

Introduction

FunctionFox, North America's leading time and project management provider, conducted a survey of more than 200 professionals in small creative companies (marketing, advertising, public relations, web design, etc) across the continent. The purpose of the survey was to 'take the temperature' of the creative industry and get a handle on what people are expecting for the coming year.

Results show what changes creative professionals are preparing for in 2012, and highlight shifts in the industry since we conducted a similar survey in 2011.

We asked participants four questions, about staffing, projected revenue, challenges, and opportunities.

Overview

The Creative Outlook Survey Report includes:

- Results and Findings
 - o Staffing
 - o Revenue
 - o Challenges
 - o Opportunities
- Conclusions
- Methodology
- Appendices

Results & Findings

Staffing:

In the next 12 months my firm will be:

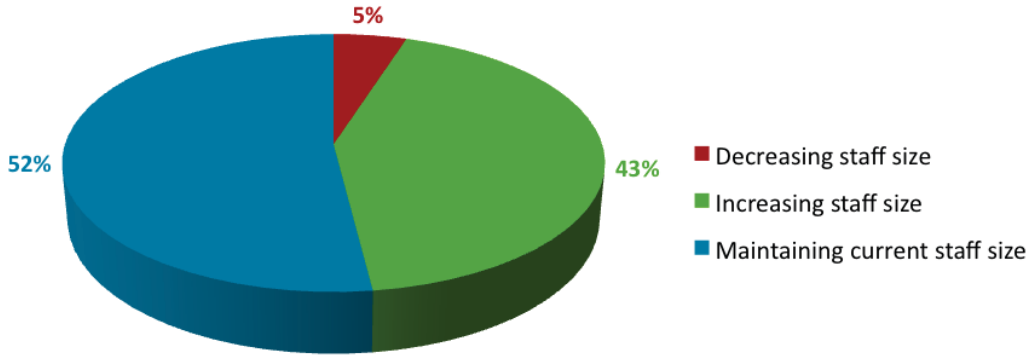
- *Increasing staff size*
- *Decreasing staff size*
- *Maintaining current staff size.*

Despite challenging economic times for the design industry, a full 43% of the small creative firms we surveyed expect to increase the size of their staff over the coming year. That's up a remarkable 6% from last year. The majority of those surveyed (52%) still anticipate maintaining current staff levels – compared to 58% the year before. Only 5% of survey participants are planning staff cutbacks in 2012, a figure that has remained the same since 2009.

"We'll be adding staff to grow our services and better serve our clients."

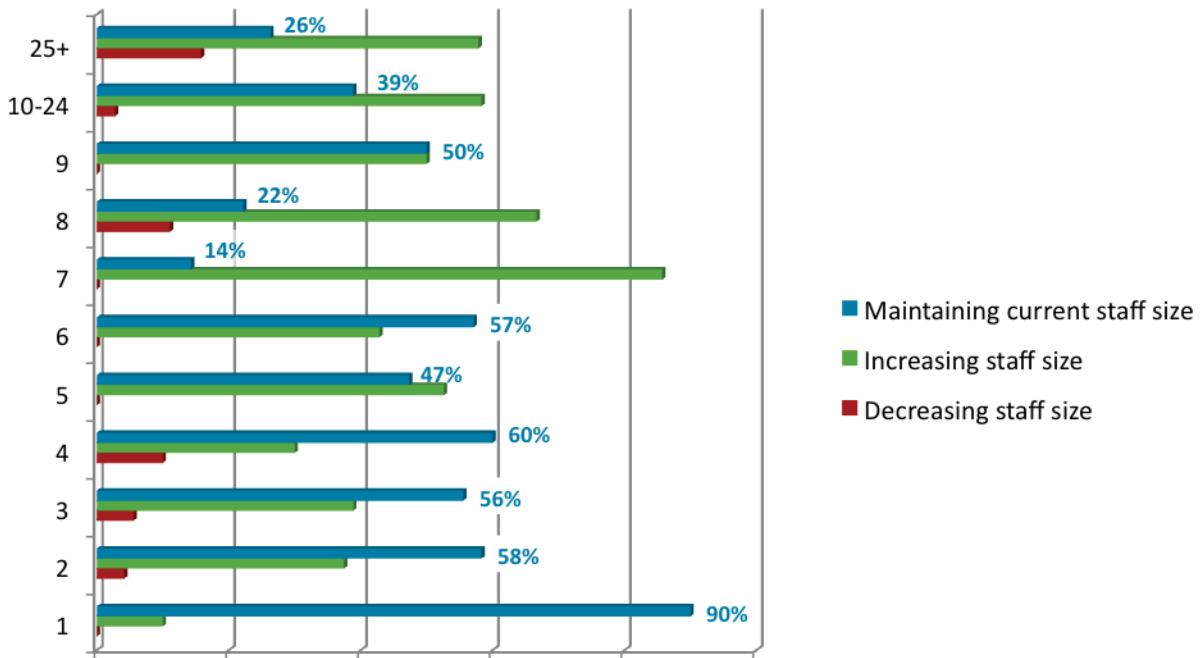
"We're well positioned for bigger clients who are ready to ramp up."

