

Last year, Diane Erlich lost her job as a graphic designer. Faced with the choice between hunting for a new place of employment or going out on her own, she decided to take a chance on starting her own business. But with no previous experience operating a business, there was a lot of learning

A designer goes solo

by Diane Erlich

to do. If you're anything like me, the idea of working as a freelance or contract designer is both liberating and scary.

In March, 2000 I was fired from my last full-time graphic design position. Although I never felt I received an adequate reason for my dismissal, in retrospect I know the company did me a favour. After all, for three years all I could think about was starting my own business. The main reason I didn't was quite simple—fear. But now, whether I liked it or not, I was “independent”.

Too often, all we designers really want to do—well, design. What we need to remember is that even though what we do is creative, it is also our business. This story is about how I learned to survive as a freelance graphic designer.

IN SEARCH OF A COMPUTER

Gainfully unemployed, financially unstable and armed with a Good Idea, I got on my PowerBook and started surfing the newsgroups, looking for anyone selling a computer—cheap.

Yes, I could have gone to one of the many used computer resellers in the city, but I was hoping to find a better deal by check-

ing the newsgroups first. What I think is that someone who is selling their old Mac from home is far more likely to have pumped up their machine to a more useable configuration than a reseller who strips it down and charges the same as what you would have paid for the original unit.

Not only did I find an excellent price on my current computer, but it even had a half-decent monitor to go with it (total cost \$1,090). Just recently my monitor was replaced by a great neighbour of mine who brought me a 17” Apple Multiscan monitor that the company for which he works was throwing out—yes, you read that right!

Which leads me to a bit of advice: let friends, family and neighbours know that you started a business. Not only might they recommend you to potential clients, but people are always getting rid of old equipment which you might be able to use. (Case in point was the gentleman from whom I purchased the computer; once he knew what I was using it for, he also sent me a whole bunch of software and network cabling—and by the way, the purchase price included shipping it from Montréal).



The other thing about using newsgroups or dealing through the Internet is that you have to be relatively trusting. This person went as far as to send me a photograph, his phone number and a list of other people with whom he had dealt.

THE BENEFITS OF BEING UNEMPLOYED

So now I'm sitting in my apartment with a relatively new computer and a *really* good idea. Somehow I needed to act on this, but I had no clue about how.

Luckily for me, I was recently unemployed. That meant that I had to go to the Human Resources Development Canada (HRDC) office to start my Employment Insurance (E.I.)—because that's what you do when you lose your job. And at this point I still wasn't in a position to declare my independence from the job market.

While I was waiting to see my worker, I saw a sign on the wall that read "Interested in becoming self-employed?", and it hit me: the government has programs for people like me who want to run their own businesses. True as this is, finding out about them can be tricky.

For instance, HRDC in conjunction with Self Employment Development Initiatives (SEDI) has a Self Employment Assistance (SEA) start-up course. They help you to develop your business plan, assign you a business advisor and, for the first year of your business, provide a small amount of income support.

How do I get into the program? you might ask. Well, it's not simple. First, I went to the HRDC orientation which you go to when you start E.I. In the

last five minutes, after listening to how to do a job search for a whole day, I heard them mention, "If you are thinking of self-employment, fill out this form."

Not much to go on.

You don't have to be unemployed right now to qualify for help with self-employment. If you have been unemployed within the last three years, you can still apply for the program under what they call "reach back" assistance. However: once you're accepted into one of these business development incubators, you have to "bid" for a position in the class, and at any time during the process they could say, "Sorry, not this time."

It takes approximately four weeks to get into the program, during which time you present your idea twice and have one private fifteen-minute interview where you get the opportunity to state your case. So if you're planning to do this, you'd better be serious.

I signed that piece of paper in May but didn't get a call until mid-July. Then I was sent to the Toronto Business Development Centre (TDBC), where I had to outbid 180 other people with "good ideas" in order to earn one of twenty-five spots available in

the program. It was nerve-racking—but I got in. And for ten weeks I sat through lectures and presentations, and eventually came out with my certificate and a basic business plan.

