Industry, Science and Technology Canada
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Overview of the Graphic Design Service Industry

Canada

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Service Industries and Consumer Goods Branch
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TABLE OF CONTENTS

INTRODUCTION

All companies — whether resource, manufacturing or service, local or international, small or large — can benefit from the input of graphic designers.

Through corporate design, an identity program can be developed to reinforce or change a company's public image. High quality logos and designs are frequently applied to stationery, equipment, signs and packages. Such applications of graphic design create consistent images in the public eye as well as for employees who take pride in their working environment.

Packaging design is also an important factor in the ability of firms to compete and in the marketing strategies of corporations dealing with consumer demands and environmental issues.

Good graphic design is also an essential element of effective advertising for the entire spectrum of goods and services offered by Canadian businesses. Properly utilized, graphic design expresses the qualities that distinguish a company or a product from its competitors.

Clearly, graphic design is an important part of Canada's industrial base. However, information available on the graphic design service industry remains limited. To fill the knowledge gap, the Service Industries and Consumer Goods Branch of Industry, Science and Technology Canada contracted KJM Secretarial to conduct a survey and analyze the results.

METHODOLOGY

This overview was largely developed from information obtained in 1989 from a questionnaire delivered to graphic design firms across Canada and through a limited number of telephone interviews conducted with graphic design professionals.

As there is no comprehensive listing of firms offering graphic design services in Canada, public and private listings were used to identify 3 300 firms offering graphic design services, and 3 000 questionnaires were mailed. Of the questionnaires distributed, 212 were undeliverable due to a change of address, and 572 were returned and analyzed.

Difficulty encountered in properly identifying firms involved strictly in graphic design resulted in the inclusion of some firms whose major activity is not graphic design, for example, advertising companies or printing houses with in-house design departments. Consequently, the estimates provided for the industry as a whole should be interpreted with caution.

This overview provides a statistical sketch of the major components of and principal issues affecting the graphic design service industry.

PROFILE

DEFINITION

Graphic design, sometimes called visual communication, is the creative use of alphanumeric symbols and non-alphabetic images to clarify information and enhance communication in a variety of media. The term covers book, magazine, audio-visual and advertising design as well as typography. Graphic design firms produce or contribute to corporate logos and trademarks, stationery, annual reports, newsletters, brochures, catalogues, posters, certificates, magazine layouts and other printed materials.

NUMBER AND AGE OF FIRMS

According to the listings available, approximately 3 300 firms offer graphic design services in Canada. Therefore, the 572 respondents to the questionnaire represent 17 percent of the industry.

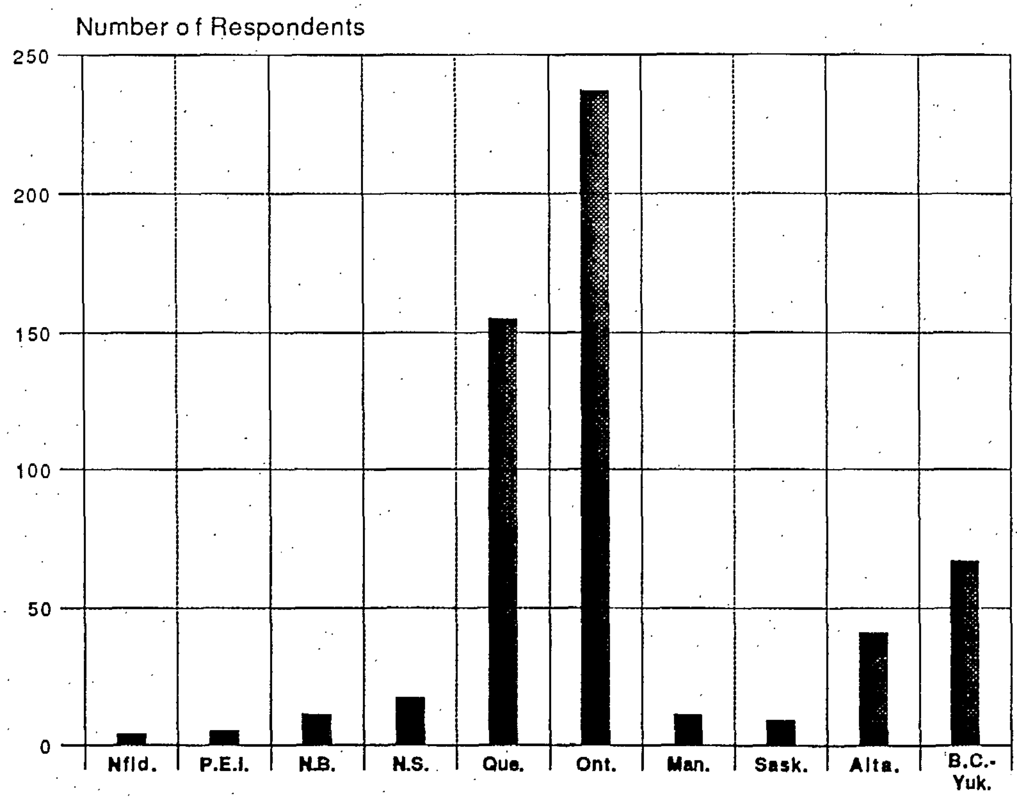
Some 69 percent of respondent firms were established in the 1980s and 26 percent in the 1970s, an indicator of tremendous vitality, particularly over the past 10 years.

