

INTERIOR DESIGN BUSINESS SURVEY 2024

FINDINGS



TRENDS

PRESENTED BY





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INTERIOR DESIGN BUSINESS SURVEY FINDINGS & TRENDS 2024

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WELCOME

It's hard to appreciate your progress unless you measure it. That's why we track a child's height on the wall—what's more viscerally satisfying than visual proof of growth? The data captured within this survey offers the same reassurance. It's a sure sign of an industry moving forward, and of the designers within it continuously seeking new paths toward success.

Steady progress forward doesn't mean there aren't bumps in the road. Numbers don't always tell us what we want to hear. They're unflinchingly honest—and in this case, they show us a wave of design firms continuing to grapple with a massive hangover following the flurry of new business unleashed by the Covid pandemic. As projects wrapped up and punch lists were completed, many principals looked around and realized that their pipeline suddenly wasn't overflowing, or that the phone was no longer ringing off the hook. But the numbers and insights shared here also tell a story of resilience: of firms investing in top talent and of an openness to new ways of working.

One of the greatest strengths and weaknesses of this industry is that there's no one right way to do anything. The best billing strategy? It depends. The fail-safe markup percentage? Up to you. The upside of that uncertainty is the immense freedom it offers: Designers are truly free to build a business that reflects their vision and their values. The downside is a widespread lack of transparency—without a well-known standard, every hard-earned lesson can feel more like a trade secret than an experience to be shared freely.

One solution to that challenge is a survey like this. It paints a clear, honest portrait of the industry—and more than that, offers insights into not only the health of design businesses, but also the granular details like how (and how much) to charge. If you see yourself reflected in the averages presented here, you'll find tips and strategies in the companion analysis that will help you fine-tune your approach to get the results you seek. And if comparing yourself to data about your peers makes you feel as though you're behind, let this be the boost of confidence you need to make a big move, whether it's raising your rate or making that hire.

At *Business of Home*, we believe that being informed is a competitive edge for any entrepreneur. We're proud to partner with Pearl Collective and Interior Talent to produce this report, because we know that the metrics captured here are an essential ingredient in the industry's collective growth. It's the measuring stick against which we can each benchmark our progress—and the kind of transparency we believe every designer deserves.

Kaitlin Petersen
Editor in Chief, Business of Home

METHODOLOGY



METHODOLOGY

THE 2024 INTERIOR DESIGN BUSINESS SURVEY WAS CONDUCTED BETWEEN MAY 10, 2024, AND AUGUST 12, 2024. MEMBERS OF THE INTERIOR DESIGN INDUSTRY WERE INVITED VIA EMAIL, SOCIAL MEDIA, AND OTHER OUTREACH EFFORTS TO COMPLETE THE SURVEY, WHICH WAS HOSTED ON SURVEY MONKEY.

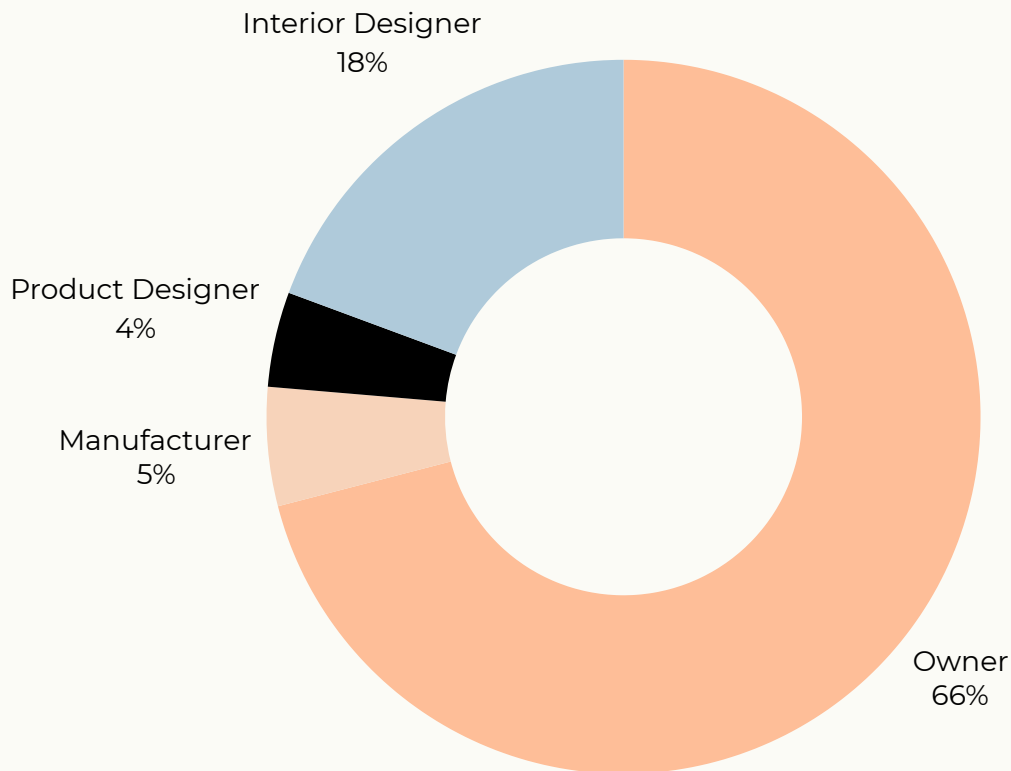
THANKS TO EVERYONE WHO TOOK THE TIME TO COMPLETE THE SURVEY AND TO THOSE WHO HELPED TO SPREAD THE WORD. WE ARE TRULY GRATEFUL FOR YOUR COOPERATION AND SUPPORT.

WHO WE HEARD FROM

A total of 1,324 individuals responded to our survey. Of those, 1,170 participants who currently practice some form of interior design or interior decoration qualified to complete the survey, representing all regions of the United States. The vast majority of respondents are sole practitioners or interior design firm owners or principals.

MOST OWN OR ARE PARTNERS OR PRINCIPALS IN AN INTERIOR DESIGN FIRM.

PROFESSIONAL POSITION



MOST ARE NOT AFFILIATED WITH ANY PROFESSIONAL DESIGN-RELATED ORGANIZATION.

Close to three-fourths of participants do not belong to any professional design-related organization. Half of respondents, who are part of an organization, are members of the American Society of Interior Designers (ASID), and ten percent or more are members of the Council for Interior Design Qualification, the National Kitchen & Bath Association (NKBA), the Interior Design Society (IDS), and the Institute of Classical Architecture & Art (ICAA). Eight percent are members of the International Interior Design Association (IIDA).

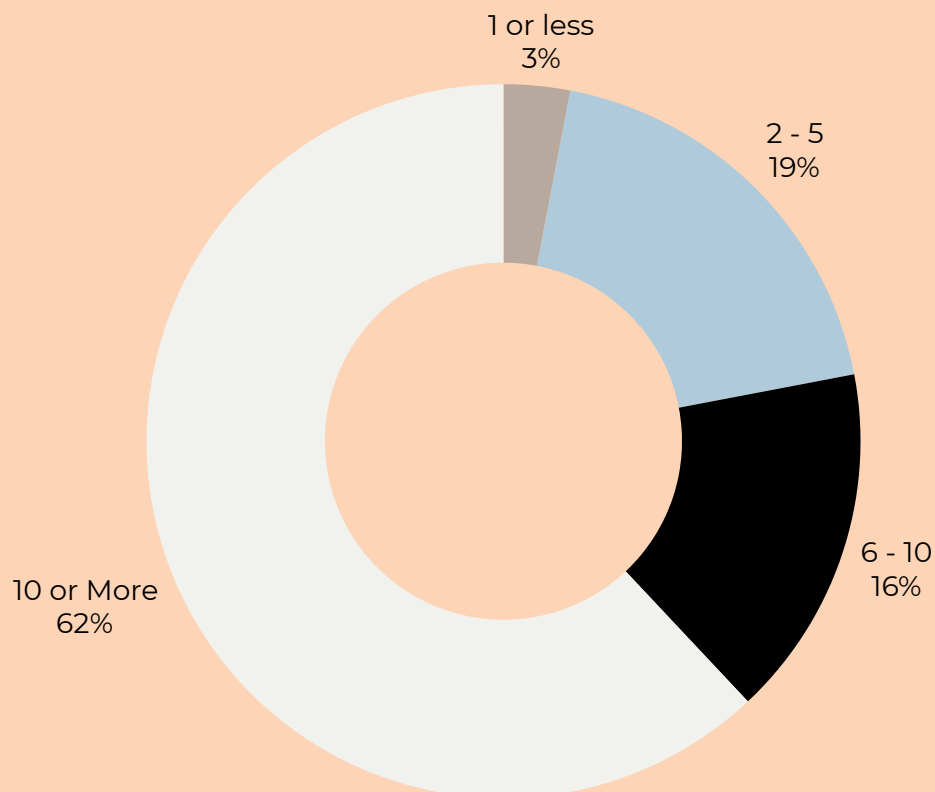
MANY FIRMS ARE HEADQUARTERED IN COASTAL STATES.

The largest portion of survey participants have their headquarters in one of the more populated coastal states, either in the South Atlantic region of the U.S., the Pacific region or the Mid-Atlantic region. The most frequently listed cities were New York, Atlanta, Los Angeles, Chicago, and San Francisco.

MOST FIRMS HAVE OPERATED FOR DECADES.

More than three-fourths of owner firms (78%) have been in business for 6 years or more. Nearly two-thirds have been in business for more than 10 years. Start-ups, those that have been in business one year or less, comprised less than 5 percent of respondents, similar to the proportion reported in the previous two surveys.

YEARS IN BUSINESS



CASE STUDY

GOING LEAN

In our culture of endless acquisition and consumption, the concept of intentionally focusing on less rather than more can seem counterintuitive, and even radical. Yet in September, that is exactly what we did at Foley&Cox. In the last four years, firm vice president Zuni Madera and I have witnessed an unprecedented barrage of business challenges: The office was shut down by a global pandemic, then we struggled to maintain services via remote access, then tried to adapt to a hybrid schedule developed by some Swedish scientists, and most recently attempted to accommodate shifting employee expectations in a post-pandemic labor pool. The workplace conditions and circumstances we kept hoping would return to 'normal' were anything but. The world had changed and wasn't going back.

To develop a plan for next steps would require a bold new perspective. The biggest hurdle to overcome? Me. I had to give up old thinking, forget outdated practices, and throw away all the habits that entrenched me in the past. Zuni and I needed to tap into our 17 years of shared experience, then identify what to keep and what to let go. The clearest way forward was to reduce the layers we'd added over the years, return to our design roots, and weed out as much overhead burden as possible: Give up the office. Eliminate full-time employment and pivot to part-time and freelance. Strip away all the layers of fixed costs associated with that traditional model that keeps small businesses from being as nimble and adaptable as the new environment was dictating, while at the same time leaning into all the new technology and digital learnings we had accumulated.

Twenty-two years to the day after its incorporation, Foley&Cox took the leap. We closed the office, moved the server to the cloud, and began a new chapter for the firm. As we embark on this next adventure, we hope to forge a new path and create a new model for other creative small businesses.

