

IT WAS A DARK AND STORMY YEAR...

Top designers share strategies for surviving the recession.

BY ERNEST BECK ILLUSTRATION BY OWEN GILDERSLEEVE

OPENING A DESIGNER furniture store is always risky. Now try it during a gut-wrenching economic downturn.

That's what the owners of Blu Dot faced when they launched their first stand-alone showroom last November in New York. A year earlier, when they'd first hatched the idea, the economy was riding high. But by the time the Minneapolis-based company signed a lease in September for a 2,500-square-foot space in Soho, the stock market had cratered and a financial meltdown was underway: "It was a big step for us on a big stage, and this environment didn't exactly make you super bullish," John Christakos, Blu Dot's co-founder, recalls. Despite the gloom, Christakos believes the company's high-quality yet relatively affordable furniture will appeal to consumers tightening their belts. "I wouldn't want to be in the upper luxury segment at this time," he adds, noting that Blu Dot's neighbors are Cappellini and Ligne Roset.

In a business so highly dependent on consumer cravings and big corporate budgets, the design world is staring down the economic slump with a combination of pluck, practicality, and a hunker-clown business strategy—and keeping its fingers crossed that the bad times won't last too long. Many design and architecture firms are starting to feel the squeeze as clients put off or cancel projects and question fees. Others are anxiously going ahead with plans—like Blu Dot's retail venture—that were mapped out far in advance of the current turmoil. Across the board, designers are reviewing costs and staffing—and working tirelessly to keep clients on track

and committed to investing in design and innovation—while they wait for the economy to find its footing.

"For weeks, it seemed there was a collective pause in the business world," says Doreen Lorenzo, president of Frog Design. "Everybody felt it. Everybody was wondering, 'What does it all mean?'" In response, Lorenzo and three top managers at Frog bit the phones and, over a 20-day period, held long conversations with 50 of their clients. "The word to them was that many companies that stopped innovating in the last recession don't exist anymore, and those that did stayed in the game," Lorenzo says. The reaction from skittish clients? "They are cautious but moving forward."

Still, many design firms reported a pullback as the economic climate darkened. "A couple of big projects for Fortune 500 companies are on hold," acknowledges Lauren Rottet of Rottet Studio, an international interior design firm. Lighting company Arterrude recorded a sharp fall in online sales in September, and its annual warehouse sale with New York's Conran Shop in October was mobbed with bargain hunters. There was a "significant" slide in sales at Moroso's New York store, where design duo Doshi Levien debuted daybeds during the crisis. Priced between \$12,320 and \$15,000, such items "are not flying off the shelves like they would have been a year ago," says Ben Watson, chief executive for Moroso U.S.

Michael Bierut, a partner at Pentagram, says he recognizes a pattern similar to that of previous recessions. "When times are good, clients are desperate to start. They ask how much? And then say, okay, fine," he explains. "Now they say, 'We're looking at five other firms and could you do it for less? And break the invoice into two parts.' That's starting to happen now." Brad Perkins, of global architecture firm Perkins Eastman, agrees. "Suddenly, things are not so urgent," he says about client conversations. "The lack of financing and confidence and a perceived loss of wealth have made people unsure." Canceled projects for retirement communities and luxury condominiums in cities hard hit by the real-estate downturn are expected to decrease revenue at the firm by 10 percent in 2009 over the previous year. Perkins believes that many celebrity architects and designers, who were all the rage with developers when times were good, are likely to take a hit because they charge high fees. "Developers will say it was nice when it worked but we can't afford that now," Perkins predicts.

Meanwhile, design firms that invest in client companies are adjusting their criteria for such investments, due to the high-risk financial landscape and the difficulty securing venture capital. Yves Behar's Fuseproject, for example, takes stakes in about half of its 25 annual projects. But in this climate, says Mitch Pergola, the firm's general manager, "we're being more judicious, especially with early-stage companies." Projects the firm might have undertaken a year ago have been put on hold, and Fuseproject isn't going out of its way to raise seed capital. "We're less willing to get involved," Pergola allows. "We're saying, 'Come back with the seed money and we can talk about it.'"

