

Design in Britain 2008

National survey
of firms 2008

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Key Findings

The increasing importance of design

UK firms are attaching increasing importance to design. The evidence for this comes, in part, from comparing the results of our latest survey to those from similar research conducted in 2005. For example, over the last three years the proportion of firms:

- who regarded design as integral to their operation has doubled to 30%
- making use of the various design disciplines has risen by 15 percentage points
- who had developed new products and services and reported design as leading or guiding the whole process had increased.

This comparative evidence is consistent with results from within the 2008 survey, which reports positive views of design across a range of measures. For example:

- 23% of businesses thought design had become a lot more important over the last three years in enabling the firm to achieve its business objectives.
- 30% said it was a little more important and only 5% considered it less important
- more than half (52%) of firms agreed or agreed strongly that design is integral to the country's future economic performance – 16% disagreed or disagreed strongly
- 59% of firms agreed or agreed strongly that there was a clearly positive link between investment in design and profitability – 13% disagreed or disagreed strongly
- over the last twelve months 34% of firms had seen design expenditure grow moderately or rapidly whilst only 5% had seen it decrease.

Design in the downturn

Over half (54%) of firms believe design will help them stay competitive during the economic downturn.

However, design was not seen as a panacea – almost as many firms (44%) thought design had not been important in meeting the challenges they had faced in the last three years.

The role of design

Design plays an important role in developing new products and services – particularly among larger businesses.

Large firms were twice as likely (69%) to have developed new products and services than micro businesses (33%). The most common use of design is still marketing (71%) and other external facing functions (62%), such as corporate branding and websites.

Design disciplines

Communication and multimedia design are the most common forms being used (61% and 55% respectively).

Design spending

For most firms (61%) design expenditure had stayed the same over the last 12 months.

Over a quarter of firms (27%) have seen their design spending grow over the same period.

Expectations for the coming year were virtually identical.

Commissioning design

Over a third of firms (39%) have commissioned designers in the past 12 months – the majority of those designers (88%) were from the UK.

Larger businesses were almost twice as likely as micro businesses to have commissioned designers in the past 12 months (61% compared to 32%) – though this still represents a substantial number of micro businesses.

95% of firms were very or quite satisfied with the design services they had commissioned over the last 12 months.

Selecting a design consultant was most commonly done through personal contacts with two-thirds (67%) of firms using this approach.

Differences by firm size, sector and location

Over a third (35%) of large firms say design is integral to their operation and almost a further half (47%) describe it as having a significant role. The role of design within a businesses also varies between sectors: 46% of the sector covering manufacturing said design was integral to their business – almost double the proportion in the construction, transport and agriculture sector (24%).

Regional variations show a concentration of design use in the South East, with 48% of firms in London saying design is integral to operations.

Firms in the North East were least likely to see design as this significant (20%) and also had one of the highest proportions (23%) saying design had no role in their firm.

Design and sustainability

Consumer demand for sustainable products is not yet a major issue for most firms.

41% thought there was some demand for sustainability in their sector – 30% thought there was no demand at all.

The importance of design to UK businesses

Design clearly has an increasingly important role to play for UK businesses, and is valued – particularly among larger, rapidly growing and manufacturing businesses – for its perceived ability to boost profits and maintain competitiveness.

The details

What role does design play in UK businesses?

85% of rapidly growing businesses consider design to be integral or significant to their operations. Overall, 30% of businesses view design as integral – that's twice as many as three years ago. Over half (56%) now consider design to be either integral or having a significant role to play within the business.

In addition, the proportion of firms that see no role for design in their business has halved to 13%.

Larger firms are still most likely to see design as important for commercial success: 82% said design was integral or had a significant role to play; but there is also considerable interest among the smallest businesses, with almost half (48%) seeing design in this way.

There are also variations between sectors and regions.

Companies in the manufacturing, mining and utilities sectors see design as having the greatest role to play, with 71% regarding design as either significant or integral to operations.

By contrast, 19% of agriculture, construction and transport firms report that design has no role in their business. Regional variations show that London firms are most likely to consider design as a business tool: nearly half (48%) said design was integral to their operation. However, 23% of businesses in the North East, and the same proportion in Wales, believe design has no role to play.

Do firms equate design with success?

Design is considered the sixth most important factor driving business success – higher than R&D and marketing. This ranking was the same in 2005. Quality of staff has overtaken financial management as the most important factor in business success, according to the firms surveyed.

Do firms link design and profitability?

Nearly two-thirds (59%) of UK businesses agree or strongly agree that there is clearly a positive link between investment in design and profitability.

