Looking forward to 2006?

Your guide to navigating future economic factors affecting the design industry

CONTINUED FROM FRONT COVER

Less paper cuts
In the world of paper, look for prices to remain relatively stable for 2006. An influx of product from offshore markets coupled with oversupply and lean printing budgets have contributed to the current competitive paper prices. However, rising energy and fuel costs are having a direct impact on the manufacturing process of paper.

"With that kind of pressure there has to be price increases that follow," says Gunther Sturhahn, national purchasing manager at paper merchant Coast Paper in Vancouver. He predicts the commodity grade papers will rise from 5% to 10% and premium grade paper prices will spike by 5% in 2006.

Bob Zbikowski, Montreal-based director of marketing, coated papers, for Cascades paper mill says overcapacity will keep any price fluctuations moderate but agrees energy is a factor: "Paper making is an energy intensive process," says Zbikowski. "It's actually the second largest cost component of making paper." Any movement in price will be minute, he says, predicting a 2% to 3% increase in coated and uncoated grades.

Paper merchant Unisource Canada is expecting premium paper prices to remain flat or decrease slightly in 2006. According to Unisource's Daniel Lazar, in national marketing based in Richmond Hill, Ont., coated freesheet may fluctuate from 0% to -2% if energy costs start to decrease. If not, he expects further mill closures will tighten the market. In the text, cover and writing grades, Lazar predicts prices will freeze or drop by 1% because demand in this niche market, he says, is shrinking.

Printing prices to rebound
Competition in the printing industry is just as fierce, where increased energy, fuel and shipping costs are also an effect, causing printers to continue to lower their prices in order to stay competitive. However, costs associated with new environmental initiatives, such as Forest Stewardship Council certification, health and safety regulations, and significant investments in new technology and R&D means prices can't drop forever. Jay Manderino, president of CJ Graphics in Toronto, suggests printing prices may dip in the short term but will eventually start increasing.

"Printing volume is down significantly from 10 years ago," says Matthew Alexander, president of Toronto-based Colour Innovations, "and that trend continues. Despite fierce competition for the shrinking printing pie, prices can't get much lower or the whole industry will bottom out. Low prices impact on everyone from designers to paper merchants...No industry thrives when it's operating on a virtual cost recovery basis."

Grab a slice of the growing ad pie
There's good news on the advertising front. In its Global Entertainment and Media Outlook report, PricewaterhouseCoopers estimates that over the next four years global advertising spending will increase at a 5.9% compound annual growth rate, rising in 2009 to US$477 billion from US$338 billion in 2004.

In Canada, PWC predicts magazine ad spend will increase 5.9% in 2006 over 2005 from $834 million to $884 million. Overall it anticipates magazine advertising in Canada will increase an average of 5.3% annually from $788 million in 2004 to $1.02 billion in 2009. So more ad dollars means more editorial and advertising pages to be designed.

Newspaper ad spend is also on an upswing. The Canadian Newspaper Association reports that ad revenues are up 1.6% for the first half of 2005, at $1.31 billion compared to $1.29 billion for the first six months of 2004.

Although online advertising represents only 4% of total ad spend in Canada, the Internet is one of the fastest growing ad categories in the country. According to the Interactive Advertising Bureau of Canada, online revenues will exceed $500 million in 2005, a 43% jump over 2004. IAB Canada projects online advertising in 2005 will total $519 million. "And it'll probably exceed that [number]," says IAB Canada executive director Paula Gignac.

In the U.S., where online advertising represents 8% of total ad spend, revenue has reached US$5.8 billion for the first six months of 2005; a 26% increase over the first half of 2004 according to the U.S. Interactive Advertising Bureau and PWC. Globally, PWC estimates internet advertising spend will increase to US$32 billion in 2009.

If designers want a cut of the action, Gignac suggests fine tuning their skills in creative rich media. "There's so much revenue coming into the industry right now that I think a lot of shops are freelancing the development of the ads per se. The ability to work in Flash and video and audio is really going to be important for designers as they go forward." Also, the
ability to properly compress and compact the files in adherence to ad specifications will be a necessity, she adds. IAB Canada will be releasing advertising standards for rich media, in super banner, big box and skyscraper unit sizes, at the end of this year.

While corporate budget cutting and increased mailing costs have seen many annual-report projects scaled down or moved to the Web, spending on business information in Canada is also expected to rise by an annual average of 4.5% from $4.5 billion in 2004 to $5.5 billion in 2009, according to PWC.

**PhotoS to claim ownership**

Designers can expect fees for photographers and illustrators to remain stable for 2006. “We only hope [our fees] keep up with cost-of-living [increases],” says Randy Harquail, president of the Canadian Association for Photographers and Illustrators in Communications.

What may change are the contracts photographers have with their clients. In June, the Government of Canada introduced a bill to amend the Canadian Copyright Act. In addition to a number of provisions, the bill intends to “harmonize the treatment of photographers with that of other creators,” states a Canadian Heritage news release. “Photographers are the only creators in Canada that have never automatically owned copyright for their works,” says Brian Boyle, copyright chair for the Professional Photographers of Canada, as told to *Massthead* magazine in June. Photographers must currently use their own contracts to assign copyright to their work. There will be no major changes to the way commercial photography is conducted if this bill is passed, however additional usage of a photo not stipulated in the original contract, like illustration, will have to be renegotiated with the creator.

**More gadgetry on the horizon**

Apple dropped a bomb back in June when it announced plans to move its Macintosh line to Intel microprocessors next year, driving designers to distraction over what they’ve perceived to mean major impending costs for all new hardware and software. That may not be the case, says Nova Scotia-based prepress consultant Bob Atkinson. “The move to Intel chips is primarily an internal change for Apple and its software developers, and the impact to its customers may not be as serious as some people assume.”

Apple is rumoured to be working on an emulation mode in the next major OS X release (Leopard) that will allow most current Mac software to run on Intel-based Macs. No clear word on the speed of this emulation mode yet, but it will definitely not be as fast as new Mac programs or versions written specifically for Intel chips. Processor-intensive applications like Photoshop, 3-D or video software and games will take the worst hit under emulation. If this emulation mode does take it into the next OS X, Atkinson suggests giving your current applications a try and decide for yourself if you need to buy or upgrade to Intel-native versions of your key software.

Other expenses to save up for? QuarkXPress 7 is scheduled for release in February. There’s also a rumour Adobe Creative Suite 3 will make an appearance late next year.

**The iPod effect**

One of the brightest signs for the future is the changing attitude towards design. The old adage that design is merely a costly extra is being replaced, in many business sectors, by the belief that good design can actually be cost effective. *Canadian Business*’s recent design issue (Oct. 10, 2005) reported, “It takes design to turn good ideas into hard cash.” According to *Canadian Business*, Roger Martin, dean of the University of Toronto’s Rotman School of Management, agrees using design services effectively is crucial to developing and maintaining a competitive edge. A good example of this is the British Design Council’s Design Index study, which discovered that between 1994 and 2003 the share prices of a group of 63 companies recognized as effective users of design outperformed the UK stock market by 200%.

Every designer’s mantra should be good design is good business. Call it the iPod effect. According to *BusinessWeek*, iPod is responsible for increasing Apple’s brand value by 23.7% in one year. However, while design becomes more widely accepted, and celebrated (think Toronto’s current Live with Culture campaign and The London Design Festival), designers must continue to communicate the value of design to their clients and do a more effective job of commercializing their creativity—i.e. providing more evidence of return on investment—in order to reap their own financial results.

* Ann Meredith Brown

---

<http://www.designedgecanada.ca> | Nov/Dec 2005 9