

Introduction

FunctionFox, North America's leading time and project management provider, recently conducted a survey of professionals in small creative companies (marketing, advertising, public relations, web design, etc) across North America. The survey aimed to 'take the pulse' of the creative industry and determine what staffing changes, revenue expectations, challenges and opportunities are in store for 2013.

Results show how creative professionals are preparing for 2013, highlighting shifts in the industry since we conducted a similar survey in 2012.

Participants responded to four questions, about staffing, projected revenue, challenges, and opportunities.

Overview

This Creative Outlook Survey Report includes:

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

Results & Findings

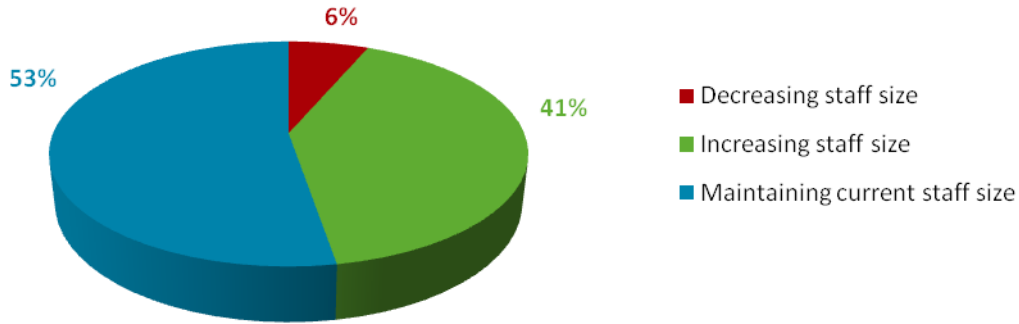
Staffing

There is a sense of optimism in the creative industry this year, tempered by the continued slow economic recovery. The majority of small creative companies we surveyed expect to see the New Year through with the same number of employees as in 2012, while a healthy 41% are expecting to ramp up hiring to meet increased revenue projections. In contrast, just 6 % of survey participants are planning to cut staff in 2012 - a slight increase over the past four years, which showed a consistent 5% of survey participants anticipating staff reductions.

"We will be keeping up with the work load with limited staff."

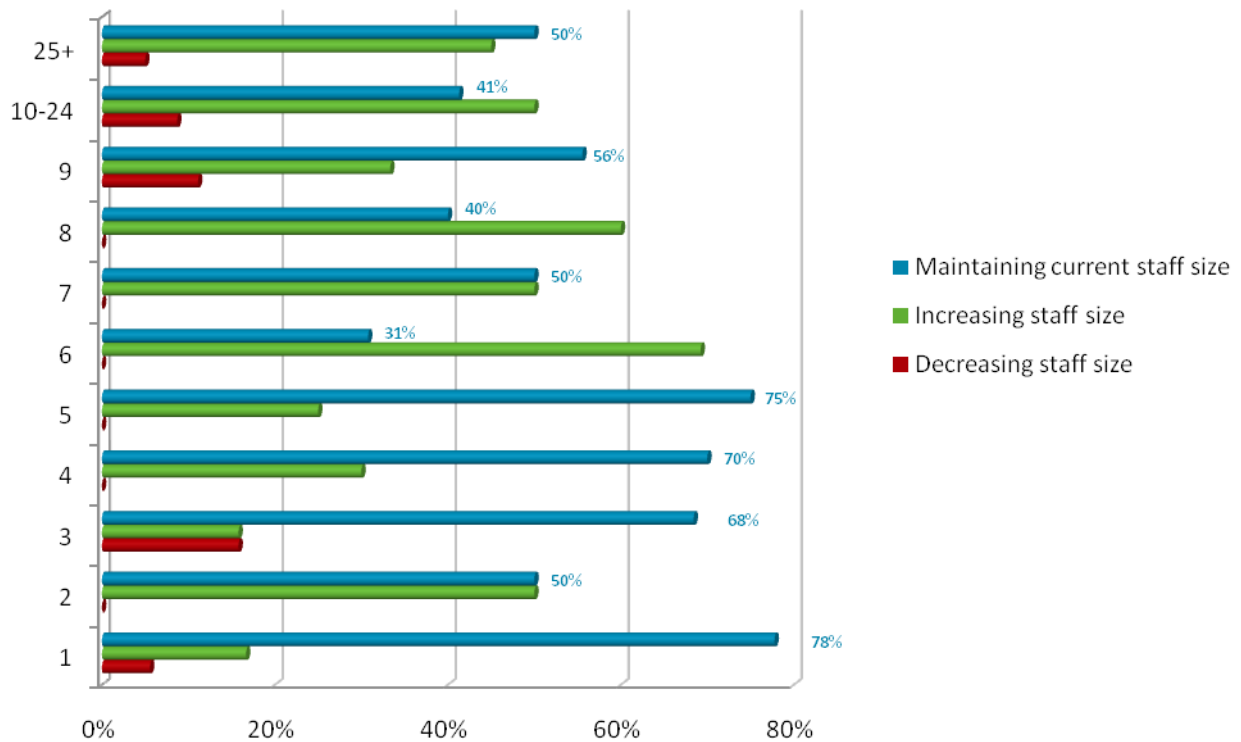
"We'll be leveraging a larger staff in order to be more profitable."