BUSINESS PLAN? WHAT'S THAT?

While we're on the subject, let's discuss the business plan. Again, if you're like me, you probably don't even understand why you need one.

Here's what I learned. Your business plan is a road map of your business idea projected into a reality. At those odd times where you stray from your business ideals, it will get you back on track. And if you want a loan or a line of credit for your business, you absolutely need to have one of these—or at least, this is what I was told.

But here's what I found out. I'm sure some financial institutions want to see a business plan, but none to which I went asked for it. (This is not to say that they won't, and not to undermine the importance of having a good business plan.) What they *did* want to see was a financial assessment, which I didn't have because I was still in the first year of business. So in lieu of that, they asked for my balance sheet and company registration, which I supplied. However I have not as yet been approved for either a business loan or a line of credit.

This is also when I found out about Equifax (1-800-466-7166, www.equifax.ca), where credit records are maintained. I am still trying to get information from these people (and I use the term "people" loosely). When dealing in business remember that you never actually get to talk to anyone any more—it's e-mail, fax, or voice mail, but rarely a real live breathing human being. This is true with Equifax. When you call, they give you the "option" to speak with someone about your credit—but before you can do that, you have to obtain your credit history from them by mail, after you have provided them with photocopies of two pieces of ID. And even after that, I still wish you good luck with getting them on the phone.

THE IMPORTANCE OF THOROUGH RESEARCH

For the first four months prior to registering my business (and probably for the rest of my business life) I will be doing research. It's *that* important. Before you can get started you have to know the answers to some fundamental questions.

Like, what is it I do? What is my target market—web, print or another design application? Who does my market affect? Will I need financing? Do I need equipment? How do I market myself? And even, what industry code do I fall under?

I could also tell you that you need a mission statement to define your company, you need to get a lawyer, an accountant, a financial advisor, and if you can, a business advisor and or a salesman. Feeling a little overwhelmed yet? I certainly was. Personally, I redefined my definition of fear when I was told to get a lawyer. But do you really need all these consultants?



(right) The Enterprise Toronto (www.enterprisetoronto.com) website contains some extremely useful information, though it's a little difficult to wade through. These are the people you will go to when it's time to REGISTER YOUR BUSINESS.

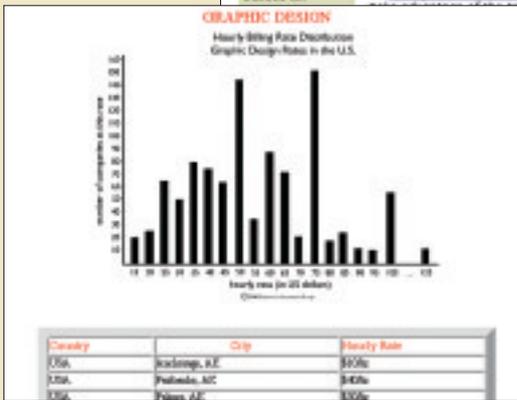
SALARY GUIDES are available from employment agencies like Aquent Partners (www.aquent.com) and The Creative Group (www.creativegroup.com). www.iboost.com is particularly noteworthy for its stand that you should never undercharge just to get clients.



(left) The NAICS or NORTH AMERICAN INDUSTRIAL CLASSIFICATION SYSTEM (www.naics.com): type in "Graphic Design", and the code pops out. You need this code to find out the demographic of other design services in your "neighbourhood".



(above) Strategis Canada (www.strategis.ic.gc.ca) is great for DEMOGRAPHICS; the "Information by Sector" area is useful just to see if there are any papers written on the industry or any government decisions you should be aware of.



