Information submitted is anonymous and used only to improve the relevance of survey results. Please provide:

5 Zip / Postal Code:

6 Type of business:
 Design
 Advertising
 PR
 In-House Department
 Full Service
 Other, please specify

7 Size of your firm (staff):

8 **Optional:** Enter your email address to be sent a copy of the survey results.
Your email address will not be tied to your survey responses in any way.

Note: This sample copy is presented as an image as the actual survey is closed.

Appendix B: A Sampling of Open-Ended Responses

A Sampling of 100 open-ended responses to the question:

What do you see as being the greatest opportunity for your firm over the next 12 months?

*A note about the inclusion of these responses:

This appendix offers a **sampling** of open-ended responses gathered as part of the FunctionFox Creative Industry Outlook 2009 Survey. This is **not an exhaustive list** of responses to this question. Statistics and conclusions above were made from a complete list of open-ended responses gathered, beyond the sampling shown below. Response to this question was not mandatory, and many respondents chose to leave this question blank. Other specific responses have been removed from this published list in the interest of maintaining respondent anonymity.

The list below is intended to offer interested readers some additional insight into the thoughts of creative professionals on the topic of opportunity going into 2009.

Greatest opportunities for creative professionals over the next 12 months...

"The collapse of larger firms provides us with the opportunity to grow."

"Social networking and ideation"

"Taking on more business from existing clients"

"The opportunity to capitalize on finding great talent at an affordable cost, and taking advantage of the small business market."

"Repositioning to a specific industry"

"Development and utilization of new technology to extend the marketing budgets of our clients."

"new business"

"social media"

"We have narrowed our positioning in order to capture a more targeted client base"

"Conversion to interactive marketing using social media"

"driving inbound inquiries by establishing our position as an expert in a specialized field."

"New business generated by companies need to communicate new initiatives."

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"Keeping work flowing in."

"Staying in business and paying the bills. Everyone seems to be cutting back on things that aren't absolutely necessary, including marketing."

"The opportunity to refocus on making money from clients who need and value our core strengths."

"Opportunity to bring in better talent without increase in payroll"

"The greatest opportunity is probably that the current economic climate will cause clients to be open to approaching things in new ways (because they have less to work with). They may be open to testing new ideas as opposed to resisting change, and in finding more efficient ways to work. At least this is the approach I'm going to advocate."

"Cost-conscious clients looking for ways to get more value for less money: both an opportunity and a challenge."

"Since we are fiscally responsible we are able to keep our marketing budget in tact giving us an edge where others have to cut their marketing budget due to the state of the economy. This will keep us present in the mind of our clients and potential clients."

"Smaller clients who need to stay visible in their demographic."

"web web web!"

"We are refocusing on specialized services to particular clients, rather than the "shotgun" approach we have used in the past, i.e. "whatever you need, we can do it.""

"ecommerce & social networking"

"We are expanding our self-promotion efforts and are getting a larger base of clients. It is a challenge but it is also a great opportunity."

"Considering our decreased budget, we should reconsider the need to print as much as we do."

"As a smaller agency we see opportunities in being able to undercut the big conglomerate shops. Our clients are being asked to do more with less and we are positioned to help them with that."

"To be creative with budgets and really see what the team can do with limited funds and obscene expectations."

"getting leaner and cleaner, both inhouse and for clients."

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"We have just spent the last 6 months ramping up all of our systems and we are ready to GO. We also have a strong New Business team."

"Firms wanting to make a change from their current agency; when times get tough people look for answers wherever they can find them."

"Developing our web department and finding a more cohesive pairing with older designers."

"Obtaining new clients who are willing to commit to firm contracts and large projects."

"new business"

"social media"

"We have narrowed our positioning in order to capture a more targeted client base"

"Conversion to interactive marketing using social media"

"driving inbound inquiries by establishing our position as an expert in a specialized field."

"Our specialization has a lot of opportunity. We just have to think about our offering differently, to attract a broader range of clients within that sector."

"Ramped up promotion efforts represent a downpayment on future business."

"the ability to provide new solutions to our clients with emerging web technology."

