

DESIGN HOUSE BUSINESS PLAN

by

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Bachelor of Arts, Simon Fraser University 2004

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Executive Summary

The proposed project is a comprehensive business plan for a new venture, tentatively called Design House. The concept is a coworking space designed to be a resource for creative professionals located in Vancouver. It offers a workspace and meeting area that is well designed, trendy, comfortable, and inspiring. It is also a venue for design centric events, seminars, and workshops for the local and international community.

Among the biggest challenges for a creative freelance professional is finding an inspiring place to work and meet professionally with clients. Creative professionals, who work from home, across multiple industries and professions, need a place to work creatively and collaborate with like-minded individuals. Current alternatives include coffee shops, libraries, and at home offices.

The concept of coworking is quickly catching on in major cities in Europe and North America. Co-working is attracting many individuals from a range of professions looking to take advantage of shared workspaces. Design House is more than just an empty desk or office for rent. Not only is the workspace designed to appeal to the target market, it also has a resource library with resources such as photography books and a hands-on materials library that will be a valuable resource for a wide range of creative professionals.

Target Markets

The general definition of our relevant market is the creative professional working and residing in Vancouver. This customer is actively working in a creative role across various industries. Design House will initially target creative, freelance professionals between 25 to 45 years old working from home offices in the Vancouver metropolitan area.

Marketing Approach

The marketing approach will include generating awareness of the concept, workspace, and brand primarily through word of mouth and social networking. The feeling, experience and particular niche of the coworking space will be very different from what exists currently. Marketing efforts will rely more on social media and less on traditional advertising.

Technology and Operational Issues

Technology used at Design House will be equivalent to any professional business office. Board meeting rooms will have screens, projectors, and conference call equipment. Operation needs will be limited to one to two administrative staff to provide support and answer inquiries. Sales, marketing, and event planning will be contracted out. Operation costs and overhead are kept low and flexible.

The Team

The partnership/management team consists of George Wang, Michael Jager, Annie Lemonni, and David Pao. This team has extensive experience and unique connections among creative, freelance professionals in Vancouver. George Wang is a highly sought after documentary photographer in Canada and brings a unique approach to various creative industries. Michael Jager is an internationally recognized furniture and interior designer with high profile projects across major cities in Asia and North America. Annie Lemonni is an accomplished graphic and web designer who owns a design firm that specializes in branding, image consulting, and social media strategies. David Pao brings his expertise in business development, marketing, and communications.

Economics

Highlights of the economics of the business are as follows:

- Low capital requirement to get started
- Low fixed costs
- Relatively good gross margin

Financial Highlights

The business will breakeven at \$179,515 of revenue, which will occur in month 11 of the first year. All revenue forecasts are based on 80% of full capacity for space rentals and event participation.

Financial Need

Design House is not requesting any additional funding as the first location will be funded entirely from operating partner equity.

Dedication

This project is dedicated to my wife Jessica for her patience and perseverance through the hardest of times, to my parents for bringing me lunch when I needed it, and to my newborn son Alexander who provided a never ending supply of happiness, sleepless nights, and diapers that needed to be changed.

Acknowledgements

I wish to acknowledge the team at Design House, Groupthink, and the Simon Fraser University EMBA program for the support, inspiration, and motivation to aim higher.

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THE COWORKING INDUSTRY

Coworking is a very new and growing industry in the global environment. Coworking is a movement that is changing the way individual professionals and small businesses work. The industry can generally be defined as established workspaces designed for individuals and small groups to collectively work, do business, and collaborate in a shared community environment. New spaces are being established in cities all over the world with very few work spaces that are considered mature. The challenge of establishing a coworking space is not primarily in the actual physical space but in the development of a strong, sustainable community.

The business is difficult to define because no two spaces are identical and the industry is new enough not to even have its own North American Industry Classification System (NAICS) code. Coworking spaces could be classified as providing Business Support Services (NAICS 56141) and Education Support Services (NAICS 61171). Business Support Services could refer to temporary and semi-permanent office space rental. Education Support Services could include the provision of technical workshops and educational seminars.

However, the coworking industry is much more than simply an empty desk for rent. Coworking spaces are essentially a shared workspace for people to work effectively, collaborate, and grow themselves and their businesses. A space is normally created by an individual or group of individuals who share similar needs. Often, a group of freelancers who want to share the costs of renting equipment and office space will find a way to leverage their collective needs. Coworking spaces often evolve organically and change based on the needs of the community using the space.

Industry Drivers

Sharing and collaboration

Today, more small businesses and entrepreneurs are sharing ideas and knowledge than the generations before them. Without a doubt, the development of strong professional and personal networks can be beneficial to an individual or company. Collaboration between individuals and small groups can offer significant advantages over larger, traditionally slower moving companies. Working with others in a collaborative environment encourages professional networking and business development.

As shown in Figure 1, the Coworking Pyramid of Needs illustrates the different attitudes, values, and needs of a potential coworker and how a coworking space can offer more than simple office services.

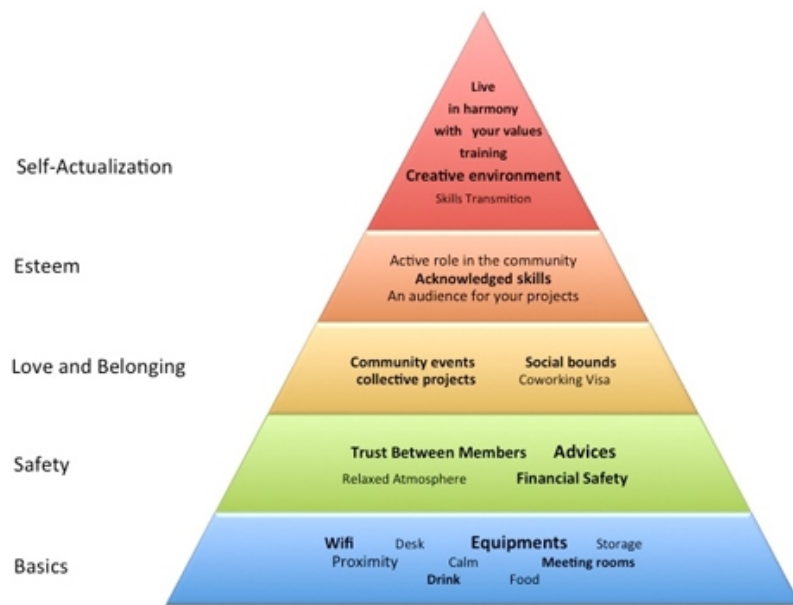


FIGURE 1 COWORKING PYRAMID OF NEEDS

Eric van de Broek, the operator of La Mutinerie, a coworking space in Paris, created this pyramid of needs to highlight the true benefits of the coworking concept.¹ It emphasizes that office amenities such as Wi-Fi, desks, and meeting rooms are essentially the basics and the bottom of what freelance professionals are looking for in a workspace. These items are easily duplicated and can be provided anywhere. At the top of the pyramid is the ability for a space to provide a creative environment and offer an active role in the community. These are the challenging services that are not easily copied and a critical part of Design House’s value proposition.

Working from home

There are an increasing number of professional individuals working from home offices or telecommuting. These could include individuals working for companies that do not have the physical space or have employees that need to travel long distances to get to work. It also applies to freelance professionals who work on creative projects from the comfort of their own home without the need of maintaining a separate physical office. Working from home may be comfortable, relaxing, and cheap, but it also risks being an environment that has some health-hazards² and can gradually evolve into isolation and low productivity. Many professionals acknowledge the benefits of networking but either do not enjoy it or do not know how to engage in it. The coworking business concept solves the issue of isolation by

¹ (Broek, 2011)

² (Erwin, 2009)

putting individuals in an environment where there is constant interaction with the other members of the community. Many coworkers have reported that joining a space has had a direct, positive effect on their individual business through the new acquaintances and connections they have made.³

Cloud computing

New technologies are improving the ability for work to be done remotely and through the Internet. Cloud computing is changing the face of the traditional office and the needs of the individual worker. Email and data no longer need to be hosted on traditional servers, making workers far more mobile than ever historically possible. An individual can begin work at one place and easily continue with the same task at a different location with little or no interruption.

According to DeGuzman and Tang (2011), coworking spaces may differ in culture, amenities, design, and in-house rules, but ultimately share the same core values.⁴ As shown in Figure 2, the main core values of coworking spaces and coworkers are: collaboration, community, sustainability, openness, and accessibility.



FIGURE 2 COWORKING CORE VALUES⁵

These values connect back to the pyramid of needs to illustrate why spaces exist and what benefits they offer to the community, local economy, business networks, and the individual space

³ (Foertsch, The 2nd Global Coworking Survey, 2012)

⁴ (DeGuzman & Tang, 2011)

⁵ (DeGuzman & Tang, 2011)

members. In addition to these core values, the Coworking Manifesto also talks about participation, friendship, learning, people, and value-ecosystem as beliefs and drivers of this industry.⁶

Having an affordable, professional place to work and meet

Among the biggest challenges for a new freelance design professional is finding a place to work and meet clients and colleagues. While many graduate from design programs around the world, they often end up working at either a coffee shop or at home. Neither is professional or sufficient for the needs of a creative professional looking to go to work inspired and to showcase themselves as serious contenders in this competitive industry. Coworking is a feasible, professional alternative to working in a coffee shop or from home. For some, it is a matter of saving on an expensive office lease while, for others, it is a solution for cabin fever.

Collaborate with community at space (increase networks and develop new business)

The concept of coworking is catching on quickly in major cities in Europe and North America. Shared spaces are rented out through a variety of economic business models to individuals looking for a place to work. Coworking attracts many individuals from a range of professions looking to take advantage of shared workspaces and become a part of a professional community. In the creative industries, it is important for freelancers and entrepreneurs to stay networked and connected to their peers and to find inspiration in the place they work. Having a close community of creative professionals from different industries can be highly beneficial for pulling a project together quickly and disbanding after it is complete.

Success Factors and Metrics

Despite their enormous appeal to the media and the blogosphere, many coworking spaces find it hard to cover their costs.⁷ Having space that is popular and community driven may still not be enough to make the business a success, and sustainable revenue and positive cash flow are still crucial. According to the 2nd Global Coworking Survey, the three main factors that help a coworking space succeed are number of members, age of space, and other sources of income. The success factors and metrics are shown in Figure 3.

⁶ (Karim, 2011)

⁷ (Dullroy J. , 2010)

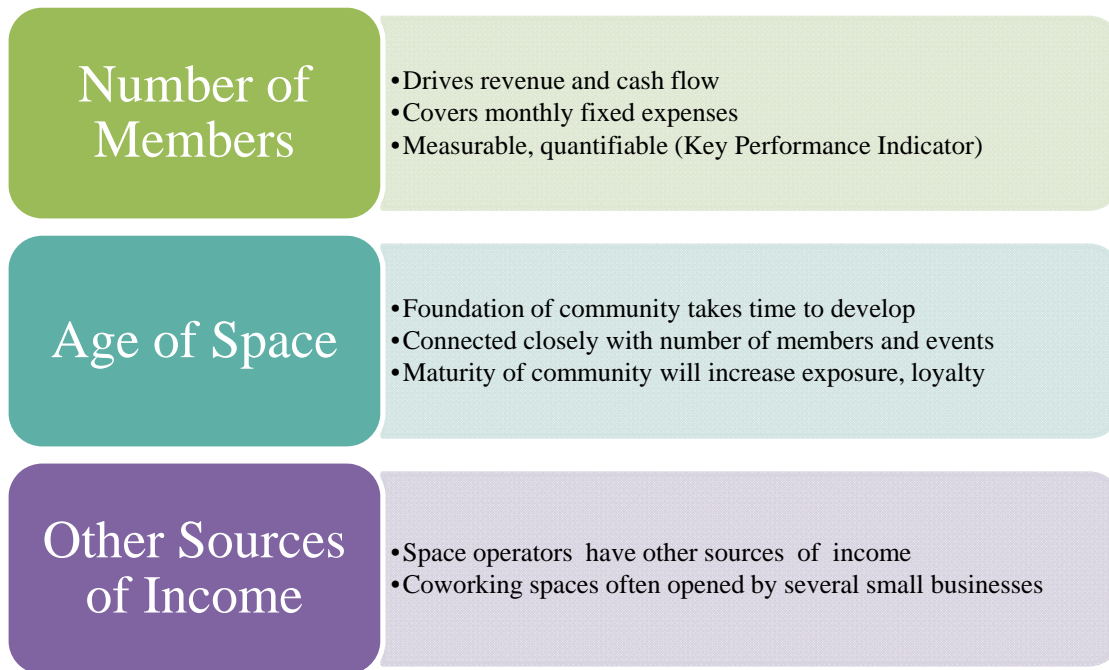


FIGURE 3 SUCCESS FACTORS AND METRICS OF A COWORKING SPACE

While more spaces translate into more revenue, it is not always a necessity for success as smaller space with virtual members can also be profitable. Growth of the community in terms of age and maturity are among the key factors that measure the success of a coworking space.

Number of members in a coworking space

While there are no rules that dictate the size necessary for a coworking space to succeed, more members mean higher levels of revenue that can be used to cover fixed costs such as rent, employee wages, and other on-going expenses. While simply increasing the number of desks and recruiting new tenants seems like an obvious solution to cover operating costs, it has poses a risk towards the overall focus of the business. Surveys have shown that coworker attitudes towards large spaces are not positive and most prefer smaller spaces with less than 30 desks.⁸ Some coworking spaces offer virtual membership for non-dedicated spaces so that revenue can rise, but the physical space remains the same. Although coworking is about being a part of a community environment, having balance within the space is very important. For a space operator, it is important to find the number of members needed to establish a strong community and sustain the coworking space.

⁸ (King, 2011)

Age of space (maturity of community)

Naturally as the space grows, the community of members evolves and matures. This will take some time as the members will help define the space. The longer the space is operating, the more time the community can develop naturally. Research has shown that spaces struggle in the first year, not only to become profitable, but also to capture the intended audience and community members. Every potential customer is unique and will be in a different situation. According to the Second Global Coworking Survey, 72% of cooperatively operated coworking spaces become profitable after two years of operations and the rate is even higher, at 87%, for private, commercially operated spaces.⁹

Other sources of income

Looking at coworking spaces around the world has shown that the majority of owner operators have other sources of income. Owners tend to be freelancers themselves and be an expert in a certain area. Many spaces are not established with the goal of lucrative profits, but rather to provide a mutually beneficial solution to a group of similar professionals. However, many spaces are successful and have become profitable sources of income for the operators. Having a secondary income or day job helps reduce the pressure of operating the coworking space and breaking even every month.

Porter's Five Forces Analysis

Michael Porter's five forces analysis is helpful to determine the relationship among competitive forces in a particular marketplace.¹⁰ Coworking is a new industry that is developing and evolving. The boundaries in which customers, suppliers, and space operators exist are somewhat unclear compared to old, more established industries.

Bargaining Power of Suppliers

Since the coworking industry is not reliant on raw materials or commodities, the bargaining power of suppliers refers to the attractiveness of the space to buyers in the form of expertise, environment, and community. Effective coworking spaces are essentially supplying a unique place to work where buyers can learn and extract value from the community of experts and people that make up the space. This expertise can materialize in the form of individuals and groups within a space. Some coworking spaces have "anchor tenants" that attract new, up and coming talent that simply want to be working near those companies. For example, The Hive in Vancouver has the local office of Mozilla

⁹ (Foertsch, The 1st Global Coworking Survey, 2010)

¹⁰ (Porter, 2008)

Firefox, a prominent web development company that attracts local, up and coming web developers.¹¹ This expertise brings a level of attractiveness to the space itself. While these anchor tenants are essentially customers themselves, they make a significant contribution to the quality of the community as a whole. Experts and potential anchor tenants are plentiful across all industries and would find a low cost, but high value opportunity in joining a coworking space. Table 1 below summarizes the bargaining power of suppliers.