(left) Ever wonder what other designers use as a GUIDELINE FOR PRICING? www.brennerbooks.com provides graph information on hourly billing rates.

under what SIC code I fell (the Standard Industrial Classification code has now been changed to the NAICS or North American Industrial Classification System—see www.naics.com). Hit the search button, type in "Graphic Design", and the code pops out (let's make things a little easier—it's 541430). The reason you need this code is to find out the demographic of other design services in your "neighbourhood" or the area you will be locating your business. The place you find this information is Statistics Canada (www.statcan.ca) and for the most part you really should go into their office (in Toronto, it's at 25 St. Clair Avenue East). The website will give you some good information, but I found talking to the nice people behind the counter at StatsCan was far better and easier. Please bear in mind that you will have to pay for most of the information you want from StatsCan, even if it's off the website.

One of the most important pieces of information I obtained was that in the city of Toronto there were 640 registered sole proprietorships in the field of design and print. From this and with a bit more research I found out that there were only two graphic designers in the neighbourhood of my business, plus three print shops, two service bureaus, a Kinko's and a Printing House, all within a four-kilometre radius, some within walking distance. Very useful information—but you'll see how it works to your benefit later.

Yes.

Do you need them right away? Most will say yes, but I will say no. This is *your* business and in the beginning you have to wear many hats. But only *you* are really going to know what you do.

So, having said that, what I currently maintain is the minimum. I have a business advisor, and I have an accountant. I have seen a lawyer once, and the business advisor on several occasions.

The accountant only handles my books at year end. Mind you, I long for the day when he can handle it monthly. But for the time being, get yourself some accounting software and learn to do your books yourself.

Now let's get down to the nitty gritty. First I needed to know

LET'S DO SOME MORE RESEARCH

I located a number of very useful websites for researching business information and demographics.

The site produced by Human Resources Development Canada (HRDC) (www.toronto-hrhc.sto.org/Includes/Rootdirectory/Common/employer/entre.shtml) is of particular interest to employers and entrepreneurs. Once inside this site you'll find lots more information on SEA and SEDI programs, as well as many links such as the Canada-Ontario Business Service Centre, Starting a Small Business in Ontario, Ontario Ministry of Labour, various sources of financing, and an all-important link to Enterprise



Toronto (www.entreprisetoronto.com). (Someone really needs to speak with Enterprise Toronto about their website; although it contains some extremely useful information, I found this site a little difficult to wade through. However these are the people you will go to when it's time to register your business.)

Strategis Canada (www.strategis.ic.gc.ca) is great for demographics; in particular, the "Information by Sector" area is useful just to see if there are any papers written on the industry or any government decisions you should be aware of. Strategis also offers an online business planner at www.strategis.ic.gc.ca/SSG/mio2687e.html. But a word of caution: although it's really easy to use this plan, be aware that it is only a guide; some of the information is not necessary for a startup business. But for those of us who have never written a business plan before, it can be extremely helpful.

Interactive Business Planner: Create your own business plan on the Web (www.cbasc.org/ibp) is the one I used most because I could store it online while I was working on it. Again, it's a guide; in the end, I re-wrote my business plan with the help of my business advisor from TDDB.

Small Business Quarterly Report (www.strategis.ic.gc.ca/SSG/mio7237e.html) has great info. Did you know that the self-employed sector grew by 2.7 per cent between January 1999 and January 2000? So what, right? Well, considering that you're starting your own business, this is certainly good information to look at. What percentage pertains to graphics, and what percentage of that is new businesses, and are they still around now? This site offers some excellent industry stats and information.

Canadian Intellectual Property Office (strategis.ic.gc.ca/sc_mrkscv/cipo/welcome/welcom-e.html) covers copyright rules. Webster's defines "intellectual property" as follows: "n. a product of the intellect that has commercial value, including copyrighted property such as literary or artistic works, and ideational property, such as patents, appellations of origin, business methods, and industrial processes".

I had a colleague tell me recently that a potential client said, "Do the work and I will let you keep the artwork for your portfolio," meaning in lieu of payment. I guess he didn't realize that she would already own it on completion, and this was no deal for her. But you have to know your rights.

