Design Council

The Value of Design Factfinder report

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The Value of Design
Factfinder report

Introduction

The content of the *Value of Design Factfinder* is based on two pieces of Design Council research. Design in Britain 2005–06 is based on the Design Council's National Survey of Firms and provides evidence of how businesses use and understand design, and how it impacts on their performance. In addition, the Value Added Research 2007 provides details of how businesses add value to their offer, use design to do so, and how this impacts on performance.

Design Council research found that design can directly and significantly improve sales, profits, turnover and growth. Using and valuing design brings bottom line benefits, and those who understand and act on this insight have a competitive edge over the rest.

For example:

– Rapidly growing businesses are nearly six times as likely as static ones to see design as integral.
– Shares in design-led businesses have outperformed the FTSE 100 by more than 200% over the past decade.
– For every £100 a design alert business spends on design, turnover increases by £225.
– Businesses that add value through design see a greater impact on business performance than the rest.

Value of Design Factfinder

For most users, our interactive online tool, the *Value of Design Factfinder,* is the easiest way to find the information you want. You can search by topic, region and sector and compile your own bespoke reports that make the case for design in your context. See www.designcouncil.org.uk/factfinder for more information.

This report is a text version of our research findings and includes breakdowns by region and sector and the materials held in the *Value of Design Factfinder*.

If you have any comments on this report or the research, get in touch with research@designcouncil.org.uk.

02 Background to the research

In this section you will find a brief background on how the research was conducted.

Background to research

The *Value of Design Factfinder* contains research from a number of sources. The main two sources are:
– The Design Council National Survey of Firms 2005
– Added Value Research 2007

The Design Council National Survey of Firms 2005
The National Survey of Firms, previously published as *Design in Britain*, has been carried out annually for several years. It's the most comprehensive investigation into the use of, and attitudes to, design among UK businesses.
For copies of *Design in Britain* from previous years, please visit our website.

In the 2005 survey, we interviewed 1,500 businesses with ten or more employees across the UK. The interviews were by telephone, with business managers. We analysed the data by sector and by region.

The results have been weighted to match the national population of businesses with 10 or more employees. This means that the findings quoted from the National Survey of Firms 2005 in the *Value of Design Factfinder* are equivalent to the results that would have been achieved from a census of all the businesses in the UK with 10 or more employees.

The 'design alert' analysis
From the 1,500 businesses that we interviewed in the National Survey of Firms 2005, we identified 250 where the use of design had made a direct impact on a number of measures, such as competitiveness, market share, turnover and employment.

We've called these 250 businesses 'design alert'. We went back to them with more detailed questions on their use of design, and the financial and performance benefits they've got from it.

These results are explored in:

– **What makes a business design alert?** This sets out the differences between design alert businesses and UK businesses overall, and shows how we identified the 250.
– **What design can do for your figures** This lists the bottom line benefits that design alert businesses gain from design.

Multivariate analysis
We wanted to find out more about the relationships between design and businesses' performance, so we conducted another piece of research. In order to do this, we ran the data from the National Survey of Firms 2005 through multivariate analysis. The findings are included in the *Value of Design Factfinder*. To find out more about multivariate analysis, see the Detailed research methodology.

Added Value Research 2007
The Design Council undertook research in 2006-07 to explore how UK businesses add value to their core offer and why. We also investigated the role that design plays in this process, either directly or indirectly.

We conducted interviews by telephone with businesses managers across the UK. We spoke to a total of 503 businesses with ten or more employees, across the manufacturing, retail and distribution and service sectors.

The results have been weighted to match the national population of businesses with ten or more employees. This means that the findings quoted from the Added Value Research 2007 are equivalent to the results that would have been achieved from a census of all the businesses in the UK with ten or more employees.

Want to know more?
Please contact research@designcouncil.org.uk

03 Headline facts

In this section you will find a quick summary of the most important findings from the research.

Headline Facts

Every **£100** a design alert business spends on design increases turnover by **£225.**

In businesses where design is integral to operations, over **three quarters** say they've increased their competitiveness and turnover through design.

Businesses that see design as integral don't need to compete on price as much as others. Where design is integral, **less than half** of businesses compete mainly on price, compared to two thirds of those who don't use design.

Shares in design-led businesses outperform key stock market indices by **200%.**

Almost half of all UK businesses believe that, over the past decade, design has become more important in helping them maintain a competitive edge.

Businesses where design is integral to operations are twice as likely to have developed new products and services. In the past three years, four fifths of them have, compared to a UK average of 40%.

On average, design alert businesses increase their market share by **6.3%** through using design.

Turnover growth is more likely for businesses that increase their investment in design. Conversely, those that decreased investment cut their chances of growth.

Two thirds of UK businesses believe that design is integral to future economic performance.

Rapidly growing business are **three** times more likely than the rest to consider design crucial to success.

Rapidly growing businesses are **nearly six** times more likely than static ones to see design as integral.

Over two thirds of manufacturers believe it's worth investing in design in their sector.

Rapidly growing businesses are **twice** as likely as the UK average to have increased investment in design. Over two thirds have done so recently.

Businesses that add value through design see a **greater impact** on business performance than the rest.

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04 Facts in detail

This section provides a look at design
in business in more depth.

04.1 Design and business performance

The link between design and better business performance

The headline

There is a link between design and better business performance. Our research helps to prove it.

For example, it shows that:
– Businesses that increased their investment in design over the past three years also increased their chances of turnover growth.
– Businesses that see design as integral are more than twice as likely as others to see rapid growth.

This section indicates nine ways in which businesses are using design for better business performance.

How we found out this evidence

In order to find out how design impacts on business performance, we had to isolate design from other business factors.

We built statistical models to find relationships between design and businesses' performance. We measured a number of indicators that characterise business growth. These include turnover, profit and employment growth. Then we measured the effect that businesses believe design has on their growth.

What can a business do to increase turnover growth?
Increase investment in design.
Turnover growth was more likely in businesses that had increased their investment in design over the past three years. Conversely, those that decreased their investment cut their chances of growth.

What can a business do to rapidly increase turnover growth?
Invest in design, then measure the return on design investment (RODI) in terms of the time it takes to recoup the investment.
Businesses that take design seriously are more likely to measure its impact. Rapid turnover growth was four times more likely for businesses that did this.

'On average, it takes 20 months for design projects to pay back the investment.'
Invotek case study

Develop new products and services.
This also nearly doubled the chances of rapid growth which increased by a factor of 1.9.

How can a business use design to increase turnover growth?
If you're designing new products and services, use design to lead and guide the process.
The chances of design contributing to turnover growth rose more than threefold (by 3.3) when this happened.

Use design in all stages of developing new products and services.
Businesses that did were twice as likely to see design contributing to growth (by 2.1).

Use design in business planning.
Doing so doubled the chances of design contributing to turnover and profit growth in the businesses we surveyed.

Use design in internally facing functions (such as workplace interior and internal communications).
This increased the chances of design contributing to turnover growth by 1.8 times.

What can a business do to increase design's contribution to employment?
Use design in internally facing functions (such as workplace interior and internal communications).
This increased the chances of design contributing to employment growth by 1.8 times.

What can a business do to increase design's contribution to turnover growth and profit growth?
Use design in business planning.
This increased the chances of design contributing to turnover growth and profit growth by 1.9 times.

What design can do for your figures

The headline

Design can have a positive effect on all business performance indicators, from turnover and profit to market share and competitiveness.

Our research demonstrates this.

We looked closely at design alert businesses to gather proof. For example, for every £100 a design alert business spends on design, increases turnover by £225.

The details

How can design contribute to business performance?

Almost half of UK businesses believe design contributes to some extent to increased market share (46%) and turnover (44%).

One in ten businesses identified at least one area where design made a great contribution to business performance. Most businesses (9%) thought that the development of new products and services had benefited from the use of design. 7% of businesses also attributed a great role for design in achieving increased market share, competitiveness and increased profit.

Extent of contribution of design to business performance over the past 12 months

Increased market share	
to some extent	46%
to a great extent	7%
Increased turnover	
to some extent	44%
to a great extent	6%
Development of new markets	
to some extent	42%
to a great extent	6%
Increased profit	
to some extent	42%
to a great extent	7%
Competitiveness	
to some extent	38%
to a great extent	7%
New products/services	
to some extent	37%
to a great extent	9%
Increased employment	
to some extent	26%
to a great extent	3%

By how much can design increase market share?

On average, design alert businesses increase their market share by 6.3% through design.
Those in the retail, wholesale and leisure services and manufacturing sectors saw the biggest increases – respectively 6.9% and 7.2%.

Some manufacturers reported having increased their share by 100%. In other words, design helped them either completely take over a market or create a new one.

By how much can design increase turnover?

For every £100 a design alert business spends on design, turnover increases by £225.
Nearly half (46%) of design alert businesses saw turnover increase in the last twelve months by more than the amount they spent on design in the same year.

The average increase in turnover was £602,000. However, the mid-point (median) between the highest and lowest turnover figures was £100,000. This suggests that the impact of design on turnover varies considerably.

Spend on design also varies. The average was £267,000, but the median was £145,000.

By how much can design help increase profit?
For every £100 a design alert business spends on design, profit increases by £83.
Almost a third (30%) of design alert businesses saw profit increase by more than the amount they spent on design in the same year. However, this may underestimate the true contribution of design. Some businesses may not have seen a change in turnover or profit due to design, but the use of design may nevertheless have kept these measures constant.

The average increase in profit was £221,000, but the median was £10,000. Again, this indicates considerable variation between businesses in terms of design's effect on profits.

For some businesses, profit rose as much as, or more than, turnover. Here design is being used to trim costs rather than boost sales.

How many new products can design help to produce?
On average, design alert businesses develop 25 new products a year through design. Over two thirds (72%) launch at least one.
The impact of design on new product development varies. While the average number of new products was 25, the median number cited by businesses was three.

There's a relationship between the number of new products and business size. Not unexpectedly, businesses with more employees and larger turnover tend to launch more products.

Businesses developing new products in the past 12 months as a result of design

Over 10 new products	26%
6 to 10 new products	18%
1 to 5 new products	28%
No new products	29%

How many new services can design help to develop?
On average, design alert businesses develop two new services a year through design. But two thirds (68%) don't launch any.
Larger businesses are more likely to develop new services, averaging 2.6 a year. Businesses in the property, finance and business services sector are the most likely to introduce new services. They average 2.2.

Design alert businesses developing new services in the past 12 months as a result of design

Over 5 new services	5%
3 to 5 new services	9%
1 to 2 new services	19%
No new services	68%
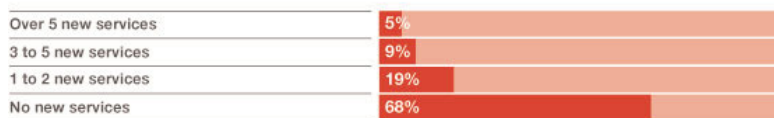
How many people can design help you employ?
Design alert businesses with more than 250 employees are most likely to increase staff numbers as a result of using design. On average, such businesses hired 13 new people in a year.
Compared to other performance indicators, increasing employment is the area where design has least impact.

Property, finance and business services businesses are most likely to employ more through design, with an average of 7.5 more employees.

Design-led businesses do better than the FTSE

The headline
Our Design Index – an index of 61 design-led businesses – has out-performed the FTSE 100 by more than 200% over the past decade.

This proves that businesses using design effectively so better than their peers, by a long way, and over a long time.

And it's clear evidence of a relationship between design investment, business performance and long-term stock market value.

The details

Design Index is a comparative study, not an actual investment vehicle*. But if it was, this is what would happen to £1,000 invested for ten years…

Value on 29 December 2004 of £1,000 invested on 28 December 1994

…in the Design Index	£3,626
…in the FTSE 100	£1,570

Not only has the Design Index out performed the FTSE 100, but that out-performance has been constant. The Index rose more in good times, and fell less in bad times. The difference hasn't been fleeting or fluctuating, but solid over a decade.

Chart 1: Ten-Year Performance 1995-2004
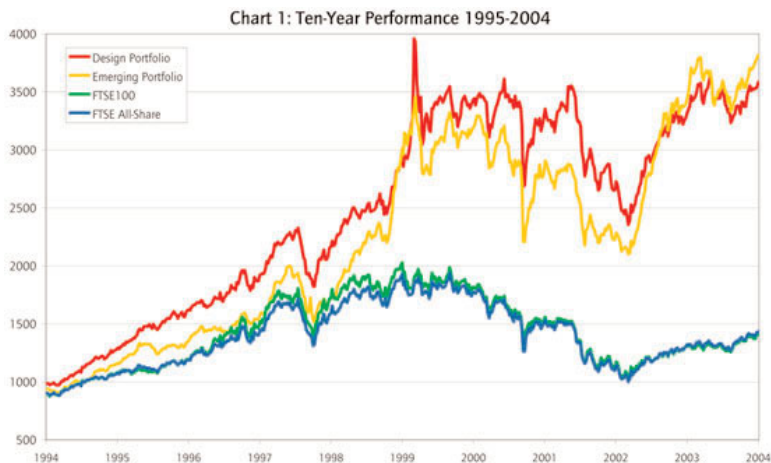
'Without effective design solutions businesses will be denying their shareholders a full return on their investment.'
The Engineer, 10 December 2005

'The Design Index proves that companies which make effective use of design out-perform their peers, and it confirms design to be an integral part of good management.'
Sir George Cox, Chairman, Design Council

Who's in Design Index?
The Design Index contains household names, such as Barclays, Egg, Tesco, Marks & Spencer, Boots, British Airways, EasyJet, Rolls-Royce, BP and Unilever.

A sustained track record in design and innovation awards was the key criterion for inclusion. These robust requirements translate into a good external indication of the way a business uses and values design.

The Index tracked the share prices of these businesses. We regularly re-calculate the Index to take account of mergers and de-listings.

* This report is for information purposes only. It is not an invitation or inducement to engage in investment activity, nor does it constitute financial advice or a personal recommendation. You should seek independent financial advice as to the suitability of any investment.

Evidence from Designing Demand

The headline
Designing Demand has enabled manufacturers to increase profit, turnover and employee levels. And they've helped fledging technology businesses raise funding, and change their focus and strategic direction for the better.

The details

Designing Demand is a fully integrated Design Council programme offering services for a wide range of businesses from high growth start ups to more established businesses looking for new ideas for products and services or wanting to reshape or re-brand their business. The overarching aim of Designing Demand is to improve the economic performance of UK SMEs by supporting businesses to use design as a key driver of business growth and effectiveness

See the **Designing Demand** website for more information on the programme and instructions on how to book a place.

Proven successes from our work with manufacturing businesses
The Designing Demand team worked with a range of UK manufacturers over three years to pioneer a unique way of introducing design as a strategic business tool.

Bottom line impacts are already evident:
– Turnover was up 14% on predicted levels.
– Profit was 9% above predicted levels.
– Employment was 13% above predicted levels.

On average, businesses that took part have invested £113,000 in design related projects. And 88% have rated one or more subsequent design projects as critical to business success.

'We invested £60,000 in design, and we are projecting sales of £800,000. If we had not introduced design into our strategic processes, we'd have been in a very difficult position.'
Harrison Fisher case study

'We're experiencing sales growth and gross profit increases of around 50% this year. These are directly attributable to the powerful impact of design.'
Challs case study

Proven successes from our work with technology businesses
The Designing Demand team worked with businesses in their infancy. Success wasn't measured in improved sales or turnover, as many of these businesses haven't gone to market yet, but in terms of design's impact on their management and direction.

Overall, this pilot campaign has made a positive difference to the average longevity of technology start-ups, helping with investment prospects and outperforming the general population of high tech start-ups.

Half of businesses increased their ability to raise investment finance. Four out of five changed strategic direction and moved away from being purely technology focused and became more customer focused. The same proportion reported a change in culture, mindset or vision in the business. Half saw better management or reduced commercial risk as a result of the pilot.

Half of businesses significantly changed the balance and composition of their skills. Other changes were directly connected to the businesses' offers – 35% changed their product or service, and 65% changed the branding and communication around their business and offer.

Three quarters invested heavily in design as a result of taking part in the pilot and were confident of a return on their design investment (RODI).

'We now have a credible business proposition, and £200,000 of new investment as a result of the programme.'
Smartsensor case study

'Investing in design helped secure funding for our AIM flotation.'
Ceres Power case study

'Integrating design thinking is simply a part of how we do business, influencing strategy, marketing, brand and, of course, product development.'
Oxford Biosensors case study

Design and competitiveness

The headline
As you'd expect, businesses have to balance their design activity with other factors. But its significance rises when a business is growing rapidly, suggesting a link between design and growth.

The details

How do UK businesses compete?
Rapidly growing businesses are twice as likely as others to compete on the basis of innovation. A third (34%) do so.
(UK average 16%).

Bigger businesses are also more likely to compete through innovation than smaller ones. A quarter of large businesses do so. Businesses recognise that adding value to products and services is a much more significant factor (77%) in competing than innovating in the abstract (16%). Adding value is often achieved through a design process that understands and meets users' needs and is, of course, a key means of delivering innovation.

For more on adding value and the impact of using design to do so, see **Adding value through design**.

Basis on which UK businesses compete

Added value of product/service	77%
Price/cost	64%
Distribution/availability	24%
Innovation	16%

'Innovation through design can help firms avoid competing on price alone. While some consumers will always buy the cheapest product or service in the market, non-price attributes such as quality can often be more important determinants of overall demand than price.'
DTI Economics Paper 15, Creativity, Design and Business Performance, November 2005

Looking at sectors, businesses in manufacturing are most likely to compete on innovation. Those in retail, wholesale and leisure and primary industry, construction, utilities and communications are least likely to do so.

Businesses competing on innovation

Manufacturing	29%
Property, finance and business services	20%
Retail, wholesale and leisure	10%
Primary industry, construction, utilities and communications	9%
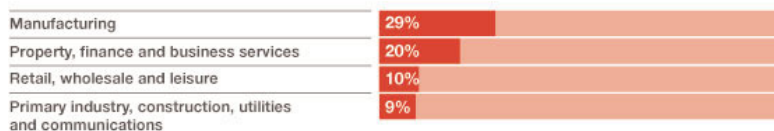
How do businesses think their customers make buying decisions?
Businesses think 81% of their private sector clients and 74% of their public sector clients base their decision to buy on the added value of products or services.

In contrast, businesses think innovation ranks low as a factor in buying.
These findings broadly mirror those for how businesses compete.

Perceived basis for customers' buying decisions

Added value of product/service	
Private sector clients	81%
Public sector clients	74%
Price/cost	
Private sector clients	65%
Public sector clients	69%
Distribution/availability	
Private sector clients	19%
Public sector clients	22%
Innovation	
Private sector clients	14%
Public sector clients	19%
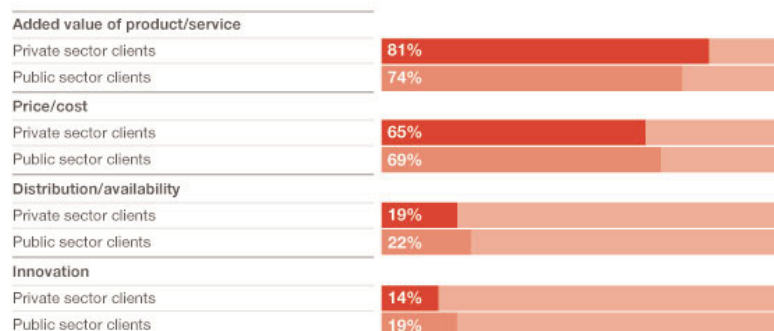
Most (95%) of the businesses we surveyed had private sector customers. 41% had public sector customers.

Is return on design investment measured?

The headline
Too few businesses measure their return on design investment (RODI). Across the UK, just one in eight has procedures in place.

For more on why it pays to measure return on design investment, please see the section on The link between design and better business performance.

The details

How many UK businesses measure return on their design investment?
Only one in eight (13%) UK businesses have accounting procedures in place to measure return on design investment (RODI).

Businesses in the property, finance and business services sector are most likely to use these procedures. One in five do.

Businesses with accounting procedures to measure RODI

Property, finance and business services	21%
Manufacturing sector	10%
Retail, wholesale and leisure	9%
Primary industry, construction, utilities and com	3%
UK average	13%

Surprisingly, business size makes little difference to whether design investment is measured.

In our survey, one in five businesses said they weren't sure whether or not they had procedures in place to measure return on design investment.

What procedure do businesses use to measure return on design investment?
For businesses which measure return on design investment (RODI), the most common method for doing so is as a percentage return. Over a third (37%) do this.

Methods for measuring RODI

Percentage return on investment	37%
Time needed to recoup investment	25%
Other	38%
Don't know/not willing to say	38%

04.2 How being design alert helps business performance

What makes a business design alert?

In our research, we asked businesses whether they had observed a direct impact on several business performance measures from using design. We refer to those who had as design alert businesses.

Compared to others, a design alert business is…

… twice as likely to have developed new products or services recently.
Over the past three years, nearly three quarters (71%) of design alert businesses have done so. The UK average is 40%.

… twice as convinced that design has become more important to competitiveness.
Four out of five (79%) design alert businesses believe design's importance to competitiveness has risen over the past decade. Across the UK, only 46% of businesses believe this to be the case.

… twice as likely to have increased investment in design.
Over the past three years, 63% of design alert businesses have invested more in design than they did before. That's happened in only 31% of other businesses.

… more likely to apply design to developing new products.
Twice as many design alert businesses do so: 55% compared to 28% of businesses in general. They're also twice as likely to apply it to R&D: 21% compared to 12%.

… more likely to use design services.
Almost all (94%) design alert businesses have used design in the last 12 months, compared to two out of three (68%) businesses in general.

… especially more likely to use:
– Communications design
– Digital and multimedia design
– Product and industrial design.

Communications design is used by 68% of design alert businesses, compared to 52% of businesses overall. 45% of design alert businesses use digital and multimedia design, compared to 31% of all businesses.

The biggest difference in use is in product and industrial design. Design alert businesses are three times more likely to use it – 45% do so, compared to a UK average of 17%.

…more likely to be a manufacturing business.
Compared to others, almost twice as many manufacturing businesses have observed a great contribution from design on factors such as: new products and services; increased market share; competitiveness and the development of new markets.

… three times as positive about design's role in business.
Design is seen as integral by 43% of design alert businesses. A further 42% see it as significant. Across the UK, just 15% and 22% of businesses respectively share these views.

… more likely to hire external design agencies.
While just 19% of UK businesses commission consultants, 39% of design alert businesses do.

… more likely to be aware of R&D tax credits for SMEs.
A quarter of design alert businesses are aware of these. Only 14% of UK businesses overall are.

What steps do design alert businesses take?

The headline

This report identifies six steps design alert businesses tend to take.

For example:

– They usually have designers at managerial and executive levels
– They often employ external design consultants
– Many provide some form of design training for their employees.

The details

What drives design alert businesses to use design?
The biggest driver for using design is a desire to develop innovative products and services. This motivates 42% of design alert businesses.

Other motivating factors are:
– developing higher quality products and services (29%)
– providing added value to customers (18%).

Do design alert businesses employ designers at senior levels?
Half of design alert businesses have a designer at senior managerial and/or executive levels.
Senior management is the most common level at which designers are found.

Levels at which design alert businesses employ a qualified designer

Non executive board	2%
Executive board	6%
Chief Executive	5%
Senior management	37%
Middle management	33%
Junior management	24%
None of the above	30%
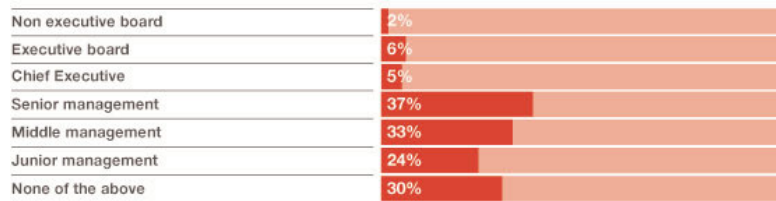
To what extent do design alert businesses train their employees in design?
Almost half (47%) of design alert businesses provide some design training.
This tends to be for employees working in design (38%), rather than for employees generally (9%).

Design training provided by design alert businesses

Internal design training for design employees only	27%
Design training from external suppliers for design employees only	11%
Internal design training for all employees	8%
Design training from external suppliers for all employees	1%
No design training provided or paid for	53%
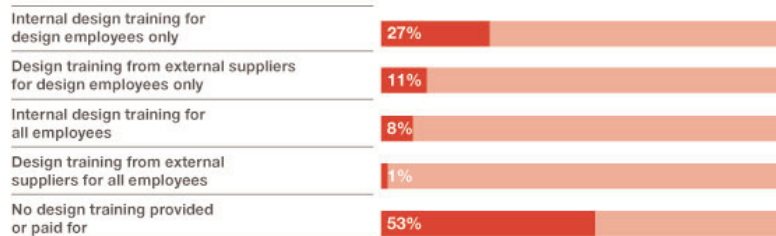
How much do design alert businesses spend on design?
On average, design alert businesses spend £187,000 on designers' salaries. And 40% buy design services from external consultants, typically spending £48,000.

To what extent do design alert businesses work with higher education institutions?
In the past three years, one in six design alert businesses (16%) has worked with a higher education institution to develop a new product or service.

To what extent do design alert businesses use R&D?
A quarter of design alert businesses (26%) have a dedicated R&D team.
Large businesses are twice as likely as small ones to employ an R&D team (34% and 18% respectively).

There's a clear relationship between R&D and design. Almost three-quarters of R&D teams include designers (71%).

The average R&D spend is £366,000, but the range is considerable. Large businesses spend up to ten times more than small ones.

How we got this evidence

As part of our annual survey, we interviewed 1,500 businesses across the UK. From these, we identified 250 where design had a particularly strong impact on business performance.

We call these 250 businesses 'design alert'. We went back to them with more in-depth questions aimed at building a detailed picture of how they use design.

It may help to read our definition of **What makes a business design alert?** This sets out the differences between design alert businesses and others, and shows how we picked the 250.

In addition, the section **What design can do for your figures** lists the benefits design alert businesses get from design.

04.3 How UK businesses use and value design

How important is design to UK businesses?

The headline

Rapidly growing businesses value design much more than others. Their enthusiasm and appreciation is sometimes as much as three times greater.

In comparison, businesses that have only grown moderately, stayed the same size or even shrunk all place less importance on design.

Our research indicates a positive relationship between valuing design and growing a business. We recommend the section on **The link between design and better business performance** and **Adding value through design** for more information on the bottom line benefits of design. There are also a number of other information sources, particularly the Cox Review, that demonstrate the importance of design to UK businesses. See our **List of further sources** for more information.

The details

How important is design to business success?

Almost half (47%) of the UK's rapidly growing businesses see design as crucial to business success.
(UK average 15%)

In other words, a rapidly growing business is three times more likely to value design as a crucial business ingredient than other businesses.

Businesses scoring business ingredient as 'crucial to business success' (1 on scale of 1-7)

Financial Management	
UK average	74%
Rapidly growing businesses	91%

Operational management	
UK average	66%
Rapidly growing businesses	67%

Quality of staff	
UK average	64%
Rapidly growing businesses	82%

Internal Communications	
UK average	44%
Rapidly growing businesses	62%

Marketing	
UK average	34%
Rapidly growing businesses	51%

R&D	
UK average	15%
Rapidly growing businesses	49%

Design	
UK average	15%
Rapidly growing businesses	47%

The importance attributed to design also differs between sectors. Manufacturers are most likely to rank it as crucial (25%), followed by:

– Property, finance and business services: 16%
– Retail, wholesale and leisure services: 14%
– Primary industry, construction, utilities and communications: 5%.

How does design compare to other business success factors?
16% of UK businesses think design is the most important factor in their success. The bigger the business, the more likely it is to take this view.

Design ranked by businesses in order of importance to business success

Most important	16%
2nd most important	3%
3rd most important	4%
4th most important	6%
5th most important	14%
6th most important	45%
Least important	11%
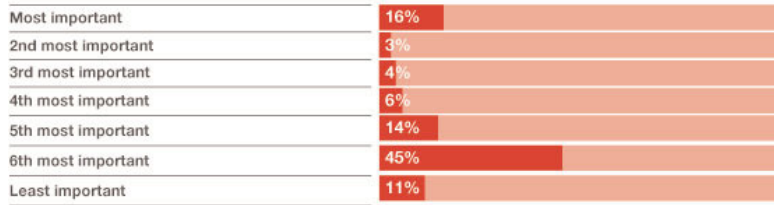
Again, there is a positive relationship between the size of business and appreciation of design's role. 15% of small businesses put design first, compared to 23% of medium-sized businesses, and 29% of large businesses. The difference is even more marked when it comes to turnover. Only 5% of businesses with a turnover of under £250,000 rank design first, in contrast to 23% of businesses with a turnover of over £2million.

Rapidly growing businesses and manufacturers are most likely to put design first. 47% and 25% of these businesses respectively rank design first.

*Most of those ranking design first made it joint first with other factors.

Overall, what role does design play in UK businesses?
Over a third (39%) of rapidly growing businesses see design as integral to their operations.
(UK average 15%)

On average, 15% of UK businesses consider that design plays an integral role in their business. A further 22% think it plays a significant role. However, rapidly growing businesses are trailblazing in this respect. They are more than twice as likely to consider design as an integral component of their business's operations.

'More successful outcomes tend to be generated where creativity and design are aligned with strategy.'

DTI Economics Paper 15: Creativity, Design and Business Performance, November 2005

Worryingly, design plays no part in a quarter of all businesses.

