

Graphic Design Services

NAICS: 541430

SIC: 7336

prepared February 18th, 2022

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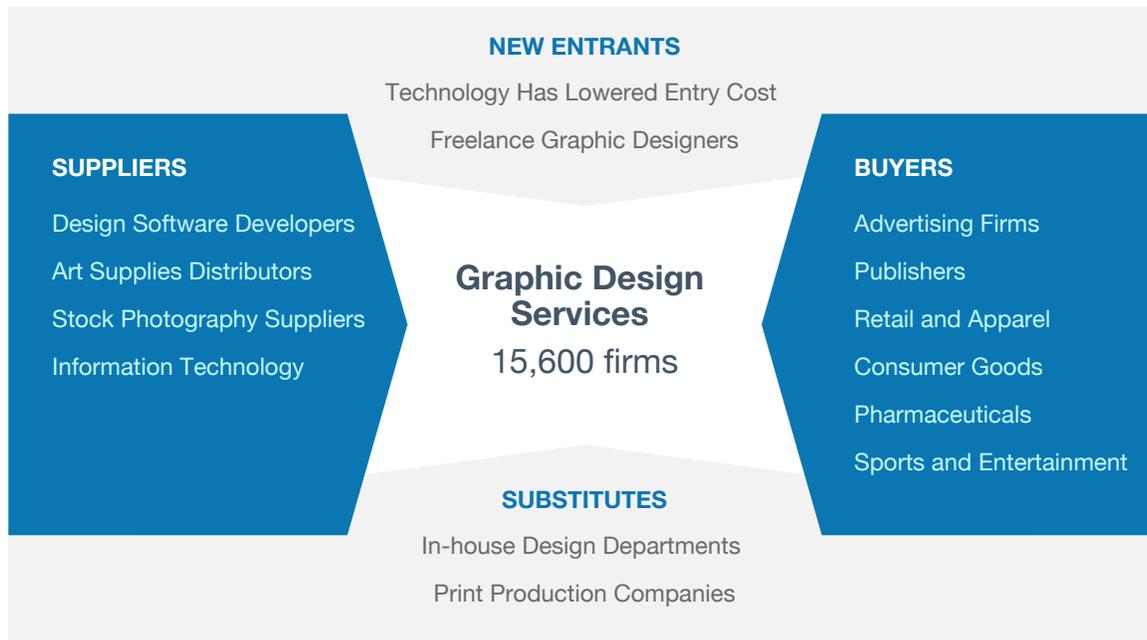
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Coronavirus Update

Feb 12, 2022 -- Retail Openings Expected To Exceed Closures

- Retail openings, a driver of demand for graphic design services, are expected to outnumber planned retail closures in 2022, according to Coresight Research. About 1,910 openings are expected, compared with 742 planned closures over the course of the year. That would continue a trend from 2021 when major retailers announced 5,083 store openings compared to 5,079 store closures, and it is an improvement over 2019, when a record 9,300 stores closed.
- Total 2022 advertising spending across 16 media platforms serving local audiences will reach \$173 billion in 2022, according to BIA Advisory Services. Over half (51%) will be spent in digital media, primarily Google and Facebook. Mobile ads on smartphones will get the largest portion at \$36.7 billion. Over-the-top (OTT) advertising will reach \$2 billion in spending targeting local viewers, making it one of the fastest growing local ad platforms. OTT ads, also known as streaming TV ads, are the advertisements delivered to viewers within video content. Local TV is expected get about \$4 billion in political spending.
- Graphic design services face uncertain demand from the hospitality and events sectors because the number of new COVID-19 cases is increasing in late 2021. The US is averaging more than 100,000 new Covid-19 cases per day for the first time in two months, shortly after millions of Americans traveled for the Thanksgiving holiday. The seven-day moving average of new cases was 121,437 as of December 4, according to data from Johns Hopkins University. The vast majority of new cases in the US continue to be from the Delta variant, but US health officials have detected the new Omicron coronavirus variant in at least 16 states as of December 4. Scientists working to determine the severity and transmissibility of Omicron said in early December that it could take weeks to complete the process.
- Some businesses that took PPP loans in 2020 but don't apply for forgiveness soon will need to start making payments on the loan plus interest. The PPP loans will automatically convert to a standard loan at 1% interest if a small business does not apply to the SBA for forgiveness within 10 months of the end of the covered period under which they had to spend the money. For some businesses that received a loan when the PPP launched in April 2020, there was an eight-week covered period, which would put the forgiveness application deadline in the middle of July. For most loans operating under the more popular 24-week covered period, that meant a deadline in September 2021.
- Commercial bankruptcy filings decreased 11.2% month over month in January after a 4.8% month over month increase in December 2021, according to Epiq Bankruptcy Solutions. New Chapter 11 filings, including Sub Chapter V, decreased 46.6% year over year in 2021. "January 2022 new filings continue to be well below pre-pandemic levels," said Chris Kruse, senior vice president of Epiq Bankruptcy Technology.
- Real disposable income, an indicator of demand for graphic design services by the advertising industry, decreased 0.2% month over month in December 2021, according to the US Bureau of Economic Analysis. It was the third straight 0.2% decrease following a 1.6% decrease in September. Consumer spending decreased 1% month over month in December following a 0.6% increase in November, and a 0.7% in October. The personal consumption expenditure price index increased 0.4% during the period. Excluding food and energy, the PCE price index increased 0.5%.
- Employment at graphic design services increased 7.7% year over year in December 2021 but was down 4.7% compared to December 2019, according to the US Bureau of Labor Statistics.

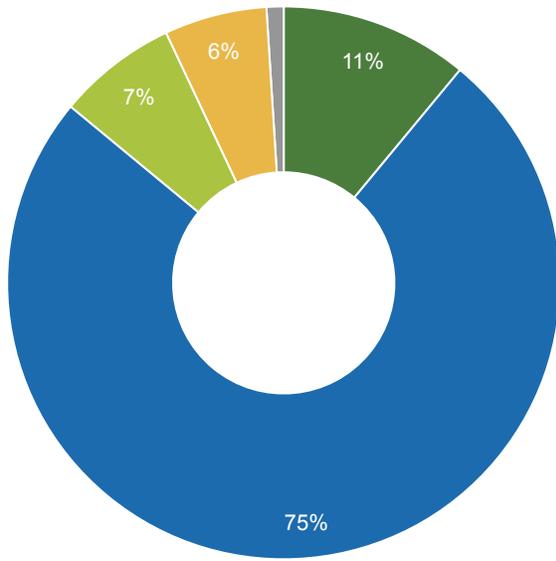
Industry Structure



The average graphic design service provider operates out of a single location, employs fewer than five workers, and generates about \$597,000 annually.

- The graphic design services industry consists of about 15,600 firms that employ about 55,900 workers and generate \$9.3 billion annually.
- The graphic design services industry is extremely fragmented; the top 50 companies account for just under 17% of industry revenue.
- Large firms include Schawk Incorporated and Southern Graphics. Large firms that also offer graphic printing include Quad Graphics and Matthews International.
- The majority of graphic design firms are small, independent companies that operate within a limited geographical market.

