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The crash of a graphic studio – a case study

The dotcom crash hit graphic designers catering to high-tech companies later than most.
Designers were still busy fulfilling orders for brochures, website, exhibitions, road shows, invitations and corporate collateral production. As a result, they kept on working day and night with their staff of fulltime employees.
Then, almost overnight, they noticed that orders were put on hold or cancelled, with no new work coming.
Most graphic studios had depleted their cash reserves, relying on bank credit facilities to keep the business going.

As the shock began to pass, it was clear that action had to be taken.
The marketplace for large design studios had dramatically changed - freelancers and small agencies were now able to enter larger companies and add them to their customer base.
Potential clients simply did not see the added value anymore of working with a large and prestigious designer when they could get the same result from a relatively unknown and small studio.
One **large design studio** (let's call them **Jaybird Design** or **JD**) came to the conclusion that their added value was working with the client to define its core marketing messages, help create and maintain marketing programs together with producing the deliverables, as well as arranging the logistics and management of global shipping and fulfillment.
Jaybird Design went on repositioning itself by communicating this message to potential customers. It also fired 20% of its workforce.

Jaybird Design was able to pitch a large multi-national company that was heading up its marketing efforts from Europe. In order to get this account, JD got permission from its banker to exceed its already maximized credit facilities. JD not only got the account, but also was able to charge premium prices. Wanting to expand on this, they decided to form a truly international entity offering solutions to American and European companies.
In post 9/11 US, even established PR companies were struggling. Jaybird Design decided to start with a European office, and once the market would pick up, would target the US. To be able to start a local European company, Jaybird Design established a local European entity, headed by the local Managing Director for European operations. JD went on hiring local staff and office space, spent a month on training its Managing Director, and standardized all its presentations, including telephone scripts for initial pitches. Soon after, a local salesperson was hired for setting up initial meetings with potential new clients. Jaybird Design invested again lots of time talking about the strategy of finding the right type of client, deciding on a direction, creating a core listing of potentials and talking to them.
DJ was convinced that they had a fresh, unique sales position and that the market was interested in its offer.

Five years after the high-tech crash, Jaybird Design had to close its doors.
What went wrong?

1) Jaybird Design used to be **(too) big** – with a substantial payroll and hefty overhead
2) Jaybird Design **never made any reservations** or preparations for bad times
3) Jaybird Design **did poor marketing** in the good times – “they come to us”
4) Jaybird Design didn’t analyze its **price/quality ratio** – even after the crash
5) Jaybird Design **misread its competition**
6) The studio **didn’t conduct a proper market research** on the wants and need of its past, present and potential customers
7) Jaybird Design **left its core business**, where it had a sterling reputation
8) Jaybird Design **went into competition with in-house marketing professionals**, which turned out to be lethal
9) Jaybird Design **didn’t rebuilt its home base**, but invested time and money in entering foreign markets
10) Jaybird Design **set up office in a foreign country** were they don’t speak the language or culture
11) Jaybird Design **didn’t foresee the legal and practical problems** of running a company from abroad
12) Jaybird Design **founded a JV together with a local manage**r, thus making the decision making process complicated

What lesson can graphic companies and studios learn from this case study?

1) **Prepare for the future**. Marketing, PR, graphics are normally the first areas where companies try to save a buck, so orders could be delayed or cancelled.
2) **Listen to your customers** – even if it means compromising great graphic designs
3) **Build customer loyalty** – companies will stay with (or come back to) studios that are reliable.
4) Make sure to **limit fixed costs and overhead**
5) **Stay in the field that works**; graphic designers are no marketers and vice versa. **Specialize in a few areas** (annual reports, website design) and become one of the major players with a sterling reputation in that niche.
6) **Perform ongoing market research** on trends, (potential) customers and competitors