



# Graphic Artists Guild

## Starting Your Own Graphic Design Business

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I never had dreams of owning my own business, growing up. And I didn't even plan on it, while at school. Yet it happened, as a side venture grew into a career, almost as I wasn't looking. Since I had had no formal training I made every mistake in the book, and my errors followed me around for more than a decade. For this reason I remain passionate about sharing what I have learned along the way, in hopes that I can prevent other designers from making the same mistakes and paying as high a price as I did to get where I am today.

A bit of background on my company: Optimum Design & Consulting is a midtown Manhattan firm with a playful, energetic staff offering three areas of service: graphic design for print and web, prepress services, and Macintosh tech support and database customization. I started the business in 1992 and we've always had those three areas of service, although our staffing levels have varied between four and 16 (currently we're at eight; we're still in recovery from 9/11). This article is based on a workshop I teach called "How to Start a Graphic Design Business" which is offered periodically through the Graphic Artists Guild, among other venues.

### **The Business Plan: Always Necessary, Even If You're A One-Man Band**

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As much as we artists might enjoy dreamy conceptualization, real world providers of capital and services often want to know that we have a concrete plan for building and managing our businesses. Potential partners and advisers will also feel more comfortable coming aboard when they know you a well-thought out plan exists. But the most important reason of all for having a business plan is that it is the very first step you can take down the path that defines you as a small business owner rather than just a freelancer. It forces you to think things through and answer tough questions at the outset, which will help you better position yourself in the marketplace before you invest much time into creating a corporate identity. A business plan should always come before starting a business.

There are many tools available to help you write your business plan, from books to software programs to people you can hire to write it for you. A good resource for sample business plans (and marketing plans, too!) is [www.bplans.com](http://www.bplans.com). Make sure you follow some sort of guide, rather than winging it on your own. Typical business plans usually include the following six sections:

**1. Executive Summary:** The Executive Summary defines who you are, what you do, and why you should exist. What about your company is different than all the other design firms out there? It should have a succinct mission statement defining the purpose of the business and a positioning statement, just as succinct, which defines the special assets of your business, and why you are unique in your field. This section should never be more than one page. It is the snapshot of your business, and can also function as your sales pitch.

**2. Company Strategy/Management Team:** How are you going to get your business to where you want it to be? Are you qualified to get it there? This section speaks to the credentials of you and your management team. For start-ups without staff, this section can include a team of qualified business associates or advisors (which would actually really impress whoever is looking at your plan). Business associates can be your accountant, your lawyer, your banker, and your insurance agent (yes, you need these people right from the start, even if you don't think so — more on this later). Business advisors can be a small group of industry experts and other business owners who you can meet with every six months to pick their brains. You can discuss your challenges and get invaluable feedback and suggestions from them, even if it means treating them at a dinner meeting in exchange for their time. Don't be afraid to ask questions — that's what they're there for! A good mentor early on would have prevented me from significant heartache...

**3. Product/Service:** What are you going to sell, and will you be you selling it to? Be specific about what you are going to design. Are you going to be a logo specialist? Do you like editorial design, posters, web pages, product packaging? Know what you are really good at. Although you may be capable of doing all of the above, there are surely some areas in which you really excel. Identify them and be prepared to focus on these services. Most successful companies develop "niche" markets. Niches can be defined by company size, type of company or type of design (ie, annual reports). Develop materials for a dozen law firms, educate yourself on their needs, and you may suddenly develop a reputation as the go-to person for law firm marketing materials. Learn the industry, learn their needs and think of creative ways to fill them.

One friend of mine specialized in websites for not-for-profits. As she was adding bells and whistles to her sites she discovered that her clients needed faster computers to be able to properly view them. She knew a colleague who was updating his own equipment, and when she arranged for him to donate it to her not-for-profit client it sparked an idea — she would offer another line of services, helping her not-for-profit clients obtain used equipment for a broker's fee. Although this might be too much of a stretch for you, this is

a good example of how to create additional revenue streams for your business. Diversifying your income sources will help you survive during the lean years — I'm speaking from experience here! Other ancillary services you could provide might include creating branding guidelines in addition to just delivering a logo, providing copy writing or retouching services, or doing market research to support your design work.

**4. Your Market and Your Competition:** Guess what? There are other people doing what you do. Find out how many and who they are. Do a scouting report. Learn about their customer service and pricing. Get copies of their marketing materials. Believe it or not, the best way to do this is either to pretend to be a student doing research for a class project, or to pretend to be a potential client. Ask five other design firms for an estimate on the same set of specs, and see what you can learn — how do they treat potential clients, how quickly do they turn around a quote, how high or low is their pricing, how detail-oriented is their estimate? What was the customer experience itself like? Use this information to figure out how you can do better. Then, restate your unique selling proposition in more detail — what makes you different among all of your competition?

**5. Sales and Promotion:** If you don't already have one, you'll need to create a marketing plan for your company. The sales and promotion section of your business plan is a synopsis of the marketing strategy that you'll outline in more detail in your marketing plan, which should also include specific implementation steps and target goals. There are many books, web pages, coaches, and seminars on marketing, including annual events offered by the Guild. Start thinking about how you are going to get business and how long it is going to take you (this will also figure into your cash projections, the next section of a business plan).