Role of design in a business

It's integral to our operations	
UK average	15%
Rapidly growing businesses	39%
It has a significant role to play	
UK average	22%
Rapidly growing businesses	24%
It has a limited role to play	
UK average	39%
Rapidly growing businesses	35%
It doesn't have a role at all	
UK average	25%
Rapidly growing businesses	2%
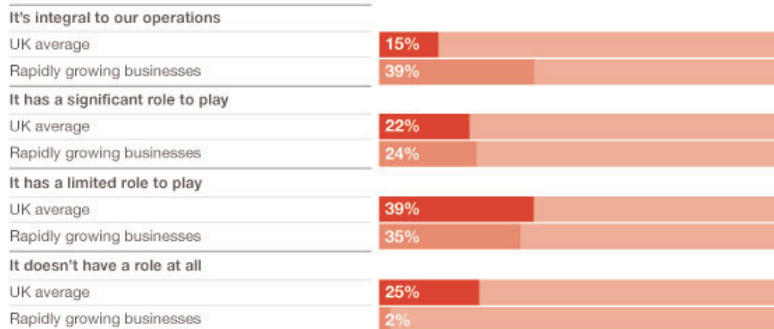
Large businesses are more likely than average to see a role for design in their business. 32% of them rate it as integral, and only 6% feel it has no role.

Manufacturing is the most positive sector. 27% of manufacturers see design as integral to their business. And they're by far the least likely to say it has no role (14%).

Opinions on the role of design in business also vary across the UK – see our regional reports.

Is design important to competitiveness?
Nearly half of all businesses (46%) think design has become more important over the past decade in helping them to compete. The majority (84%) of rapidly growing businesses agree.

Recognition of design's contribution grows with the size of a business. 44% of small businesses, 56% of medium-sized ones and 77% of large businesses feel design has continued to contribute more to their competitiveness over the past ten years.

Businesses in manufacturing are most positive (56%), followed by:
– Property, finance and business services: 51%
– Retail, wholesale and leisure services sector: 43%
– Primary industry, construction, utilities and communications: 30%.

Have businesses invested more in design?
A third (31%) of businesses have invested more in design over the past three years. But nearly half (43%) don't invest at all.

While almost half of businesses say they think design has become more important to competitiveness over the past decade, only a third have actually increased their investment in design in the past three years. Closing this gap is a key challenge for UK businesses and for the design industry.

Businesses' investment in design, 2002-2005

We've increased investment	
UK average	31%
Rapidly growing businesses	70%

It's stayed the same	
UK average	23%
Rapidly growing businesses	10%

We've invested less	
UK average	3%
Rapidly growing businesses	2%

We don't invest in design	
UK average	43%
Rapidly growing businesses	18%
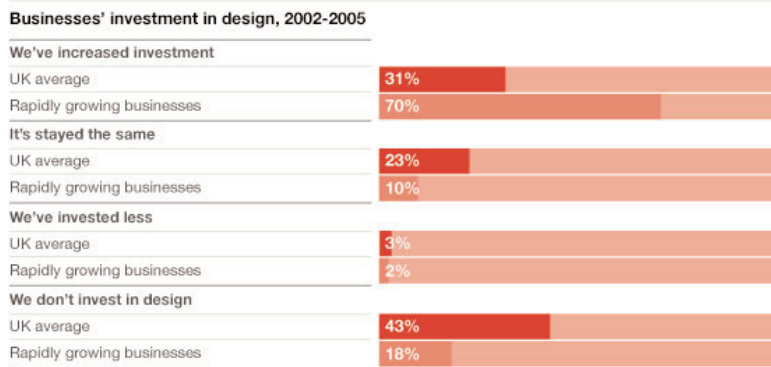
There are variations in the level of design investment depending on the profile of the business. For example, rapidly growing businesses are more than twice as likely to have increased their investment in design (70%). Large businesses are also more enthusiastic investors in design. 67% of them have increased investment in the past three years.

In terms of sectors in design, manufacturers again lead the way. 44% of manufacturers have increased their investment. They are followed by:

– 39% of businesses in the property, finance and business services sector.
– 24% of businesses in the retail, wholesale and leisure services sector
– 17% of businesses in the primary industry, construction, utilities and communications sector.

Investment also varies across the UK – see our regional reports.

How important is design to the UK economy?
Two thirds (65%) of UK businesses are convinced that design is integral to future economic performance.

The role of design

Design is integral to future economic performance

Agree	65%
Disagree	8%
Don't know	28%

There is a link between design and profitability

Agree	59%
Disagree	10%
Don't know	31%

In our sector, it's worth investing in design

Agree	50%
Disagree	23%
Don't know	27%

The bigger the business, the more convinced it tends to be about the value of design.

For example, among businesses with more than 250 employees, at least eight out of ten agreed with all three statements above.

Which sector is most positive about design?
Manufacturers have the most positive view of design. Two thirds (69%) believe it's worth investing in.
(UK average 50%)

How important is it that UK businesses have a reputation for design and innovation?

Almost all (93%) design alert businesses believe it's important for UK businesses to have a reputation for design and innovation.

There are large differences between sectors. Only one in three of those in the primary industry, construction, utilities and communications sector take this view.

How UK businesses use design

The headline

This report tells you what types of design UK businesses are using, and where in their business they tend to apply it.

These findings point to some key conclusions.

Firstly, if you want to grow rapidly, use design. Businesses that are growing rapidly are more likely than the rest to use almost all types of design.

Only one in ten rapidly growing businesses don't use any kind of design. Among all businesses, this rises to three in ten businesses.

Secondly, UK businesses tend to apply design to areas of their businesses that are consumer or client facing. They're less likely to use it to improve things internally.

We also have regional figures on what types of design businesses use and how.

The details

What types of design do businesses use?
Communications design is the most commonly used service. It's used by 52% of all UK businesses, and by 61% of rapidly growing ones.

This demand is matched by supply. According to *The Business of Design*, 61% of UK design consultancies offer communications design services (such as branding, graphics, corporate identity and print). See our list of other sources for more on *The Business of Design*.

Rapidly growing businesses tend to be more avid users of design than the average. For example, they use more digital and multimedia, interior and exhibition and service design than the average business.

Design services used by UK businesses

Communications design	
UK average	52%
Rapidly growing businesses	61%
Digital and multimedia design	
UK average	31%
Rapidly growing businesses	56%
Product and industrial design	
UK average	17%
Rapidly growing businesses	20%
Interior and exhibition	
UK average	13%
Rapidly growing businesses	33%
Design of services	
UK average	6%
Rapidly growing businesses	22%
Fashion and textiles	
UK average	3%
Rapidly growing businesses	8%
None of the above	
UK average	32%
Rapidly growing businesses	11%

A third (32%) of businesses don't use any design services. Interestingly, 40% of businesses where turnover hasn't increased in the past year do not use any type of design.

It's also significant that only 11% of rapidly growing businesses fail to use any type of design in their business.

Larger businesses are more likely to use design. 85% use at least one type of design, compared to 66% of small businesses.

Use also differs between sectors. Manufacturers are most likely to use at least one type of design (80%), followed by:

– Property, finance and business services: 73%
– Retail, wholesale and leisure services: 67%
– Primary industry, construction, utilities and communications: 49%.

Where do businesses apply design?
Half of UK businesses apply design to externally facing functions, such as corporate communications and branding (50%) and marketing (48%).

It's fair to assume that, in these contexts, they see design's role mainly in terms of making their business appeal to those outside it, such as customers and suppliers.

Fewer businesses apply design to areas that aren't so obviously consumer facing, such as new product development (28%), internally facing functions (19%), business planning (16%) or research and development (12%).

Areas of design application in UK businesses

Externally facing functions	50%
Marketing	48%
New product development	28%
Internally facing functions	19%
Business planning	16%
Research and development	12%
None of the above	24%
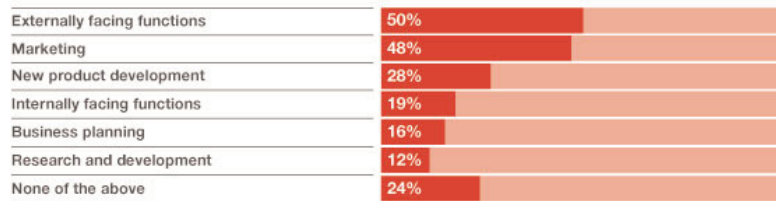
Again, larger businesses are more likely to apply design across a range of different areas of their business. Only 7% don't use design in any of the areas surveyed.

The sectors we surveyed vary in how they apply design in their business:

– Manufacturers are most likely to apply it to developing new products (54%).
– Retail, wholesale and leisure services businesses favour marketing (66%).
– The primary industry, construction, utilities and communications sector is most likely not to apply any kind of design (36%).

For more information on the UK design industry, see *The Business of Design: Design industry research 2005*. This publication can be downloaded from our website.

How UK businesses use designers

The headline

Just over half the UK's businesses use designers. One in five commissions external agencies.

However, employing designers internally is the preferred method. A third do this, typically employing between two and four people.

A quarter have dedicated design departments.

The details

Internal designers or external agencies – which do UK businesses use the most?
A third (34%) of UK businesses employ designers internally. One in five (19%) commissions external agencies.

However, almost half don't hire designers at all.

Hiring designers

We employ designers internally	34%
We have a dedicated design department	25%
We hire external design consultants	19%
We don't have any design activity	45%

These figures vary across the UK – check our reports on design in the regions and sectors.

The size of a business also influences its choice. Large businesses are most likely to have a dedicated design department – 49% do. In contrast, small businesses prefer to employ internal designers, without having a dedicated department – 36% do this.

'We employ five designers internally. Training is also provided, and there's a designer at middle management level, to give the function visibility and a company focus.'
Invotek case study

On average, how many designers do UK businesses employ?

Number of designers employed

One	26%
2-4	47%
5-9	17%
10+	10%

Almost half (47%) of UK businesses employ between two and four designers.

Number of employees doing design as a secondary part of their job

One	38%
2-4	50%
5-9	6%
10+	6%

We also asked how many employees work as designers as a secondary part of their job.

The design industry in the UK is made up of:

– 12,450 design consultancies employing 60,900 designers and 348,300 non-designers
– 47,400 self-employed, freelance and non-employing designers
– 77,100 in-house designers in 5,900 businesses with 100 or more employees.

For more information on the UK design industry, see *The Business of Design* which can be downloaded from our website.

How UK businesses buy design

The headline
Personal recommendation is the most popular way for businesses to find and choose a designer.

One in four businesses turn to Business Links for help and advice.

Satisfaction is high. Also, nine out of ten businesses are satisfied with their design services and the same proportion buy all their design from designers within the UK, and don't shop for services abroad.

The details

How do UK businesses find design suppliers?
While word of mouth is the favourite way of finding designers, one in four businesses (26%) have used a Business Link.

'To find designers, we've used a variety of sources, including Business Links and lists of preferred suppliers.'
Invotek case study

How do UK businesses choose a design supplier?
Most (60%) businesses use a list of preferred contacts to select design suppliers.

Surprisingly, only 13% go through a tendering process. Nearly half (48%) of all businesses rely on personal contact to select a designer. And 17% use referral services.

Our *Business of Design* research looks at this process from design businesses' point of view. Their perspective endorses these findings. Half of design consultancies and freelances rely on personal recommendation for winning new business. The research can be downloaded from our website.

Do UK businesses prefer to buy design at home or abroad?
The vast majority (91%) of UK businesses don't buy any design services from abroad.

Only manufacturers have significant overseas design activity. Over a third (37%) have some of their products designed abroad.

How satisfied are UK businesses with the design services they buy?
Almost all (91%) of UK businesses are satisfied with the design services they buy.

How satisfied are UK businesses with design services they buy?

Very satisfied	59%
Quite satisfied	32%
Not sure	7%
Not satisfied at all	2%

How well is the value of design communicated?

The headline

When a business works with a design agency, they're content that the value of design is being communicated to them.

They're slightly less convinced that the design industry as a whole does this job well, though overall satisfaction rates are still very high.

Surprisingly, the most pessimistic view here is held by designers themselves. Two in five feel they don't explain the value of their services well.

The details

Do businesses think the designers they work with are good at explaining the value of design?
UK businesses are overwhelmingly (96%) convinced that the designers they work with explain the value of their services.

How well have the designers you've worked with communicated
the value of design to your business

Very well	45%
Quite well	51%
Not very well	3%
Not well at all	2%
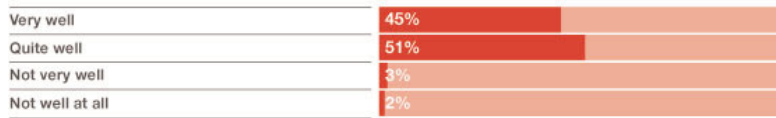
'We've been particularly satisfied when designers have communicated the value of design to us.'
Invotek case study

Do businesses think the design industry is good at explaining the value of design?
One in eight (81%) UK businesses think the design industry communicates the value of its services well.

Overall, businesses think the industry is slightly less effective at this than the individual agencies they work with are. Businesses in the retail, wholesale and leisure sector are the least convinced. A third (31%) think the design industry communicates its value 'not very well' or 'not well at all'.

How well does the design industry generally communicate
the value of design to UK businesses?

Very well	23%
Quite well	58%
Not very well	10%
Not well at all	9%

How well does the design industry think it explains its value to businesses?
The UK design industry has mixed views about its ability to explain the value of design to businesses. Nearly three out of five (59%) think it's done well, but 38% don't agree.

Our *Business of Design* research gives more insight into these issues from the point of view of designers. It can be downloaded from our website.

04.4 Design and R&D

Businesses' use of intellectual property

The headline

Two out of five UK businesses have intellectual property to protect.

Trademarking is their preferred method.

The details

How many businesses have intellectual property to protect?

Two out of five (38%) UK businesses have intellectual property to protect.

How do businesses protect their intellectual property?

Trademarking is the most popular way to protect intellectual property. One in six (17%) UK businesses have used it in the past three years.

Methods for protecting intellectual property

Trademark ™	17%
Copyright ©	7%
Design registration ®	6%
Patents	5%
European Community Trade Mark (CTM)	2%
Unregistered design right	1%
Other	2%

Of the UK businesses that use patents to protect their intellectual property, how many have they typically registered in the past three years?

Of the 5% of UK businesses that use patents to protect their intellectual property, most (64%) have registered between one and four in the past three years.

Overall, the average number of patents registered by businesses is five. However, this only reflects the fact that a few large businesses have registered numerous patents. At least half the businesses we surveyed had only registered a single patent in the last three years.

Number of patents registered in the past three years

1-4	64%
5-9	23%
10+	14%

For more information on research and development, please see the DTI's R&D Scoreboard. See our **List of further sources** for more information.

Using design in new product or service development

The headline

If a business sees design as integral to its operations, it's far more likely to develop new products or services.

Four out of five have done so in the past three years. This is double the UK average.

And while most businesses do involve design in developing new products or services, they often do so in a limited way.

Our research shows that in businesses where design leads and guides the new development process for products or services, the chances of design contributing to turnover growth more than trebled as a result.

The details

How many UK businesses have developed new products or services?
Two out of five (40%) of the UK's businesses have developed new products or services in the last three years.

The larger the business, the more likely it is to have launched a new offering. Nearly two thirds (63%) of large businesses have done so in the last three years.

Manufacturers do more than other sectors, with 60% developing new products or services.

Are UK businesses more likely to develop new products or services when design is integral to their operations?
If a business sees design as integral to its operations, it's more likely to develop new products or services. Four fifths (83%) of such businesses have done so in the past three years–double the UK average.
(UK average 40%)

In businesses where design plays a lesser role, the effect on new product development is apparent. In those where design plays no role, only one in ten have developed new products or services.

New product development between 2002-2005

Design is integral	83%
It has a significant role to play	58%
It has a limited role to play	31%
It doesn't have a role at all	12%
UK average	40%
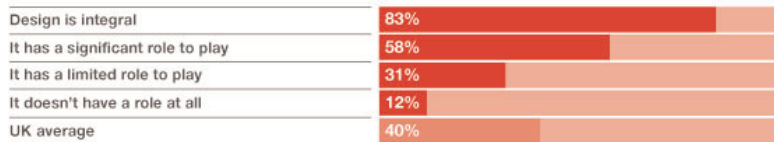
How do businesses involve design in new product and service development?
While most (87%) businesses use design at some stage of developing new products or services, its role is often limited.

How involved is design in new product and service development?

Design leads and guides the whole process	16%
We use it in every stage	13%
We use it in some specific stages	38%
We use it to a limited extent	20%
It's not involved at all	14%
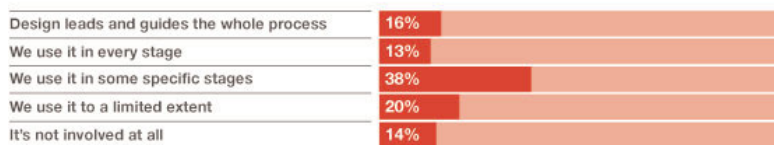
In businesses where design is seen as integral, it tends to take the lead role in the new product or service development process. Two out of five of these businesses use design to lead the process, compared to 16% of businesses overall.

'At Sony, we assume all products of our competitors will have basically the same technology, price, performance and features. Design is the only thing that differentiates one product from another in the market place!"
Nono Ohga, Chairman and CEO, Sony

04.5 Adding value through design

Adding value through design

The headline

It's a fact. Adding value to products and services makes businesses more successful. The more value they add to their core products and services, the better they do. But when they *use design to add value*, they do even better in a whole range of ways, including bigger profit, turnover and market share.

The details

This chart shows, in broad terms, what our figures say about added value and design. If your business adds value to make what it offers more attractive to customers, it's likely to out-perform businesses which depend wholly on their core product or service. Your prospects are best of all, though, if you combine added value with the use of design or see design as integral to your business.

Impact of added value on business performance

Only core product or service

Added value without design

Added value through design

What is added value and how are businesses doing it?

Increasingly, businesses can't just rely on their core products and services to compete. They need something extra – added value – to help differentiate themselves from the competition and tempt new customers or keep the ones they've already got. In our *Added Value Research 2007* we've focused on the methods businesses can use to make what they do stand out. We've broken added value down into these eight activities:

– The retail experience – the shopping environment, the location and the opening times
– Online services – web-based ordering systems or information on products and services
– Physical services – fitting, installation, technical support or flexible delivery
– Customer relationships – developed through after-sales service or knowledgeable staff
– The design of products or services – improved quality, or customising to meet personal needs
– Finance or insurance options
– Developing a valued and trusted brand
– Bundling products and services to create packages.

The customer relationship is the most common route to added value – 92% of businesses follow it. Not far behind is the design of products and services – 84% of businesses say they add value in this way.

How do businesses add value to their core offer?

customer relationship	92%
design of product or service	84%
brand	78%
physical services	59%
online service	57%
product/service bundling	56%
retail experience	56%
partnerships	50%
finance options	22%
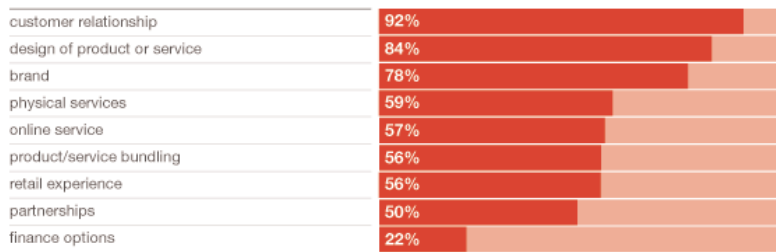
At least half of businesses say they add value in all the ways we asked about, but far fewer actually have a defined strategy for doing so.

Only just over a third of businesses (36%) say they offer a lot of added value, while one in five (21%) say they rely solely on their core product or service.

What benefits do businesses get from adding value?

39% of businesses that add a lot of value have seen turnover grow rapidly in the last year. Only 20% of businesses who just offer their core product or service say the same.

The benefits of adding value are clear. The majority of businesses that add value see some impact across a range of measures. For example, nine out of ten businesses say it has had a positive impact on their competitiveness and 83% say it has boosted their turnover and profits.

A significant proportion go further and say adding value has had a *great* impact on performance – a third say this applies to their competitiveness and nearly as many report a great impact on turnover. Almost a quarter say the same about the effect of added value on market share (24%) and their ability to open up new markets (23%).

What is the overall impact of added value on business performance?

Competitiveness	
some impact	90%
great impact	34%
Increased turnover	
some impact	83%
great impact	29%
Increased profit	
some impact	83%
great impact	18%
Increased market share	
some impact	76%
great impact	24%
Development of new markets	
some impact	75%
great impact	23%
Increased employment	
some impact	54%
great impact	12%
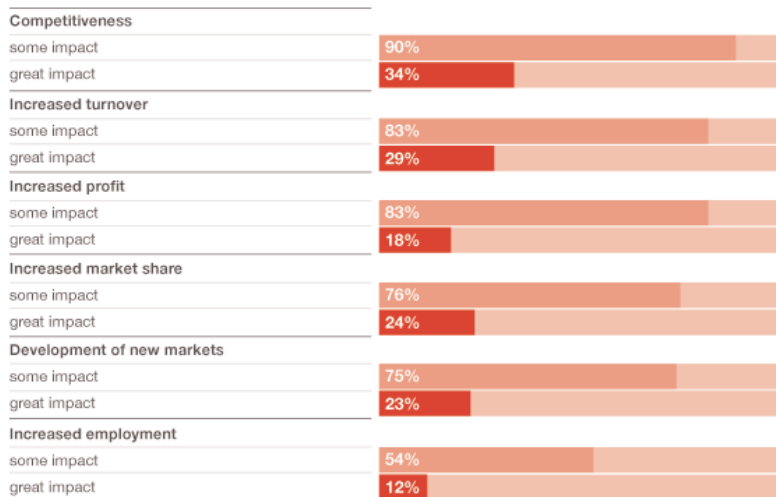
Businesses that add the most value get the biggest payback. Of those which add a lot of value, 46% say their competitiveness has improved to a great extent. Two in five (39%) are just as positive about the impact on their turnover. Among businesses who add less value, only 20% say the same. The difference is even bigger when it comes to market share – 38% of businesses which add a lot of value have seen a great impact here, compared to just 12% of those who add less value.

What is impact of adding a lot of value on business performance?

Competitiveness

a lot of added value	**46%**
some added value	**23%**

Increased turnover

a lot of added value	**39%**
some added value	**20%**

Increased profit

a lot of added value	**28%**
some added value	**9%**

Increased market share

a lot of added value	**38%**
some added value	**12%**

Development of new markets

a lot of added value	**30%**
some added value	**18%**

Increased employment

a lot of added value	**18%**
some added value	**6%**
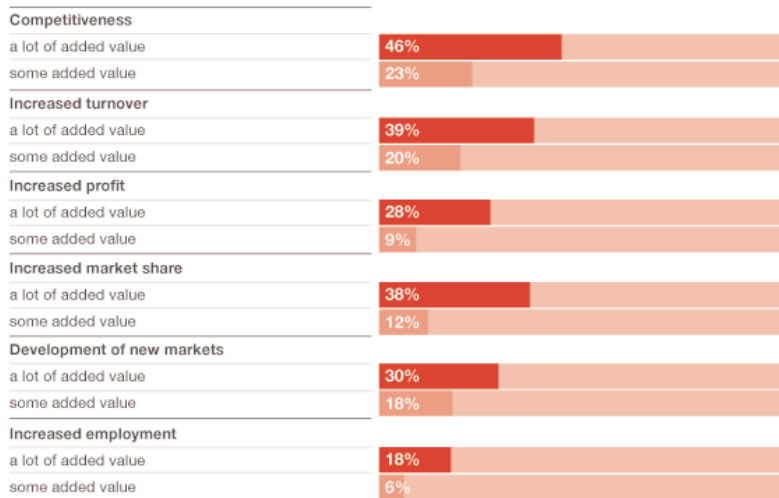
How much is adding value worth to businesses?

To find out how much adding value is worth to businesses, we asked them to quantify its impact on their turnover, market share and profit. The results suggest that businesses which add value get an average 14% increase in turnover and market share, while their profits go up by an average of 11%.

How does design boost the impact of adding value?

34% of businesses that add value through design say this has had a great impact on turnover. Only 21% of businesses who don't appreciate design's role say the same.

Businesses get even more benefit from adding value when they use design or a designer. That's true whether they use design specifically for added value activity or see it as important to the business generally.

34% of businesses that see design as integral or significant say added value has had a great impact on their turnover. Where design plays only a limited role, the proportion is just 21%.

Impact of added value on business performance

	Increased employment	Increased profit	Increased market share	Development of new markets	Increased turnover	Competitiveness
added value without appreciation of design	9%	15%	20%	19%	21%	30%
added value with appreciation of design	13%	20%	26%	27%	34%	36%

Key
added value without appreciation of design
added value with appreciation of design
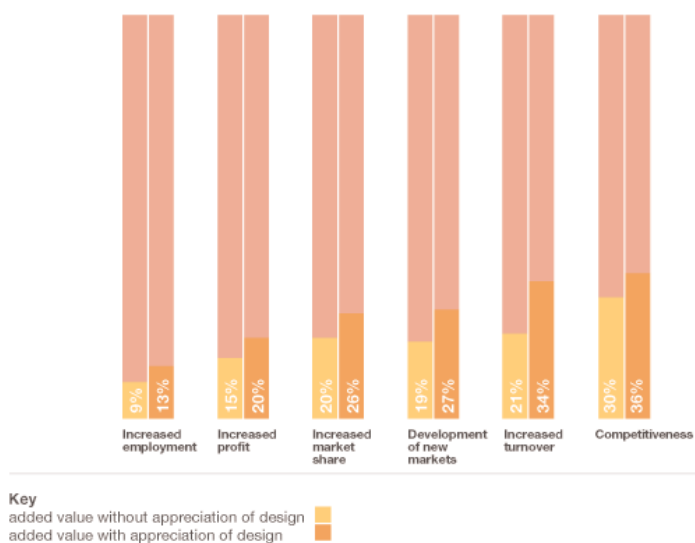
There's also a link between using design and being strategic about adding value. Almost half of businesses that use design are planning to add more value in the future (46%), compared to only 6% of those that don't use design.

For more on using design to compete, see **Competing by adding value**.

How does using a designer to add value affect business performance?
43% of businesses who used a designer to add value reported a great impact on competitiveness, compared to 25% of those who didn't use a designer.

Businesses get most payback from adding value when they use a designer to do so. Those that do are twice as likely as those that don't to see an impact on turnover and market share.

Using a designer increases the impact of adding value

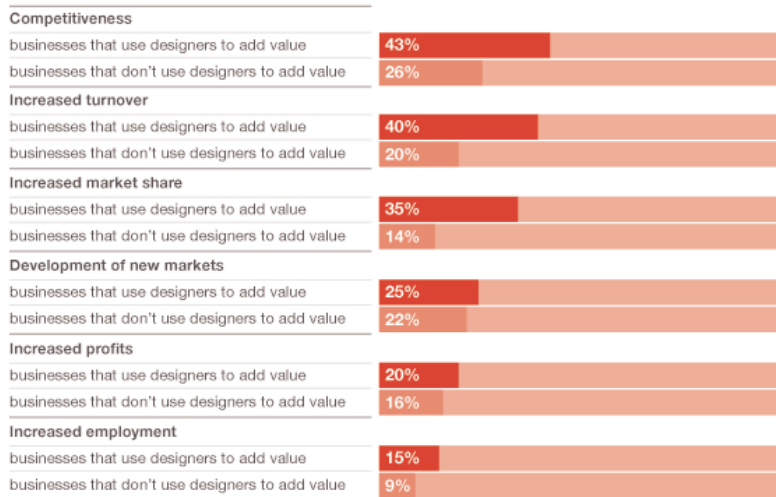| Competitiveness	
businesses that use designers to add value	43%
businesses that don't use designers to add value	26%
Increased turnover	
businesses that use designers to add value	40%
businesses that don't use designers to add value	20%
Increased market share	
businesses that use designers to add value	35%
businesses that don't use designers to add value	14%
Development of new markets	
businesses that use designers to add value	25%
businesses that don't use designers to add value	22%
Increased profits	
businesses that use designers to add value	20%
businesses that don't use designers to add value	16%
Increased employment	
businesses that use designers to add value	15%
businesses that don't use designers to add value	9%

53% of businesses that use a designer also add a lot of value to their core product or service. In businesses that don't use a designer only 39% add a lot of value to their core product or service.

Businesses that use a designer to add value are also much more likely to be planning more added value activity in the future – 61% say they're doing that, compared to only 34% of those which don't use a designer.

Businesses that employ a designer are even more likely to perform well when it comes to adding value to their core product or service. 69% of businesses which do so have developed a new product or service in the last three years, compared to only 47% of businesses which don't use a designer.

For more on using design to improve business performance, see **What design can do for your figures**, **What steps to design alert businesses take?** and **The link between design and better business performance**.

Why do businesses not add value beyond their core product or service?
38% of businesses which only offer their core product or service don't think added value would do them any good.

The benefits of adding value are clear, particularly if you use design or a designer to do so. It's surprising then that just over a fifth of UK businesses are missing out by not adding value.

Businesses that don't go beyond their core product or service give various reasons for not adding value. Two out of five don't think it would benefit them and a quarter don't feel it's relevant to what they do. Far fewer say they're prevented from adding value by a lack of resources or because they simply haven't thought about it.

Why do businesses not offer added value beyond their core product or service?

don't think it would benefit the business	38%
not relevant to what we do	27%
already offer the best or meet customer needs	15%
want to, but haven't yet	9%
lack resources	8%
haven't thought about it	6%
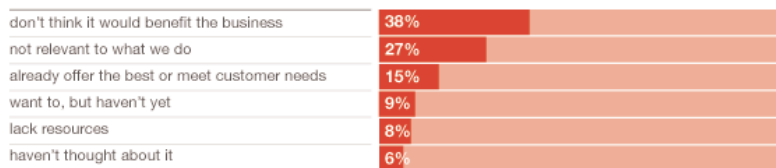
Businesses that don't add value are most likely to be small, with between 10 and 49 employees. 62% of these said their product or service meets customers' needs by itself and that, as a result, they didn't need to add anything extra. In contrast, bigger businesses seem much more enthusiastic about adding value. Just over half of firms that add a lot value have more than 250 employees. In contrast, 90% of businesses that don't add value at all are SMEs.