Strengths and Weaknesses—Overview of Canadian Advertising Services (strategis.ic.gc.ca/SSG/dmo1195e.html) has interesting documentation on how advertising companies have now restructured to meet customer needs.

All said, the Strategis Canada website is definitely a good one for research and development.

Now let's cover some links you may not necessarily think of.

HOW MUCH SHOULD I CHARGE?

Ever wonder what other designers or the industry in general uses as a guideline for pricing? I still wonder myself, but I did find

some useful sites to give me an idea of what to do, one of which is www.brennerbooks.com/sampleprices.html. Very useful graph information on hourly billing rates for Canada and the U.S. They have pricing for "graphic design" as well as "web design" and "desktop publishing".

Another website on pricing is www.iboost.com/build/design/articles/pageview/1103.htm. This site is particularly noteworthy for its philosophy about pricing and the fact that you should never undercharge just to get clients. In the long run this will be self-defeating; you're in business, and you need to act like it.

Salary guides are also available from employment agencies like The Creative Group (www.creativegroup.com) and Aquent Partners (www.aquent.com).

In addition to websites, I recently managed to pick up a book that is quite helpful (even though it is U.S.-based) called *The Graphic Artist Guild Handbook: Pricing and Ethical Guidelines*.

Talking to other designers is another obvious way to get current information on how much to charge, and the Yellow Pages is a great basic resource for finding them. They also publish a small book on businesses in my area, which is how I cross-referenced the information I mentioned earlier (two graphic designers, three print shops, etc).

I actually called the people I located through those listings (among many others) and asked them how their businesses were going, how long they had been around, were they always in the same location? I needed to get a feeling for what my chances of survival were. As well, it gives you a good idea of who your competition is and what their target markets are. Most companies or designers will not go so far as to discuss financials, but some will. Just remember that competition is a good thing, and anyone secure in their business will be more than willing to impart information. In fact, sometimes businesses we regard as competition really aren't. Two of the individuals I spoke with in my sample research have actually swung work my way, and I have also given them references in their area of expertise.

Another thing to consider is prior contacts with other designers with whom you may have worked or gone to school, or even teachers who are working in the business. If you can get them to sit down with you for five minutes, they may give you more up-to-date information than you could get anywhere else. And it's definitely less time-consuming than the Internet.

TRADE AND PROFESSIONAL ASSOCIATIONS

One of the recommendations of the Toronto Business Development Centre was to find and contact "associations" in your industry. I found this to be more difficult than it sounds but excellent advice nonetheless. Although many of the links contained here are American associations, don't discount them. In some cases I found them to be more helpful than our local associations.

Since the demise of Toronto Webgrlls, my only association membership is with DigitalEve (www.digitaleve.com), or for the



Toronto chapter www.digitaleve.com/toronto/index.php). On more than one occasion this group of women has been extremely helpful in getting me networked with other people and organizations, as well as allowing me free promotion through their listings.

The Designers Resource (www.gain.org/servlet/gateway/business_solutions/links/associations.html) is also an excellent site, and a great resource for locating trade and professional associations. Much of the information on this site is American but it also has links to the Canadian Printing Industry Association (CPIA) and the Canadian Pulp & Paper Association (CPPA).

Useful? Absolutely. If anyone has their finger on the pulse of the graphic arts industry, it's these people. Questions like, what (if any) is the decline in the paper industry with regard to print production? This definitely trickles down and affects the designer. If you're a print specialist, and print usage looks like it might be heading down, you may want to consider switching your target to web design, or even e-books. On this note, check out Print Canada Association's page (www.printcan.com/assoc.htm).

Also on the Web you'll find the progress report from the steering committee of the Canadian Printing and Graphics Industry (1996) (www.on.ec.gc.ca/glimr/data/first-printing-rep/begin.html).