GEOGRAPHIC DISTRIBUTION

The regional breakdown of questionnaire respondents is provided in Figure 1. Almost all regions of Canada are represented in the survey. The largest number of respondents come from Ontario and Quebec, which account for over 65 percent of the total. British Columbia and Yukon account for 12 percent, Alberta 8 percent, the rest of the Prairies slightly over 3 percent, and Atlantic Canada 6 percent. Graphic design firms are found in all major cities across Canada as well as in smaller communities and rural areas.

Most respondents (91 percent) operate from one location in Canada. Of the 53 firms that report more than one location, the average number of Canadian locations is 2.6 per firm. The average number of locations outside Canada for each of these firms is 5.4, a number possibly inflated by the inclusion of multi-location firms involved in activities other than graphic design. Firms operating from more than one establishment originate mainly in Ontario and Quebec, with a small number in Western Canada.

FIGURE 1. REGIONAL BREAKDOWN OF QUESTIONNAIRE RESPONDENTS



Note: Total number of respondents = 572.

SIZE OF FIRMS AND TOTAL EMPLOYMENT

One-person operations account for 24 percent of respondents, 46 percent have between 2 and 5 persons, and 30 percent employ more than

5 persons. This last segment accounts for 76 percent of respondents' total employment of 3 982 persons.

The average size of respondents' firms is 7 persons, including owners, principals and partners. The interviews revealed that the largest firms have a total staff ranging from 23 to over 95.

Graphic designers account for 36.3 percent of total respondents' staff, that is, an average of 2.5 designers per firm. Administrative and clerical staff represent 20.4 percent, marketing and sales personnel 13.7 percent, and other staff (photographers, copywriters, editors, etc.) 28.4 percent. Of the total employment reported, 1.2 percent is not accounted for in the breakdown.

It is interesting to note that the total number of staff registered in the "other" category for Manitoba, British Columbia and Yukon exceeds the total number of designers reported. This is a further indication that some firms may offer services other than graphic design.

Using the average size of firm and the total number of graphic design firms estimated for the industry, the total estimated employment exceeds 23 000, with graphic designers accounting for more than 8 000 of that number. The accuracy of these figures cannot be confirmed since other statistics on this industry are not available.

An attempt was made, through contact with some of the institutes offering graphic design courses, to estimate the number of graphic design graduates joining this or related fields of activity. However, the lack of accurate information maintained by institutes on student placement precludes any conclusions being drawn.

SCOPE OF WORK All but 16 companies report that over 90 percent of their work originates within their home provinces. While 251 companies report *some* business from outside their home provinces, it accounted for only 20 percent of their revenue. For the

107 firms that report *some* business from outside Canada, it accounts for 11 percent of their revenue. As indicated earlier, most companies that have national and international activities are based in Ontario and Quebec, with a limited number of firms from Western Canada operating on this scale.

