

In good times and bad

Design Edge Canada takes the pulse of the industry to determine its health for 2009

NEWS of rising fuel and food costs, an ailing manufacturing sector and a cooling housing market is enough to make even the most confident marketer a little timid. Yet despite the weakening U.S. economy and the dark cloud it has cast over Canada, an overwhelming majority of designers who participated in *Design Edge Canada's* economic survey (see charts) are optimistic about the coming year. Of the 566 designers who responded, 89% expect their business will grow in 2009. Of that group, 32.5% anticipate a moderate increase (3% to 5%), while 21.5% foresee revenues increasing more than 12%.

This confidence may be the result of current business conditions, which many designers are describing as busy. They expect the momentum will continue, in spite of concerns regarding the strong Canadian dollar, shrinking client budgets, low profitability and the U.S. recession's effect on the Canadian economy.

A resilient bunch, designers hope to weather any potential downturn by focusing their attention on self-promotion, prospecting and diversifying their services. For insight on how each design sector is expected to perform next year, read on.

ADVERTISING

Overall advertising expenditure in North America is expected to grow by a modest 3.5% this year as the credit crunch continues to worry investors, consumers and advertisers, reports global media services

steady over the next five years, although not all segments will perform well.

According to PwC's *Global Entertainment Media Outlook: 2008 - 2012*, Canada's media market will rise at a 5.8% compound annual growth rate from \$44 billion* in 2007 to \$58

Canada entertainment and media practice.

Outdoor advertising, on the other hand, is expected to gain market share thanks to its digital interactive capabilities. PwC predicts out-of-home advertising will expand by 6.6% a year, rising from \$392.5 million in 2007 to \$540.8 million in 2012.

Since a digital billboard can show sequential ads every 10 seconds, it can generate 10 to 20 times the revenue of a poster that displays only one, explains Jennings. Digital billboards also have the ability to interact with consumers, such as sending messages to their mobile phone by Bluetooth or using motion sensors to react to their movements.

And direct mail is also expected to flourish. Canada Post says it distributed 1.47 billion pieces of addressed admail in 2006, compared to 1.37 billion pieces in 2003. The Canadian Marketing Association expects this growth to continue, forecasting a 4.4% yearly increase from \$1.69 billion in 2007 to \$2.01 billion in 2011.

ENVIRONMENTAL

Expect a slowdown in the environmental design sector as a possible recession will mean fewer large-scale retail projects like Montreal's flagship Apple Store, which opened this summer.

"There will be fewer people taking huge risks," says Tara O'Neil, director of design for environments at Toronto-based Perennial Inc. She expects clients will be a bit more cautious with their capital in 2009. But when one

billion in 2012. That's just behind the global industry growth rate of 6.6%.

But as the digital arena continues to expand, print advertising will remain flat. Canadian Media Directors' Council's *Media Digest 07/08* says the daily newspaper ad revenue growth rate actually declined by one per cent in 2005 and 2006. And according to PwC's *Outlook*, it will increase only 0.4% annually from \$2.73 billion in 2007 to \$2.78 billion in 2012.

It's the same story for consumer magazine print advertising. PwC projects a 2.7% annual climb from \$1.3 billion in 2007 to \$1.5 billion in 2012.

"For both newspapers and magazines, the migration of readers to the internet will limit growth in print advertising but buoy related digital advertising," says Tracey Jennings, head of the PwC

*PwC numbers have been adjusted to Canadian dollars based on the current exchange rate of \$1US=\$1.07CDN



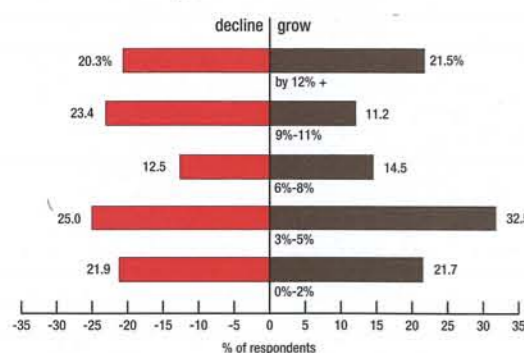
Tara O'Neil

"Nobody can afford to wait till it gets better cause you'll be eaten alive if you just stay with status quo"

company ZenithOptimedia.