TABLE 1 BARGAINING POWER OF SUPPLIERS

Bargaining Power of Suppliers		Very Ugly		Neutral		Terrific	
Number of NB Suppliers	Few						Many
Substitute Availability	Low						High
Switching Costs	High						Low
Threat of Forward Integration	High						Low
Contribution to Quality	High						Small
Total Suppliers Cost	Large Bit						Small Bit
Supplier Profitability	Small						Large

Overall, the bargaining power of suppliers is moderate. There are no shortages of established freelance professionals in most major cities which are an advantage for the limited number of coworking spaces. Depending on the commitment to the space in terms of duration, switching costs can be high or inconvenient. For these suppliers, the coworking spaces offer substantial benefits that can increase their own profitability through new contacts and business projects.

Bargaining Power of Buyers

Although buyers are critical because they help define the community and space, their relative bargaining power in this industry is limited. Because coworking is a new, young industry, there are more potential coworkers in the form of freelancers and small business owners than dedicated spaces currently available in global industry.¹² Once a buyer commits to a workspace, it becomes difficult and inconvenient to relocate unless there is a major problem with the space. Like the supplier side of expertise in the anchor tenants, the buyer’s cost of joining a space are low compared to the potential growth and increased profitability of their own businesses. Table 2 summarizes the bargaining power of buyers.

¹¹ (HiVE Space Members, 2012)

¹² (Alas, 2010)

TABLE 2 BARGAINING POWER OF BUYERS

Bargaining Power of Buyers		Very Ugly		Neutral		Terrific	
Number of NB Buyers	Few						Many
Substitute Availability	Many						Few
Switching Costs	Low						High
Threat of Backwards Integration	High						Low
Threat of Forwards Integration	Low						High
Contribution to Quality	Small						Large
Total Buyers Cost	Large Bit						Small Bit
Buyers Profitability	Low						High

Overall, the bargaining power of buyers is moderate. There are more potential buyers than coworking spaces available in the present state of the industry. Like suppliers, switching spaces can be inconvenient and costly. However, some coworking space operators are offering the ability to share spaces in other cities which could increase the mobility of the buyer. Some buyers may consider backward integration and start their own coworking space. However, this is a fairly low threat as most freelance and small business operators do not have the time and working capital to fund such an endeavour.

Threat of New Entrants

For new entrants entering a coworking space, the barriers to entry are moderate to high. While it is not difficult to renovate a space and equip it with shared workstations and office equipment, it still requires working capital investment, time to plan the business, and efforts to operate the space. For a working freelancer or small business, this may simply be too demanding a task to add on top of an already busy schedule. The other true test for entering the coworking industry is being able to build a vibrant community of professionals who can cowork effectively in a shared space. In addition to having the capital resources and will to operate this venture, having a solid connection to the potential community, both from the supply and buyer side is critical. Balancing the right supply of expertise, industry mixes, and effective community building is a difficult task. Table 3 summarizes the threat of new entrants.

TABLE 3 THREAT OF NEW ENTRANTS

Threat of New Entrants (Barriers to Entry)		Very Ugly		Neutral		Terrific	
Economies of Scale	Small						Large
Product Differentiation	Little						Big
Brand Identification	Low						High
Switching Cost	Low						High
Access to Distribuion	Ample						Restricted
Capital Requirements	Low						High
Access to Technology	Ample						Restricted
Access to Raw Materials	Ample						Restricted
Experience Effect	Un-NB						Very NB

Overall, the threat of new entrants into the coworking industry is moderate to low. Opening a coworking space is a demanding endeavour that takes time, a capital investment, and resources. If the space can help a group with similar needs share resources and offset risks, then there is a strong potential for a working business that benefits themselves and others. However, unless the group has a strong unity of vision, shared goals, and willingness to operate the space professionally, it may simply be too much work that takes time away from their own, core businesses.

Availability of Substitutes

Competition from other places to work certainly exists, but the services and features of the business concept make it difficult to make a direct comparison. A coworking space, while costing more than working from home, offers features and benefits that cannot exist at a home office. A sense of community is one of the biggest draws for this business and is something that does not exist in many traditional work places. Many independent professionals may enjoy going to a coffee shop to do some work, but cannot say that the experience is completely free. According to analysts at Deskwanted, the average cost of renting a flexible coworking space is roughly the same as buying two cups of coffee a day at a café.¹³ In Canada, a non-dedicated desk can be rented for about \$281 a month.¹⁴ Substitutes exist, but do not offer the same benefits and are not necessarily superior in value, all things being considered. Similarly, a home office, while lower in overhead costs, could result in many missed business opportunities that are worth much more than the average monthly cost of renting a shared workspace. Table 4 summarizes the availability of substitutes.

¹³ (Bonnet, 2011)

¹⁴ (Bonnet, 2011)

TABLE 4 AVAILABILITY OF SUBSTITUTES

Availability of Substitutes		Very Ugly		Neutral		Terrific	
Available Close Subs	Large						Small
Users Switching Costs	Low						High
Aggressiveness	High						Low
Price/Value	High						Low

Overall, there is a moderate to higher level of available of substitutes in the coworking industry. There are numerous coffee shops and generic office spaces available for potential customers. Switching to use these spaces is relatively low and may be more cost effective in some cases. However, the substitutes lack very specific features that coworking spaces can offer.

Rivalry Among Competitors

Competition between spaces is difficult to gauge given the newness of the industry. However, recent research has indicated that multiple coworking spaces in a city have a net positive effect on profitability versus a coworking space with no direct competitors.¹⁵ More spaces help increase the exposure of the industry and educate the public about the benefits of the coworking concept, which is beneficial to all spaces. Space operators and tenants have been quite open about the business and the industry and have given valuable feedback on why this change in the way people work has become so attractive. Many coworking spaces specialize in an industry and do not compete directly with each other, making it easier for the industry to grow. Table 5 summarizes the rivalry among competitors.

TABLE 5 RIVALRY AMONG COMPETITORS

Rivalry Among Competitors		Very Ugly		Neutral		Terrific	
Numbers of 'Equals'	Large						Small
Industry Growth Rate	Slow						Fast
Fixed Costs	High						Low
Product Features	Commodity						Specialty
Capacity Increases	Large Hunks						Small
Diversity of Competitors	High						Low
Strategic Stakes	High						Low

Overall, rivalry among competing coworking spaces is low. The demand is higher than the number of available coworking spaces. This type of situation is beneficial in the short term as new spaces help each other grow collectively. However, in the long term, if coworking spaces ever become saturated and niche spaces begin to overlap each other, then rivalry may increase.

¹⁵ (Foertsch, The 2nd Global Coworking Survey, 2012)

Summary of Five Forces Analysis

Based on the framework of Porter's five force analysis, the coworking industry has several attractive aspects. It is a very new, growing industry with few competitors and equivalent substitutes. Entry into this industry can be difficult, not from a capital requirements perspective, but rather because of the essential need to bring together the right mix of suppliers and buyers into a sustainable business model. Space operators definitely have strength in this industry as facilitators of supply, demand, and the overall exchange of information. Short term gains from this business may be low compared to other ventures, but the long term growth of a resource community can be substantial and evidence shows that most spaces become increasingly profitable over time.¹⁶ Suppliers and buyers both face similar limitations in their strength as switching costs between spaces is high (inconvenient) and the availability of alternatives is low. The existence of direct competitors actually helps increase profits for all players through meaningful collaboration and increased industry exposure.

Vision of the Business

The concept of Design House is a coworking space designed to be a resource for creative professionals located in Vancouver. It offers a workspace and meeting area that is well designed, trendy, comfortable, and inspiring. Whether they are aspiring photographers or well established interior designers, Design House will offer an experience that inspires creative individuals and brings the community together. It is also a venue for design centric events, seminars, and workshops for the local and international community.

Work Space

- *It is a designed work space (hot desk) with resources (design library) for independent creative professionals*
- *Hot Desk (non-dedicated) can be setup with internet access and other business services*
- *Dedicated desks/workstations for semi-permanent tenants*
- *Place to meet with clients (Meeting rooms)*

Design House is a space for people and businesses to work. Hot desks are growing in popularity in major cities all over the world and offer a professional, full-service business solution for independent freelancers, consultants and professionals who are not tied to the traditional office environment. A hot desk is essentially a temporary workstation that can be used by mobile professionals for a period of time. The desk is primarily a space where an individual or group of individuals can setup a place to work on laptops or computers quickly and efficiently. Hot desks normally have power, a work area, storage, and

¹⁶ (DeGuzman & Tang, 2011)

Internet access through LAN connections or wireless access. Hot desks give a mobile or freelance worker a space to connect their laptop and do some real work while having all the amenities of a fully serviced office.

For individuals, working from home may be appealing at first, but can quickly lead to cabin fever from the lack of personal interaction. Creative professionals especially can suffer from the lack of motivation, inspiration, and collaboration with other like-minded individuals when working from home. At Design House, a workspace will have all of the basic necessities (wireless Internet, desk) for a workspace and more (business services).

While other coworking hubs have empty desks and offices for rent, Design House will have an option of using fully equipped hardware and software. This is often important for the recent graduate or freelance professional looking to access the equipment they need in a timely fashion. High quality printers and calibrated post processing equipment are very valuable to freelance professionals who work under tight deadlines. Fully equipped, professional board rooms will also be available for rent. These spaces could be used for client meetings, or for brainstorming and collaboration.

Spaces can be rented out in a wide variety of business models. Spaces can be rented out based on time (Hourly - up to 24 hours a day, weekly, and monthly). Membership plans with short to long term contracts are another possible business model. The challenge here is to offer as much value as possible for what is rented out. Desks with computers and software would be rented out at different rates than simply a plug-in desk. Temporary workspaces are attractive, not only to individual professionals, but larger companies, looking to setup satellite offices without major costs and overhead investments.

Resource Library

- *A place to find information and inspiration*
- *Books related to design can be leisurely read*
- *Materials library that can be used for interior design*
- *References*

While it is easy to setup a workstation, a way to offer inspiration to the creative individual/group is to offer an innovative design library. Design House will have a unique resource and reference library that can be leisurely used by members to find information and inspiration. This library will include books and magazines specifically for the creative professional. For example, the library could have reference resources for interior designers, graphic designers, and photographers. It will have a materials library with samples of surfaces and textures that are not found in a typical library. Many large architect and interior design firms have these in-house, but they are not available to freelancers or in public libraries. Creative

professionals in the Design House community can also use this as a place to showcase portfolios and recent work. The space itself could act as a gallery or exhibit space for local designers.

Venue for Design Events

- *Design House will be a destination location where designed centric seminars and events are regularly held and hosted*

Another offering that distinguishes Design House from other coworking spaces is the regular, design focused events. These could be in the form of educational/technical seminars and workshops. Creative professionals are regularly looking to stay on top of trends, the latest technology, or simply have chance to hear a specific speaker talk about the latest design trends. Seminars and workshops will be professionally organized, promoted, and delivered to groups of 10-15 participants. In addition to this, the space could act as venue for larger, design events that serve the local community, corporate functions, design contests, and gallery exhibits. The design events would be a draw for all primary, secondary, and international market segments.

Entry and Growth Strategy

Design House proposes to enter the industry by opening a design focused coworking space in the west side of Vancouver. There are several spaces already located in Gastown, New Westminister, and Richmond, but this will be the first in the West End neighbourhood. Thirty percent of coworkers walk or bike to work.¹⁷ The West End of Vancouver has a very high level of foot traffic with a diverse community of young, urban professionals. The area has already has a strong sense of community with a vibrant mix of residential, commercial, retail, and entertainment venues. According to the 2006 Census, 9.7% of the employed workforce (roughly 2,703) in the West End worked from home, with nearly 40% of the entire community walking to work.¹⁸ This data makes it an ideal location for a new coworking space outside of the Gastown community.

The location will act as a starting point for the Design House brand and mark a first step in an on-going evolution and growth strategy. Based on the success of the first location and home base, Design House is looking to expand into additional locations between the second and third year. Capacity of the initial and subsequent spaces will be limited by the boutique nature of the design and will be targeted specifically to professionals in the creative industries. Customer acquisition will be achieved through social networking and marketing in the months leading up to the launch of the space.

¹⁷ (Foertsch, The 2nd Global Coworking Survey, 2012)

¹⁸ (Community Statistics Census Data - West End, 2006)

ANALYSIS OF THE MARKET

The general definition of our relevant market is the creative professional working and residing in Vancouver. This customer is actively working in a creative role across a variety of industries. The purpose of the market research and analysis section is to outline the current state of the global coworking industry and to assess the potential of a new space in the Vancouver market. The website Deskmag is currently at the forefront of researching statistics and data on the coworking industry and has completed two annual surveys of coworking spaces worldwide. Growth of new coworking spaces has increased significantly in nearly all markets with no recorded decreases.¹⁹ Below is a list of key statistics and trends in the coworking industry.

Global Market Size

- New, growing industry worldwide.
 - 1320 spaces in beginning of February 2012 – 88% growth over previous year
 - 583 spaces in North America (46 in Canada);
 - 545 spaces in Europe.
 - Major concentrations are in New York, Berlin, and San Francisco.²⁰

Current Trends

- More than half of the new coworking spaces are in cities with more than one million inhabitants. However, coworking spaces are also growing in smaller cities with one in eight new spaces opening in cities with less than 20,000 inhabitants.²¹
- Coworking spaces have a high percentage of local users with over 30% walking or biking to the facility. Less than half of coworkers use cars.²²
- There are over 380 coworking spaces across North America with at least 30 in Canada.²³
- It is estimated that, based on the current number of spaces and their average member base, there are about 40,000 coworkers worldwide.²⁴

The data here indicates that the global coworking industry is comparatively new and growing.²⁵ Over the past two years, spaces have increased substantially in several major cities and in smaller communities. The business concept is still young and further education for potential customers and the general public is necessary. Direct competition is limited and substitutes are difficult to directly compare.

¹⁹ See Appendix 7 for growth rates of global coworking spaces

²⁰ (Foertsch, 1320 coworking spaces worldwide, 2012)

²¹ (Foertsch, The Development of Coworking Spaces, 2012)

²² (King, 2011)

²³ (Foertsch, Coworking's steady growth: 820 spaces now active worldwide, 2011)

²⁴ (Foertsch, The Future of Coworking, 2011)

²⁵ See Appendix 8 for number of global coworking spaces in North America and Europe.

PEST Analysis

The purpose of the following PEST analysis is to determine the political, economic, social, and technological factors that impact the coworking industry as a whole and in the Vancouver market. As shown in Figure 4 below, the PEST analysis has several implications for the coworking industry.