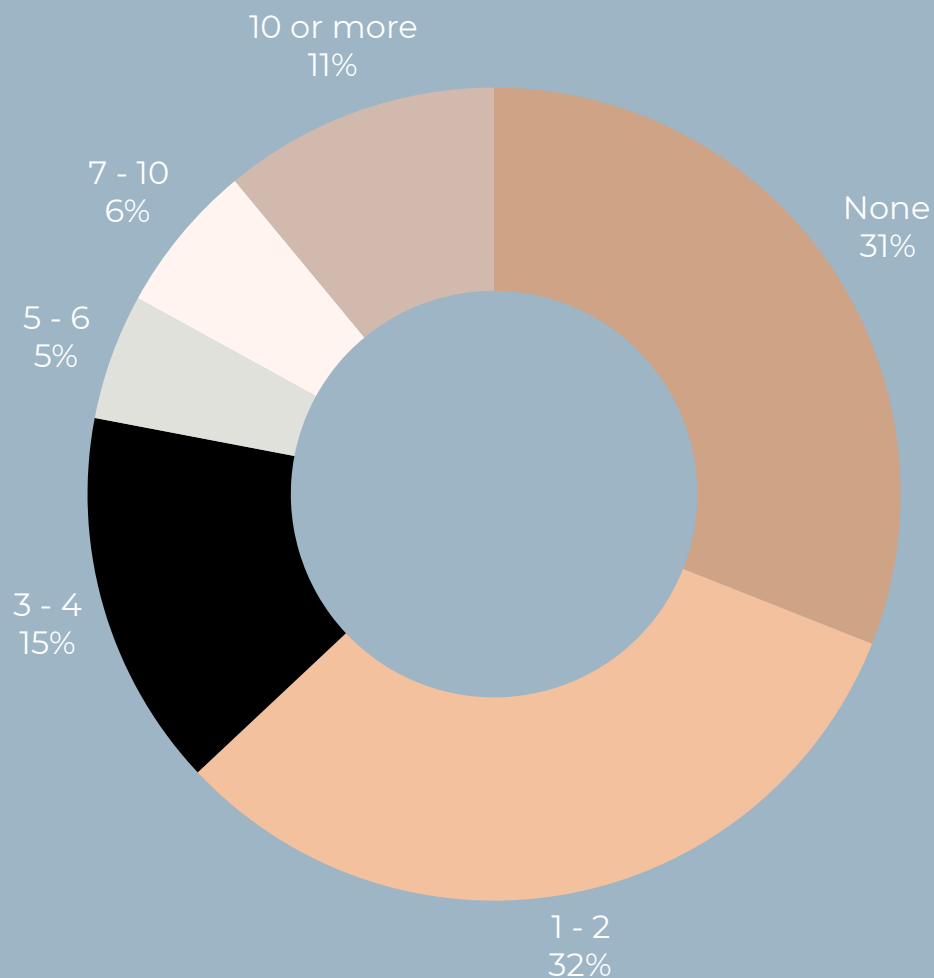
Michael Cox, *Foley&Cox, New York*



THE MAJORITY OF FIRMS IN THE SURVEY ARE SMALL.

Nearly two-thirds of firms (64%) are sole practitioners or firms with one or two employees. Less than one in five (17%) have seven or more employees.

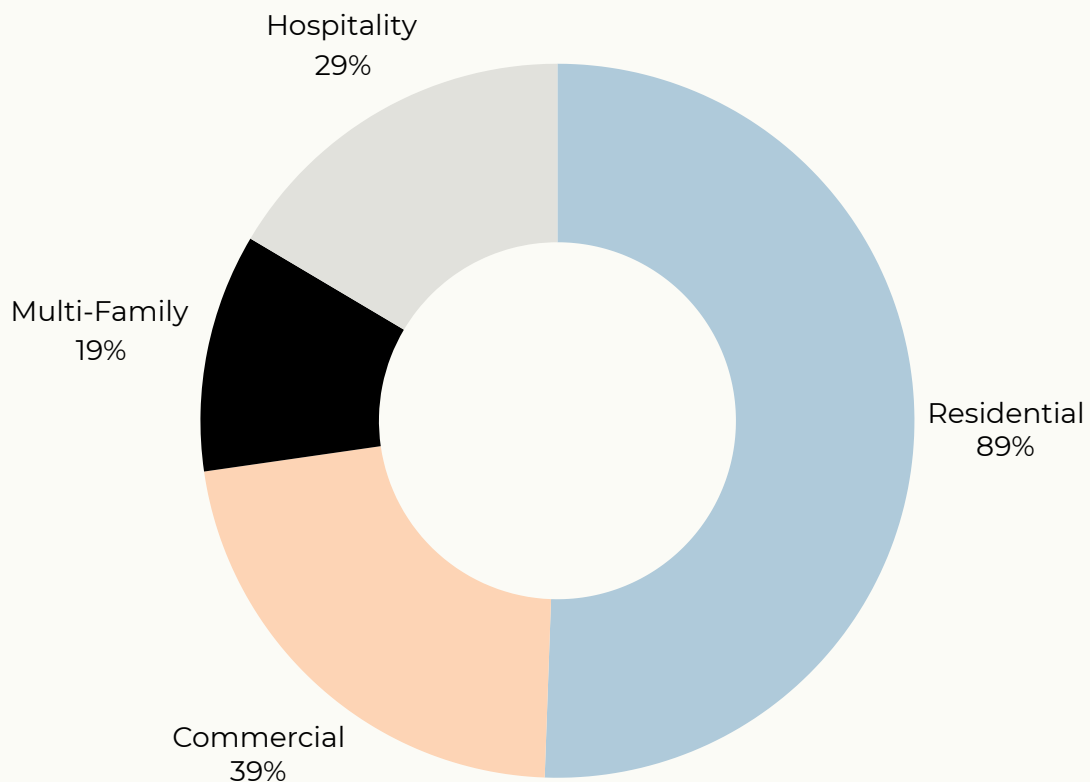
NUMBER OF EMPLOYEES



NEARLY ALL THE INTERIOR DESIGNERS WHO TOOK PART IN THE SURVEY PRACTICE RESIDENTIAL DESIGN.

Nearly all owners (97%) practice residential design. Some 39% practice commercial design. Among Design Team Members, most (89%) practice residential design; more than a third (39%) practice commercial design.

TYPES OF PROJECTS



ECONOMIC IMPACT

DECLINING DEMAND

After several busy years, the boom in demand for interior design services that began in 2020 has subsided. As a result, the past 12 months have been an adjustment for many businesses, including interior design firms. According to the most recent industry indicators, for much of 2024, interior design firms' billing and revenue were flat or declined. Several macroeconomic trends have contributed to this.



CASE STUDY

PERSONAL TOUCH

One way we like to keep in touch with our clients is by celebrating special occasions in their lives—things like remembering their birthdays, anniversaries, and due dates. Especially if we had any part in one of these occasions, we like to commemorate the day with a gift, but at the very least, we'll send a text and card. That information comes from a 'getting to know you' questionnaire that clients fill out after initial onboarding of a project; since many of our projects take around a year, we also get to know the rhythms of their lives and hear about various milestones they are celebrating, and we take notes and add it to our client file. It's not that different from what top restaurants do: They take notes about guests so that they have data to make that experience a special one each time a guest appears in the reservations.

We want our clients to feel special and cared for. As we get to know them, we see what things they like, or what hobbies they have, and we try to see them at or invite them to one event annually. We know some clients love Legos, or have a car collection.

Once you know they like something like that, you can offer them tickets to car shows, or get a cool Lego car model. Other clients love art, so we invite them to various shows and lectures, which tend to happen around the winter and spring. We also stay connected to them via social media, often liking and commenting on their posts and stories. Once someone becomes an acquaintance, not even a client, I think it's appropriate to follow them on Instagram or Facebook and connect with them via LinkedIn; from there, commenting on their posts offers a low-key way to continue building a relationship.

At the end of a project, we ask clients to be part of our story as a reference for us for upcoming potential projects we are trying to win. It reinforces that they are 'on our team.' As new project opportunities come up, we are excited to show the potential client what we can do—that often means sharing references, and sometimes even a house tour of previous projects, which can be a wonderful way to reconnect with past clients. Having them state positive things about us also reinforces a positive association with us (and hopefully, we get the new project too)!

Generally speaking, our goals are to listen, anticipate, and then surprise clients with something fun—and not just for ongoing projects, but also when projects wind down. We know some things will need maintenance, and we can schedule emails or set up calendar reminders for those items. Sometimes we also help certain clients with their holiday decor, and all of those things help us stay in regular contact with them. Surprising a client is always a fun part of the job. Whether that's tickets to a show, a hard-to-get reservation, or a gift basket of some of their favorite things if they're under the weather, we try to stay connected to our clients and do little things to delight them.

Alicia Cheung & Eva Bradley, *Studio Heimat, San Francisco*



Photo by Frank Frances

OUR ANALYSIS

NOT ALL FIRMS IMPACTED EQUALLY

In releasing the results of its Q2 2024 NKBA/John Burns Kitchen & Bath Market Index (KBMI), the NKBA noted, “Most industry growth is happening at the extremes—low-end and large, high-end projects—as many homeowners stay on the sidelines for now. High-end projects are growing larger and more luxurious as wealth trends diverge among U.S. homeowners.” This trend is also reflected in the surge in luxury home prices, which hit record highs three times in the first three quarters of the year. Along with them, the inventory of luxury homes available for sale has risen substantially. The Federal Reserve’s recent announcement that they are cutting interest rates by half a point could further accelerate those trends.

COMMERCIAL AND MULTIFAMILY RESIDENTIAL FIRMS REPORT SOFTNESS

On the commercial side, the American Institute of Architects reported in August that its July 2024 Architectural Billings Index (ABI) showed slightly better but continued weak business conditions, with more than half of participants reporting no growth or declines in billings. Firms have reported below positive growth for 18 months in a row. Business conditions continued to be softest at firms with commercial and multifamily residential specializations. A third of firms with multifamily residential specializations and slightly more than a quarter of firms with a commercial specialization cited smaller recent projects as a main reason billable hours were down.

SURVEY RESULTS REFLECT THESE TRENDS

Some of these trends are reflected in the results from this year’s survey. For example, three-fourths of firm owners reported completing 15 projects or fewer in the previous 12 months, with more than half (53%) completing 10 or fewer. Nearly half (49%) completed projects with a value of \$100,000 or less. Half of firm owners reported total 2023 revenues of \$500,000 or less. One third had revenues of \$250,000 or less. Nonetheless, nearly half of firm owners (47%) expect their firm’s 2024 revenues will be higher than those received in 2023.

CASE STUDY

TRIMMING DOWN

Scaling back our business has allowed us to keep our business profitable. As business owners, we have to look at several indicators and act accordingly. At the end of the day, we are the financial stewards of our businesses, and our actions are what give us our successes or failures. We recently had to take a look at our current workload, future projects, and current employee roster and make a shift in order to continue providing the best service we can to our clients while keeping our business profitable. Personally, this resulted in us having to make some tough decisions. Looking through this lens as a business owner allowed us to make the right decisions.

Although we have goals around the size of our business and the number of projects we want to work on annually, we are continually adjusting to the realities we are presented with. This doesn't mean we give up and give in when things don't go our way—it means we pivot as needed so we can work harder on achieving our goals. I don't look at having to scale our business back as failing. I actually look at it as a responsible and sound business practice in order to keep the business alive and thriving.

George Brazil,
SagreraBrazil Design, San Francisco



Photo by Thomas Kuoh

MACROECONOMIC TRENDS CONTRIBUTE TO DECLINE IN DEMAND

Interest rates have remained persistently high throughout most of the year, as have prices for many of the products and materials used in design projects. Concerns about the possibility of a recession in the near future have jolted the stock market at moments and cast a cautionary pall over near-term plans and investments. In general, the housing market—both single family and multifamily—has remained weak, as has the market for commercial office and retail space. More recently, uncertainty about how much the Federal Reserve might cut interest rates and about the outcome of the upcoming presidential election have prompted consumers and businesses to take a wait-and-see attitude before embarking on any new projects.



CASE STUDY

RESOURCE MANAGEMENT

While I have not changed my behavior too much this year, some things have become more important than ever to protect my business: being mindful of how I spend the firm's funds and cultivating referrals. Make sure that you always have enough money in savings to cover at least one year of operations. At the beginning of 2024, I decided that I would take on only one charitable event this year. It's difficult to say no—they are so worthwhile and I love to give back—but they also require significant time and expense. I have to make a new hire this year, and I will likely do so on an hourly basis rather than putting them on payroll, just to stay flexible.

It is so important to continually cultivate your relationships with current and prior clients, since repeat clients are the greatest source of business. Sending a holiday card or gift, or even a note if something makes you think of them, are good ways to stay in touch. I also try to keep up-to-date on what is happening in my local real estate market. I will invite a Realtor to coffee or a drink, or network with local builders and architects—you never know where your next great project will come from, so you always want to stay top of mind.

Kerri Pilchik,
Kerri Pilchik Design, New Jersey



Photo by Kirsten Francis

FEEES & MARK-UP



FEES & MARK-UP

Not surprisingly, our survey found the top business challenge shared by many designers, whether they had revenues topping \$5 million or were less than \$100,000, was the need for help with setting fees and raising billing rates.