The majority of rapidly growing businesses believe investing in design leads to profitability: 74% agreed there was a positive link between the two. In fact, the response to this question was generally positive throughout the survey, regardless of business size, type or growth rate. 71% of companies in manufacturing; 63% in finance and business; 62% in wholesale, retail and hospitality; and 52% in farming, construction and transport recognised a link between design investment and profit. Regionally there is greater variation, but even so, up to 71% of businesses (those in London and Northern Ireland) were in agreement; the lowest figure (from the North East) was 43%.

Is design becoming more important to UK businesses?

53% of UK companies report that design has become more important in helping them meet their business objectives – for 23% it has become a lot more so.

This view is even more strongly held by rapidly growing companies, 79% of which believe design has become more important to them over the past three years.

How important is design in the current economic climate?

80% of UK businesses believe that to some extent design will help them stay competitive in the current economic climate. This figure rises to 97% among rapidly growing companies.

Even among businesses whose turnover has remained the same in the past year, 77% believe design will have a part to play in helping to them compete in the current climate.

When looked at regionally, 85% of businesses in the South East believe design will have a positive impact on their ability to compete. Even the lowest figure, reported in the North East, shows that over half the businesses (59%) expect design to help them stay competitive to some extent.

How important is design for meeting specific business challenges?

16% percent of UK firms believe design has been crucially important in helping to meet their biggest business challenges of the past three years.

Despite design reportedly having a clear role in helping most UK businesses compete during the recession, comparatively few firms said design had been important in enabling them to meet their most pressing commercial challenges.

Is design considered integral to the UK economy?

52% of UK businesses believe design is integral to the country's future economic performance.

The most positive response comes from the manufacturing sector, where 71% agree or strongly agree that design is integral.

And there is widespread agreement on this issue among firms of all sizes– over half the businesses from every category say that design is central to the UK's future economic performance.

It should be noted, however, that once again the North East and Wales regions responded with the lowest figures to this question, with over a quarter in each case (26% and 29% respectively) not seeing design as having an important role to play in the UK economy.

How much UK businesses spend on design

Around a third of companies have increased their design spend in the past year – and expect investment to grow over the coming 12 months. But as the UK entered recession, the majority of firms were predicting cutbacks on design spending.

The details

Are UK companies spending more on design?

34% of UK businesses have increased their spending on design in the past year; only 5% reported spending less. However, in spite of evidence that companies are attaching greater importance to design to boost business performance, 61% had not changed their expenditure on design in the past twelve months.

23% of companies in Wales reported increased design spending – more than double the figure of any other region. This is significant, since elsewhere in this study Welsh firms have appeared less convinced by the importance of design. But Wales also has the most companies whose spending on design has grown smaller (21%).

Will UK companies spend more on design in the next twelve months?

32% of UK companies expect their design expenditure to grow in the next twelve months.

Although this study was completed shortly before the UK officially entered recession, the majority of companies were already predicting slower growth in design spending compared to the previous year.

In Wales, for example, where 23% of companies reported increased design expenditure over the past twelve months, only 2% expect to achieve the same rate of growth in the coming year. And of the companies who expected their design spending to decrease in the next year, 78% felt this was influenced by the current economic situation to a large or very large extent.

But many firms continue to invest in design. The same percentage of companies whose design spending remained static last year (61%) expect it to be unchanged again in the coming year.

How much do UK companies spend on design services?

Spending on design salaries or external commissions has a close correlation to the size of the company.

How UK businesses use design

Companies of all types are more likely to use design for external or client facing functions, such as marketing and new product development – rather than internal functions, strategic development or planning.

The details

What is design used for?

96% of rapidly growing companies using design do so for marketing. (UK average 71%)

Rapidly growing companies are more likely to use design in every area of business than the average UK firm. The national averages in the table below are also lifted by the manufacturing sector, where design is used for new product or service development in 73% of companies. Design currently plays a limited role

in companies' long-term strategic goals, with business planning being least common design use by firms. However, 39% of rapidly growing companies use design for business planning – twice the national average.

How extensively is design used in the development of new products and services?

77% of businesses say their new products and services are developed using design.

Figures show that only 41% of UK companies have developed new products or services in the past three years. Well above this average, three quarters (75%) of rapidly growing businesses and two thirds (66%) of manufacturing companies report the same rate of product development. For the development of these products and services, design leads and guides the whole process in 22% of cases.

Micro-businesses (those with under 10 employees) are most likely to use a design-led approach: design leads and guides the development process in 34% of cases – double the proportion found among the largest companies (17%).

Do UK companies use design to overcome business challenges?

41% of large UK companies believe design is important or crucially important in helping to overcome their most significant business challenges. 46% of manufacturing companies agree.