Firms with more than one location account for 28 percent of the work originating outside home provinces and for 19 percent of that originating outside Canada. Firms with international locations appear to be as aggressive internationally as on the national front. Indeed, they indicate that an average of 54 percent of their work originates from outside their home provinces and as high as 33 percent outside Canada.

CLIENTS

Firms were asked to identify which of seven client categories they serve. The average number of client categories served by each firm is four. The data are presented below:

Client Categories	Number of Firms that Serve Each Client Category	Percentage of Total Respondents that Serve Each Client Category
Service Industries	483	84.4
Consumer Goods Industries	402	70.3
Government/Public Sector	383	67.0
Advertising/P.R. Industry	317	55.4
Educational Organizations	297	52.0
Consulting Industry	241	42.1
Other	191	33.4

Analysis of the percentage of firms serving each client category by region indicates that results in Ontario, Quebec and British Columbia correspond to the general profile. However, in Atlantic Canada, Alberta and Yukon, Government/Public Sector exceeds or matches Service Industries as the most common client category, with Educational Organizations coming third. In Manitoba, the Other category, including arts organizations and manufacturers, ranked fourth behind the top three employers for the industry across Canada. Saskatchewan shows a slightly different picture, with Consumer Goods Industries tying the Advertising/Public Relations Industry, closely behind Service Industries in first place. Educational

Organizations and the Government/Public Sector follow as the fourth and fifth most prominent client sectors in that province.

SERVICES OFFERED The five services most frequently provided by respondents are the following: camera-ready artwork (95 percent of respondents supply this service), idea generation (93 percent), presentation drawings (85 percent), sketching (81 percent) and illustration (78 percent). Computer graphics service follows at 47 percent and other services at 45 percent. Other services includes strategic planning, art direction, coordinating suppliers, copywriting and editing. Depending on the firm's equipment, the list of other services could be much longer, including a range of photographic and fine art services.

Respondents from Quebec, Ontario, Alberta, British Columbia, Yukon, Newfoundland and Nova Scotia generally follow the overall industry pattern in terms of services offered. However, Manitoba, Saskatchewan and New Brunswick respondents identify illustration as their second most frequently offered service, behind camera-ready artwork. Idea generation falls in third place. Prince Edward Island also shows illustration as a primary service offering, in line with sketching and presentation drawings; camera-ready artwork, idea generation and computer graphics follow with equal importance.

REVENUE The total annual gross revenue reported by the 556 respondents that provided information on this question is estimated at $240 million, using medians of the revenue ranges reported.

An extrapolation of this figure for the whole graphic design service industry, using the total number of firms mentioned earlier, yields an estimate of total annual revenue between $1.2 billion and $2.6 billion. The accuracy of this figure could not be ascertained within the scope of the study. However, there are reasons to believe that firms reporting over $1 million of annual revenue also provide services other than graphic design; therefore, the annual revenue estimate may be high.

Firms were asked to identify the basis or bases on which they charge for their services. Hourly rate is the most common basis, identified by 453 respondents who derive an average of 57 percent of their revenue from this source, followed by contracts or projects (394 respondents, 55 percent of their revenue), fixed fees (157 respondents, 36 percent of their revenue) and per diem rates (61 respondents, 26 percent of their revenue).

ISSUES

The questionnaire asked respondents to identify the major issues facing the graphic design service industry. Over 70 percent provided replies, which have been grouped into categories. A breakdown of the categories, by percentage of total responses, can be viewed in Figure 2.

The most frequently raised issue concerns the impact of **technology and computerization** on the industry. Keeping up with technological change is expensive, and appropriate training for staff and students is not always available. In addition, the introduction of desk-top publishing has hurt the industry in that some clients perceive it as a replacement for the graphic designer rather than a tool of the design process.

Lack of **professional recognition for graphic designers** rates second in importance among the issue categories. This encompasses clients' lack of understanding of graphic design. Many clients are unaware of the type of services rendered by designers and seem to consider them technicians rather than professionals.