HOW TO NEGOTIATE WITH LESS PUSHBACK

Designers who divulge their mark-ups often get pushback from consumers who may “shop” for a designer who charges a lower mark-up and hourly rate. If the consumer selects the designer based on the lowest mark-up or hourly rate, they are not selecting the best designer based on their skills, they are treating design services like a commodity. One of the biggest red flags when talking with a prospect is the dreaded question, “How do you work?” or “How much do you charge?” before the prospect has bought into the relationship with the designer. Wait to discuss the fees until you’ve made a true connection with the prospect and you have a clear understanding of the prospect’s priorities when hiring a designer.

Consumers are shopping designers online for better pricing. Retail stores have more buying power and command deeper discounts from suppliers, so they can provide more competitive pricing than designers. Once a consumer finds a lower price online, they lose trust in the designer. Therefore, maintaining trust and control of the project is also a growing challenge for many designers.

Interestingly, we find that designers who don’t apologize for their fees and mark-ups earn more with less pushback, because they have confidence in their financial model. The key for designers to win business at a profit is to expect fair compensation for their skills and long-time resources. Setting expectations from the beginning and discussing money openly and honestly is critically important.

CASE STUDY

EXCEPTIONAL SERVICE



In the world of luxury interior design, the value of expertise, exclusivity and exceptional service cannot be overstated. Our firm is dedicated to delivering excellence. Our highly trained team combines exquisite taste with a profound understanding of design principles, which allows us to create spaces that are not just aesthetically pleasing but also functional and tailored to our clients' lifestyles. This level of expertise comes from years of education and experience. We offer the best to our luxury clients: We invest time and resources into ongoing education and market research, and our team travels across the country to attend trade shows where we immerse ourselves in the latest technology available to run a better business and we learn about new products. This continuous pursuit of knowledge empowers us to bring fresh ideas and unparalleled quality to every project, ensuring that our clients receive designs that exceed their expectations.

In addition, we recognize that the design process can often be overwhelming for clients. Renovating or building a home is one of the most significant investments many will make in their lifetime, and it can also be one of the most stressful. By charging an appropriate design fee and product costs, we enable ourselves to provide a comprehensive, luxury service that alleviates this stress. From initial concept development to purchasing and final move-in, we manage every detail, allowing our clients to focus only on what matters most. We handle everything for our clients, including the unprecedented number of damaged products we have all been seeing lately. In the end, the money our clients invest in us is not merely a fee; it is an investment in a stress-free, enjoyable design experience that transforms their vision into reality. We take pride in the meticulous attention to detail we provide, working closely with builders and architects to ensure that every aspect of the project is executed flawlessly. Charging a fee and fair markup is not just about profit; it is about delivering unparalleled value and creating extraordinary experiences for our clients. We believe that this approach not only enhances the final outcome but also fosters lasting relationships built on trust and satisfaction.

Stephanie Kraus, *Stephanie Kraus Designs, Philadelphia*

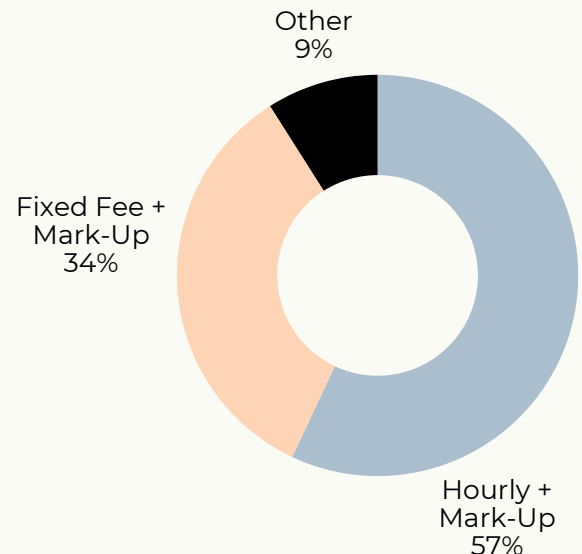
PLANNING FOR DESIRED PROFITABILITY

In 2023, the average net profit of all design firms was 3% according to BizMiner. In 2023, net profit for firms between \$1M and \$2.5M was 0%. The economy has therefore significantly impacted the financial health of interior design firms.

Designers that compare their mark-ups and hourly rates and set them according to how they think they stack up vs. their competition aren't using the correct strategy for pricing.

Mark-ups and hourly rates should reflect the desired profitability of a firm. Once that is determined through financial modeling, the marketing and sales strategies need to be evaluated to ensure that they allow the firm to achieve the desired profitability.

Most owner respondents (57%) charge hourly plus mark-up. One third (34%) charge fixed fee plus mark-up.



CASE STUDY

ONE LUMP SUM

Instituting a flat fee helped us grow by narrowing our focus to whole-home projects with clients who value our experience. We wanted to ensure that we were touching the whole home, which we have identified as our sweet spot, as having our hands on every aspect of the project means that we can deliver the best product possible to our clients. This shift also establishes a level of commitment and a clear set of expectations from the get-go. A flat fee attracts a clientele who understand the value of hiring an experienced designer, and who trusts that we are going to deliver the best product. The hefty upfront fee demonstrates that they take the project seriously and value our process. Overall, a flat fee ensures that clients view our services as an investment and establishes a sense of trust and commitment, allowing us to do what we do best, resulting in a happy client and a successful project.

Ashley Gilbreath,
Ashley Gilbreath Interior Design, Alabama



Photo by Emily Followill

CASE STUDY

ACCURATE ESTIMATE

Part of our responsibility is to educate clients upfront so they have a realistic expectation for what it takes to complete a space to the level they see in our portfolio. We work with our clients to determine a budget for their project upfront. If it is strictly a furniture and decor project, we base their estimated investment on past projects of a similar scale and quality. By studying the design hours our past projects have required, we've been able to create an average per-square-foot cost, which we then apply to each area our client would like to furnish in order to land at a realistic budget. When we work on renovation and new construction projects, we follow a similar process: We've kept track of what it takes to complete a typical kitchen or bathroom renovation, for example, and we provide that estimate to the client during the interview phase and incorporate it into our fee proposal. We can also look at similar homes that we've completed and provide what we think it will take to complete a client's home.

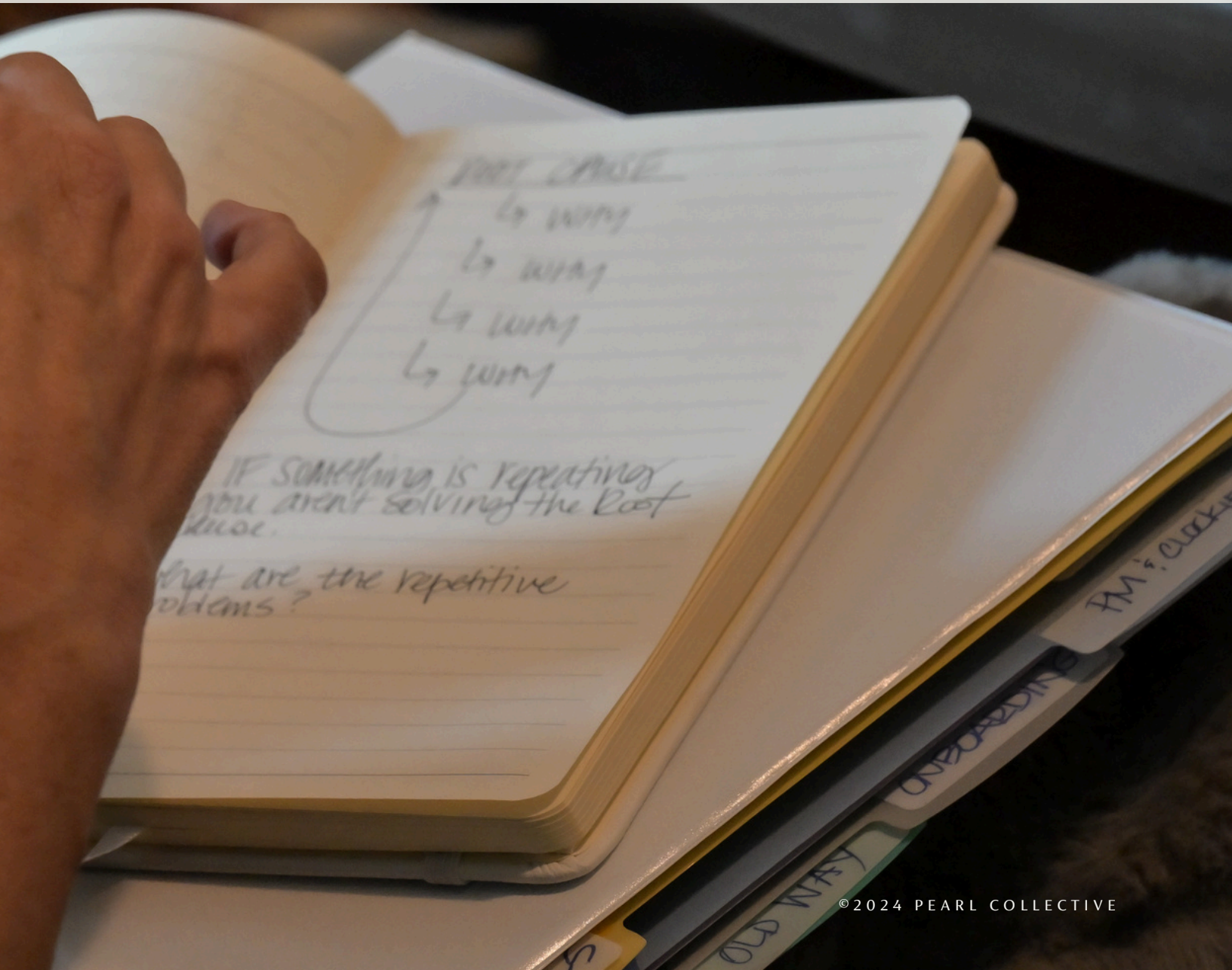
When you're working on a variety of scales like this—new construction might be \$2 million or more, while furnishing a bedroom might only cost somewhere around \$50,000—the design hours it takes to complete them are also quite different. Because we've tracked how much time it typically takes us to complete our design work, we were able to arrive at a sliding percentage model by taking the average design hours for each project and aligning it to the total cost.

As an example, a \$200,000 furnishings-only project usually takes about 110 hours. When we multiply those hours by our hourly rate, it is equivalent to about 9 percent of the project budget. For a large-scale renovation that might cost \$1 million, we typically spend about 360 hours, which is 6 percent of the budget. Factors like market variables and staff efficiency are always changing, so we analyze our performance year-over-year and make adjustments to these percentages annually to stay in step with our customers and project mix.

Amy Carman, *Amy Carman Design, Wisconsin*



CURRENT BUSINESS CHALLENGES & STRATEGIES



CURRENT BUSINESS CHALLENGES & STRATEGIES

Roughly half of all respondents in each category cited having difficulty with acquiring more ideal projects as a top business challenge. For many, it was the top business challenge.

Designers in some of the most competitive markets are finding that project inquiries are for small projects that firms would normally reject. Today, some design firm owners feel it is essential to take these non-ideal projects to keep their teams busy. For example, a firm might be compelled to take a single room of furnishings, an overall design plan without purchasing revenue, a kitchen, a bathroom, or other small projects.

To fill the future pipeline with worthwhile projects, robust marketing is important. If you find your firm is not able to acquire the right projects, examine the marketing you were doing prior to the shift.

- 1 Was the firm relying on incoming leads vs. focusing on outbound networking and maintenance of past client relationships which is often the best source of new projects?
- 2 Was the firm too busy to market at some point in the last few years? If so, the meager or inconsistent marketing efforts with top tier referral partners like builders, architects, and Realtors resulted in less ideal client or project referrals.
- 3 Was the firm not asking for referrals from ideal clients throughout the process of their projects?
- 4 Does the design firm's website and social media speak to the ideal clients?
- 5 Do the firm's current projects match the desired type of work they want to attract?

It's important to market when the firm is the busiest. Get feedback on your current marketing from an expert. Hire a professional to help you revise your marketing materials to attract ideal projects.