The Design Council's Designing Demand programme has been specifically developed to help small and medium sized businesses use design to stand out and boost performance. Visit the D**esigning Demand website fo**r more information.

Adding value and new product development

**How does added value affect new product or service development?**
Of businesses that have developed new products or services, 61% add a lot of value, while only 22% say they don't add any value at all.

The more a business adds value, the more likely it is to develop new products and services. Of the businesses that have developed new products or services, 61% add a lot of value, while only 22% claim not to add any value at all to their core offer.
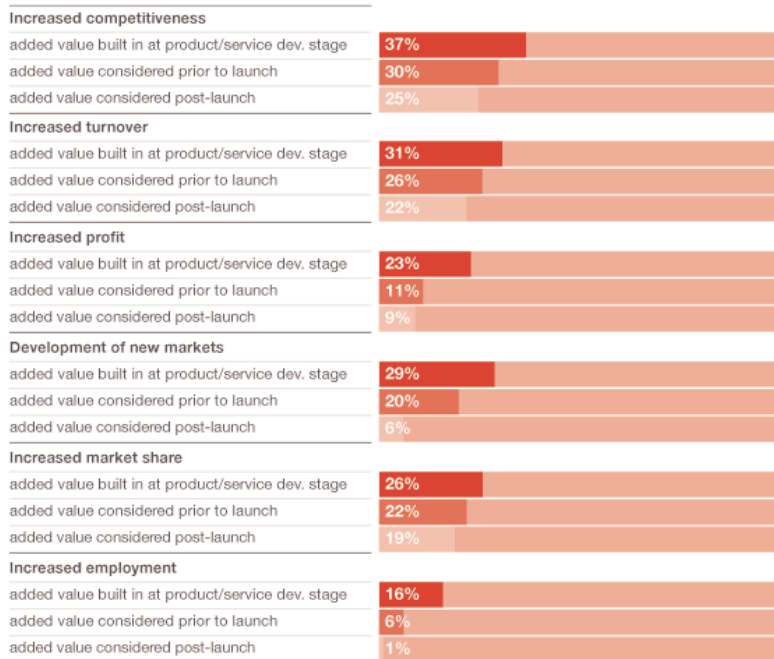
The fact that businesses that don't add value are less likely to develop new products and services is cause for concern. Businesses that offer just their core product or service will naturally have to rely on them more heavily. This only makes innovation more crucial.

Have businesses that add value developed a new product or service in the past three years?

a lot of added value	61%
some added value	54%
only core product or service	22%
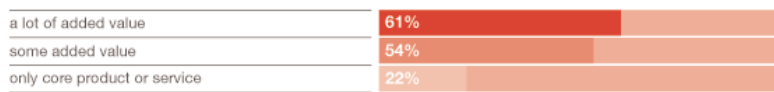
Also, the earlier a business thinks about added value in the process of developing new products or services, the more likely it is to reap the rewards. For example, 23% of those who build in added value from the start say it results in a great increase in profit. Just 9% of those who only consider added value after they've launched products or services say the same.

The earlier you add value to your core product or service, the higher the impact

Increased competitiveness	
added value built in at product/service dev. stage	37%
added value considered prior to launch	30%
added value considered post-launch	25%

Increased turnover	
added value built in at product/service dev. stage	31%
added value considered prior to launch	26%
added value considered post-launch	22%

Increased profit	
added value built in at product/service dev. stage	23%
added value considered prior to launch	11%
added value considered post-launch	9%

Development of new markets	
added value built in at product/service dev. stage	29%
added value considered prior to launch	20%
added value considered post-launch	6%

Increased market share	
added value built in at product/service dev. stage	26%
added value considered prior to launch	22%
added value considered post-launch	19%

Increased employment	
added value built in at product/service dev. stage	16%
added value considered prior to launch	6%
added value considered post-launch	1%

Adding value through design has further impact on overall business performance. For more information, see **Adding value through design**.
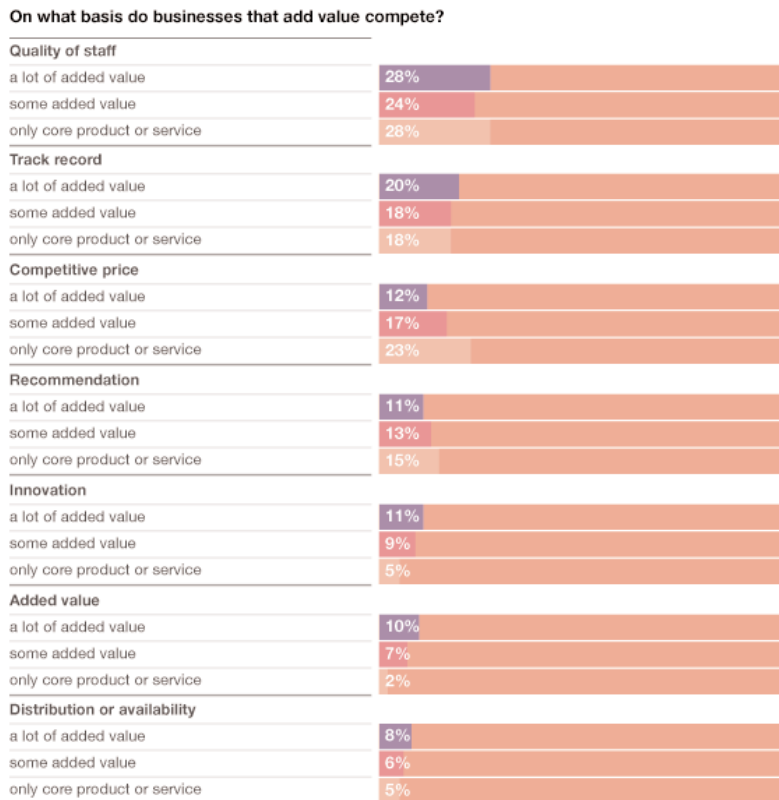
Competing by adding value

Do businesses compete by adding value?
Businesses that add a lot of value are half as likely to have to compete on price as businesses that rely on their core product or service.

The more a business adds value, the more confident it is about dealing with competition. Only 12% of businesses that add a lot of value compete on price. That compares to 23% of businesses that don't add value.

Those who add a lot of value are also more likely to compete on innovation – 11% do so, compared to only 5% of those who don't add value.

On what basis do businesses that add value compete?

Quality of staff	
a lot of added value	28%
some added value	24%
only core product or service	28%

Track record	
a lot of added value	20%
some added value	18%
only core product or service	18%

Competitive price	
a lot of added value	12%
some added value	17%
only core product or service	23%

Recommendation	
a lot of added value	11%
some added value	13%
only core product or service	15%

Innovation	
a lot of added value	11%
some added value	9%
only core product or service	5%

Added value	
a lot of added value	10%
some added value	7%
only core product or service	2%

Distribution or availability	
a lot of added value	8%
some added value	6%
only core product or service	5%

Overall, 77% of businesses see added value as a key competitive tool, but only 7% say it's the most important one for them.

There is also evidence of a link between competing on added value and growing fast: 22% of businesses who say they compete mainly on added value also say they've grown rapidly this year. That compares to 14% of businesses overall. Also, businesses that add value and use design as well are less likely to feel threatened by UK competition. Only 18% of those that add value and appreciate design see the threat as high, compared to 40% who add value but don't appreciate design as much.

Using design as a strategic business tool can help businesses to enhance their core offer. The Design Council's has a bank of **case studies** which demonstrate the impact that design can have on business performance.
For more on the benefits of adding value, see **Adding value through design**.

05 Sector reports

Design in manufacturing

The headline

Manufacturing is the most positive sector about design in the UK.

50% of manufacturers feel design either has an integral or significant role to play in their business, compared to a UK average of 37%.

And they're convinced it has a vital impact on the UK economy. 79% believe that design is integral to our future economic performance. And 77% recognise the link between design and profitability.

The details

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How do businesses in this sector see design's role?
Manufacturers are more positive about design's role than any other sector. 50% feel it has an integral or significant role to play.
(UK average 37%)

How the manufacturers see the role of design

Design is integral	27%
UK average	15%
It has a significant role	23%
UK average	22%
It has a limited role	35%
UK average	39%
It doesn't have a role at all	14%
UK average	25%

A quarter of manufacturers rank design as the most crucial factor in their business success (UK average 15%). And over half (56%) feel design has become more important in the past decade.

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Do businesses in this sector believe it's worth investing in design?
Two thirds (69%) of manufacturers feel it's worth investing in design.
(UK average 50%)

Manufacturing is the sector most likely to believe it's worth investing in design.

The amount businesses invest is also rising significantly. Almost half (44%) now invest more than they used to.

Manufacturers' investment in design, 2002-2005

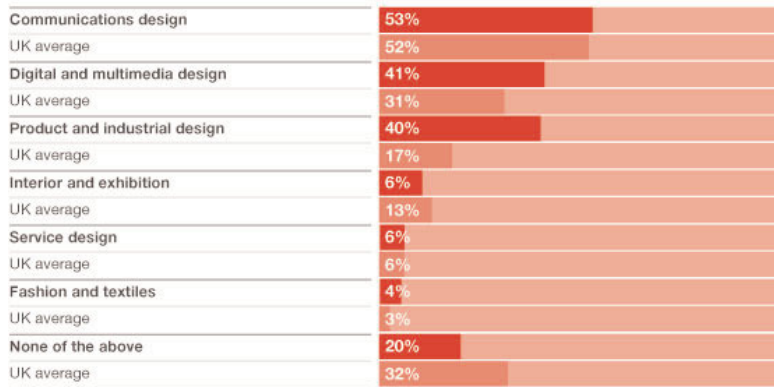|	
We've increased investment	44%
UK average	31%
It's stayed the same	27%
UK average	23%
It's decreased	8%
UK average	3%
We don't invest in design	22%
UK average	43%

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How do businesses in this sector use design?
80% of manufacturers use design in their business. That's more than in any other sector.
(UK average 68%)

Unsurprisingly, product and industrial design has huge appeal. Perhaps less expected is that digital and multimedia design is also more popular with manufacturers than with other sectors.
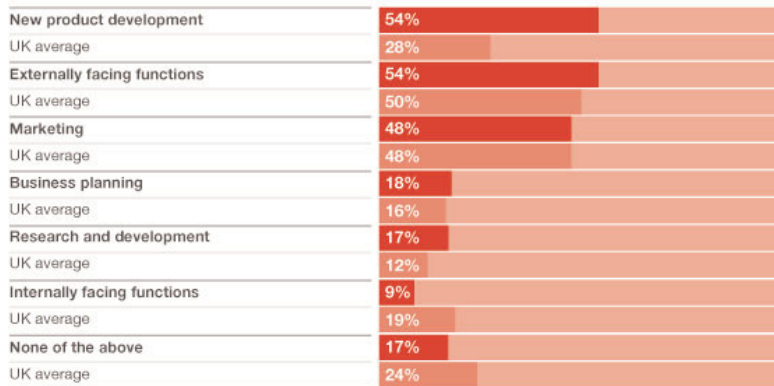
Design services used by manufacturers

Communications design	53%
UK average	52%
Digital and multimedia design	41%
UK average	31%
Product and industrial design	40%
UK average	17%
Interior and exhibition	6%
UK average	13%
Service design	6%
UK average	6%
Fashion and textiles	4%
UK average	3%
None of the above	20%
UK average	32%

Manufacturers mostly apply design to externally facing functions (such as branding) and new product development. With the latter, they use design almost twice as much as the UK average.

One area for more activity could be applying design to internally facing functions, where manufacturers are less active than others.
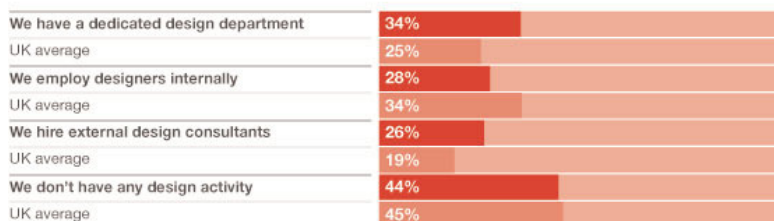
Areas of design application by manufacturers

New product development	54%
UK average	28%
Externally facing functions	54%
UK average	50%
Marketing	48%
UK average	48%
Business planning	18%
UK average	16%
Research and development	17%
UK average	12%
Internally facing functions	9%
UK average	19%
None of the above	17%
UK average	24%

Do manufacturers use designers?
Compared to others, manufacturers are more likely to have a dedicated design department. A third (34%) do.
(UK average 25%)

They're also more likely to hire external design consultants.

Hiring designers in manufacturing

We have a dedicated design department	34%
UK average	25%
We employ designers internally	28%
UK average	34%
We hire external design consultants	26%
UK average	19%
We don't have any design activity	44%
UK average	45%

Do manufacturers commission design from outside the UK?
A quarter of manufacturers (25%) commission some of their design work from abroad. They're by far the most active sector in this respect.
(UK average 9%)

In addition, 40% of manufacturers sell products made abroad. 17% of manufacturers have up to a quarter of their products made abroad. In 16% of businesses, more than three quarters are manufactured overseas.

37% of manufacturers have some of their products designed abroad. For one in ten (11%), under of a quarter of their products are designed abroad. But for 15%, more than three quarters are.

How do businesses use design when developing new products or services?
Design either leads or plays a part in developing new products and services for over a third of manufacturers (36%).
(UK average 29%)

The majority (60%) of manufacturers have developed a new product or service in the past three years.

This compares well to the UK average (40%). And it's way ahead of other sectors – such as primary industry, construction, utilities and communications (27%), and retail, wholesale and leisure services (34%).

How do businesses in this sector compete?
Innovation means more to manufacturers than it does to others. Nearly a third (29%) compete through it.
(UK average 16%)

Like businesses in other sectors, manufacturers are most likely to compete on the added value of their products or services (68%).

Manufacturers are also adept at finding new ways to compete. One in three (35%) now sell services attached to their product, such as repair work, supplies, financing or insurance.

How do manufacturing businesses think their customers make buying decisions?
Manufacturers think 79% of their private sector clients and 83% of their public sector clients decide to buy on the price or cost of their offer.
(UK averages: 65% and 69%)

All other sectors rate the added value of the product or service as the main reason to buy.

Nearly a quarter of manufacturers (23%) think customers (both private and public sector) buy because of innovation. That's above the UK averages (14% and 19%).

Sector portrait

Manufacturing is a shrinking sector. In 2003, the sector employed around 3.5million people. In 2004 this had fallen by 3% to around 3.3million.

Total turnover in the sector in 2004 was £465billion. There were 154,926 businesses.

According to the Design Council's National Survey of Firms, 88% of manufacturers have been in business for 10 years or more. This highlights the low number of new businesses.

More sector information is available from the Office for National Statistics. See our **List of further sources** for more information.

How can I use this information?

If you're a business intermediary
This report can support you in discussing the value of design with manufacturing businesses.

While most (69%) manufacturers think it's worth investing in design, the third that don't could be persuaded if they knew that:
– 77% of manufacturers see a link between design and profitability.
– They're right to. Elsewhere in our survey, we found that increased investment in design over the past three years increases the chance of turnover growth.

Investing in innovation could be one avenue for manufacturers to explore. Innovation means more to them than it does to other businesses. 29% compete through it, compared to 16% of businesses overall.

Though manufacturers are active in most areas of design, they use it less in internally facing design (such as workplace design and internal communications) than others. This could be another opportunity for increased activity.

If you're a design business
Manufacturers are more likely than businesses in any other sector to use design. 80% do so. And they're more likely to have design departments of their own (34% compared to 25%) and hire external consultants (26% compared to 19%).

This is therefore a sector worth targeting.

As expected, new product and service development is a key area. Our survey proves this – 54% of manufacturers apply design here, well ahead of the average (28%). And design either leads or plays a part in a third (36%) of all development projects.

This survey also throws up some less obvious opportunities. For example, manufacturers are more likely than others to use digital and new media design.

It's also worth staying abreast of legislative changes that apply to areas, such as packaging and labelling, as these can provide fresh opportunities within a sector like manufacturing

If you're a design educator or student
Investment in design by manufacturers is rising significantly. 44% now invest more than they did three years ago (UK average 31%).

For people researching issues around design, this increase in investment against performance could be worth studying.

For students interested in a career in design, it's definitely worth familiarising yourself with the manufacturing sector. Its businesses use design a lot more than others, creating numerous opportunities for you. There are more dedicated design departments in manufacturing businesses than there are in most other businesses, and external agencies also get more work from this sector than from others.

And certain types of design are also strong here, most obviously product and industrial design, and, more surprisingly, digital and multimedia design.

Design in primary industry, construction, utilities and communications

The headline

Businesses in the primary industry, construction, utilities and communications sector emerged as the least positive towards design.

Just one in 20 businesses in this sector think design is crucial to their success. And half don't commission any design services, compared to one in three across other sectors. This suggests that design's day-to-day role in this sector is limited.

Despite that, there are signs that design's wider importance is recognised. Two out of three businesses agree that design is integral to the UK's economic performance. And 56% believe there's a link between design and profitability.

The details

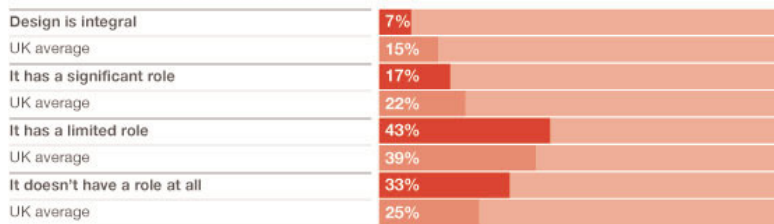**How do businesses in this sector see design's role?**
Two thirds (67%) of businesses in the primary industry, construction, utilities and communications sector feel design has some role to play in their operations.
(UK average 76%)

But 43% think design has a limited role.

Those businesses here less likely than those in other sectors to see design as integral or significant.

How businesses in primary industry, construction, utilities and communications see the role of design

Design is integral	7%
UK average	15%
It has a significant role	17%
UK average	22%
It has a limited role	43%
UK average	39%
It doesn't have a role at all	33%
UK average	25%

Only 5% of businesses in this sector think design is crucial to their success. More traditional factors are more important. For example, 81% rate financial management as crucial.

Despite this, the sector's businesses do value design's role in a wider economic context. 64% agree that design is integral to future economic performance, and 56% believe there's a link between design and profitability.

Do businesses in this sector believe it's worth investing in design?
Primary industry, construction, utilities and communications is the sector least likely to invest in design. Over half (58%) its businesses don't invest at all.
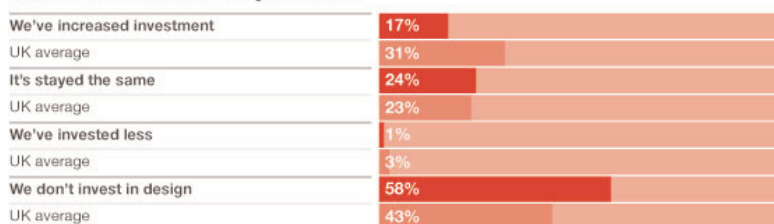(UK average 43%)

In addition, businesses overall are nearly twice as likely to be increasing their investment. For example, 44% of manufacturing businesses and 39% of property, finance and business services businesses have increased their design investment, compared to only 17% of businesses in this sector.

We asked businesses whether they thought it was worth investing in design in their sector. Businesses in the primary industry, construction, utilities and communications sector were most likely of all businesses to say no. One third took this view, and (34%) almost as many didn't know (29%), suggesting that there may be little knowledge of the benefits of design.

How do businesses in this sector use design?

Primary industry, construction, utilities and communications businesses' investment in design, 2002-2005

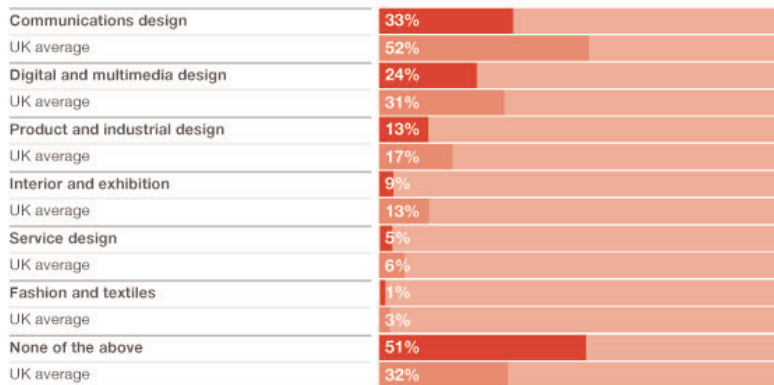|	
We've increased investment	17%
UK average	31%
It's stayed the same	24%
UK average	23%
We've invested less	1%
UK average	3%
We don't invest in design	58%
UK average	43%

Communications design is the most popular service among businesses in the primary industry, construction, utilities and communications sector. A third (33%) use it.
(UK average 52%)

But this is still well below the UK average. In fact, businesses in this sector use all types of design less than those in other sectors.

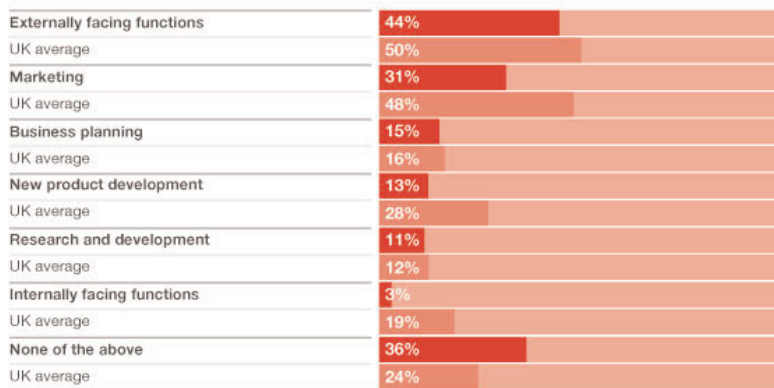Half the sector's businesses don't use any design at all. This compares poorly to just one in five manufacturers.

Design services used by businesses in primary industry, construction, utilities and communications sector

Communications design	33%
UK average	52%
Digital and multimedia design	24%
UK average	31%
Product and industrial design	13%
UK average	17%
Interior and exhibition	9%
UK average	13%
Service design	5%
UK average	6%
Fashion and textiles	1%
UK average	3%
None of the above	51%
UK average	32%

Businesses in this sector mostly apply design to externally facing functions (such as external communications and branding), and marketing.

But again, they're less likely to use design in their business than others. The gap in applying design to marketing, new product development and internally facing functions is particularly large.

Areas of design application by businesses in primary industry, construction, utilities and communications

Externally facing functions	44%
UK average	50%
Marketing	31%
UK average	48%
Business planning	15%
UK average	16%
New product development	13%
UK average	28%
Research and development	11%
UK average	12%
Internally facing functions	3%
UK average	19%
None of the above	36%
UK average	24%

Do businesses in this sector use designers?
Half of businesses in the primary industry, construction, utilities and communications sector do not employ designers in any way (52%). That's more than the UK average.
(UK average 45%)

When they do employ designers, it tends to be by bringing them on board as internal employees, rather than having a design department or commissioning externally.

Hiring designers in primary industry, construction, utilities and communications

We employ designers internally	24%
UK average	34%
We have a dedicated design department	21%
UK average	25%
We hire external design consultants	16%
UK average	19%
We don't have any design activity	52%
UK average	45%

How many businesses in this sector have developed new products or services?
Just over a quarter (27%) of businesses in the primary industry, construction, utilities and communications sector have developed a new product or service in the last three years.
(UK average 40%)

How do businesses in this sector compete?
One in ten (9%) businesses in primary industry, construction, utilities and communications compete on innovation.
(UK average 16%)

Again, this is below the average for businesses overall. Yet, like those in other sectors, businesses here are most likely to compete on the added value of their products or services (79%).

How do businesses in this sector think their customers make buying decisions?
Businesses in primary industry, construction, utilities and communications think 80% of their private sector clients and 74% of their public sector clients decide to buy because of the added value of their product or service.
(UK averages: 81% and 74%)

They think that only 9% and 8% of these clients respectively buy because of innovation. That's less than the UK average (14% and 19%).

Sector portrait
In 2004, the primary industry, construction, utilities and communications sector's turnover was £454billion, up 6% on 2003.

There were 3,272,000 people working in the sector, in 313,853 businesses. These were made up of:
– Agriculture, hunting and forestry – 19,875
– Fishing – 3,827
– Mining and quarrying – 1,209
– Electricity, gas and water – 437
– Construction – 209,145
– Transport, storage and communications – 79,360.

Our research shows that 72% of businesses in this sector increased their turnover in 2004-05. Even more, 83%, intended to grow in the next financial year.

More sector information is available from the Office for National Statistics. See our **List of further sources** for more information.

How can I use this information?

If you're a business intermediary
This report could help you persuade more businesses in this sector to consider competing through design.

Compared to other sectors, that message hasn't resonated here yet. Only a third of businesses agree that design has become more important to their business's competitiveness. In other sectors, such as manufacturing, that proportion almost doubles.

With well over half of businesses in this sector not investing in design, those that do could have a point of differentiation. Other parts of our survey demonstrate the link between investing and bottom line gains, in particular, **What design can do for your figures** and **The link between design and better business performance.** These could help you make the case.

If you're a design business
Of all the sectors, businesses in this one are least likely to employ designers, either within their business or externally commissioned. However, there should be some opportunities for you in this sector.

All design services are under-used by businesses in this sector compared to the UK average. Communications design, for example, is used by a third of businesses. At least half of all other businesses use it.

To awaken demand for your services, you could discuss with clients the areas where this sector is behind the UK average. For example, they're much less likely to apply design to marketing. Only 31% do so, compared to 48% elsewhere. Might changing perceptions about the role of design help the sector grow?

If you're a design educator
Comparing this sector with those which are more positive could generate worthwhile study. Over time, will its relatively lukewarm attitudes to design affect competitiveness and performance?

For students interested in a career in design, it's worth familiarising yourself with the primary industry, construction, utilities and communications sector. Although it currently uses design significantly less than others, that could mean there's more potential for growth and new opportunities.

Design in the property, finance and business services sector

The headline

In our research, businesses in the property, finance and business services sector emerged as some of the more positive towards design.

Four out of five businesses here think design has a role to play in their operations. And even more – 81% – think it's integral to the UK's future economic performance. Compared to the average of 67%, this was the highest vote of confidence we found.

The details

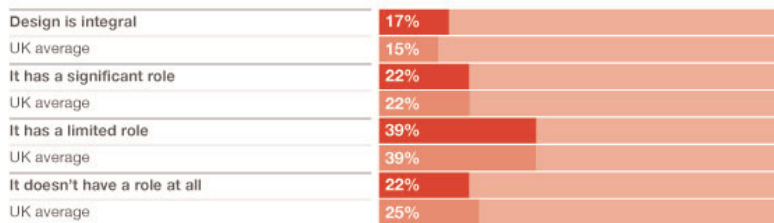**How do businesses in this sector see design's role?**
Businesses in the property, finance and business services sector mirror the overall UK picture in their appreciation of design. 17% think it's integral.
(UK average 15%)

Overall, 78% think design has some role to play. This is also consistent with the UK average of 75%.

Of the sectors we surveyed, only manufacturing was more positive.

How businesses in property, finance and business services see the role of design

Design is integral	17%
UK average	15%
It has a significant role	22%
UK average	22%
It has a limited role	39%
UK average	39%
It doesn't have a role at all	22%
UK average	25%

16% of businesses in this sector think design is crucial to their success.

The sector's businesses are positive about the value of design in a wider economic context. 81% agree that it's integral to future economic performance, and 66% see a link between design and profitability. They're more enthusiastic about both concepts than other sectors, such as primary industry, construction, utilities and communications and retail, wholesale and leisure services.

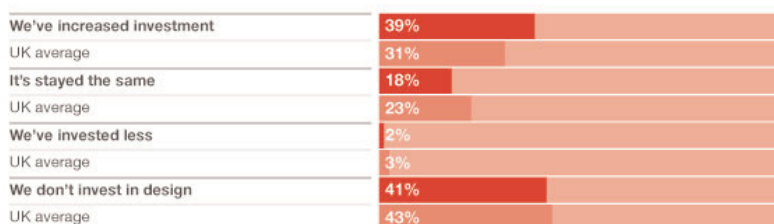**Do businesses in this sector believe it's worth investing in design?**
Over half (55%) the businesses in the property, finance and business services sector believe that, in their sector, it's worth investing in design.
(UK average 50%)

Half of businesses also believe that, over the past decade, design has become more important in helping them compete. That's ahead of the UK average of 46%, and much better than the 30% of businesses in the primary industry, construction, utilities and communications sector.

And nearly two in five (39%) have increased their investment in design over the past three years. Only manufacturing businesses beat this sector, with 44% increasing their investment in the same period.

Property, finance and business services businesses' investment in design, 2002-2005
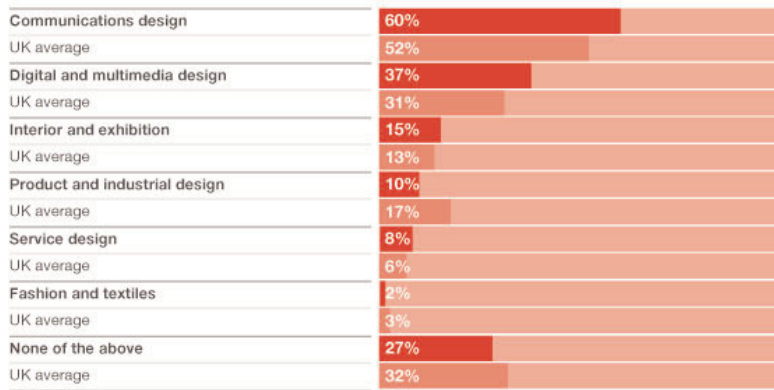
We've increased investment	39%
UK average	31%
It's stayed the same	18%
UK average	23%
We've invested less	2%
UK average	3%
We don't invest in design	41%
UK average	43%

How do businesses in this sector use design?
Almost all types of design are used more than average by businesses in the property, finance and business services sector. Communications design is particularly strong. Almost one in three (60%) businesses use it.
(UK average 52%)

Of the sectors we surveyed, only manufacturing uses all of these design services more.