In the Next 12 Months My Firm Will Be:



Firms who currently employ between 4 and 8 staff are most likely to maintain or increase staffing, and do not anticipate any staff reductions. One-person shops plan to maintain the status quo, with a whopping 78% planning to stay single through 2013. Approximately 10% of larger firms, with from 9 to 25+ employees are contemplating cuts in staffing over the coming year.

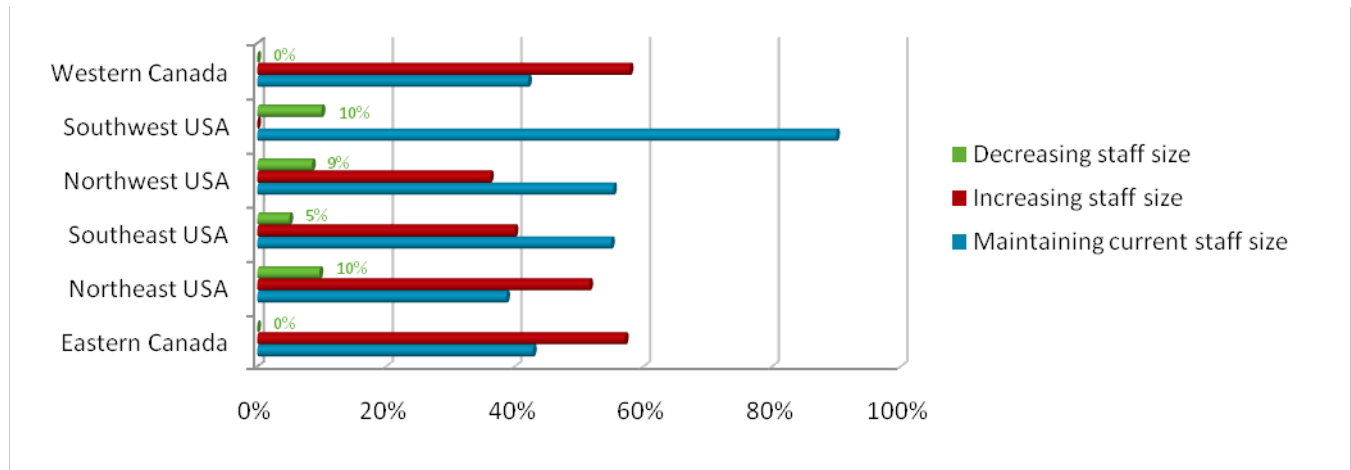
Staffing Expectations by Firm Size:



Regional Differences in Staffing

Canada's more stable economy may account for increased optimism across the country. Approximately 58% of Eastern and Western Canadian creative companies are contemplating adding staff in 2013. Just over half (51%) of the companies surveyed in the Northeastern United States are also thinking of increasing staff levels. Some respondents in the Northwestern and Southeastern US anticipate adding staff, but the majority expects to maintain current staff. In the Southwestern US, where economic recovery continues to be slow, none of our participants expected to add staff, 10% expected to lose staff, and 90% expected to keep the same staff numbers.