Industry Demographics



- Corporations (11.0%)
- S-Corporations (75.0%)
- Individual Proprietorships (7.0%)
- Partnerships (6.0%)
- Non-profit/Other (1.0%)

Source: US Census Bureau



Female Owned

34.0%



Minority Owned

10.0%



Veteran Owned

3.9%

Source: Census Bureau

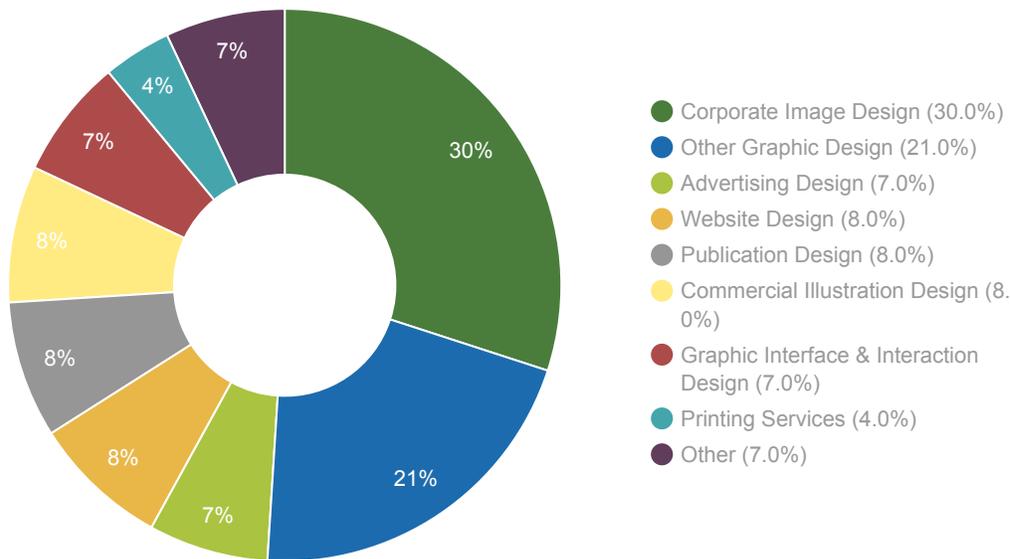
How Firms Operate

Products and Operations

Graphic design services plan, design, and manage the production of visual communications.

- Major revenue categories include graphic design and/or development services for corporations/organizations, advertising agencies, websites, and publications.
- Firms may also offer pre-press, print production, or illustration services.
- Graphic design firms may specialize in particular area, such as packaging or website design.

Graphic Design Services Revenue



Source: US Census Bureau

Graphic design firms create visual concepts and prepare images for print production. Clients use design and graphic elements in advertising campaigns, marketing materials (brochures, pamphlets, presentations), packaging, exhibits, displays, and websites. Most corporations and organizations use some type of graphic elements in their marketing efforts. Major client industries include advertising, publishing, retail, fashion/apparel, consumer goods, pharmaceuticals, cosmetics, sports, and entertainment.

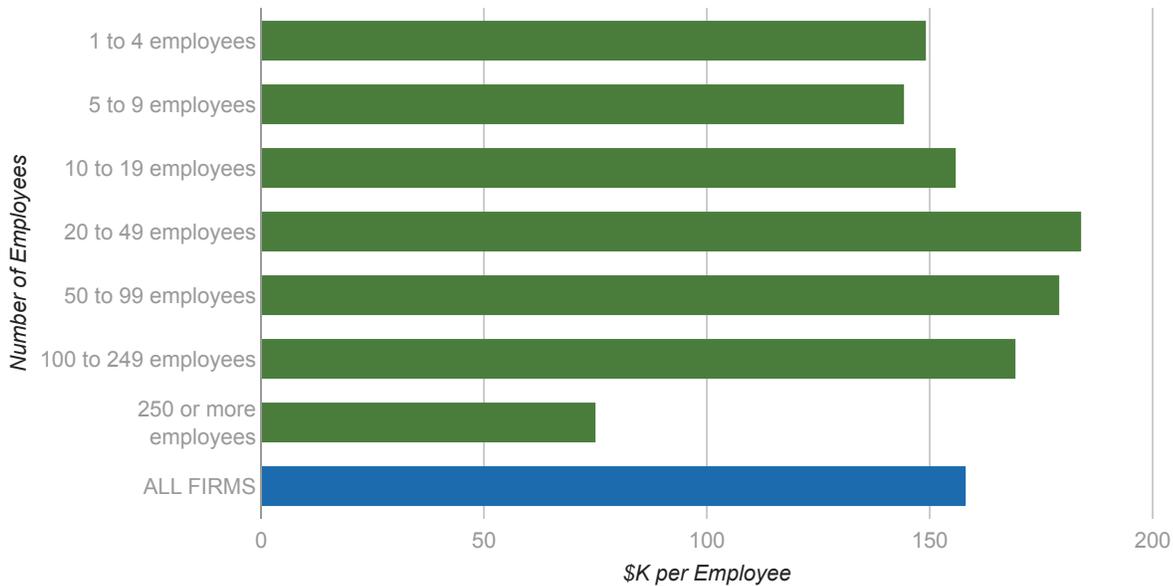
Firms consult with clients to establish objectives, design parameters, and scheduling. Graphic designers typically use computer software, such as desktop publishing programs, although some projects may call for hand illustration. Graphic design involves the selection of appropriate layout, colors, images, and text style to best convey the client's message. Images may require retouching or editing and firms typically offer digital photography services. The design process is iterative, images and materials may go through multiple revisions ("proofing") before final approval. The majority of graphic design elements is digitized and stored as computer files.

Pre-press services include all steps necessary to prepare materials for reproduction, and include color separation and printing plate production. The color separation process separates an image into individual color components (cyan, magenta, yellow, black or CMYK). Lithography (offset printing), flexography, and gravure are traditional types of print production, involve the production of different plates or cylinders, and are best suited for high volume jobs. Digital printing does not require plates, accommodates changes without significant delay, allows for faster turnaround, and is typically used for small jobs. Specifications for reproduction vary, and depend on the type of print production process and media.

Graphic designers typically hold a bachelor's degree in the field and have above average artistic ability and extensive experience with graphic design computer programs. About 19% of graphic designers are self-employed. Firms may also employ writers to develop copy

associated with design elements.

Revenue per Employee by Establishment Size



Source: US Census Bureau

Profit Drivers

Accurate Project Estimation

Graphic design services typically prepare a cost proposal for clients in bidding for new projects. The accuracy of the cost estimate in this proposal determines the project's profitability for fixed price bids and the client's satisfaction for hourly billings. Firms must accurately estimate the design hours and production costs required to produce the project deliverables. They typically build in some contingency to cover unexpected costs, but must be careful keep their price competitive. Firms may use purchased cost estimation software or in-house developed spreadsheet models to prepare bids.

Avoiding Scope Creep

Graphic design services must carefully document project requirements and deliverables and manage client expectations to avoid "scope creep" that adds work to the project without any additional compensation. Poorly documented tasks and deliverables can lead to differing interpretations of what is included in the project and firms may be forced to perform extra work or risk losing future business. Too much scope creep can eat away the profit margin in the project. Firms need a formal change management process that increases the cost estimate for the project when requirements change.

Improving Staff Productivity

Graphic design services rely on skilled designers and project managers to deliver client results and pay relatively high salaries for experienced staff. To increase the productivity of their staff, they invest in design software, project management tools, computer systems, networking, and mobile communications. Firms also typically invest in facilities and furnishings to provide an office environment that fosters creativity and staff collaboration. Providing a creative environment and state-of-the-art information systems also helps retain key individuals and enhances the firm's image when meeting with clients.

Industry Trends

Trends are affected by the COVID-19 pandemic.

Changes in revenue, employment, business practices, trade and forecasts are occurring rapidly and data reporting by the government lags the changes. We are tracking changes in the “Coronavirus Update” chapter.

