A Study of the

Design Services Sector

on the Island of Ireland

InterTradeIreland

Acknowledgements

Inter*Trade*Ireland would like to thank the Centre for Design Innovation at the Institute of Technology, Sligo, the members of the Steering Panel, and the design service providers and companies who participated in the research for their assistance with the development of this report.

STEERING PANEL MEMBERSHIP

Inter*Trade*Ireland
Enterprise Ireland
Institute of Designers in Ireland
Invest Northern Ireland

Contents

Table of Figures

Foreword

Countries that wish to increase their competitive advantage have turned to design as a mechanism to add value to the goods and services that their indigenous companies produce. Recognising that those companies that use design are more successful than those that do not, they invest significant time and effort in promoting and supporting companies to overcome the barriers to its effective use. Their goal is to increase the demand for design.

Increasing demand is only one side of the equation however; it is just as important that there should be a broad and deep supply of designers who can provide services to business to help them add value to their products and services. Without them, an economy can be starved of a key input that helps to differentiate the goods and services it produces.

A range of interrelated issues governs the supply of designers who provide services to business. The role of education is critical, as is the aspiration of the individual and ultimately the market for their services. But there are also a number of other more subtle influences such as the role of the industry support bodies, the nature of continuous professional development and the business empathy of designers themselves.

This report examines the strengths and weaknesses of the sector and makes recommendations about how to build on those strengths in order to stimulate one small but important part of the economy that can create added-value to the economy as a whole. Given the similar barriers faced by the sector in Northern Ireland and Ireland, it makes sense to adopt a cooperative approach to optimise the potential of the sector.

Aidan Gough

DIRECTOR, STRATEGY & POLICY

Inter*Trade*Ireland

Executive Summary

1

International evidence supports the observation that there is a close correlation between the use of design and the success of individual businesses as well as the competitiveness of entire countries.

Essentially, this report shows that the use of design by businesses across the island is an under utilized source of competitive advantage.

This does not mean that the Design Services sector is not successful. On the contrary, within the sector's own definition of success, things are looking good. Optimism is high, growth prospects look good and the sector is populated by highly skilled, experienced practitioners. The problem comes when one considers the needs of the wider economy and the ability of the Design Services sector to fulfil those needs.

The starting point is that the sector is quite small. Not only has it not grown much in the last 10 years, it is also proportionately about one third the size of the sector in Great Britain based either on proportion of total workforce or proportion of Gross Value Added (GVA). This reflects primarily on demand for design services but is also influenced by the desire for growth amongst individual businesses and the nature of what is a relatively isolated, "closed" community of practitioners and clients. Strategies that can encourage growth are important if the sector is to scale up effectively.

Of equal concern is that the sector is not contributing to the economy at the level where it could add most value. The majority of business is confined to activity at the tail-end of the product or service development process such as styling or graphic design. This is not a problem in itself; it is an area where the island can consider itself a world leader although low-cost competitors are starting to enter the market. The problem is that there is limited business activity supporting early stage product development, co-creation or open innovation; these are areas where overseas competition is limited and where the sector can add greatest value to its clients particularly within the service industry. This can best be addressed through education, not only of clients to demand higher value services, but also through continuous professional development within the sector itself.

Amongst the constraints to the sector, the existence of the border appears to limit the opportunities that could be generated by fluent exchange of business between Northern Ireland and Ireland. Not only does this limit growth, it also reduces the scope for generating innovative services that might arise in a more competitive environment. This is best addressed through transparent access to information about business opportunities both North and South.

Executive Summary

1

The report contains four recommendations addressing the issues of promoting the value of design and the growth and skills requirements of the Design Services sector.

These include:

1. **Develop an all-island campaign which promotes the importance of design and the intrinsic value it adds to business.**
2. **Assist the Design Services sector to expand into new markets and activities across the island and further afield.**
3. **Support business training amongst design practitioners at both undergraduate level and through continuous professional development.**
4. **Develop an all-island business programme to facilitate knowledge transfer between the Design Services sector and the end-users of design.**

Introduction 2

This study is interested in the role of design in so far as it adds value to other businesses.

THE REMIT OF THIS RESEARCH

This report contains the results from a study of the Design Services sector on the island of Ireland. Field research was undertaken in April 2008. The objective of this study was to provide an evaluation of the Design Services sector in Northern Ireland and Ireland with conclusions and recommendations on strategies and actions that would address any perceived gaps in current provision that limit the capacity of the sector to play a full part in the economy.