Staffing Expectations by Region:



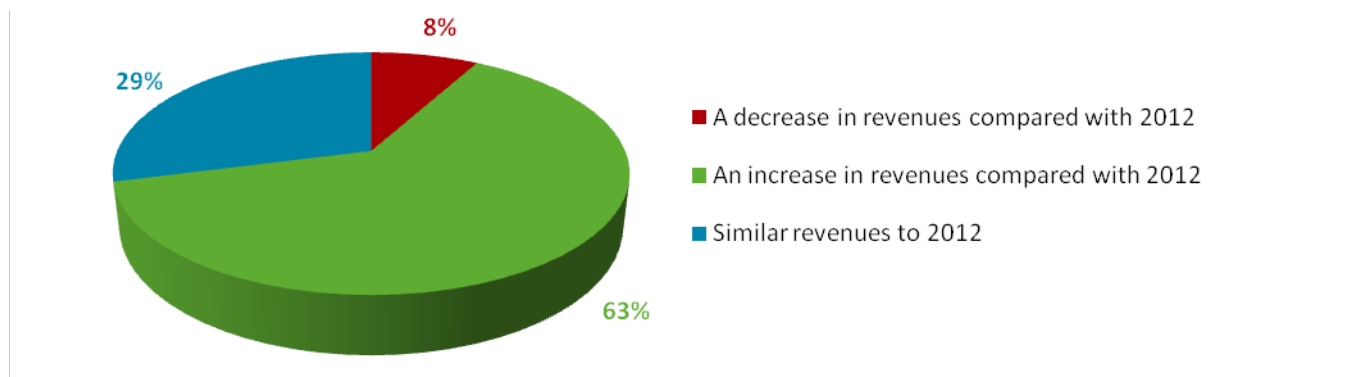
Revenue

We asked design industry insiders whether they were expecting their revenues to increase, decrease, or to remain stable as compared to 2012. Responses indicate that optimism is increasing, with 63% of small creative firms anticipating more revenue for 2013 – up slightly from 62% for the same period last year. There is also an industry-wide realization that recovery may take longer than expected, with 29% of firms forecasting similar revenues to 2012, and 8% expecting reduced revenue in the coming year (down from 9% at the same time last year).

"We are boutique in size, with exceptional expertise; we will be able to capture work that was previously held by larger, more expensive firms..."

"[We'll be looking for] alternative revenue sources - crowd funding and products."

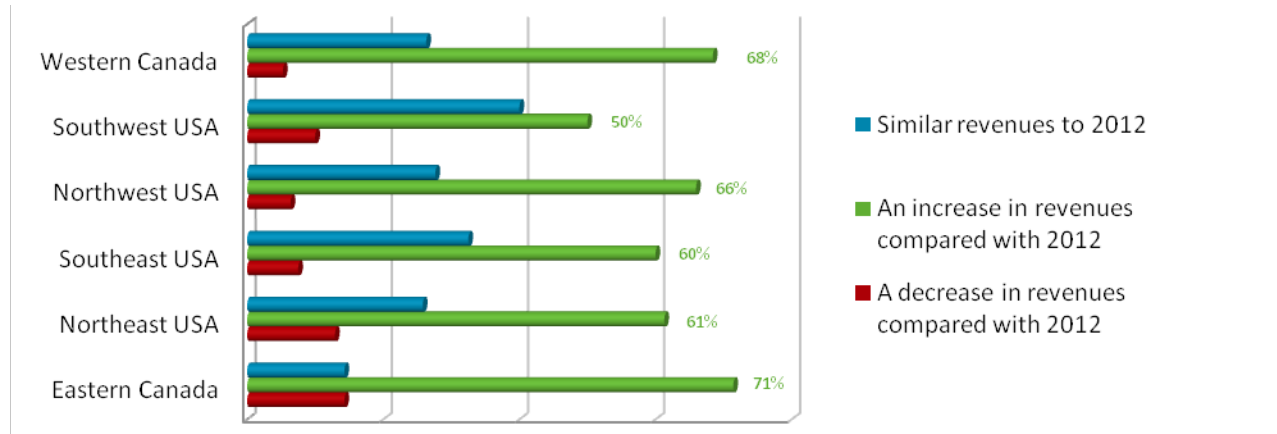
I Expect 2013 to Bring:



Revenue Expectations by Region

Across the continent, smaller creative companies are anticipating increased revenues in 2013, with Canadian firms the most optimistic. A full 68% of Western Canadian and 71% of Eastern Canadian firms expect to boost revenues in the coming year. In the United States, 66% of firms in Northwestern and 61% of those in Northeastern states are also looking forward to a better year. There is slightly more caution in the south, especially in the Southwest, where just half of survey participants expect to bring in more money this year than last.

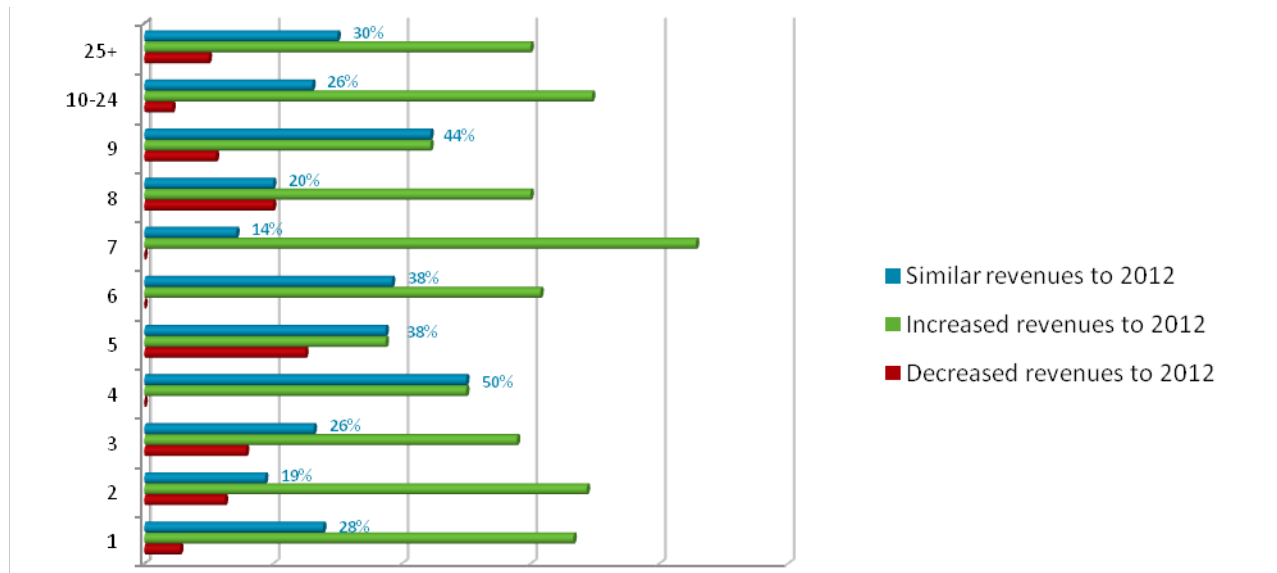
Revenue Expectations by Region:



Revenue Expectations by Firm Size

Creative companies with 6 or 7 employees were most likely to think optimistically about the coming business year – none of our respondents with companies of this size expected reduced revenues, anticipating instead sustained or increased earnings. Larger (from 8 to 25+ employees) and smaller (5 employees or fewer) firms were more likely to expect reduced revenues in the coming months.