Demand For Digital Grows

As clients shift marketing dollars from traditional advertising vehicles to digital programs, graphic design firms have adapted services accordingly. Ad spending by the top 100 US advertisers on digital vehicles, such as Internet display ads, search marketing, online video, and social media, continues to grow. Spending on many traditional vehicles, including newspapers, magazines, and radio, continues to decline. The ability to directly connect with narrowly-defined target consumer groups increased the popularity of many digital vehicles among marketers. Instead of developing design with broad appeal, firms were forced to better understand distinct target markets and adjust strategy and execution accordingly. Some firms acquired companies with digital expertise to better understand the digital vehicles and interactive platforms.

Stock Image Usage Hits High

The use of stock imagery increased steadily over the past few decades, driven by improved quality and breadth of collections. The percentage of designers using stock imagery increased from about 35% in 1986 to almost 80% in 2000 to 98% in 2012, according to a survey by GDUSA. Now, 34% of designers used stock more than 100 times per year. Stock photography websites offer a wide selection of images, many of which allow use without royalties. The ready availability of stock images provides quick, inexpensive solutions for projects with tight timetables and limited budgets. In addition to photos, designers may also use stock for illustrations, footage, and audio.

Integrated Digital Components

The pervasive and growing presence of interactive digital information has resulted in increased integration of related technologies in graphic design and print production. QR (Quick Response) codes and PURLs (Personalized Uniform Resource Locator) provide interactive components that link printed media to online media and mobile applications. Smartphone users scan QR codes and automatically link to an associated website. PURLs link to customized webpages, and can be used to target an individual or targeted group of individuals. In some cases, graphic designers work on projects that are extensions or repurposed versions of online programs.

Compensation And Some Positions Improve

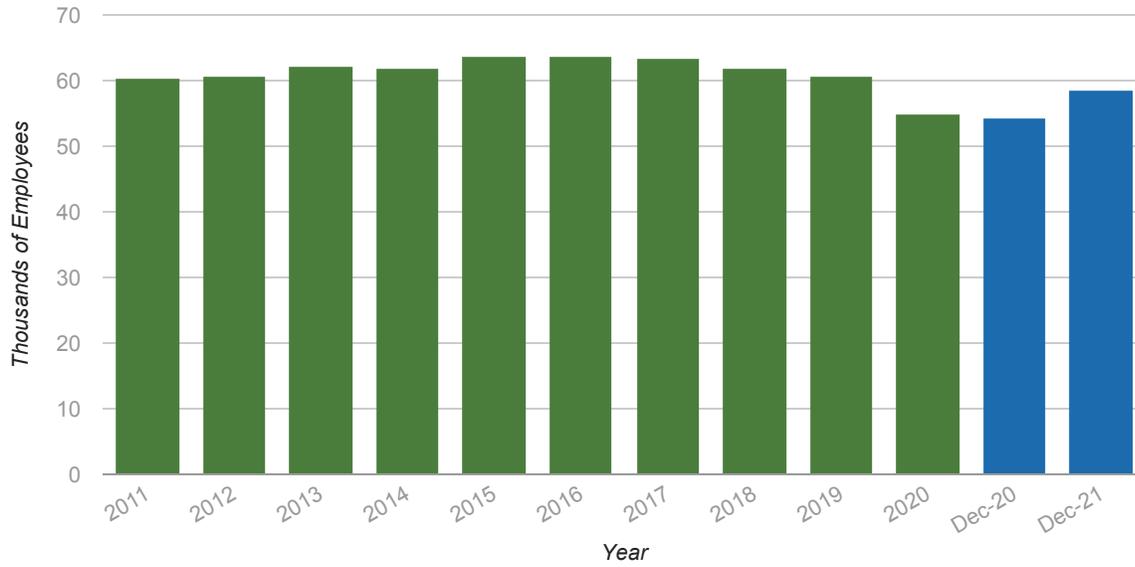
Improving economic conditions help to increase demand and earnings for graphic designers. However, an oversupply of graphic artists keeps salaries in check – an estimated 12,000 students graduate with degrees in communication design each year. Firms downsized during the last recession, with many in-house departments relying on freelancers to keep compensation costs low. Average hourly wages for the industry rose 2.3% in 2016, 1.9% in 2017, 3.6% in 2018, 0.9% in 2019 and 4% in 2020. Wages hit an historic high of \$36 per hour in May 2020.

Employment and Wage Trends

Employment by graphic design services increases

Overall employment by graphic design services changed 7.7% in December compared to a year ago, according to the latest data from the Bureau of Labor Statistics.

Graphic Design Services Employment

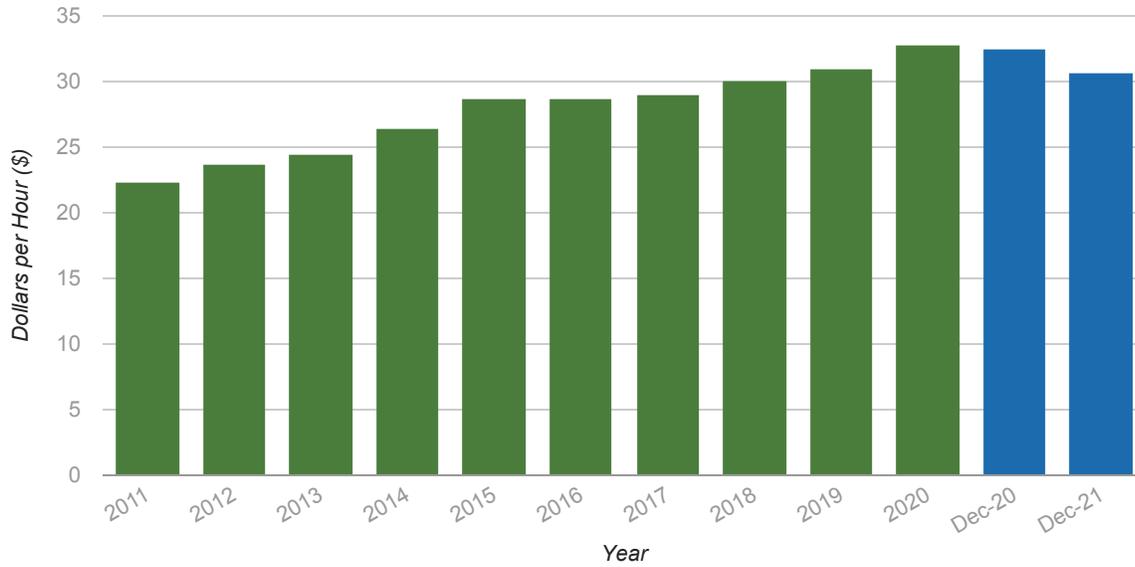


Source: Bureau of Labor Statistics

Wages at graphic design services fall

Average wages for nonsupervisory employees at graphic design services were \$30.67 per hour in December, a -5.2% change compared to a year ago.

Average Wages for Nonsupervisory Employees



Source: Bureau of Labor Statistics

Credit Underwriting and Risks



Business Exit Rates:	8.0	Much higher than US average for all businesses
Cyclical Sensitivity:	6.5	High Sensitivity
Barriers to Entry:	4.2	Low initial capital; moderate regulatory/technical barriers; very low concentration
External Risk:	5.0	Moderate external risk
Industry Outlook:	5.9	Lower than GDP; high cyclical risk
Financial Summary:	5.0	Average margins; high liquidity; high leverage

Key Metrics

METRIC	VALUE	COMPARISON
Performance During 2007–2009 Recession	-12.9%	0.0% GDP
Business Exit Rate 2019–2020	12.09%	9.0% All Industries
Compound Annual Growth Forecast (2020–2025)	5.28%	6.1% GDP
SBA 7(a) Default Rate by Number of Loans (2010–2019)	4.55%	3.82% All Industries
SBA 7(a) Default Rate by Gross Loan Amount (2010–2019)	2.01%	1.21% All Industries

Underwriting Considerations

- Typical financing is Lines of Credit to assist with uneven cash flows.
- Working Capital Lines of Credit are typically secured by AR. Review a current AR Aging looking for concentrations and AR over 90 Days. Look at AR Day trends and compared to industry average.
- What is the percentage of revenues of which labor accounts for? Typical is approximately 20%.
- Larger Lines of Credit should have a Field Exam and Borrowing Base Certificate tracking borrowing amounts.