CASE STUDY

SOCIAL MEDIA STORIES



Photo by Sam Frost

Attracting our ideal client on social media comes down to three key factors: authenticity, crafting unique stories, and engaging with your audience. Since the inception of our business, we have prioritized showcasing our work on social platforms to connect one-on-one with fans, followers, and future clients in an authentic nature. With these principles as priorities, we built a sizable following over the years and reached a point in our growth where we wanted to be more strategic in how we interacted with our audience. By hiring a dedicated social media team five years ago, we were able to brainstorm creative ways to engage with prospective clients and our existing audience in new and exciting ways, building upon the following we had already amassed.

We've found that while our clients utilize multiple social platforms, they're most active on Instagram and Pinterest. People typically start by following us on Instagram, but they're also using Pinterest to source design inspiration for their dream home. They often start by pinning our firm's projects without realizing it; once they do, it piques their interest in working with us in a larger capacity. On Instagram specifically, we noticed that we received the most engagement from prospective clients on posts that incorporated storytelling. I cannot emphasize enough the importance of storytelling to your audience! Whether it's through showcasing your style or sharing your design inspiration, storytelling is how you're able to truly showcase your authenticity as a designer and a person, which helps build the client's trust in your design eye before you've even talked to them.

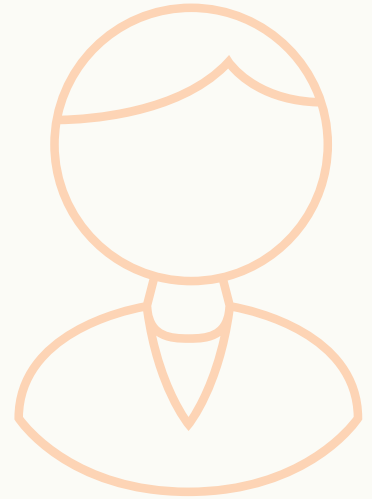
Social media is an immensely powerful tool that we're always experimenting with to perfect our approach. That said, our social media presence has evolved over the years thanks to Instagram's new content creation features and the ever-changing social media landscape. Our team is dedicated to continuously innovating and finding ways to engage with our clients in meaningful and impactful ways that foster a sense of community. In the last few years, approximately 80 percent of our interior design clients have been as a result of our Instagram and Pinterest presence, which has led us to take on projects from Colorado to Texas to New York and beyond.

Lindye Galloway, *Lindye Galloway Studio, California*

DIFFICULTY ATTRACTING IDEAL CLIENTS

For most respondents across all categories, attracting their ideal clients was the second biggest business challenge.

As a firm grows, it is important to reevaluate the firm's ideal client profile and commit to only accepting ideal clients. When a design firm takes non-ideal clients, they face issues like stress on the team when they take on difficult personalities. It's difficult to say no to non-ideal clients or projects when business is slow, but making exceptions creates more problems than financial benefits.



CASE STUDY

PERFORMANCE REVIEW

In response to this year's economic challenges, our interior design firm has adopted a multifaceted approach to ensure stability and growth while navigating these challenging times. In our marketing and client communications, we've shifted focus to emphasize the value and functionality of our designs. We highlight how well-planned spaces can improve daily living and productivity, especially in home offices; we instill confidence in our clients about our financial management by showcasing projects that demonstrate cost-effective solutions with a high visual impact. We are also highlighting projects that resonate with current economic sentiments: By showcasing sustainable and eco-friendly designs, which are increasingly important to clients, we tap into a growing market trend and present ourselves as a firm that values both style and sustainability.

Building strong relationships with our clients has become paramount as well. We've implemented a more personalized approach, including regular check-ins and follow-ups, to ensure client satisfaction and foster loyalty. This commitment to our clients makes them feel valued and important, creating a sense of partnership that encourages repeat business and referrals. Technology has [also] played a crucial role in our strategy. We've enhanced our digital presence through virtual consultations, allowing us to reach clients who may prefer remote interactions. Additionally, we've adopted design software that enables clients to visualize their spaces in real time, making the decision-making process smoother and more engaging.

To safeguard our profitability, we have meticulously reviewed our management and operational costs. We can maintain high-quality service while minimizing expenses by negotiating better terms with suppliers and streamlining internal processes. This strategic cost management ensures that we can weather fluctuations in demand without sacrificing the quality our clients expect. Lastly, we prioritize continuous education for our team. Attending workshops and training sessions keeps us abreast of the latest design trends and techniques, enhancing our creativity and competitiveness. By embracing these strategies, our firm has not only protected itself against the current economic challenges but also positioned itself for future growth and innovation.

Swati Goorha, *Swati Goorha Designs, New Jersey*



Photo by Christen Holly

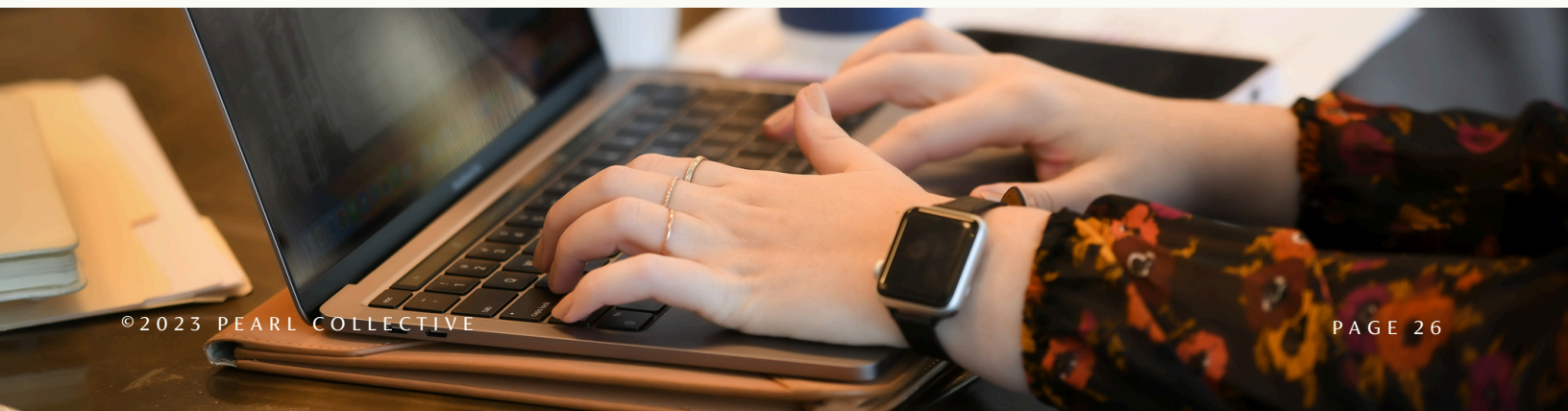
UNSURE HOW TO GROW BUSINESS

Designers that have been in business five years or less and those that reported 2023 revenues of \$250,000 or less were more likely to rank “not sure how to grow my business” as the top business challenge.

Growing your business requires a full analysis of the current business and future goals:

- 1 What is the vision for the business?
- 2 What verticals, such as residential or commercial design, does the designer want to build?
- 3 If a founder of a business wants to expand into other verticals, at a minimum, a business plan with financial projections should be created. What does it cost to operate the business in the current state?
- 4 How large of a team does the designer feel comfortable managing?
- 5 What does the team need to be paid to attract and keep talent?
- 6 What does the designer want to earn in income and owner's compensation which includes net profit?
- 7 What profit margin will meet the future needs of the designer's desired growth?

Once these questions are answered, a financial model needs to be created that supports the vision and requirements of the design firm owner. Once the financial model is complete, a strategy needs to be determined to grow this business plan. You don't want to add marketing fuel to an unprofitable or poorly crafted business structure.



CASE STUDY

A VARIETY OF OFFERINGS

With rising interest rates, inflation, and a volatile job market in Silicon Valley, we knew it was time to explore new revenue streams and adapt our services to meet changing market demands. The economic uncertainty presented an opportunity to rethink how we provide value. After collaborating with a general contractor in San Jose, the idea of creating tailored design packages specifically for contractors emerged.

The contractor had a client who couldn't afford our full-service package and asked if we could offer a more streamlined option. This prompted us to explore a curated selection service aimed at helping contractors and their clients make quick, informed decisions on finishes and materials—all without overwhelming them with endless choices. The service focuses on simplicity and efficiency, allowing contractors to keep projects moving forward and providing clients with a focused range of options. By streamlining the decision-making process, our firm hopes to enhance the client experience and help contractors grow their business through more seamless design integration.

In addition, our firm is developing à la carte service options that clients can purchase directly from our website: services like a paint consultation or 'designer for a day,' where clients can purchase time with a lead designer for personalized advice on furniture placement, color selection and even potential renovations.

Both initiatives offer clients and contractors a flexible, professional service without the commitment of a full package, creating new ways for people to access high-quality design. As we refine these offerings, we are confident that this approach will strengthen relationships with contractors, expand our reach, and continue to provide clients with exceptional design solutions.

Catrina Cooper and Mike Ufferman, *Loczi, California*



RISING COSTS

Firms reporting 2023 revenue of \$2.5 million or more ranked rising costs as a top business challenge.

Shipping costs are higher than ever and in addition to that, many items are damaged in transit, which costs designers time and money to resolve. Designers can't charge their clients to resolve the damages. Client satisfaction is impacted by products that arrive late or are damaged. Designers can lose clients due to these challenges.

Designers must increase their prices for services and their mark-ups to overcome the rising costs and to run a profitable business today.



CASE STUDY

REBOUND-READY

After 20 years in the design business—beginning in kitchens at KitchenLab, and then evolving into all aspects of the interiors business by saying yes to clients (and later rebranding our business as KitchenLab Interiors)—we knew that we had to make a change. Even after changing our firm’s name, it was a constant question from potential clients: Do you do more than kitchens? So we decided to celebrate two decades of KitchenLab by launching a new company, which we named Imparfait Design Studio.

While we started with the idea to rebrand KitchenLab, we decided after a very thorough and informative process with fantastic professionals that losing the equity we had built in KitchenLab was madness. That process was expensive, both in time and money.

What we couldn’t have known at the time was that the constant media drumbeat of an imminent recession ultimately led to an actual recession for us: Leads dried up and we didn’t sign a new client for months, all while thinking that it was just a blip that would turn around. This is frankly something we hadn’t experienced since the 2008 Great Recession, and our concern was growing. Our team was by far the best it had ever been, and we had a brand-new company, complete with the new studio we had built out—and no new business. While 20 years of business inures you somewhat to daily stress, the uncertainty did not help. (One of my favorite tenets, ‘Hope is not a good business strategy,’ was often front of mind.)

We held on through the holiday season of 2023, fully extending our credit facilities in order to continue to pay our team and function. We were confident that we wouldn’t have to resort to layoffs; that the ‘interior recession’ was just post-Covid reset; and that we would be able to pay off the debt we had taken on when business returned to normal. Happily, business began to snap back, both for KitchenLab and Imparfait Design Studio. Projects began to be discussed and activated, and we could breathe again, and begin to dig our way out. Imparfait indeed.

John “Nick” Nichols and Rebekah Zaveloff,
KitchenLab Interiors & Imparfait Design Studio, Chicago



Photos by Jody Bodke

STAFFING

A photograph of two women in an office environment. The woman on the right, with curly brown hair, is wearing an orange cardigan over a dark blue patterned blouse and is speaking while gesturing with her hands. The woman on the left, seen from the back, is wearing a light-colored plaid shirt and is listening. A laptop is visible on the desk in the foreground.

STAFFING

The staffing portion of our 2024 survey, conducted among interior design firm owners, reveals a notable shift in hiring practices. Although we did see an increase of 6% in hiring compared to 2023, the results show a change in the roles they are hiring for. Rather than adhering to long-term strategic plans, companies are now adopting a more quick-fix approach to staffing. This change reflects a broader trend of adaptability in an evolving market.

A BALANCED APPROACH TO HIRING

The 2024 survey results show that 28% of new hires were either junior designers or design assistants. This suggests that firms are prioritizing cost-effectiveness in their hiring decisions. Junior designers typically command salaries 20-30% lower than their more experienced counterparts, allowing companies to manage their payroll expenses more efficiently while still bringing fresh talent into their ranks.