At least 10% of your time should be spent marketing, or you'll get distracted trying to meet client deadlines and be taken by surprise when your current project ends and there is no new project ready to start. Remember that each new contact is a marketing opportunity, and develop your "elevator speech," which should summarize what your company does and why it is unique in one or two sentences — roughly the length of time you'd have to tell someone you met on the elevator about your business before the door opens on your floor. The elevator speech is designed to pique interest and spur others to ask questions that might generate potential leads. It is important to realize that word of mouth alone cannot sustain your business in the early years, and that business is not going to magically fall into your lap. You are going to have to actually market to make things happen!

**6. Financial Considerations:** There are several financial documents that you'll have to submit along with the narrative part of your business plan, including a profit and loss statement (P&L), cash flow projections, tax returns from prior years, an accounts payable list (AP), an accounts receivable list (AR), a list of assets, and a monthly budget. There isn't space here for me to go into detail on how to prepare all of these, it's best to work with your accountant. But I figured I could touch on the basics of how to put together a monthly budget and prepare your projections — often considered the most difficult financial statement to create.

First, list your monthly expenses. This means that you'll also have to look at annual and quarterly expenses and divide by 12 or four in order to get the average monthly amount due. Some expenses are obvious, such as rent, insurance, and supplies, but take some time to think about the hidden costs, such as life insurance and occasional legal expenses, and make sure that you leave yourself a marketing budget too. Don't forget to take a salary for yourself, and include not only the salary, but also all appropriate payroll taxes in your expense list. Employee payroll taxes are different than self-employed taxes, so be sure to consult your accountant. I can't overemphasize the importance of taking a regular salary rather than just dipping into your business account whenever you need to pay your personal bills — you'll never have a clear handle on the profitability of your business if you don't include your salary. Even if you can't afford to pay yourself during the lean months you should always write that cheque anyway, and just put it in a drawer until you have the funds to deposit it.

Secondly, you'll need to estimate your billable hours. Ask yourself how many hours a day you think you will be able to bill, given that a large portion of your time will necessarily be involved in a myriad of unbillable activities such as marketing, invoicing, dealing with correspondence, paying bills, traveling, etc. Multiply that number by 23 (the number of working days in an average month) to get your billable hours per month. Theoretically, your monthly expenses divided by your billable hours per month should give you your billable rate (or at least the minimum rate you should be billing at in order to break even). You may find that you will have to work more hours than you'd like to in order to bill at a rate that feels comfortable to you. Or, you can aim only for top tier clients who can afford to pay those rates. Unless you are very lucky, you will probably have to make choices between time and money, or commit to working more hours initially to get the business off the ground, and then look to hire an assistant to help with the workload once it's feasible. Congratulations, you've just completed your monthly budget.

To create financial projections, make a spreadsheet that lists costs down the left-hand side, and the next three years across the top. Fill out your Year One column to be the annual version of the monthly budget you just created (meaning, multiply your monthly figures for each expense by 12). Then start with a copy and paste for your Year Two. Next, examine your costs one by one and figure out which ones will increase in the second year of your business. For example, will you need to spend more on salary because you're planning on hiring a part-time assistant in your second year? If so, then alter that line item in your spreadsheet and annotate it with a footnote at the bottom that explains why this particular number is changing from Year One to Year Two. If you anticipate increasing marketing in Year Two, assign a higher dollar amount, and then explain why in a footnote. Do this with each expense, and you will have a collection of footnotes at the bottom of your projections. These are called your assumptions.

Now you will need to estimate your growth, and assign a rate of growth — 10%, for example — to your income projections. Hopefully, after plugging in all of the numbers you will end up with more revenue than expenses in Year Two, but if not, go back and readjust your assumptions and/or your projected rate of growth until you do. Just make sure your anticipated growth rate is believable! Repeat the process with Year Two to obtain projections for Year Three. Generally, three years of projections are considered standard.

### **Financing Your Business: Even More Important Than Your Logo!**

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So now you've got your business plan, including impressive financials. Now what? Well, you have to make sure that you're properly funded from the start (not doing this for my own business was one of the biggest mistakes I ever made!) From your cash flow projections determine how much money you'd need to maintain operations for three to six months if you didn't have a single client. This amount is called your working capital, and ideally you want at least three months' operating expenses in the bank before you even open the doors, even if you have to borrow money to do this! Drumming up new business while providing excellent service to your clients is hard enough without also needing to worry about keeping the lights on due to slow-paying clients or jobs that take six months to finish (and bill!).

The best time to seek money is when you have money. That may sound crazy, but most loans need to be collateralized by existing assets — CDs, homes, pension plans, etc. — on a one-to-one ratio, meaning that if you want a \$25,000 loan, you'll need to have \$25,000 worth of collateral to secure it with. There are exceptions, of course, such as an SBA loan (more on that below), but let's examine the traditional bank loan first and foremost.