Industry Risks

Sensitivity To Performance Of Client Industries

Demand for graphic design services is dependent on the financial health of client industries, which can be cyclical and vulnerable to economic downturns. Graphic design services are generally tied to marketing and advertising activity, and budgets can fluctuate according to a client's financial situation. Declining consumption and weak corporate profits may cause clients to reduce costs and delay or eliminate projects requiring graphic design work. During the last recession, industry employment dropped significantly.

In-House Production

In some client industries, particularly advertising and trade show exhibition, in-house art departments provide graphic design services for large firms. Clients with in-house capabilities typically have the volume of work to justify full-time staffing and require a higher degree of control. Integrated design operations can create better continuity in branding and help streamline the print production process. In-house departments typically assign the same designer to work on related projects, while contract firms may assign a variety of designers, depending on availability. For large clients, in-house graphic design services can be less expensive than contractors.

Competition From Alternative Sources

Graphic design firms compete with a variety of alternative service providers, including print production companies, color separators, converters, and foreign freelancers. Firms involved in upstream and downstream operations related to print production have expanded into graphic design to provide more integrated services and benefit from the design business' higher margins. Converters and print production firms serve an estimated 50% of the industry's target market.

Uneven Work Load

The level of project activity for graphic design firms can vary, depending on their client's needs. While some large firms operate under long term contracts, most firms receive work on an "as needed" basis. As a result, work flow can be unpredictable and planning is a challenge. While a sudden increase in workload or projects with tight timetables can stress existing resources, designers often sit idle during slow periods as firms continue to cover overhead costs. Variability in workload creates uneven cash flow, forcing some firms to rely on lines of credit during off-peak periods.

Dependence On Skilled Labor

Firms rely on experienced graphic designers to deliver quality work. A good graphic designer possesses a unique blend of creative, artistic, organizational, and interpersonal skills. Designers must be well-versed in design software and computers and stay current with the latest technology. In some cases, designers work under pressure with tight timetables and difficult clients. Skilled graphic designers are not cheap – labor is the largest expense.

Company Risks

Dependence On Key Accounts

Some graphic design firms are overly dependent on a limited number of large clients that account for a significant percentage of revenue. Fluctuations in the level of activity and revenue due to key clients create uneven cash flow for design firms. Compensating for the loss of or reduction in business from a key client is difficult. In some cases, major clients attempt to leverage their size by negotiating for more favorable pricing.

Retaining Skilled Staff

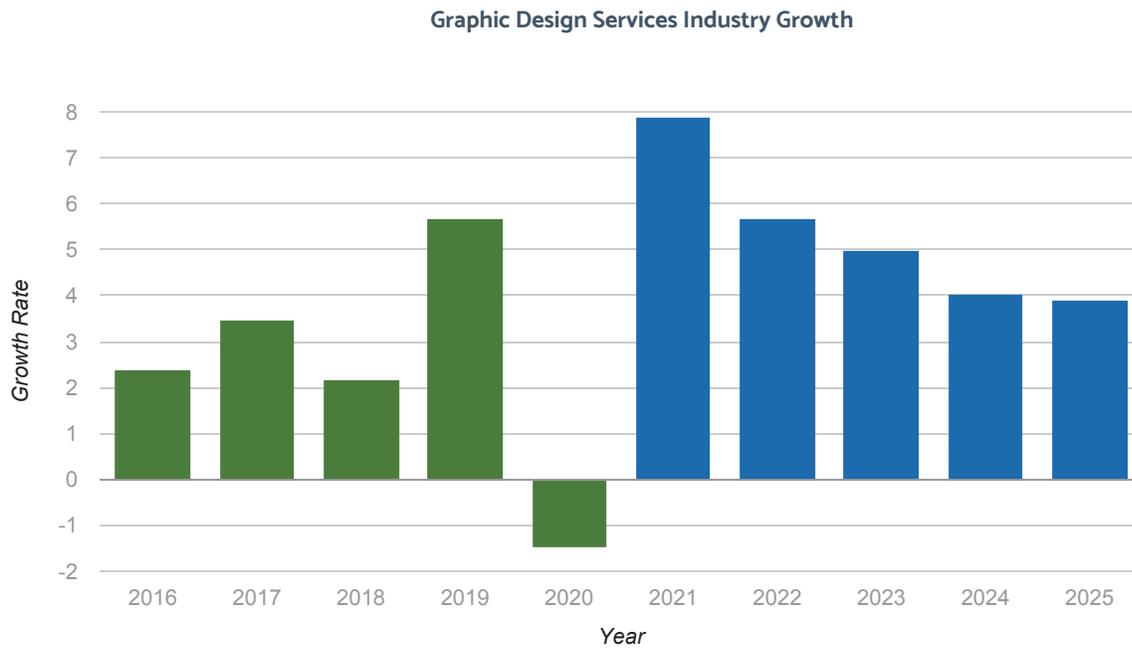
Firms rely on experienced graphic designers and key client service staff to maintain strong customer relationships and produce high quality work. Account representatives often develop personal ties with clients and graphic designers may work with the same clients for years. Providing continuity of service is often the key to retaining clients over the long term. In some cases, loss of key personnel results in the loss of the associated account.

Industry Forecast

Sales for the US graphic design services industry are forecast to grow at a 5.28% compounded annual rate from 2020 to 2025, slower than the growth of the overall economy.

Vertical IQ forecasts are based on the Inforum inter-industry economic model of the US economy. Inforum forecasts were prepared by the Interindustry Economic Research Fund, Inc.

Last Update: August 2021



Source: Interindustry Economic Research Fund, Inc.

Working Capital

Sell and invoice

Companies generate revenue for providing graphic design services. Rates are determined by the complexity of a project, type of work, and experience level of the designer. Rush jobs often incur extra charges. While some large firms have contracts with customers and work on retainer, the majority of the industry consists of small firms that work on an "as-needed" basis.

Collect

Payment terms vary by firm. Companies may require a down payment and collect the balance upon project completion. Long projects can involve installment payments. Firms often offer more flexible payment terms to long-time clients with good payment histories. Collection periods average 46 to 55 days and receivables average 26-33% of assets.

Manage Cash

Cash flow can be uneven, particularly for freelance graphic designers or small firms that work on a project-by-project basis. Even revenue for large firms can experience swings, due to fluctuations in the level of marketing and advertising activity for key clients. December and January are typically slow periods for many advertisers. Long-term customers and accounts on retainer help maintain steady cash over time. Rapid turnaround on projects can also help companies produce more work and boost cash flow. Firms may rely on lines of credit to supplement working capital requirements. Some independent designers work for either a design firm or an in-house design department, and earn extra income through freelancing on the side.

Gross margins average about 49-51% of sales. Accurate estimating skills are critical to maintaining profitability. Unanticipated hours can erode margins. Difficult clients and unexpected changes also require extra hours and may reduce profitability. Basic design projects often carry lower margins because the commodity-like nature of work encourages competition, which puts pressure on pricing.

