

# *“Interior Designer’s Top Challenges & Solutions”*

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Welcome to the call, this is Gail Doby with Design Success University, and today, I will answer the top questions that many of you said were your biggest challenges on our recent survey.

Now, let’s talk about your biggest challenges, and I will dig into some solutions for you.

Get ready to take some notes!

## **1. How to get new clients in a tough economy - specific strategies to implement now**

This has been one of the most challenging periods ever for the interior design and construction industry. It started about 2 years ago when the banking and credit industries started seeing their poor lending practices impact the housing market. Since then, we’ve all read the news about the foreclosures, and the plummeting housing prices.

The stock market was also affected, and because of that, the most affluent clients have scaled back their spending in an unprecedented way because they’ve seen their paper wealth drop dramatically.

However, everyone is tired of hearing the negative economic news, and in the last week alone, major newspapers and wire services are talking about the end of the Recession which is great news on one hand. People are tired of cutting back, yet the economy is not rebounding quickly. People are cautiously optimistic, and the old ways of excessive spending in the luxury world may not return. So what does that mean for you?

Let’s examine what is happening right now and where the business is going:

- Consumers, even the wealthiest are feeling less wealthy...and notice I used the word feeling because people make decisions to buy on emotions, and justify them rationally.
- The middle of the market is not spending outside of necessities right now...fear of losing their jobs, pay cuts, etc. are affecting their decisions to spend money. If this part of the market has been your target in the past, for you to do well, it is time to follow the money.
- Design is perceived as a luxury, and luxuries are not at the top of many consumers’ priority list for spending. And as we’ve all heard many times, perception is reality. We’ll talk in a few minutes about how to change your messaging to fit this new view.
- Design firms are going out of business – that’s good for those of you who are good business people and who are consistent and creative marketers.

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- Consumer’s feelings are what we need to focus on...they are feeling battered financially, overwhelmed with too much information, stressed with work, kids, investments, and they are time-challenged. They feel weighed down by too many things, and the list goes on. Today’s consumers are also focusing on their values more, and they are cutting back on some of the luxuries they used to indulge in when they felt wealthier. There has been a trend away from the high-end appliances and plumbing fixtures at the mass-affluent level, and they are looking for value vs. price. Your job as a designer is to make their lives more pleasurable, easier, more beautiful and less stressful. If you change your message to what they want and can show how your services can help them, you are likely to get their business.
- The reality is for you to do well in the coming months and years, your mindset, marketing and services will need to adapt to the meet the market.

I’ll share some data from Unity Marketing’s newest calculation of Share of Wallet Highlights the home luxury items on which affluent consumers were willing to spend more, and those on which they made cuts in spending. Topping the list of the fastest growing product categories was electronic GPS devices, a product that captured a 74.5 increase in share of wallet between 2007 and 2008. Also coming out on top were house ware storage and organization products, up 65.6 percent, and outdoor/garden lighting accents, up 40.0 percent. All of these products are ones that make a consumer’s life easier, whether by assisting in navigation, decreasing clutter and distraction, or making an outdoor space a pleasant addition to the home.

The three biggest losers, on the other hand, all come from the world of art and antiques: custom framed reproductions were down 26.7 percent, antique furniture/collectibles were down 23.2 percent, and already-framed reproductions were down 18.4 percent. This, plus the remaining items on the biggest loser list (many of which are art pieces or pieces for display) indicates that affluent consumers are not interested in items that remain static displays within the home.

Rather, they want items that will actively make their lives better by decreasing stress, clutter and workload and increasing enjoyment of the time spent in the home. This finding, points to a potential strategy for home luxury marketers: avoid sending the message that a particular item will have only status or aesthetic value.

Rather, emphasize the consumer’s enjoyment that will come from interacting with the item and using it to **enhance their quality of life**. In a recessionary economy, it is the items that will **wrap a consumer in comfort** and **help him or her to unwind and enjoy** that will gain a larger share of that hard-earned affluent's wallet.