Product and industrial design is the only service used to a below average degree by businesses here.
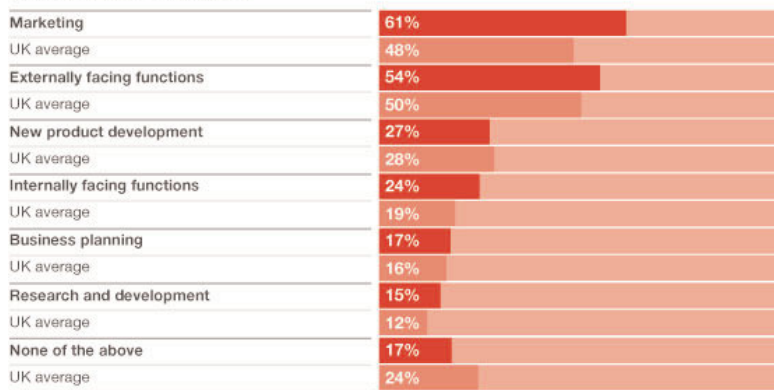
Design services used by businesses in property, finance and business services

Communications design	60%
UK average	52%
Digital and multimedia design	37%
UK average	31%
Interior and exhibition	15%
UK average	13%
Product and industrial design	10%
UK average	17%
Service design	8%
UK average	6%
Fashion and textiles	2%
UK average	3%
None of the above	27%
UK average	32%

When it comes to applying design, businesses in this sector are keener than most to use it for marketing. Two out of three businesses do so, compared to half of companies overall.

They're also keen users of design in other areas of their business, such as externally facing functions including branding and external communications, and internally facing functions like workplace design, internal communications and business planning.

Areas of design application by businesses in property, finance and business services

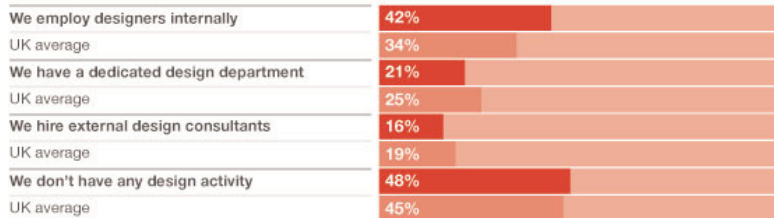|	
Marketing	61%
UK average	48%
Externally facing functions	54%
UK average	50%
New product development	27%
UK average	28%
Internally facing functions	24%
UK average	19%
Business planning	17%
UK average	16%
Research and development	15%
UK average	12%
None of the above	17%
UK average	24%

Do businesses in this sector use designers?
Businesses in property, finance and business services are most likely to employ their own internal designers. Two in five (42%) do this.
(UK average 34%)

When it comes to having design departments or commissioning work from external designers, businesses in this sector follow the UK norm.

Hiring designers in property, finance and business services

We employ designers internally	42%
UK average	34%
We have a dedicated design department	21%
UK average	25%
We hire external design consultants	16%
UK average	19%
We don't have any design activity	48%
UK average	45%

How many businesses in this sector have developed new products or services?
Two in five (40%) of businesses in the property, finance and business services sector have developed a new product or service in the last three years. That's the average for businesses in the UK overall too.
(UK average 40%)

How do businesses in this sector compete?
One in five (20%) businesses in property, finance and business services compete on the basis of innovation.
(UK average 16%)

That's slightly above average, but manufacturing is far ahead, with 29% of businesses pointing to innovation as the way to get ahead.

Like businesses in other sectors, those in property, finance and business services are most likely to compete on the added value of their products or services (76%). Just under half (46%) of them think of the price or cost of their offer as a key point of competition. Only 46% think this is key, compared to 64% of businesses overall.

How do businesses in this sector think their customers make buying decisions?
Eight out of ten (81%) of businesses in property, finance and business services think their private sector clients decide to buy because of the added value of their product or service. 71% believe their public sector clients buy on this basis.
(UK averages: 81% and 74%)

They think that 18% and 29% of these clients respectively buy because of innovation. That's more positive than most sectors, and ahead of the UK averages (14% and 19%).

Sector portrait

The property, finance and business services sector is growing.

In 2004 its turnover was £329billion, up an impressive 12% on 2003.

The sector covers a variety of business areas, such as real estate, advertising and financial services. There were 578,146 businesses registered in this sector in 2004, employing 4,535,000 people – an increase of 4% on 2003.

Advertising alone had a turnover in 2003 of £18billion, but the number of advertising businesses fell by 2.9% from 12,555 to 12,189 in the same period.

According to our National Survey of Firms, 69% of this sector's businesses saw their turnover grow in 2004-05. And 77% said they expected to grow in 2005-06.

More sector information is available from the Office for National Statistics. See our **List of further sources** for more information.

How can I use this information?

If you're a business intermediary
This data could help you make the case to businesses in this sector for competing through design.

Half are already convinced that design is becoming more important to competitiveness. Those that aren't yet convinced might not want to miss out.

Businesses in this sector primarily use communications design. In contrast, those in other sectors use a more diverse range of design disciplines in their business, potentially increasing their chances of success.

Likewise, if they're not increasing their investment in design, perhaps they should. Businesses in other sectors, for example manufacturing are increasing their investment in design more.

If you're a design business
There should be multiple opportunities for you in this sector.

Virtually all design services are more popular here than elsewhere, communications design especially so. Similarly, design is applied more widely, especially in marketing.

You could also use the findings of this report to help you persuade clients and potential clients of design's importance. For example, you can prove that design is becoming increasingly important to competitiveness. Half of businesses think so – more than in any other sector.

If you're a design educator or student
This sector is potentially an interesting one to study. Its positive attitude towards design's importance to the UK economy, and competitiveness within the sector, is significant.

For students interested in a career in design, it's worth familiarising yourself with the property, finance and business services sector. Its use of design is widespread.

If you want to work for a business in this sector, there are ample opportunities. 42% of businesses hire internally, but less than half as many commission agencies.

Design in retail, wholesale and leisure services

The headline
Retail, wholesale and leisure businesses are relatively lukewarm advocates of design's role though they use it as much as businesses overall.

Half of businesses in this sector apply design to externally facing functions, such as communications and branding, and marketing. Yet a third don't commission any of the types of design we surveyed.
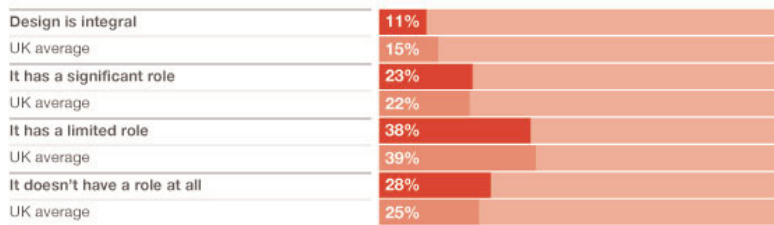
The details

How do businesses in this sector see design's role?
Three out of four (72%) businesses in the retail, wholesale and leisure sector feel design has some role to play in their operations. These attitudes broadly reflect the UK average.
(UK average 75%)

In this sector, businesses are slightly less likely than average to see design as integral. The difference between this (11%) and the most positive sector is significant – 27% of manufacturers see design as integral.

How businesses in retail, wholesale and leisure services see the role of design

Design is integral	11%
UK average	15%
It has a significant role	23%
UK average	22%
It has a limited role	38%
UK average	39%
It doesn't have a role at all	28%
UK average	25%

One in seven (14%) businesses in this sector think design is crucial to their success. More traditional factors are more important. For example, 74% rate financial management as crucial.

Retail, wholesale and leisure businesses are also less positive than others about the value of design in a wider economic context. 45% agree that it's integral to future economic performance, and 43% agree there's a link between design and profitability. But these numbers are low compared to other sectors.

Do businesses in this sector believe it's worth investing in design?
One in four (24%) businesses in retail, wholesale and leisure have invested more in design over the past three years.
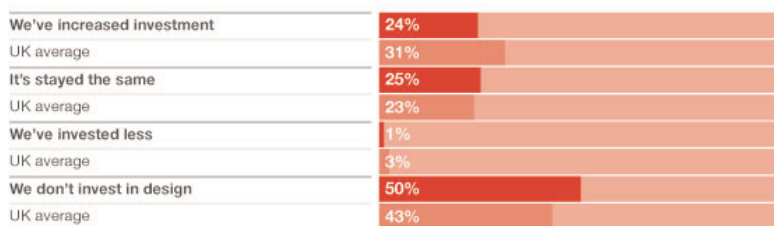(UK average 31%)

Paradoxically, more agree that in their sector it's worth investing in design. 41% think this is the case. But as many don't know whether this is the case, suggesting that there may be some confusion as to the benefits of using design.

A startling 50% of the sector's businesses don't invest in design at all. This is below the UK average, and more than twice the proportion of manufacturers which don't invest.

Just 9% of those investing in design have an accounting procedure to measure return on that investment (RODI). Our research shows that doing so can help a business compete.

Retail, wholesale and leisure services businesses' investment in design, 2002-2005

We've increased investment	24%
UK average	31%
It's stayed the same	25%
UK average	23%
We've invested less	1%
UK average	3%
We don't invest in design	50%
UK average	43%

Perhaps in time, the level of investment in design will increase. An encouraging 43% of businesses in this sector believe that, over the past decade, design has become more important in helping them compete. The UK average is 46%.
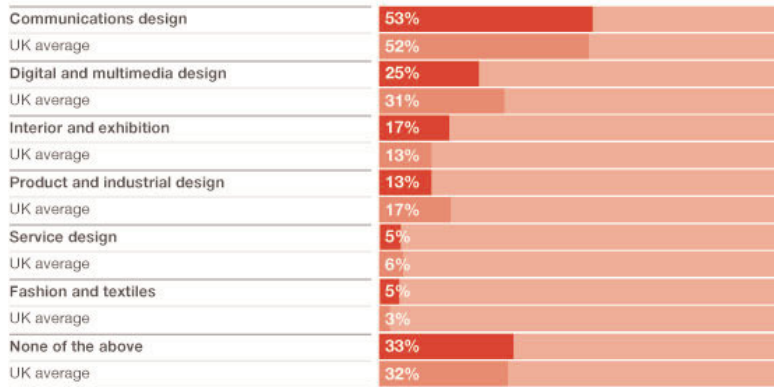
How do businesses in this sector use design?
Despite relatively lukewarm attitudes to the value of design, businesses in the retail, wholesale and leisure sector use it as much as others do. Communications design is the most popular service. Over half (53%) use it. (UK average 52%)

Interior and exhibition design is used slightly more than average. In contrast, digital and multimedia design, and product and industrial design, are slightly less popular.

A third of the sector's businesses don't use any design services at all.
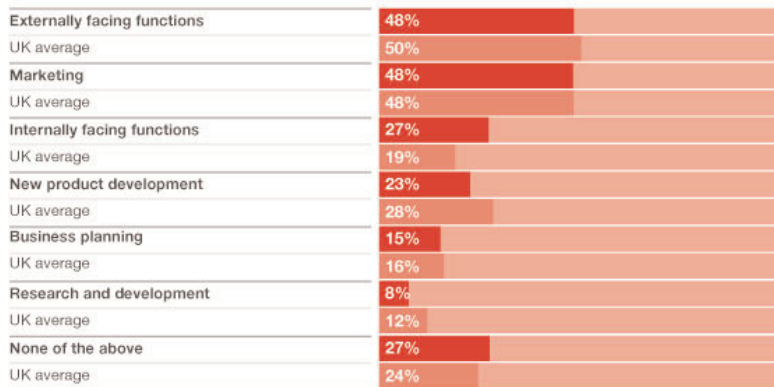
Design services used by businesses in retail, wholesale and leisure services

Communications design	53%
UK average	52%
Digital and multimedia design	25%
UK average	31%
Interior and exhibition	17%
UK average	13%
Product and industrial design	13%
UK average	17%
Service design	5%
UK average	6%
Fashion and textiles	5%
UK average	3%
None of the above	33%
UK average	32%

Businesses in this sector mostly apply design to marketing and externally facing functions. That's similar to other sectors.

However they're more likely than businesses in other sectors to apply design to internally facing functions, such as workplace design and internal communications.
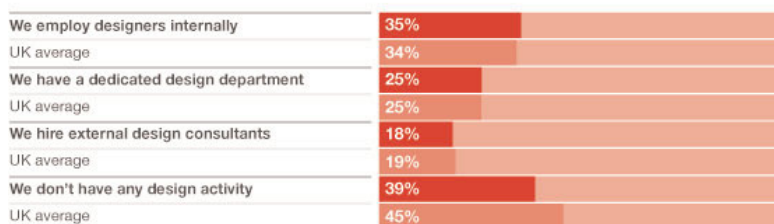
Areas of design application by businesses in retail, wholesale and leisure services

Externally facing functions	48%
UK average	50%
Marketing	48%
UK average	48%
Internally facing functions	27%
UK average	19%
New product development	23%
UK average	28%
Business planning	15%
UK average	16%
Research and development	8%
UK average	12%
None of the above	27%
UK average	24%

Do businesses in this sector employ designers?
Businesses in retail, wholesale and leisure are most likely to hire their own internal designers. One in three (35%) businesses do so.
(UK average 34%)

Hiring designers in retail, wholesale and leisure services

We employ designers internally	35%
UK average	34%
We have a dedicated design department	25%
UK average	25%
We hire external design consultants	18%
UK average	19%
We don't have any design activity	39%
UK average	45%

How many businesses in this sector have developed new products or services?
One third (34%) of businesses in the retail, wholesale and leisure sector have developed a new product or service in the last three years.
(UK average 40%)

How do businesses in this sector compete?
One in ten (10%) businesses in retail, wholesale and leisure compete on innovation.
(UK average 16%)

Like businesses in other sectors, they're most likely to compete on the added value of their products or services (82%). 71% compete on the basis of the price or cost of their offer, compared to two in three businesses overall.

How do businesses in this sector think their customers make buying decisions?
Businesses in retail, wholesale and leisure think 84% of their private sector clients and 81% of their public sector clients decide to buy based on the added value of their product or service.
(UK averages: 81% and 74%)

They think that only 9% and 13% of these clients buy because of innovation.

Sector portrait

In 2004, the turnover of the retail, wholesale and leisure sector was £673billion – up 7% on 2003. There were 637,594 businesses, employing approximately 8,411,000 people.

The sector covers a number of different business areas. For example:
– Hotels and restaurants – turnover £62billion; 126,746 businesses employing 1,924,000 people (2004).
– Community, social and personal service activities – turnover £119billion; 165,096 businesses employing 1,354,000 people (2004).
– Distribution industries – turnover £865billion; 381,752 businesses employing 5,133,000 people (2004).

Other businesses in this sector include trade and repair of motor vehicles, personal and household goods, and the film industry.

According to our National Survey of Firms, 88% of this sector's businesses saw their turnover grow in 2004-05. And 22% said they intended to grow rapidly in 2005-06 – the most growth-hungry sector we surveyed.

More sector information is available from the Office for National Statistics. See our **List of further sources** for more information.

How can I use this information?

If you're a business intermediary
This report could help you persuade more businesses in this sector to consider competing through design.

On this issue, their opinions mostly echo the general view across the UK. So arguably there's an opportunity to move forward. For example, 43% are convinced that design is becoming more important to competitiveness. The manufacturing sector comes out on top here, with over half agreeing that design's role in competition has increased over time.

Specific topics you could discuss include:
– Investing in design. Exactly half this sector's businesses don't invest at all, compared to just 22% of businesses in manufacturing. Other parts of our survey demonstrate the link between investing and bottom line gains. In particular, the sections on **What design can do for your figures** and **The link between design and better business performance** could help you make that case.
– Using design more widely. Half of businesses in this sector currently use communications design, but less than a quarter use any of the other types of design we surveyed.

If you're a design business

This sector is fertile ground for designers. But would-be clients may take some persuading.

Businesses could us3 a wider range of design services. For example, take-up of both digital and multimedia design, and product and industrial design, could be increased.

You could use the findings of this report to help you persuade clients and potential clients of design's importance.

For example, you could demonstrate the link between design and competition. The sections **What design can do for your figures** and **The link between design and better business performance** could help. They might help you convince some of the 50% of businesses currently not investing in design that they need to do so.

If you're a design educator

This sector uses design as much as most other sectors. Employing designers internally is a particularly popular solution. Yet the sector's attitudes towards design's value to business are often slightly less positive than the UK average. Understanding why this sector hasn't made as big a connection as others between design and competitiveness could be a useful area of study.

For students interested in a career in design, it's worth focusing on the retail, wholesale and leisure sector. One third of its businesses employ designers internally, suggesting plenty of opportunities.

They're also keener than most to apply design to internally facing functions, such as workplace design and internal communications, and to use communications design services.

06 Regional reports

Design in the East Midlands

The headline
The East Midlands recognises the value of design more than any other region in the UK.

Time and again, our survey shows attitudes are more positive than the UK average. For example, 29% of East Midlands businesses believe design is crucial to their bottom-line success. The UK average is 15%.
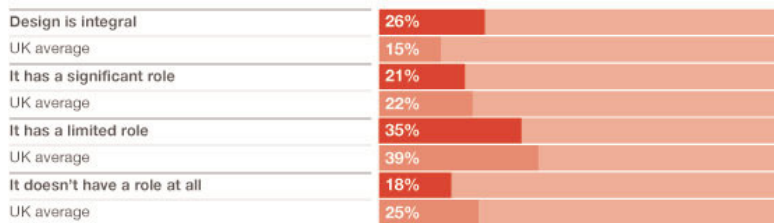
Significantly, the region is competing strongly. In 2004, the East Midlands achieved the highest gross value added (GVA) growth in the UK. The association between its attitude to design and GVA is interesting. See **The link between design and better business performance** for more on this topic.

The details

What role does design play in business?
East Midlands businesses value design's role more than others in the UK. One in four (26%) say it's integral.
(UK average 15%)

The role of design in East Midlands businesses

Design is integral	26%
UK average	15%
It has a significant role	21%
UK average	22%
It has a limited role	35%
UK average	39%
It doesn't have a role at all	18%
UK average	25%

How important is design to success, compared to other factors?
In the East Midlands, design is twice as important as elsewhere in the UK. 29% of businesses reckon it's crucial to their success.
(UK average 15%)

Of course, traditional factors are also essential to success.

For example, 84% of the region's businesses rate financial management as crucial. And 66% point to the quality of their staff.

How do businesses use design to compete?
Two thirds (68%) of East Midlands businesses believe that, over the past decade, design has become more important in helping them compete.
(UK average 46%)

Given this, it's not surprising that the region has a fairly healthy attitude to investing in design. In the past three years, 43% of East Midlands businesses have increased their investment.

However, a third still don't invest in design at all, though this is better than average.

East Midlands businesses' investment in design, 2002-2005

We've increased investment	43%
UK average	31%
It's stayed the same	21%
UK average	23%
We've invested less	4%
UK average	3%
We don't invest in design	32%
UK average	43%
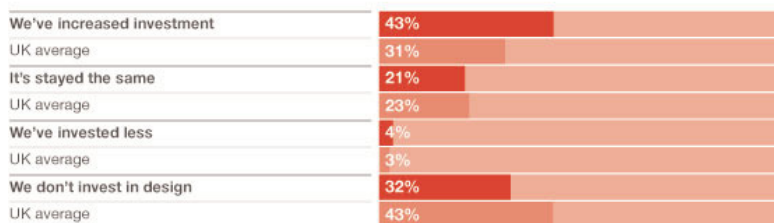
The region has also embraced innovation. A quarter of businesses say they compete through it – the highest proportion in the UK. However, other factors are seen as the main bases for competitiveness, such as the added value of a product/service (74%), or its price and cost (67%).

How many businesses have developed new products or services?
Over half (54%) of East Midlands businesses have developed new products or services in the past three years. They lead the UK in doing so.
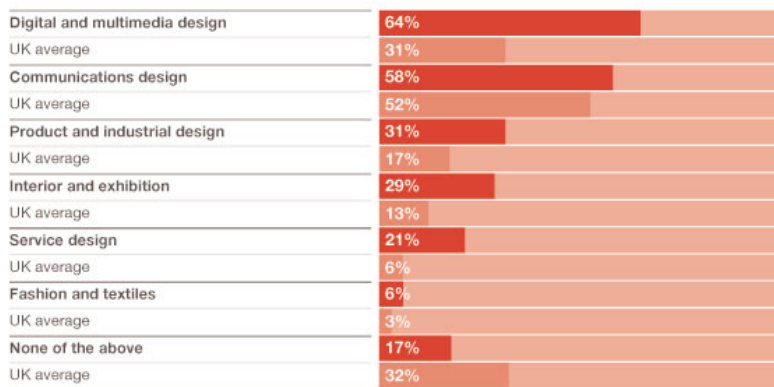(UK average 40%)

What types of design do businesses use?
Businesses in the East Midlands mostly use communications design, and are the lead users of digital and multimedia design in the UK. 58% and 64% of businesses respectively use these services.
(UK averages 52% and 31%)

Businesses also use far more product and industrial, interior and exhibition and service design than elsewhere.

Design services used by businesses in the East Midlands

Digital and multimedia design	64%
UK average	31%
Communications design	58%
UK average	52%
Product and industrial design	31%
UK average	17%
Interior and exhibition	29%
UK average	13%
Service design	21%
UK average	6%
Fashion and textiles	6%
UK average	3%
None of the above	17%
UK average	32%

Only a few of the region's businesses (17%) don't use any of the design services surveyed.

Do businesses use designers?
Like other regions, businesses in the East Midlands often don't employ designers. But there is a slightly greater tendency to hire external consultants than in the rest of the UK. 28% of businesses do so.
(UK average 19%)

Hiring designers in the East Midlands

We have a dedicated design department	28%
UK average	25%
We hire external design consultants	28%
UK average	19%
We employ designers internally	24%
UK average	34%
We don't have any design activity	48%
UK average	45%
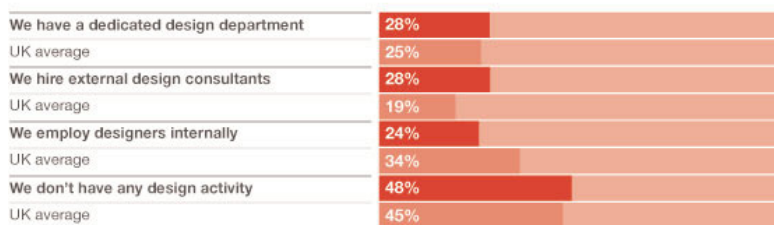
Where do businesses apply design?
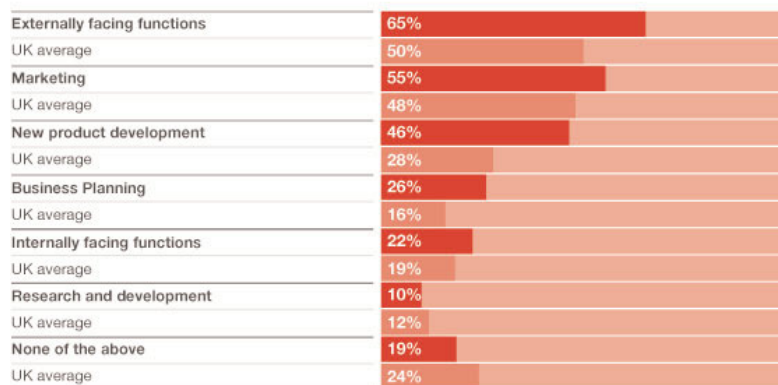**Businesses in the East Midlands are more likely than those elsewhere to apply design to externally facing functions, and new product development. 65% and 46% of businesses respectively apply design to these areas.** (UK averages 50% and 28%)

In most other areas, the region broadly mirrors the rest of the UK.

Areas of design application in the East Midlands

Externally facing functions	65%
UK average	50%
Marketing	55%
UK average	48%
New product development	46%
UK average	28%
Business Planning	26%
UK average	16%
Internally facing functions	22%
UK average	19%
Research and development	10%
UK average	12%
None of the above	19%
UK average	24%

Regional portrait

There are signs that the East Midlands economy is doing well compared to other regions.

The region had the highest level of gross value added (GVA) growth in 2004: 5.3%. (UK average 4.6%).

Overall, the region contributes 6.5% to national GVA. It's the third largest region in England, but has the second lowest population.

Growth is forecast to be 6.8% by 2021, slightly ahead of the UK average.

In terms of sectors, manufacturing appears to be more important to the East Midlands economy than it is to some other regions. It accounted for 23% of GVA in 2002 (UK average 16%). Traditional manufacturing strengths are clothing and textiles, though these are in decline.

The region's strengths include:
– Three prosperous cities in Nottingham, Leicester and Northampton
– Good transport links
– Low unemployment rates (though this is countered by a relatively high proportion of low-skilled jobs).

EMDA – the East Midlands Development Agency – is launching its third Regional Economic Strategy in July 2006.

The East Midlands: A Flourishing Region will build on previous initiatives from 1999 and 2003. The region's ambition to join Europe's Top 20 regions remains paramount. Since setting this target in 2003, the East Midlands has climbed from 35th to 28th.

The latest strategy will set economic priorities, but will not be about economic growth at all cost. The vision is for a region characterised by growing and innovative businesses with skilled people, in good jobs, participating in healthy, inclusive communities.

For more information on the East Midlands, see the Office For National Statistics website. See our **List of further sources** for more information.

How can I use this information?

If you're a business intermediary
This survey suggests the region's businesses are some of the most design aware in the UK. This may inspire businesses that aren't already using design to do so, and may also attract design businesses to the area.

These findings could serve as key information for you to use in your work with businesses.

If you're a design business
The East Midlands should be fertile ground.

Businesses are clued up on the value of design. 26% say it plays an integral role in their organisation, compared to 15% across the UK as a whole.

Whatever services you offer, your chances of a business using them here are better than average. For example, the likelihood of a business using digital and multimedia design is double the UK average (64% compared to 31%).

You could also present these facts to your clients, who may not be aware that their region leads the way in the use of design.

This survey also provides statistics to help prove the importance of design. For example, new products are more likely to be developed here than elsewhere in the UK (54% of businesses do so, compared to 40%).

And as well as the results of this survey (which look at what your clients are doing), we've also looked at what your peers are doing. The *Business of Design* is the first comprehensive survey of the design industry. You can download it from our website.

Among other things, the research compares the supply of design services in your region to that in others. This complements the demand for services discussed above, and should further help you discuss these issues with your clients.

If you're a design educator or student
For researchers, there are several areas that could merit further investigation. Some of the ratios by which the East Midlands exceeds the UK picture are significant. Frequently figures from the region double the average (for example 29% see design as crucial to their success, compared to 15% nationally), and occasionally triples it (service design is used by 21% of businesses, compared to 6% in the UK overall).

For this reason, the East Midlands is potentially a rewarding region for further study.

For students interested in a career in design, the strength of design here makes the East Midlands a region potentially rich in opportunities, particularly in popular design services such as digital and multimedia design, and interior and exhibition design. Both are used twice as much here as in the UK as a whole.

Design in the East of England
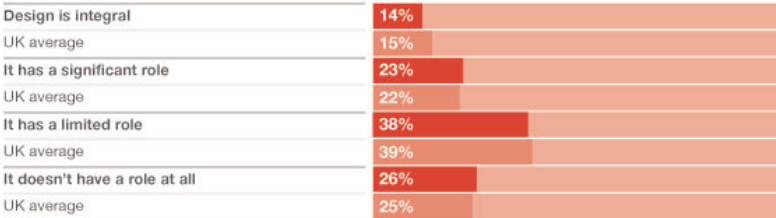
The headline
Design is valued almost as much in the East of England as in the rest of the UK.

While the region is slightly less positive about many of the issues we surveyed, there are signs of a change in attitudes.

Significantly, more is being invested in design here than in many other parts of the UK.

And business are taking other positive steps, such as increasing the role of external design agencies in business, are clear to see.

The details

What role does design play in business?
Design plays an integral role for one in seven (14%) businesses in the East of England. Attitudes here mirror the rest of the UK.
(UK average 15%)

The role of design in the East of England businesses

Design is integral	14%
UK average	15%
It has a significant role	23%
UK average	22%
It has a limited role	38%
UK average	39%
It doesn't have a role at all	26%
UK average	25%

How important is design to success, compared to other factors?
In the East of England, 12% of businesses think design is crucial to their success.
(UK average 15%)

This is slightly less positive than the average view.

Of course, traditional factors are also essential to success.

For example, 82% of the region's businesses rate financial management as crucial. And 64% point to the quality of staff.
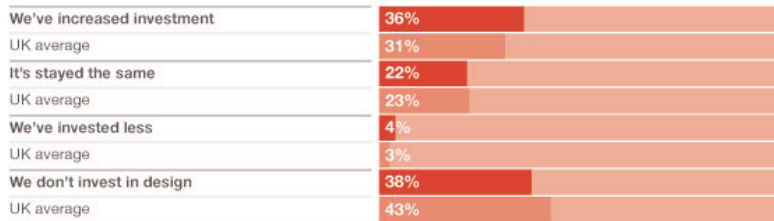
How do businesses use design to compete?
Over a third (37%) of East of England businesses believe that, over the past decade, design has become more important in helping them compete.
(UK average 46%)

While encouraging, this falls short of some other parts of the UK. Regions such as the East Midlands and South West are almost twice as positive.