Pay

Labor averages 16-18% of sales and is one of the largest expenses for graphic design firms. During peak periods, graphic design firms may outsource projects to independent contractors. Rent averages 3-4% of sales and advertising averages less than 1% of sales. The cost of raw materials, such as photographic materials, storage media, ink, paper, plate materials, and chemicals, varies. As the industry continues the trend of migrating to digital mediums, materials' costs are expected to fall.

Report

After-tax net profit averages 6-9% of sales. Profitability by project or account is an important measure, although some freelance designers lack the time, resources, or expertise to monitor basic financial metrics (despite the availability of business management tools). Companies may also track the hourly rates of other firms to assess position versus the competition. In an industry like graphic design, which places high value on artistic skills, financial management may take a back seat to creativity.

35% of business services providers said they go to their accountant or bookkeeper for cash flow advice, while 10% turn to their banker, 11% turn to a colleague or industry partner, and 60% do not seek advice, according to a survey of small businesses by Barlow Research Associates.

Source: Barlow Research Associates.

Cash Management Challenges

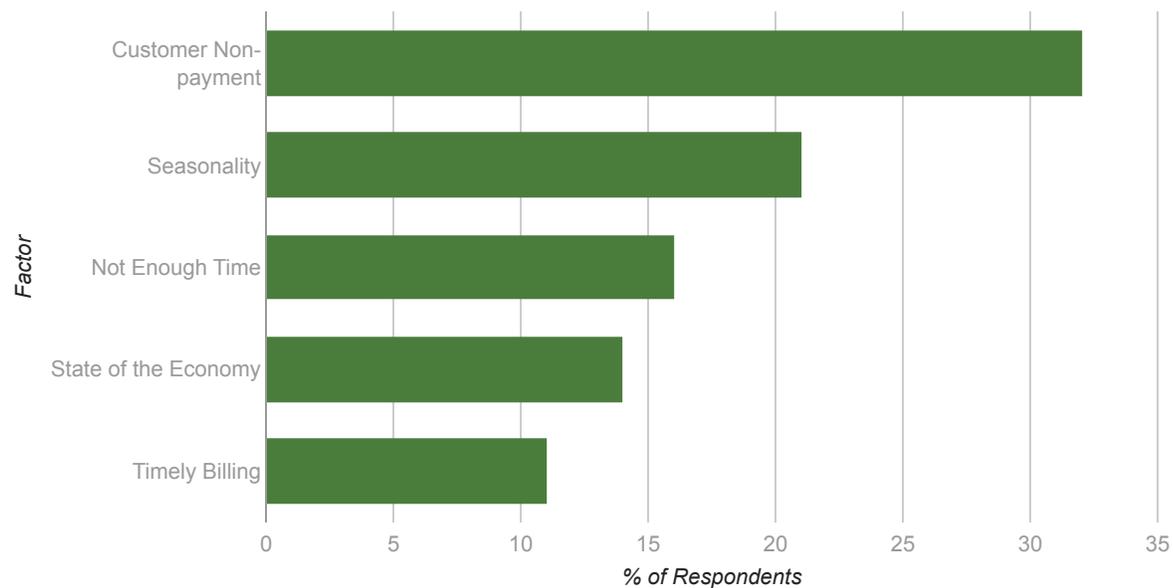
Cash Shortfalls Due To Variable Demand

Graphic design services typically work on projects “as needed” by clients and demand can vary throughout the year. Some client industries, such as retail stores, have seasonal swings in advertising levels which drive demand for graphic design services. Small clients may have only occasional needs for graphic design projects. During busy times, principals at small graphic design services may be consumed working on client projects and not have time for marketing and selling to new prospects. As a result, there may be a gap in demand when the current projects end.

Timely And Accurate Cost Tracking And Billing

Graphic design firms typically bill clients for hours worked by designers on a monthly basis or when project milestones are met. Designers may be working on projects for multiple clients and must properly track and report the hours worked on each project. Project managers review and approve these client charges before sending them to the accounting department for billing. Both designers and project managers are focused on completing client deliverables and reporting hours for billing is often a lower priority for them. This can result in delays in submitting invoices to clients. Collections can also be delayed if clients question the hours charged or require changes to deliverables.

Factors Causing Cash Flow Stress: Business Services Providers



Source: Barlow Research Associates

Capital Financing

Projects that involve capital financing include the purchase of property, buildings, furniture, fixtures, graphic design technology, and information systems. Graphic design firms typically have significant investments in specialized software, computer systems, and printers to facilitate the design process. Large firms leverage proprietary systems that manage the lifecycle of graphic content and support client requirements for changes and enhancements. Databases store unique requirements for different printers and help minimize the variation between print production facilities. Automation and technology allow graphic design firms to manage the flow of numerous projects effectively and better provide services under tight deadlines.

Freelance graphic designers generally have minimal start-up costs, and can provide services with a good computer, printer, scanner, and desktop publishing software, such as Microsoft Publisher or Adobe Photoshop. Some freelance designers work from home offices.

Firms often require capital to fund growth, by expanding existing facilities, opening new offices, or purchasing other companies. Acquisitions allow firms to offer additional services, grow a client base, or enter new geographical markets. Some large companies used acquisitions to expand into foreign countries.

Large firms rely on cash, stock, debt, or a combination to fund major capital projects. Sources of financing for small and medium size firms include commercial banks and credit unions. Freelance graphic designers may rely on credit cards, personal savings, or loans from friends or family members to help cover start-up costs.

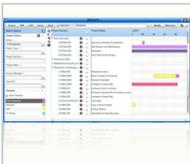
Examples of Equipment Purchases



Graphic Design Software

\$500 - 1,000 per user

Software for creating and editing images, graphics and documents.



Project Management Software

\$35 - 50 per user per month

Software for scheduling, tracking and managing multiple design projects.



Graphics Arts Printer

\$2,000 - 8,000

Large format printer for printing ads and posters with high resolution and accurate colors. Price varies by printing width (up to 60 inches), resolution, and speed.

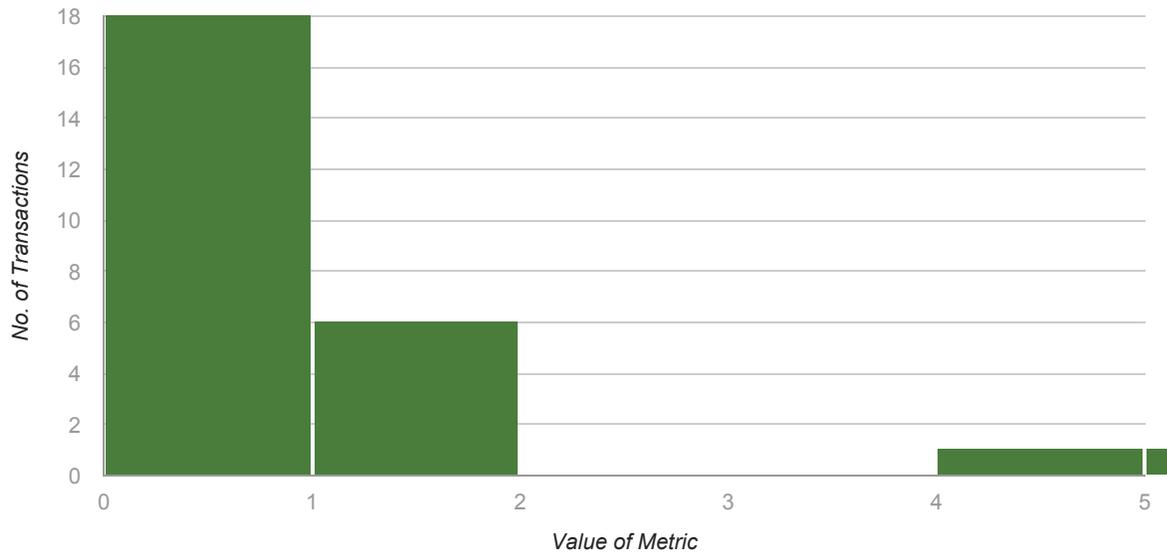
Business Valuation

This data on business valuations is supplied by DealStats, an online database with the most complete financial details on nearly 36,000 acquired companies. These companies are mostly small and medium-sized private firms.