In the Next 12 Months My Firm Will Be:



Firms who currently employ 7 or more staff were more likely to anticipate adding staff in the coming year, while those with 6 or fewer employees are more likely to maintain current levels of staffing in 2012.

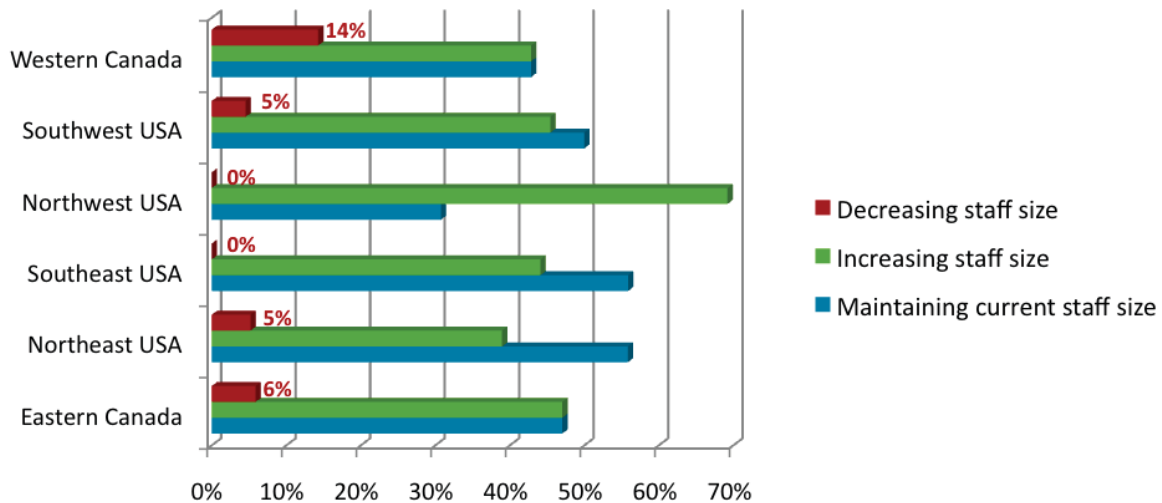
Staffing Expectations by Firm Size:



Regional differences in staffing

Firms in the Northwestern United States are the most optimistic about the need for additional staffing, with more than 60% anticipating adding staff in the New Year. In the Southwest, Southeast and Northeast USA, most respondents anticipate maintaining current staffing levels, while in Western and Eastern Canada, an equal number of companies expect to add staff and maintain current staff levels. Western Canadian firms are more likely than other regions to contemplate decreasing the number of employees.