However the East of England is good at investing in design. Over a third (36%) of the region's businesses have increased their investment over the past three years

East of England businesses' investment in design, 2002-2005

We've increased investment	36%
UK average	31%
It's stayed the same	22%
UK average	23%
We've invested less	4%
UK average	3%
We don't invest in design	38%
UK average	43%

The region's businesses mostly compete on the cost or price of their product or service (73%). 67% compete on the added value of a product or service. Just 15% of businesses compete on innovation.

How many businesses have developed new products or services?
Over a third (39%) of the East of England's businesses have developed new products or services in the past three years.
(UK average 40%)

What types of design do businesses use?
All types of design are used slightly less in the East of England than they are elsewhere. Communications design is the most popular design service, used by 45% of businesses.
(UK average 52%)

Over a third (38%) of the region's businesses don't use any of the design services we surveyed. This is fractionally more than the UK average.

Design services used by businesses in the East of England

Communications design	45%
UK average	52%
Digital and multimedia design	23%
UK average	31%
Product and industrial design	13%
UK average	17%
Interior and exhibition	10%
UK average	13%
Service design	3%
UK average	6%
Fashion and textiles	2%
UK average	3%
None of the above	38%
UK average	32%
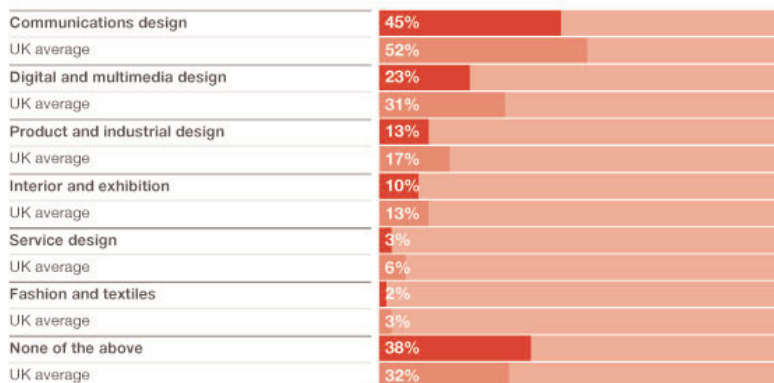
Do businesses use designers?
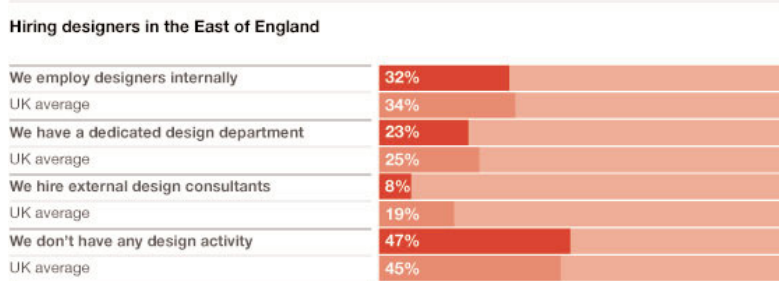**Businesses in the East of England are reluctant to hire external design consultants. Just 8% do.**
Businesses elsewhere are more than twice as likely to do so.
(UK average 19%)

However, the region matches others in hiring designers internally, and in having dedicated design departments.
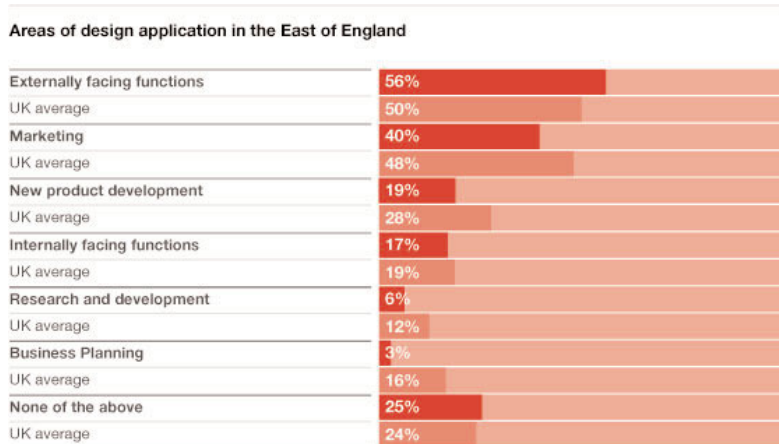
Hiring designers in the East of England

We employ designers internally	32%
UK average	34%
We have a dedicated design department	23%
UK average	25%
We hire external design consultants	8%
UK average	19%
We don't have any design activity	47%
UK average	45%

Where do businesses apply design?
East of England businesses most often apply design to their externally facing functions, such as branding and corporate communications (56%).
(UK average 50%)

Overall, businesses are less enthusiastic than average users of design in every area of business we surveyed, particularly business planning.

Areas of design application in the East of England

Externally facing functions	56%
UK average	50%
Marketing	40%
UK average	48%
New product development	19%
UK average	28%
Internally facing functions	17%
UK average	19%
Research and development	6%
UK average	12%
Business Planning	3%
UK average	16%
None of the above	25%
UK average	24%

Regional portrait
The East of England has one of the UK's largest economies. In 2004, the region's gross value added (GVA) was £100.3billion. This was 10% of the UK's total GVA.

Only London, the South East and North West contribute more to the UK economy.

It's also one of the fastest growing economies in the UK, although the East of England Development Agency reported a slowdown in 2005.

The service sector in this region is performing strongly. Real estate, renting and business activities alone contributed over a quarter of economic output.

In contrast, high fuel and energy prices have adversely affected the region's manufacturing and distribution services businesses. Some manufacturing is now outsourced abroad, and the sector is smaller than in some other regions. In 2002 it contributed over an eighth of economic output. Agriculture remains important to the region.

The East of England spends a higher proportion of economic output on research and development than other regions. Cambridge, with its strong science base, is a crucial factor in this.

Current major initiatives include 'A Shared Vision - The Regional Economic Strategy for the East of England,' which sets out eight economic targets.

For more information on the East of England, See these links in our **List of further sources**:
– East of England Development Agency
– Government Office For the East of England
– Office For National Statistics.

How can I use this information?

If you're a business intermediary
Businesses' attitudes to design are in line with the rest of the UK, and their design investment is relatively strong.

But there are now opportunities to get ahead. For example, there are two things that businesses here don't do as much as those elsewhere:
– External design agencies are used twice as much in other regions.
– Design is five times more likely to be applied to business planning elsewhere.

Increasing activity in both these areas might help the region get more value from its design investment.

If you're a design business
For the East of England to match the rest of the UK, businesses need to use all services a little more.

For example, around one in four of this region's businesses use digital and multimedia design. Across the UK, it's closer to one in three.

One factor could be the comparatively low profile which external design agencies have here. Businesses are more likely to employ their own designers and have their own design departments.

As well as the results of this survey (which look at how your clients are using design in their business), we've also looked at what your peers are doing. The *Business of Design* is the first comprehensive survey of the design industry. You can download it from our website. See our **List of further sources** for more information.

Among other things, the research compares the supply of design services in your region to that in others. This complements the demand for services discussed above, and should further help you discuss these issues with your clients.

If you're a design educator or student
For those working in design education, it's notable that businesses in the East of England apply comparatively little design to developing new products. Yet investment in design overall is relatively healthy. Monitoring these issues to see if they change could prove one useful area of study.

For students interested in a career in design, it's worth noting that businesses in this region often prefer hiring their own designers to using external agencies.

Design in London

The headline
London businesses are heavy users of design, particularly communications and interior and exhibition design. They invest more in design, and they apply it more to their business activities.

Despite all this, they're relatively lukewarm about the contribution it's making to their business success.
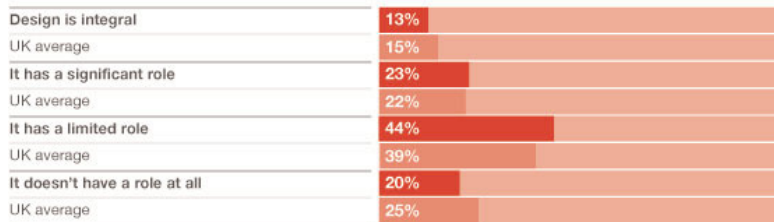
The details

What role does design play in business?
London's businesses are more likely than others to feel design has a role to play in their business. Just one in five (20%) think it doesn't, compared to one in four elsewhere.
(UK average 25%)

One in eight (13%) say design is integral. This puts London close to the UK average, but significantly behind leading regions, such as the East Midlands (26%).

The role of design in London businesses

Design is integral	13%
UK average	15%
It has a significant role	23%
UK average	22%
It has a limited role	44%
UK average	39%
It doesn't have a role at all	20%
UK average	25%

How important is design to success, compared to other factors?
London businesses are some of the least likely to say design is crucial to their success. Less than one in ten think so (8%). That's half the UK average.
(UK average 15%)

Of course, traditional factors are also important to success.

For example, 69% of London's businesses rate financial management as crucial. And 64% point to operational management.

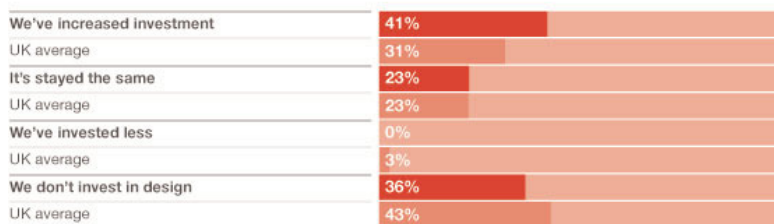**How do businesses use design to compete?**
London has a very healthy attitude to investing in design. Over the past three years, 41% of businesses have increased their investment.
(UK average 31%)

None of the businesses we surveyed had cut their investment.

However, over one third still don't invest in design at all. While this is better than average, there's room for improvement.

London businesses' investment in design, 2002-2005

We've increased investment	41%
UK average	31%
It's stayed the same	23%
UK average	23%
We've invested less	0%
UK average	3%
We don't invest in design	36%
UK average	43%

Most London businesses (79%) compete on the basis of the added value of a product/service. Few compete on innovation (13%).

How many businesses have developed new products or services?
Over a third (36%) of London businesses have developed new products or services in the past three years.
(UK average 40%)

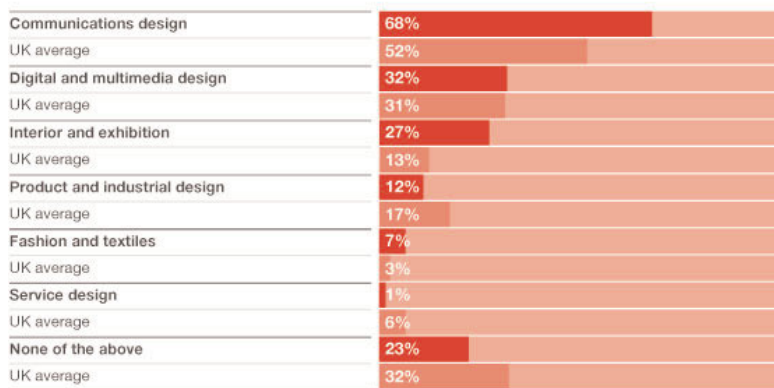This puts London in line with the UK in general.

In leading regions, such as the East Midlands, over half of businesses (54%) have developed new products or services. In Northern Ireland and the North East, this drops to a quarter.

What types of design do businesses use?
London businesses use many types of design to an above average extent. Communications design (68%), and interior and exhibition design (27%) are particularly popular.
(UK averages 52% and 13%)

Design services used by businesses in London

Communications design	68%
UK average	52%
Digital and multimedia design	32%
UK average	31%
Interior and exhibition	27%
UK average	13%
Product and industrial design	12%
UK average	17%
Fashion and textiles	7%
UK average	3%
Service design	1%
UK average	6%
None of the above	23%
UK average	32%

A quarter (23%) of the region's businesses don't use any of the design services surveyed. This is better than average (32%).
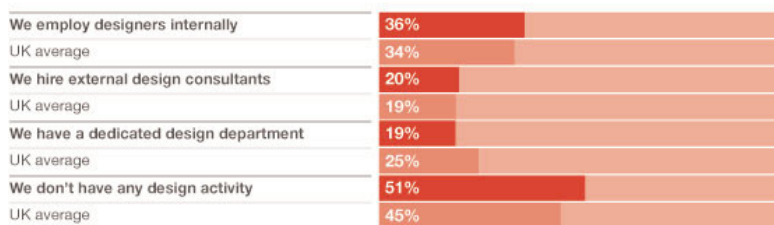

Do businesses use designers?
London's businesses are most likely to employ their own designers, albeit not necessarily in a designated design department – 36% of businesses do so.
(UK average 34%)

One in five businesses commissions design from external agencies. Supply certainly goes some way to meeting this demand. 31% of the UK design industry is based in London.

Hiring designers in London

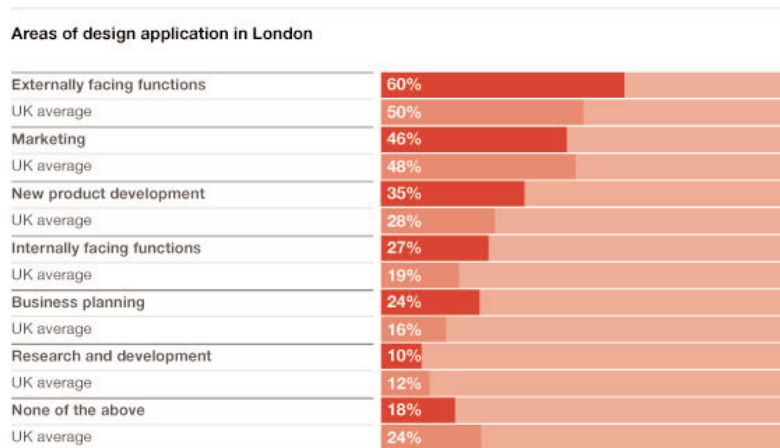|	
We employ designers internally	36%
UK average	34%
We hire external design consultants	20%
UK average	19%
We have a dedicated design department	19%
UK average	25%
We don't have any design activity	51%
UK average	45%

Where do businesses apply design?
London businesses apply design more broadly than most. Externally facing functions, such as branding and corporate communications, are especially likely to get design input (60%).
(UK average 50%)

So are areas like marketing and new product development. And over a quarter of businesses apply design to internally facing functions, such as workplace design and internal communications.

Areas of design application in London

Area	Percentage
Externally facing functions	60%
UK average	50%
Marketing	46%
UK average	48%
New product development	35%
UK average	28%
Internally facing functions	27%
UK average	19%
Business planning	24%
UK average	16%
Research and development	10%
UK average	12%
None of the above	18%
UK average	24%

Regional portrait

At first sight, London's economy seems to be booming.

In 2004, its gross value added (GVA) per head was 32% higher than the UK average. In the same year, London was voted the 'Best City in Europe to Locate a Business', the 15th time it's received this accolade.

But growth is slow. In 2004, London's GVA grew by just 3.5%, the lowest rate in the country.

The London Development Agency produces an Economic Development Strategy for the region, including six-monthly snapshots showing how the city is performing against targets.

The London Development Agency established Creative London as an initiative that works to promote and grow the diversity, depth, quality and energy of the creative industries in London.

For more information on London, please see these link in our **List of further sources:**
– London Development Agency
– Creative London
– Office for National Statistics.

How can I use this information?

If you're a business intermediary
London businesses don't necessarily need to use design more. Take-up and investment are relatively strong. But they could be more convinced that it's making a difference to their bottom line.

Just one in eleven thinks design is crucial to their success. Across the UK as a whole, that figure doubles.

Our survey can help you address this with businesses in your region. In particular, **What design can do for your figures** and **The link between design and better business performance** provide strong evidence of design boosting the bottom line.

If you're a design business
Our survey proves it's good to be a designer in London.

Businesses are heavy users of design, and it's no wonder that 31% of the UK design industry operates in the capital.

Looking at where design is applied by businesses provides an idea of which design services are needed. Businesses use most of their design in externally facing functions such as corporate communications and branding, but also in internally facing functions and business planning. Design is slightly less likely to be applied to marketing here than elsewhere in the UK. And service design is rarely used. Discussing these shortfalls with your clients might create opportunities.

And as well as the results of this survey (which look at what your clients are doing), we've also looked at what your peers are doing. The *Business of Design* is the first comprehensive survey of the design industry. It can be downloaded from our website. See our **List of further sources** for more information.

Among other things, it compares the supply of design services in your region to that in others. This complements the demand for services discussed above, and should further help you discuss opportunities for design with your clients.

If you're a design educator or student
London is an interesting and rich subject for study. The industry is big here, and it's used extensively. But attitudes on its impact are less enthusiastic than those elsewhere. Finding out why might form one area for research.

For students interested in a career in design, London is justifiably a major draw. With nearly a third of the UK's design industry operating here, opportunities should be plentiful.

Design in the North East

The headline

North East businesses are less convinced about the value of design than the rest of the UK.

Design often plays a marginal role, and businesses are less positive than elsewhere in the UK.

But there are positive signs. While only 6% of the region's businesses rate design as integral to their operations, 19% think it is crucial to their success.
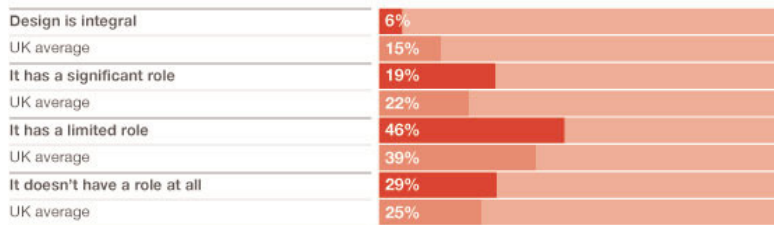
The details

What role does design play in business?
Only 6% of North East businesses see design as integral to their operations. A further 19% see it as significant.
(UK averages 15% and 22%)

Nowhere else are businesses less positive about design.

The role of design in North East businesses

Design is integral	6%
UK average	15%
It has a significant role	19%
UK average	22%
It has a limited role	46%
UK average	39%
It doesn't have a role at all	29%
UK average	25%

How important is design to success, compared to other factors?
Businesses in the North East rate design's impact on business success in the same way most businesses in the UK do. 19% believe it's crucial to their success.
(UK average 15%)

Of course, traditional factors are also essential to success.

For example, 66% of the region's businesses rate financial management as crucial. And 45% point to operational management, identical to the national average.

How do businesses use design to compete?
Half (50%) of North East businesses believe that, over the past decade, design has become more important in helping them compete.
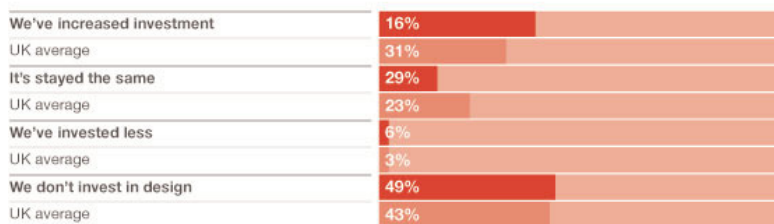(UK average 46%)

While this belief mirrors the picture nationally, it falls some distance behind the most positive regions such as the East Midlands (68%) and South West (65%).

Only one in six businesses (16%) in the region have increased their investment in design in the past three years. Also, half (49%) don't invest at all.

More than four out of five of the region's businesses compete on the basis of the price or cost of their offer. This is the highest proportion in the UK. Other grounds for competing – such as innovation (7%) – are substantially less attractive than in the UK as a whole.

North East businesses' investment in design, 2002-2005

We've increased investment	16%
UK average	31%
It's stayed the same	29%
UK average	23%
We've invested less	6%
UK average	3%
We don't invest in design	49%
UK average	43%

How many businesses have developed new products or services?
Only a quarter (26%) of North East businesses have developed new products or services in the past three years.
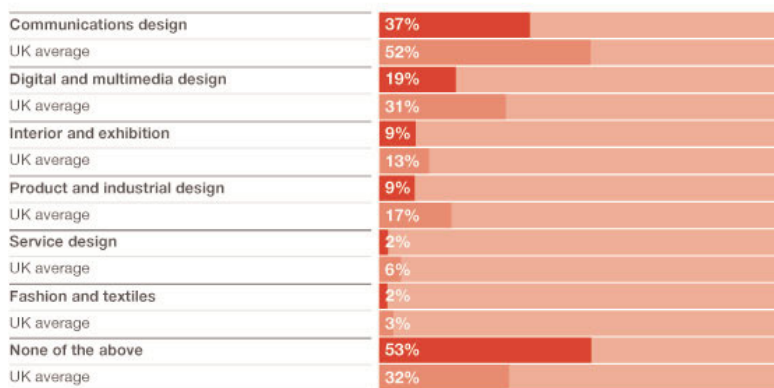**(**UK average 40%)

Along with Northern Ireland, businesses in the region are the least likely in the UK to develop new products or services.

What types of design do businesses use?
Compared to the rest of the UK, the North East makes less use of every type of design. 53% of businesses, compared to only one in three elsewhere, haven't used any of the types of design we surveyed.
(UK average 32%)

This differs significantly from other regions where design is used far more. For example only 17% of East Midlands businesses haven't used any type of design we surveyed.

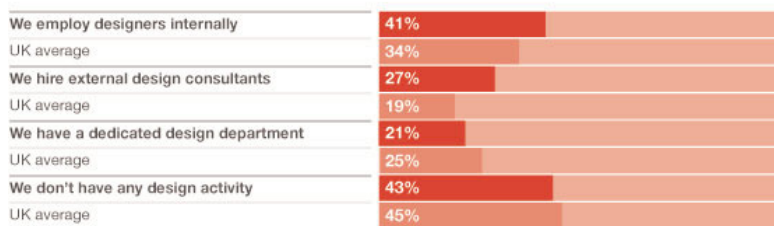**Design services used by businesses in the North East**

Communications design	37%
UK average	52%
Digital and multimedia design	19%
UK average	31%
Interior and exhibition	9%
UK average	13%
Product and industrial design	9%
UK average	17%
Service design	2%
UK average	6%
Fashion and textiles	2%
UK average	3%
None of the above	53%
UK average	32%

Do businesses use designers?
Over half of businesses (57%) in the North East employ or commission designers.
(UK average 55%)

In some aspects of design employment, the region falls just short of UK averages. Fewer businesses have design departments of their own. However, two in five employ a designer internally.

Hiring designers in the North East

We employ designers internally	41%
UK average	34%
We hire external design consultants	27%
UK average	19%
We have a dedicated design department	21%
UK average	25%
We don't have any design activity	43%
UK average	45%

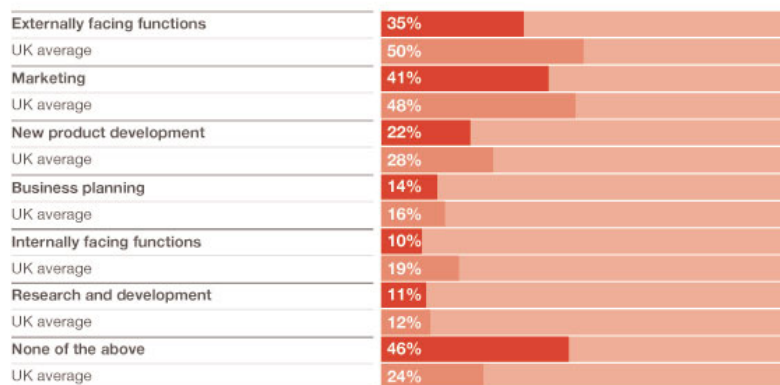*'Hiring a designer's brain adds something that we wouldn't think of.'*
Peratech case study

Where do businesses apply design?
North East businesses use design less than average. Almost half (46%) of businesses don't apply design to any of the areas surveyed.
(UK average 24%)

Areas of design application in the North East

Externally facing functions	35%
UK average	50%
Marketing	41%
UK average	48%
New product development	22%
UK average	28%
Business planning	14%
UK average	16%
Internally facing functions	10%
UK average	19%
Research and development	11%
UK average	12%
None of the above	46%
UK average	24%

Regional portrait

At £34.2billion, the North East's gross value added (GVA) is the second lowest in the UK (after Northern Ireland). It represents just 3.4% of the UK's overall GVA.

In recent years the region has embraced new industries such as automotive, microelectronics, biotechnology, and new and renewable energy.

One NorthEast is the regional development agency. Its investment in R&D and its strong commitment to design are driving forward the region's economic prosperity.

Innovation and diversification sit at the heart of the Regional Economic Strategy (RES). The objective is to yield greater economic growth in the forms of:
– Business expansion
– Increased exports
– New knowledge and know-how
– More inward investment from multinationals
– More high-tech start-ups.

The strategy identifies the following sectors as being strategically important over the next ten years:
– Automotive
– Food and drink
– Defence and marine
– Energy and the environment
– Chemicals and pharmaceuticals
– Knowledge intensive business services, such as banking, finance and legal services
– Tourism and hospitality
– Commercial creative
– Health and social care.

For more information on the North East, see these links in our **List of further sources:**
– One North East
– Office For National Statistics.

How can I use this information?

If you're a business intermediary
There is certainly scope to increase design's profile in the region. One in five of the region's businesses rate design as crucial to their bottom-line success (19%). Yet their poor take-up of design doesn't yet support this belief.

There are ways to change this. Rather than seeing design's low regional profile as a problem, it could be used to spur businesses to match other regions. Our survey offers a number of comparisons that could help, such as the East Midlands.

For example, only 26% of North East businesses have developed new products or services in the past three years. In a region such as the East Midlands, this figure more than doubles (54%). And comparing the two regions' respective contributions to national gross value added (GVA) – 3.4% versus 6.5% – shows another near doubling. While the two statistics may not be directly linked, they could help you argue that by taking steps such as developing more new products, the region could potentially improve overall.

If you're a design business
At first glance the region seems less receptive than others to buying design services.

There's a lot of convincing to do. But there can only be opportunities for you to grow your service offering. For example, while 64% of East Midlands businesses use digital and multimedia design, only 19% of North East businesses do so. If you offer these services, you could look to persuade businesses to use them more.

Convincing clients to do more in these areas will benefit both you and them. Other parts of our survey, such as **What design can do for your figures** and **The link between design and better business performance** could help you make the case.

And as well as the results of this survey (which look at what your clients are doing), we've also looked at what your peers are doing. The *Business of Design* is the first comprehensive survey of the design industry. You can download it from your website. See our **List of further sources** for more information.

Among other things, it compares the supply of design services in your region to that in others. This complements the demand for services discussed above, and should further help you discuss these issues with your clients.

If you're a design educator or student
For researchers, this region could be a good benchmark against which to measure any future improvement in the impact of design, as the potential for improvement is greater than most.

Students interested in a career in design could look at our report on **The link between design and better business performance** to help them persuade businesses to take them on.

Design in Northern Ireland

The headline

More than their counterparts in many parts of the UK, businesses in Northern Ireland know that design can help them succeed.

But this conviction is not quite mirrored in practice. Take-up of most design services is currently quite low, compared to the rest of the UK. However, investment is increasing, suggesting an ever improving outlook.
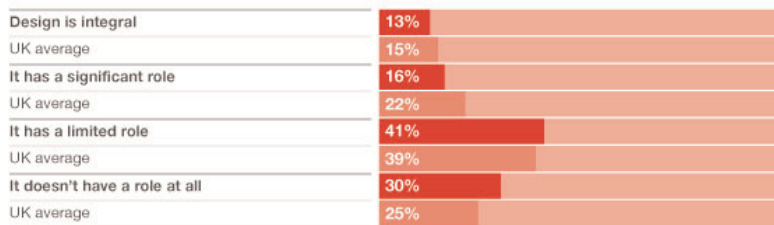
The details

What role does design play in business?
Like businesses in other areas, those in Northern Ireland see design playing a limited role. Only 29% think it's either integral or significant to their business.
(UK average 37%)

Only one in eight (13%) say it's integral. While close to the UK average, this puts Northern Ireland significantly behind other regions, such as the East Midlands (26%).

The role of design in Northern Irish businesses

Design is integral	13%
UK average	15%
It has a significant role	16%
UK average	22%
It has a limited role	41%
UK average	39%
It doesn't have a role at all	30%
UK average	25%

How important is design to success, compared to other factors?
A quarter of Northern Irish businesses think design is crucial to their success (26%). That's encouragingly high, compared to the average.
(UK average 15%)

Of course, traditional factors remain more important to success.

For example, 79% of Northern Irish businesses rate operational management as crucial. And 73% point to financial management.
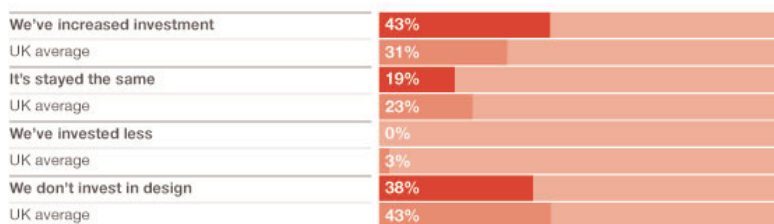
How do businesses use design to compete?
Nearly half (45%) of Northern Ireland's businesses believe that, over the past decade, design has become more important in helping them compete.
(UK average 46%)

While this mirrors the picture across the UK, Northern Irish businesses are among the most likely to have increased investment in design. Over the past three years, 43% have invested more than before. And none have decreased their investment.

Northern Irish businesses' investment in design, 2002-2005

We've increased investment	43%
UK average	31%
It's stayed the same	19%
UK average	23%
We've invested less	0%
UK average	3%
We don't invest in design	38%
UK average	43%

Most Northern Irish businesses compete on cost and price (70%). Fewer than average think the added value of their products and services is a basis for competition (60% compared to 77% average).