### ***Home Luxury Winners & Losers in Share of Affluent Consumers Wallet % Change '07-08***

#### ***Top Ten Winners***

- Electronic GPS Devices 74.5%

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- House wares Storage and Organization Products 65.6%
- Outdoor/Garden Lighting accents (including spot lights, path lights, etc.) 40.0%
- Television Sets 35.4%
- Chimineas, fire pits/places and/or outdoor wood stoves or gas heaters 33.3%
- Window Coverings (such as blinds, shades, shutters or other 'hard' window coverings, etc.) 30.8%
- Power luxury gardening equipment (such as lawn mowers, tillers, edgers, leaf blowers, snow blowers, etc.) 28.4%
- Ready-made curtains, drapes, sheers or other fabric window coverings 27.3%
- Porch and patio decorative accents (such as flags, signs, wreaths, mats, wind chimes, other decor accents) 26.7%
- Feather Beds and/or Mattress Covers 26.4%

### Biggest Losers

- Custom-Framed Reproduction -26.7%
- Antique Furniture/Collectibles -23.2%
- Already-Framed Reproduction -18.4%
- Tabletop Silverware/Flatware -18.3%
- Home Entertainment Systems -18.3%
- Tabletop Crystal/Glassware -17.1%
- Rugs and carpets, including wall-to-wall and area rugs -15.0%
- Unframed Art Reproduction -14.2%
- Art Glass -14.0%
- DVD/Video Players -13.7%

There are clear signs that the luxury sector of the home furnishings market is recovering from the recession. In the first half of 2009, affluent consumers spent more on luxury home furnishings and decor, according to the latest tracking study of affluent luxury consumer purchases conducted by Unity Marketing.

The survey among 1,017 affluent consumers who recently purchased any luxury (average income \$207.8k; age 44.3 years) found that the average amount spent on home luxuries rose 17.6 percent from first quarter 2009 to second quarter. This followed a rise of 16.3 percent from fourth quarter 2008 to first quarter 2009.

Pam Danziger, president of Unity Marketing and lead researcher on the luxury tracking study says, "Since the beginning of 2009, the affluent segment of the market has been spurred to spend more money on their homes. Home marketers must act now to tap this growth trend that can ultimately lead their businesses out of the current slump. The answer lies in understanding the consumer better than your competitor. Unity Marketing has a new report that will give marketers this advantage."

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She also says, "Home furnishings marketers and retailers took a terrible hit in this recession. But the last two quarters of Unity's tracking study indicates the luxury home furnishings market is recovering. Now is the time for marketers to get aggressive and develop strategic plans that will help them take advantage of the new marketing opportunities.

"Unity's research shows that affluent shoppers are in the marketplace now making purchases to spruce up their living spaces."

So, that is all good news if you are willing and able to focus on the affluent market. What I've found over the years of working in our industry is that many interior designers don't feel comfortable working with the affluent, or at least with the ultra affluent. Some are not confident in their ability to interact with the affluent because of self-esteem issues.

Also, some designers (and business people in general) have a negative feeling about people that have a lot of money, and when this is the case, they will not be able to effectively work with the wealthy. It's important to examine your own attitudes about money and whether it is OK for others to have it.

If you want money in your life, it is important to be OK with others having money. Remember, the affluent create jobs, and services, tax revenue and keep the economy moving. They donate to charitable causes, and they are often the reason that many of the arts are able to survive through their support.

We can't get into all of the psychology of money, but it is worth examining your attitudes if you feel that you don't know how to relate to the wealthy. Do me a favor, and please tell me if you'd like to have a class about this topic. Just email [info@designsuccessu.com](mailto:info@designsuccessu.com) now.