The remaining 10% of firms that opted to hire senior designers likely had specific objectives in mind. This decision aligns with the understanding that an experienced designer can potentially generate an additional \$250,000 in revenue. Of the firms that hired senior designers, 61% were hiring a new role and not a replacement. These strategic hires demonstrate a focus on maximizing return on investment and leveraging expertise to drive growth.

FOCUS ON TOP-GRADING TALENT

As a recruiter, specializing in the A&D industry, Interior Talent observed a slight reduction in design-related searches throughout 2023. However, 2024 has ushered in a new trend: many clients are now focusing on "top-grading" their talent. This period of relative calm has provided firms with a valuable opportunity to evaluate their existing staff, identifying both strengths and areas for improvement.

CASE STUDY

NEXT LEVEL



Photo by Hardy Wilson

As a principal who started my firm without prior industry experience, for years I prioritized hiring team members who were also industry-switchers or newer in their careers. While that has made and always will make me proud, I realized a few years ago that I didn't want to be the most experienced person in my firm. It became clear that hiring team members who had worked at other high-end firms on projects that were bigger than what I'd had a chance to work on myself would be invaluable experience to have in-house.

I have almost always posted hiring [announcements] on Instagram—and for the more junior roles, social media always answered the call. But when I was ready to make my first more senior-level design hire, I ultimately hired a recruiter, who introduced me to the person who would join my team. It was such a smooth and clear process that the investment in that recruiter was 100 percent worth it.

The easiest tasks [to delegate to this new hire initially were] the ones I am not very good at—things like technical drawings and project timeline forecasting. The rest of the tasks I've delegated have come with a fluid process of getting to know the new team member, their skills and talents, and where they want to help. With this person on my team, the confidence I have to bid on larger, more complex projects has increased so much, because we now have the skills, expertise and drive to go after these opportunities and deliver on them. Our clients whose projects she works on have also seemed to recognize and appreciate her experience, which they now get to benefit from. And for me, it just makes me so proud—as a business owner and human person—that the team I get to work with is so amazing. I look forward to each day in the office, and I get to learn from the people I'm surrounded by.

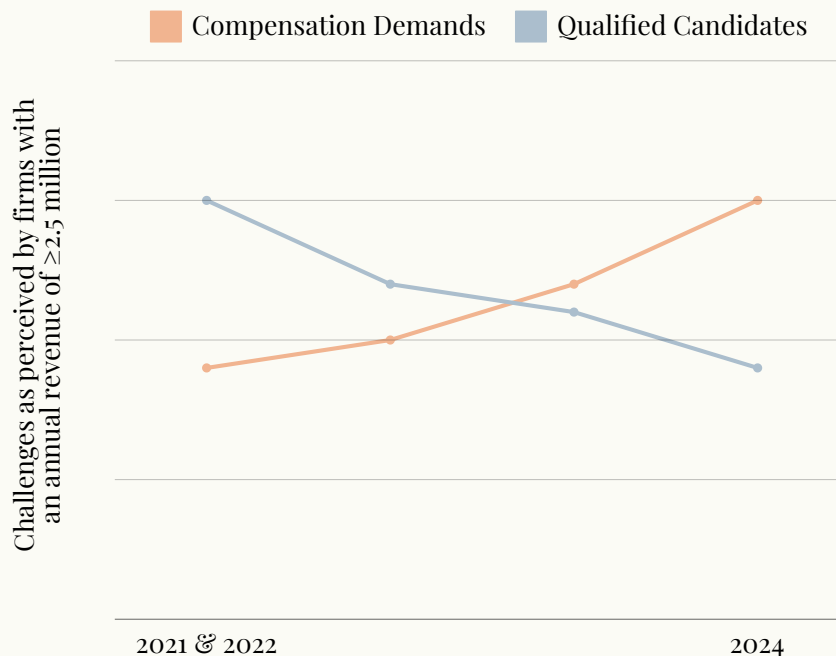
What I've learned from making this hire is to stay focused on the big picture while hiring. The salary asks [when you're hiring senior employees] might feel intimidating, but the experience and maturity that this new hire will bring to the team will lead to better-quality work—or more efficient work, or a leveling up of your capabilities—so you'll earn it back in projects. Lean on recruiters to help identify the right people. My firm is relatively new to hiring experienced team members, but what I've observed to date is that more-senior people tend to stay at their firms more comfortably—they aren't trawling social media or Indeed.com for some bigger, better role. Recruiter networks are an effective way to get the attention of talented folks who might be open to a new opportunity as long as it's the right one for them.

Noz Nozawa,
Noz Design, San Francisco

CHALLENGES: QUALIFICATIONS AND COMPENSATION

In addition to understanding the types of roles our respondents took, we also looked at the hiring challenges they faced in 2024. By far the firms with annual revenue of 2.5 million or more had two stand-out concerns: Lack of qualified candidates and meeting a higher level of compensation. So a smaller pool of candidates demanding higher salaries does correlate to firms being more mindful of their budgets compared to 2021 and 2022.

As firms navigate this new landscape, the emphasis on strategic hiring and talent optimization is clear. The industry is no longer in a rapid expansion phase but is instead taking a measured approach to growth and efficiency. This shift may well result in more resilient and adaptable firms better equipped to handle future market fluctuations.



CASE STUDY

LEADERSHIP FOCUS



There are several reasons to create a leadership team. For me, the process began when I could no longer manage every detail alone. The workload for a founder or CEO can be overwhelming: If you find yourself involved in every aspect of the business, from high-level strategy to daily operations, it's a signal that you're stretching too thin. When all decisions, big or small, funnel through one person, it can slow down processes, hinder productivity, and create bottlenecks that affect team morale.

Creating a leadership team can also help your business scale: If the business is growing rapidly but the existing structure struggles to keep up, it's time to bring in leaders who can manage different areas. And as your business evolves, so do the demands for more specialized knowledge—a leadership team with focus in various fields can take your company to the next level. A leadership team can also bring more strategic focus to the founder's role if you find that too much time is spent on day-to-day tasks rather than on long-term planning and strategy.

Creating a leadership team has transformed my business by bringing more structure, allowing for better delegation, and fostering support I needed in critical areas. I was able to identify key team members who had shown leadership potential, and I offered them a role to help grow and better the company. Our leadership team includes an operations director, a design director, a marketing consultant, and me. In addition to forming a leadership team, we implemented the Entrepreneurial Operating System, which has been instrumental in elevating our business. With EOS and my leaders, we have been able to accomplish far more as a company than we ever did before. EOS provided the structure we needed to set clear goals, align everyone on the same vision, and hold ourselves accountable to measurable results. This has transformed our team's focus and effectiveness. We now have a team that takes ownership of different areas of the business, which means faster decision-making, more strategic planning and fewer bottlenecks. This level of alignment and coordination has allowed us to hit key milestones quicker and more efficiently, from revenue growth to operational improvements. Ultimately, EOS and our leadership team have created a culture of accountability, empowerment and continuous progress, enabling us to reach and exceed our company goals year after year.

Lisa Gielincki,
Lisa Gielincki Interior Design, Florida

OUR ANALYSIS

HIRING FOR SUSTAINABLE GROWTH

Looking ahead, it's crucial for firms to strike a balance between cost-effective hiring and maintaining the high-level expertise necessary to drive innovation and secure lucrative projects. As the industry continues to evolve, those who can successfully blend fresh perspectives with seasoned experience will likely emerge as leaders in the field.

In conclusion, the A&D industry's hiring landscape in 2024 reflects a mature response to recent market dynamics. By carefully considering each hire's potential impact on both the bottom line and overall capabilities, firms are positioning themselves for sustainable growth in an increasingly competitive market. This thoughtful approach to staffing may well set the stage for a more stable and prosperous future in the industry.



SALARIES & COMMISSIONS

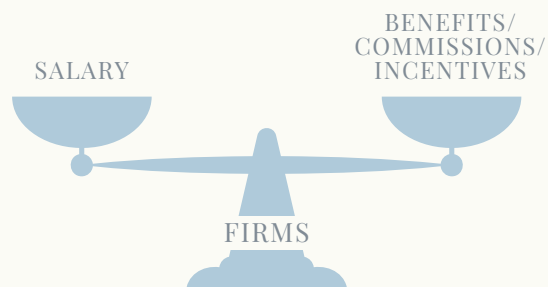


SALARIES & COMMISSIONS

In an industry where creativity and innovation are paramount, compensation often becomes a delicate balancing act. For interior design professionals, understanding salary trends and how they compare across regions and roles is essential to both attract top talent and ensure long-term career growth. With inflation reshaping financial expectations and employees increasingly valuing work-life balance and professional development, compensation is no longer just about a paycheck—it's a holistic strategy for success. This analysis dives deep into current salary structures, performance incentives, and emerging benefits, providing invaluable insights for both firm leaders and design professionals navigating the evolving landscape of the interior design industry.

Compensation in the interior design industry varies widely depending on region, role, and firm size. The industry, like many others, is grappling with the impacts of inflation, economic shifts, and evolving workplace expectations.

In addition to base salaries, there has been a rise in alternative forms of compensation, such as performance-based commissions, bonus structures, incentive structures, unlimited paid time off (PTO), flexible work arrangements, professional development opportunities, and other creative alleyways.



SALARY TRENDS BY ROLE

OWNERS AND PRINCIPAL DESIGNERS

Owners and Principal Designers are the strategic visionaries behind interior design firms, often juggling business operations alongside creative direction. Their compensation reflects this dual responsibility, but salary levels vary widely based on firm size, location, and market position.

- **High Salary Regions:** In regions such as the East North Central and East South Central, top owners can earn more than \$250,000, indicative of strong market demand and higher client budgets. Firms in these areas may also have larger projects and more affluent clientele, justifying higher compensation for leadership roles.
- **Lower Salary Regions:** In contrast, regions like the West North Central and West South Central see more owners earning under \$75,000. These firms may operate in smaller markets with tighter budgets, or they may prioritize profit reinvestment over high salaries for owners.

DESIGN DIRECTOR / CREATIVE DIRECTOR

Design Directors or Creative Directors play a pivotal role in shaping a firm's creative identity, but their compensation reflects regional disparities and firm size.

- **High Salary Regions:** In the East North Central region, salaries of \$175,000 or more are common, reflecting high demand for experienced creative leadership in this part of the country. Directors in this region may also work with larger or more prestigious clients, further driving compensation upwards.
- **Lower Salary Regions:** On the other hand, firms in the West North Central and West South Central regions frequently cap salaries at \$85,000 or less. These regions often have smaller firms that cater to less affluent clients, reducing the ability to pay premium salaries to creative leadership.

SALARY TRENDS BY ROLE

SENIOR DESIGNER

Senior Designers, responsible for managing projects and mentoring junior designers, see significant salary fluctuations across the country.

- **High Salary Regions:** In regions like the East North Central, some firms offer salaries exceeding \$150,000, particularly if the firm has a robust project pipeline and serves high-end clientele. However, these same regions also show significant salary variation, with some firms offering less than \$75,000.
- **Factors Influencing Disparity:** The wide salary range within the same region highlights the influence of firm size, client demographics, and project scope. Firms with a steady stream of luxury residential or commercial projects may offer significantly higher compensation compared to smaller, local firms focused on modest projects.

INTERIOR DESIGNER

Interior Designers, especially those not yet in senior roles, experience some of the widest salary ranges across the country.

- **High Salary Regions:** Designers in regions like the South Atlantic and East North Central can command salaries over \$125,000, particularly if they work for high-end firms with a solid reputation for large-scale residential or commercial projects.
- **Lower Salary Regions:** In the West North Central and West South Central regions, salaries frequently fall below \$65,000. Additionally, even in regions with strong industry presence, like New England and the MidAtlantic, 90% of firms offer salaries \$85,000 or less. This trend reflects the disparity between firm revenues and what employees can expect to earn, showing that firm profitability doesn't always result in higher employee pay.

SALARY TRENDS BY ROLE

DESIGN ASSISTANT

The compensation for Design Assistants remains modest, but it is highly dependent on the firm's location and clientele.