Summary Valuation Data for Graphic Design Services

	MEDIAN	MEAN	# TRANSACTIONS	DATES
Price to Net Sales	0.53	1.13	26	01/03/1997–06/21/2018
Price to Gross Profits	0.91	2.0	24	01/03/1997–06/21/2018
Price to EBITDA	10.04	14.16	15	01/03/1997–06/21/2018
Price to EBIT	15.15	18.93	20	01/03/1997–06/21/2018

Click on the metric below to see a distribution of transactions for the industry:



Source: DealStats

Count: 26

Min: 0.2

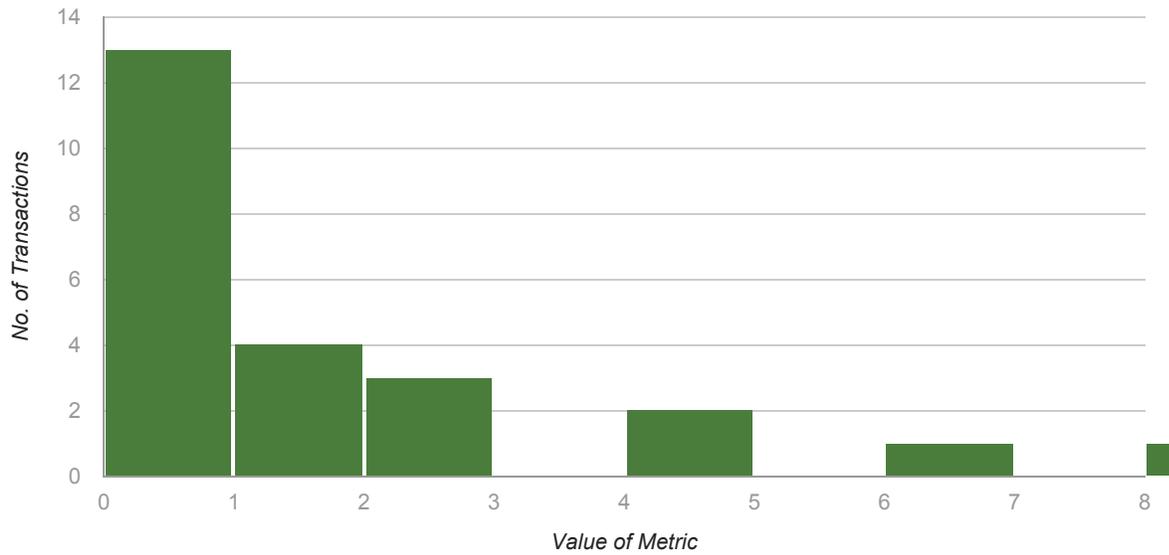
Max: 8.78

Mean: 1.13

Median: 0.53

Price to Sales = Selling Price/Net Sales

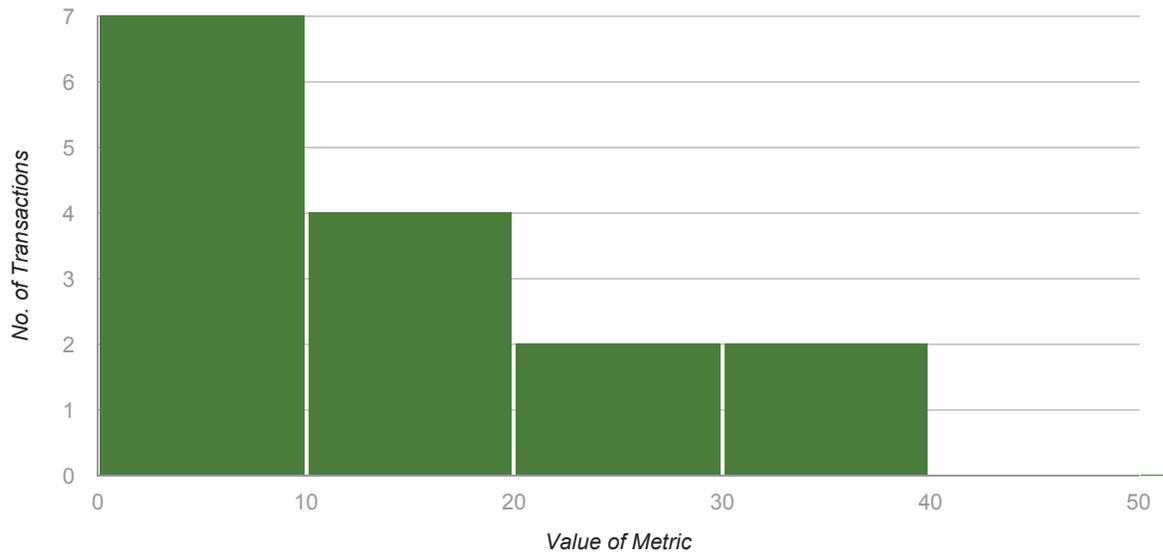
Date range: 01/03/1997 - 06/21/2018



Source: DealStats

Count: 24 **Min:** 0.29 **Max:** 12.23 **Mean:** 2.0 **Median:** 0.91

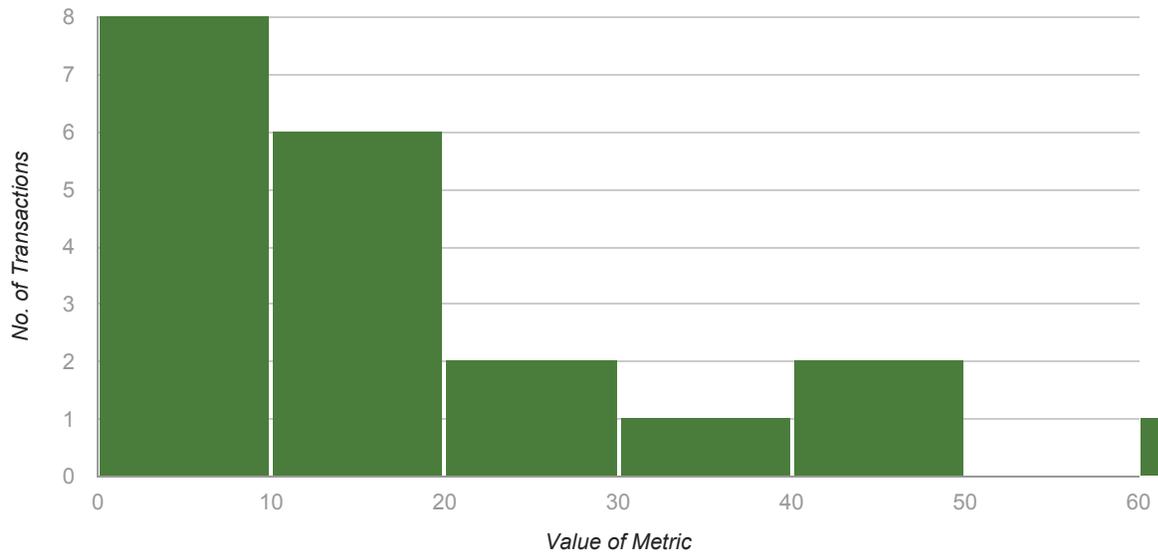
Price to Gross Profit = Selling Price/Gross Profit
Date range: 01/03/1997 - 06/21/2018