However, 44% of companies overall perceive design as being of no importance in helping to overcome their challenges. Even among rapidly growing companies, which consider design as integral to their success, only 28% believe it has been useful in this particular regard.

How UK businesses buy design

Personal recommendation is the most popular way for businesses to find a designer, and to find information about design generally. The vast majority of UK businesses don't buy any design services from abroad.

The details

Who commissions design?

In 57% of UK companies, the owner, managing director or chief executive is responsible for commissioning design work. This figure is of course strongly influenced by answers from micro-businesses, 72% of which report owners or CEOs as being responsible for design purchasing.

The proportion of company heads commissioning design drops to just 20% in larger firms; it is the responsibility of marketing managers in nearly half of cases (49%).

Who do UK companies employ to do their design?

42% of UK companies employ external design consultants on an ad hoc basis. The same percentage have some kind of dedicated in-house design function.

In larger companies, the percentage with an in-house design function jumps to 84% - and 68% use external consultants.

Perhaps unsurprisingly, compared to other industry sectors manufacturing has the highest instances of in-house design capabilities (74%). The finance and business sector is the most likely to use consultants – 49% of firms say they commission such services.

Once again, rapidly growing businesses demonstrate a greater commitment to design both internally and with consultants. Twice the proportion of these fast-moving companies have dedicated design departments (37%) compared to businesses who reported moderate growth in the past year (18%). In addition, than half (57%) use consultants and only 15% have employees doing design work as a secondary part of their job.

How many UK businesses have commissioned design in the past year?

39% of UK businesses have commissioned design work in the past twelve months.

The proportion of businesses commissioning designers tends to rise with the size of firm, from about one third (32%) of micro-businesses to 61% of larger companies.

Compared with 2005 figures, design commissioning has risen for all sizes of business.

By industry sector, finance and business leads the way in design commissioning with 46% having tried to source an external consultant in the past twelve months. This tallies with its previous results as the sector with the highest proportion of companies employing external consultants. Of the companies that said they employ external consultants, only 56% had done so in the past twelve months.

How do UK businesses commission design?

67% of UK companies that commissioned design work in the past twelve months selected a design consultant through a personal contact.

Personal contacts tend to become slightly less important among larger businesses, but even so they remain the most significant factor by a sizable margin.

Compared to three years ago, reliance on personal contacts has grown in importance, overtaking the use of a preferred list of suppliers, which used to be the main route to design consultants among companies of all sizes. Tendering has likewise become more prevalent.

Personal or business contacts are also important when sourcing a designer or design advice, with 43% of businesses asking friends or colleagues.

Do UK companies buy design from abroad?

88% of UK companies do not commission any design work from overseas.

This figure remains largely consistent across different business sizes and sectors. Even among larger companies (which are more likely to make use of overseas resources in other areas of the business), only 5% commission design from abroad for a significant part of their design activity.

Asked whether this situation was likely to change over the next three years, only 11% thought they might increase their use of overseas designers.

How satisfied are UK companies with the design services they buy?

UK companies are generally satisfied with the design work they have commissioned in the past twelve months.

The details

How satisfied are UK companies with their design services?

The vast majority of UK companies are either very (62%) or quite (33%) satisfied with the design services they have commissioned in the past twelve months.

The fast growing companies were the most pleased with their design work, with 99% either quite or very satisfied. Companies whose turnover has decreased in the past year reported the highest levels of dissatisfaction (20%).

How well is the value of design communicated by designers?

76% of UK companies believe that designers they have worked with communicated the value of design quite or very well.

Awareness of Research and Development Tax Credits

Our survey suggests that R&D tax credits are not widely known about, and even among those companies that are aware of them, only 20% use the credits for design projects. Do UK companies know about R&D tax credits for SMEs?

Only 23% of UK companies know about the availability of research and development tax credits for SMEs.

Do UK companies use R&D tax credits for design?

Only 20% of the companies that did know about the R&D tax credits used them for design work or services. This figure rises to 34% within the finance and business sector, but drops to zero within the wholesale and hospitality industries.

How do UK companies protect their intellectual property?

The majority of UK companies (71%) say they have no intellectual property (IP) to protect. Those that do are most likely to protect it using trademarking or copyright.

The details

How do companies protect their intellectual property?

71% of UK companies say they have no IP to protect.

This figure may point to a lack of understanding among businesses about what constitutes IP and the importance of securing it.

Those companies that have protected their IP in the past three years most commonly did so using trademarks (15%) or copyright (16%).

Larger companies report the highest amount of activity by far when it comes to IP protection – more than twice the levels of smaller businesses – with 46% using trademarks and 47% using copyright in the past three years.

How many patents have UK companies applied for?

Just over a quarter (26%) of companies who had used patents had only applied for one in the past three years. 21% had applied for an average of one every year.