To achieve these goals this study assesses the size and make-up of the sector and interprets qualitative data to determine the strengths, weaknesses, opportunities and threats that currently prevail within the sector itself.

REPRESENTATIVENESS OF THE SURVEY

This study is interested in the role of design in so far as it adds value to other businesses; thus its focus is on organisations and individuals who provide Design Services* to other businesses (or as a unit within their own organisation). The study deliberately omits those areas of design that do not provide services to business, not because they are not valuable in themselves, but because its goal is to identify how best design can add greater value to the entire economy.

To achieve this, the research first concentrated on the memberships of the key professional organisations that service and support the Design sector: the Institute of Designers in Ireland (IDI), the Graphic Design Business Association (GDBA), the Institute of Creative Advertising and Design (ICAD) and the Interiors Association (IA). Membership of these organisations includes sole traders and design consultancies as well as in-house designers.

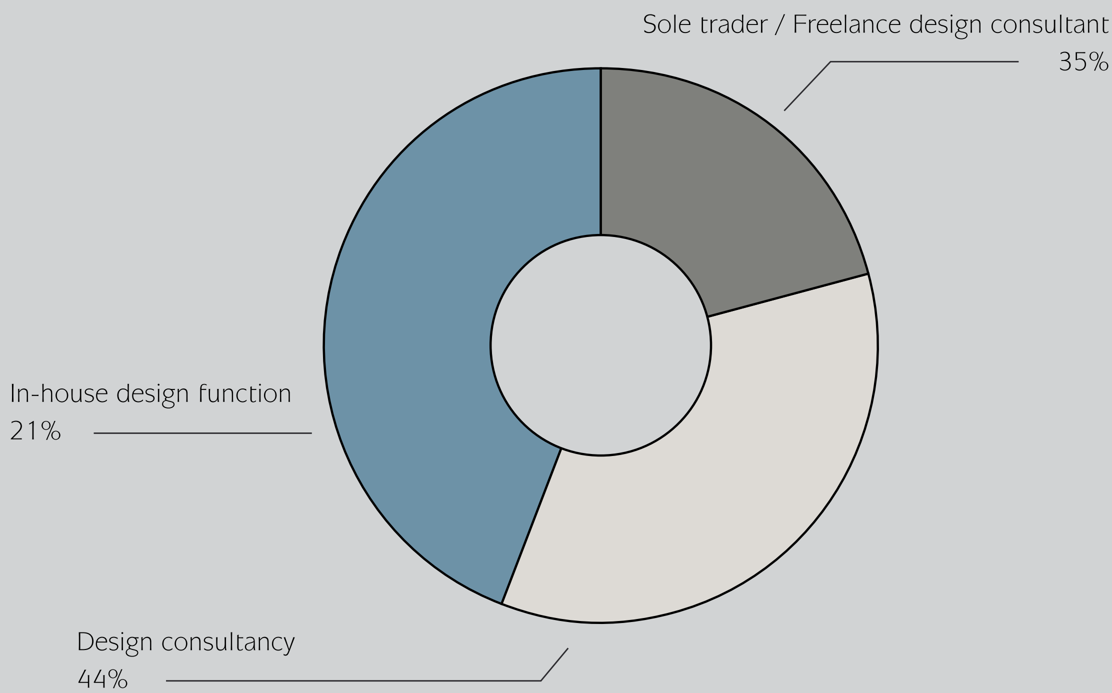
There are of course consultancies and sole traders that can be validly classified as Design Services sector participants but who are not members of the professional organisations. Therefore, to ensure representativeness across the entire sector, businesses of this type were also included. However, their lack of involvement in professional organisations reflects in many cases a lack of identification with the sector. In order to reflect this, the percentage of such businesses included in the study is proportionately lower than for the memberships of the professional bodies.

* Architects and architecture practices were not included in the survey. This was not because they do not provide services to other businesses, clearly a significant proportion do. However it is harder to link the input of the architect with the added value created for the final consumer of a product or service than for designers working in other disciplines.

Introduction

2

Figure 1. Survey Respondents by Type



In addition, it should be stressed that the study is of the Design Services sector as an entity and not a study of all services to business that could be classified as design.

These two definitions are different because:

- Individuals within organisations often carry out design activities without explicit association with the term designer.
- Design can be embedded and implicit within another service. For instance, design can be carried out on an ad hoc basis within the development of packaging or as part of the purchase of advertising that might include design of copy.
- The broader definition of design overlaps and is sometimes considered part of strategic marketing, product development or engineering.