The Five Cs of Credit will help determine how your loan application will be reviewed:

- > Character: Who are you, are you reliable, and do you pay your bills on time? Do you know what you're talking about when it comes to your business (ie, can you speak intelligently about your business plan?) The best way to make this asset work for you is to find a decision-maker in the application approval process who you can get to know and who will go to bat for you. Several times over recent years I have been able to obtain financing with less than stellar financials due to the relationship I developed with the loan officer, and how collaborative I pushed for the process to be. If the person you are dealing with doesn't believe in you, find someone else.
- > Cash Flow: Lenders will look at historical and projected cash flow to make sure that you will have enough money to keep the business afloat and still make your loan payments.
- > Collateral: If the business itself does not have enough collateral, the bank will look to personal assets (see above).
- > Capitalization: This refers to the basic resources of the business, including owner's equity and fixed assets.
- > Conditions: Outside factors will also be taken into consideration, such as government regulations, industry trends, and economic predictions. Know your industry!

Unless you're looking for \$250,000 or more you'll have better luck trying to get loans from smaller, independent banks than larger, national banks. But what do you do if you just can't swing a loan? Sell assets (stocks, bonds, a second automobile). Take out a home equity loan. Try for a grant — although typically they are given to qualified not-for-profits or to for-profit companies doing something worthwhile (such as developing environmentally friendly business practices). If you have outstanding invoices from regular clients you can pursue factoring — selling your accounts receivable for immediate cash less a percentage fee — with a firm such as Yale Capital ([www.yalecapital.com](http://www.yalecapital.com)). Go for an SBA loan. Many banks offer loans backed by the Small Business Administration (SBA) for 80-90% of the value of the loan, which makes the loans less risky for the bank and therefore allows the bank to grant loans to higher-risk candidates. In addition to backing loans, the SBA provides a wealth of business start-up information on their website: [www.sba.gov](http://www.sba.gov).

Another option — and one set up specifically to help manage unforeseen cash flow glitches — is to obtain a line of credit. A line of credit is a set amount of cash that you can use part or all of if and when you need to, and you only have to pay interest on the portion that you use. For example, if a bank extends a \$15,000 line of credit you may use only \$5,000 over the course of five months before you are able to repay it, so you would only have to pay interest on \$5,000 over the five-month period. Most lines of credit do have to be fully repaid for at least one day per calendar year, but if you can manage this, they are very helpful for immediate and unpredictable expenses, in addition to being interest-free when you're not dipping into them.

So are you confused yet, with all these funding options? If you need help thinking through your business plan or deciphering the maze of funding opportunities, there are several free sources of aid. Service Corps of Retired Executives (SCORE) is a 11,000-member volunteer association composed of retired businesspeople who donate their experience to assist entrepreneurs with business problem-solving. There are SCORE offices in all five boroughs, and you can find the one nearest you at [www.score.org](http://www.score.org).

Like SCORE, Small Business Development Centers (SBDCs) are funded by the SBA and offer free managerial and technical assistance to small businesses. Located within college campuses across all five boroughs, SBDCs combine MBA-qualified consultants with a wealth of governmental programs and services. SBDCs are particularly adept at helping clients seek out and apply for non-traditional funding options (meaning that you need access to capital but don't qualify for traditional bank loans). Check them out at [nysbdc.org](http://nysbdc.org).

## **Business Relationships: It's All In Who You Know**

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Carefully set up your business relationships at the outset, and you will be rewarded by years of good advice down the road.

**Lawyer:** You may not think you need one until you get in trouble, but a little bit of wise counsel before you make certain business decisions can go a long way towards business security. Look for a lawyer or a boutique firm that specializes in small business law and see them at the outset to obtain advice on the best method of structuring your business. The New York Chapter of the Graphic Artists Guild has a lawyer referral resource for members. Another resource is The American Bar Association ([www.abanet.org](http://www.abanet.org)), which offers information for those who want to handle part or all of their legal situation on their own, information on hiring a lawyer — including a legal referral service — and a pro-bono service for certain qualifying applicants. Pre-Paid-Legal Services ([www.prepaidlegal.com](http://www.prepaidlegal.com)) is an interesting alternative, supplying unlimited legal advice for approximately \$300 per year — although you will not be able to maintain a relationship with any one particular individual in the organization as a “personal” counsel. A great source of legal self-help can be found in the booklets put out by Wise Counsel Press ([www.wisecounselpress.com](http://www.wisecounselpress.com)).

**Accountant:** Find one who doesn't charge you to call with questions between visits, so that you are free to utilize their expertise whenever needed. A good accountant can be invaluable in recommending legal ways to distribute your income to lighten your tax load. AccountantsWorld ([www.accountantsworld.com](http://www.accountantsworld.com)) provides a web page on small business resources and tax issues, and can help you find a local accountant from their database of 35,000 accountants, listed by area of specialization. It is perfectly acceptable to meet with and interview several accountants before settling on one. Draw up a list of interview questions and call their referrals, just like you were hiring an employee. In many ways, your relationship with your accountant is the single most important business relationship you will have.