How many businesses have developed new products or services?
Businesses in Northern Ireland develop fewer products and services than those elsewhere. Only a quarter (25%) have developed something new in the past three years.
(UK average 40%)

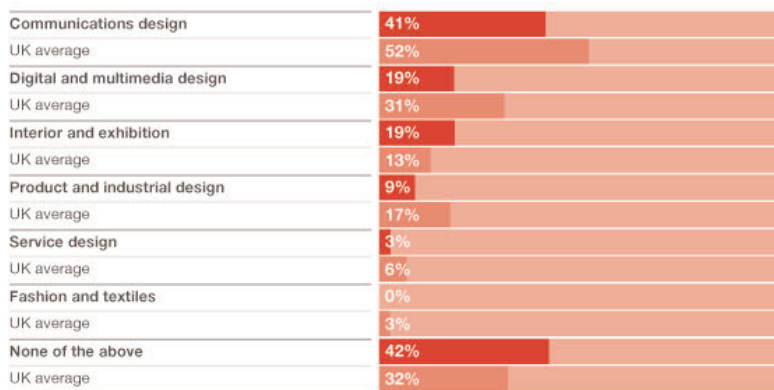**What types of design do businesses use?**
Communications design is most widely used, by 41% of Northern Irish businesses. However, the overall picture is weak. Most design services are used less than in the UK as a whole.
(UK average 52%)

Services such as digital and multimedia design are particularly under-utilised. Just one in five businesses use it, compared to one in three elsewhere.

Only interior and exhibition design bucks this trend.

Design services used by businesses in Northern Ireland

Communications design	41%
UK average	52%
Digital and multimedia design	19%
UK average	31%
Interior and exhibition	19%
UK average	13%
Product and industrial design	9%
UK average	17%
Service design	3%
UK average	6%
Fashion and textiles	0%
UK average	3%
None of the above	42%
UK average	32%

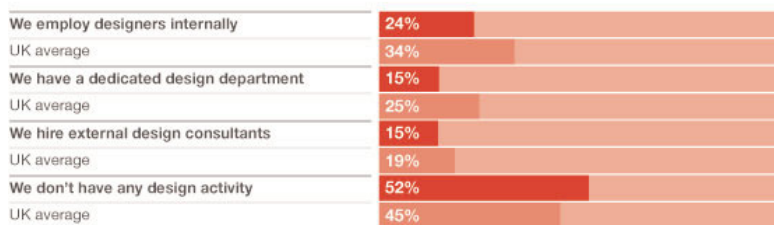42% of Northern Irish businesses don't use any of the design services we surveyed.

Do businesses use designers?
Half of Northern Irish businesses don't use designers, either internally or externally commissioned (52%).
(UK average 45%)

Overall, Northern Irish businesses don't employ as many designers as businesses elsewhere.

Hiring designers in Northern Ireland

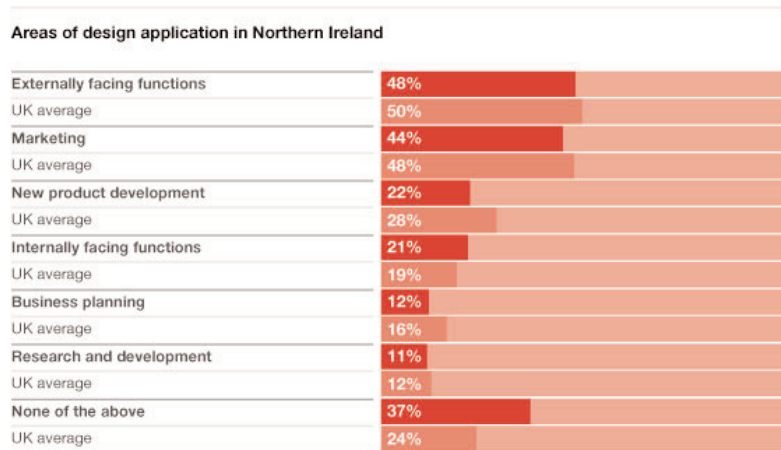|	
We employ designers internally	24%
UK average	34%
We have a dedicated design department	15%
UK average	25%
We hire external design consultants	15%
UK average	19%
We don't have any design activity	52%
UK average	45%

Where do businesses apply design?
As in other parts of the UK, businesses in Northern Ireland apply design to externally facing functions, such as branding and corporate communications, more than anything else. Half (48%) of businesses do so.
(UK average 50%)

In general, Northern Irish businesses apply design less than others do. In fact, over a third don't apply design to any area of their business at all.

Areas of design application in Northern Ireland

Externally facing functions	48%
UK average	50%
Marketing	44%
UK average	48%
New product development	22%
UK average	28%
Internally facing functions	21%
UK average	19%
Business planning	12%
UK average	16%
Research and development	11%
UK average	12%
None of the above	37%
UK average	24%

Regional portrait
Northern Ireland's contribution to national gross value added (GVA) in 2004 was £23.1billion. This represents only 2.3% of the UK total. The GVA per head is, however, on a par with that of other parts of the UK, such as the North East of England and Wales.

But the economy in Northern Ireland has been growing. In the year to 2004 the annual gross value added (GVA) growth rate was 5.0%, which was above the UK average figure of 4.6%. Northern Ireland's unemployment rate (4.1%) is lower than the UK rate of 5.1%, and is among the lowest of all UK regions.

In terms of industrial sectors, the Northern Irish economy is broadly similar to the UK with manufacturing and construction representing 18.0% in Northern Ireland and 16.1% in the UK. The public sector makes up a larger portion of the economy in Northern Ireland than in the UK overall (31.5% and 20.2% respectively).

Northern Ireland's flourishing service sector contributes just over 70% of GVA.

In 2005, the Department of Enterprise, Trade and Investment (the body responsible for encouraging regional growth) set out its Corporate Plan for the period 2005–08, in which it outlined how it will contribute to the achievement of Northern Ireland's economic vision. This plan is available on the DETI website.

Invest Northern Ireland is the main economic development agency and works with those individuals, companies and organisations in the manufacturing and tradable service sectors that show the ambition and commitment to grow by being more entrepreneurial, more innovative and more internationally focused.
For more information on Northern Ireland, see these links in our **List of further sources:**
– Northern Ireland Department of Enterprise, Trade and Investment
– Northern Ireland Statistics and Research Agency
– The Northern Ireland Executive
– Invest Northern Ireland
– Office for National Statistics.

How can I use this information?

If you're a business intermediary
While only 13% of Northern Irish businesses rate design as integral to their operations (slightly below average), twice as many think it's crucial to their success (above average).

However, of the six design services we surveyed, five are used less here than they are elsewhere.

But Northern Irish businesses have taken a bigger step than those in many regions towards understanding the value of design to business success. And the comparatively high levels of investment suggest an improving outlook, which design's proven benefits can help to consolidate. See **The link between design and better business performance** and **What design can do for your figures** for more on this.

If you're a design business

Northern Irish businesses are more likely to hire designers to work for them internally than they are to have a dedicated design department or to commission external designers. But the increased levels of design investment by businesses seems to signal a clear opportunity.

Several clear opportunities emerge from this survey. For example, just over a third of Northern Irish businesses apply design to their marketing activity. That's fewer than average.

And only one in five is using digital and multimedia design services – again, that's below average.

Making your clients aware of this could benefit both you and them, as well as the wider Northern Irish economy.

And as well as the results of this survey (which look at what your clients are doing), we've also looked at what your peers are doing. The *Business of Design* is the first comprehensive survey of the design industry. You can download this from our website. See the **List of further sources** for more information.

Among other things, it compares the supply of design services in your area to that in others. This complements the demand for services discussed above, and should further help you discuss these issues with your clients.

If you're a design educator or student

Northern Ireland's economy is slow, but growing. And with design seen as crucial to success by a quarter of businesses, the area could be a rewarding one in which to track design's contribution to growth.

Design in the North West

The headline
The North West has a more positive attitude to design than businesses in the UK.

Most importantly, one in four of the region's business think design is crucial to their success. That's well above average.

The details

What role does design play in business?
Businesses in the North West are positive about design. Half (49%) feel it plays either an integral or significant role in their business. That's considerably more than the average.
(UK average 37%)

Only one in five think design has no role to play, compared to one in four elsewhere.

The role of design in North West businesses

Design is integral	21%
UK average	15%
It has a significant role	28%
UK average	22%
It has a limited role	31%
UK average	39%
It doesn't have a role at all	20%
UK average	25%

How important is design to success, compared to other factors?
A quarter (25%) of North West businesses think design is crucial to their success. They're more positive than others.
(UK average 15%)

As elsewhere, traditional factors remain more important to success.

For example, 67% of the region's businesses rate financial management as crucial. And 62% point to operational management.

How do businesses use design to compete?
Almost half (46%) the businesses in the North West believe that, over the past decade, design has become more important in helping them compete.
(UK average 46%)

While this view matches the UK average, other regions such as the East Midlands (68%) and South West (65%) are some way ahead.

Businesses in the North West are slightly more likely than others to have increased their investment in design. Over the past three years, 39% have increased their investment. However, 44% don't invest at all.

North West businesses' investment in design, 2002-2005

We've increased investment	39%
UK average	31%
It's stayed the same	15%
UK average	23%
We've invested less	3%
UK average	3%
We don't invest in design	44%
UK average	43%

Like many other regions, North West businesses mostly compete on the added value of their product or service (78%). 12% rely on innovation.

How many businesses have developed new products or services?
Nearly half (48%) of North West businesses have developed new products or services in the past three years.
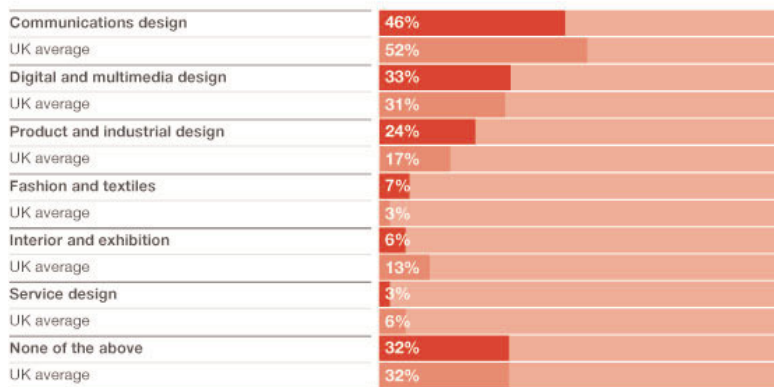(UK average 40%)

As well as being slightly above the national average, this is almost double the rate in the North East and Northern Ireland (25%).

What types of design do businesses use?
North West businesses follow the rest of the UK when it comes to their use of different design disciplines. 46% use communications design, the most frequently used type of design.
(UK average 52%)

Communications design, digital and multimedia, and product and industrial design are the most widely used services. Conversely, interior and exhibition design is half as popular. Just 6% of the region's businesses use it, compared to 13% across the UK.
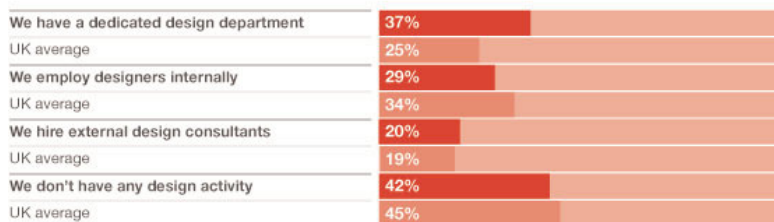
Design services used by businesses in the North West

Communications design	46%
UK average	52%
Digital and multimedia design	33%
UK average	31%
Product and industrial design	24%
UK average	17%
Fashion and textiles	7%
UK average	3%
Interior and exhibition	6%
UK average	13%
Service design	3%
UK average	6%
None of the above	32%
UK average	32%

Do businesses use designers?
Businesses in the North West are among the most likely to have a dedicated design department. More than a third (37%) do.
(UK average 25%)

Hiring designers in the North West

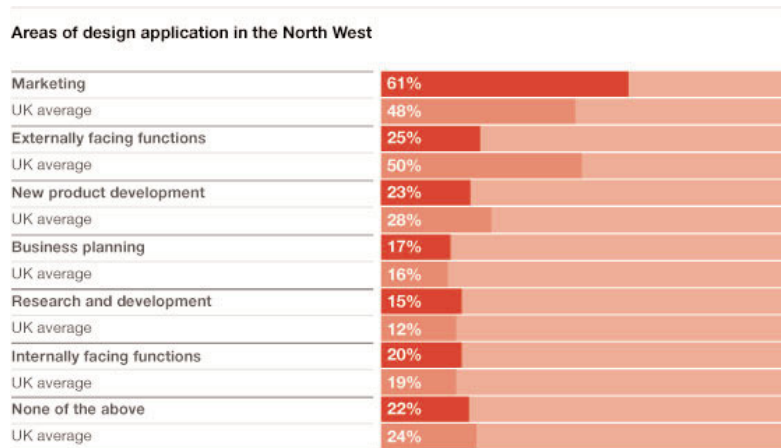|	
We have a dedicated design department	37%
UK average	25%
We employ designers internally	29%
UK average	34%
We hire external design consultants	20%
UK average	19%
We don't have any design activity	42%
UK average	45%

Where do businesses apply design?
North West businesses are most likely to apply design to marketing – 61% do so. Their activity exceeds the national average.
(UK average 48%)

In contrast they're far less likely to apply design to externally facing functions, such as branding and corporate communication. They do this half as much as businesses elsewhere.

Areas of design application in the North West

Marketing	61%
UK average	48%
Externally facing functions	25%
UK average	50%
New product development	23%
UK average	28%
Business planning	17%
UK average	16%
Research and development	15%
UK average	12%
Internally facing functions	20%
UK average	19%
None of the above	22%
UK average	24%

Regional portrait

The North West's economy has been improving steadily since 2000. According to the North West Regional Intelligence Unit, it grew by 5% in 2004. This compares to a UK average of 4.6%.

The North West represents 10% of the UK's total gross valued added (GVA). In 2004 it contributed £102billion. Only London and the South East contributed more.
The region's major players are:
– Renting, real estate and business activities
– Manufacturing (which in 2003 represented 18.6% of the economy)
– Wholesale and retail
– Transport, storage and communication
– Financial intermediation
– Construction.

The region is currently home to more than 350,000 businesses. Three quarters of the UK's top 100 companies have operations here.

The Northwest Regional Development Agency has five key priorities: business development; regeneration; skills & employment; infrastructure and image.

For more information on the North West, see these links in our **List of further sources**:
– North West Regional Development Agency
– Office For National Statistics.

How can I use this information?

If you're a business intermediary
While the region's businesses are more convinced than most that design is crucial to success, they're behind some in seeing design as a way of competing.

Although almost half appreciate design in this way, that's behind regions such as the East Midlands and the South West, where two in three do so.

Addressing this gap could be a worthwhile regional initiative. A relatively high proportion of businesses have dedicated design departments. There may be a ready-made audience for a message around 'competing through design'. Our section on **The link between design and better business performance** could help you with this.

If you're a design business
With many of the region's businesses increasing their investment in design, it's important for designers that their profile rises to match that of internal design departments.

Currently, these get more of the region's design work than is the case in most other regions.

In such a design-aware region, there's no reason why external and in-house can't thrive alongside each other.

Businesses in the North West use mostly communications design, and more digital and multimedia and product and industrial design than elsewhere. These could all be areas of interest to designers.

Interior and exhibition design, and service design, are relatively under-used disciplines and, as such, present a potential opportunity. Likewise, design is applied far less to externally facing functions, such as branding and corporate communications, than elsewhere. Businesses in this region are half as likely as those elsewhere to apply design to these areas.

And, as well as looking at what your clients are doing, we've also looked at what your peers are doing. The *Business of Design* is the first comprehensive survey of the design industry. You can download this on our website. See our **List of further sources** for more information.

Among other things, the research compares the supply of design services in your region to that in others. This complements the demand for services discussed above, and should further help you discuss these issues with your clients.

If you're a design business
For those working in research, the link between the region's growth and its appreciation of design's role in success could be worth studying.

For students interested in a career in design, it's worth noting that businesses in this region often prefer hiring their own designers or having a dedicated design department to using external agencies.

Design in Scotland

The headline

Scottish businesses are less convinced than those in the rest of the UK that design contributes to success.

But they use the same types of design to the same extent as those elsewhere. Also, only just over one in ten businesses say they do not apply design to any of their activities – far fewer than the UK average.
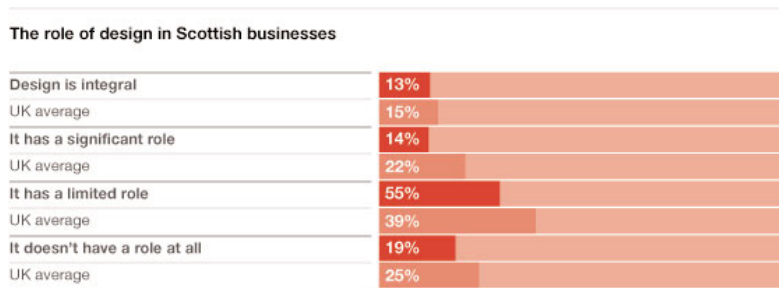
The details

What role does design play in business?
Scottish businesses mostly consider that design plays a limited role in their operations. Over half (55%) see it this way.
(UK average 39%)
Only a quarter (27%) say design is either integral or significant to them.

This puts Scotland below average (37%), and well behind leading regions, such as the East Midlands, where 47% say design is integral or significant.

The role of design in Scottish businesses

Design is integral	13%
UK average	15%
It has a significant role	14%
UK average	22%
It has a limited role	55%
UK average	39%
It doesn't have a role at all	19%
UK average	25%

How important is design to success, compared to other factors?
Just 5% of Scottish businesses think design is crucial to their success.
(UK average 15%)

Traditional factors are much more important to success.

For example, 80% of Scottish businesses rate operational management as crucial, and 67% point to the quality of staff.

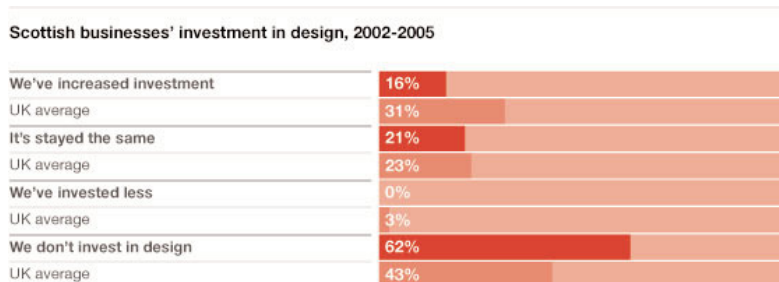**How do businesses use design to compete?**
Just under a quarter (22%) of Scottish businesses believe that, over the past decade, design has become more important in helping them compete.
(UK average 46%)

That's the lowest proportion in the whole of the UK. Some regions, such as the East Midlands and South West, are three times as positive.

This mirrors Scotland's comparatively low investment in design. Nearly two thirds of businesses (62%) haven't invested in design at all. The UK average is 43%. Just 16% have increased their investment over the past three years.

There's some consolation in the fact that, of those who do spend money on design, none have cut their investment.

Scottish businesses' investment in design, 2002-2005

We've increased investment	16%
UK average	31%
It's stayed the same	21%
UK average	23%
We've invested less	0%
UK average	3%
We don't invest in design	62%
UK average	43%

Scottish businesses mostly compete on the added value of their product or service (92%). A surprisingly low 43% compete on cost or price. Just one in six (16%) compete on innovation.

How many businesses have developed new products or services?
Over a third (36%) of Scottish businesses have developed new products or services in the past three years.
(UK average 40%)

This puts Scotland in line with the UK average, and some way ahead of several other regions.

In the East Midlands, over half of businesses have developed new products or services. In Northern Ireland and the North East, this drops to a quarter.
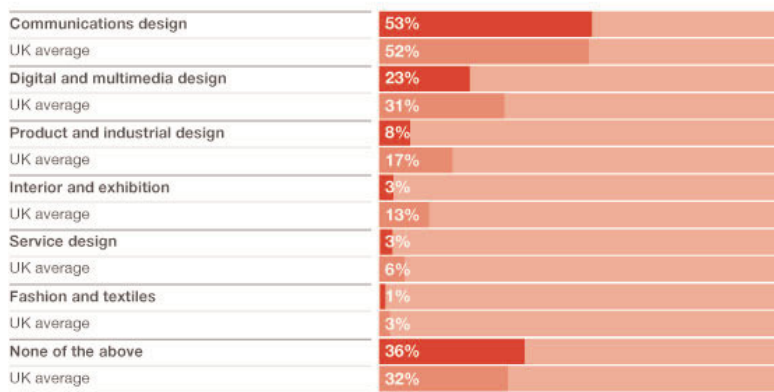

What types of design do businesses use?
Generally, most design services are used less in Scotland than elsewhere. Product and industrial design for example, is half as popular (8%) as it is elsewhere in the UK.
(UK average 17%)

Other services with comparatively low take-up include digital and multimedia design, and interior and exhibition design. Communications design is the most popular service in Scotland. Over half of all businesses use it.

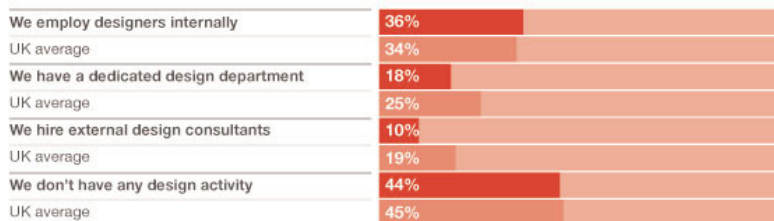**Design services used by businesses in Scotland**

Communications design	53%
UK average	52%
Digital and multimedia design	23%
UK average	31%
Product and industrial design	8%
UK average	17%
Interior and exhibition	3%
UK average	13%
Service design	3%
UK average	6%
Fashion and textiles	1%
UK average	3%
None of the above	36%
UK average	32%

A third of Scottish businesses (36%) don't use any of the design services surveyed. However, this is close to the UK average.

Do businesses use designers?
One in ten (10%) Scottish businesses hire external design consultants. The national average is one in five.
(UK average 19%)

By comparison, businesses in Scotland tend to have an internal design department or employ their own designers.

Hiring designers in Scotland

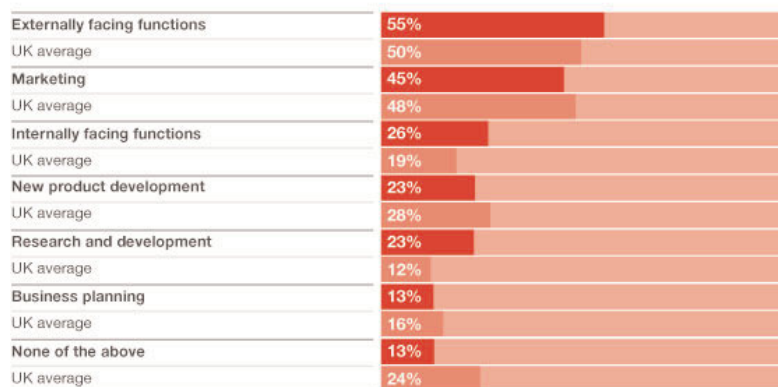|	
We employ designers internally	36%
UK average	34%
We have a dedicated design department	18%
UK average	25%
We hire external design consultants	10%
UK average	19%
We don't have any design activity	44%
UK average	45%

Where do businesses apply design?
Scottish businesses apply design broadly. Just 13% don't apply it to any area of their business, which is considerably better than the UK average.
(UK average 24%)

In particular, Scottish businesses are, as elsewhere, most likely to use design in externally facing functions such as communications and marketing. They are more likely than businesses elsewhere to apply design to internally facing functions and research and development.

Areas of design application in Scotland

Externally facing functions	55%
UK average	50%
Marketing	45%
UK average	48%
Internally facing functions	26%
UK average	19%
New product development	23%
UK average	28%
Research and development	23%
UK average	12%
Business planning	13%
UK average	16%
None of the above	13%
UK average	24%

Scottish portrait
The Scottish economy contributed £82billion to the UK's gross value added (GVA) in 2004. That's 8.2% of the total. While that's a lower share than London or the South East, the Scottish economy is growing. Between 2003 and 2004, its GDP grew by 1.6%.

According to the Scottish Executive, the service sector is the major player in the Scottish economy, accounting for 68.8% of GDP. Production accounts for 23.5%. Construction and agriculture (5.8%), and forestry and fishing (1.8%) contribute the least.

These figures reflect the changing nature of the Scottish economy. As the service sector has grown in importance and production, so construction, agriculture, forestry and fishing have decreased. Since 2001 the service sector has been the main driver of growth, most noticeably growing by 5.5% in a 12-month period during 2001–02.

Recently, Scotland was named 'UK Region of the Future' by the *Financial Times fDi* (Foreign Direct Investment) magazine, beating seven other parts of the UK.

Scottish Enterprise is Scotland's main economic development agency, funded by the Scottish Executive. Its mission is to help the people and businesses of Scotland succeed, and, in doing so, to build a world-class economy.
For more information on Scotland, see these links in our **List of further sources:**
– Scottish Enterprise
– Office For National Statistics.

How can I use this information?

If you're a business intermediary
While Scottish businesses don't necessarily need persuading to use design, they might benefit from being more convinced that doing so makes a difference commercially.

Only one in 20 thinks design is crucial to their success. The rest of the UK is three times more positive in this respect.

Our research can help you make this case to them. In particular, the sections **What design can do for your figures** and **The link between design and better business performance** provide strong evidence of design boosting the bottom line.

If you're a design business
Just under half of Scottish businesses employ designers, either externally commissioned or internally.

Only one in ten businesses commission external designers to do work for them. In contrast, one third employ designers internally.

There's a bias towards one design service: communications design. While 53% of Scottish businesses use it, the other five services we surveyed were only used by 38% in total.

There could therefore be significant opportunities for agencies to widen their portfolio of services, and encourage businesses to use more of services such as digital and multimedia design, and interior and exhibition design.

And as well as the results of this survey (which look at what your clients are doing), we've also looked at what your peers are doing. The *Business of Design* is the first comprehensive survey of the design industry. You can download it from our website. See our **List of further sources** for more information.

Among other things, the research compares the supply of design services in your area to that in other regions. This complements the demand for services discussed above, and should further help you discuss these issues with your clients.

If you're a design educator or student
Researchers might be interested in the conclusion of this report: that Scotland's businesses exhibit one of the biggest disparities in the UK between what they think about design (less positive than most) and what they do (more positive than most).

For students interested in a career in design, Scotland is justifiably a major draw. There is potential for more businesses to employ designers and use design in their operations. At the moment, 6% of the UK's design industry is operating in Scotland – this could be set to increase.

Design in the South East

The headline

At first glance, businesses in the South East don't appear to embrace design fully. They're less likely to use it, or see it as crucial, than businesses in the rest of the UK. Investment is also low.

Yet paradoxically, half of them employ designers internally. That's well ahead of the trend elsewhere.

It may be that while the region has the people to handle design activity, it's relatively unaware of the bottom-line benefits of design and the potential breadth of its use.
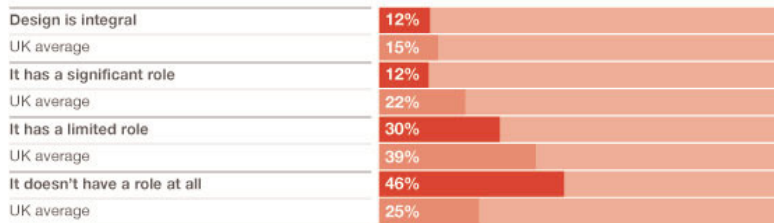
The details

What role does design play in business?
Almost half (46%) the businesses in the South East think design doesn't have any role in their business. That's almost double the UK average.
(UK average 25%)

In fact, it makes the South East the UK's least enthusiastic region about design. Only one in four think design plays either an integral or significant role.

The role of design in South East businesses

Design is integral	12%
UK average	15%
It has a significant role	12%
UK average	22%
It has a limited role	30%
UK average	39%
It doesn't have a role at all	46%
UK average	25%

How important is design to success, compared to other factors?
One in ten (10%) South East businesses think design is crucial to their success. Other factors are more important to them.
(UK average 15%)

For example, 73% of the region's businesses rate financial management as crucial. And 71% point to the quality of their staff.

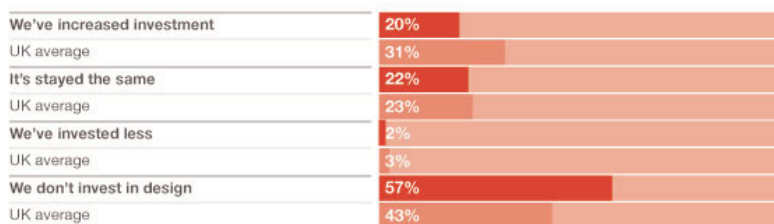Some regions – such as the East Midlands – are three times as likely to rate design as crucial (29%).

How do businesses use design to compete?
One in three (30%) businesses in the South East believe that, over the past decade, design has become more important in helping them compete.
(UK average 46%)

This is far less than for businesses in the East Midlands (68%) and the South West (65%).

South East businesses' investment in design, 2002-2005

We've increased investment	20%
UK average	31%
It's stayed the same	22%
UK average	23%
We've invested less	2%
UK average	3%
We don't invest in design	57%
UK average	43%

Businesses in the South East are also less likely than others to invest in design. Over the past three years, one in five (20%) have increased their investment. But three times as many (57%) haven't invested at all.

Like many other regions, South East businesses mostly compete on the added value of their product or service (77%). One in five assign the same role to innovation (20%).