Source: DealStats

Count: 15 **Min:** 1.35 **Max:** 39.88 **Mean:** 14.16 **Median:** 10.04

Price to EBITDA = Selling Price/Operating Profit + Depreciation & Amortization
Date range: 01/03/1997 - 06/21/2018



Source: DealStats

Count: 20

Min: 1.35

Max: 65.65

Mean: 18.93

Median: 15.15

Price to EBIT = Selling Price/Operating Profit

Date range: 01/03/1997 - 06/21/2018

Selling Price, also known as MVIC (Market Value of Invested Capital) is the total consideration paid to the seller and includes any cash, notes and/or securities that were used as a form of payment plus any interest-bearing liabilities assumed by the buyer. The MVIC price includes the noncomplete value and the assumption of interest-bearing liabilities and excludes (1) the real estate value and (2) any earnouts (because they have not yet been earned, and they may not be earned) and (3) the employment/consulting agreement values. In an Asset Sale, the assumption is that all or substantially all operating assets are transferred in the sale. In an Asset Sale, the MVIC may or may not include all current assets, non-current assets and current liabilities (liabilities are typically not transferred in an asset sale).

Source: DealStats 2019 (Portland, OR; Business Valuation Resources LLC). Used with permission. DealStats is available at <https://www.bvresources.com/learn/dealstats>

Financial Benchmarks

The following financial benchmark data is based on annual financial statements submitted by member institutions of the Risk Management Association from Q2 of the first year listed through Q1 of the following year.

Financial Ratios (Graphic Design Services, Industry-wide)

MEASURE	2018-19	2019-20	2020-21
Current Ratio [?]	1.38	1.64	1.91
Quick Ratio [?]	1.07	1.39	1.55
Days Inventory [?]	18.01	12.18	18.09
Days Receivables [?]	46	46	42
Days Payables [?]	29.65	28.36	23.22
Pre-tax Return on Revenue [?]	5.62%	6.33%	5.39%
Pre-tax Return on Assets [?]	11.33%	9.05%	8.52%
Pre-tax Return on Net Worth [?]	32.53%	17.04%	16.20%
Interest Coverage [?]	9.20	9.23	11.48
Current Liabilities to Net Worth [?]	.97	.43	.45
Long Term Liabilities to Net Worth [?]	0.91	0.45	0.45
Total Liabilities to Net Worth [?]	1.87	.88	.90
<i>Number of Firms Analyzed</i>	<i>111</i>	<i>93</i>	<i>60</i>

Income Statement (Graphic Design Services, Industry-wide)

ITEM	2018-19	2019-20	2020-21
Revenue	100.0%	100.0%	100.0%
Cost of Sales	49.63%	50.52%	48.06%
Gross Margin	50.37%	49.48%	51.94%
Officers Compensation	4.48%	3.13%	4.04%
Salaries-Wages	11.43%	11.76%	17.86%
Rent	3.53%	3.42%	2.06%
Taxes Paid	1.77%	1.71%	2.04%
Advertising	0.71%	0.76%	1.12%
Benefits-Pensions	1.36%	1.43%	2.31%
<i>Number of Firms Analyzed</i>	<i>111</i>	<i>93</i>	<i>60</i>

ITEM	2018-19	2019-20	2020-21
Repairs	0.43%	0.45%	0.35%
Bad Debt	0.11%	0.13%	0.12%
Other SG&A Expenses	12.63%	12.4%	9.83%
EBITDA	13.92%	14.29%	12.21%
Amortization-Depreciation	3.23%	3.35%	4.54%
Operating Expenses	39.68%	38.54%	44.27%
Operating Income	10.69%	10.94%	7.67%
Interest Expense	1.98%	2.35%	2.85%
Other Income	0.07%	-0.2%	-2.6%
Pre-tax Net Profit	8.64%	8.79%	7.42%
Income Tax	0.16%	0.2%	-0.67%
After Tax Net Profit	8.48%	8.59%	8.09%
<i>Number of Firms Analyzed</i>	<i>111</i>	<i>93</i>	<i>60</i>

Balance Sheet (Graphic Design Services, Industry-wide)

ASSETS	2018-19	2019-20	2020-21
Cash	19.36%	22.36%	30.94%
Receivables	26.42%	28.56%	18.41%
Inventory	5.31%	3.99%	5.35%
Other Current Assets	5.1%	3.5%	3.3%
Total Current Assets	56.2%	58.42%	58.0%
Net Fixed Assets	25.22%	23.88%	28.24%
Net Intangible Assets	8.38%	7.75%	9.31%
Other Non-Current Assets	10.19%	9.95%	4.44%
<i>Total Assets</i>	<i>100.0%</i>	<i>100.0%</i>	<i>100.0%</i>
LIABILITIES			
Accounts Payable	9.51%	9.8%	5.71%
Loans/Notes Payable	21.12%	18.46%	10.75%
Other Current Liabilities	15.73%	14.06%	13.37%
<i>Number of Firms Analyzed</i>	<i>111</i>	<i>93</i>	<i>60</i>

LIABILITIES

Total Current Liabilities	46.37%	42.32%	29.84%
Total Long Term Liabilities	24.89%	22.46%	32.39%
Total Liabilities	71.26%	64.77%	62.22%
Net Worth	28.74%	35.23%	37.8%
Total Liabilities & Net Worth	100.0%	100.0%	100.0%
<i>Number of Firms Analyzed</i>	111	93	60

Vertical IQ financial benchmark data is based on data provided by the Risk Management Association (RMA) and Powerlytics, Inc. RMA's Annual Statement Studies provide comparative industry financial benchmarks based on financial statements of small and medium business clients of RMA's member institutions. Additional detail on income statement line items is provided using Powerlytics financial benchmarks, which are based on reporting submitted to the IRS. Additional detail on these data sources can be found at [RMA](#) and [Powerlytics](#).

Bank Product Usage

Top Bank Products Used by Graphic Design Services

The following table provides the frequency of bank product usage by Graphic Design Services with less than \$10 million in annual revenue. It is provided by Barlow Research Associates, Inc., the premier market research firm in the financial services industry.

BANK PRODUCT	% OF FIRMS
Business checking account services	100.0
Overdraft protection for business checking	65.0
Automated clearing house services (ACH)	61.0
Business credit card issued in your company's name (Visa, MasterCard, Amex, etc.)	56.0
Electronic payments initiated through the Internet (Bill Payment)	52.0
Business savings or money market account	50.0
Business debit card or business check card	49.0
Point-of-sale credit card processing	46.0
Remote deposit capture (scanning checks at your office or by mobile device for electronic deposit)	44.0
Wire transfer services	43.0
Credit lines secured by receivables, inventory, property or other assets	39.0
Company sponsored 401(k), SEP, pension or profit sharing plan	20.0
Money market mutual funds or short-term investments	19.0
Accounts receivable collection (lockbox)	17.0
Equipment leasing	14.0
Term loans or equipment financing (one year +)	14.0
Payroll processing	13.0
Unsecured short-term loans or working capital line of credit (less than one year)	12.0
Commercial real estate mortgage (company occupied building)	11.0
Commercial real estate mortgage	11.0
International (foreign exchange, import/export letters of credit)	10.0
Account reconciliation processing (ARP)	10.0
Certificates of deposit	10.0
SBA loans	8.0
Commercial real estate mortgage (investment property)	6.0
Overnight investment or sweep accounts	3.0

Barlow's Small Business Banking program is a multi-client research program sponsored by leading banks. Each quarter, a stratified random sample of businesses throughout the United States with sales between \$100,000 to \$10 million compiled from an independent list provider are invited to participate in a comprehensive banking survey of over 100 questions. The results measure channel adoption, bank satisfaction, brand power, account management, service quality, business product usage and the selling abilities of leading providers. The results in this chapter are calculated directly from the business product usage section and represent usage for the average small business (\$100K-\$10MM).