Measuring return on investment in design (ROI)

Greater use of return on investment (ROI) analysis should be encouraged to ensure that design meets its commercial objectives. In our study, half the companies measuring the time taken to pay back an investment recovered their investment in one year. But the majority of companies surveyed (69%) did not measure their return on design investment.

The details

Do UK companies measure the return on design investment?

31% of UK companies measure return on investment.

Over half the larger companies questioned said they measure ROI, and overall the rates for calculating return on investment are three times higher than three years ago.

The relatively low rates of ROI analysis carried out by companies for design projects may be linked to the fact that generally businesses feel they have a good understanding of the value of design, as identified elsewhere in this report.

How do UK companies measure ROI?

45% of companies calculate ROI from the percentage rate of return over a fixed time period (usually twelve months or less).

29% calculate a return from the time taken to pay back the investment.

What rate of ROI are UK companies getting from design investment?

50% of UK companies measuring the time taken to pay back an investment recovered their investment in one year.

A quarter recovered their investment in just six months and three-quarters within two years.

The most commonly reported rate of return from companies calculating a percentage return on design investment was 15%.

The importance of the public sector for UK businesses

Nearly half of all UK companies have customers in the public sector (49%). Eight out of ten of these companies say that their ability to compete on price is the most important factor affecting purchasing decisions by the public sector. Only a small handful of companies believe that the public sector comes to them for innovation.

The details

How many UK companies have public sector customers?

49% of UK companies have customers in the public sector.

How is the public sector perceived to make purchasing decisions?

81% of UK companies believe their public sector customers make purchasing decisions based on price or cost. Just 15% of firms believe innovation is a significant factor influencing public sector purchasing decisions.

Design-led businesses were most likely to have public sector customers who based purchasing decisions on innovation: this was true in 21% of cases.

UK business and sustainability

Most companies believe that there is some demand for sustainable products among their customer base.

The details

How significant is the demand for sustainable products?

70% of UK businesses believe there is some demand for sustainable products in their market.

Perceptions of the demand for sustainability tend to grow with size of business, with only 12% of larger businesses reporting no demand at all.

The North East has the most companies (14%) who report widespread demand for sustainable products – twice the national average. Only 5% of rapidly growing businesses believe there is no demand for sustainable products; the national average is 30%.

About the firms in our survey

How ambitious are UK companies?

64% of UK firms say they hope to grow moderately in size in the next year. Nearly half (49%) of rapidly growing businesses say their objective is to continue doing so (UK average: 11%). Smaller businesses are much more likely than others to want to stay the same size.

The majority of companies surveyed are well established, with 81% having been in business for 10 years or more. Micro-businesses tend to be slightly younger, but 70% are still at least a decade old. The sector with the youngest profile is rapidly growing businesses, where 41% have been operating for less than 10 years.

How much money do UK companies make?

29% of UK companies turned over £2m or more in the last financial year. Almost a fifth of companies surveyed (19%) did not know what their annual turnover was and 11% refused to answer the question.

How does that compare to 2005?

45% of businesses reported that their turnover had grown either moderately or rapidly in the past year, and for 40% it had stayed the same. The picture for smaller companies is less positive, however, with 47% staying the same and 21% reporting a reduction in turnover (UK average 16%).

Compared with 2005, UK businesses are more likely to have grown smaller or stayed the same size in the past year.

Do UK companies export their goods and services?

70% of UK companies do not export any goods or services.

This figure is lower among larger companies, where only 41% have no overseas trade. However, this sector also had the largest number of no responses to this question (20%), making it difficult to draw any firm conclusions. That said, these figures do reflect the numerical importance of micro-businesses within the UK economy.

Rapidly growing businesses are much more likely to export their goods and services than other companies, with 46% saying some percentage of their turnover comes from export sales.

Notes

In September and October 2008 the Design Council surveyed a nationally representative sample of 1,522 firms across the United Kingdom.

The objective was to gather information on UK business attitudes towards design; and the extent to which design is being used by these same businesses.

Previous research has demonstrated that design plays a central role in the development of new products and services and more recently has reported the centrality of design to the innovation process.

These studies have shown the flexibility of design in responding to business requirements – for example, companies intent on innovation often invest in product, industrial or service design, while those with established products may focus instead on design-led communications.

This new research explores these issues to develop greater insight into the benefits of design – and to offer practical information to businesses and policymakers.

Methodology

The results of our 2008 research are based on a telephone survey of 1,522 firms conducted between September 2 and October 13.

The responses have been weighted by size, industry and region so that the results reflect the population of private sector firms in the UK.

**This guide is part of a Design in Britain series.
To see the other documents in the series
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