



# Interior Design Company

Make It Your Own Space Inc.

141 Normandy  
Las Vegas, NV 89101

*Gerald Rekve*

*Business plan for a group of professional interior designers planning on providing services to the residential and the commercial sectors.*

## EXECUTIVE SUMMARY

The design business enjoys strong demand as people continue to buy or move into new homes and remodel old ones. According to Home magazine, 46 percent of Americans plan to redecorate or remodel in the next five years, compared with 35 percent in the previous five years.

The interior design business is a go-out-of-your-house kind of home business. While doing the business aspects inside the home, most of the sales will be done at the client's home or office as you evaluate the space, match color swatches to existing furniture and measure windows for draperies, etc. With the Martha Stewart TV Show and the vast amount of cable channels now available/the increased amount of the television network viewing time, there are at least 50 new TV Shows which focus on one form of Interior design themes. There have been countless books and magazines published for the sector.

Both of the owners of this new design business have been trained and have worked in this sector for a number of years. These skills will play a big role in the success of the business.

The growth of this sector and the fact the city that we are setting the shop up in is growing. With little competition from qualified designers, we are confident we will get a strong market share in the first year.

## BUSINESS STRATEGY

The American Society of Interior Designers defines an interior designer as someone "professionally trained to create a functional and quality interior environment. Qualified through education, experience and examination, a professional designer can identify research and creatively resolve issues and lead to a healthy, safe and comfortable physical environment."

The keywords here are "professionally trained and qualified." Regulations dictate that only those who have met or exceeded a certain level of accredited education and, in some states, passed the qualifying exam administered by the National Council for Interior Design Qualification can use the title of Interior Designer. In 18 states, they must be licensed before they can be called an Interior Designer. We will either hire designers who are accredited or, after a period of mentoring, offer to assist the designer by paying a portion of the costs for the education. This will allow us to offer our clients the best services.

Based on market stats, designers held about 423,000 jobs in 2003. Four out of 10 were self-employed. With this small percentage being self-employed, we are confident our ability to hire qualified staff will be easy in our market. In fact there is a design school in our region that graduates about 40 students every six months.

Designers work in a number of different industries, depending on their design specialty. Most industrial designers, for example, work for engineering or architectural consulting firms or for large corporations. We



will offer our services to these sectors, allowing these companies the freedom of not having to hire a full time designer.

## ORGANIZATION

### Management Summary

Lisa Kurtis-CEO

Lisa has a degree in designing and Business Administration from University of California at Berkeley. Lisa had worked after graduating in 1991 with a small furniture-manufacturing firm for about 5 years. Then she started working for one of the largest homebuilders in California. After working in home building, making a lot of contacts, Lisa started her own design business. With her training, Lisa will hire the key staff persons to fill the required roles.

Tracy Trane-CIO

Tracy also graduated from University of California at Berkeley in 1992 with honors in Finance. Tracy worked with Lisa at the homebuilders and saw the opportunity to start her own business. While the risks of starting their own business were scary, they were comforted with the fact that both had husbands who were making enough money to keep the family supported.

### Financial Analysis

Both owners had used several methods to finance this business.

Lisa Kurtis

1. Used the money she had accumulated over 5 years of saving (Approximately \$15,000)
2. Has a newer family van, which will be used as a company van. Logos and decals will be added to the van
3. Already has computers and office equipment, which will be used for the business
4. Applied with the women's entrepreneur foundation for a loan for her share in the operating capital of the business

Tracy Trane

1. Tracy will invest \$20,000
2. Has a newer van which also will be listed as company property and have all logos
3. Will supply the required software to run the business, both accounting and design
4. Will co-apply with the women's entrepreneur for the operating line of credit

## SERVICES

The design business is multi-faceted. We will provide work as a product-driven designer or as a design consultant.

The product-driven designer is a hands-on designer who combines the task of conceptualizing the look of the given space with marketing a wide variety of products. This is the common track of start-up designers. The designer often markets various products and even offers free design advice if the client buys all of the products from him or her. Buyers of their products are often allotted a certain number of hours of free design advice; if more time is needed, the per hour fee is charged. A product-driven designer also charges a per hour rate to customers who seek their advice but buys products from another company. A hefty percentage of the designer's income is generated from product sales.



Our staff has worked in the business for a long time with an established reputation and a long list of references; we can focus on offering design-consulting services instead. We will not sell or market any product, but instead offer advice about the design of a room or an office. We will be selling your design expertise, and not any product.