**Banker:** This may seem like a less important relationship at the outset, but try to form a good relationship with your banker when you set up your business account. Inevitably, you will face a cash flow problem, hit a glitch, or need a special favor. Bankers can do a lot more than tellers can to resolve issues favorably, especially if a pre-existing relationship exists. They can also advise of new products or services offered by the bank that might be a good fit for your account activity, but again, only if they know you and your business fairly well. And when it comes to seeking financing, although your banker may not be the same person who gives you your loan, they can direct you to a proactive loan officer and will certainly provide a good character reference for you.

**Insurance Agent:** Finding the right broker can help you negotiate the arcane world of insurance. You may be aware of the need for life insurance, health benefits, disability insurance, and Worker's Comp., but have you thought about employment practices liability insurance or key employee insurance, and do you know the difference between property and casualty insurance? Unless you are in the business, it is easy to make incorrect assumptions about which types of insurance are required vs. suggested. A broker can not only advise on what types of insurance are needed by your small business, but can also help find you the best coverage for your budget. The Insurance Information Institute provides some good basic information at [www.iii.org/individuals/business](http://www.iii.org/individuals/business), and the Independent Insurance Agents & Brokers of America ([www.iiaba.org](http://www.iiaba.org)) is a good place to locate independent agents, who each represent many insurance companies and compare those companies' products to find you the best combination of price, coverage, and service.

## **More Numbers To Memorize: Your EIN And Duns Numbers**

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An Employer Identification Number (EIN), also commonly referred to as a Federal Tax Identification Number, is a nine-digit number that the IRS assigns to business entities. It is your business' social security number, and will be required on all legal, tax-related, and financial paperwork. Getting an EIN takes about five minutes and is free, so there is absolutely no reason to use your own social security number for your business, especially in these days of identity theft when you'd rather not have that number on every form you need to fill out. Simply call 800-829-4933 to obtain your EIN.

Dun & Bradstreet (D&B) is the TRW/Experian/Equifax of the business world. They will establish a credit report on your business regardless of whether or not you seek them out, so you might as well contact them and make sure that they're reporting accurate information about your company to the outside world ([www.dnb.com](http://www.dnb.com)). Additionally, when you initiate your D&B report you get to choose which vendors D&B uses to check your payment history (once you supply them always make sure they are paid on time!), whereas otherwise D&B chooses their own vendors to consult. When you open up a credit report with D&B they assign you a unique DUNS number to track you by, and after they establish your credit report, they assign you a credit ranking. The DUNS number and D&B credit ranking are often requested when applying for credit at banks or with larger vendors.

## Buyer's Remorse Is No Fun At All: Acquiring The Right Equipment

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One of the most exciting aspects of starting a business is the new top-of-the-line computer you now need to buy for work, right? Well, if you can afford it, sure. But why not start out in a more modest way and keep that capital for a cash-flow glitch? Trust me, someday you'll be glad that you did. Think about what you'll be using your computer for, and what your employees will be using them for as well. If your work is primarily in Quark and you rarely use multiple applications, you might not need as much RAM as you drool over. If your office manager is only working in MS Word and Excel, chances are he won't need a dual-processor machine. Be sensible about what you need vs. want. And it never hurts to comparison shop, you can check for bargains at [www.dealcatcher.com](http://www.dealcatcher.com) and [www.pricegrabber.com](http://www.pricegrabber.com).

As well, you might consider purchasing used equipment — I have been doing this for years with great results, and in fact I am in love with my used 600 MHz iBook with 640 MB RAM that cost me about \$600. Although eBay is certainly a popular method these days, other sources you might want to check out are Mac of All Trades ([www.macofalltrades.com](http://www.macofalltrades.com)), CPUUsed ([www.cpused.com](http://www.cpused.com)), and Pre-Owned Electronics ([www.pre-ownedelectronics.com](http://www.pre-ownedelectronics.com)), which all have warranty periods for equipment and parts purchase.

Another option is to lease your equipment, especially if you need to purchase multiple desktops, a server, and printers all at once, which can be quite an expensive proposition. As well, some leases allow you to upgrade every few years so that you're always able to use the latest equipment without constant significant capital outlay. Apple's own financing program is a good one, but if you're interested in integrating third-party peripherals into your lease, you'll need to either find a third-party equipment lease from a company such as Rent a Computer ([www.rentacomputer.com](http://www.rentacomputer.com)), or locate a company which provides equipment financing from any vendor, such as Fidelity Capital ([www.fidelitycapitalonline.com](http://www.fidelitycapitalonline.com)).

Like any type of lease, computer leasing terms are often negotiable, and you should compare a variety of computer leasing vendors to determine which offers the best pricing and terms. Be sure to watch for any hidden costs that some vendors may attempt to add in, such as end of term computer disposal fees, for example. Regardless of where you lease from, however, Apple's website is handy for educating yourself on various commercial lease options. The Decision Matrix at [www.apple.com/financing/leases/commercial](http://www.apple.com/financing/leases/commercial) compares the Fair Market Value lease, the 10% Purchase Option, and the \$1 Purchase Option, each of which is best suited for a specific mix of technology strategies and tax advantages.