Staffing Expectations by Region:



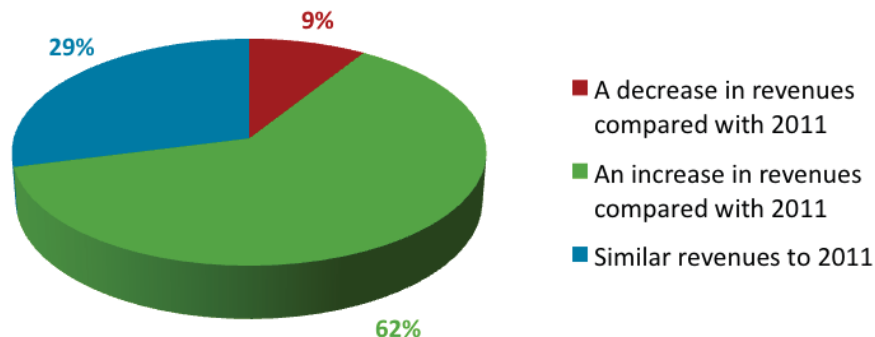
Revenue

We asked design industry insiders whether they were expecting their revenues to increase, decrease, or to remain stable as compared to 2011. Responses indicate a slight increase in optimism, with 62% of small creative firms anticipating an increase in revenues for 2011 – up slightly from 60% for the same period last year. There is also a growing realization that recovery may take longer than expected, with 29% of firms forecasting similar revenues to 2011, and 9% expecting reduced revenue in the coming year (down from just 5% at the same time last year).

“[We’ll become] more profitable with increasing outsource contracts to grow business to a new level.”

“We expect to pick up more business by going after it, which hasn’t been the case in previous years.”

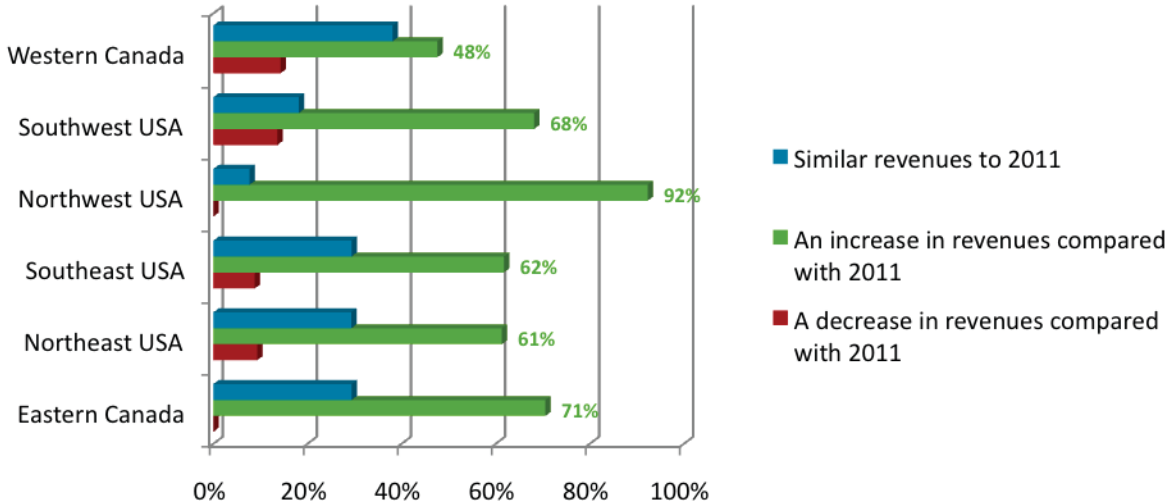
I Expect 2012 to Bring:



Revenue Expectations by Region

Most firms in all regions of the United States and Canada expect to maintain or increase revenues in the New Year. Those in the Northwestern United States expressed the most optimism about revenues in 2012, with 92% expecting to see increases. Small creative companies located in Western Canada and the Southwestern United States, were more likely to contemplate a decrease in staff in the coming year.