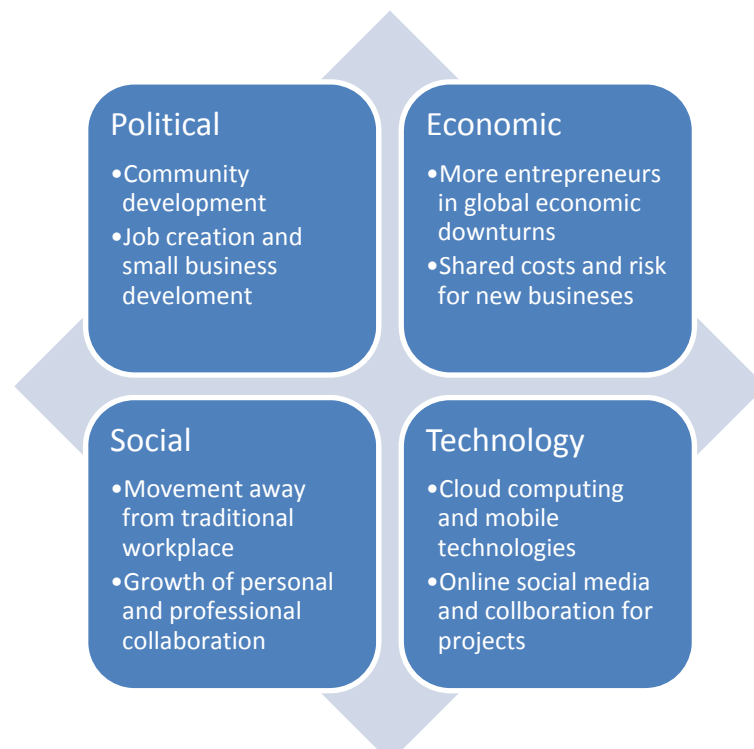


FIGURE 4 PEST ANALYSIS OF COWORKING INDUSTRY

Political

The coworking industry has several implications that local city governments have taken notice of. Both coworking spaces and local governments share similar goals in terms of community development, job creation, and the growth of small businesses. Many coworking spaces, including Hive in Vancouver, are operated as not-for-profit organizations with various forms of support from government, such as subsidized space and funding grants for new startups.²⁶ Many city planners are keen to optimize empty spaces in publicly owned buildings and coworking offers a solution.²⁷ In Europe, 65% of coworking

²⁶ (HiVE Space Members, 2012)

²⁷ (Foertsch, The Development of Coworking Spaces, 2012)

spaces are privately operated by commercial companies; 13% are non-profits, 2% are run by public agencies, and 23% are operated as social enterprises.²⁸

Economic

Coworking can be affected by the economic environment in several ways. Economic conditions can impact businesses of all sizes, whether through increased fixed costs or downturn in sales. Vancouver, now one of the most expensive cities in the world in which to live, has many challenges that businesses must address. Secure, well-paying jobs are harder to find and more individuals are establishing new ventures. In British Columbia, the rapid growth of small businesses is now becoming a major contributor to the larger economy.²⁹ However, many of these small businesses are challenged by working in a city as expensive as Vancouver. The rental rates for vacant offices in Vancouver have increased nearly 50% since 2006.³⁰ Many new entrepreneurs struggle to cover expenses, such as printers, furniture, and administration costs, as they establish their business. Whether it is economic factors or the newness of a business, a coworking space can help individual freelancers, entrepreneurs, and small businesses share costs and collectively mitigate operating risks.

Some economic forces that work against this industry could include the businesses not being able to even afford a coworking service. Small businesses may fail even under this organized community simply because there is not enough work out there. Like their tenants, coworking space operators are also small businesses and face similar risks. A major economic factor is the ability of the space members to afford regularly rent payments. Many freelancers are limited in budget and often face challenges with their own cash flow.

Social

From a social perspective, coworking started out as movement that literally changed the way people work. The shift has primarily been away from the traditional, corporate office environment. Workers under 35 now view the dedicated, corner office as unappealing compared to the flexibility and mobility offered by coworking spaces.³¹ As with the core values of coworking, one major aspect of the industry is a strong emphasis on social collaboration and the development of networks.

²⁸ (Alas, 2010)

²⁹ (Small Business Profile 2011: A Profile of Small Businesses in British Columbia, 2011)

³⁰ (Markle & Bagan, 2011)

³¹ (Lalorek, 2012)

Freelance workers and small business owners still may not be taken seriously in the professional industry. Coworking spaces may project a negative image and be seen as merely a lifestyle choice rather than a professional place of business. Furthermore, the encouragement of social connections and knowledge sharing may not always go smoothly if individuals cannot function together or simply compete against each other. Building a coworking space on paper seems easy, but community and individual behaviour can be very difficult to predict.

Technological

Cloud computing is allowing more mobile computing and collaboration between professionals across various industries. It is among the key industry drivers that have helped facilitate faster information transfer, reduce small business costs, and grow the entire coworking industry.³² For mobile freelancers and entrepreneurs, the ability to access data and information from anywhere with an Internet connection has greatly increased the ability to work anywhere. Social media technology has also given substantial influence and the ability to evoke change to small groups that traditionally had none.

While technology has helped mobilize workers, it could potentially make coworking spaces unnecessary. The increasing ability to be mobile may deter potential customers from committing to a dedicated workspace. If this happens, the business may need to redesign the layout of the coworking space to accommodate higher levels workers unwilling to make a long term commitment to a coworking space.

PEST Analysis Conclusions

The PEST analysis indicates that there are positive and negative factors to be considered in the coworking industry. Coworking is inherently an industry that works primarily with independent freelancers and small businesses. The space operators, as small businesses themselves, face the possibility of low revenue streams and often need to bolster their space with other sources of income. Socially, building a community may be much more challenging than designing a functional space.

However, these factors aside, coworking is a young, growing industry that is well positioned to gain favourable political support mainly for the economic and social benefits that it provides for the local communities. It is an active vehicle that is transporting the new, mobile worker and integrates seamlessly with the new technologies and business trends. Although there are many challenges in operating a

³² (DeGuzman & Tang, 2011)

coworking space, the long term benefits are substantial with many new, unforeseen opportunities yet to be uncovered.

RESEARCH OBJECTIVES AND METHODOLOGY

Research for this business venture came mainly from primary and secondary sources. Primary sources included discussions with individuals and groups that could be categorized as potential customers. Secondary sources included research data from journal articles, reports, surveys, books, and website articles. The two main objectives of the research were to find out the relevant fit for a coworking space in the Vancouver market and to learn more about potential customers and their needs.

The first objective was addressed by looking for coworking spaces that already exist in Vancouver. While the industry is still young and growing, it was compelling to see three companies that have already established coworking spaces in the Greater Vancouver region. Clearly, the space operators saw similar benefits of the coworking concept and were working with their own model to sustain a working business. To better understand their specific offering, position, and strategy, all three were visited for direct observation and interaction with the space operators and their members. The protocol for each visit was simply to determine information about the coworking space and the benefits offered to potential tenants. In Table 6, the three main coworking spaces are listed along with their primary strengths and weaknesses.

TABLE 6 STRENGTHS AND WEAKNESSES OF COMPETITORS IN VANCOUVER

Competitors	Strengths	Weaknesses
The Network Hub	<ul style="list-style-type: none"> - Established player in the Vancouver coworking scene - Multiple locations 	<ul style="list-style-type: none"> - Generic industry design - Minimal focus on creative community
Hive Vancouver	<ul style="list-style-type: none"> - Huge space - Support from city (non-profit status) - Big anchor tenants (Mozilla) 	<ul style="list-style-type: none"> - Complicated fee based services - Focused on technology and professional tenants

StartupsXL	<ul style="list-style-type: none"> - Multiple locations - Very simple business offering 	<ul style="list-style-type: none"> - Generic tech and venture start up focus
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The first space that was visited was The Network Hub.³³ This coworking space was started by a group of web developers who had been working from home and wanted to offer a solution to other young entrepreneurs who needed a boost after university. The business is privately operated and has locations in Gastown Vancouver and New Westminister. Having been in business for over four years, this is definitely a main player in the Vancouver coworking scene, with an established community of tenants. While their marketing messages suggest that they are positioning themselves as a trendy workplace open to creative entrepreneurs, the overall feeling was that of a generic corporate operation. Most of the tenants were technology focused; for example, small architecture and engineering firms. Pricing for Network Hub seemed high relative to other coworking spaces and included additional fees for extra services.³⁴ The space was very quiet and interaction between tenants seemed minimal except in common areas. Network Hub’s marketing and promotion strategy is heavily focused on press coverage and the benefits of coworking. The business has a very extensive blog and has been featured in many publications in Vancouver and on global coworking websites.³⁵

The second competitor that was visited was Hive Vancouver.³⁶ This was a completely different coworking space, in that that it had one, very large space, located in Gastown Vancouver. Unlike the Network Hub, which only had about 30 spaces, the Hive had approximately 100 spaces and multiple private offices for different companies. An employee at Hive was happy to offer a full tour of the facility and explain the concept of this business. With support from the City of Vancouver and a full board of directors, Hive’s position is that of a non-profit organization dedicated to community and business development in the Gastown/East Vancouver community. Like the Network Hub, the majority of the main tenants were technology and professional firms, such as website developers and engineering. One very interesting tenant was Mozilla Vancouver, which helps develop the Firefox Internet browser. This large, corporate business occupied a significant portion of the Hive, taking up a space that included over 15 desks. According to the space operator, the presence of a high profile firm such as Mozilla attracted many other young web development tenants who simply wanted to be close to that company. Like the

³³ See Appendix 5 for photograph of The Network Hub
³⁴ See Appendix 9 – Competitor Pricing Structure
³⁵ (The Network Hub - About Us)
³⁶ See Appendix 4 for a photograph of The Hive Vancouver

Network Hub, Hive Vancouver had an industrial, generic, and corporate atmosphere. Tenants worked mostly with headphones on and appeared to be lost in their computer screens. Part of Hive’s pricing strategy seems to be offering very wide array of product options. However, this appears to be a weakness as their pricing structure is very detailed and complicated, and may be difficult for potential tenants to fully comprehend.³⁷ There seemed to be very few standard pricing options as nearly everything was customizable and even similar desks had different prices simply because of the direction the windows faced.

The third main coworking space was StartupsXL located in Richmond, Gastown, and Kitsilano. Like the Network Hub, this business is also a privately operated business that serves a very specific niche. The position and strategy of this business was clearly focused towards providing business services for new technology startups. There was very little interaction between tenants and most of the space was allocated to semi-private offices. Although they emphasized that the business was a coworking space, it seemed to fall more into the shared, executive office rental model. In terms of pricing, StartupsXL had a very simple pricing structure that offered small, medium, and large options that catered to the different needs of their tenants.³⁸ Going back to the Coworking Pyramid of Needs, it seems that the only services that StartupsXL offers are the basics.³⁹

In addition to researching direct competitors, several substitutes were also observed for strengths and weaknesses as outlined in Table 7.

Table 7 Strengths and Weaknesses of Substitutes

Substitutes	Strengths	Weaknesses
Home Office (substitute)	- Free, no monthly rent charges	- No community or networking - Not professional
Coffee Shop (Starbucks, Blenz)	- Free (no rent, but there are cumulative costs) - Social environment	- Not professional - Inadequate facilities - Inconsistent availability of space
Library (substitute)	- Free	- Not professional - Inadequate facilities

³⁷ See Appendix 9 – Competitor Pricing Structure

³⁸ See Appendix 9 – Competitor Pricing Structure

³⁹ See Figure 1 Coworking pyramid of needs

As discussed in the coworking industry analysis, there are several pros and cons to working from home offices. Obviously, the greatest strength is the cost savings of not-having to pay additional office rent; but the drawbacks are the isolation and lack of professional networking. Coffee shops, while proving to be a popular place for young freelancers to work, still incur costs that can quickly add up.⁴⁰ Direct observation of several mainstream coffee shops in Vancouver proved that most were actually difficult places to conduct business, particularly to have professional meetings in a consistently reliable location. Specifically, during peak hours, with the high level of customer traffic, it was challenging to find a large enough workspace to conduct a meeting. Libraries, like coffee shops, mostly cater to current students and lack meeting spaces and facilities to conduct business meetings effectively.

A summary of the competitor and substitute analysis can be seen in Table 8 as well as the strategic position that Design House intends to occupy. The size of the space is important in determining how many potential customers could utilize a given workspace. Based on secondary research, most coworkers appear to prefer working in spaces with fewer than 30 neighbours and tenants.⁴¹ Pricing is a major concern for the freelance entrepreneur. While substitutes may seem to be an obvious, low cost alternative, there are still costs that can accumulate. Based on an analysis of global coworking rates and those of competitors in Vancouver, Design House will fall in the middle range of pricing structures.⁴²

TABLE 8 SUMMARY OF COMPETITORS AND SUBSTITUTE ANALYSIS

Competitor/Substitute	Size of space	Price	Industry Emphasis	Customer Interaction
Hive	100+ spaces	Medium	Tech industry	Medium
The Network Hub	25-30 space	High	Tech industry	Medium
Home office	1-2 desks	Low	Various	Low
Coffee shop	10 spaces	Medium	Social	Medium
Library	10-30 spaces	Low	Various	Low
Design House	30 spaces	Medium	Creative	High

The last two aspects analyzed were the industry emphasis and customer interactions at the competitor and substitute levels. Despite marketing strategies and positioning as being open to all creative

⁴⁰ (Kwiatkowski & Buczynski, 2011)

⁴¹ (King, 2011)

⁴² See Appendix 9 Competitor Pricing Structure

industries, all competitors in the Vancouver market seemed to emphasize the technical side of the industry. Customer interaction was more difficult to gauge. Based on direct observation of each competitor, it appeared that customer interaction and community development was less apparent than expected. Hive and Network Hub had substantially less interaction than expected and at StartsupXL it was almost non-existent.

The second objective of the research was to identify the needs and behaviour of potential customers. The methodology for this objective was to engage potential customers through personal meetings, casual discussions, and direct survey questions. Between February 1 and March 15 participants were individually interviewed to gain a better understanding of the characteristics and needs of the potential coworker for Design House. Four individual professionals responded with detailed answers to a survey that was sent to 10 small business operators in the creative industries.⁴³

Protocol for the remaining interviews was to be a casual and open format simply to discuss the way potential customers worked and what was valued in a workplace. The emphasis during discussions was not to suggest the specific business or reveal an intended pricing strategy, but rather to identify what types of services would be appealing and how much the interviewees would be willing to pay for a collection of such services. Specifically, the issue of pricing was left open so as to not to lead the interview. In selecting participants, the criteria were a combination of recent graduates just starting their careers and professionals who had been working for some time.

CUSTOMER ANALYSIS

Customer Attitudes

The average coworker has many needs and wants that are unique. This is closely connected to the pyramid of needs and what is important to the coworker.⁴⁴ Looking at the attitudes of coworkers helps to understand the potential behaviours better. Coworkers have wants and needs that reflect the attitude of this market segment. Overall, these customers are social, personable, and want to be a part of a community. Many freelancers work from home, but feel that social interaction is important personally and professionally. These workers prefer walking over driving and want to be able to work close to home.⁴⁵ What motivates many freelancers is the shift away from the traditional workplace and structured office

⁴³ See Appendix 16 for local survey responses

⁴⁴ Figure 1 Coworking pyramid of needs

⁴⁵ (Lalorek, 2012)

environments. This customer is not looking for a 9-5 job and appreciates the freedom and flexibility of having control over their business and personal lives.

The 1st Global Coworking Survey sought to find out what coworkers wanted in the space and what was important to them. The vast majority of coworkers surveyed indicated a positive attitude towards the concept of coworking and the spaces they have been involved in.⁴⁶ In addition to the overall attitudes discussed earlier, coworkers specifically had preferences for the design of the coworking space and the amenities offered. In general, coworkers wanted small, interactive spaces with a balanced mix of shared and private workspaces. Large spaces with over 50 people were not appealing and most preferred spaces with 20-30 members.⁴⁷ Internet access, printers, meeting rooms, and shared kitchens were among the top amenities identified. However, the most important need was a positive community, abundant human interaction, and the ability to share knowledge. Recreational features such as video games and ping-pong tables, common in many tech firms, were surprisingly not appealing to coworkers at all as the majority treated the space as a place of serious work and not a playground.⁴⁸ In fact, many freelancers fail because of the wrong attitude and behaviours towards their own business, such as unrealistic expectations, lack of organization, and procrastination.⁴⁹ The attitudes and values of coworkers do change over time as individuals grow and develop professionally and personally.

Customer Behaviour

With coworkers wanting control over their business and personal lives, choosing to use a coworking space depends on many factors. Coworking spaces offer a product that services several needs for the potential coworker in terms of attitude, values, and situational conditions. The increasing number of people choosing to become freelance, entrepreneurs reflects the overall attitude that there are alternatives to working in a traditional office structure. More people working in coffee shops or at home further supports the evolution of technologies that allow highly mobile workforces. Choosing to join a coworking space reflects the value that these individuals see in community and social networking. Coworkers are much more likely to be social and willing to put egos aside and work in teams, especially to collaborate on short term projects with other members. They contribute to the space and absorb knowledge from others. Geographically, coworkers tend to live nearby and walk to work, which reflects the importance of lifestyle and freedom.