Office supplies will often cost more than you think they will, especially once you factor in all the ongoing disposables, such as toner, ink, and fax cartridges. Take your time to set up business accounts at places where you get freebies or credits for bulk purchases. Staples, for example, offers free delivery on orders over \$50. Business accounts for supplies, services — even local eateries — save a lot of time, allow the bill to be paid when it's convenient, and make it less necessary to keep massive amounts of petty cash lying around.

Always look for time-saving options, even though they might cost a little more. Chances are if you do the math, your hourly rate — or even your assistant's hourly rate — is higher than the cost of using a messenger service, or leasing a scale so you can weigh small packages in the office and not have to stand on line at the post office just to find out how many stamps are needed. Pitney Bowes leases postage machines, scales, and all sorts of neat postal equipment on a quarterly basis. Automation is a wonderful time-saver for the understaffed small office — any kind of automatic debit or online bill-pay, for example, should always be utilized, and might just qualify you for a lower interest rate on a loan payment.

## Who Needs Headhunters?: Attracting Top Talent

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Even more important than your hard assets, however, are your soft assets, or your employees and contract freelancers. I'm sure you've heard the saying that you're only as good as your weakest link, and never is that more true than in a small business. Chances are that you won't be able to do everything yourself, there just aren't enough hours in the day unless you plan to regularly work 80-hour weeks.

So the first decision you need to make is what role you will play as your business grows. Will you be the lead creative, and hire others to cover your administrative functions? Will you spend most of your time in business development, and hire a top creative director you trust? Will you grow to the point where you oversee everything, and rely on department heads that each head up the different segments of your business? Think about the role that you want to play in the future, and start building that infrastructure now. Keep in mind that each position has advantages and disadvantages, and consider how each would fit into the lifestyle you wish to develop for yourself. For example, being the main client contact will make it hard to have a flexible work schedule. Spending lots of time in sales and marketing probably means a certain amount of travel.

It might help to write job descriptions of each of the positions you would like your company to someday have, paying attention to division of duties and the reporting structure. Although you might need to start out by wearing several hats and hiring one or two others with similar talents, it is important to establish a clear path for both yourself and your staff that progresses towards your ideal employee structure. Plan out salary increases and title upgrades accordingly, right from the beginning. Attach revenue goals for adding staff (make sure that the revenue is sustainable and not simply peaking due to one particularly large project) and establish a regular system for employee review and raises.

When thinking about adding your first employee, don't fall into the trap of thinking that part-time is a better way to start because it will be cheaper. At a part-time rate of \$25 per hour, you're paying \$500 per week for a 20-hour week, or about \$26,000 per year. You could probably hire a full-time worker for less than \$52,000, and get not only double the amount of hours worked, but also a lot more stability. There are certainly times where part-time help is appropriate, but think it through and do the math!

Look first within your own networking circle for potential hires...circulate your job description and see if anyone you know knows someone looking for a job. This is often the best route, since the hire will feel obligated to live up to their billing since it came through a mutual acquaintance. Another option that allows you to "try before you buy" when looking for entry-level help is to offer unpaid or stipend-based internships, and make a job offer to a particularly wonderful candidate. Creative internships can be posted at city art schools, and administrative internships at city business schools or programs that help displaced workers return to the workforce.

Two such examples are Career Blazers ([www.careerblazers.com](http://www.careerblazers.com)) and Welfare to Work ([www.opm.gov/wtw](http://www.opm.gov/wtw)), which can provide tax credits and free training as well. Outside of that, the best source of creative talent is the Graphic Artists Guild's *JobLine News*, a weekly job-listing of creative positions run by the New York Chapter ([www.gag.org/jobline](http://www.gag.org/jobline)).

What should you look for in an employee? Well, to a certain extent, if they're going to be doing design work, your decision rests on talent. But for production folk or administrative personnel, consider hiring on basis of work ethic rather than skill level. Sharp, driven, trustworthy self-starters can easily learn new skills. Talented, lazy, unfocused scatterbrains always need to be managed carefully and kept in line. Look for candidates with outside interests, who see their job as simply a part of their life rather than those who define themselves by their job. These people are much more likely to play well with others, as they are probably far less possessive about things needing to be done "their" way. And besides, multi-dimensional people are so much more interesting to work with!

During your interview process, make sure that the growth path you have set for your company intersects favorably with the individual growth paths of your hires. If a stint as your Junior Designer helps them achieve a job as Creative Director somewhere else someday, that's great for both of you...as long as you didn't mistakenly assume they'd be with you forever, or as long as they didn't mistakenly assume that they'd automatically become your Creative Director someday — if you had actually intended to hold that title for yourself. When interviewing, both parties should outline their 3–5 year goals to establish the best fit. Be clear about the role you are looking to fill, the responsibilities of that role, and its growth path. But ask questions of your candidates before you reveal anything about what you're looking for yourself. Many people know how to parrot back what they think you're looking for if you start by defining it for them. If you first ask them open-ended questions about their ideal job and what they liked most and least about their last few jobs and their answers match your mindset, then you know a match is made.