How many businesses have developed new products or services?
A third (34%) of the businesses in the South East have developed new products or services in the past three years.
(UK average 40%)

While this is slightly below average, it's better than some other parts of the UK. In the North East and Northern Ireland, for example, only one in four businesses have done so.

'Having invested £500,000 in new product design, we won a development contract with Pfizer. This turned our idea for a handheld medical diagnosis device into commercial reality.'
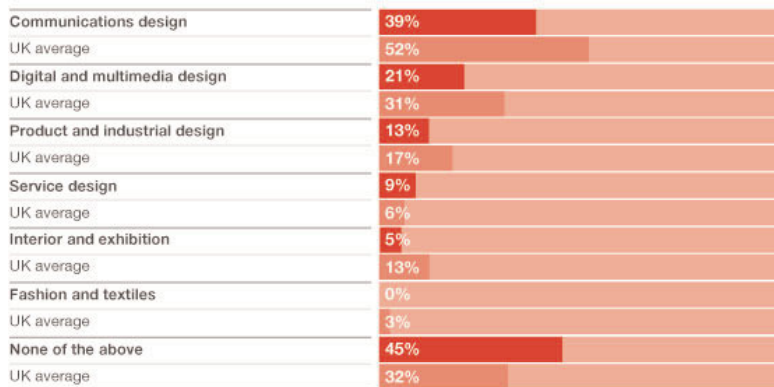Oxford Biosensors case study

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What types of design do businesses use?
Almost all types of design are used less in the South East than elsewhere. Only service design is marginally more popular, with one in ten (9%) businesses using it.
(UK average 6%)

Almost half the region's businesses don't use any of the design services we surveyed.

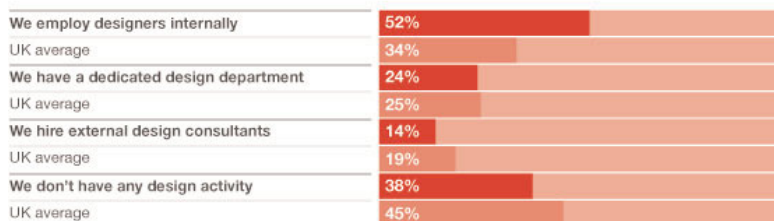**Design services used by businesses in the South East**

Communications design	39%
UK average	52%
Digital and multimedia design	21%
UK average	31%
Product and industrial design	13%
UK average	17%
Service design	9%
UK average	6%
Interior and exhibition	5%
UK average	13%
Fashion and textiles	0%
UK average	3%
None of the above	45%
UK average	32%

Do businesses use designers?
Businesses in the South East lead the UK in employing designers internally. Over half (52%) say they do, compared to one in three across the UK.
UK average 34%

Hiring designers in the South East

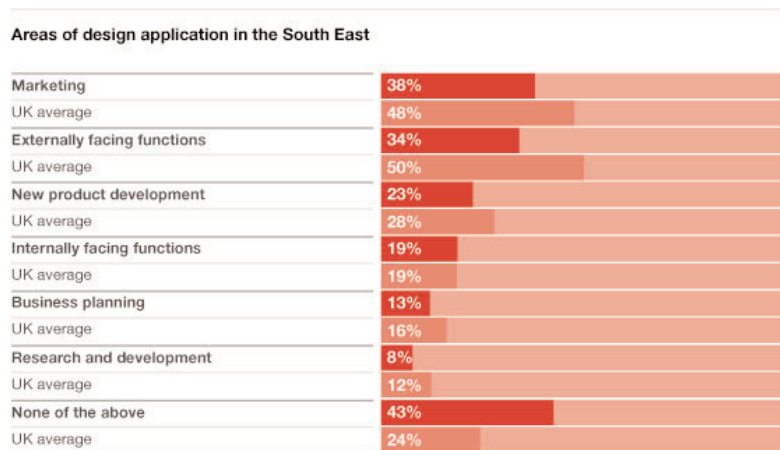|	
We employ designers internally	52%
UK average	34%
We have a dedicated design department	24%
UK average	25%
We hire external design consultants	14%
UK average	19%
We don't have any design activity	38%
UK average	45%

Where do businesses apply design?
Compared to the rest of the UK, South East businesses apply design less to all areas of their business. In fact, nearly half don't apply it to any of the business functions we asked about (43%).
(UK average 24%)

Businesses are most likely to apply design to marketing and externally facing functions, such as branding and corporate communications.

Areas of design application in the South East

Marketing	38%
UK average	48%
Externally facing functions	34%
UK average	50%
New product development	23%
UK average	28%
Internally facing functions	19%
UK average	19%
Business planning	13%
UK average	16%
Research and development	8%
UK average	12%
None of the above	43%
UK average	24%

Regional portrait

The South East makes a major contribution to the UK economy in terms of gross value added (GVA). In 2004, its GVA of £158.2billion represented a 15.7% share, the second largest contribution after London.

While the service sector is the region's main driver, the South East England Development Agency (SEEDA) points to the significance of manufacturing in the region. Manufacturing accounted for 12.5% of the region's GVA in 2002. Nearly 20,000 businesses are engaged in the following sectors: marine (leisure and defence) aerospace, electronics, construction and pharmaceuticals. More than 3,000 of these businesses are engaged in high value manufacturing, including the production of advanced measuring instruments for nanotechnology, medical instrumentation, motor sports and new materials development.

In 2001, over a quarter of all expenditure on research and development in UK businesses took place in the South East. The South East has areas of high production and there are concentrations of the use of advanced technologies such as in the Thames Valley, Surrey and North Hampshire areas. IT, digital and electronics sectors are particularly important in these areas.

The region is characterised by substantial variations in performance. There's a relatively high-performing core (a belt around central London), but a weaker periphery near the coast. Performance is not as high in coastal areas where there are significant challenges in terms of employment and regeneration.

The South East England Development Agency is currently producing, in consultation with partners and communities a new Regional Economic Strategy setting out the key challenges and opportunities facing the region.

For more information, see these links in our **List of further sources:**
– Government Office for the South East
– South East England Development Agency
– Office For National Statistics.

How can I use this information?

If you're a business intermediary
For businesses in the South East, design is a latent resource.

Its potential is there – particularly in the form of internal designers – but more could be done to extract competitive advantage from it.

We can help you make this case. In particular, the sections **What design can do for your figures** and **The link between design and better business performance** provide strong evidence of design boosting the bottom line.

Businesses could then review how and where they apply design. Something that's commonplace elsewhere, for example applying design to externally facing functions such as branding and corporate communications, is undervalued here.

Another initiative that might help is encouraging businesses to use their internal designers even more in developing new products and services. The region performs better than some others at this, so getting ahead of the average is feasible.

If you're a design business
Despite the South East being the UK's second biggest regional economy, and home to 16% of the design industry, design agencies face some challenges here.

Businesses are nearly four times more likely to employ their own designers than they are to commission an agency.

However it doesn't mean there aren't opportunities for design businesses. In fact, almost every type of design service is used less by businesses in the South East than elsewhere.

For example, just one in 20 of the region's businesses uses interior and exhibition design. Across the UK, take-up is around three times higher. Likewise only one in five South East businesses uses digital and multimedia design, compared to nearly one in three elsewhere.

And as well as the results of this survey (which look at what your clients are doing), we've also looked at what your peers are doing. The *Business of Design* is the first comprehensive survey of the design industry. You can downloaded it from our website. See our **List of further sources** for more information.

Among other things, the research compares the supply of design services in your region to that in others. This complements the demand for services discussed above, and should further help you discuss these issues with your clients.

If you're a design educator or student
Researchers might be interested that a surprisingly high percentage of businesses here (46%) think design has no role to play in their operations. Discovering why this is the case could be an area for further study.

For students interested in a career in design, it's worth noting that businesses here often prefer hiring their own designers to using external agencies.

Design in the South West

The headline
Businesses in the South West believe in the value of design more than their counterparts in most other parts of the UK do.

Time and again, our survey shows attitudes and statistics here that exceed the UK average. Most importantly, two out of every three businesses believe design has become more important in helping them compete. The UK average is under one in two.

Arguably, the value this region places on design is helping it to grow. According to the South West Regional Development Agency, there's been steady growth in the region over the past two decades. See **The link between design and better business performance** for more on how design can help businesses grow.

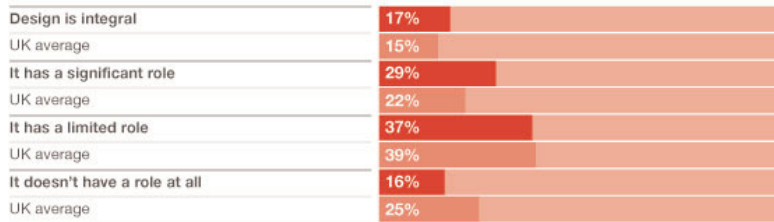### The details

What role does design play in business?
Almost half (46%) the businesses in the South West rate design highly. They think it plays either an integral or significant role in their business.
UK average 37%

This marks the region out as one of the UK's most design-supportive.

In fact, only 16% of its businesses think design doesn't have a role to play. In some regions, such as the South East, this figure is three times higher.

The role of design in South West businesses

Design is integral	17%
UK average	15%
It has a significant role	29%
UK average	22%
It has a limited role	37%
UK average	39%
It doesn't have a role at all	16%
UK average	25%

How important is design to success, compared to other factors?
A quarter (24%) of South West businesses think design is crucial to their success. That's up on the UK average.
UK average 15%

Of course, traditional factors remain more important to success.

For example, 80% of the region's businesses rate financial management as crucial. And 60% point to operational management.
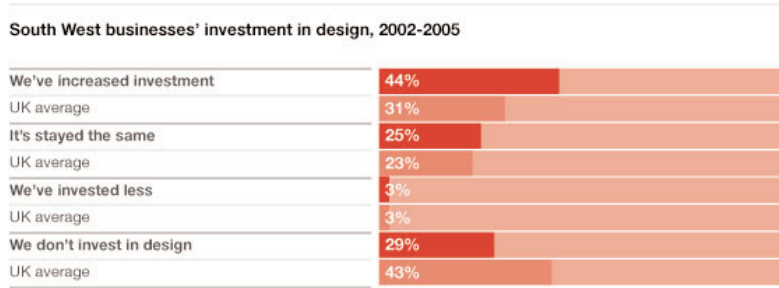
How do businesses use design to compete?
Two of every three (65%) businesses in the South West believe that, over the past decade, design has become more important in helping them compete.
UK average 46%

Businesses in the region are also more likely than others to invest in design. Over the past three years, nearly half (44%) have increased their investment.

However, almost one in three (29%) haven't invested at all. While this is better than the UK average, it's still an opportunity for improvement.

South West businesses' investment in design, 2002-2005

We've increased investment	44%
UK average	31%
It's stayed the same	25%
UK average	23%
We've invested less	3%
UK average	3%
We don't invest in design	29%
UK average	43%

Like many other regions, South West businesses mostly compete on the added value of their product or service (79%). 19% compete on innovation.

'Design has enabled us to maintain a competitive edge. In recognition of this, we've increased investment over the past three years. We estimate it takes 20 months for design projects to pay back the investment. And they typically achieve a 10% return over eight months.'
Invotek case study(13%).

How many businesses have developed new products or services?
Just over half (52%) the businesses in the South West have developed new products or services in the past three years.
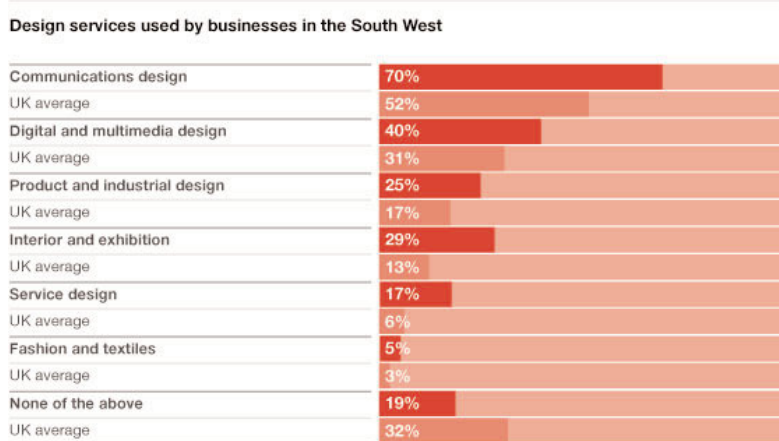UK average 40%

Not only is this above average, it actually doubles the rate in some regions, such as the North East and Northern Ireland.

What types of design do businesses use?
All types of design are used more in the South West than elsewhere in the UK. Communications design is particularly popular – 70% of the region's businesses use it.
UK average 52%

They're also twice as likely to use interior and exhibitions design as other parts of the UK. 17% use service design, compared to 6% nationally.
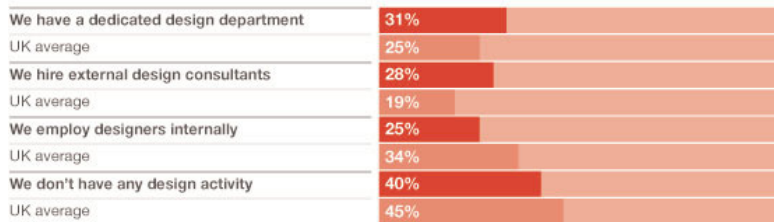
Design services used by businesses in the South West

Communications design	70%
UK average	52%
Digital and multimedia design	40%
UK average	31%
Product and industrial design	25%
UK average	17%
Interior and exhibition	29%
UK average	13%
Service design	17%
UK average	6%
Fashion and textiles	5%
UK average	3%
None of the above	19%
UK average	32%

Do businesses use designers?
Businesses in the South West are more likely than elsewhere to commission design from external provides.
28% of businesses do this.
(UK average 19%)

In contrast, fewer businesses actually employ their own designers internally than elsewhere.
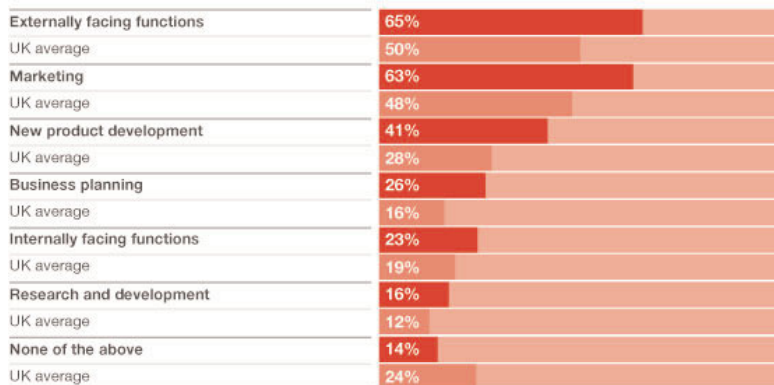
Hiring designers in the South West

We have a dedicated design department	31%
UK average	25%
We hire external design consultants	28%
UK average	19%
We employ designers internally	25%
UK average	34%
We don't have any design activity	40%
UK average	45%

Where do businesses apply design?
Compared to the rest of the UK, South West businesses apply design more to all business activities. Externally facing functions (65%) and marketing (63%) are particularly popular.
(UK averages 50% and 48%)

Other areas that stand out include new product development, where two in five businesses use design. A quarter of businesses use design in their business planning, a far higher proportion than elsewhere.

Areas of design application in the South West

Externally facing functions	65%
UK average	50%
Marketing	63%
UK average	48%
New product development	41%
UK average	28%
Business planning	26%
UK average	16%
Internally facing functions	23%
UK average	19%
Research and development	16%
UK average	12%
None of the above	14%
UK average	24%

Regional portrait
The region's economy contributes 7.8% of the UK's gross value added (GVA).

According to the South West Regional Development Agency, the region's economy has tended to perform slightly better than the UK average over the last decade. Generally, however, it follows national trends. Accordingly, recent surveys show its economy slowing through 2005.

While business services and business-to-business activity generally remained fairly buoyant, retail-related sectors – including distribution, household property, tourism, and agriculture and associated land-based services – became rather sluggish.

Manufacturing gave mixed signals. Companies either in globally competitive sectors, or supplying them, seemed to be performing well. But more consumer-orientated businesses were under pressure. Their margins were squeezed by energy and other costs, and/or demand was affected by wider restructuring and off-shoring.

2006-07 is predicted to be a period of transition, as growth gradually moves towards the expected average (approximately 2.8% a year).

The Agency produces six-monthly updates on performance, as part of its Regional Economic Strategy.

For more information on the South West, see these links in our **List of further sources**:
– South West Regional Development Agency
– Office For National Statistics.

How can I use this information?

If you're a business intermediary

The region's businesses are among the most supportive of design in the UK. It could be worth looking at **The link between design and better business performance** to illustrate what these positive attitudes could lead to.

You might also want to focus on the handful of areas in our research where the region doesn't lead the UK. For example, businesses in some other regions, such as the South East, are twice as likely to hire designers internally.

If you're a design business

The South West should be fertile ground for design agencies.

Businesses are well informed on the value of design. But they might be unaware of how their region matches up to the rest when it comes to attitudes to design.

Whatever services you offer, the chances of a business using them here are better than average.

For example, businesses are more than twice as likely to use interior and exhibition design as businesses elsewhere. And the percentage hiring external design agencies is also much higher than usual.

And as well as the results of this survey (which look at what your clients are doing), we've also looked at what your peers are doing. The *Business of Design* is the first comprehensive survey of the design industry. See our **List of further sources** for more information.

Among other things, it compares the supply of design services in your region to that in others. This complements the information about demand for services discussed above, and should further help you discuss these issues with your clients.

If you're a design educator or student

For researchers, the link between the region's steady growth and its support for design could merit further investigation.

For students interested in a career in design, it's worth noting that both dedicated design departments and external agencies are popular here.

Design in Wales

The headline
Welsh businesses value design.

Well over half of them think it's becoming increasingly important as a way of competing. And there are proportionally more dedicated design departments here than anywhere else in the UK.

Design could be one of the key ways to stimulate Welsh economic growth in the coming years.
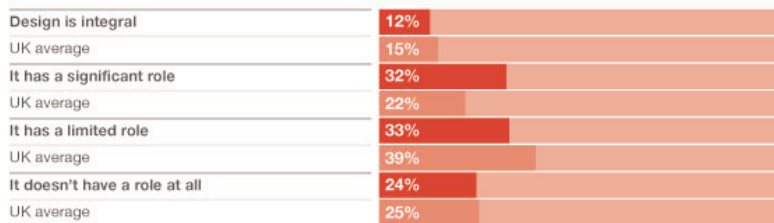
The details

What role does design play in business?
A third (32%) of Welsh businesses think design has a significant role to play in their business.
(UK average 22%)

While Welsh businesses are slightly less likely than others to see design as integral, a third see it as significant.

The role of design in Welsh businesses

Design is integral	12%
UK average	15%
It has a significant role	32%
UK average	22%
It has a limited role	33%
UK average	39%
It doesn't have a role at all	24%
UK average	25%

How important is design to success, compared to other factors?
One in six (16%) of Welsh businesses think design is crucial to their success. That matches the UK average.
(UK average 15%)

Of course, traditional factors remain more important to success.

For example, 66% of Welsh businesses rate financial management as crucial. And 62% point to both operational management and the quality of staff.

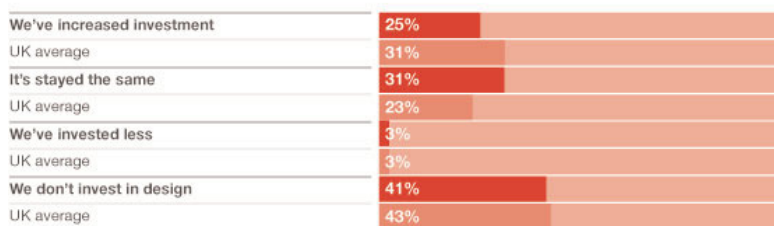### How do businesses use design to compete?
Well over half (59%) of businesses in Wales believe that, over the past decade, design has become more important in helping them compete.
(UK average 46%)

This makes Welsh businesses some of the UK's most positive toward the role of design in business.

When investing in design over the past three years, Welsh businesses have been slightly more likely to maintain investment levels (31%) than increase them (25%). The UK trend is the opposite.

Welsh businesses' investment in design, 2002-2005

We've increased investment	25%
UK average	31%
It's stayed the same	31%
UK average	23%
We've invested less	3%
UK average	3%
We don't invest in design	41%
UK average	43%

Like businesses in other areas, those in Wales mostly compete on the added value of their product or service (82%). Only 12% see innovation as grounds for competing – one of the UK's lowest ratings, but better than the 6% of businesses who compete on innovation in the West Midlands.

How many businesses have developed new products or services?
Just a third (33%) of Welsh businesses have developed new products or services in the past three years.
(UK average 40%)

While this is behind the UK average, it's still ahead of some other areas. In the North East and Northern Ireland, just a quarter of businesses have developed new products or services.

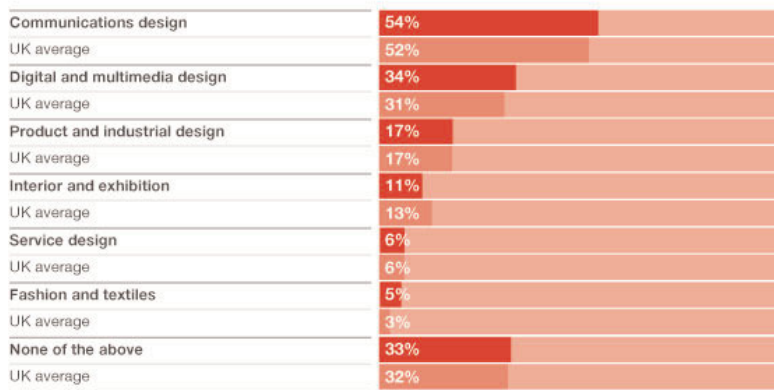
What types of design do businesses use?
Welsh businesses broadly mirror the rest of the UK in using design, with 54% using communications design.
(UK average 52%)

Only 17% of Welsh businesses use product and industrial design in their business. This matches the fact that only 13% of Welsh design businesses offer product and industrial design services. See The *Business of Design* research for more details on the UK design industry. It can be downloaded from our website.

Communications design, and digital and multimedia design are the most popular services.
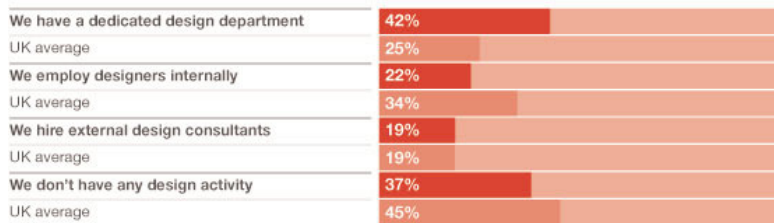
Design services used by businesses in Wales

Communications design	54%
UK average	52%
Digital and multimedia design	34%
UK average	31%
Product and industrial design	17%
UK average	17%
Interior and exhibition	11%
UK average	13%
Service design	6%
UK average	6%
Fashion and textiles	5%
UK average	3%
None of the above	33%
UK average	32%

Do businesses use designers?
Welsh businesses are keen on dedicated design departments – 42% have one.
(UK average 25%)

In fact, Welsh businesses lead the UK in this respect, and they commission external designers as much as businesses overall. And while just over a third (37%) don't have any design employment activity, that's better than the UK average.
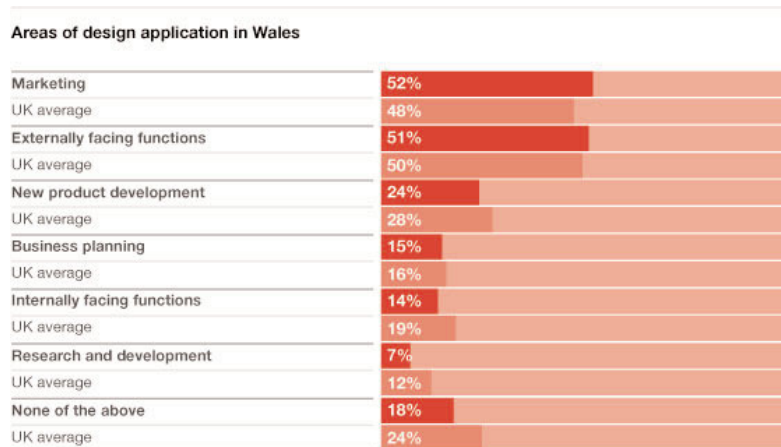
Hiring designers in Wales

We have a dedicated design department	42%
UK average	25%
We employ designers internally	22%
UK average	34%
We hire external design consultants	19%
UK average	19%
We don't have any design activity	37%
UK average	45%

Where do businesses apply design?
Welsh businesses apply design fairly consistently, in line with the overall UK picture. Design is mostly applied to marketing and externally facing functions (52% and 51%).
UK average 48% and 50%

Research and development seems to be an area where Welsh businesses have yet to apply as much design as their UK counterparts. Only 7% of Welsh businesses currently do so, compared to 12% of UK businesses overall.

Areas of design application in Wales

Marketing	52%
UK average	48%
Externally facing functions	51%
UK average	50%
New product development	24%
UK average	28%
Business planning	15%
UK average	16%
Internally facing functions	14%
UK average	19%
Research and development	7%
UK average	12%
None of the above	18%
UK average	24%

Wales portrait
In 2004, the gross value added (GVA) of the Welsh economy was £39.2billion. This represents 3.9% of the UK total.

According to national statistics, Wales has one of the lowest levels of GVA per head in the UK, with 79.1% of the average. This hasn't changed markedly since 1998, suggesting a fairly static economy.

Prominent industry sectors include manufacturing (20% of GVA in 2002). In 2002, Wales also had the highest proportion of agricultural businesses in the UK. Over a fifth of businesses were agricultural businesses.

Over the medium to longer term, Wales has been differentiated from other parts of the UK by lower employment rates rather than by lower productivity. This 'employment gap' has been due more to lower activity rates than unemployment.

The Welsh Assembly Government Department for Enterprise, Innovation and Networks includes creative industries among the key sectors it targets for growth. Recent initiatives include The 'Hub', a new Welsh Assembly Government 'one-stop-shop' service, launched in December 2005. This followed The Welsh Assembly Government's strategy Creative Success - a strategy which aimed to help Welsh creative businesses achieve profitability and sustainability and contribute more positively to the Welsh economy.

For more information on Wales, see these links in our **List of further sources**:
– The Welsh Assembly Government Department for Enterprise, Innovation and Networks
– Office For National Statistics.

How can I use this information?

If you're a business intermediary
Our survey suggests that, while Welsh businesses value design, they may be holding back slightly on acting on that conviction.

For example, while they're much more likely than the UK average to see design as significant to their operations, they're slightly less likely to take the next step and see it as integral.

And they're also more likely to have maintained investment levels than increased them. In most parts of the UK, it's the other way round.

With a high proportion of dedicated design departments in Welsh businesses, there is scope for a change in attitude.

If you're a design business
Welsh businesses commission design agencies just as much as those elsewhere.

But they're more likely to have their own dedicated design department. This suggests that working in partnership with internal teams might be an appropriate way for you to approach clients.

Welsh businesses apply most of their design to externally facing functions such as branding and communications. For designers wanting to tap into areas where design is applied less frequently, Welsh businesses are half as likely to apply design to new product development as businesses in the UK overall. Convincing clients to change this might be one opportunity for designers, given the prominence of manufacturing in Wales.

The most commonly used types of design in Wales are communications design, digital and multimedia design, and interiors and exhibition design. Designers in all these sectors get above average amounts of work.

And as well as the results of this survey (which look at what your clients are doing), we've also looked at what your peers are doing. The *Business of Design* is the first comprehensive survey of the design industry. You can download it from our website. See our **List of further sources** for more information.

Among other things, the research compares the supply of design services in your area to that in others. This complements the demand for services discussed above, and should further help you discuss these issues with your clients.

If you're a design educator or student

Researchers might be interested in the fact that Welsh businesses are more convinced than others that design is becoming increasingly important to competing. Should the Welsh economy grow, it could be useful to investigate the extent to which design has been a key factor.

For students interested in a career in design, it's worth noting that dedicated design departments are popular in Wales.

Design in the West Midlands

The headline
The West Midlands is comfortable with the role design plays. It's appreciated and used, particularly in support of the region's strengths.

But arguably, the region's businesses are playing it a little safe. Design is often seen as having a limited role, rather than a significant or integral one. And design investment is more likely to have remained static than increased.

Increasing the degree of confidence in design could boost its profile in the West Midlands and benefit the local economy as a whole.
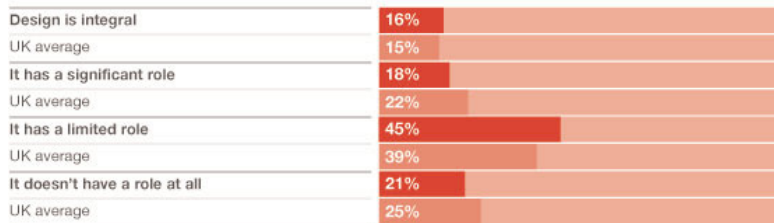
The details

What role does design play in business?
Most (79%) businesses in the West Midlands think design has some role to play in their business.
(UK average 76%)

While this broadly matches the UK average, the region does tend to see design's role as limited. Nearly half (45%) of businesses see it this way.

The role of design in West Midlands businesses

Design is integral	16%
UK average	15%
It has a significant role	18%
UK average	22%
It has a limited role	45%
UK average	39%
It doesn't have a role at all	21%
UK average	25%

How important is design to success, compared to other factors?
One in six (16%) of West Midlands businesses think design is crucial to their success. That matches the UK average.
(UK average 15%)

Of course, traditional factors remain more important.