⁴⁶ (Foertsch, The 1st Global Coworking Survey, 2010)

⁴⁷ (Foertsch, The 1st Global Coworking Survey, 2010)

⁴⁸ (Broek, 2011)

⁴⁹ (Martel, 2010)

The behaviour of coworkers has been found to evolve over time and eventually reach a maturity level. In the first year, most freelancers, who are new to coworking, choose to rent non-dedicated spaces. They may be entrepreneurs looking to acquire their first office space, but see coworking as a stepping stone. This may be a reflection of being at an early stage of business and wanting to keep their fixed costs low. New freelancers and entrepreneurs may also travel frequently to find new business and simply not need the space all the time. Many coworkers have been found to use coworking spaces in multiple cities around the world as needed. Older coworkers who have been in business for some time or have gained experience with coworking spaces tend to prefer the dedicated spaces. Their businesses are certainly more established and they may even have employees. As coworkers mature and grow their businesses, many desire larger spaces or move on to their own offices. Compared to the overall community of freelancers, coworkers generally tend to be more organized, proactive, and successful.

Primary Target Segment (\$500 level)

Based on our analysis of customer attitudes and behaviours, and other secondary sources, Design House's primary target market will be established, creative professionals that run small businesses in Vancouver, working either from home or through temporary offices. These potential coworkers are looking to take their existing freelance or small business to a higher level professionally. Generally, this market can be defined as:

- Sex: Male (60%) and Female (40%)⁵⁰
- Income: >\$65,000
- Age: 25-45 years old⁵¹
- Occupations: Graphic designers, photographers, video producers, interior designers, bloggers, website designers, not for profit⁵²
- Description: Professional, successful, design driven, freelancer, may have 1-2 employees
- Reason for joining: Need a professional semi-permanent workplace, convenient, professional, help contribute to community⁵³
- Psychographics: Artistic, creative, proactive, social and community driven, seeks knowledge, business oriented
- Usage rate: 5 to 6 days a week

Secondary Target Segment (\$250 level)

The secondary target audience will be creative professionals earlier in their business development or those who simply do not want the commitment of a dedicated workspace. They will sign up for the

⁵⁰ (Small Business Profile 2011: A Profile of Small Businesses in British Columbia, 2011)

⁵¹ (King, 2011)

⁵² (Foertsch, The 1st Global Coworking Survey, 2010)

⁵³ (Jones, Sundsted, & Bacigalupo, 2009)

non-dedicated space and need only a shared workspace to do work occasionally. Generally, this market can be defined as:

- Sex: Male (60%) and Female (40%)⁵⁴
- Income: >\$40,000
- Age: 25-35 years old⁵⁵
- Occupations: Graphic designers, photographers, writers, bloggers, website designers, interior designer⁵⁶
- Description: Recent graduates, design driven, independent, freelancer, new business owners, travelers
- Reason for buying: Get out of house, professional development, cost effective, convenient
- Psychographics: Artistic, creative, innovative, lifestyle driven, world traveler
- Usage rate: 2-3 days a week

Competition and Competitive Edges

Potential customers for Design House currently have several options when picking a place to work in Vancouver. There are many substitute services and locations, such as working at a coffee shop, library, or at home offices. These locations are alternatives to a coworking environment, but the experience and value is completely different. As for direct competitors, there are a few established coworking spaces that also emphasize the social networking environment, but they have considerably different approaches. Some emphasize a vast working space, while others are heavy focused on tech industries. Each competitor and substitute has its own strengths and weaknesses.

Our competition also has several strengths and weaknesses in terms of the major purchasing criteria for potential buyers. Design House is hoping to position its value proposition against the competition and distinguish itself in several categories. Based on direct observation of the competition at their location, it is clear that the majority of the coworking spaces are catering to start-up companies in or related to the tech industry. The atmosphere is quiet in most spaces and lacks the vibrant atmosphere that Design House will be offering. Coffee shops are a substitute, but generally lack the professionalism and consistency of a more appropriate place to work. While size is a benefit to a coworking space's revenue stream, in the form of additional space to rent, it can have a detrimental effect by taking away from the community atmosphere. Instead of simply having the largest space available, Design House is determined to keep the space limited to a community of 30 spaces and semi-permanent tenants to emphasize a boutique environment.

⁵⁴ (Small Business Profile 2011: A Profile of Small Businesses in British Columbia, 2011)

⁵⁵ (King, 2011)

⁵⁶ (Foertsch, The 1st Global Coworking Survey, 2010)

Estimated Market Size and Sales Potential

The estimated market share is difficult to determine because of the newness of this industry. Creative freelancers, in particular, are difficult to account for from a market size perspective. However, assuming that freelancers in our target audience run small businesses that have one to five employees, this category can be used to determine the approximate size of the potential market in Vancouver. According to BC Stats, micro-businesses with fewer than five employees accounted for 82% of the 391,700 small businesses in the province.⁵⁷ This equals approximately 321,194 micro businesses in the province. Of this group, 222,500 were considered self-employed with no employees, or roughly 70%.

Individuals and groups working in creative industries also are considered a part of business services in the high tech industries, which are among the fastest growing sectors in the province. Between 2007 and 2010, there were 263 new high-tech businesses, with the highest growth in computer and related services, at 8.3%.⁵⁸ Downtown Vancouver, as a part of the Mainland/Southwest region of British Columbia, represented some of the highest growth rates of self-employment in the province. This region also has the largest number of small businesses, with approximately 59.1% or 231,000 companies. Using the percentage of micro-businesses (82%), there are roughly 189,420 in this region. If it is assumed that 70% of these micro-businesses have no employees, that would mean there are approximately 132,594 self-employed entrepreneurs in the Mainland/Southwest region, which includes Downtown Vancouver.

Business services make up 21.7% of the total industries covered, which means that there are 28,773 individual, self-employed workers in this region. There are three major coworking spaces in Vancouver with available spaces ranging from 30 to 100 desks. An aggressive assumption would be that Vancouver has 400 available desks in coworking spaces. Assuming that the average dedicated desk is \$500 a month, this would mean the current Vancouver market is worth roughly \$2.4M annually in desk rentals alone. In 2011, an event called Freelance Camp was organized by The Network Hub, attracting over 200 freelancers in the city to discuss opportunities and provide information about the coworking concept.⁵⁹ Even at maximum capacity, it seems unlikely that the current presence of coworking spaces in the city is even closely servicing the potential market, with the vast majority either working from home offices, temporary rental offices, or coffee shops. In the West End alone, there are over 2500 people who

⁵⁷ (Small Business Profile 2011: A Profile of Small Businesses in British Columbia, 2011)

⁵⁸ (Small Business Profile 2011: A Profile of Small Businesses in British Columbia, 2011)

⁵⁹ (Freelance Camp - The Unconference, 2011)

work from home offices.⁶⁰ Even if only half that number was included in an estimate, the sales potential could be up to \$7M annually.⁶¹

Ongoing Market Evaluation

The development and growth of the Design House coworking space and community will be an on-going, organic evolution. Members of the community will be contributors to the future of the space and help determine its success. Design House will continue to stay on top of trends and remain at the forefront of the changing work environment. Coworking is a relatively new industry and has the potential to grow significantly in the years to come.

Vancouver may only have fewer than five coworking spaces presently, but the growth of new spaces will likely increase in the years to come considering the population of freelancers who work from home and who would benefit from this type of business. Based on the growth rate of global coworking spaces and the low ratio of vacant desks to potential coworkers, it can be assumed that the Vancouver market will see several new spaces over the next two to three years. The concept will likely spread to accommodate niche coworking spaces and to suburban communities outside of the downtown core. Growth of spaces will likely be moderate because it takes time for communities to become established.

Space size, pricing, network emphasis, and atmosphere have been designed based on our market research, but will need to be fine-tuned as the business operates. Constantly staying in touch with the community will be critical in understanding customer needs, buying behaviour, and preferences as Design House grows and expands as a business.

THE ECONOMICS OF THE BUSINESS

Determining a profitable and sustainable model has been a critical aspect in the designing and planning of this venture. From the beginning, the on-going questions have focused on the size of the space, number of space users and frequency of use, membership rates, and ability to cover fixed and variable expenses.

Ratio Between dedicated and non-dedicated spaces

In designing the coworking space, the appropriate ratio dedicated spaces to non-dedicated spaces was assessed. Several pricing structures were explored, including having hourly usage rates and providing

⁶⁰ (Community Statistics Census Data - West End, 2006)

⁶¹ Based on 1500 coworkers renting at \$500 per month for 12 months

private offices. Originally, the idea was to have the vast majority of space open and available to walk-in traffic. Workspaces would be rented out by the hour with a few dedicated desks and private offices to create an even balance. However, based on the interviews and discussions we had with potential customers, it was determined that the majority of the users, roughly 80% wanted something semi-permanent. This was further reinforced by similar, if not higher, ratios at spaces such as Hive and Network Hub. An analysis of the revenue and cash flow also confirmed that a higher portion of dedicated spaces would generate increased revenues through a more consistent and sustainable volume of customers.

Private Offices for Rent

Initially, private offices, such as those that Hive and Network Hub have, were considered a top priority. The anchor tenants, who typically occupy this type of space, would be a key draw to future tenants while providing the business with a steady, long term cash flow solution. However, the market rates for a private office comparable to competitors and substitutes (generic office rentals in Vancouver) were less attractive than having more, dedicated, semi-private workspaces. Not only did the private space generate less potential revenue, it also took up a significant amount of floor space. The Hive has a very large plot a real estate that can accommodate the physical requirements needed for private offices. The other consideration was that private offices, while appealing to some, took away from the community aspect of the coworking space. In the end, there were many reasons not to have private offices, but mostly it came down to reduced revenue, increased physical requirements, and negative impact on community environment.

Meeting Rooms

One reason why coworking spaces offer a higher level of professionalism is the availability of furnished meeting rooms. These play an important part for freelancers to meet with clients and for small groups to brainstorm new ideas. Renting out meeting rooms to members was considered as another revenue source, but an analysis of the financial benefits proved marginal. To differentiate from other coworking spaces, Design House will include meeting rooms, based on availability, for dedicated space members. This adds further value and fits with the overall strategy of having a simple pricing structure.

Other Potential Revenue Drivers

Several other revenue drivers were explored, but dedicated workspaces, non-dedicated workspaces, and events were the main offerings included in the start-up and first year of operations. The

business is, however, community focused and designed to expand and grow with several other possible sources of revenue that have not yet been considered. Other revenue sources could include hardware and software rental, online directories, design contests, portfolio spotlights, post processing services, and packaged rates for international freelancers. A more detailed analysis of these revenues sources will be explored as the business progresses through the first year of operations.

Summary of Main Revenue Drivers

The main revenue drivers of the business and features are outlined in Table 9. Space rentals are divided between non-dedicated spaces and dedicated spaces. There will be a higher portion of spaces for dedicated users. Non-dedicated users can register to be a part of the community and are free to use available workspaces. These, lower level members also represent a revenue stream that is not entirely limited by the capacity of the space. Events represent a high potential revenue stream that can grow substantially given proper organization, planning, and promotion.

TABLE 9 MAIN REVENUE SOURCES

Main Revenue Sources	Rate	Usage	Main Features
Non-dedicated Spaces	250	16-25 members per month	<ul style="list-style-type: none"> - Membership to the community - Access to an available, open workstation - Access to shared kitchen - Open common area - Internet access (Wi-Fi and LAN available) - Use of meeting rooms - Participation in social and networking events
Dedicated Spaces	500	20-24 members per month	<ul style="list-style-type: none"> - Membership to the community - 24/7 access to semi-private, dedicated workspace, storage lockers - Access to shared kitchen - Open common area - Internet access (Wi-Fi and LAN available) - Priority access to meeting rooms - Discount participation in social and networking events
Events	250	12 participants a month	<ul style="list-style-type: none"> - Range from \$250 to \$1000 for a half/full day session - Expert speaker or professional on design focused topic (i.e. photography, interior design) - Professionally organized for groups 10-15 in size - Opportunity for anchor tenants (the \$500 level group) to participate as speakers - Excellent professional career development focus

Overall Attractiveness of the Business

There are several aspects of the business model that make it attractive. First, the revenue streams in terms of product breadth and depth are highly flexible and can adapt as the business operates. The core revenue driver for dedicated space is sufficient to cover the fixed costs of the business while the other streams contribute to a positive cash flow and towards the overall margins of the business. The capital requirements to start the business are relatively low and there are no major inventory requirements.

Estimated fixed and variables costs are presented in Table 10 and a breakdown of variable costs is given in Table 10. The primary variable costs will be for the events, seminars, and workshops that will be coordinated at Design House. Speaker fees for events are anticipated to be range from \$300 for a half day session to over \$1500 for a more prominent speaker. Materials for the events and other administrative

costs are included in the variable expenses. The sales and promotion of events are covered by the salaries in the fixed costs.

TABLE 10 FIXED AND VARIABLE COSTS

		204,000
Net Revenues		
Sales & Marketing		
Drivers		
Salaries and Benefits		13,800
Commissions % of Revenue	5%	10,200
All other expenses % of Revenue	6%	12,240
Total Sales and Marketing		36,240
% of Revenue		17.8%
All other expenses % of Revenue	2%	4,080
Total Research & Development		4,080
% of Revenue		2.0%
General & Administration		
Salaries and Benefits		26,000
Depreciation		0
Lease of computer hardware		4,000
All other expenses % of Revenue	2%	4,080
Total General & Administration		34,080
% of Revenue		16.7%
Total Operating Expenses		74,400
% of Revenue		36.5%
Allocation of Operating Expenses between:		
Variable		30,600
Fixed		43,800
Total		74,400

Event revenues are highly flexible and can be significant, depending on the speaker, duration, and participant levels and are summarized in Table 11.

TABLE 11 VARIABLE COST BREAKDOWN

Variable Costs			
Workshop	Charge per participant	\$ 250.00	100%
	Number of participants	12	
	Less: COGS		
	Speaker fees	\$ 600.00	
	Materials	\$ 150.00	
	Subtotal (COGS)	\$ 750.00	
	Cost per participant	\$ 62.50	25%
	Gross Margin	\$ 187.50	75%

Event revenues are highly flexible and can be significant, depending on the speaker, duration, and participant levels. Revenue estimates have been based on the lowest charge out per event, but it is expected that higher value events will happen once the business is in operation. For example, event revenue forecasts are extremely conservative at \$36,000 per year.⁶² Design seminars and workshops can range from this estimated rate to significantly higher rates, depending on the speaker, subject and duration.⁶³ Depending on industry demands, organization capacity, and marketing efforts, more events could be held, increasing this revenue stream significantly. The main attractiveness and logic behind events is that this revenue stream is not limited by the capacity of the space. Unlike dedicated and non-dedicated desks, which are essentially limited to the size of the space, events could be held at the space, at other venues, and for a much larger audience.

Estimated Startup Costs

The largest portion of estimated startup costs goes into interior design, renovations, and labour costs. Since the focus on the business is design and inspiration, more attention has been allocated to this area. Website development and branding will be another major cost component. The estimated startup costs are tabulated in Table 12.