Now, let's talk about the levels of affluence:

- I. The Mass Affluent earns between \$85-150K per year and they have a net worth of \$250K. As of 2008, this was the fastest growing segment of affluence. Typically, it includes families with young children, single parent head of households, blue collar workers and small business owners.
- II. Affluents earn between \$150 – 250K per year and their primary residence is \$1Million+
- III. Ultra Affluents earn over \$250K per year and their net worth is between \$3 – 10 Million. Their average net worth is \$3.1 million, and their average income is \$256K. They earn 36% of all income in the US and control 70% of the US net worth – these figures have probably changed since this study was done in 2007 – 8. There are 11 million households that are ultra affluent, and they own 89% of the value of publicly traded stocks and mutual funds.
- IV. Ultra Ultra Affluents - \$1M+ income and \$10M+ net worth – many are private jet owners, or they use a service like NetJets. ([www.marketwatch.com](http://www.marketwatch.com)) Their average annual income is \$9M+ and \$50M net worth. Average age of 57 and male. This group has 2+ homes and spends \$500K per year on home improvements and furniture.

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Typically they have built and sold a business or taken one public. They spend a lot of money on wine, hotels, resorts, clothes and accessories and jewelry.

The affluent Baby Boomers (1946 – 1964) are a great target, and they are buying home furnishings. 80% of the Affluents and 84% of the Ultra Affluents are buying them. For the next 12 months, 39% of the Affluents and 37% of the Ultra Affluents anticipate spending on remodeling and renovation. 9% of the Affluents and 13% of the Ultra Affluents anticipate buying a new home or an additional home in the next 12 months. ([www.MMRSurveys.com](http://www.MMRSurveys.com))

Baby Boomers make up 70% of households with \$75K+ income and \$200K+ assets:

- Boomers will inherit \$7.2 Trillion in the next 35 – 45 years
- They are looking for new places and ways to travel and work
- They want to stay connected
- They want to spend time with their kids and grandkids
- They expect full retirement at 80

80% of the Forbes 400 made their money using these traits: ambition, initiative, drive, grit, ingenuity, hard work and entrepreneurship. Interestingly, the ones that did not get a college education actually out-earn the other Affluents.

Here are a few other statistics about the Forbes 400 that are important:

- 89% are married
- 11% never married
- 11% divorced once
- 67% have been married one time
- Average age is 65
- Forbes 400 - 24% live in California, 18% live in NY State and 16% live in NY City

### **2. How to attract affluent clients - what do they want and where do you find them**

Let’s first examine what they value:

- Methodical and process Hard workers oriented people
- A small percentage of this group like attention, publicity, widespread recognition of success and their wealth
- They love stories of backgrounds about how people became experts
- They are pressed for time, eager for efficiency, competence and convenience
- They want approval, recognition and respect
- They are motivated by trust and will seek referrals from friends
- Wealthy men have an underlying anxiety that money doesn’t relieve and they want symbolic validation of their success, status and prosperity
- They want to be seen as better than others...for example, the Ultra Ultras have yacht envy
- If they have a rabid passion – they are irrational spenders – anything to give them the slight edge

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Here’s what they want more than anything (messaging should be written toward these key wants):

- Life to be made easy
- Time saved
- Not to be ripped off

They resent:

- Disrespect
- Inappropriate dress
- Talking down (they are intimidated by designers and don’t want to appear stupid or uneducated about design)
- Street slang
- Failure to communicate clearly
- Being rushed
- Impolite people
- They are thin skinned about others attitudes toward the rich
- Rules

They are:

- Fiercely independent
- Great admirers of quality
- They reward ingenuity, drive, persistence and salesmanship
- They don’t spend wildly on everything...just a few things
- Highly stressed
- Language-sensitive – correct grammar is important to them

They can’t stand for people to waste their time, and they detest incompetence and hassle.

They want what is for them, but not if it makes them feel old. They value specialization and customization and they are elitists.

Connection and freedom are extremely important. Use emotional anchors to connect with them and their age group – music, visual images, etc. If you can connect your services and business with these anchors, the warm feelings and sense of the common bond reduce resistance and increase trust.

They want an experience, so focus your thinking about creating an excellent experience and make sure the value exceeds the price.

A few other important details:

- 59% expect to buy new homes at retirement and want to be able to gather their families together
- 36% expect to downsize

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- Spa baths are a huge priority for them

Where do you find the affluent?