In summary, an analysis of the participants in the study compared to the overall make up of the sector supports the thesis that the conclusions drawn are representative of the entire sector.

Introduction

2

Figure 2. Membership Status of Respondents

Representation of Membership of Professional Organisations	IDI	GDBA	ICAD	IA	Respondents who were not Members of Professional Organisations
% of respondents who are members	42%	11%	14%	5%	28%
% of membership who responded	52%	71%	88%	63%	NA

DATA SOURCES

This research used market research processes and techniques in line with the highest international standards. The survey fieldwork was completed by Millward Brown Ulster using the CATI (Computer Assisted Telephone Interviewing) system in a manner compliant with both the ISO9001 standard and The Interviewer Quality Control scheme. The findings in this report are based on an analysis of 306 thirty minute telephone interviews. This sample was randomly drawn from a population of over 1,535 contacts from 835 organisations across the full spectrum of design service providers in both Northern Ireland and Ireland. The respondents were distributed across both jurisdictions with 24% of respondents based in Northern Ireland and 76% based in Ireland; this is representative of the sector size in both Northern Ireland and Ireland.

The results from the survey are augmented by findings from qualitative interviews with 14 client companies. The interviews focused on the attitudes of these businesses to design within the innovation and product/service development context. The insights from these qualitative interviews are used to enrich the quantitative results from the survey.

Insights are also included from previous research on the use of design in Ireland including “The Design Difference”[1], “Opportunities in Design”[2] and “Design Management in Ireland”[3]. This has allowed a partial examination of how the sector has changed over the last decade and how its views align with those of its clients.

1. “The Design Difference” 2007, Centre for Design Innovation
2. PriceWaterhouseCoopers and Bradley McGurk Partnership, 1999 “Opportunities in Design: Strategies for Growth in the Irish Design Sector”, Enterprise Ireland
3. Design Management in Ireland: A survey of business practice and perceptions”, 1999, Bradley McGurk Partnership

Profile of the Design Services Sector on the Island

3

SECTOR SIZE

How large is the design sector?

The study derived an estimate of the total turnover of the Design Services sector and the total employment within the sector.

Figure 3. Design Services sector Employment and Value Figures

Jurisdiction	Total Employment in Design sector	Total Turnover of Design sector
Ireland	5,100	€465m (£390m)
Northern Ireland	1,860	€80m (£67m)

NB: Currency conversion calculated at £1= €1.19

Note that turnover does not include a measure of the leveraged impact of the design services - that is the much greater value added to products and services developed by the Design Services sectors' clients.

"Opportunities in Design" reported that the turnover of the Design Services sector in Ireland alone was approximately IR£220m in 1997, or 0.5% of GDP[4]. When adjusted for the conversion to the Euro and taking into account inflation using the Central Statistics Office consumer price index[5], this would be the equivalent of a turnover of approximately €415m today. The data from "Opportunities in Design" was based on a smaller sample of only 59 companies; nonetheless when compared with this study's estimated turnover of €465m in Ireland, one can conclude that the sector has grown by only 12% in a period where the services economy as a whole has grown by in excess of 100%[6]. In the absence of historical data the report cannot make a similar comparison for Northern Ireland however there is no evidence to suggest that growth rates are any different.

4. PriceWaterhouseCoopers and Bradley McGurk Partnership, 1999 "Opportunities in Design: Strategies for Growth in the Irish Design Sector", Enterprise Ireland.
5. Central Statistics Office, 2008, http://www.cso.ie/statistics/conpriceindex.htm
6. Central Statistics Office, 2008, National Income and Expenditure Tables 1995 to 2007

How does this compare to other countries?

Compared to the Design Services sector in Great Britain, the size of that in Ireland and Northern Ireland appears small, particularly in relation to proportion of total workforce and proportion of Gross Value Added (GVA). While this has much to do with issues of overall scale, it also suggests that there is an imbalance either in terms of demand for, or supply of, design services.