"With the economic downturn, clients need to get really creative, and we are known for being able to do creative things on low budgets."

"since we are a consultancy the massive layoffs across multiple industries is actually working in our favor."

"Upgrading staff"

"Rethinking how we do business. Reappearing in the marketplace as a leaner, meaner company poised for the new economy"

"Going after 1 niche market."

"More online services like web development and seo with marketing."

"Repositioning to a specific industry"

"Mobile web."

"Establishing new revenue streams. Tapping into the talent and skills my crew already brings to the table."

"good administration during a bad time in economy is really going to give us advantage over companies that are struggling"

"To gain more new clients from different industries as a part of our sales effort in this challenging economy."

"expanding awareness of our business across the internet"

"Fall out of newer firms in the market place."

"New Markets"

"New Clients"

"Expanding into new markets."

"Educational -- demonstrating that creative professionals can still research, plan, present and execute an effective strategy even when the financial well is not as deep. More budget and people mean more options, but quality of creative output doesn't depend on these."

"We're looking at the downturn in the economy as a potential boost to the outsourced marketing industry. More of our clients are looking to scale back on marketing staff in favor of strategically timed, expert support."

"finding new leads/clients"

"Expanding into more high end work."

"Broadening marketing services to include "green" clients and innovative new real estate related companies; continuing to expand company web site to integrate new technologies"

"sourcing new clients"

"Developing new marketing strategies to target Fortune 500 companies who are now outsourcing"

"Moving our efforts more in the direction of interactive technology and less in the direction of traditional communications."

"I believe more companies will look to their websites to support their sales and marketing effort so they can cut head count. Many will need to update the sites to make them work harder than they do currently."

"In down turns - people look to marketing to solve their problems - harnessing that."

"Our strategic focus and size will compete successfully against larger firms."

"Adding new clients within our area of specialization (hospitality) and expanding offerings in e-marketing."

"Sharing our industry specific knowledge and case histories across that industry to attract other clients."

"expansion"

"New media that increases efficiency decreases costs."

"New Media"

"Our greatest opportunity is the chance to really hone our focus and target market."

"to reinvent itself given the changes in the economy and technologies..."

"Building awareness in a market that is likely to see less activity by our competitors."

"Growth in clients, and workload."

"Finding new revenue streams to keep the current upward trend going."

"Shifting economy, makes businesses think more - more strategy."

"Helping our clients see the 'down time' a recessed economy might bring as a time for investment in innovation so they are ready to pounce when the economic swing happens."

"Growth"

"staying around for 2010!"

"Moving into markets that are still developing."

"Website development, administration and content development integrated with traditional marketing communications."

"Changing the way we do business to meet the growing need for both efficiency, while retaining project time for innovation."

"to take advantage of the economic downturn and re-group as a company and become a lean, productive, focused team"

"Learning how to adjust to and serve smaller clients p-- probably more as consultants than as a traditional agency"

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"Applying our creativity in the way we approach our business practices, relationships and new clients."

"Micro-campaigns covering 30-60 day time periods."

"Expanding product and services"

"being prepared for the economy bounce-back."

"Exploring new markets"

"Cutting expenses, and increasing profit."

"Lay the groundwork for new business so when the economy finally turns around we will be in a good position to capitalize on the up swing."

"Greatest opportunity will be marketing our company in new ways, through email and collateral and web"

"Growth & increased revenue; moving to new office space"

"getting work from companies looking to spend less on their advertising."

"helping clients save money"

"Companies hoping to make better use of their budgets by going online with marketing."

"transform the (complex) work we've been doing into a viable story to share with current and potential clients, and help them see opportunities for work together"

"People are really into marketing lately because business is slow so we are very busy trying to keep up with the demand."

"Several larger, more expensive firms in our area have closed, affording some opportunity for us in terms of new business."

"Luring clients away from larger agencies who charge 5 times more to do the same things."

"Remaining a strong competitor in our industry given the economic situation"

"keeping up with demand"

"aligning new social media channels as offers for our clients"

"Every economic downturn helps reduce the number of competing companies in the market, so opportunities to have greater market share are there for those who are able to take advantage of it."