- **Higher Salary Regions:** In regions like the Pacific, where the cost of living is notably higher, Design Assistants are more likely to earn \$65,000 or more. Firms in this region often work on high-end projects, where the role of a design assistant can be crucial for smooth project execution.
- **Lower Salary Regions:** In the East South Central and West South Central, Design Assistants typically earn less than \$50,000. The cost of living in these regions is lower, and firms may not see the need for higher compensation in supporting roles, especially in smaller firms with limited resources.

CAD SPECIALIST

As technology and precision design play a more critical role in modern interior design, CAD Specialists are increasingly sought after, but their compensation also varies greatly.

- **High Salary Regions:** In the South Atlantic and Pacific regions, CAD specialists can earn \$75,000 or more, reflecting the high demand for technical expertise in more complex, large-scale projects.
- **Outsourcing Trends:** In contrast, many firms, particularly in the West South Central and East South Central, choose to outsource this role or offer lower in-house salaries, often below \$50,000. These regions may rely on freelance or contract CAD specialists, reflecting a growing trend towards flexible staffing for highly technical roles.

PROCUREMENT / PURCHASING

Procurement and purchasing roles are increasingly critical in a globalized supply chain environment where designers must source materials, furnishings, and accessories while managing delays and disruptions.

- **High Salary Regions:** In New England, procurement specialists can earn over \$105,000, reflecting the complexity of managing high-value projects with tight deadlines and high client expectations.
- **Lower Salary Regions:** In most other regions, however, procurement roles pay less than \$50,000, often due to smaller project scales or less reliance on international sourcing, making these roles less demanding.

AVERAGE SALARY RANGES BY POSITION

	MINIMUM	MEAN	MAXIMUM
Owner / Principal	<\$75,000	\$150,000	>\$300,000
Design Director	<\$85,000	\$135,000	>\$200,000
Senior Designer	<\$75,000	\$125,000	>\$150,000
Interior Designer	<\$65,000	\$95,000	>\$135,000
Procurement	<\$50,000	\$75,000	>\$105,000
CAD Specialist	<\$50,000	\$65,000	>\$80,000
Design Assistant	<\$50,000	\$50,000	>\$80,000

When comparing the 2023 interior design business survey report to the 2024 data, it is clear that geography significantly impacts salary ranges. The Mid-Atlantic region (including New York, New Jersey, and Pennsylvania) is noted for offering some of the highest salaries in both surveys, aligning with the high costs of living and demand for luxury design services in these areas.

Likewise, the Mountain region also reported high average salaries, although this is somewhat surprising given its lower costs of living compared to coastal regions.

On the lower end, the West North Central and West South Central regions tend to offer lower salaries, particularly for mid-level and junior positions. This is consistent with the U.S. Bureau of Labor Statistics (BLS) data, which points out that salaries in these regions lag behind those in more metropolitan areas.

Even though some states in the West North Central region, like Minnesota and Nebraska, have strong economies, salaries in these areas remain below the national average, possibly due to the smaller scale of interior design projects and firms.

CASE STUDY

PROFIT PROJECTIONS



Photo by Sarah Coleman

Having a firm of seven means planning out profit projection goals is a must. I need to be able to sleep at night and not worry about making payroll! Ten years ago, we pioneered a detailed business model based on project pricing that changed the trajectory of our revenue forecasting and ensured continued business growth—and, even better, predictable compensation. This means we charge specific, scope-dependent, project-based design fees—we rarely work hourly, other than for project management. The project price includes a design fee commensurate with the value we deliver, along with a contractual minimum expenditure on product sales.

Any firm must make an overall profit above and beyond salaries and expenses if growth is the goal. Twice a year, I look at the capacity of our ‘engine’ to produce the revenue. This means allocating the energy we individually need to devote to each component of the business. Consider it a time budget of sorts, so that everyone understands where their contribution priorities need to be. Once I know the makeup of our planned capacity, I can add a percentage for the net profit I want to make over and above my salary and a capital investment percentage for the firm’s growth. (Think: higher team salaries, building improvements and new hires.) With this profit goal, we are able to back into how many projects we need, at what level of fees and contract expenditure, and know we have the capacity to meet the client needs.

Our firm is an S corp based in a smaller city, and we have been insanely profitable targeting middle-market clients. We have four people on the design team, an office manager, a retail designer, and a special projects director—team members that are both hourly and salaried. I pay myself up to FICA limits, and the rest of my compensation comes from net profits at the end of the year. Team incentives are an important part of our culture, and we do this based on various metrics, from getting client reviews to meeting revenue goals individually and as a team. At the end of the year, I determine the bonus pool relative to our overall profit performance, and everyone shares in this pool based on their length of service.

Cheryl Kees Clendenon,
In Detail Design Collective, Florida

THE IMPACT OF INFLATION

The rising cost of living in many urban centers has led to firms in high-cost regions, like the Pacific and South Atlantic, offering higher salaries to remain competitive in attracting talent. This trend is especially apparent in more senior roles and design positions that require specialized skills. Conversely, firms in regions with a lower cost of living, like the West South Central and East South Central, are more likely to keep compensation lower, relying on the relative affordability of these areas to balance their budgets.

A SHIFT TOWARD COMMISSIONS

As specific firms shift towards performance-based models, commission structures have gained traction, particularly in more sales-forward design and procurement roles. These compensation structures reward employees based on their ability to generate new business or manage projects efficiently, adding a layer of income volatility but potentially offering high rewards for top performers.

Benefits: Employees in revenue-generating roles, like sales consultants or procurement managers, can significantly boost their earnings through commissions, especially in firms handling large or high-budget projects.

Drawbacks: This structure introduces income instability, particularly for professionals in regions where high-value projects are scarce or irregular.



CASE STUDY

SMART RESTRUCTURE

I am not a classically trained interior designer, I have never worked for another firm, and I had absolutely zero experience when I decided to start Maple & White Design in 2013. When I hired my first designer, she was a part-time 1099 subcontractor; I paid her hourly and she found her own clients under the Maple & White brand using the infrastructure I had set in place. I kept only 15 percent of the profit she generated. As the business grew and I hired more part-time subcontractors, I kept using the same model. The designers I brought on were performing well and were generously compensated. The firm's revenue was growing but the profit was stagnant.

After being in business for over six years, I began to suspect that I had not structured my design firm in the most profitable way. After hearing Gail Doby and Erin Weir speak at High Point Market in 2021, I knew I needed help. Thankfully, Pearl Collective knew how to help me move away from a commission structure that was eroding the profit in my firm, and they encouraged me to hire full-time employees. I now employ three full-time designers and instead of using a commission structure, I am proud to offer them health and dental benefits, paid vacation, and a matching IRA. I also set up a bonus structure based on the gross margin at the end of a project. These changes have helped me retain the talented team I already have in place—and hopefully will help attract skilled employees when I am ready to hire again.

My net income more than doubled in less than 10 months after restructuring. Because of the changes they helped me make, my employees are happy, engaged, and fairly compensated, and I no longer worry about staying in business.

Becky Asleson,
Maple & White Design, Indiana



THE VALUE OF BENEFITS

To remain competitive, many interior design firms are introducing additional non-monetary benefits, particularly as employees increasingly value work-life balance and personal growth opportunities.

Design firms’ commonly offered perks include:

- Unlimited PTO: Firms are increasingly adopting this benefit to attract talent, especially younger professionals seeking flexibility.
- Flexible Scheduling: A significant trend post-pandemic, flexible work hours and the ability to work remotely are becoming standard perks in many firms.
- Professional Development: Many firms are investing in their employees’ skills by offering access to courses, conferences, and certification programs. This is particularly valuable for roles like Interior Designers and CAD Specialists, where technology and trends evolve rapidly.

When it comes to design professionals, benefits in their overall compensation package are critical. When evaluating an organization's benefits suite, design professionals place healthcare (medical insurance) and paid time off (vacation) at the top, far surpassing other offerings. These two benefits are seen as fundamental to maintaining both physical well-being and mental health, contributing directly to long-term satisfaction. Following closely are benefits like a 401K with company match, which reflects the importance of financial security and future planning, and family benefits, including parental leave and flexibility for family responsibilities. Professionals in the design field also highly value work-life balance, flexibility, and a positive work environment as critical factors in workplace happiness. A benefits package that addresses both personal and professional needs plays a key role in ensuring fair compensation and fostering a strong, supportive company culture.

Room for Growth	8.11%
Fair Compensation	11.49%
Company Stability	4.73%
Work-Life Balance	29.05%
Flexibility (e.g. Option to work from home)	14.86%
Culture	11.49%
Work Environment	14.19%
Defined Company Vision & Values	6.08%

CASE STUDY

COLLABORATIVE CULTURE



In today's competitive landscape, attracting and retaining top talent can be particularly challenging for companies in small markets like ours. To stand out, we must go beyond traditional recruitment strategies and embrace a holistic approach grounded in our core values. By prioritizing kindness, support and professional development, we create an environment where talent thrives. Our hiring process focuses on identifying candidates who align with our core values: We believe that a shared vision fosters collaboration and enhances team dynamics. By attracting individuals who resonate with our vision, we ensure that our team is not just skilled but also passionate about what they do. This alignment fosters a sense of belonging and commitment, essential for long-term retention.

A culture of kindness is fundamental to our work environment. We actively promote kindness, encouraging employees to support one another. This culture is not just about friendliness; it's about creating a safe space for open dialogue, where team members feel valued and empowered. We invest in professional development programs that equip our team with the tools they need to grow, both personally and professionally. By offering mentorship, training and opportunities for development, we demonstrate our commitment to their personal success. Recognizing the importance of work-life rhythm, we have an open paid time off policy that allows employees to take the time they need to be their best selves. This flexibility shows that we trust our team members to manage their time responsibly, ultimately leading to increased productivity and job satisfaction. Furthermore, our flexible work schedule accommodates diverse needs, enabling our employees to maintain harmony between their personal and professional lives.

Our office space was designed by the people who work there, and is intentionally designed to reflect our values. Collaborative areas foster teamwork, while quiet spaces allow for focused work. We've integrated elements that promote well-being, such as natural light, greenery, and comfortable lounges to create an inviting atmosphere. This thoughtful design not only enhances productivity but also embodies the kindness and support we strive for in our culture. By hiring based on our core values and fostering a supportive, flexible environment, we position ourselves as an employer of choice in our small market. Together, we can build a thriving community that attracts and retains exceptional talent, ensuring our continued success.

Christi Barbour,
Barbour Spangle Design, North Carolina

OUR ANALYSIS

THINK HOLISTICALLY

Ultimately, the interior design industry is at a critical juncture where firms must balance traditional salary structures with the evolving expectations of their talent. The growing emphasis on holistic compensation packages—which include not just competitive base salaries but also non-monetary perks, professional development, and performance-based incentives—reflects the industry’s adaptation to broader economic shifts. For firm owners and decision-makers, understanding these trends is key to attracting and retaining top talent in an increasingly competitive market.

Some will find the continued landscape challenging, but the solution lies in developing compensation structures that are flexible, equitable, and forward-thinking. Firms that can successfully blend competitive salaries with meaningful benefits will not only secure the best talent but also ensure long-term sustainability in an industry driven by creativity, innovation, and an evolving market.



SUCCESSION PLANNING

A person wearing a black blazer is standing at a desk, writing in a spiral-bound notebook with a silver pen. They are also holding a white disposable coffee cup in their other hand. The desk is cluttered with various items: a white spiral-bound notebook, a pair of white wireless earbuds, a white pen, a small white box, and several documents and photographs. One document has a green header, and another shows a photograph of a person. The background is a plain, light-colored wall.

SUCCESSION PLANNING

Within the last five years, several of our clients have expressed an interest in selling or exiting their firms. A few have successfully negotiated the path. Here are some of the common succession planning journeys we've seen:

- Three founders have successfully exited.
- Two of these were sold to buyers who are not designers.
- One was sold to a team member.
- Another founder was unable to sell to her team resulting in retirement and closing the business.
- One founder negotiated a sale agreement and ended up taking the company back and scaling it down. Her ultimate plan is to close the business vs. going through the sale process again.
- Others are in the process of selling or are preparing the business for sale.

“We estimate the success rate of selling a small business to be in the range of 15% to 30%.”

—MorganandWestfield.com

It takes as many as five years to prepare a business for exit. The process of selling is stressful and time consuming and distracts the owner from day-to-day operations.