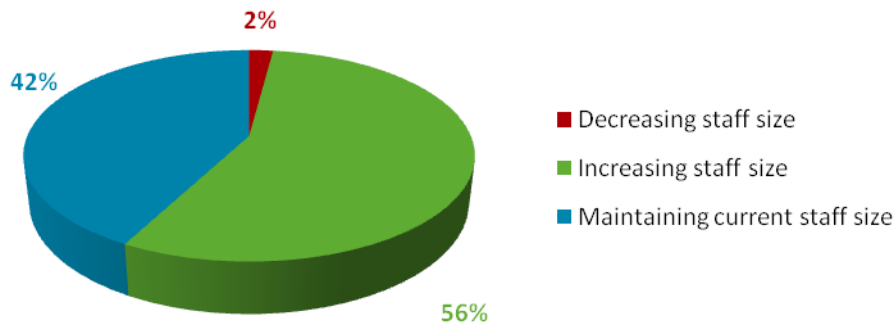
Revenue Expectations by Firm Size



Staffing to Meet Increased Revenue Goals

56% of industry professionals surveyed 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 42% are planning to maintain current staff, with just 2% looking to cut staff to meet their revenue goals. This promises to be good news not only for business owners, but also for everyone in the creative industry, because there will be more jobs – and more money – to go around.

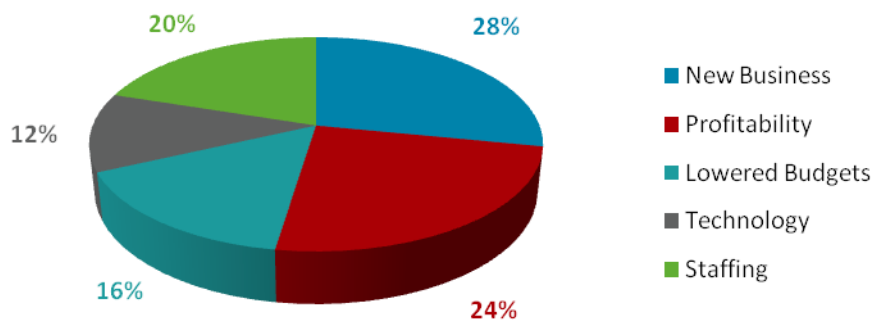
Staffing to Meet Increased Revenue Goals:



Challenges

When asked about the greatest challenges facing their creative company, participants identified finding new business (28% of respondents) and achieving profitability (24% of respondents). This is up considerably from our 2012 survey, when just 5% of participants mentioned new business and profitability as their greatest challenges, focusing instead on the challenge of finding appropriate staff (44% of 2012 respondents). This year, perhaps after putting the right staff in place last year, just 20% of respondents expect their biggest challenge to be attracting and keeping staff. The fast pace of technological development also continues to pose a challenge this year, with 12% of participants noting this as their greatest challenge.

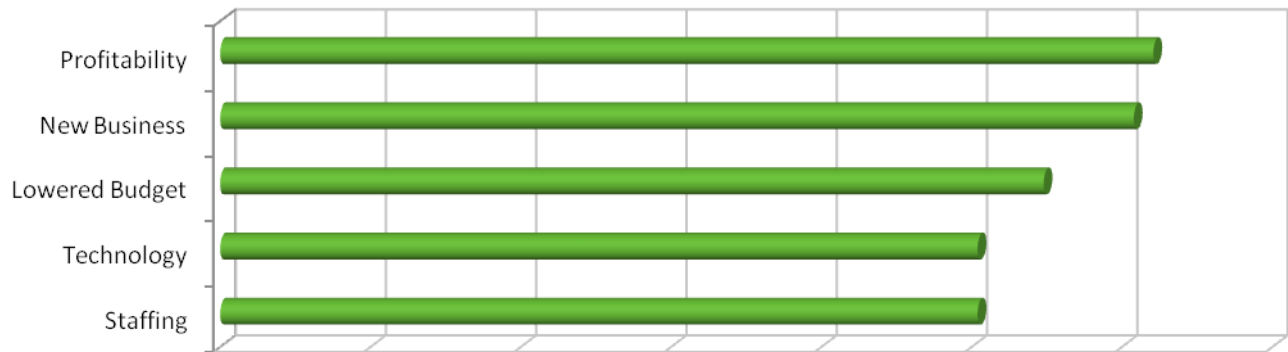
Greatest Challenge in 2013:



Simple, affordable, online timesheets & project management tools.