Figure 4. Comparing the Design Services sectors

Comparative size of Design Services sector	**Ireland**	**Northern Ireland**	**All-Island**	**Great Britain**
Total workforce	2,108,500[7] (May 2008)	787,000[8] (2008)	2,895,500	29,420,000[9] (Aug. 08)
Size of design services workforce	5,100	1,860	6,960	185,500[10]
Design services workforce as percentage of total	**0.24%**	**0.24%**	**0.24%**	**0.63%**
GVA	€165.5b[11]	£26b[12]	€198b	€1,102b[13]
Turnover of design services sector	€465m	£67m	€564m	€11,6b[14]
Design services turnover as a percentage of GVA	**0.28%**	**0.3%**	**0.28%**	**1.04%**

NB: Currency conversion calculated at £1= €1.19

7. Central Statistics Office, 2008, http://www.cso.ie/statistics/empandunempilo.htm)
8. Northern Ireland Statistics and Research Agency, 2008 http://www.nisra.gov.uk/archive/uploads/publications/abstract_online/Chapter%208%20Labour%20Market.html
9. UK Statistics Authority, Aug 2008, http://www.statistics.gov.uk/cci/nugget.asp?id=12
10. "The Business of Design", 2005, Design Council
11. Central Statistics Office, 2008, http://www.cso.ie/statistics/grossvalueadded.htm
12. UK Statistics Authority, 2006 http://www.statistics.gov.uk/downloads/theme_economy/Regional_GVA_December_2007.pdf)
13. UK Statistics Authority, 2006 http://www.statistics.gov.uk/downloads/theme_economy/Regional_GVA_December_2007.pdf)
14. "The Business of Design", 2005, Design Council

Profile of the Design Services Sector on the Island

3

International evidence demonstrates a linkage between design, innovative capacity and economic performance. In a study by the New Zealand Institute of Economic Research, a linear relationship was observed between the overall competitiveness of a country and the effective use of design[15]. Similarly, Designium, the New Centre of Innovations in Design prepared the Global Design Watch Index 2006. This study compared the effects of national design programmes on national competitiveness in the design sector. The top 10 countries were listed as Japan, USA, Germany, Switzerland, Denmark, France, Finland, Sweden, Belgium, Austria.

At the company level, the UK Design Council Report in 2005 has become the most cited analysis to demonstrate the positive impact of design on firms' economic performance. The study tracked the share process of a group of 63 UK companies who use design strategically and found that over the period 1994-2003, these companies outperformed the FTSE 100 by 200%.[16] The strong correlation between competitiveness and use of design suggests that for any country, developing a healthy design sector is critical part of any competitiveness policy. The island of Ireland, with a comparatively small Design Services sector that has not grown in line with the rest of the economy, is poorly positioned to exploit this key area of competitive advantage.

What is the make-up of the sector?

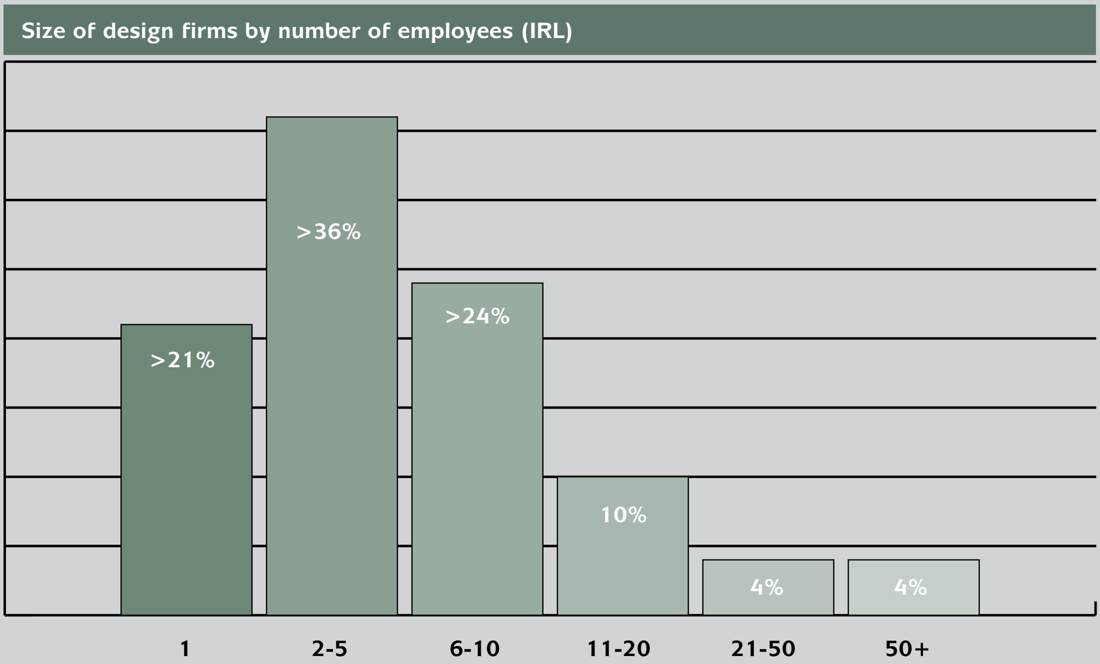
This study found that the sector is made up of an established community of Design Service providers. The majority of them are small organisations led by experienced designers whose business is driven by client relationships rather than specialisation of services provided; they operate within a short-term planning horizon.