CASE STUDY

CLOSING THE DEAL



When I first began thinking about selling my business in 2019, I worked with a local business broker on pricing based on the previous three years of net profit as well as how consistent my revenue was. After one year of mostly unqualified people approaching me and wanting to buy the business for almost nothing, I pulled it off the market. I considered selling it to one of the designers who worked for me, but that didn't work out either.

During the pandemic, I reenergized my search for a different broker. I hired a mergers and acquisitions person whose company had a different approach to marketing my business, looking for someone who understood the industry rather than for a buyer who wanted a business that could easily run itself. (As most designers know, our business model is more hands-on than not!)

It took many tries to find someone who was not only in the right industry, but who understood that this industry is unique. The sale fell through after the interest rates jumped up 10 days prior to closing, but the next person turned out to be the right one. Having someone guide the process from start to finish was crucial, especially because the buyer wanted [a Small Business Administration] loan. The hoops you as an owner need to jump through for the SBA are many, but my broker was able to guide the buyer to the right lender to prequalify the business. That helped speed up the process somewhat—in all, it took 12 weeks to close the sale. I also had a good attorney who also knew how to structure the deal so I sold more 'good will' than assets, to my tax benefit.

When you sell a design firm, it is an asset sale, not a stock sale. It is crucial to have a clean set of books with revenue growing over the previous three years to reap the largest sale price possible. Work with a broker who has sold an interior design firm in the past, as this type of business is very different from selling a sandwich shop. Have your processes and files in order. Your contracts should be airtight (you will need to close them out and assign them to the new owner the day the sale goes through), and make sure you have a good checklist of all things required to do and their due dates, so you aren't scrambling at the last minute to get things done.

Patti Julber,
former owner, Complements Home Interiors, Oregon

PLANNING CHECKLIST

The best time to prepare your business for exit is as soon as you start it. You will exit at some point either by illness, death, business failure, or because you're "done." Why not have a plan? Preparation for sale takes a significant amount of time, so ensure that you have time set aside each week to assemble the necessary documentation. Be prepared for the financial investment, too. The cost of selling your business could easily be \$20,000 or more.

- 1 Write a statement that explains why you want to exit.
- 2 Consider what you want from selling your business. Do you want liquidity? Do you want to stay involved as a consultant?
- 3 Research the direction of the industry and market in your area and summarize your findings for the new buyer.
- 4 Make sure the last three years of your financials are accurate, up to date, and do not include commingled assets or expenses.
- 5 Create a brand overview that describes how your business is different from your competitors.
- 6 Create a succession plan. Who will run the business and bring in new clients?
- 7 Include a competitive analysis. Who are your competitors? Describe your unique selling proposition and value.
- 8 Compile a list of all assets including inventory if it applies to your business.
- 9 Gather all contracts, licenses and agreements.
- 10 Provide a copy of all tax returns for at least three years.
- 11 Calculate your seller's discretionary earnings (SDE), which is what you pull out of the business each year in salaries, draws, and perks.
- 12 List any creditors, balances due, interest rates, and payment structures.
- 13 Document your pricing structure.
- 14 If you have intellectual property, trademarks, or other trade information, compile this information.
- 15 Collect all legal documents including articles of incorporation, etc.
- 16 Compile any employment contracts and compensation letters for the purchaser.
- 17 Include a copy of all insurance documents.
- 18 Create a list of all security information and technology used in your firm including passwords that will be surrendered upon sale.
- 19 Build a transaction team:
 - CPA
 - Transaction attorney
 - Business broker or Mergers & Acquisition specialist
 - Valuation specialist
 - Personal financial planner
 - Tax consultant.
- 20 Have a plan for what you will do once you exit.

LEGACY BY DESIGN

As we look at the results of the 2024 survey, nearly 70% of the respondents either do not have a succession plan in place or are looking to develop one shortly. This means that 70% of respondents do not have a detailed management plan that defines who will take over, nor have they identified an employee or employees to take over the firm.

Why does this finding cause alarm? By 2030, all baby boomers will be 65 or older, marking a significant shift in the workforce demographics. The U.S. Bureau of Labor Statistics projects that the labor force participation rate for the 65-74 age group will increase to 30.2% by 2026, up from 26.8% in 2016. In the architecture and engineering fields specifically, about 23% of workers are aged 55 and older, indicating a substantial portion of the workforce nearing retirement age.

For design firm owners, finding the right successor is similar to designing a masterpiece—it requires vision, precision, and often, multiple drafts. The challenges are as unique as the industry itself:

1

The Unicorn Hunt: Owners often seek a rare breed—someone with both creative flair and business acumen. This combination is as elusive as finding a modernist who loves baroque.

2

The Portfolio-Experience Paradox: While seasoned professionals have the experience, they might lack the fresh perspective needed to propel the firm forward. Conversely, young visionaries with innovative portfolios may lack the years needed to navigate complex client relationships.

3

Cultural Fit vs. Progress: Owners must balance preserving the firm's culture with the need for new ideas. It's like renovating a historic building—how much do you preserve, and how much do you reimagine?

4

The Financials: In an industry where profit margins can be small, structuring a buyout that's attractive to successors while ensuring the retiring owner's security is a delicate balance.

5

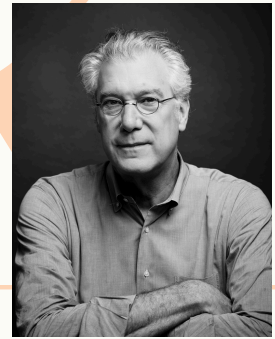
Client Retention Concerns: Clients often hire firms based on relationships. How do you ensure these connections transfer smoothly to the new guard?

6

The Ego Element: Let's face it—in a creative field, egos can be as big as the structures they design. Finding a successor who respects the firm's legacy while confidently charting new territory requires careful vetting.

CASE STUDY

GET AHEAD OF IT



As with an elegant building, a strong foundation supports a great design practice. Our foundation is a well-defined office culture guiding everything we do—a shared vision that underpins hiring, design, and our working environment. It has led to the smooth succession of adding partners Margie Lavender, Joe Carline, Ross Padluck, and Drew Davis to the business. Deep into a successful transition at Kligerman Architecture & Design, what have we learned? For one, it is never too early to begin thinking about succession, and certainly not too early to start planning for it. When you're busy running a design firm, it's easy to punt succession down the road. Don't—the future is now.

Hire a professional to guide the process. There are legal and financial issues to uncover and resolve, and the addition of lawyers and accountants makes for a time-consuming exercise. It's easy to get trapped in details and insignificant items that risk derailing the process. Don't lose sight of your objective: a new generation and a flourishing firm.

A strong cultural base will carry you through. Select people you want to spend time with, who share your world outlook, and who are young enough for a decent overlap between now and when you plan to fade away. Keep in mind that not everyone wants the responsibility of ownership. Some you hope will come aboard may turn you down, leaving you to start over. It takes time to bring a younger generation up to speed and help them grow into the role—don't forget that life is about learning. Things that have become second nature to you as a long-time business owner take time to bestow on others.

Finally, get out of your echo chamber. Part of a transition is letting the world know about the new firm. After the agreement is signed, get the word out. We announced our new firm by releasing a beautifully illustrated book on recent and past KA&D work. The publication of our monograph gave us a chance to get on the road, give talks, and get the press to crow about the firm. In my experience, you know you have been successful when you look back after several years and realize you never had to refer to your carefully crafted agreement—you have even forgotten where you squirreled it away.

Tom Kligerman,
Kligerman Architecture & Design, New York

START THE PROCESS EARLY

Allow time to groom internal candidates or cast a wide net externally. It also provides the opportunity to gradually transfer client relationships and institutional knowledge, ensuring a smoother transition that preserves the firm's reputation and potential for future growth.

When seeking to hire a successor, one must look at many criteria to find the ideal candidate:

- The Business Acumen
- Culture Fit and Vision
- Communication Skills
- Network and Industry Connections
- Complementary Skills

Remember, finding a successor isn't just about replacing a role—it's about entrusting someone with your life's work and the future of your creative vision.

Use a trusted partner or industry relationships, or even look at competing firms to identify a potential candidate for this role.



MANUFACTURERS



HOW TO BETTER NAVIGATE THE DESIGNER-MANUFACTURER RELATIONSHIP

The relationship between designers and manufacturers is pivotal for creating the warm, personal, aspirational spaces homeowners desire and eagerly share with others. Interior design professionals rely on manufacturers to provide high-quality materials and furnishings that support the overall design aesthetic and offer precision functionality. More than half (56%) of manufacturers say that 60% or more of their revenues come from sales to interior designers making it clear that both parties could benefit from a closer working relationship. Yet we hear from interior designers that the interaction often feels transactional.

When interior designers and manufacturers work as a team, magic happens. The client experience becomes seamless. Issues are resolved quickly. Trust leads to long-term loyalty and consistent sales. However, achieving those results is often troublesome, and the gap between the parties often grows into an unworkable chasm. So how can we recognize and overcome these challenges together?



ADDRESSING LEAD TIMES AND SCHEDULES

Interior design businesses often face delays and schedule challenges when working with manufacturers, with 41% of owners and 47% of design team members identifying lead times as their biggest pain point. Manufacturers can help to fix this issue by improving transparency around production timelines and setting realistic expectations upfront. And interior design businesses can make it a priority to communicate their project timelines early and work with manufacturers to anticipate potential bottlenecks which helps both parties manage client expectations better.

IMPROVING COMMUNICATION AND RESPONSIVENESS

Both manufacturers and designers agree that communication and responsiveness are key areas for improvement. With 40% of manufacturers citing communication as a challenge and 30% highlighting designer timelines, both parties need to address these issues collaboratively. Manufacturers can provide more timely updates by investing in better communication tools and systems to streamline responses. Interior design teams can benefit from establishing clearer communication to align on project details, revisions, and timelines. Regular check-ins between the two would help bridge this gap and foster a more collaborative workflow.

ENHANCING ORDER TRACKING AND ISSUE RESOLUTION

Interior designers have identified order tracking and damage repair as two critical areas needing attention. Design businesses would appreciate more robust order tracking systems, with 32% of owners and 38% of design teams indicating this would make a big difference. Manufacturers can respond by implementing tracking solutions that provide real-time updates. To keep projects moving forward without unnecessary delays, both parties should also develop a streamlined process for handling damaged goods that ensures quick replacement or repairs.

BUILDING COLLABORATIVE RELATIONSHIPS

The survey reveals a disconnect between how manufacturers and designers perceive their relationships. Both sides can work toward more balanced partnerships by increasing collaboration early in the design process, sharing insights, and fostering more open dialogue. Interior designers can engage manufacturers more as creative partners, and manufacturers can offer more proactive involvement in the design phase to strengthen trust and cooperation.

LEVERAGING ECONOMIC OPPORTUNITIES

Manufacturers should continue offering incentives such as product discounts and to-the-trade programs (currently utilized by 80% and 94%, respectively), while design firms can take advantage of these programs to boost project profitability. A stronger partnership will help both sides navigate market fluctuations and take advantage of emerging opportunities together.

FUTURE BUSINESS OUTLOOK



FUTURE BUSINESS OUTLOOK

According to our survey, designers are optimistic about the future of their firms, with only 16.27% of respondents reporting that they are worried about the future of their business. Despite uncertainty around a number of factors that could impact the interior design industry in 2025 and beyond, most industry indicators are forecasting better business conditions in the year ahead. Gains are expected to be modest, however.

RESIDENTIAL BUSINESSES CAN ANTICIPATE AN INCREASE IN DEMAND

On the residential side, the Joint Center for Housing Studies of Harvard University anticipates that, after a weak fourth quarter in 2024, remodeling spending will begin to trend upward in the first half of 2025. Similarly, producers of the Residential Remodeling Index (RRI) from Zonda project say that the remodeling industry will experience elevated levels of spending in the next several years, from 2025 to 2030, as homeowners who have delayed projects will begin to undertake them. Both architects and interior designers who participated in the latest Houzz Renovation Barometer anticipate an increase in new project inquiries in the coming months.

On the commercial side, the outlook is less positive. Architects are seeing only a slight uptick in new project inquiries. The latest Consensus Construction Forecast from the American Institute of Architects foresees no improvement in demand for commercial projects in the coming year. Its projections show further weakening in the office and retail sectors. The one bright spot is the hotel sector, which is forecast to experience a 6.6% increase in 2025.