- Look for where they buy and what they buy. Clothing stores, cars, boats, restaurants, charities, home theaters, wine shops, spas, investment services, private banks, private airports, cigar shops, etc. Align yourself with them and find out how you can help them grow their businesses
- They use personal chefs, personal shoppers, clothiers who advise them and stay in touch
- Align yourself with the top Realtors in town and people that provide services to them – these people are extremely sensitive to people that are able to serve their clientele and not make them look bad

It’s very important to focus your message on the experience, customer service, unique view, your story and how it matches their journey to success, exclusivity, etc. To be perceived as someone that can serve their needs, confidence and competence are musts. Limit access to you, and even look at your marketing materials and pricing strategies.

If you need more information about this market, read Robb Report, Town & Country, Entrepreneur Magazine, Billionaire Magazine, Wall Street Journal and Worth. Become knowledgeable about what they are interested in.

### **3. How to work more effectively and make more money**

Here is how you make more money...become an absolute expert on one part of design. Whether it is spa baths, renovation, new construction, etc., your message should be clear and concise in all of your marketing.

Expert status is conferred on people with the following:

- Academic background
- Credentials
- Referrals from peers who can attest to your expertise
- Self-developed presentations – clear and concise messages speaking to your target markets interests
- Publication – magazines, books and white papers
- Awards
- Promotion – as an author or speaker
- Publicity

Focus on these parts of your marketing and you will increase your credibility and your fees/profits accordingly.

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Here is something else to think about...the people at the top of the list make the most money, and at the bottom of the list, make the least. Where are you?

- Celebrity + expert/authority + certified specialist
- Certified specialist + expert + authority (speaker/author)
- Certified specialist
- Specialist
- Generalist

Once you decide what level of success you want to achieve, create your path and get coaching and guidance to reach the level you want.

The most successful people in any business are masters of time management. If you are spending your time being busy (email, phone calls, drafting, accounting, administration, etc.), and not productive (Marketing, client acquisition and high level design, developing systems for your business), you are taking money out of your own pocket.

Your income will increase when your sales skills, expertise, and time management are well-honed. It takes 10,000 hours to be an expert. If you are a generalist, you are extending the amount of time it will take to become an expert in multiple areas.

Develop higher end packages or services within your area of expertise, and limit access to yourself as you move into higher end design. It is easier to sell more to less people than a higher volume to more clients. Take yourself out of the price competition and into experience marketing and your income will increase accordingly.

Delegate or outsource activities that are not within the “productive” category. The sooner you do this, the sooner you will make more money.

Marketing is a daily activity. If you aren’t marketing daily, you are destined to a recurring feast and famine cycle. Pick the highest leverage activities that help you achieve expert status and you will also increase the velocity of your success.

#### **4. How to increase your profit quickly and easily**

Here are five top strategies for increasing your profit quickly and easily:

- Increase your hourly rate
- Reduce your overhead – be brutal with your costs except for marketing and education. You need at least 6 – 12% of your overhead budget for improving your skills and knowledge as well as your marketing.
- Add on sales to your existing projects – think of additional services you can provide while you are working on the current project. It is much easier to get someone who is already spending to spend more.
- Reactivate your previous clients with a special offer. Think about the services that will be increasing as the Recession becomes less dominant – renovation, baths, restyling, window treatments, color consultations, etc.

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- Charge a fixed percentage of 15 – 20% for freight, delivery and inspection. We are getting ready to offer a new program about profit very shortly. If you’re on our list, we will let you know when it is available.