## MARKET ANALYSIS

There are two types of market for interior design: residential and commercial. Residential interior design focuses on the planning and/or specifying of interior materials and products used in private residences. In terms of scope and contract amount, residential jobs are often smaller, but offer a higher profit margin particularly if you are marketing the products to be used in designing the rooms.

Commercial jobs, on the other hand, are often much bigger in scope but the bidding that often accompanies the contract can push down your profit margin. Commercial design covers a wide variety of specialties, such as entertainment (e.g. movies, theater, videos, theme parks, clubs, dramatic and musical theater); facilities management (e.g. office moves or expansions); government/institutional (e.g. government offices, embassies, museums), health care (e.g. hospitals, nursing homes, long term care facilities); retail or store planning (e.g. boutiques, department stores, malls, food retailing centers); hospitality/restaurant (e.g. country clubs, hotels, cruise ships); and offices.

Based on city and region statistics last year there was over \$145 million in permits purchased for new commercial and home construction, as well renovations. Based on this number and the available designers in the field, we are confident that we will gain a strong market share. All construction firms we talked with told us that they bring in designers from other cities to help with projects. If we offered quality work and competitive prices, they would give us work.

## Competition

Right at this moment in the market, we have a few competitors. We believe based on their offerings and training we will win more profitable jobs due to these lack of skills on their part.

1. PaperPlus Wallpaper & Design-This firm has a staff of 7, of which 4 are installers, 2 are retail sales staff and one is the accountant. The owner basically does it all. They offer design consultations, however these are very limited as the focus is always on the products they sell, not what products are new or available in the market.
2. Las Vegas Design Team-This company has a staff of 5, all of which are in the sales and are designers. While this company does a lot of business, they only have a designer who is educated and has been certified as a professional designer. We believe once we open up shop this firm will try to hire qualified staff. In the short term this will be beneficial to us; over time thought clients will see the quality of work. We offer and this firm will only be able to get contracts that are low bidder win types where quality is not an issue and the potential for profit may be limited.
3. Brady and Sons Interiors-This firm has a staff of 16, however none are designers and they just give their best opinions. They tend not to go after our clients; however they will take a sale if it walks in the door. Their fee for designers is half our fee. Our goal will be to co-contract with this company and offer our consultations to this firm under contract. That way they will still make money for the referral and we will offer their clients top dollar services.
4. Home-based Designers-There are five listed in the phone book. We called each one and after lengthy communications, three had indicated that they would be happy to contract to us for work; this way they could reduce their costs and be able to work on larger projects that required more staff. All three of these designers are certified.



## Start-Up

Our interior design business requires basic office supplies and equipment such as computers, telephones, and fax. In addition to the standard word processing and spreadsheet software, invest in AutoCAD software to present more professional looking design solutions to clients with three-dimensional realism. AutoCAD software will cost from \$700 to \$1,900 depending on the applications we purchase.

We also need to buy books of samples, which are the lifeblood of a design business. Manufacturers of wallpapers, paint and carpets produce samples costing about \$250 each representing various products in all sorts of design and colors. Try negotiating with sales representatives, as they can give some of these sample books for free, particularly if they see the potential that you can sell their product.

When buying samples, we will be very careful of companies that will require us to purchase pre-selected samples on a monthly basis-even if we don't need it. The assumption is that you run a showroom to keep all the unused samples. Wallpaper and large fabric companies are particularly notorious for this practice.

## Monthly Operating Expenses

For the first six months, both partners will not take a salary out of the company. After this period, they will each split a 35% share of the net profits each month.

1. Office Rental-\$900 monthly
2. Telephone-\$75 monthly
3. Office Equipment-\$5,000 (for book value only; owner invested)
4. Software-\$2,500 (for book value only; owner invested)
5. Postage-\$50
6. Special Tools-\$2600 (for book value only; owner invested)
7. Advertising-\$1500
8. Company Van-Gas, Repair and Maintain-\$500 monthly

Company Van-Both owners transferred ownership of their vans to the business. Both are free and clear of any debt and are valued at \$12,000 & \$16,000 according to the local bank blue book.

We will develop strategic alliances with local builders, realtors and home improvement firms. This will allow us to have a several lines of revenue into our company.

Here is a breakdown of the revenue sources we will have.

1. Retail Clients-walk-in or phone quotes
2. Realtor-for their clients' homes
3. Home Improvement Companies
4. Commercial builders of office and home complexes
5. Home builders associations
6. Furniture stores
7. Paint and wall paper stores
8. Flower shops
9. Architects and developers
10. We will also develop a weekly advice column in the local newspaper and try to set up a talk-type show on the local cable 10 channels. This channel is free to use as long as the information provided is key to the public's interest.