Strangely enough, not everyone is feeling the pain. Tyler Bride, founder and creative director of Winkreative, claims his top-shelf clients don't need comforting. "Most of our projects are long-term, and many are initiatives that clients can't cut, like in-flight magazines, property developments that have already broken ground, and the launch of existing businesses into a new market," he says. With offices in New York, London, Tokyo, and Zurich, Winkreative has a roster of clients in 10 countries, offering geographic diversification that is so far keeping revenue on track, according to Brule.

Indeed, since the last recession, many designers have sought to diversify their firms across countries and industries to help them navigate a slow economy. When there's a dip in one sector or region, according to this strategy, another ideally rises. For example, over the past two years, Perkins Eastman expanded its international business to 35 percent of its total revenue from around 10 percent. The pick-up in projects in places like China and Dubai could outweigh a slowdown in the U.S. (although both areas, too, are facing a slowing economy).

Product design firms have also diversified. After the shock of the 2001 recession, Smart Design widened its client base, which now focuses equally on a variety of product development projects as well as identifying for clients products that should be designed. "In a downturn, consumer purchases shift toward that cool new toilet brush instead of an expensive, high-end sound system," notes Tom Dair, president of Smart Design. "Since we design both, we're doing okay." For Bin Dot, diversifying production sites was a priority after the last recession, when its manufacturing was based largely in Eastern Europe. Now, the company produces furniture in Europe, Asia, and the U.S., which also helps with currency fluctuations and shipping costs.

In a similar way, IDEO underwent a shift to service and "experience" projects after the dot-com bubble burst. The subsequent recession "caused us to realize that this was a promising area that could replace traditional downstream product development, which was becoming commoditized," IDEO chief executive Tim Brown explains. Before the last recession, clients usually came to IDEO with a clear idea of what they wanted to make. But afterwards, IDEO focused on adding value to strategic projects and "helping clients figure out what their offerings should be," Brown adds.

If anyone is listening, the message top design firms are sending to their clients is that a recession is not the time to be a shrinking violet. You can't cut your way to success or out of a slump, they say. After all, a basic tenet of Marketing 101 is that choppy waters provide an opportunity for companies to steal market share from cowardly competitors.

With that in mind, Sohrab Vossoughi, president of Portland, Oregon-based Ziba Design, hammers home the idea that "this is the best time for innovation and development" because design "puts you in a good position to reap benefits." And because recessions change consumer behavior, IDEO's Brown says companies can use the moment to get closer to

When the market crashed, Frog Design executives hit the phones and spoke with 50 of their clients. "The word to them was that many companies that stopped innovating in the last recession don't exist anymore," says Frog's president, Doreei Lorenzo.

their customers to better understand their needs. For example, one of IDEO's clients, PNC Bank in Pittsburgh, recently launched a virtual banking service—called Virtual Wallet—aimed at helping Generation Y-ers manage their personal finances. "When people are concerned about money, it's a time to test consumer responses and attitudes," Brown says.

Designers preach various survival strategies. "Just roll with it," Pentagram's Bierut advises. This approach is more likely to work with firms that already have a lean and efficient organization. "If you haven't been sloppy with overhead and concerned with building an empire and hiring armies of people, you can weather this and come out better," M says. Perkins, of Perkins Eastman, suggests more aggressive marketing because fewer clients are walking in the door than before. "You have to shoot your way out of this recession," he says. "Put a lot more emphasis on sales." Julie Snow, principal of a small architecture firm in Minneapolis, says she'll use the clown time to research and explore new materials and construction techniques, gathering information that can be deployed in the future to recruit clients.

In times like this, a large dose of optimism also helps. "Not everything is peachy out there," admits Ziba's Vossoughi. "We are all nervous." But he adds, "It's still a big economy and clients have money. Life goes on."

Ernest Beck is a New York-based freelance writer. His profiles of designers Jonathan Olivares and Roshii Givechi appeared in this year's I.D. 40 (January/February 2009).