⁶² Based on one event per month and 12 participants at \$250

⁶³ See Appendix 13 Design Focused Seminars, Workshop and Events

TABLE 12 ESTIMATED STARTUP COSTS

Estimated Startup Costs	
Interior Design and decoration (materials and labour)	\$ 60,000.00
Legal fees, professional fees and licenses (incorporation, financing/accounting, business license, etc.)	\$ 5,000.00
Website development, branding, and marketing	\$ 10,000.00
Working capital (Operating cash, business development, etc.)	\$ 20,000.00
Contingency	\$ 15,000.00
Total Startup Costs	\$ 110,000.00

Overall Economic Model: Logic of Profit

Design House has three main revenue drivers that target a specific market segment. Fixed costs are relatively low compared to the potential revenue generated and there is no inventory to tie up capital costs. The space is rented, designed, and renovated to be an organically shared coworking space for multiple tenants, both dedicated and non-dedicated, including facilities for meetings rooms and events.

Revenues from space members will be used to help cover fixed costs. At \$5500 a month, the business will require 20 dedicated members and 16 non-dedicated spaces each month to sustain the business. Based on estimated market size potential, marketing, and sales efforts, these targets should be achievable within the first year of operations. This represents 80% occupancy; the business will be capable of accommodating 24 dedicated spaces and up to 20 non-dedicated spaces.

The basic fixed expenses for the business include fixed operating expenses of \$43,800 and fixed costs of revenue of \$65,000 for the first year. This primarily includes the cost of rent for the facility and employee wages. This means the business needs to generate \$9067 per month in revenues to cover the fixed expenses. With 80% (20) of the dedicated spaces filled every month, the business can generate the necessary funds to cover the fixed expenses.⁶⁴ If 80% (16) of the non-dedicated spaces are filled, there are additional annual revenues of \$48,000.⁶⁵

Based on the estimates in the financial forecasts, breakeven occurs at revenue of \$179,515, which will occur in month 11 of the first year.⁶⁶ This estimate is based on having fixed costs remain unchanged during the year and a slow, but steady growth in sales revenue. The fixed costs of operations have also been estimated on the high-end of market rates, despite having a substantial discount for a first year

⁶⁴ 20 spaces (out of 24) x \$500 x 12 months = \$120,000 annual from dedicated spaces.

⁶⁵ 16 spaces (out of 20) x \$250 x 12 months = \$48,000 annual from non-dedicated spaces.

⁶⁶ Figure 5 Breakeven

startup. Specifically, this means that rent costs have been made using market rates for retail space rent in the Downtown Vancouver core based on square footage.⁶⁷ In reality, Design House will be negotiating a substantial discount for the space based on having a direct relationship with the space owner. This advantage helps the business mitigate the financial risks of start-up and first year operations.

While the forecasts and projections have been made with conservative estimates, there are still many risks and factors that could negatively impact the success of the business. If the targets are not met in any of the three revenue streams, a delay in the intended breakeven date of 11 months could occur and produce a negative cash flow. Fixed operating costs such as salaries could be insufficient for the level of sales and marketing needed which could also challenge the business to find other alternatives in this area. A graph of revenue over time illustrating breakeven is presented in Figure 5.

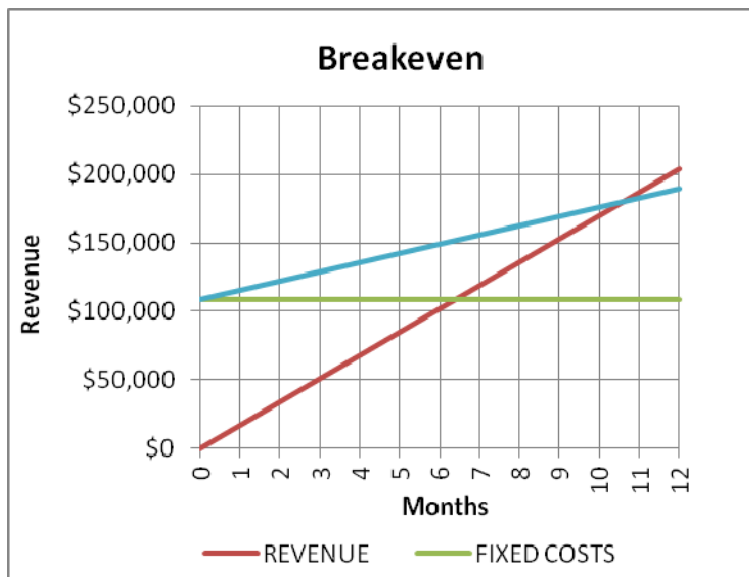


FIGURE 5 BREAKEVEN GRAPH

MARKETING STRATEGY

Position Statement

As a business, Design House is positioning itself as an inspiring coworking space for creative, freelance professionals, operating a self-employed, small business in the city of Vancouver. The company will be differentiated from other coworking spaces in Vancouver by:

⁶⁷ (Markle & Bagan, 2011)

- Design focused coworking space,
- Simple pricing structure,
- Community focused on building inspiration.

Initially, Design House will target creative, freelance professionals between 25 to 45 years old working from home offices in the Vancouver metropolitan area. Awareness of the concept, workspace, and brand will be primarily through word of mouth and social networking. The feeling, experience, and niche of the coworking space will be very different from what exists currently. Marketing efforts will rely more on social media and less on traditional advertising. The initial space for Design House will be opened in the West End of downtown Vancouver with the goal of expanding to other locations in the near future. Expansion into other areas will depend on the success of the initial space.

Customer

Our primary target market will be established, creative professionals that run micro businesses in Vancouver, working either from home or through temporary offices. Our secondary target audience will be similar professionals, but either earlier in their business development or those who simply do not want the commitment of a dedicated workspace. They will sign up for the non-dedicated space and need only a shared workspace to do work occasionally. Most customers will be independent freelancers with a small portion who may have employees.⁶⁸ These potential coworkers will primarily be involved in creative industries and will be looking to take their existing freelance or small business to a higher level professionally. Creative professionals could include individuals working in photography, website programming, graphic design, interior design, writing, and other creative arts.

The primary customer is an entrepreneur in their mid-twenties to late thirties. Age is a factor and older, more established freelancers will likely be among the primary segment while younger, new freelancers will be among the secondary group. Globally, coworking spaces have shown that the ratio is roughly two-third men and one-third women.⁶⁹ In British Columbia, self-employed entrepreneurs have a similar breakdown; 64% men and 36% women.⁷⁰ As such, it can be expected that a large majority of the initial customers will be males in this demographic. According to a recent study of coworker profiles, the majority have higher education levels, with 75% having completed at least a Bachelor's degree, and earn incomes above the national average.⁷¹ Even individuals with advanced graduate degrees are not

⁶⁸ (Small Business Profile 2011: A Profile of Small Businesses in British Columbia, 2011)

⁶⁹ (Foertsch, The 1st Global Coworking Survey, 2010)

⁷⁰ (Small Business Profile 2011: A Profile of Small Businesses in British Columbia, 2011)

⁷¹ (King, 2011)

guaranteed success and may eventually choose to leave the industry and find employment elsewhere. In Canada, 70% of micro businesses with less than four employees remain in business after five years.⁷²

In addition to the demographics and professions, the target customer has particular attitudes that motivate their behaviour in and out of work. These individuals are highly social and value a sense of community. Specifically, they are interested in the human interaction, knowledge sharing, and sense of belonging that comes with a well-designed coworking space. This group believes in freedom, flexibility, and control over their professional and personal lives. The traditional office and 9-5 working hours are unappealing to this group. Although this group includes many freelancers, this customer is professional in their attitude towards their work, their clients, and their business. As a result, the target audience tends to be proactive, organized, and professional, and takes pride in the efforts they put into their own business. They join coworking spaces to learn as well as to contribute to the community.

Company

As a new entrant in the coworking industry, Design House will be positioning itself as a boutique coworking space that focuses on creative professionals in the Vancouver market. Design House has several valuable tangible and intangible resources that it can exploit to achieve a competitive advantage against direct competitors and available substitutes. These include having a physical space, ideally situated in West End. This neighbourhood already has a strong sense of community and is rich with young, urban professionals who own their own businesses, work from home, and generally walk everywhere. The coworking space will be operated by a group of established freelancers and small business owners deeply involved in a wide range of creative industries.

As with the global coworking industry, the city of Vancouver is relatively small in terms of coworking operators. The concept of coworking solves several problems for freelance professionals and entrepreneurs operating small businesses and can be done through a sustainable business model. The goal of the company is to help grow freelance professionals working in creative industries in the Vancouver market.

Competitors

There are several competitors in the Vancouver market for coworking spaces, but all seem to have different offerings, pricing structures, and marketing strategies. Because of this, Design House is focused on establishing a new coworking space that fills a void that is not being currently serviced.

⁷² (How Long Do Small Businesses Survive?, 2011)

Collaborators

Unlike most other mature industries, the newness of coworking helps facilitate collaboration through many channels, including direct competitors. Evidence has shown that the more coworking spaces a single city has, the more profitable all coworking spaces generally are.⁷³ In addition to the possibility of collaborating with competitors, there are plenty of opportunities for Design House to work with schools, local organizations, and governments groups to help foster career, community, and business development.

Context

The behaviour of workers is shifting away from traditional office environments to more mobile workplaces. More people are becoming self-employed and starting small businesses and can collectively benefit from sharing costs and risks. Technology is constantly improving the ability for companies and individuals to work on projects with speed and efficiency.

Marketing Mix

Product

The objective of the product design is to offer a simple but valuable service that fills the need of the target audience. The strategy of the product design is to service two primary target audiences. As a business, Design House is positioning itself as a coworking space for creative, freelance professionals, operating a self-employed, small business in the city of Vancouver. Design House will begin operations with three focused product lines in the form of dedicated work spaces, non-dedicated spaces, and design focused events. This is relatively narrow product breadth, but the strategy here is to keep services simple and easy to understand for customers and operations simple for the business. While there are several other potential product lines, these services will make up the core revenue streams of the business. Future expansion of services will explore additional product lines both in breadth and depth.

With regard to product line length, the two levels of space rentals will only have one price point. Some competitors have different pricing points depending on the tenant, but Design House is focused on maintaining a simple, but effective pricing strategy.⁷⁴ The product line with a deeper depth will be the events. Events can take the form of educational seminars, workshops, and social events with a wide range of participants and pricing structures. Some social events could be priced low to attract larger groups

⁷³ (Foertsch, The Development of Coworking Spaces, 2012)

⁷⁴ Some not-for-profits and charities have discounted rates as space tenants at Hive in Vancouver.

while technical workshops will be priced significantly higher but appeal to a smaller audience. Table 13 shows the depth, breath and length of the product line.

TABLE 13 PRODUCT LINE DEPTH, BREADTH, AND LENGTH

Product Line			
Dedicated Space	\$500		
Non-dedicated Space	\$250		
Events	Seminars	Workshops	Social events
Future Product Lines			

Price

The objective of the pricing is to offer a service that is competitive within the range of coworking spaces and office rentals in Vancouver while providing the venture with a viable, sustainable revenue source. The strategy for the pricing is to be perceived as simple to understand and easy to see value.

A potential customer’s willingness to pay was assessed by three factors: the average price of coworking spaces globally, the average price of a coworking space in Vancouver, and the average price of office rent in Vancouver. The Hive Vancouver is priced from \$475 to \$600 per month for a dedicated desk with 24/7 access.⁷⁵ The Network Hub only has shared coworking spaces ranging from \$250 to \$350 per month and private offices starting at \$750 a month.

The pricing strategy for Design House will be two tiered with a \$500 per month level for dedicated workspaces and a \$250 per month level for non-dedicated workspaces. These prices were determined by an analysis of the industry standard for shared and dedicated workspaces, office rental in Vancouver, and research gathered from direct market intelligence.⁷⁶ Researching willingness to pay was difficult based on the natural tendency for interviewees to underestimate their price point. While most responded with pricing ranges that fell above the \$500 target pricing strategy, Design House decided to offer prices similar to industry standards for an equivalent, dedicated workspace in Vancouver’s coworking industry.⁷⁷ From this price point and revenue forecasts, the business can be competitive and generate a positive cash flow.

Unlike the competition, Design House will not have customized pricing. This fits with the marketing strategy to offer an all-inclusive package of services with each product line. Key features and services available at the coworking space will be all inclusive to the monthly membership fees without

⁷⁵ See Appendix 9 – Competitor Pricing Structure

⁷⁶ (Markle & Bagan, 2011)

⁷⁷ See Appendix 9 – Competitor Pricing Structure

any additional pay-as-you-go fee structure. The purpose of this is to simplify the customer experience and focus on the community instead of being compared to a cell-phone provider looking to simply extract maximum revenues.

Promotion

The objective of the promotions will be to generate awareness among potential members, stakeholders, and the community. The strategy of the promotion will be to gain maximum impact using relatively low -cost, high visibility social media tools and online guerilla marketing tactics.

Marketing and communication efforts will be highly focused at Design House to reach its intended target segment of creative freelance professionals operating small businesses. The mission of these efforts will be to generate a buzz and attract potential tenants to become members at Design House. Key messages will be focused on educating tenants on the benefits of coworking and the emphasis on design and creative industries. Promotions will mainly be delivered through various social media platforms, including websites and blogs. Traditional print advertising will be considered but will be limited as the intended target audience will find the majority of their information online. Advertising in newspapers and magazines is costly and limited to the readership of those media. Online promotion through a wide range of social media channels will be used to generate awareness because of overall cost savings, connection to the target audience, diversity of channels, and vast potential of Internet readers. Strategic search engine optimization and Google adwords will be used to further build awareness and exposure.

Sales promotions to attract members will be early registration incentives, community contribution services, and design contests. Public relations efforts will include developing press releases and contributing to educational seminars promoting the coworking concept. Promotions will be targeted to various businesses, schools, and other community groups. Design House will leverage its in-house expertise in graphic design, photography, and videography to develop a highly attractive brand and professional promotional materials.

The overall strategy of promotion efforts will be to target the creative freelancers' niche. Design House is looking to appeal to an audience that values inspiration and creativity in the visual arts and technology. Key messages will be focused on being a part of a design oriented, knowledge sharing community and having a professional place to work, meet, and network.

A marketing budget is included in the initial startup costs and will be an on-going percentage of revenues. This budget will include hiring of a sales and marketing contractor to engage in personal selling to recruit members and event participants. Specific tasks include educating and consulting for new potential members and users as well as event sales and promotion.

Key channels of promotion will include:

- Social media technologies (design blogs, Youtube, vimeo, facebook)
- Google Adwords and SEO (Search Engine Optimization)
- Grand opening launch party
- Partner with similar businesses (other coworking spaces)
- Advertise through other associations (design and film schools)
- Target international language schools for potential customers
- Video production (EF international Vancouver)

Promotional Tactics

Specific promotional tactics will consist of direct sales and marketing efforts that will come from both the managing partners and sales employees. The firm will be responsible for providing information about the business concept, educating customers on the solutions provided, and assuring that after sales service to members are maintained. This is applicable to the primary market segment for dedicated and non-dedicated space users. Events will have a larger target audience spread over a wider base. Promotion of events for this category will be delegated to a sales contractor paid through a salary and commission structure. These tactics will be coordinated and managed routinely as the business operates in order to maximize efficiency and prevent potential overlaps and conflicts.

Another promotional tactic to consider will be to utilize the space users themselves. This is a business based heavily on the development of a community. Whether good or bad, the buzz generated through word of mouth can have a serious impact on the brand reputation of the business. Design House must be aware of the implications and potential drawbacks of utilizing online social media tools and networks. A focused, social media strategy and policy must be developed that works together with the overall goals of the business and marketing strategy.

The sales cycle for Design House has been developed primarily as a reflection of the overall marketing strategy. Community development among creative industries is by far the most important differentiator of the business and needs to be emphasized at all levels of the cycle. From the experience to the relationship management, the focus of Design House must be community first and not simply a corporate entity renting out empty office desks. This is not a business that simply provides office services,

but one that brings talented individuals and groups together and facilitates an environment of inspiration, sharing, and collaboration. The sales cycle is illustration in Figure 6.