At the moment, you have the luxury of hiring in an employer's market. But in case that changes, you need to think about what you can offer to attract and retain prime talent. If you can't afford top-shelf salaries, can you offer flexible hours? Plenty of vacation? Money towards continuing education with a bonus upon course completion, or more modestly, an annual budget for workshops and seminars? Options for unpaid additional time off? Can you fund and encourage employee participation in a trade association? A commission on work done for new clients harvested by your employee?

Although these are all good up-front incentives, keep in mind how important it is to maintain a good work environment on a daily basis as well. Read some books on management, if this is a new area for you. Your corporate culture starts the moment you open your doors and well before you hire your first employee, so make sure you start it right. First and foremost, look at your own work habits, and ask yourself what kind of vibe your workplace gives off to the clients and vendors who come in contact with it.

Then, once you have that first employee, ask yourself the following questions: How structured or easy-going do you want to be? Are there clearly-established policies and procedures for getting things done, or does the wheel need to be reinvented each time? On the flip side, are your employees doing paperwork just for the sake of doing paperwork, or are they really allowed to focus on their creative skills? Are your meetings affective? How much micromanagement is necessary? Are there opportunities for recognition of a job well done? Is everyone clear on their responsibilities and the responsibilities of others? What happens when you have too much work in one month, and not enough work the next? And in terms of environment, what is your dress code, your policy on music, and your feelings about personal phone calls? Do people clock in and clock out on a timecard, or is it more important to maintain flexibility so that the job always gets done? The more attention you pay to establishing a good work environment, the more loyal and productive your employees will be.

Another (often-overlooked) component of work environment is the relationships that your employees have with each other. Make sure to have regular staff meetings where everyone can provide input in a safe setting, and issues can be discussed in depth. Encourage opportunities for employees to gather outside of the workplace, so that they can form bonds that will transcend the difficulties of the stressful office during deadline. Colleagues who understand each other more completely than simply as in-office co-workers bring an incredible amount of tolerance to the workplace.

## **Nuts & Bolts: Pricing, Contracts, And Other Paperwork**

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As artists we all hate paperwork. It would certainly be nice if we could just concentrate on doing beautiful work and allow the money

end of things to take care of itself, but unfortunately, life doesn't work that way. Design firm owners will probably need to spend at least as much time on estimates, contracts, invoices, and marketing as they will on actual design work.

Let's look at pricing first, as the primary component of an estimate. There are two ways to price your work, on an hourly basis or on a per-project basis. An hourly basis is always more fair for both you and the client, unless you are really, really good at estimating the amount of time it will take you to complete a job. The difficult thing about billing hourly is knowing what to do when the hours start to add up and the job remains far from finished, but in this section I will give you some tips on how to handle that scenario. You'll find it easier to bill hourly once you get comfortable with monitoring both time and budget, and practice keeping an open dialogue with your client about the same, throughout the life of the job.

When I first started out I found that I frequently forgot to bill for little things, for example, the amount of time it took to deal with the printer on the phone throughout the job (now part of our standard "consulting and tracking" fee), or the shipping from the printer's plant to my office, which would show up when the printer's bill arrived on my desk — usually a few weeks after I'd billed the client. To compensate for forgetting to bill certain items, I made a master list of all possible things that I could (and should remember to) bill for, and when I prepare my estimates I run down this checklist each and every time. It even reminds me to build an hour into each job to compensate for the time it takes to deal with the associated paperwork, and to ask myself how difficult a client is to work with, which impact the number of revisions that particular client would most likely need to see.

When you've determined the total number of hours you will need to spend to complete a job, multiply it by your billable hourly rate (determined in Part One of this series), and you've got the labor portion of the estimate. Then total all outside costs for the job and add a mark-up for yourself...generally between 10–20%. When you add the two figures together, you'll get your total fee, which should be similar whether billed hourly or per project.

The plus side in billing per project is that once the client agrees to the fee, you won't need to revisit the job again and again. On the minus side, you do have to be able to accurately anticipate many future scenarios or else risk giving up an opportunity to bill for additional revisions or unexpected new directions that the project may take. With an hourly situation you have more leeway to bill for the amount of time you actually spend, but you also have to be aware of how close or far off you are from your original estimate, and be able to have an interim conversation (or two!) along the way to explain that the additional four pages your client added are going to add \$X to their final fee. Always make sure to have this conversation and get their permission to alter the estimate before the additional work is done.

And this brings me to a critical piece of advice concerning creating your estimates and proposals: put as many details of the job in writing as you possibly can. If you've detailed that the job entails an eight-page newsletter with five digitally-supplied photos and final text, and you end up with a 12-page newsletter with ten photos that you have to scan yourself and text that you're expected to copy-edit, having the original scope of the job spelled out in writing right on your estimate makes it very easy to turn to the client and ask for more money to complete the job. In fact, depending on your relationship with that client, if the specs of a job change so drastically you may want to get them to sign off on a whole new estimate, or at least a printout detailing the expected change in fee based on the stated change in specs.