The need for **industry standards and professional qualifications** is another issue. These would respond to a desire among designers for standardization of business practices and fees as well as for a code of ethics. Standards for professional qualifications recognized by the industry would be set and maintained by an industry association.

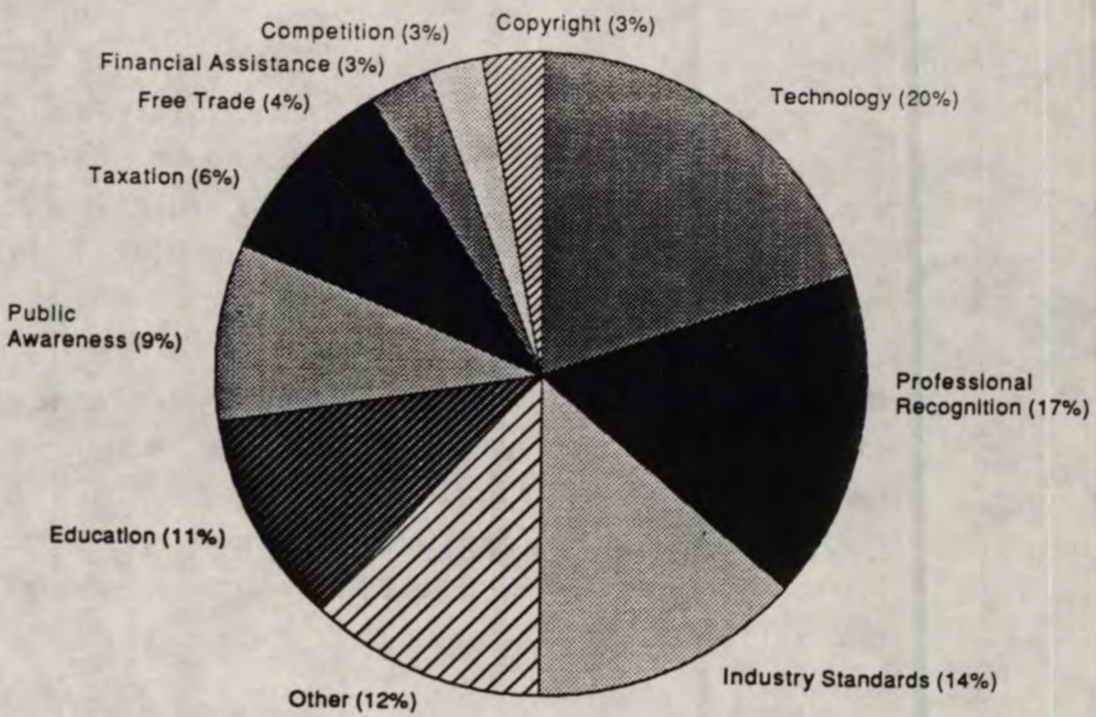
Some respondents are concerned about the **quality of graphic design education** being offered in Canadian colleges and universities. The shortage of skilled, qualified instructors at design schools and the lack of good training are seen as responsible for poorly prepared graduates. Knowledge of the fundamentals of business management is also felt to be lacking in design graduates.

Public awareness of the profession is also seen by some designers as an area with room for improvement. Public promotion of the profession and greater international exposure are cited as means to help win recognition.

The **federal sales tax** is another issue that **was** important to many designers and their associations. Graphic designers' work was subject to the federal sales tax while architects' work was not. However, both are now subject to the goods and services tax, which replaced the federal sales tax.

Other concerns include the impact of increased competition arising from liberalized trade; unsatisfactory copyright laws; the lack of government support and recognition; and the need for national communication within the profession and for a stronger, more visible association.

FIGURE 2. MAJOR ISSUES FACING THE GRAPHIC DESIGN SERVICE INDUSTRY



CONCLUSIONS

The graphic design service industry appears to be relatively young and growing, paralleling the entrepreneurial trend in Canada. However, it suffers from misconceptions surrounding the professionals working in the industry and the services they deliver. Graphic design is a profession that is not fully recognized as such by its clients, the public and governments. Despite this lack of recognition and public awareness, it accounts for substantial employment and economic activity, much of that has a direct bearing on the competitiveness of firms in a range of Canadian industries.