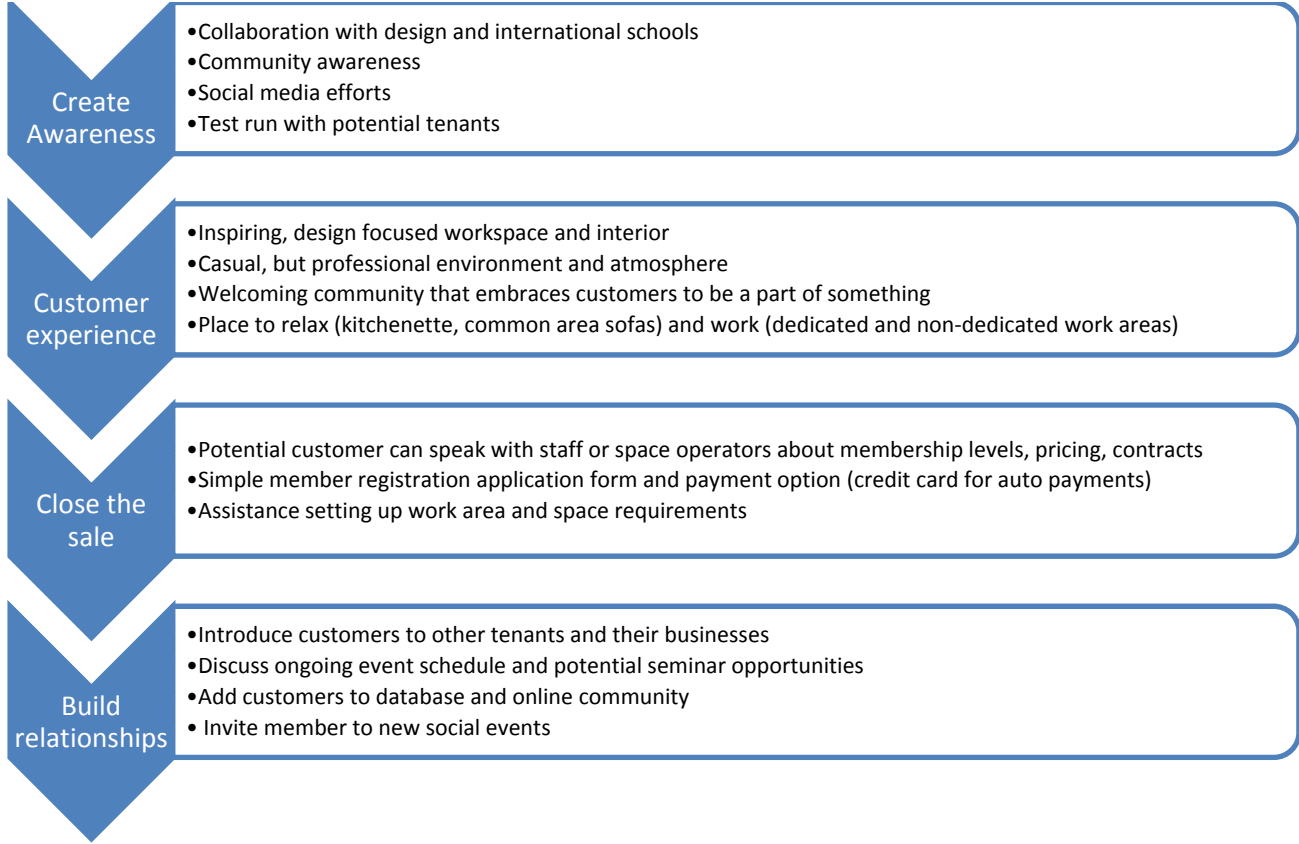


FIGURE 6 THE SALES CYCLE

Sales Tactics

Initial sales prior to launch will be done through the operating partners of Design House. Each partner has contacts and connections with strong potential customers considering a shared workspace in various areas of the creative industries. Word of mouth and an active social media push will be important to securing the first anchor tenants for the space. Existing relationships with working professionals and design schools will be leveraged to further generate buzz and source potential customers. The goal will be to secure an initial group of tenants before launch so that when doors open, the business is already populated.

Once Design House is open for business and tenants fill spaces, the on-going sales efforts will be focused on not only filling workspace but participation in events. The events are a key revenue driver for the business and it will be important to have the workshops booked at near full capacity. Design House

has factored in hiring a dedicated sales and marketing contractor to actively promote the coworking space and the on-going events.

PRIMARY RISKS AND ASSUMPTIONS

The primary risks have been identified in the previous analyses. The risks and the assumptions made in this business plans are summarized in this section.

Revenue forecasts

The revenue, sales, and growth forecasts have been made with very conservative assumptions. Research has shown that the demand for this type of space is high and the business is offering a limited, but desirable, environment in which to work. Despite this, all revenue forecasts are assuming 80% occupancy for all space and events.

Cost of Events

The variable costs of organizing and planning events is based on industry standard costs and will fluctuate mainly from speaker to speaker. While we expect workshops with higher profile speakers to command greater participation fees, all revenues from events have been forecast using a base \$250 event fee, which is at the lower end of typical price points for professional development courses.

Labour Costs

Design House is offering a commission based contract to promote events and market the business. The contractor hired will be a young, energetic event promoter whose sole purpose will be to fill spaces at the on-going events. Administrative and support staff will be hired on a competitive, hourly wage. Their role will be to assist with the day to day operations of the workspace, manage tenants, and support any customer needs.

Capital Expenditures

The initial start-up costs for the store have been thoroughly researched. However, the materials and labour costs associated with the space renovation could vary depending on the design. Estimates have been based on the high end of market costs despite the significant advantage of having an in-house interior designer and contractor. Similarly, website and marketing materials development have also been forecast using market prices. Having the website designed and developed in-house could make a significant reduction in actual costs.

Employees

Administrative Support

We are making the assumption that we can hire two part time staff for an hourly wage. This wage will be competitive wage compared to the industry average in Vancouver. Design House will be looking to find an employee who is motivated by the location, inspiration, and design of the space. This role will also be responsible for supporting memberships and account management.

Sales and Marketing

This is a full time position paid by a base salary and bonus commission to promote events and the space. Their key responsibility will be to drive participants to the events and fill the vacant spaces. The assumption and expectation here is that the position will be filled by a younger, energetic event promoter who is enthusiastic and outgoing. The challenge will be to find the right fit and have driven, self-motivated employee.

Critical Risks

The biggest risks that Design House faces that have been identified in this business plan are:

- Not enough customers willing to pay for available spaces
- Not enough participants willing to participate in events

Design House has conducted extensive research on the coworking movement internationally and here in Vancouver and believes that the business offers a significant value proposition that solves a unique problem for several market segments. Filling space may seem challenging at first, but as the space grows and develops organically, word of mouth and social networking will spread customer awareness of the business. Holding educational seminars, workshops, and events is another revenue stream that will help grow the business, support a positive cash flow, and increase the exposure of Design House. Speakers and participants will come to the space for events and quickly learn first-hand what is happening at this coworking space.

The financial risks associated with the business typically revolve around revenue forecasts and cost estimates. For all of the financial statements, revenue forecasts have been extremely conservative and variable and fixed costs have been increased substantially to be safe. Design House is not asking for any external funding outside of the operating partners and already has ownership of the location in Vancouver. A summary of risks and solutions is presented in Table 13.

TABLE 14 RISKS AND SOLUTIONS

Risk	Effect	Solutions
Initial location in downtown west side Vancouver is not ideal for this type of business	Coworking space does not attract the intended clientele.	Look at other locations in the Vancouver area or wait until an ideal location is found. Set a deadline for this task.
Community is not functioning as originally planned or intended	Some tenants may become dissatisfied and choose to leave	Consider reorganizing the ratio of dedicated versus non-dedicated spaces or remap the entire space layout
Unable to establish sufficient customer base	Design House is not profitable	Focus on increasing marketing efforts or pullout of market
Business model is not working and not sustainable	Loss of revenues and possibly members as well	Stay flexible from the beginning and expect changes in the business model and marketing strategy
Workshops not successful	Poor attendance, negative impact on revenues	Rethink workshop topics, speakers, pricing, recruiting efforts

DESIGN AND DEVELOPMENT PLAN

The Design House team will need to complete the following tasks before opening for business and operations:

- The location is owned by George’s family so there is no need to locate premises and rent from another owner. We will need to identify and comply with building and city codes pertinent to the intended use of the space prior to renovation and design.⁷⁸
- Interior design and renovation (in-house)
 - This is critical to the overall feeling of the space and the customer experience. The design of the space must be inspiring to creative people and reflect the latest design trends.
 - Design overall colour scheme, theme, and material usage.
 - Design workstations and shared spaces to be trendy, appealing, and functional.
- Hire sales, marketing, and event promoter
- Hire administrative support staff
- Design logo, website, branding messages (in-house)

Operations Plan

Technology used at Design House will be equivalent to any professional business office. Board meeting rooms will have screens, projectors, and conference call equipment.⁷⁹ All workstations will have

⁷⁸ See Appendix 11 for Proposed Layout and Floor Plan

Internet access and the entire facility will have high-speed, wireless Internet. Hardware and software equipped workstations and offices will have professional, industry specific equipment. Operation needs will be limited to one to two administrative staff to provide support and answer inquiries.⁸⁰ Sales, marketing, and event planning will be contracted out. Operation costs and overhead are kept low and flexible.

Management Team

The partnership/management team consists of George Wang, Michael Jager, Annie Lemonni, and David Pao. This team has extensive experience and unique connections among creative, freelance professionals in Vancouver. George Wang is a highly sought after documentary photographer in Canada and brings a unique approach to various creative industries. Michael Jager is an internationally recognized furniture and interior designer with high profile projects across major cities in Asia and North America. Annie Lemonni is an accomplished graphic and web designer with extensive expertise in branding, image consulting, and social media strategies. David Pao brings his expertise in business development, marketing, and communications.

Management Compensation and Ownership

Ownership of the business will be engaged through a profit sharing basis so no regular salaries will be paid. Partners will have an ownership portion of the venture that is equivalent to the equity investment contributed.

Compensation

Design House will have developed a clear job description for the administrative support position and sales/marketing contractor position. These will be refined for use during recruitment efforts prior to the launch of the business. It is critical that Design House find the right fit for the company culture and business concept. Wages will be competitive with industry standards for administrative support and entry level marketing positions. Performance bonuses and commissions will be calculated based on sales as further incentive for employees.

Supporting Professional Advisors and Services

Professionals and advisors in the form of legal, accounting, and business banking will be outsourced. Existing contacts and referrals through networks will be utilized to find appropriate support

⁷⁹ See Appendix 10 for detailed operational requirements

⁸⁰ See Appendix 12-13 for detailed front stage and back stage operations

for the needs of the business. IT services and systems administration of computer networks will also be contracted out and included in the startup costs. On-going IT support will be contracted out, but requirements are assumed to be minimal.

The organization structure is illustrated in Figure 7.

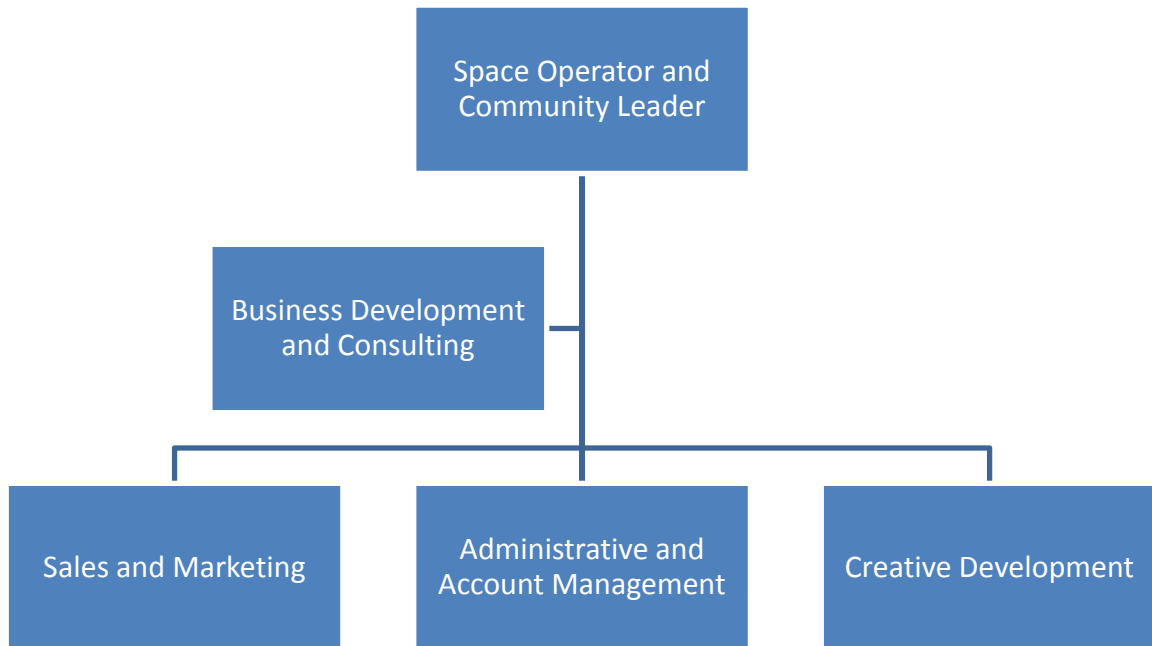


FIGURE 7 ORGANIZATION STRUCTURE

Overall Schedule

The overall schedule for the entire business cycle, from planning to operations, has been charted and is presented in Table 15.

TABLE 15 SCHEDULE OF SLIPPAGE/IMPACT/MITIGATION

Tasks	Duration	Probability of Slippage	Impact to Schedule	Mitigation
Completion of Business Plan	45 days	Low	High	Focus additional resources to flesh out areas of concern, gaps in analysis
Organize Financials	5 days	Low	High	The business is being self-financed by partners so timing is important
Market Grand Opening	25 days	Medium	High	Increase marketing pushes to generate more buzz and coverage about the launch of the business
Branding	10 days	Low	Medium	Branding will be done in-house with multiple revisions finished well in advance. Must be tied closely to overall marketing strategy.
Design/Construct Interior	20 days	Medium	High	Design and construction done mostly in-house. Some work and labour outsourced. Always a potential for delays so work will be scheduled well before launch.
Design Website	14 days	Medium	Medium	Website design and programming done in-house. Initial website will be kept simple to meet launch date and left with potential for growth. It will be the cornerstone for online

Tasks	Duration	Probability of Slippage	Impact to Schedule	Mitigation
				presence.
Interview staff and hire staff	20 days	Medium	Medium	Leverage contacts in design community to find appropriate staff. Hubert and Annie will be acting as space operator onsite during initial launch and can take over duties as needed.
Test Operations	14 days	Low	Medium	Delay grand opening if major delays occur, but will expect operations to evolve and grow with business.
Identify and mitigate issues	7 days	Low	Medium	Prioritize any major problems and address them as needed.
Open for Business	Month 1	Medium	High	Delays to grand opening must be minimal as it impacts all other aspects of the schedule and forecast targets.
Break even target	Month 11	Medium	Medium	If breakeven target is not reached as intended, assess situation, look for gaps and other problems. Increase sales/marketing efforts.
Weekly Meetings		Medium	Medium	Regular meetings are important to ongoing operations and focus of business. If any are missed, important to reschedule quickly.
Monthly Strategy Meetings		Medium	Medium	Regular meetings are important to ongoing operations and focus of business. If any are missed,

Tasks	Duration	Probability of Slippage	Impact to Schedule	Mitigation
				important to reschedule quickly.
Monthly Financial Meetings		Low	Medium	Meetings for financials must be conducted regularly. Professional accounting and financial advice will be outsourced.