Which brings me to the importance of signatures and contracts (see how all this paperwork stuff is interrelated?). Once you and your client agree on a fee, it's imperative that the client sign a contract which not only defines the scope of the job and includes the fee, but also stipulates who owns the finished work, states the expected payment terms for the job, and provides protection in the event of a dispute. Once you have a long-term relationship with a client you can choose whether or not you always want to have a signed contract before you start any job. Some designers will waive this procedure for long-term clients and just bill jobs after they are completed, or strike a balance and invoice smaller jobs but require a signature on all jobs over a certain dollar amount. It's up to you what makes you feel most comfortable.

Whenever possible use your own contract rather than sign theirs, but if you must sign theirs, read it carefully and know that it's okay to ask them to alter clauses that make you uncomfortable, especially anything that resembles work for hire or work on spec. The best guideline to either writing your own contract or understanding someone else's is the *Pricing and Ethical Guidelines*, published by the Graphic Artists Guild. It is included with Guild membership or can be purchased in bookstores for approximately \$35, and includes sample contracts.

Most importantly, when negotiating contracts don't be afraid to stand up for yourself and your rights as an artist. Don't fall into the trap of thinking how lucky you are to land this particular job, and that you don't want to make a fuss about contracts because you don't want to lose the client. Remember that it's not just you against a mammoth corporation, but that the Graphic Artists Guild that you belong to stands behind you, and that your membership enables you to negotiate from a position of strength.

Likewise, even though you are small, you are still entitled to be paid in a timely fashion, and there are several steps you can take to protect yourself. Figure out what credit terms make the most sense for you and ask for a deposit before you start the job. Three common payment scenarios are: a) 50% up front/50% billed net 30; b) 33% up front/33% at completion of job and before file is

released/33% billed net 30; and c) 50% of labor up front/100% of outside costs at completion of job and before file is released/remainder billed net 30.

Additionally, you can decide if you're willing to extend credit to a client in the first place. If you need to twist a corporate arm to get a deposit, you can inform your client that the balance has to be paid COD for their first three jobs with you. Or you can have your client fill out a credit report (yes, you can create one yourself) and you can check their D&B ranking and credit references. Sometimes just asking a client to fill out a credit report will underscore that you're serious about getting paid on time. Another option is to open a credit card processing account, take your client's card number, and obtain a signature that allows you to run the balance due on the card if the bill isn't paid within allotted terms.

Another important signature to collect is the one that a client should provide once they deem the job completed to their satisfaction. This signature is every bit as important as the signature on the contract, because it provides proof that the client accepted the job, in case the client should later try and claim fault with the work in order to avoid payment. Ideally, a "job approval form" should be attached to a hard copy printout or enclosed along with a PDF of the final file, and should include an approximate invoice price (which may be different than the estimate price, if the scope of the job changed at all along the way). Getting a signature of acceptance not only for the design work but also on the anticipated amount due provides as foolproof a way as possible to be able to collect on the invoice after it is billed. Make sure to get this signature before the job is sent to the printer or released electronically to the client — otherwise you'll have no leverage to collect the signature at a later date.

### **If You Build It They Will Come: Actually, It Doesn't Really Work That Way...**

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It would be nice if it did work that way, wouldn't it? But honestly, just because you've put the finishing touches on your brilliant website and have a clever company name, why would your phone suddenly start ringing? Just like every other small business in the world, you're going to have to continuously market your business in order to obtain and maintain a robust client base. But don't despair... you have a leg up on the competition already simply because you already know how the value of good design.

Think about how you can apply your corporate image across every piece of communication that reaches a client... obviously your print brochure should match your stationery set and your website, but the same look and feel should also apply to your estimates, invoices, contracts, fax cover sheets, 9x12" envelope labels, postcard mailers, and even to an extent, your holiday cards. Identify a corporate font set and corporate colors and use them always. Be as strict with your own logo usage guidelines as you are with your clients'. Every opportunity to touch your client is a marketing opportunity.

God, that's a lot of work, isn't it? Good thing you can print things out as you need them, right? No!! Make a deadline for yourself to complete your marketing materials, and send them off to a professional printer. Too many designers are always working on their website or brochure, never willing to call them complete because they can always be made better. Or perhaps unwilling to spend the money for professional printing and justifying the delay by thinking that leave-behinds printed from an inkjet they can always be updated. This is a crucial error in judgement — find a way to finish your internal projects! If you're stuck on the words because you're a visual person, find a copywriter and barter working on each other's marketing materials. Find the budget to pay for offset printing on good quality paper because the difference is noticeable, and potential clients will expect the quality of your own materials to reflect the quality of theirs. Commit to an annual review of your materials and the budget to update them as necessary, send those files off to the printer or sign off on your website, and move on.

Okay, now that you have all these great materials, how are you going to use them? First and foremost, you need a self-promotion plan. Some may call this a Marketing Plan, but if that sounds too scary and out of your league because you never took a marketing course, you can think of it as a self-promotion plan. Start with a brainstorming session with everyone in your company, or with several other small business owners (including at least one seasoned design firm owner). Commit to two hours of free thinking, and keep going, even when you think you've thought of everything already. Capture the thoughts in lists.