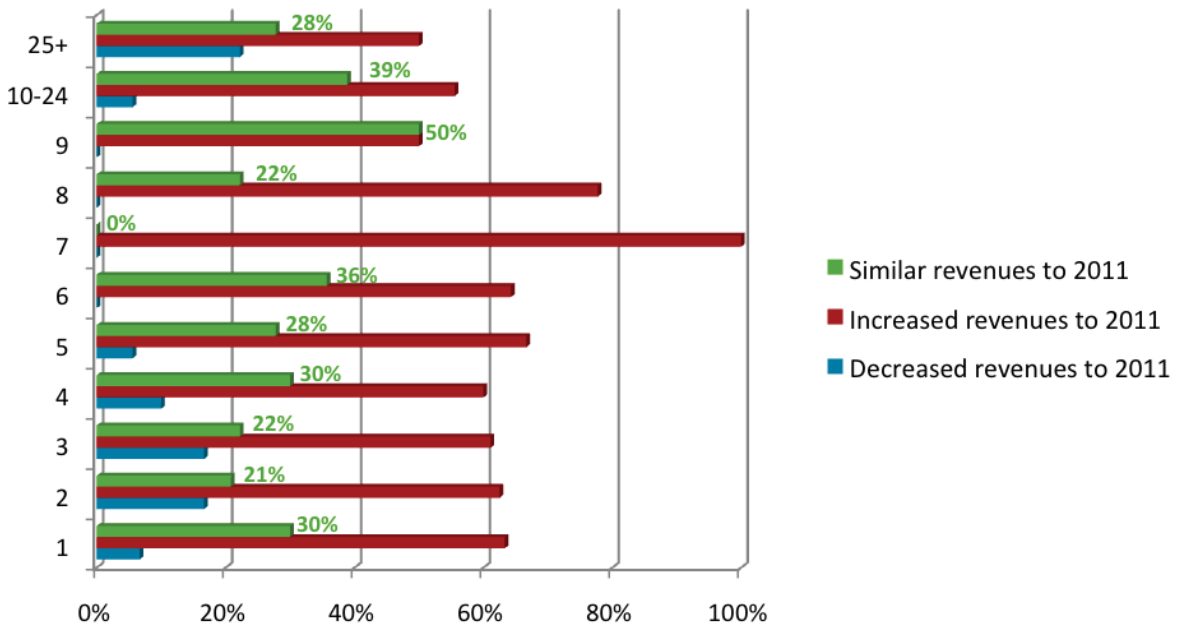
Revenue Expectations by Region:



Revenue Expectations by Firm Size

Smaller creative companies – those with 8 or fewer employees – are the most optimistic about revenue growth in the New Year, with the majority expecting to see increases. Larger firms, with 9 to 25 or more employees are more cautious, with just over 50% looking to a healthier balance sheet in 2012.

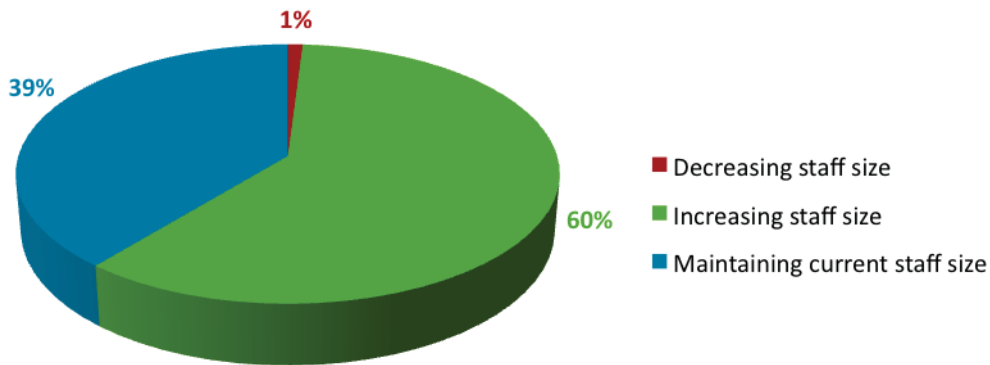
Revenue Expectations by Firm Size



Staffing to Meet Increased Revenue Goals

A healthy 60% of respondents are gearing up for higher revenues (and the increased workload needed to generate that income) by planning to add staff in the New Year. Another 39% are planning to maintain current staff, with just 1% looking to cut staff to meet their revenue goals. This promises to be good news not only for business owners, but for everyone in the creative industry – there will be more jobs – and more money to go around.

Staffing to Meet Increased Revenue Goals:



Challenges

Last year's survey showed that people anticipated that finding new business (32% of respondents) and achieving profitability (also 32% of respondents) would be their biggest challenges. This year, in contrast, only 5% expect to face challenges in either finding new business or achieving profitability, while 44% of respondents expect their biggest challenge to be attracting and keeping staff - up a whopping 27% from last year. The fast pace of technological development also poses a greater challenge this year than last.