Financial Overview

To ensure that thorough and viable financial planning has been completed, various financial implications and scenarios have been examined. Detailed financial statements can be found in the Appendix.⁸¹ A summary of this exercise includes the following points:

- Financials are viable given our assumption of new space tenants in the dedicated and non-dedicated spaces as well as delivering a steady stream of events.
- The main variable costs will be related to the events. Higher value speakers will raise costs, but can also mean higher revenues for the event.
- Owner funding will go primarily towards startup costs and capital expenditures for the first two months. Once tenants begin occupying the space, cash flow will be sufficient to help support the business.
- If partners want some kind of immediate payback, perhaps the start-up costs should be structured as a shareholder loan – The partners could then receive principle and interest payments. By deferring these payments say for the first 5 years, new store start-ups could be funded organically by the end of 2012.
- The West End of Vancouver is a strong starting point with a high proportion of educated, above average income households, individuals working from home, and high levels of foot traffic.
- The Vancouver market can easily support another coworking space as indicated by multiples locations opening in Gastown, New Westminster, Richmond, and Kitsilano.
- There will be no receivables – Credit cards will be charged automatically for space members.

⁸¹ See Appendix 1-3 for Pro Forma Balance Sheet, Income Statement, and Cash Flow Statements

VRIO Analysis

A VRIO analysis was performed to ensure that all risks and opportunities have been identified and that the business plan is grounded in sound assumptions. A summary of the VRIO analysis of resources is presented at the conclusion of the analysis summarized in Table 16.

TABLE 16 VRIO ANALYSIS OF RESOURCES

VRIO Resources	Resource Type	Example
Tangible Resources	Financial	Firm has the capacity to raise equity
	Physical	Has access to a facility, heavily discounted rent and operating costs
	Technological	Has industry expertise in various design fields
	Organizational	Has effective strategic planning, experience operating new businesses
Intangible Resources	Human	Experience and capabilities of managing partners
	Innovation and Creativity	High levels of creativity
	Reputation	Well known in individual, respective professions, but not in the coworking industry.

Question of Value

The firm has resources that enable it to exploit an environmental opportunity. Design House has access to both tangible and intangible resources that are valuable in exploiting a current, environmental opportunity. Based on the market research of this industry, there is a significant opportunity to enter the forefront of the coworking industry in Vancouver. The customer needs an interactive community to work, network, and develop personally and professionally. Design House satisfies this need by providing a designed, community driven coworking space where individuals and groups can meet, work, and develop their businesses. Design House offers value by reducing the risk of operating a small business in the creative industries and helping these freelancers and businesses achieve their true potential.

Question of Rarity

The managing partners of Design House consist of a team of professionals that have unique skills and experiences in a wide variety of creative industries. While there are many talented working professionals, it is not common for a group as diverse as this to come together with a unified goal of

creating a new venture. Furthermore, the team at Design House has access to a unique property in downtown Vancouver as well as the ability to raise the working capital needed for the business.

Question of Imitability

Other new entrants can imitate this business concept, but will have to do it at a significant cost disadvantage and undertake substantially more risk. Design House has access to valuable, in-house resources in design, development, and strategic planning that other firms would need to outsource at high market prices. While revenue forecasts and estimates are based on market prices, Design House is expecting to negotiate favourable terms and conditions during the initial one year startup period. This will help mitigate much of the startup risk during the first year of operation.

Question of Organization

Design House is spending a significant amount of time in the early stages to effectively research the industry, market opportunity, business model, organization structure, and finances before moving forward. The business organization is designed to exploit all of the resources that the firm has in order to successfully maintain a sustained competitive advantage. However, since the business is not yet in operations, it is only assumed that it will be highly organized and effective.

Based on the VRIO analysis and questions, it is evident that Design House has resources that are valuable and rare, leading to expectations of having a competitive advantage (at least temporarily). Costs of imitation are high due mainly to costs of starting up the business and costs associated with social complexity (social relationships not replicable). Organization of the resources is ranked moderate to high, meaning that the advantage is currently between temporary and sustained. If properly coordinated, the competitive advantage of the business could easily be sustainable.

CONCLUSION

The overall purpose of this business plan project has been to research and analyze the potential of opening a coworking space, tentatively called Design House, in Vancouver, British Columbia. The space has been designed to appeal to creative professionals located in Vancouver who are freelancers, entrepreneurs, and small business owners. Design House offers two levels of community members and will deliver design focused events, workshops, and seminars for the surrounding community.

Coworking is a new, growing industry that has begun to catch on in cities around the world with several spaces already establishing themselves in Vancouver. Research from this project has shown a

significant, untapped potential market in the Vancouver freelance community and has identified a service that will appeal to the attitudes of these customers. Design House offers value to creative professionals who work from home or at coffee shops by providing a community based, professional workplace to meet contacts, network, and collaborate with like-minded people.

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APPENDICES

Appendix 1 Pro forma cash flow statement

Design House						
Cash Flow Statement						
Years 1 to 5						
(\$)						
	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>	
OPERATING ACTIVITIES						
Net Earnings	-25,760	50,684	58,229	122,111	188,711	
Depreciation	0	0	0	0	0	
Working Capital Changes						
(Increase)/Decrease Accounts Receivable	-30,478	1,793	-26,045	-9,412	-27,888	
(Increase)/Decrease Inventories	-30,478	1,793	-15,495	-7,598	-22,512	
(Increase)/Decrease Other Current Assets	-3,672	216	-3,138	-1,134	-3,360	
Increase/(Decrease) Accts Pay & Accrd Expenses	31,767	-1,700	27,301	9,866	29,232	
Increase/(Decrease) Other Current Liab	3,672	-216	3,138	1,134	3,360	
Net Cash Provided/(Used) by Operating Activities	-54,948	52,570	43,989	114,967	167,543	
INVESTING ACTIVITIES						
Property & Equipment	0	0	0	0	0	
Other						
Net Cash Used in Investing Activities	0	0	0	0	0	
FINANCING ACTIVITIES						
Increase/(Decrease) Short Term Debt	0	0	0	0	0	
Increase/(Decrease) total Long Term Debt	0	0	10	0	0	
Increase/(Decrease) Common Stock	1	0	200	200	200	
Increase/(Decrease) Preferred Stock	0	100	0	0	0	
Dividends Declared	0	0	0	0	0	
Net Cash Provided / (Used) by Financing	1	100	210	200	200	
INCREASE/(DECREASE) IN CASH	-54,947	52,670	44,199	115,167	167,743	
CASH AT BEGINNING OF YEAR	80,000	25,053	77,723	121,922	237,089	
CASH AT END OF YEAR	80,000	25,053	77,723	121,922	237,089	404,832

Appendix 2 Pro forma balance sheet

Design House						
Balance Sheet						
Years 1 to 5						
(\$)						
	<u>Begin</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
ASSETS						
CURRENT ASSETS						
Cash	80,000	25,053	77,723	121,922	237,089	404,832
Accounts Receivable		30,478	28,685	54,730	64,142	92,030
Inventories		30,478	28,685	44,180	51,778	74,290
Other Current Assets		3,672	3,456	6,594	7,728	11,088
Total Current Assets	80,000	89,680	138,548	227,426	360,737	582,240
PROPERTY & EQUIPMENT	0	0	0	0	0	0
TOTAL ASSETS	80,000	89,680	138,548	227,426	360,737	582,240
LIABILITIES & SHAREHOLDERS' EQUITY						
CURRENT LIABILITIES						
Short Term Debt	0	0	0	0	0	0
Accounts Payable & Accrued Expen		31,767	30,067	57,368	67,234	96,466
Other Current Liab		3,672	3,456	6,594	7,728	11,088
Current portion of long term debt	0	0	0	10	10	10
Total Current Liabilities	0	35,439	33,523	63,972	74,972	107,564
LONG TERM DEBT	0	0	0	0	0	0
STOCKHOLDERS' EQUITY						
CommonStock	0	1	1	201	401	601
Preferred Stock	0	0	100	100	100	100
Retained Earnings		-25,760	24,924	83,153	205,264	393,976
Total Equity	0	-25,759	25,025	83,454	205,765	394,677
TOTAL LIABILITIES & EQUITY	0	9,680	58,548	147,426	280,737	502,240

Appendix 3 Pro forma income statement

Design House						
Income Statement						
Years 1 to 5						
(\$)						
	Year 1	Year 2	Year 3	Year 4	Year 5	
NET REVENUES	204,000	240,000	471,000	552,000	792,000	
COST OF REVENUE	80,360	89,000	175,840	195,280	284,280	
% of Revenues	39.4%	37.1%	37.3%	35.4%	35.9%	
GROSS PROFIT	123,640	151,000	295,160	356,720	507,720	
% of Revenues	60.6%	62.9%	62.7%	64.6%	64.1%	
OPERATING EXPENSES						
Sales & Marketing	36,240	40,200	65,850	89,520	115,920	
Research & Development	4,080	4,800	9,420	11,040	15,840	
General and Administration	34,080	38,700	47,840	52,640	61,440	
Total Operating Expenses	74,400	83,700	123,110	153,200	193,200	
% of Revenues	36%	35%	26%	28%	24%	
EARNINGS FROM OPERATIONS	49,240	67,300	172,050	203,520	314,520	
EXTRAORDINARY INCOME / (EXPENSE)	-75,000	0	-75,000	0	0	
EARNINGS BEFORE INTEREST & TAXES	-25,760	67,300	97,050	203,520	314,520	
INTEREST INCOME / (EXPENSE)	0	0	-1	-1	-1	
NET EARNINGS BEFORE TAXES	-25,760	67,300	97,049	203,519	314,519	
TAXES	0	-16,616	-38,820	-81,408	-125,808	
NET EARNINGS	-25,760	50,684	58,229	122,111	188,711	
% of Revenues	-12.6%	21.1%	12.4%	22.1%	23.8%	

Appendix 4 Hive Vancouver Coworking Space ⁸²



Appendix 5 The Network Hub Vancouver ⁸³



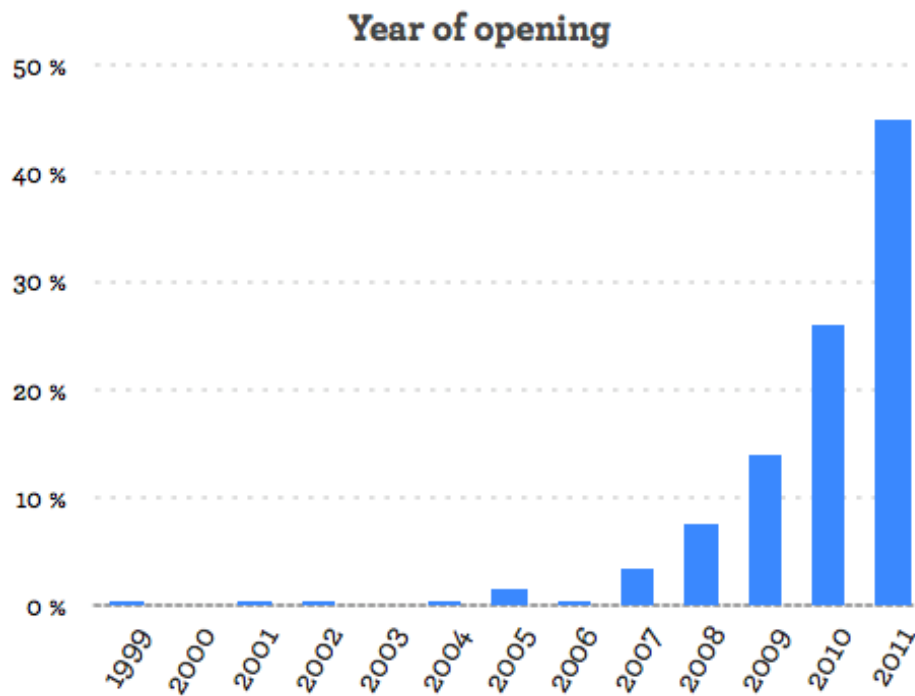
⁸² (HiVE Space Members, 2012)

⁸³ (The Network Hub - About Us)

Appendix 6 Seats2Meet Coworking space in The Netherlands

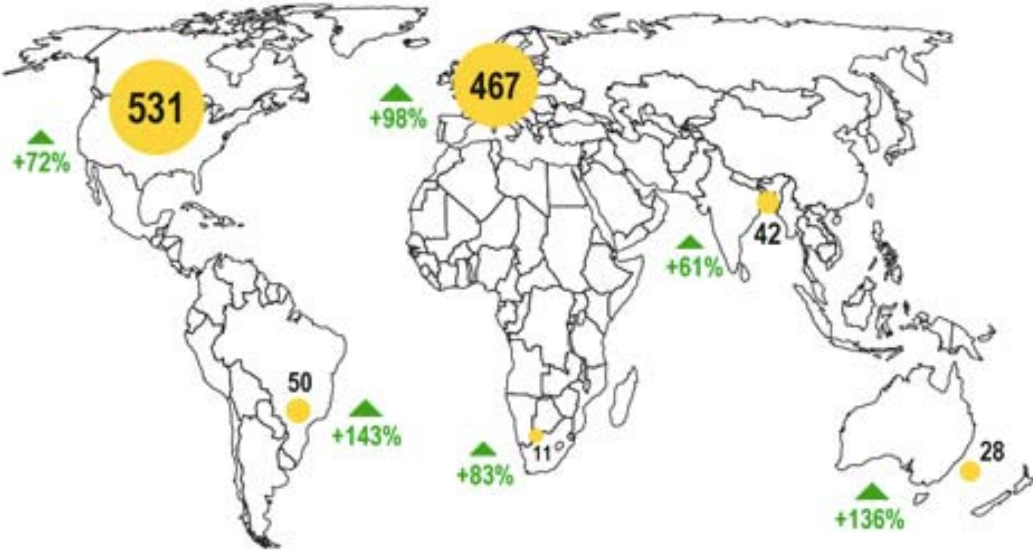


Appendix 7 Growth of Coworking Spaces since 1999⁸⁴



⁸⁴ (Foertsch, The 2nd Global Coworking Survey, 2012)

Appendix 8 Estimated number of coworking spaces globally in 2012⁸⁵



⁸⁵ (Foertsch, 1320 coworking spaces worldwide, 2012)

Appendix 9 Competitor Pricing Structure

Nextspace Model	Rate (min)	Rate (max)	Duration	Comments
Mailbox Membership	\$ 50.00		Monthly	
Café Membership	\$ 200.00		Monthly	
Workstation Membership	\$ 350.00		Monthly	
Office Membership	\$ 650.00		Monthly	
Enterprise Membership	\$ 2,500.00		Annual	
Hive Mode	Rate (min)	Rate (max)	Duration	Comments
Community Membership	\$ 10.00		Monthly	Discount on pay per use services
Permanent Desk	\$ 475.00	\$ 600.00	Monthly	Minimum 12 month lease, rate based on location, lots of additional upgrade options, includes setup fees
Hot Desks	\$ 7.00		Hourly	Drop in rate
Hive 5-80	\$ 25.00	\$ 350.00	Monthly	Minimum 6 month contract, rates based on hours per month (5-80 hours), bulk rates available, sharing available
Large Meeting Room	\$ 25.00	\$ 40.00	Hourly	Rates based on daytime and night time hours, for profit and non-profit status
Small Meeting Room	\$ 15.00	\$ 30.00	Hourly	Rates based on daytime and night time hours, for profit and non-profit status
Small Event Space	\$ 40.00	\$ 90.00	Hourly	Rates based on daytime and night time hours, for profit and non-profit status
Other Services				Projector, screen rental, storage space, copies, prints, fax
Network Hub	Rate (min)	Rate (max)	Duration	Comments
Hot Desk	\$ 5.00		Hourly	Daily maximum is \$35.00, hours from 9-5pm.
Coworking space	\$ 250.00	\$ 350.00	Monthly	
Private Office	\$ 750.00	\$ 1,350.00	Monthly	Fully furnished private offices from 100-360sq ft.
Meeting Room	\$ 25.00	\$ 35.00	Hourly	Rates based on daytime and evening with \$280 flat weekend rate
Event Space	\$ 350.00		Weekend	Flat weekend rate between 9-5pm, additional \$95/hour after 5pm