Why in the world would information from 1996 be relevant today? You will come across this problem often, particularly when dealing with Statistics Canada or almost any other government-operated statistical information source. The rule of thumb is that if it's about three years old, it's probably the most recent information available.

According to its website, The Graphic Design Publishing Center News (www.graphic-design.com/news/index.html) is the longest running Web portal for design, typography, graphics, illustration, writing, printing, publishing, advertising, signs, displays and information for graphic communicators! As far as I am concerned, that's a relatively accurate description of what they do. It is U.S.-based but I am including it here just for comparison. They *do* have discussions on pricing (e.g. how much to charge for building one or two graphics for existing websites, or for fixing other people's mistakes). In general it is a discussion board for a wide range of topics, and the topics change constantly.

Got a library card? If not, get one. This is probably the best resource for finding periodicals—and guess what? You can do it from your own computer via the Internet and e-mail them back to yourself. All you need to do is use your library card—check url.tpl.toronto.on.ca.

GOT THE INFO—NOW WHAT DO I DO WITH IT?

Finding the information is only a small part of the battle—and, believe me, finding anything pertaining to legal or government issues on the “graphic design industry” isn't easy. Often what I found were documents or periodicals. But coupled with the few hard facts I could find, it began to slowly unravel.

Earlier I mentioned that there were at the time 640 registered

sole proprietorship “design services” in the area. But how did I find out there were only two graphic designers in my area? I got on the Internet and looked up any page that carried phone listings for services online, starting with one that I am listed with, www.yellow.ca (Canadian Yellow Business Directory Pages). It will let you list yourself for free (there's that wonderful word again) and if you want, for a modest fee it can bring you to the top of the listings as well as provide a link to your home page.

If you go to the Yellow Pages home page, you will find an interesting fact: graphic designers are listed third in the “Top 10 Classifications” list. I decided this could be a good place to check out the competition. I clicked on “Graphic Designers” and asked for the listings for Toronto, Ontario—654 popped up. So now I knew that my research from StatsCan was only partially correct.

What does this mean?

It means that not everyone registers themselves as a business. Graphic designers don't have to register themselves, since as a designer you *are* the business, and thus you can just use your name. So, if StatsCan says there are 640 businesses registered and yet I have already found 654 in one online listing, how many other designers or companies offering design services are out there?

Please keep in mind you could be doing research for a very long time. At some point you have to say, “Enough!” You could easily spend years and never get your business off the ground.

In the past year I have put aside two days out of every month to check my research and make sure that I am current with whatever is out there. And that's really all you can do—that is, until your business grows big enough to let you hire a Research and Development specialist once a year who will do it for you.

OPEN FOR BUSINESS AT LAST

I will never forget November 1st, 2000, the day I officially registered my business.

I walked away from the registrar (Enterprise Toronto) with a fellow entrepreneur, my arms full of paperwork.

Did I mention that part never ends too? As I looked at the paperwork, all I could think about was, “Was this a good idea or a bad idea?”

It is not entirely necessary to register a business name. Registering the name actually cost me \$60, but if I had wanted to I could have easily just used my own name and then not registered at all. For me, the main reasons for registering were that I wanted to have a separate bank account for the company—and I wanted to have the “image” of a larger company.

Although today many people are used to dealing with small “home-based” companies, there are still corporations that don't want to have contracts with individuals. If you can make them believe that they are dealing with a “professional” organization then it makes it easier to seal the deal. I can't say this enough.

You are the business—even if one of your cats is lying on your monitor while you work, or it's a sunny day and the pool demands

your attention. Your client doesn't need to know that.

I also registered for a PST number. Nothing tells suppliers you are serious about your business as effectively as when they bill you, and you say you are PST-exempt and give them your number.

SO...HOW'S IT GOING?

The last year has had its share of "Maybe I should just find a job!", and "How does this accounting software work exactly?"

But I *have* managed to do some client work, although mostly I have been teaching. It started in December with a phone call—was I able to teach a corporate class in *PowerPoint* for Mac? From there, I was asked back to teach *Office 2001* to the same group.