### **5. How to hire good people – this is so important! Hiring and training someone can cost you as much as their yearly salary. Your time is worth a lot, and most business owners miss this in their calculations.**

Here are the keys to good hiring:

- Well-written job description
- Knowing what a good job is for the position – specific criteria that tell you when a person is doing a good job
- Developing a list of thorough questions ahead of time and if there are multiple people in your firm, have each one participate in the interview process
- Train your staff to interview effectively – give them specific questions to ask
- Pay slightly above market rate based on experience after the trial period
- Have a trial period of 3 – 6 months and clearly define how the person will move to a permanent position
- Have a detailed process for each type of work you have a person do – if they are drafting, provide written standards with examples
- Have a training and orientation process for each person – this leaves less room for error
- Outsourcing of services can be even better because you can hire out specific tasks such as AutoCAD, shopping, expediting and bookkeeping – the cost becomes variable, and when you have lulls, you aren’t carrying overhead
- Look for people with a sales or service industry background – I always preferred people with experience in restaurants for the intern or design assistant positions because they know how to be attentive
- Use assessment tools – there are several good ones that you can use – we will talk about this in other classes
- Check all references and ask questions about a person’s initiative, attention to detail, thoroughness, communication skills, dependability, team work, ability to get along with all levels of people
- Make sure the person you are hiring fits the type of clients you work with
- There is a trade-off of hiring people with experience - sometimes it is less expensive because they already have a good knowledge of the industry
- Hire slowly and fire quickly if someone is not a good fit

### **6. How to get more referrals and close more business**

This is your least expensive route for getting business outside of your current clients. First of all, there are three types of referrals that work best:

- From current or past clients

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- From people that have the trust of the prospects you want to work with (particularly Realtors or other suppliers of services to your prospects), and
- Suppliers or trades people that work with your target prospects.

Develop referral programs for each of these. Your own clients may not be referring you for a number of reasons:

- They haven’t thought of it
- They don’t want to share their secret resource
- They might be satisfied, but not wowed with your services
- You haven’t asked for a referral

Getting referrals from your clients starts from the beginning of your relationship:

- The most important part of your client orientation process should begin with explaining that referrals are extremely important because you want to work with people like them. If they help you with referrals, you can focus on serving them better
- The best time to ask is at the beginning of your working relationship (and of course, throughout)
- Explain what a good referral is for you – define your ideal client clearly to them
- Always send a thank you and a personal gift that is tailored to that individual
- If they aren’t referring you, just make sure your process of working with them includes gentle reminders
- Get testimonials from your clients – talk with them directly and find out what they like best about your services, and then write the letter or script for them. Your best testimonials are specific in the results – where were they before, what is life like now, and what do you see in the future as a result of your work
- Your best testimonials are video taped and include their name and city – if you are dealing with very affluent clients, they may require anonymity, so if you can get them to do an audio recording that goes with a picture of their project, that will work, too

### **Referrals from others:**

- Do something for the other person first – refer business or help them with something that is important to them
- Clearly define your ideal prospect for them and be specific
- Explain what is not an ideal prospect
- Get testimonials or endorsements from these people, too: video is best, audio is second best and written on their stationery is third
- Always send a thank you and include a gift that is tailored to them

### **Selling more of the prospects you’re meeting**

- Develop a script for pre-qualifying your prospects – and know what questions will help you determine if they are a good fit. For example, I always asked my prospects

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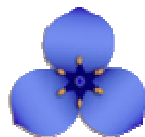
how they heard about me – referred prospects by clients (current or past) are the easiest to close

- Develop red flag questions – ask them if they like to shop – if they want to shop and you want control, then you have to decide if you are willing to go to the next step
- Charge for your consultations at their home and have a reason why...you will give them advice at the beginning – you can invite them to meet with you on neutral ground like a coffee shop or your office to make sure you are a match before taking the time to meet at their home
- If you can learn their Neuro-Linguistic Program such as are they auditory, visual or kinesthetic, your selling process will be much easier. If you haven’t read the classic book, ***Unlimited Power*** by Anthony Robbins, I highly recommend it Determining their buying criteria is uncovered by thorough questions that requires planning and again, the book really gets into more details about how to do that
- Get sales training – it is the life blood of your business, and if you aren’t skilled with how to read your clients and close them, please invest in yourself

### **Resources:**

***No B.S. Marketing to the Affluent – No Hold Barred Kick Butt Take No Prisoners Guide to Getting Really Rich*** – Dan Kennedy

Pam Danzinger – ***Unity Marketing*** – Market research firm



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