Mailbox Rental	\$ 25.00		Monthly	
Mail Forwarding	\$ 45.00		Monthly	
Phone Answering	\$ 50.00	\$ 185.00	Monthly	
Service Bundle	\$ 100.00	\$ 135.00	Monthly	
Affinity Lab	Rate (min)	Rate (max)	Duration	Comments
Full Member	\$ 895.00		Monthly	Min 3 months, up to 4 people, 24/7 access, 100 sqft desk space
Shared Member	\$ 525.00		Monthly	Min 3 months, up to 3 people, 24/7 access, 100 sqft desk space
Virtual member	\$ 325.00		Monthly	
StartupsXL	Rate (min)	Rate (max)	Duration	Comments
Small	\$ 300.00		Monthly	
Medium	\$ 750.00		Monthly	3 month term
Large	\$ 950.00		Monthly	3 month term

Appendix 10 Design House Geographic Location and Physical Location Requirements

- West side Vancouver (Nicola and Nelsen)
- 2000 square foot location on two floors
- 25 dedicated workspaces
- 15 non-dedicated shared spaces
- Open lounge area (comfortable sofas, furniture, casual meeting space)
- Shared kitchenette (areas to eat, have a coffee)
- Lockers for storage (dedicated locker area or storage under desk)
- Reception desk for administrative support and walk-in traffic inquiries
- 2 meeting rooms (6-8 people each)
- Seminar/workshop area
- Workstation and meeting room rentals
- Meetings and event planning
- Paid parking lots on Davie and Robson
- Parking arrangements can be made with local apartments for a limited number of passes that can be used on the street.
- 24/7 access to work areas (Installation of FOB keys to allow access to dedicated space members)

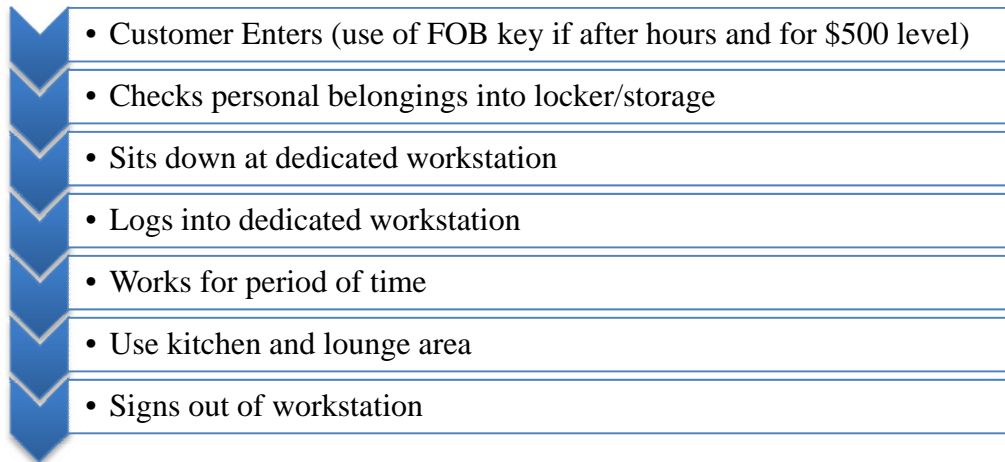
Facilities and Improvements

- Wall coverings and paint
- Flooring and installation
- Furniture and lighting fixtures

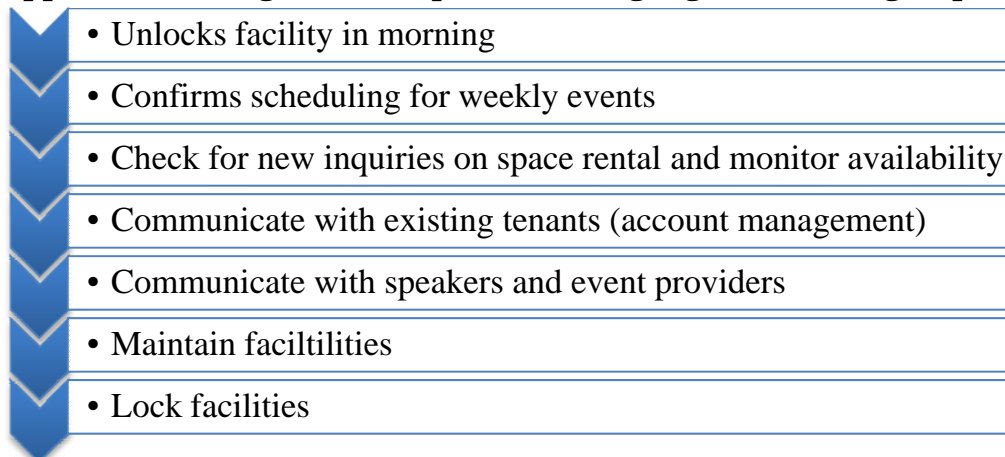
Equipment Requirements

- Computer equipment
- Networking hardware
- Printing hardware
- Software licenses
- Projectors/Screens
- Security system
- FOB/Keycard access system

Appendix 12 Design House Operational Highlights: Front stage Operations

- 
- Customer Enters (use of FOB key if after hours and for \$500 level)
 - Checks personal belongings into locker/storage
 - Sits down at dedicated workstation
 - Logs into dedicated workstation
 - Works for period of time
 - Use kitchen and lounge area
 - Signs out of workstation

Appendix 13 Design House Operational Highlights: Backstage Operations

- 
- Unlocks facility in morning
 - Confirms scheduling for weekly events
 - Check for new inquiries on space rental and monitor availability
 - Communicate with existing tenants (account management)
 - Communicate with speakers and event providers
 - Maintain facilities
 - Lock facilities

Appendix 14 Design Focused Seminars, Workshops and Events

NAME	TYPE	DESCRIPTION	RATE	LOCATION
Type	workshops + seminars	international communication design conference	\$600/2 days (early bird \$400/\$500)	international (Berlin, London, San Francisco)
How Design Conference	workshops + seminars	4 different conferences (design, inhouse managers, creative freelancers, packaging design) at the same time	\$1595/5 days (all inclusive) \$1295/single conference \$545 for Creative Freelance Conference (2 days)	Boston
Pecha Kucha	seminar	slides presentations by local professionals	\$15/night (Vancouver rate)	international
Design Currency Vancouver (not sure if it's still running annually)	workshops + seminars	communication design conference	\$653/3 days (members) \$738/3 days (non-members)	local
Interlink Conference Vancouver	workshops + seminars	for web design & coding (1 day workshop, 1 day seminars)	\$195/workshop \$300 for 1 day seminars	local
Alt Design Summit	workshops + seminars	for bloggers (design, art, interior design, lifestyle, etc.)	\$500/4 days (?)	Salt Lake City
SFU Summer Publishing Workshops	workshops	focus on book, magazine, & online publishing; topics range from editing, design, sales, to marketing, etc.)	\$225/1 day \$600/3 days \$2000/2 weeks	local

NAME	TYPE	DESCRIPTION	RATE	LOCATION
Blim (local store)	workshops	craft making	\$20-\$110/day	
Type Camp	workshops	typography exploration	\$2390/6 days (depending on which country)	international
Boisbuchtet Summer Workshops	workshops	experimental workshops in different fields (fashion, industrial design, interior design, graphic design, ceramics, etc.)	\$1300/6 days \$1870/10 days \$2135/13 days	France
VIVO Media Arts Centre(local business)	workshops/seminars	topic range from video, audio, multimedia to programming	\$40/hour(for custom workshop, min. 2 hours) \$260/9 hours (non-members; \$210 for members) \$125/4 hours (non-members; \$100 for members)	local

Appendix 15 Global Coworking Survey Participants



Appendix 16 Local Survey Questions and Answers

How do you feel about sharing a workspace with a community of people like you?

- Would you be comfortable working with people in different fields from your own?
- Do you see value in collaboration and networking?

When you think about your ideal workspace, what do you see? (features/location/hours)

- How important is a dedicated workspace for you? (versus a shared space)
- How much would you pay for that space?

As a freelancer, how do you develop yourself professionally? (get new ideas)

- Do you attend events/seminars/workshops?
- How often? What's the average you spend?

I'd be happy to answer your questions; my friends (also designers) and I have always talked about renting a big space where we can get 6~7 of us together and share the work space. It's like a communal space we can have clients in, and actually "go to work" instead of get up, walk 6 feet to the desk, and work. So I like your idea.

1. How do you feel about sharing a workspace with a community of people like you?

- I would enjoy work in a public workspace with a community of professionals; I personally hate working in Starbucks because there's a whole bunch of random people who're there for various reasons. But in a space where everyone's there to work would

create a productive environment, as long as each individual would still get privacy and protected from distraction.

a. Would you be comfortable working with people in different fields from your own?

- I think there's benefit working with other people in different fields from my own. I don't really care what their job is. They could have valuable insight to my client's company, or just a non-designer offering a fresh eye. They may even be in my target audience. Also, I think designers or artists when they get together, they create a very weird-and-sometimes-self-indulgent dynamic, where they talk about design ONLY, so they egg each other on and become quite pretentious and silly. So diversity always offers better perspective.

b. Do you see value in collaboration and networking?

- Of course! **Is this a trick question? Our industry is about collaboration and networking.**

2. When you think about your ideal workspace, what do you see? (features/location/hours)

- I think the space has to be big and open; for creative work, I think being cramped in a tiny space is counter-productive. I think many creative people are actually claustrophobic. So, high ceiling for open thinking, big windows to let in natural light to check colours. Each individual work spaces where the workers and spread out their stuff when they're working. Well-defined areas within the space: desks areas, meeting area, kitchen, client meeting space, etc. I'm not picky about location, as long as there's a coffee-shop, and lunch places. I'm not snobbish about Main or Commercial, or I have to work in Gastown, or stupid things like that. But I do think it's beneficial to have an easily accessible place for clients to come meet you, and you're close to your suppliers, printer, or public transit. Hours? As in access to the building? I personally like to set my own hours; so it'd be great if the building is open. When I was at BCIT, the design lab was open 24 hours as long as you have a password to get into the building. Sometimes I'd get there at 11pm, and stay until 3... if I feel like it.

a. How important is a dedicated workspace for you? (versus a shared space)

- I would be okay with sharing a room with someone, but I'd like my own desk. Many designers are anal-attentive; Sometimes when I get to a client's office to work there for a short period, I'd spend 30 minutes to an hour on the first day setting my desk just the way I like it. So I think dedicated workspace is important; BUT if this it is to rent for a short period, as long as I can go into an empty space where I don't have to clean other people's crap off the table, I would be fine.

b. How much would you pay for that space?

- Am I renting this hourly? Weekly? Monthly? And what kind of facilities would I get with this?
- If I'm renting it hourly, I can probably do 12 bucks an hour, up to 65 a day for an 8 hour day.
- Weekly, I can probably afford to pay 180 to 225 a week; if I really need a space to work short term.
- Monthly, I'm afraid I wouldn't go higher than my weekly rate, otherwise \$200 per week for 4 weeks, I might as well pay \$800 per month for my own office. So for a monthly rate, I would perhaps consider 300~350 monthly.

3. As a freelancer, how do you develop yourself professionally?

- Well, I'm always taking regular classes, even if I'm NOT working towards a certificate. I buy magazines, I spend quite a bit of time online, I like to browse at Chapters and Oscar. I actually get more ideas from TV, friends, funny things I see. And then I go with these ideas, and then do some research on similar projects and learn from those.

a. Do you attend events/seminars/workshops?

- Yes. Yes. Yes. I should say though these are not designer's seminars --- because like I mentioned earlier, when designers get together, sometimes they get a little self-indulgent and talk about a lot of shit. So I don't really like those; But I will go to the ones where the topics are interesting, or relate to other areas in our society, so I get a better understanding of how design fits into our world. I learn more from these ones, than a seminar about drupal, or Photoshop.

b. How often? What's the average you spend?

- I tend to go for the free events and seminars if I can; I get invited by friends, and people in my network. So if I'm not limited to design events, I will go to 2~3 "art-and-culture-related" events per month, these include talks, art shows, performances, hands-on workshops. I suppose I can pay up to \$100 a month on professional development events-- besides, I can write those off taxes.

1. Working in a place with people from related fields is always valuable - for us, for example, it would make sense for us on a lot of levels to share an office with a bunch of photographers - potential clients, really. I would think that the networking and collaboration opportunities that would come from such a space could be very valuable for people in most creative fields. Plus, it's always inspiring to see what other creatives are doing, regardless of their field. The flip side is that I think we've also found some that keeping working distance from our clients can be valuable, and if you happen to work with the people in your shared space, there would need to be

some respect established for this. Sometimes it's just easier to work when people aren't potentially looking over your shoulder.

2. Features - **a kitchen area is pretty huge**, I think, and **windows are nice**. **Security** is significant for a space I'd leave a computer sitting in, and camera gear and such. We all love big spaces with wood floors and the like. :)

Location - best areas are probably either:

- a) in the South False Creek area, between Main and Cambie, Broadway and 2nd. There's just so much there - several studios, photographers, Flashpoint obviously, costume rentals, etc.
- b) gastown / railtown - close enough to transit options, but going a ways toward railtown ensures more parking options as well. I do really like our current neighbourhood near Pender and Beatty.

Hours - 24/7. Full unfettered access is always important for pretty much all creative people, I'd think.

I think that having your own workspace within a larger space is essential - your own place where you can have a desk, and leave your things. I also think that **some separation in the space is probably good** - a door to close to make a business call, for example, can be really helpful, and in general the ability to have a quiet space when you need one. Actually, having things open and airy is really nice and communal, but then it would be best if the space was large enough so that again, you can at least have enough space separation to make a quiet call.

I don't think anybody could imagine a space in an office can be less than \$250/month... I would expect a nice space could be closer to \$400/month per individual for a desk, another consideration is whether or not there's shooting/studio options, and a shared shooting studio plus a desk would be higher, I would think.

3. Haven't really attended workshops or seminars at this point in my career, but I try to network by showing up for CAPIC events from time to time, and always industry parties and such. Professional development is something I need to look more into...

Hope that helps!

Kev

Hi George,

Here are my responses:

1. How do you feel about sharing a workspace with a community of people like you?

I would love to share a workspace with a community of creative freelancers.

a. Would you be comfortable working with people in different fields from your own?

It would be fine if everyone worked in a slightly different field but I think it would be best if they were similar/related (ie. photographers, designers, illustrators).

b. Do you see value in collaboration and networking?

Yes! It's inspiring to be around other creative people and to hear about what they are doing. It's also nice to be able to pass around ideas, have others critique them or offer any advice for any creative or business problems.

2. When you think about your ideal workspace, what do you see? (features/location/hours)

- close to amenities (cafes, relevant stores like computer/office/photo stores)
- secure, no need to worry about anyone breaking in
- accessible 24 hours
- close parking
- close to transit
- windows (a view would be awesome)
- nice interior lighting
- high ceiling
- open (no walls, no cubicles)

a. How important is a dedicated workspace for you? (versus a shared space)

I don't mind sharing the entire space but it's very important to have a place to put my stuff and to sit down and work (my own desk that I don't share).

b. How much would you pay for that space?

For a shared space... \$300-\$600 depending on the size.

3. As a freelancer, how do you develop yourself professionally? (get new ideas)

- look at other art (drawings, paintings, photos, 3D) in books, magazines, online, or in galleries
- look back at old ideas (written down) and revise it
- share ideas with other and see what they think or have to offer to it
- try to do something creative often (draw, play an instrument, take photos, read books)

a. Do you attend events/seminars/workshops?

I should...

b. How often? What's the average you spend?

Nada

~Laara