## Pricing Structure

Fee structures vary widely, depending on the designer, complexity of the project, geographical location and a host of other factors. Some of the ways interior designer's charges for their services include:



- Fixed fee (or flat fee)-The designer identifies a specific sum to cover costs, exclusive of reimbursement for expenses. One total fee applies to the complete range of services, from conceptual development through layouts, specifications and final installation.
- Hourly fee-Some designers charge based on the actual time spent on a project or specific service, with fees ranging from \$55 to \$150 per hour, based on the required detail and other professionals who may need to be consulted.
- Percentage fee-Compensation is computed as a percentage of construction/project costs.
- Cost plus-A designer purchases materials, furnishings and services (e.g., carpentry, drapery workrooms, picture framing, etc.) at cost and sells to the client at the designer's cost plus a specified percentage agreed to by the client. The service charge is often put at 20-30 percent.
- Retail-Others charge their clients the retail price of furnishings, furniture and all other goods they get wholesale, keeping the difference as designer's fee and services. Retail establishments offering design services commonly use this method. With this method, clients get the designers services at a price no greater than he or she would have paid for the products at retail.
- Per square foot-Often used for large commercial properties, the charge is based on the area of the project.

Our staff designers require a retainer fee before the start of a design project. A retainer is an amount of money paid by the client to the designer and applied to the balance due at the termination of the project.

## Income Potential

What is unique about the interior design business is that you never do the same job twice. It will be hard to place a specific price on individual projects. What you will earn from a job that requires redecoration of an entire room from the carpet, wallpaper to upholstery will be different from a job that requires you to put up drapes to ten windows.

According to Industry statistics, on the Design Business, an interior designer earns an average of \$883 per job. If you are working at four jobs per month, you can expect monthly sales of \$4,415 per month. Yearly income for designers can expect to earn about \$52,980, for great designers with solid track record, this will be the take home pay of our designer staff, and our % will be 1.5 times this per designer or \$79,470 per year per each staff member.

Our goal is to have 5 designers on staff; this will make our first year gross profit of \$397,350 and gross revenue of \$662,250.

The goal over time will be to increase the number of clients per designer per month. This will result in increase revenues. This will happen once we get better known for our services.

## Training, Other Qualifications, and Advancement

The reason we put this in our business plan is to always be reminded of the fact that our staff and our training will be the key to our success in the designers business. We will continue to follow the guide we listed below, as well make amendments to it as we require.

Creativity is crucial in all design occupations. People in this field must have a strong sense of the aesthetic-an eye for color and detail, a sense of balance and proportion, and an appreciation for beauty. Sketching ability is helpful for most designers, but it is especially important for fashion designers. A good portfolio-a collection of examples of a person's best work-is often the deciding factor in getting a job. Except for floral design, formal preparation in design is necessary.

Educational requirements for entry-level positions vary. Some design occupations, notably industrial design, require a bachelor's degree. Interior designers normally need a college education, in part because few clients-especially commercial clients-are willing to entrust responsibility for designing living and working space to a



designer with no formal credentials.

Interior design is the only design field subject to government regulation. According to the American Society for Interior Designers, 21 States and the District of Columbia require interior designers to be licensed. Because licensing is not mandatory in all states, an interior designer's professional standing is important. Membership in a professional association usually requires the completion of 3 or 4 years of postsecondary education in design, at least 2 years of practical experience in the field, and passage of the National Council for Interior Design qualification examination. We will meet these standards at the high point.

Set, lighting, and costume designers typically have college degrees in their particular area of design. A Master of Fine Arts (MFA) degree from an accredited university program further establishes one's design credentials. Membership in the United Scenic Artists, Local 829, is a nationally recognized standard of achievement for scenic designers.

In contrast to the other design occupations, a high school diploma ordinarily suffices for floral design jobs. Most floral designers learn their skills on the job. When employers hire trainees, they generally look for high school graduates who have a flair for color and a desire to learn. Completion of formal training, however, is an asset for floral designers, particularly for advancement to the chief floral designer level. Vocational and technical schools offer programs in floral design, usually lasting less than a year, while 2- and 4-year programs in floriculture, horticulture, floral design, or ornamental horticulture are offered by community and junior colleges, and colleges and universities.