Still doing research. Still going after clients. In January I had a panic attack that I wouldn't survive, so I took a part-time job at a bookstore—which ended up being a great idea. As it turned out, it wasn't about the money, but the networking. Not to mention that sitting on my butt in front of a computer was not doing me any good physically.

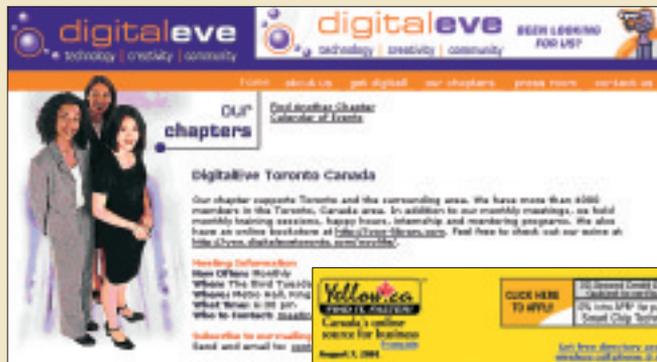
While I'm on the subject, even though it is important to be available for potential clients, and even though you *do* need to spend a large part of your day "in the office", try to spend an equal amount of time doing something else for yourself. The job at the bookstore turned out to be not a defeat for my business but a great source of information, people contacts, and exercise.

The funniest thing that happened in my panic to get some income was that I actually got what has turned into one of the best things that has happened to me yet—a part-time teaching contract at a local college. One semester has turned into another half semester, which in turn turned into night school, and in September I hope to be teaching three classes a week plus night school.

I still have my share of clients. I haven't made my first million quite yet.

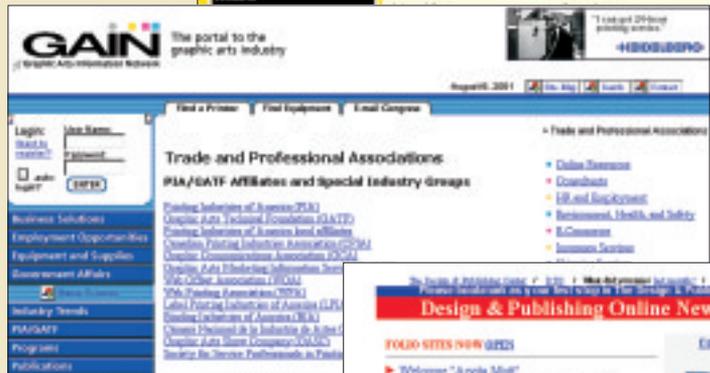
But if I don't, it doesn't mean I failed. One of the best things in my "good idea" is actually working out fine: my business plan is doing exactly what as it should, guiding me through the darkness to the light of a long overdue vacation, my first in five years.

At times it was very hard to stay focused. The term I like to use is that "I am easily distracted by shiny things." Although it's a funny statement, it's very true. It's easy to stray into surfing the Inter-



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(right) The Graphic Design Publishing Center News (www.graphic-design.com) is a U.S.-based DISCUSSION BOARD for a wide range of topics, including discussions on pricing.



net while doing research and land at what looks like an interesting site—and three hours later you've done nothing. Then there's the element of friends and family who will call you during the day to chat. For some reason when I was working for someone else that wasn't a problem, but now it's a big deal.

But no one is handing me deadlines at ten minutes to five and saying I have to present in the morning. I can set up my own accounts with the printers I like and not the ones who happen to be downstairs. And when I go on vacation, I can give myself a month off—or even take my laptop with me, in case I get seized by feelings of insecurity.

So here I am, two years later, coming up on the close of my first year end in business, and I'm still a self-employed free agent.

And you know something? Just typing that still sends shivers down my spine. ☹

Diane Erlich is president of Orchid Graphics, a Toronto-based design firm. She may be contacted at orchidgraphics@sympatico.ca.