For example, 86% of the region's businesses rate operational management as crucial. And 77% point to financial management.
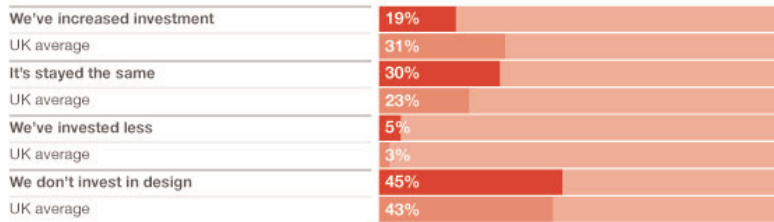
How do businesses use design to compete?
In the West Midlands, 41% of businesses believe that, over the past decade, design has become more important in helping them compete.
(UK average 46%)

Despite this, the region is relatively tentative when it comes to investing in design. Over the past three years, only one in five (19%) businesses has upped their investment in design. They're more likely to have carried on investing the same amount as before.

In addition, nearly half (45%) haven't invested at all. While this is similar to the UK average, it's still an opportunity for improvement.

West Midlands businesses' investment in design, 2002-2005

We've increased investment	19%
UK average	31%
It's stayed the same	30%
UK average	23%
We've invested less	5%
UK average	3%
We don't invest in design	45%
UK average	43%

Like those in many other regions, businesses in the West Midlands mostly compete on the added value of their product or service (92%). In fact, they're among the strongest advocates of competing in this way. Only 6% see innovation as the way to compete. This is the lowest figure in the UK.

How many businesses have developed new products or services?
Almost four in ten (39%) businesses in the West Midlands have developed new products or services in the past three years.
(UK average 40%)

On the one hand, this mirrors the UK average. But on the other, it's some way ahead of some other regions. In the North East and Northern Ireland, just a quarter of businesses have developed new products or services.
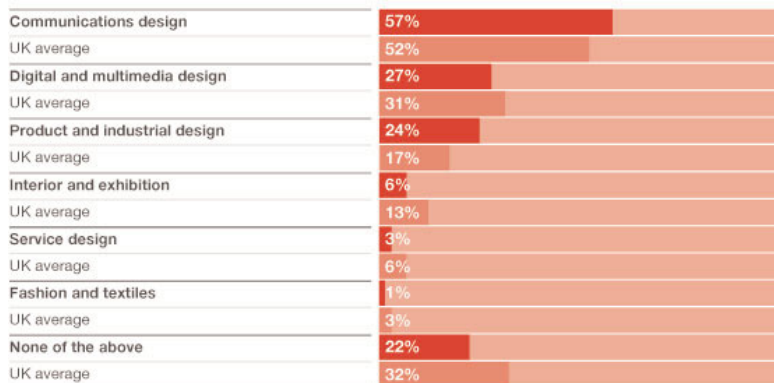

What types of design do businesses use?
The West Midlands broadly mirrors the rest of the UK in using design. However, product and industrial design is comparatively strong – 24% of businesses use it.
(UK average 17%)

In comparison, interior and exhibition design is somewhat under-utilised. Communications design is the region's most popular service, yet only 44% of design businesses in the region offer it. For more information on the UK design industry, see The *Business of Design* in our **List of further sources**.

Design services used by businesses in the West Midlands

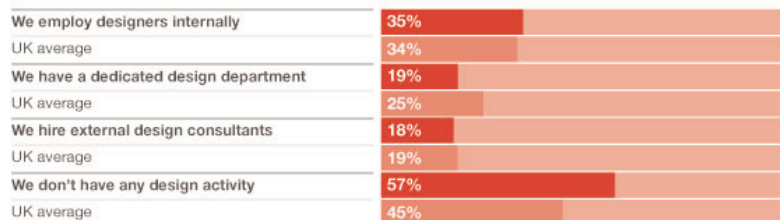|	
Communications design	57%
UK average	52%
Digital and multimedia design	27%
UK average	31%
Product and industrial design	24%
UK average	17%
Interior and exhibition	6%
UK average	13%
Service design	3%
UK average	6%
Fashion and textiles	1%
UK average	3%
None of the above	22%
UK average	32%

Do businesses use designers?
Over half (57%) the businesses in the West Midlands don't have any design activity at all.
(UK average 45%)

The region matches the overall UK picture both in employing designers internally and hiring external consultants. But dedicated in-house design teams are slightly less common.
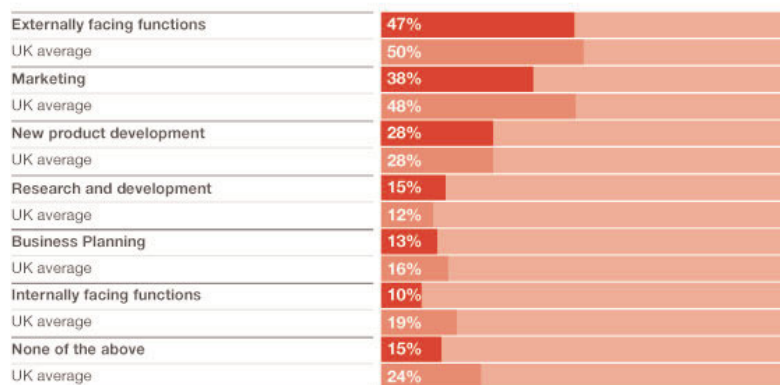
Hiring designers in the West Midlands

We employ designers internally	35%
UK average	34%
We have a dedicated design department	19%
UK average	25%
We hire external design consultants	18%
UK average	19%
We don't have any design activity	57%
UK average	45%

Where do businesses apply design?
West Midlands businesses apply design fairly consistently, in line with the UK picture. The exception is marketing. Design is applied less here (38%) than in other regions.
(UK average 48%)

Design is also applied less to internally facing functions, such as workplace design and internal communications. However, just 15% of the region's businesses don't apply design to any of the activities we surveyed. This compares well to the UK average of one in four.

Areas of design application in the West Midlands

Externally facing functions	47%
UK average	50%
Marketing	38%
UK average	48%
New product development	28%
UK average	28%
Research and development	15%
UK average	12%
Business Planning	13%
UK average	16%
Internally facing functions	10%
UK average	19%
None of the above	15%
UK average	24%

Regional portrait
The region's economy represents 8.1% of the UK's total gross value added (GVA). In 2004, the West Midlands' GVA was £81.7billion.

The proportion of manufacturing businesses is higher in the West Midlands than in the UK overall. This no doubt reflects the region's industrial roots.

Advantage West Midlands has, together with the Government Office for the West Midlands and others, drawn up a regional action plan. This maps the West Midlands Regional Economic Strategy against the drivers of productivity and employment.

For more information on the West Midlands, see these links in our **List of further sources**:
– Advantage West Midlands
– Government office for the West Midlands
– Office For National Statistics.

How can I use this information?

If you're a business intermediary

We can help you present a case to West Midlands businesses for investing more in design. This section on **What design can do for your figures** provides evidence of businesses increasing turnover and profit through design.

Marketing might be one activity for that investment. Currently, the region's businesses apply design to it less than others elsewhere. Another might be creating more dedicated design departments. There are proportionally fewer of these in this region than there are in others.

If you're a design business

The region's traditional strengths in manufacturing mean services such as product and industrial design will always be popular.

For design businesses looking to capitalise on already strong markets for design, the focus should be on communications design, digital and multimedia design and product and industrial design.

Others may want to target services that the region's businesses use to a below average extent. Interior and exhibition design is used by half as many businesses here as it is elsewhere. The region also applies less design to its marketing activities.

Convincing clients to do more in these areas should benefit both you and them. Other parts of our survey, such as **What design can do for your figures** and **The link between design and better business performance** could help you make the case to them.

And as well as the results of this survey (which look at what your clients are doing), we've also looked at what your peers are doing. The *Business of Design* is the first comprehensive survey of the design industry. You can download it on our website. See our **List of further sources** for more information.

Among other things, research compares the supply of design services in your region to that in others. This complements the demand for services discussed above, and should further help you discuss these issues with your clients.

If you're a design educator or student

Tracking any change in investment patterns could be a worthwhile area for further study. West Midlands businesses have tended to keep their levels of investment in design static, rather than increase them. This is the opposite of the usual pattern across the UK.

For students interested in a career in design, businesses in this region primarily use communications design, but they are also strong users of product and industrial design and digital and multimedia design. One in four businesses use these.

Dedicated design departments are slightly less common here than they are elsewhere in the UK, but external agency and internal design opportunities are in line with the UK average.

Design in Yorkshire & Humberside

The headline

Design plays a role in almost nine out of every ten businesses here. Yorkshire & Humberside leads the UK on this score.

And it uses designers more. Two thirds of its businesses employ them, whether internally or externally, compared to less than half across the UK.

This suggests the region's businesses are already more than benefiting well from using design as a competitive tool.

The details

What role does design play in business?
Design plays a role in the vast majority (86%) of businesses in Yorkshire & Humberside. This compares well to the rest of the UK.
(UK average 75%)

While the region's businesses are slightly less likely than others to see design as integral, one third (33%) see it as significant.

Just one in seven businesses sees no role for design, compared to one in four across the UK.

The role of design in Yorkshire & Humberside businesses

Design is integral	12%
UK average	15%
It has a significant role	33%
UK average	22%
It has a limited role	42%
UK average	39%
It doesn't have a role at all	14%
UK average	25%

'If we had not begun introducing design into our strategic processes, we would have been in a really difficult position now.'
Harrison Fisher case study

How important is design to success, compared to other factors?
One in eight (13%) Yorkshire & Humberside businesses think design is crucial to their success. That almost matches the UK average.
(UK average 15%)

Of course, traditional factors are also essential to success.

For example, 84% of the region's businesses rate financial management as crucial, and 76% point to the quality of their staff.

How do businesses use design to compete?
Almost half (46%) the businesses in Yorkshire & Humberside believe that, over the past decade, design has become more important in helping them compete.
(UK average 46%)

The region's attitude to investing in design also broadly follows the UK picture.

Yorkshire & Humberside businesses' investment in design, 2002-2005

We've increased investment	29%
UK average	31%
It's stayed the same	27%
UK average	23%
We've invested less	6%
UK average	3%
We don't invest in design	38%
UK average	43%

Like businesses in many other regions, businesses in Yorkshire & Humberside mostly compete on the price or cost of their offer (74%). One in five (19%) see innovation as a basis for competing.

How many businesses have developed new products or services?
Over a third (38%) of the businesses in Yorkshire & Humberside have developed new products or services in the past three years.
(UK average 40%)

While this mirrors the UK average, it does put the region ahead of some. In the North East and Northern Ireland, for example, just a quarter of businesses developed new products or services between 2002 and 2005.
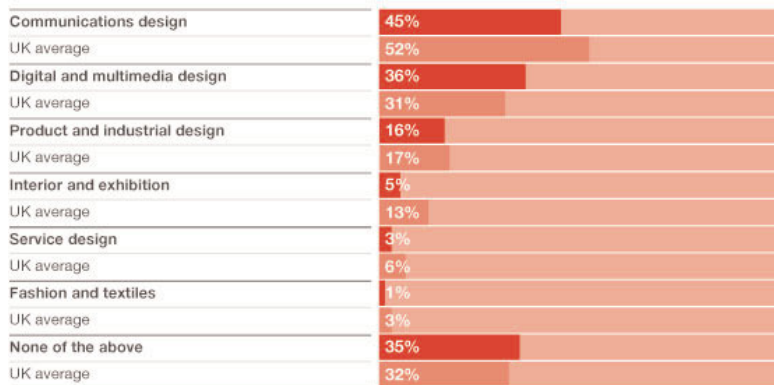

What types of design do businesses use?
Compared to the UK, Yorkshire & Humberside businesses are strong on digital and multimedia design (36% use it), and weak on interior and exhibition design (5% use it).
(UK averages 31% and 13%)

In keeping with other parts of the UK, communications design is the most widely used service.
Just over a third of the region's businesses don't use any of the services we surveyed.

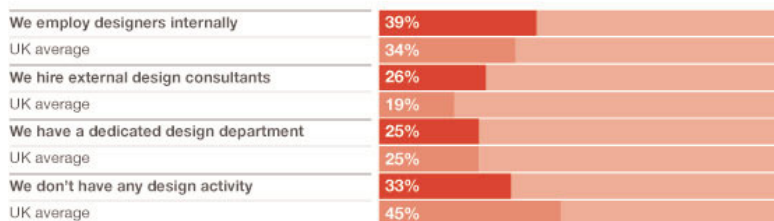**Design services used by businesses in the Yorkshire & Humberside**

Communications design	45%
UK average	52%
Digital and multimedia design	36%
UK average	31%
Product and industrial design	16%
UK average	17%
Interior and exhibition	5%
UK average	13%
Service design	3%
UK average	6%
Fashion and textiles	1%
UK average	3%
None of the above	35%
UK average	32%

Do businesses use designers?
Yorkshire & Humberside businesses are more likely to employ designers than many businesses elsewhere. Employing designers internally is particularly popular. This is a solution for 39% of businesses.
(UK average 34%)

Only one third of businesses don't hire designers at all. Across the UK that figure is closer to half.
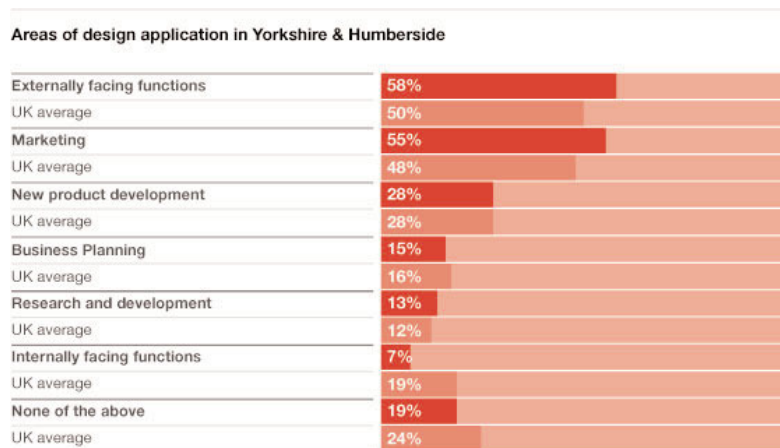
Hiring designers in Yorkshire & Humberside

We employ designers internally	39%
UK average	34%
We hire external design consultants	26%
UK average	19%
We have a dedicated design department	25%
UK average	25%
We don't have any design activity	33%
UK average	45%

Where do businesses apply design?
Yorkshire & Humberside businesses broadly mirror the national picture, applying design to externally facing functions (58%). Marketing (55%) is especially common.
(UK averages 50% and 48%)

Only in applying design to internally facing functions, such as workplace design and internal communications, are they significantly down on the average.

Areas of design application in Yorkshire & Humberside

Externally facing functions	58%
UK average	50%
Marketing	55%
UK average	48%
New product development	28%
UK average	28%
Business Planning	15%
UK average	16%
Research and development	13%
UK average	12%
Internally facing functions	7%
UK average	19%
None of the above	19%
UK average	24%

Regional portrait
The region has one of the UK's smallest economies. It contributes just 7.5% of the UK's total gross value added (GVA). London and the South East, by contrast, each contribute more than twice this.

Compared to other parts of the UK, the region is traditionally strong in the production and distribution of goods, plus construction and public sector services. In contrast, there's less service sector activity, especially financial and business services, than in the UK overall. However, this picture is changing. Traditional production and distribution output is decreasing while the service sector is increasing.

The region has more than 270,000 businesses, contributing to an economy worth £75.2billion.

The regional development agency Yorkshire Forward is currently producing a Regional Economic Strategy, plus 'Yorkshire 2020', a look at how the region's future could develop.

For more information on Yorkshire & Humberside, see these links in our **List of further sources:**
– Yorkshire Forward
– Office For National Statistics.

How can I use this information?

If you're a business intermediary
The extent of businesses's use of design is widespread and encouraging. While businesses don't necessarily need convincing to do more, they could benefit from perceiving design slightly differently.

With just one in eight believing that design is crucial to success, you could use other parts of our survey to improve opinions.

What design can do for your figures and **The link between design and better business performance** could be particularly helpful.

If you're a design business
Yorkshire & Humberside is an excellent region for you to operate in.

One in four businesses here commissions external designers, compared to one in five throughout the UK. And businesses use a wide range of design services.

In terms of opportunities for growth, it might be worth you promoting the services that are comparatively under-used, such as interior and exhibition design. The region's businesses are also less likely to apply design to internally facing functions, such as workplace design and internal communications.

Other parts of our survey could help you sell these and other services to your clients. **What design can do for your figures** and **The link between design and better business performance** could be particularly helpful.

And as well as the results of this survey (which look at what your clients are doing), we've also looked at what your peers are doing. *The Business of Design* is the first comprehensive survey of the design industry. You can download it on our website. See our **List of further sources** for more information.

Among other things, research compares the supply of design services in your region to that in others. This complements the demand for services discussed above, and should further help you discuss these issues with your clients.

If you're a design educator or student
Businesses make wider use of design here than in many other parts of the UK, but design is valued less. Understanding why could be a useful area for researchers to study.

If you're a student interested in a career in design, this should be a good region for you to find opportunities. Only a third of businesses don't commission any design.

07 Detailed research methodology

Detailed research methodology

The *Value of Design Factfinder* contains research from a number of sources. The main two sources are:
– The Design Council National Survey of Firms 2005
– Added Value Research 2007

The Design Council National Survey of Firms 2005

For several years the Design Council has carried out its National Survey of Firms. In the past, the National Survey of Firms has gathered information on UK businesses' attitudes to design, alongside details on how they use design in their operations. In the 2005 survey, we sought to find out more about the tangible impacts of design on businesses.

The National Survey of Firms 2005 was based on telephone interviews with 1,500 businesses. The sampling frame for the survey was the Experian National Business Database. Only businesses with more than ten employees were considered, and the sample was designed to produce statistically robust conclusions according to business size. As smaller businesses form the vast majority of UK businesses, a random sample would not have produced enough interviews with larger businesses to build a meaningful picture.

Roughly equal numbers of businesses were surveyed in three size categories:
– Small businesses (10 to 49 employees)
– Medium-sized businesses (50 to 249 employees)
– Large businesses (250 or more employees).

We also made sure that there was a mix of industry sectors, and an equal spread of interviews across the 12 regions and countries of the UK.

The results of the survey have been weighted to match the national population of businesses with ten or more employees. We used the National Business Database to do this. This means that the findings quoted from the National Survey of Firms 2005 in the *Value of Design Factfinder* are equivalent to the results that would have been achieved from a census of all the businesses in the UK with ten or more employees.

'Design alert' businesses

We asked all 1,500 businesses surveyed whether they'd observed a direct impact from the use of design on several business performance measures. These included new products and services, new markets, market share, and competitiveness, and direct performance indicators, such as profit, turnover and employment. Each business was assigned points for their responses depending on the level of impact of design. Two hundred and fifty businesses that had observed an impact from design on these measures went on to complete a supplementary survey. In this survey, respondents were asked to quantify the impact that design had on this range of measures. We call these businesses 'design alert'.

The multivariate analysis

We wanted to find out more about the relationships between design and businesses' performance, so we conducted another piece of research.

We ran the data from the National Survey of Firms 2005 through multivariate analysis. Multivariate analysis is a statistical technique that analyses the relationships between more than two variables. Carrying out multivariate analysis in this research meant we could isolate the effect of design on business performance from other factors.

We measured the relationship between the attitudes and use of design among businesses, and a number of indicators that characterise business growth. These include turnover, profit and employment growth.

The regions

We spoke to a range of businesses in each of the regions and countries of the UK. The data from the National Survey of Firms 2005 represents the following snapshots of each region and country in the UK:

Region	Sectors & Business size
East Midlands	**Sectors:** 45% retail, wholesale and leisure services 22% manufacturing 18% property, finance and business services 15% primary industry, construction, utilities and communications **Business size:** 10-49 employees: 85% 50-249 employees: 13% 250+: 2%
East of England	**Sectors:** 44% retail, wholesale and leisure services 21% manufacturing 20% primary industry, construction, utilities and communications 16% property, finance and business services **Business size:** 10-49 employees: 90% 50-249 employees: 9% 250+: 2%
London	**Sectors:** 45% retail, wholesale and leisure services 33% property, finance and business services 12% primary industry, construction, utilities and communications 10% manufacturing **Business size:** 10-49 employees: 90% 50-249 employees: 8% 250+: 2%
Northern Ireland	**Sectors:** 51% retail, wholesale and leisure services 18% primary industry, construction, utilities and communications 15% manufacturing 15% property, finance and business services **Business size:** 10-49 employees: 89% 50-249 employees: 10% 250+: 2%
North East	**Sectors:** 53% retail, wholesale and leisure services 18% primary industry, construction, utilities and communications 14% manufacturing 14% property, finance and business services **Business size:** 10-49 employees: 87% 50-249 employees: 11% 250+: 2%
North West	**Sectors:** 50% retail, wholesale and leisure services 19% manufacturing 17% property, finance and business services 14% primary industry, construction, utilities and communications **Business size:** 10-49 employees: 88% 50-249 employees: 10% 250+: 2%
Scotland	**Sectors:** 53% retail, wholesale and leisure services 19% primary industry, construction, utilities and communications 14% manufacturing 15% property, finance and business services **Business size:** 10-49 employees: 87% 50-249 employees: 12% 250+: 2%

Region	Sectors & Business size
South East	**Sectors:** 38% retail, wholesale and leisure services 25% property, finance and business services 19% manufacturing 18% primary industry, construction, utilities and communications **Business size:** 10-49 employees: 88% 50-249 employees: 10% 250+: 2%
South West	**Sectors:** 53% retail, wholesale and leisure services 16% primary industry, construction, utilities and communications 16% property, finance and business services 15% manufacturing **Business size:** 10-49 employees: 89% 50-249 employees: 10% 250+: 2%
Wales	**Sectors:** 52% retail, wholesale and leisure services 17% manufacturing 16% primary industry, construction, utilities and communications 16% property, finance and business services **Business size:** 10-49 employees: 85% 50-249 employees: 12% 250+: 2%
West Midlands	**Sectors:** 46% retail, wholesale and leisure services 23% manufacturing 16% property, finance and business services 15% primary industry, construction, utilities and communications **Business size:** 10-49 employees: 87% 50-249 employees: 11% 250+: 2%
Yorkshire & the Humberside	**Sectors:** 44% retail, wholesale and leisure services 21% manufacturing 19% property, finance and business services 15% primary industry, construction, utilities and communications **Business size:** 10-49 employees: 87% 50-249 employees: 11% 250+: 2%

Other details

We've rounded all the figures in *Design in Britain 2005–06* and the *Value of Design Factfinder* to the closest percentage point. Totals to 100% may vary by one percentage point. However, to ensure graphic consistency, all charts have used a scale to 100%.

The research work was conducted by Public and Corporate Economic Consultants (PACEC). The National Survey of Firms 2005 was conducted between July and September 2005.

Unless otherwise stated, all the figures in *Design in Britain 2005–06* and the *Value of Design Factfinder* come from the National Survey of Firms 2005.

Added Value Research 2007

The Added Value Research 2007 has explored how UK businesses add value to their core offer and why. We also investigated the role that design plays in this process, either directly or indirectly.

To see how we defined added value for this survey, please see the **Glossary** or **Adding value through design**.
The Added Value Research 2007 was based on telephone interviews with 503 businesses. The sampling frame for the survey was the Dun & Bradstreet Business database. Only businesses with more than ten employees were considered, and the sample was designed to produce statistically robust conclusions according to size and sector.

Businesses were surveyed from three key sectors:
– Manufacturing – 200 businesses
– Retail & distribution – 153 businesses
– Service – 150 businesses

We also interviewed businesses of a range of businesses sizes, but excluded businesses with fewer than 10 employees:
– 10-49 employees – 176 businesses
– 50-249 employees – 175 businesses
– 250+ employees – 152 businesses

These quotas were interlocking and produced the sample described in the table below:

	10-49 employees	**50-249 employees**	**250+ employees**	**Total**
Manufacturing	75	75	50	200
Retail/distribution	51	50	52	153
Services	50	50	50	150
Total	176	175	152	503

We also ensured a mix across the regions and countries of the UK.

The results of the survey have been weighted to match the national population of businesses with ten or more employees. This means that the findings quoted from the Added Value Research 2007 are equivalent to the results that would have been achieved from a census of all the businesses in the UK with ten or more employees.

Other details

We've rounded all the figures in the *Value of Design Factfinder* to the closest percentage point. Totals to 100% may vary by one percentage. However, to ensure graphic consistency, all charts have used a scale to 100%.

The National Survey of Firms 2005 was conducted was conducted by Public and Corporate Economic Consultants (PACEC) between July and September 2005.

The Added Value Research 2007 was conducted by Continental Research in November 2006.

Unless otherwise stated, all the figures in the *Value of Design Factfinder* come from the National Survey of Firms 2005 or Added Value Research 2007.

08 Research at the
Design Council

Research at the Design Council
The Design Council has a dedicated Research & Information team, which conducts research on the use of design by businesses and the public sector, and on the size and shape of the UK design industry.

We carry out smaller qualitative and quantitative research projects to support the Design Council's project work. We also gather design research from other sources, and work with a group of international design organisations on a common research strategy in order to achieve internationally comparable results.

You can contact the team with any questions about research at the Design Council, or about the Value for Design Factfinder.

09 Glossary

Glossary

Added value
The term added value describes how a business creates more value around its core products or services so they meet customers' expectations. For example, a manufacturer might add value by offering a repair service or finance options to its customers; a high street bank might add value by offering internet banking.

Adding value through design
As part of our survey of 500 UK businesses in 2007, we identified a set of companies that add value to their core offer and service and also either use design or a designer to do so or see design as integral or significant to their business. These businesses are adding value through design.

Communications design
This includes graphics, brand, corporate identity, brochures and signage. It is the most widely used design service.

Digital and multimedia design
This design service covers websites, film and television identities, digital design, interaction design and animations.

Design alert business
As part of our annual survey in 2005, we interviewed 1,500 businesses across the UK. From these, we identified 250 businesses that had observed a direct impact from the use of design on several business performance measures. We call these businesses 'design alert'. We went back to them with more detailed questions on their use of design and whether they could quantify the results.

The bottom line benefits that design alert businesses have seen are explained in The link between design and business performance.

Externally facing functions
This covers things such as corporate identity, brochures and exhibitions, and essentially means things that customers see. However, we have not included marketing in this, giving it its own area.

Fashion and textiles design
This design service covers the design of clothing and fabrics.

Gross value added (GVA)
Gross value added is the difference between output and intermediate consumption for any given sector/industry. That is, the difference between the value of goods and services produced, and the cost of raw materials and other inputs used in production.

Interior and exhibition design
This design service covers retail design, office planning and workplace design, lighting, display systems and exhibitions.

Internally facing functions
This covers things such as workplace design and internal communications, and essentially means activities that are only for employees and not for customers.

Large business
A business with more than 250 employees.

Medium sized business
A business with between 50 and 249 employees.

Multivariate analysis
Multivariate analysis is a statistical technique that analyses the relationships between more than two variables. Carrying out multivariate analysis in this research means we could isolate the effect of design on business performance from other factors. See the Detailed research methodology for more details.

Product and industrial design
This design service covers design of any consumer /household products, furniture and industrial design such as automotive, engineering and medical products.

Rapidly growing business
As part of our survey, we asked businesses to rate how their turnover had changed over the past year. They had four options: grown smaller, stayed the same, grown moderately and grown rapidly. We used this as our definition of a rapidly growing business.

This gave us a key factor that we could compare design against. For example, we found that businesses who saw design as integral were the most likely to have grown rapidly. Those where design played no role were the least likely to have grown rapidly.

R&D tax credits for SMEs
Research and development (R&D) tax credits are a company tax relief which can either reduce a company's tax bill or, for some small or medium sized companies, provide a cash sum. The aim of the tax credits is to encourage greater R&D spending in order to promote investment in innovation. See the **HM Customs and Revenue website** for more details.

RODI (Return on Design Investment)
Similar to standard ROI (return on investment), RODI isolates the specific return on design spend.

Although only one in eight businesses currently pinpoints RODI with accounting procedures, we hope that doing so will become more common.

Service Design
The design of the service that is delivered to an end user or customer.

Small business
A business with between 10 and 49 employees.

10 List of further sources

Publications

DTI R&D Scoreboard
http://www.innovation.gov.uk/rd_scoreboard/

The Business of Design: Design industry research 2005
www.designcouncil.org.uk/bod

Community Innovation Survey
http://www.dti.gov.uk/innovation/innovation-statistics/cis/page10957.html

The Cox Review
http://www.hm-treasury.gov.uk./independent_reviews/cox_review/coxreview_index.cfm

DTI Economics Papers 15: Creativity, Design and Business Performance
http://www.dti.gov.uk/files/file13654.pdf

Regional Development Agencies (RDAs)

Advantage West Midlands
www.advantagewm.co.uk

East Midlands Development Agency
www.emda.org.uk

East of England Development Agency
www.eeda.org.uk

London Development Agency
www.lda.org.uk

North West Development Agency
www.nwda.co.uk

One NorthEast
www.onenortheast.co.uk

South East England Development Agency
www.seeda.co.uk

South West of England Regional Development Agency
www.swrda.org.uk

Yorkshire Forward
www.yorkshire-forward.com

National development agencies:

Invest Northern Ireland
www.investni.co.uk

Scottish Enterprise
www.scottish-enterprise.com

Welsh Assembly Government Department for Enterprise, Innovation and Networks
http://www.assemblywales.org/bus-home/bus-committees/bus-committees-second/bus-committees-second-ein-home.htm

Other organisations:

Creative London
www.creativelondon.org.uk

The Northern Ireland Executive
www.nics.gov.uk

Northern Ireland Department of Enterprise, Trade and Investment
www.detini.gov.uk

Northern Ireland Statistics and Research Agency
www.nisra.gov.uk