When we weighted ranking of responses to the Greatest Challenge question, we found that new business acquisition and profitability remain the most important considerations - as they were in 2012, followed by lowered budgets, keeping up with technology, and staffing.

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 2013: "What do you see as being the greatest opportunity for your firm over the next 12 months?"

Last year, 25% of firms focused on the opportunities offered by expanding their business. The trend continues this year, with 24% looking to expand in 2013. New media and technology continue to offer many firms possibilities for growth, although the challenges of mastering this rapidly changing sector meant that fewer firms chose this as their greatest opportunity (18% this year as opposed to 21% last). Focused positioning continued to be an important factor, with 16% listing this as the greatest opportunity (down from 19% last year).

In a vote of confidence in the economy, 8% of respondents were looking for opportunities in an economic recovery.

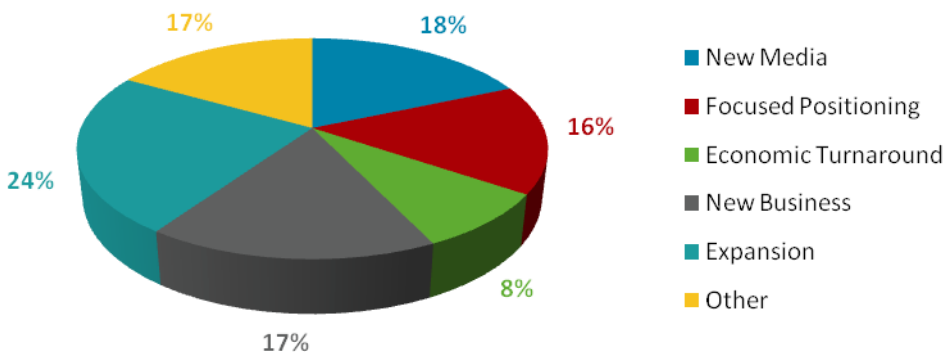
"[We're going] to focus more of our attention online, on inbound and internal marketing.."

"Our greatest opportunity for maintenance and growth is within our current client base.."

"[We're looking to] an improving economy.."

"[We're counting on] the stability in the Canadian economy coupled with the growth of mobile trends."

Opportunities in 2013:



Conclusions

Holding the Line in 2013

Small creative companies are cautiously optimistic about 2013. Their confidence is shown in their plans to add staff or maintain current staffing levels (94% of companies), their anticipation of increased revenues (63%), and their focus on expansion as the greatest area of opportunity (24%). This year, 8% of survey participants are also looking to an economic turnaround for opportunities, up from just 1% last year. Expansion, new business acquisition and continued focus on a clear and targeted positioning continue to be important areas of opportunity.

Continued Job Security

The number of firms considering cutting staff is just 6%, up only 1% from last year. This is good news for both employers and employees in the sector, because it means that 94% 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. Canadian firms expressed the greatest confidence in the future, with 68% of western companies and 71% of eastern firms anticipating adding staff in the New Year.

Expansion Continues to Offer Opportunity

Business is growing. This year, 24% of small creative company owners surveyed, named expansion as their area of greatest opportunity, down just 1% from last year at this time. Consolidating company positioning to take advantage of emerging or underserved markets continues to provide the greatest opportunity for 19% of respondents, with another 21% looking to new media opportunities for growth this year.

Small Creative Companies are Poised for Growth

Having slogged through a sluggish economy for the past several years, smaller creative companies are now expressing optimism about the future and are ready to meet the challenges of 2013. A full 94% of respondents are expecting to maintain or increase revenues, and to keep the same number of employees or add staff in 2013. Smaller creative companies, like other small businesses across the continent, are beginning to look for new ways to do business and new opportunities for expansion and growth in the coming year.

Methodology

Purpose

FunctionFox constructed its Creative Industry Outlook for 2013 to allow creative professionals to share insight into challenges, expectations and opportunities facing their businesses heading into 2013.

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 2012 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/survey2013.aspx.

Survey Deployment Date

October 18, 2012

Survey Closing Date

December 31, 2012

Sample Size

189 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 100,000 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 2013 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 2013, please contact corina@functionfox.com or call Toll-Free 1.866.369.8463 ext 100