Accounting firm PricewaterhouseCoopers has slightly more optimistic numbers for Canada. Its recent media study predicts advertising revenues in Canada will remain

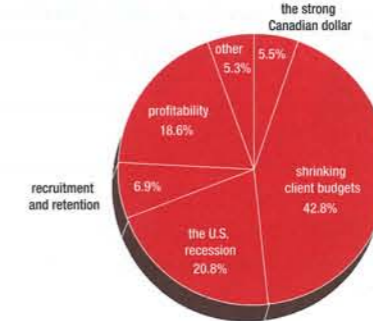
Next year, do you expect your business will:



Design Edge Canada survey demographics

Job title	Principal	58.6%
Size of company	by employees	1-5 68.7%
	by revenue	up to \$249,000 59.3%
Location	Ontario	69.4%

What is your biggest economic concern?



door closes, another opens. Wayfinding or signage retrofits, she suggests, are a cheaper but effective alternative for clients who need to invigorate their environments, such as the internal signage program Perennial executed for Home Depot last December to help customers shop for projects instead of products.

"The retail landscape is so competitive now that if you want to participate and stay above water, you still have to make an investment whether the times are good or bad," says O'Neil. "Nobody can afford to wait till it gets better at this point cause you'll be eaten alive if you just stay with status quo."

And while the North American economy may be in a slump, there are plenty of developing markets that are exploding. Perennial

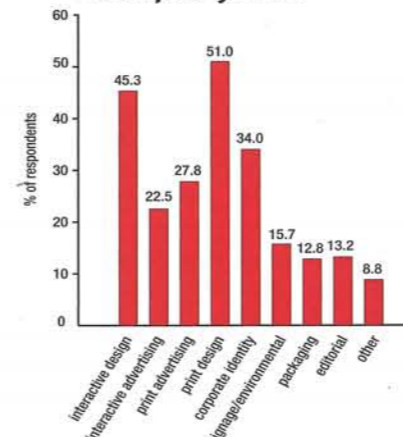


Adam Armstrong

"In design and branding, your brand or your assets get a little outdated so the need is always there to refresh"

is currently doing business with several retailers in India and is looking to expand into the Asian and Middle Eastern marketplace.

In what areas do you anticipate growth?



PRINT

Print advertising may have hit a plateau but that doesn't mean print collateral is disappearing. In fact, 51% of respondents to *Design Edge Canada's* economic survey anticipate print design work to increase next year.

A Statistics Canada *Specialized Design Services* report states graphic design services grew by 4% in 2006 over the previous year, with operating revenue recorded at \$1.3 billion. Advertising creative services made up 29% of that total, while corporate image graphic design services accounted for 36%, with the remainder classified as "other."

"I find our design industry is a little bit sheltered in comparison to advertising or media, where there's a lot bigger expendi-

tures and budgets that are a little easier to cut back on. Whereas in design and branding, your brand or your assets get a little outdated so the need is always going to be there to refresh," says Adam Armstrong, account director for branding and packaging at Jump Branding & Design in Toronto.

INTERACTIVE

Any downturn in the Canadian economy is not expected to hinder the stellar performance of the digital media sector as many clients continue to double their online budgets year over year.

ZenithOptimedia forecasts internet advertising will account for 13.6% of world adspend in 2010, partially the result of current economic uncertainty, which is accelerating the reallocation of budgets to this accountable and measurable medium.

Coming up in DESIGNEDGE CANADA

GRAPHIC DESIGN NEWS & TRENDS

DESIGN CITY SHOW ISSUE + THE CRAFT ISSUE

Celebrating the revival (or survival) of old school design and printing techniques

With BONUS CIRCULATION at Design City 2008, Nov. 22-24, Toronto

January/February 2009 THE SELF-PROMOTION ISSUE

How successful design studios sell themselves

Design Edge Canada has the largest circulation to professional graphic designers of any magazine in Canada. Voted Trade Magazine of the Year 2008 by the Canadian Society of Magazine Editors.

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