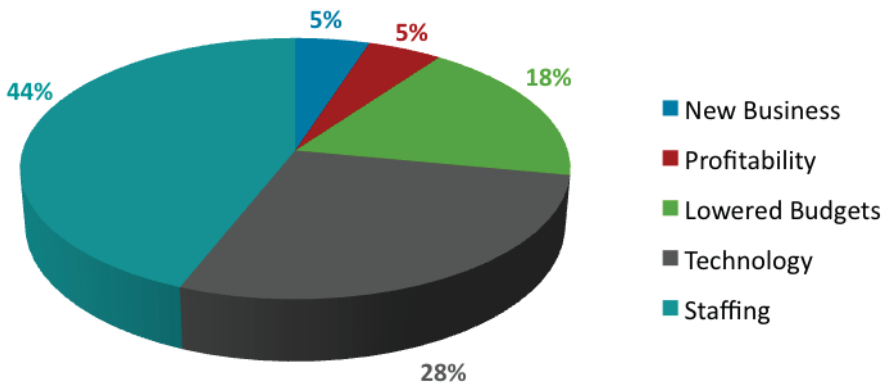
5% said their greatest challenge in 2012 would be "New business: finding new clients", down 52% from last year.

5% said "Profitability: Reaching desired profit margins", would be the biggest challenge of the coming year – also down 52%.

18% anticipate that "Lower Budgets: Expected to do more with less" will pose the greatest problem, down 5% from last year's 24%.

Concerns about finding and keeping the staff increased an incredible 27%, from 7% to 44%.

Greatest Challenge in 2012:

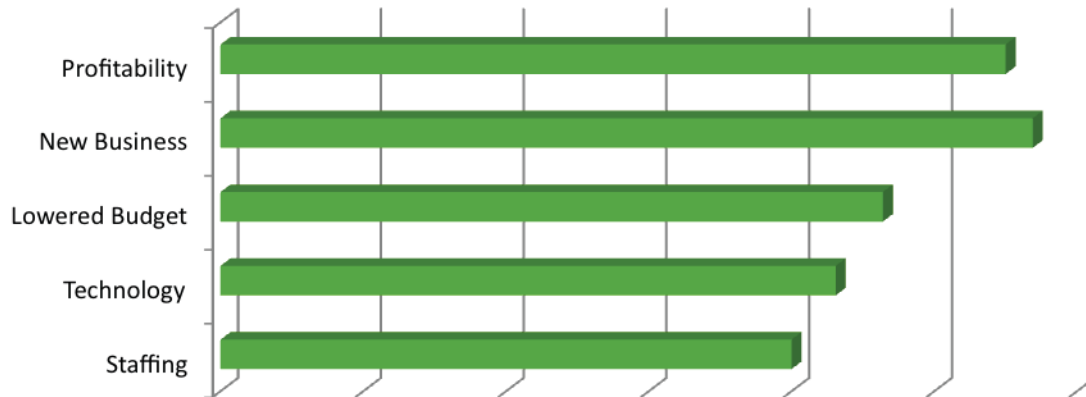


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Keeping up with technology also presented a greater anticipated challenge this year, with 28% listing this as their greatest concern, up 18% from last year.

When we weighted ranking of responses to the Greatest Challenge question, we found that profitability and new business acquisition remain important considerations, with lowered budgets, technology and staffing creating growing concerns for respondents.