Formal training for some design professions also is available in 2- and 3-year professional schools that award certificates or associate degrees in design. Graduates of 2-year programs normally qualify as assistants to designers. The Bachelor of Fine Arts degree is granted at 4-year colleges and universities. The curriculum in these schools includes art and art history, principles of design, designing and sketching, and specialized studies for each of the individual design disciplines, such as garment construction, textiles, mechanical and architectural drawing, computerized design, sculpture, architecture, and basic engineering. A liberal arts education, with courses in merchandising, business administration, marketing, and psychology, along with training in art, also is a good background for most design fields. Additionally, persons with training or experience in architecture qualify for some design occupations, particularly interior design.

Computer-aided design (CAD) increasingly is used in all areas of design, except floral design, so many employers expect new designers to be familiar with the use of the computer as a design tool. For example, industrial designers extensively use computers in the aerospace, automotive, and electronics industries. Interior designers use computers to create numerous versions of interior space designs-making it possible for a client to see and choose among several designs; images can be inserted, edited, and replaced easily and without added cost. In furniture design, a chair's basic shape and structure may be duplicated and updated, by applying new upholstery styles and fabrics with the use of computers.

The National Association of Schools of Art and Design currently accredits about 200 postsecondary institutions with programs in art and design; most of these schools award a degree in art. Some award degrees in industrial, interior, textile, graphic, or fashion design. Many schools do not allow formal entry into a bachelor's degree program, until a student has finished a year of basic art and design courses successfully. Applicants may be required to submit sketches and other examples of their artistic ability.

The Foundation for Interior Design Education Research also accredits interior design programs and schools. Currently, there are more than 120 accredited programs in the United States and Canada, located in schools of art, architecture, and home economics.

Individuals in the design field must be creative, imaginative, persistent, and able to communicate their ideas in writing, visually, or verbally. Because tastes in style and fashion can change quickly, designers need to be well read, open to new ideas and influences, and quick to react to changing trends. Problem-solving skills and the ability to work independently and under pressure are important traits. People in this field need self-discipline to start projects on their own, to budget their time, and to meet deadlines and production schedules. Good



business sense and sales ability also are important, especially for those who freelance or run their own business.

Beginning designers usually receive on-the-job training, and normally need 1 to 3 years of training before they advance to higher-level positions. Experienced designers in large firms may advance to chief designer, design department head, or other supervisory positions. Some designers become teachers in design schools and colleges and universities. Some experienced designers open their own firms.

## Growth Strategy

Despite projected faster-than-average employment growth, designers in most fields-with the exception of floral and furniture design-are expected to face keen competition for available positions. We will use this to make sure we hire the most qualified staff.

Overall, the employment of designers is expected to grow faster than the average for all occupations through the year 2008. In addition to employment growth, many job openings will result from the need to replace designers who leave the field. Increased demand for industrial designers will stem from the continued emphasis on product quality and safety; the demand for new products that are easy and comfortable to use; the development of high-technology products in medicine, transportation, and other fields; and growing global competition among businesses. Rising demand for professional design of private homes, offices, restaurants and other retail establishments, and institutions that care for the rapidly growing elderly population should spur employment growth of interior designers. Demand for fashion, textile, and furniture designers should remain strong, because many consumers are concerned with fashion and style.

## Earnings for average staff

Median annual earnings for designers in all specialties except interior design were \$29,200 in 2003. The middle 50 percent earned between \$18,420 and \$43,940. The lowest 10 percent earned less than \$13,780 and the highest 10 percent earned over \$68,310. Median annual earnings in the industries employing the largest numbers of designers, except interior designers, in 2002 were as follows:

1. Engineering and architectural services-\$41,300
2. Apparel, piece goods, and notions-\$38,400
3. Mailing, reproduction, and stenographic services-\$36,000
4. Retail stores, not elsewhere classified-\$16,500

Median annual earnings for interior designers were \$31,760 in 2003. The middle 50 percent earned between \$23,580 and \$42,570. The lowest 10 percent earned less than \$18,360 and the highest 10 percent earned over \$65,810. Median annual earnings in the industries employing the largest numbers of interior designers in 2002 were as follows:

1. Engineering and architectural services-\$33,000
2. Furniture and home furnishings stores-\$27,800
3. Miscellaneous business services-\$26,800

Median annual earnings of merchandise displayers and window dressers were \$18,180 in 2003. The lowest 10 percent earned less than \$12,680; the highest 10 percent, over \$28,910.