For more information on Barlow's banking research, go to <http://www.barlowresearch.com/>

Quarterly Insight

1st Quarter 2022

Digital Media Expected to Receive the Most Advertising Dollars in 2022

Total 2022 advertising spending across 16 media platforms serving local audiences will reach \$173 billion in 2022, according to BIA Advisory Services. Over half (51%) will be spent in digital media, primarily Google and Facebook. Mobile ads on smartphones will get the largest portion at \$36.7 billion. Over-the-top (OTT) advertising will reach \$2 billion in spending targeting local viewers, making it one of the fastest growing local ad platforms. OTT ads, also known as streaming TV ads, are the advertisements delivered to viewers within video content. Local TV is expected to get about \$4 billion in political spending.

4th Quarter 2021

Provisions From Stalled PRO Act Moved To Other Proposed Legislation

The Protecting the Right to Organize (PRO) Act appears stalled in the US Senate after being passed by the House of Representatives, and Democrats are trying to include some PRO Act provisions in a massive reconciliation bill. Experts say that the PRO Act would change the definition of "employee" and "employer", making it easier for workers to qualify for benefits, and making employers more responsible for employees that have any impact on employer worksites. Proposed penalties from the PRO Act that Democratic lawmakers hope to put in the reconciliation bill include fining employers that hold staff meetings at which union organizing is discussed and creating new fines of \$50,000 per firm for unfair labor practices. The PRO Act needs 60 votes in the Senate to move to President Biden's desk for signature, but the reconciliation bill, which deals with taxes and spending, needs only a simple majority.

3rd Quarter 2021

Proposed Legislation Could Affect Industry

Legislation under consideration in the US Congress seeks to redefine what constitutes an independent contractor. Experts say that the Protecting the Right to Organize (PRO) Act would change the definition of "employee" and "employer", making it easier for workers to qualify for benefits, and making employers more responsible for those who have any impact on their worksites. The PRO Act, which also would expand unionization rights, would amend the National Labor Relations Act by classifying workers as employees unless these three criteria are met: 1) the individual is free from control and direction in connection with the performance of the service, both under the contract for the performance of service and in fact; 2) the service is performed outside the usual course of the business of the employer; and 3) the individual is customarily engaged in an independently established trade, occupation, profession or business of the same nature as that involved in the service performed.

2nd Quarter 2021

Marketing Expenditures Expected to Increase

About 65% of marketers will increase spending in 2021, according to the CMO Council, a marketing industry professional organization. Some 10% will reduce budgets and 24% expect no change. Approximately 70% of marketers surveyed by the CMO Council plan to invest in marketing technology. About 53% will invest in analytics, insights and intelligence; 36% will invest in campaign executions; and 35% will invest in marketing operations. Customer experience and engagement will be a focus for 32% of marketers, and digital engagement will be for 26%.

1st Quarter 2021

Business Starts Increased in 2020

The Internal Revenue Service received 4.3 million Employer Identification Number applications in 2020, up 24% year over year despite

the spring shutdowns. “The increase in applications to start new businesses is broad-based across sectors,” said Kenan Fikri, director of research for the Economic Innovation Group, “but we’re seeing real spikes exactly where you would expect: in the sectors that are experiencing real step-changes in demand, from e-commerce websites to home delivery to truck transportation.” Demand for graphic design services may increase as a result.

4th Quarter 2020

Advertising Budgets Are Shifting

Digital ad expenditures could double from 2019 to 2023, according to market research firm MoffettNathanson, but the vast majority of digital ad-spending growth is coming from outside traditional sources like the entertainment industry. “The future tends to look more and more like advertising is going to be less prevalent through the consumption of entertainment and more prevalent on the retail and e-commerce side,” Insider Intelligence analyst Blake Drosch says. A company like Amazon could see its ad businesses take off as consumer packaged-goods companies shift more of their spending from television to its online marketplace.

3rd Quarter 2020

Subscriptions Now Dominate Leading Newspaper’s Revenue

Advertising is no longer the leading revenue source for the New York Times. The 8.4% increase in revenue from subscriptions and a 55% decline in print advertising during Q2 resulted in the majority of revenue coming from digital media for the first time in the newspaper’s history. Subscriptions accounted for nearly three-quarters of overall revenue during Q2. Digital advertising declined 32% during Q2, a smaller decline than the company had predicted. Meredith Kopit Levien, who will assume the role of CEO on Sept. 8, said that the Times’ advertising business is unlikely to be a significant growth driver in the near term.

2nd Quarter 2020

Marketing Executives May Reduce Spending

About 76% of 250 marketing executives said they expected the coronavirus outbreak to significantly or moderately affect 2020 spending, according to a recent Gartner survey. Gartner Vice President Jay Wilson said that media-buying firms and traditional creative agencies will be hit hardest by spending cuts. About 26% of respondents to the Gartner survey said that they had completely cancelled a media buy while 45% delayed the launch of at least one campaign. Respondents to another recent Gartner survey identified agency fees and media budgets as the top target for cuts as they anticipated long-term budget changes.

Industry Terms

CMYK

Cyan, magenta, yellow, black – individual color components of graphic images.

Color Separation

Process of separating an image into individual color components.

DTP

Desk Top Publishing, graphic design software programs.

Flexography

Print production process that uses a flexible plate (rubber, plastic) as an image carrier.

Gravure

Print production process that uses cylinder as an image carrier.

Lithography

Print production process that uses a rigid (metal) plate as an image carrier.

Offset Printing

Print process in which an inked image is transferred from a plate to a rubber blanket to a printing surface.

Pre-press Services

All services required to prepare graphic materials for reproduction, including color separation and plate/cylinder production.

Proof/Proofing

Approval process for graphic design work, a proof is an example of finished work.

PURL

Personalized Uniform Resource Locator, URL address that is unique to an individual or a group.

QR Code

Quick Response Code, graphic code that links to online sources.

Stock Photography

Readily available photography, may require royalty payments.

Web Links

[American Institute of Graphic Arts \(AIGA\)](#)

News, trends, statistics, and surveys from trade association

[IDEAlliance \(International Digital Enterprise Alliance\)](#)

News and trends for digital print industry

[GDUSA](#)

News, trends, and surveys

[CreativePro.com](#)

News, trends, and business advice for graphic designers

[Printing United Alliance](#)

News, trends, and legislative issues for the print industry

Related Profiles

Advertising & PR Agencies

NAICS: 541810, 541820 SIC: 7311, 8743

Architectural Services

NAICS: 541310 SIC: 8712

Art Dealers and Galleries

NAICS: 453920 SIC: 5999

Commercial Printers

NAICS: 3231 SIC: 2732, 2752, 2754, 2759

Interior Design Services

NAICS: 541410 SIC: 7389

Niche Profiles

Exhibit and Display Suppliers

NAICS: 541430 SIC: 7336

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