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Firm Offers Designer Talent For Logos at Bargain Prices

With Internet, Businesses Can Cut Costs and Pool Work From Free-Lancers

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Stephen Foster dropped about \$4,000 hiring designers to create a logo for his small Benicia, Calif., real-estate development company, Mobius Development Inc. Unsatisfied after several attempts -- "they never grasped my idea" -- he finally hit the Internet, where he turned up a firm called LogoWorks.com.

For \$385, the company promised to put three designers on the job and offer him as many as eight different concepts. Mr. Foster was initially skeptical. "I thought there was a catch." But within a week, he had a full package of designs that, he says, "were on the mark."

The price was low, in part, because the designers were all free-lancers spread across the country working on their own computers, many at home, and didn't require office space or health benefits. They completed their jobs based on Mr. Foster's written specs, which they received online, never meeting or directly speaking to the client. When the sample logos were done, designers simply uploaded their work for his critique. As the client, Mr. Foster knew only that he got a half-dozen logo options at a fraction of what he'd previously paid.

"It democratizes services for small businesses," says Morgan Lynch, LogoWorks' founder and CEO. "If you can get two people to work on a project and then throw one away, why not do it?"

LogoWorks' operational structure illustrates just how dramatically the Internet has eased the entry and lowered the operational costs for many small businesses. With a Java-based software platform that the company spent \$2 million developing, LogoWorks now manages some 200 free-lance designers working anywhere in the world at any hour.

Because nearly all business is conducted online and via the telephone, the corporate headquarters can be based in Lindon, Utah, where real-estate prices and the cost of living are lower than in major design metropolises. Those savings enable the company to offer its services to other businesses at a fraction of the cost they might otherwise have paid. Some 90% of its clients are small firms, although the company has done work for bigger firms such as Pfizer, Sears and Toyota.

While there are many incarnations of the online free-lance business model for services such as copywriting and legal work, LogoWorks' secret sauce is an internal-ranking system that requires designers to be critiqued after every job by their peers.

Here's how it works: customers fill out a creative brief online and pick their price: from \$265 (two designers and four to six concepts) to \$549 (five designers and 10 to 12 concepts). The job is posted to a private area of the LogoWorks Web site where graphic designers sign up on a first-come, first-served basis.

The pay scale fluctuates. Designers are designated at expert, midlevel, or entry-level rank based on a point scale of 0 to 100. They all start at entry level, and their points and pay go up and down based on how their designs fare both with clients and with their peers. For instance, entry-level designers get paid \$25 per project; midlevel, \$30; and experts, \$40.

Pleasing the customer pays most: The designer whose work gets chosen earns an additional \$50 plus 10 points. However, they also get critiqued by their peers after every job in a fashion mimicking the old bell curve -- that is, someone's designs are always deemed best, while someone else's are deemed worst for a particular project.

Points are added or taken away based on these rankings. Fall below 80 points, and you get bumped to the midlevel pay scale. Fall below 30 and

you're back at entry level.

Designers acknowledge that in addition to a financial incentive, there's an ego factor when it comes to peer ranking. "It keeps it competitive and forces everyone to do a good job," says Columbus, Ohio, designer Michael Lancaster, a.k.a. "artboy," at LogoWorks. Since 2001, he says, he's taken in \$52,000 crafting designs for LogoWorks. Designers also get paid extra for revisions as well as for additional work, like stationery, that the client might request.

The structure has the curious side effect of forcing designers to look beyond the pure commercial appeal of their work. Mr. Lancaster, for one, estimates that customers pick "bad logos" more than half the time. "They'll want swirls with starbursts and too many colors, and it will give you a headache." Peers, says the expert-level designer, will see that and "dock you for doing something ugly."

Designers, meantime, are only hired on a referral basis by other designers. If their point rankings fall below a certain level, the software system limits how many jobs they can take. LogoWorks' Mr. Lynch, 33 years old, acknowledges the tough-love approach may not be for everyone. "Yes, a thick skin is needed. But that's why they get better."

So far the business model seems to be paying off for LogoWorks. The company says it has been profitable since July 2002 and last year took in revenue of \$3.5 million, which it expects to climb to between \$10 million and \$20 million this year. With logo costs so low, margins are razor-thin, "but it's OK because we make it up in volume," Mr. Lynch says.

Last year, his firm completed between 8,000 and 9,000 jobs and is on track to double or triple that number for 2005, according to Mr. Lynch. Permanent staff in Utah has climbed to 62 from just six at the end of 2002. That includes 25 backup designers who are on staff to

pinch-hit if the free-lance pool gets backed up, as well as 10 project managers who oversee jobs and are available by telephone.

Meantime, the laissez-faire operational structure suits designers such as stay-at-home mom Heather Frandsen, a.k.a. "Sprigg," who averages about 10 new projects a week. Last year, Ms. Frandsen says she took in \$35,000 in supplemental income and earned most of it from her Flower Mound, Texas home. "There are no meetings," she says, "and I don't have to interface with the clients who most of the time are talking in circles."

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