According to the Industrial Designers Society of America, the average base salary for an industrial designer with 1 to 2 years of experience was about \$31,000 in 2003. Staff designers with 5 years of experience earned \$39,000 whereas senior designers with 8 years of experience earned \$51,000. Industrial designers in managerial or executive positions earned substantially more-up to \$500,000 annually; however, \$75,000 to \$100,000 was more representative.



## Design Specialties

Designers often specialize in one or more specific types of interior design.

- Residential-Residential interior design focuses on the design, professional design team coordination, planning, budgeting, specifying/purchasing and furnishings installation of private homes, including the specialty areas of the kitchen, bath, home theater, home office, and custom product design. Interior projects include new construction, renovation, historic renovation and model homes, with expertise in universal and sustainable design. A residential designer is often involved in interior detailing of background elements like ceiling designs, specialty trim and case work including interior doors and door hardware, lighting both architectural and decorative, coordination of audio-visual and communication technology, organizational and storage needs, interior finish schedules of walls, ceilings and floors in addition to selections of appliances, plumbing, and flooring materials. Residential designers also provide specification and purchasing services to procure materials, furniture, accessories and art.
- Information Technology-Today's information technology environment has a profound effect upon the interior design profession. Consulting in areas outside our traditional training, we must now assist our clients with decisions on home wiring and cable needs, switching and security systems, computer hardware placement and space requirements for accompanying equipment, home theater electronics and more. While we will offer advice, our Information Tech staff will have final say on the placements because we are trained to envision the design of the total space, we understand how each individual issue affects another and the key importance of advanced planning. The majority of American homes are now wired with computers in multiple rooms. Designers must consider and advise their clients on linking computer systems, installing appropriate circuits and using multiple phone, cable and DSL lines. Design issues once confined to the office now affect the home as well as the "home office" becomes a more standard feature in today's household. Functional equipment placement, wire management and a host of other technological and ergonomic challenges are now a regular part of a residential designer's work. Thin screen technology is being married with larger, multiple-speaker audio and theater-quality video systems that require specialized skills for proper installation and acoustics. Systems are being installed in just about any place, including on the ceiling, and many clients are requesting special "home theater rooms." Today's information technology advancements will soon allow our computers to link to our video systems, creating new challenges and opportunities in the design of home spaces. Already privacy and parental supervision issues arising from the information technology boom are affecting the function of every floor plan in the home. Our designers are trained to interview clients, to help them explore in depth their needs and tutor them as to possible future requirements that will improve their lifestyle. We are the natural link to help educate our clients about the future direction of information technology in the home. We must continually reeducate ourselves so we have the knowledge and sources to solve our clients' problems. However, we must also know our limitations and refer clients to appropriate sources to adequately address their needs.
- Our Designers Service Sectors-We will hire designers with these skill-sets, so we can offer our clients services in all these areas.
- Commercial-ASID divides commercial design into the following sub-specialties: 1) Entertainment-Entertainment design brings together the use of interiors, lighting, sound and other technologies for movies, television, videos, dramatic and musical theater, clubs, concerts, theme parks and industrial projects. 2) Facilities Management-A facilities manager develops schedules for building upkeep and maintenance, addressing safety and health issues and lighting and acoustics needs. A facilities manager also plans and coordinates office moves or expansions, and serves as project manager during construction or renovation. 3) Government/Institutional-A government designer is familiar with the very specific needs and requirements associated with working with government agencies, such as military bases, federal buildings or government offices. An institutional designer focuses on projects such as childcare, educational, religious, correctional and recreational facilities, fire and police stations,



courts, embassies, libraries, auditoriums, museums and transportation terminals. 4) Health Care- Health care designers create environments for hospitals; clinics; examination rooms; surgical suites; mobile units; hospice care homes; nursing, assisted living or long term care facilities; or any other health care environment. 5) Hospitality/Restaurant-Hospitality design focuses on environments that entertain or host the public, including nightclubs, restaurants, theaters, hotels, city and country clubs, golf facilities, cruise ships and conference facilities. 6) Office-Office design focuses on the public and private areas utilized by corporate and professional service firms. 7) Retail/Store Planning-Retail design and store planning concentrate on retail venues, including boutiques, department stores, outlets, showrooms, food retailing centers and shopping malls.

- Approaches-The following are not design specialties but rather approaches to design that cut across design specialties.
- Sustainable Design-Also referred to as "green" design or "eco-design," sustainable design is concerned with the environmental/ecological, economic, ethical and social aspects and impacts of design.
- Universal Design-An extension of "barrier-free" design, universal design employs products and solutions originally developed for individuals with disabilities to increase ease of use, access, safety and comfort for all users.