Weighted Ranking of Challenges



Opportunities

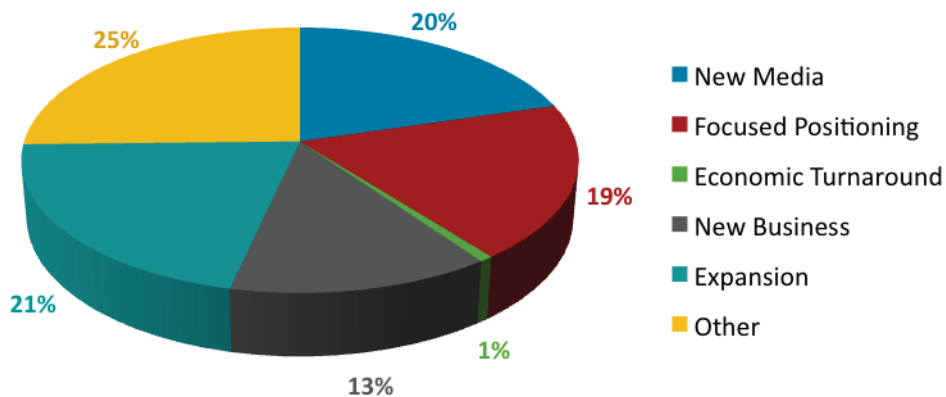
We asked an open ended question to determine what small creative companies see as their main area of opportunity in 2012: "What do you see as being the greatest opportunity for your firm over the next 12 months?"

Last year, few respondents hoped for growth through expansion, with only 9% choosing this as the greatest opportunity. This year, a full 25% of firms are focused on the opportunities offered by expanding their business. New media and technology continue to offer many firms possibilities for growth, although the challenges of mastering this rapidly changing area meant that fewer firms chose this as their greatest opportunity (21% this year as opposed to 33% last). Focused positioning continued to be an important factor, with 19% listing this as the greatest opportunity (the same percentage as last year).

In what might be a further vote of confidence for a strengthening economy, only 1% of respondents were looking to an economic turnaround to provide opportunities – down from 17% last year.

"[We'll be] expanding capabilities by adding talent."
 "[We're expanding] into international markets."
 "[We'll be] leveraging new technology to decrease costs."

Opportunities in 2012:



Conclusions

Confidence Grows for 2012

Small creative companies are preparing for – and expecting – good things in 2012. Their confidence is shown in their plans to add staff (43% of companies), their anticipation of increased revenues (62%), and their focus on expansion as the greatest area of opportunity (25% - up from just 9% last year).

Fewer firms are looking to an economic turnaround for opportunities (just 1% of respondents), relying instead on expansion, new business acquisition and continued focus on a clear and targeted positioning.

More Jobs, More Job Security

The number of firms considering cutting staff remains at just 5%, the same figure as last year. This is good news for both employers and employees in the sector. 95% of those surveyed are planning to either maintain or increase their current staffing over the next 12 months, providing an increasing number of job opportunities for creative professionals. The Northwestern United States shows the greatest confidence, with a full 60% of firms anticipating adding staff in the New Year.

Expansion Creates Opportunity

Business is growing. This year, 25% of small creative company owners surveyed, named expansion as their area of greatest opportunity, up from just 9% last year at this time. Consolidating company positioning to take advantage of emerging or underserved markets continues provide the greatest opportunity for 19% of respondents, although fewer companies are looking to new media for growth this year, down to 21% from 33% last year. Additionally, fewer companies are relying on an economic turnaround to provide opportunities, with just 1% mentioning this as their area of greatest opportunity (down from 17% last year).

Small Creative Companies are Ready for Growth in 2012

Having survived a roller-coaster economic ride over the past several years, smaller creative companies are optimistic about the future and poised for growth in the New Year. A full 95% of respondents are expecting to maintain or increase revenues, and to keep the same number of employees or add staff in 2012. Smaller creative companies seem more ready than ever to rely on their own initiative, flexibility and focused positioning to build a successful and increasingly profitable future.

Methadology

Purpose

FunctionFox constructed its Creative Industry Outlook for 2012 to allow creative professionals to share insight into challenges, expectations and opportunities facing their businesses heading into 2012.

Survey Method

We invited respondents representing disciplines of graphic and web design, advertising, marketing and communications – creative professionals – to participate in the survey in November 2011 via email. We used an online survey and reputable online survey software.

The Survey

See a copy of the survey as it appeared online at www.functionfox.com/creative-industry-outlook-2012/survey2012.aspx.

Survey Deployment Date

November 15, 2011

Survey Closing Date

December 14, 2011

Sample Size

208 respondents completed the survey. 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 2012 Survey, where respondents confirmed their 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 2012, please contact corina@functionfox.com or call Toll-Free 1.866.369.8463