Narrow the lists down into short-term (can be implemented in one month or less), long-term (six months or less), and ongoing. Ongoing? Yes, you need to be prepared to devote a percentage of your time each week — not less than 10–15% — to marketing. Prioritize each list in terms of potential return for the time invested, and break down the top few tasks in each category into the specific steps (action items) necessary to complete them. Assign a number of hours required to implement each task, as well as a budget for outside (non-labor) costs. In general, you should be spending 5–10% of gross income on marketing, including labor costs at the same hourly rate you charge your clients.

Think about how many hours per week or per month you plan to spend on marketing, and grab a blank calendar. Slot in the ongoing activities, see how much time you have left, and try to work on one short-term idea each month, as well as at least one long-term idea. Put each of your action items down separately, on a week-by-week basis. Mark down when funds will need to be spent and keep that in mind as you manage your cashflow. Sit with that calendar every Monday morning and look at what needs to be done over the week, and make sure that everything that was scheduled to happen the prior week did, or can get included in this week's activities as



well. And if you fall off track don't get frustrated, just adjust your plan and alter your expected outcomes to accommodate the extra week or two. But without looking at your plan on a weekly basis and holding yourself accountable for its implementation, it will never happen. Half the battle is actually being committed to a long-term plan.

Keep in mind that you need to get your name across a prospect's desk at least six times before it will start to sink in and become memorable. Being top of mind at the exact moment when they need to purchase your services is key; sending an annual mailing and leaving it at that isn't going to cut it unless the mailing is just so amazing that they've pinned it up to their bulletin board and haven't covered it up all year with something else.

A mix of methods and media is best. Plan quarterly postcards, a bi-monthly eNewsletter, and two phone calls per year, for example. Or, an annual direct mail piece, a monthly eNewsletter, a clever "Thank You" card at thanksgiving, and one phone call per year. Spice that up with a few speaking events, a semi-regular column in a trade publication, unique and inexpensive gifts at the holidays, a referral bonus program, walking the floor at a trade shows where your clients will be exhibiting, joining a leads group (a networking group of non-competitive businesses), sending your best client each year a customized plaque, or anything unusual that captures attention, if only briefly. You're a creative person...you can do this!

A key component of your marketing should be participation in trade associations and networking events. I can't emphasize this enough: people do business with people they know, and people they like. It doesn't happen because you handed your business card out to 20 folks at a networking event. But it might happen if you pay more attention to the cards you collect than those you give out, and follow up with each person you met on an individual basis. Send your networking contacts a note saying how nice it was to meet them. Give them a follow-up call and inquire after a problem they mentioned they were struggling with when you spoke (which means, of course, that you should be spending more time listening than talking about yourself, and that you probably took notes on the back of their business card once you stepped away). Make a date for coffee with three people who might have networking circles that are complimentary with yours.

Many people dislike or feel uncomfortable with the idea of hard sales. But if you attend networking events looking for the opportunity to help everyone you meet, you'll be surprised how much easier and more comfortable a role that is. Introduce yourself but shift the conversation to the person you are speaking with, and ask them some open-ended questions about their business and the specific problem(s) they are grappling with at the moment. Perhaps they've been dying to pitch their product to Chase Bank and your cousin is a branch manager there. Or they've been looking for a good real estate broker and you know just the right person. Or they haven't been able to figure out how to choose an ISP and you can help.

Practicing this method of networking doesn't mean that you won't take advantage of opportunities to promote your own business at all; in any networking conversation it is expected that you provide an appropriate introduction to your business as well, so learn to make the most of it. Prepare your 30-second "elevator pitch" — how you would describe your business in the 30 seconds it might take to ride an elevator down to the ground floor before your captive audience disperses — and practice it until your pitch rolls off your tongue and you sound confident. Make sure you focus on the benefits you provide your clients rather than the services you provide (i.e., "I help my clients attain their dream jobs" versus "I create resumes"). Arm yourself with one or two 60-second stories of how you did something outstanding for a client, and say it in terms of results the client realized or customer service above and beyond the call of duty.

But keep in mind that meeting people once at a networking event is only the beginning of your relationship with them, and that you'll be able to promote your business to them in subtle ways over the course of the coming years. Did you figure it out yet? The people you meet at these events are the ones you'll be adding to your database and marketing to in all those inventive ways you identified in your self-promotion plan.

Another group of prospects that should not be forgotten are your current and previous clients. It's so much easier to keep a client than to go out and find new ones all the time. So don't forget to keep reaching out to your current clients as well. You can even ask them for help in building your business. When you've completed a job for them and they are raving about how wonderful you are, that is the perfect time to ask them if they know anyone else who could benefit from your services. People love to be helpful, and will appreciate the opportunity to be help their colleagues be just as ecstatic with your work as they are. Many times, the only reason a referral isn't given is because nobody asked for it.

One last word on keeping clients: customer service is key. At least once a quarter take some time to think about the experience your clients receive from working with your company. Do their calls get returned in a timely fashion? Is their work proof-read and accurate before it is presented? Do their estimates end up realistic, or are their invoices always significantly higher? Are they satisfied with their conversations with you? Every little thing you can do to deliver great service with a smile will go a long way towards client retention, which is key to building client base.

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