CASE STUDY

DREAMING BIG

Back in 2017, during a trip to Jackson Hole with my Pearl Consulting Boardroom group, a realization struck me: I needed to push my limits and envision a much larger future for Crimson Design Group. I gave myself permission to dream bigger—to imagine our design influence extending across the globe. But dreams need a road map, so we started on a journey to design the path toward that ambitious goal.

This quarter, our team is focused on developing a multifaceted growth strategy. Central to this strategy is diversification: creating multiple revenue streams to build a strong foundation for Crimson's future. We're exploring new territories, expanding our expertise into secondary markets for multifamily and senior living projects while continuing our established work in residential design nationwide. Leveraging our experience as a multidisciplinary firm, we're also thrilled to venture into the world of hospitality design. It's an exciting new avenue for the firm, one where we're eager to make our mark. In addition, our real estate arm, Crimson Collective, remains open to strategic investment opportunities. We approach each potential acquisition with creativity and an open mind, always looking for ways to align real estate with our broader vision.

These new markets, sectors and ventures aren't solely about growth. They're about building resilience. By diversifying our revenue streams, we're creating a stronger, more adaptable business—a company equipped to navigate economic fluctuations with confidence.

Cheryl Stauffer,
Crimson Design Group, Ohio



THE IMPACT OF INTEREST RATES AND OTHER EXTERNAL FACTORS

In the coming months, changes in interest rates, real estate sales, the job market, and the outcome of the national election could alter any of these projections considerably. At present the U.S. economy is very strong and the job market, though slowing somewhat, is still relatively robust. Prices remain high for groceries and other necessities, but the rate of inflation is cooling. If these trends hold, it would bode well for designers. Consumers and businesses would have more money to spend on discretionary items and more would-be buyers would be able to afford the purchase of a home.



CASE STUDY

INVITING INCLUSIVITY



In the year to come, three areas come to mind: sustainability, flexible space planning and inclusivity. Sustainability is not just a buzzword for the interior design industry; it's a powerful force for positive change. It goes beyond choosing eco-friendly materials and extends to reducing one's carbon footprint by sourcing local materials, furniture and fixtures, or by integrating more nature into indoor spaces. This commitment to sustainability not only enhances design but also contributes to a healthier, more balanced environment, inspiring hope for a greener future.

With remote work becoming a permanent fixture in our lives, the need for flexible space planning has never been more pronounced for both residential and commercial interiors. In residential interiors, open floor plans can present significant limitations. Today, it's essential to find a balance between fixed office spaces and interconnected areas that are ideal for work and social gatherings. This means there will be more walls, but for good reason: The enclosed spaces will provide the acoustic and physical privacy needed to focus, meet or decompress, while still being inviting. The opposite trend is happening in commercial interiors, especially in office design. While enclosed spaces are still essential, offices are leaning toward more open floor space to encourage gathering and intermingling. Gone are the days of cubicles; shared, open workspaces are taking over. Home-like kitchen spaces are replacing the dull, bland breakrooms. Although enclosed conference rooms are still available, more casual spaces are being created for one-on-one or small-group meetings.

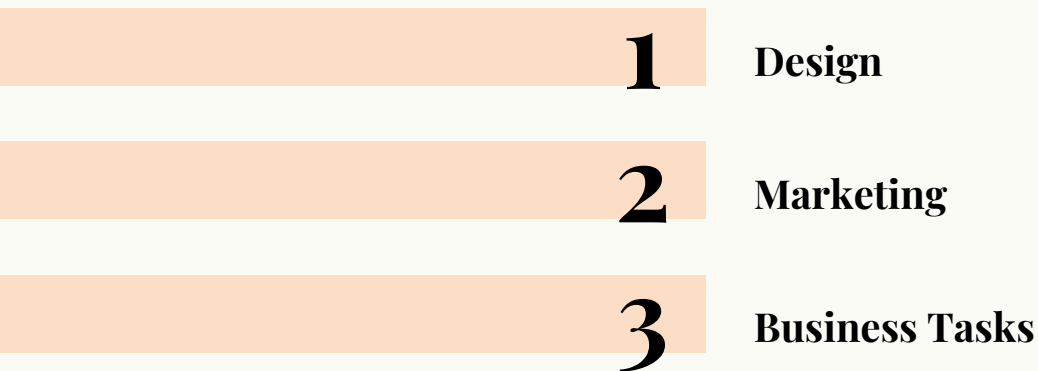
The interior design industry is also becoming more inclusive. People from diverse backgrounds and experiences are embracing their creative side and entering the industry, bringing unique expertise and vision to create stunning spaces. This inclusivity extends beyond the designers themselves to the people we are designing for. The industry is expanding its reach to include older generations and people with disabilities, creating spaces that meet their needs without sacrificing style. It is also addressing the needs of the homeless by ensuring that the spaces provided are humane and inspiring. We are using trauma-informed design to improve mental health facilities and wellness centers. Additionally, we're designing tiny homes and mobile homes because the size of the abode shouldn't prevent people from having a space they love. Overall, the interior design industry is evolving and growing, and we should all be proud and supportive of these efforts.

Theresa Butler,
Theresa Butler Interiors, Georgia

USE OF ARTIFICIAL INTELLIGENCE TOOLS ON THE RISE

One area to watch in the year ahead is the broader adoption of artificial intelligence tools. Only a small percentage of respondents answered questions about AI for our survey, leading us to conclude that few are using it. Those who answered these questions are using AI to perform design, marketing, and business tasks.

How designers are using AI



We expect that portion to increase in the year ahead as more tools come on the market and become more integrated into services we use every day. Concerns about the future of AI and its possible drawbacks will remain, but as the benefits become clearer, we think that users will be more motivated to learn more about the technology and how to apply it to their own lives and businesses.

CASE STUDY

SLOW LIVING

It's easy to feel overwhelmed by the inundation of what's new and next in the industry. There always seem to be new concepts and styles that we're supposed to anxiously stay in front of so that we are current and creating content that is relevant. I have come to the realization that I need to focus on what my client wants and needs rather than worry myself with what's 'current.' We are building homes to last for generations, and we want to provide clients with style that lasts a lifetime.

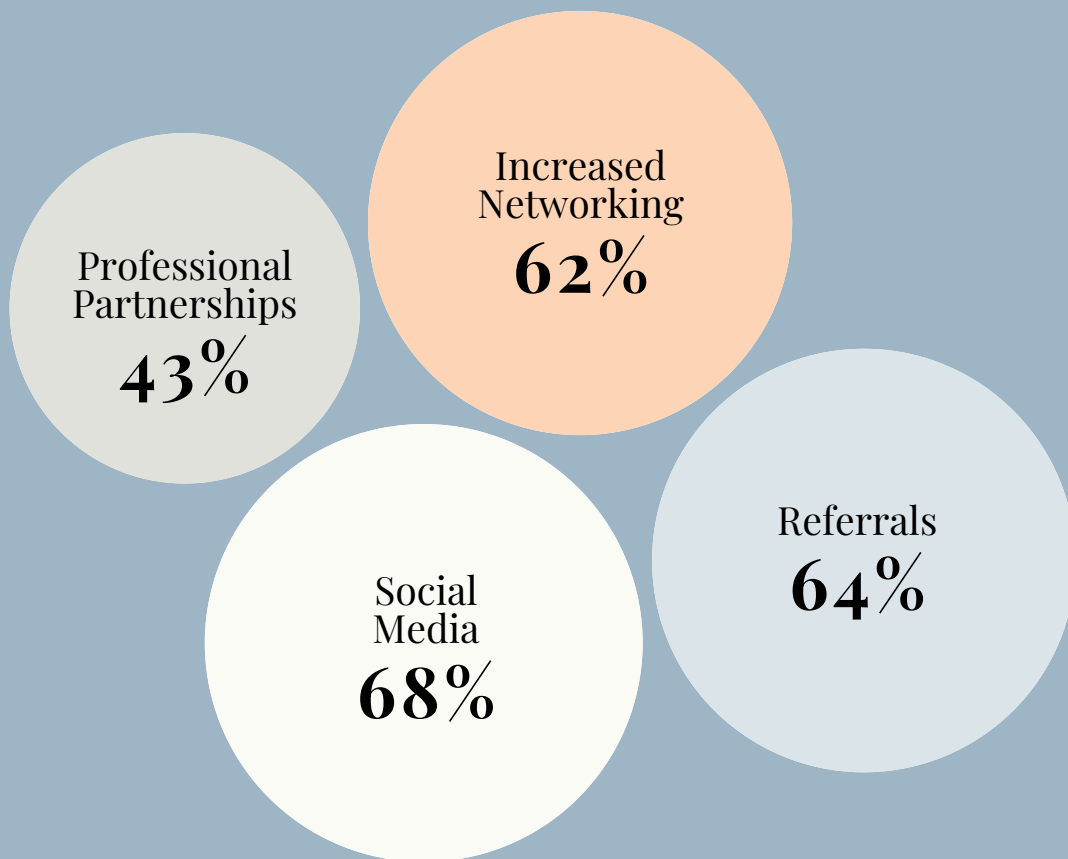
In a world where everything changes fast, I'm hoping that this next year invites people to slow down, really think about what is meaningful and timeless, and make more decisions that support that. To me, that means that authenticity is going to be at the core of what is to come. Spaces will become more personal, more layered and more meaningful—I'm really excited for that!

Elizabeth Krueger,
Elizabeth Krueger Design, Chicago



BUSINESS GROWTH TACTICS

As designers look forward, 40% or more plan to grow their businesses by increasing their social media presence, increasing their networking with local building and real estate professionals, contractors and service providers, maintaining more frequent contact with and requesting referrals from current and former clients, increasing digital and print marketing efforts, and partnering with other professionals including architects, builders, realtors, or building managers.



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About Us

The 2024 Interior Design Business Survey report is a joint venture of Pearl Collective, Interior Talent and Business of Home. We are pleased to make this valuable information available to you as members of our community to further your business success.



Pearl Collective, formerly known as Gail Doby Coaching & Consulting, offers a range of services to professional designers and firms. These include one-on-one VIP coaching and consulting, mastermind groups for CEOs and leadership team members, online courses and programming, business tools and documents, and live events across the U.S., and internationally. Firms have realized transformational growth in sales and profitability as well as greater professional and personal satisfaction. Utilizing highly developed strategic financial, marketing, organizational and human resources evaluations, Pearl Collective clears the path for clients to radically improve their businesses, achieve financial success, attain business and personal goals, and work more efficiently. For more information, visit ThePearlCollective.com and listen to the inspiring Creative Genius podcast, which can be found wherever you listen to your favorite podcasts.



Interior Talent, Inc. is a national recruitment agency that has specialized in the design industry since 2003. Our team connects top talent with leading firms in the architecture, interior design, showroom, retail, and manufacturing industries. We bring a deep understanding and developed network within this dynamic industry, which allows us to meet the evolving goals of our clients and candidates alike.

At Interior Talent, our team of experienced recruiters leverages industry expertise, extensive networks, and innovative sourcing strategies to identify and attract the best professionals for positions ranging from interior designers and architects to sales executives and project managers and beyond. In addition, we have an executive search division focused on key leadership positions and succession planning.

Driven by a commitment to excellence, integrity, and professionalism, we take pride in our ability to match talented individuals with opportunities that align with their skills, experience, and career aspirations. Whether you're a design firm seeking top-tier talent to achieve your business goals or a skilled professional looking for your next career opportunity, Interior Talent is here as a resource. For more information, visit InteriorTalent.com.



Business of Home is the industry's leading business media brand, delivering essential news, analysis and insights to interior designers and industry professionals. *Business of Home's* editorial initiatives include a robust daily news site, daily and weekly newsletters, the quarterly print magazine *BOH*, three podcasts that explore the challenges facing the industry, and biannual guides to the industry trade show, High Point Market. In addition, the company offers a broad range of business resources, including the industry's largest job board and events calendar, a hub for product debuts, a series of weekly business workshops, a directory of industry experts and skilled trades, photography and video production services, and a membership community offering exclusive access to experts, editors and events. Go to BusinessOfHome.com for more information.

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