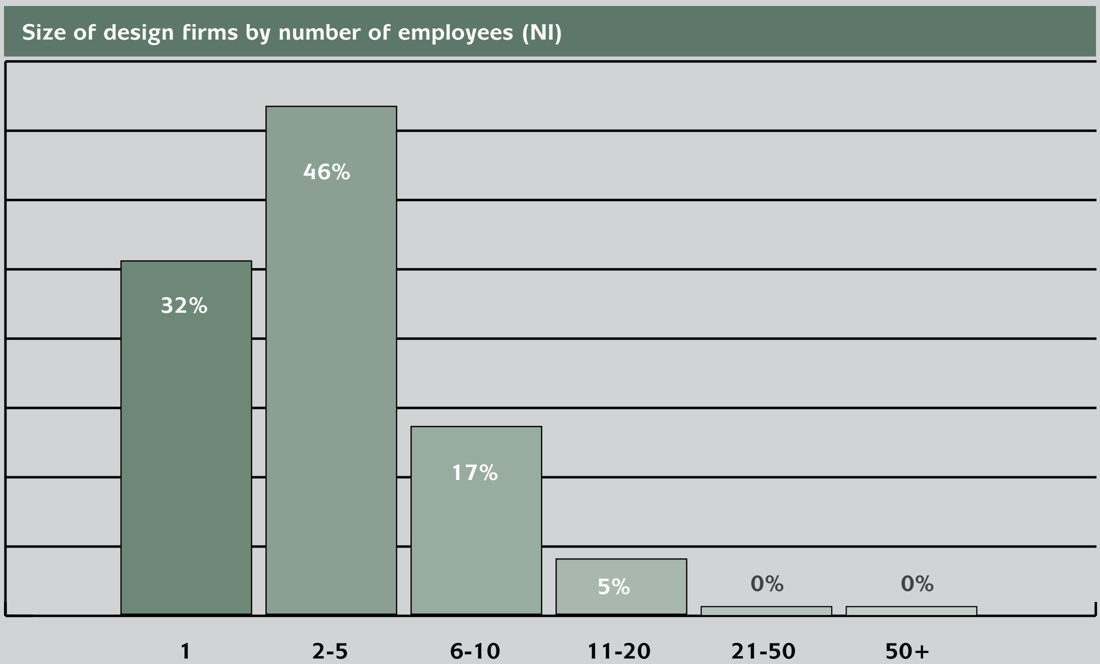
The Design Services sector is predominantly made up of smaller organisations. In both jurisdictions, the largest proportion of companies are those with employees of five or less. This is particularly the case in Northern Ireland, where no company reported employing over 20 people. The Design Services sector across the island operates in a manner typical of sectors populated by owner-run, skill-driven service providers.

15. New Zealand Institute of Economic Research. 2003. "Making the case for added value through design".

16. UK Design Council, 2005. Design Index 2005: "The Impact of Design on Stock Market Performance"

Figure 5. Design Service Providers by Size





Profile of the Design Services Sector on the Island

3

The distribution of fee incomes among the sole traders and design consultancies (excluding in-house designers) reinforces the skew towards the smaller organisation. 87% of Northern Ireland based businesses report fee incomes of less than €500,000 (£405,000). The comparable figure for Ireland-based businesses is 72%.

The size of the organisation does not appear to imply any lack of experience however. In fact, the Design Services sector is run by highly experienced designers with an average of 12 years of design experience with 19% having 20+ years and no significant difference between sole traders and design consultancies.

SERVICES OFFERED

What services does the sector provide?

The survey asked respondents to self-classify the disciplines in which their company provides services. Most companies provide services across more than one discipline type. “Communications and Graphics” is the most common cited type at 54% followed by “Interior and Exhibition Design” at 38% and “Digital and Multi-Media” at 37%.

Figure 6. Types of Services Provided

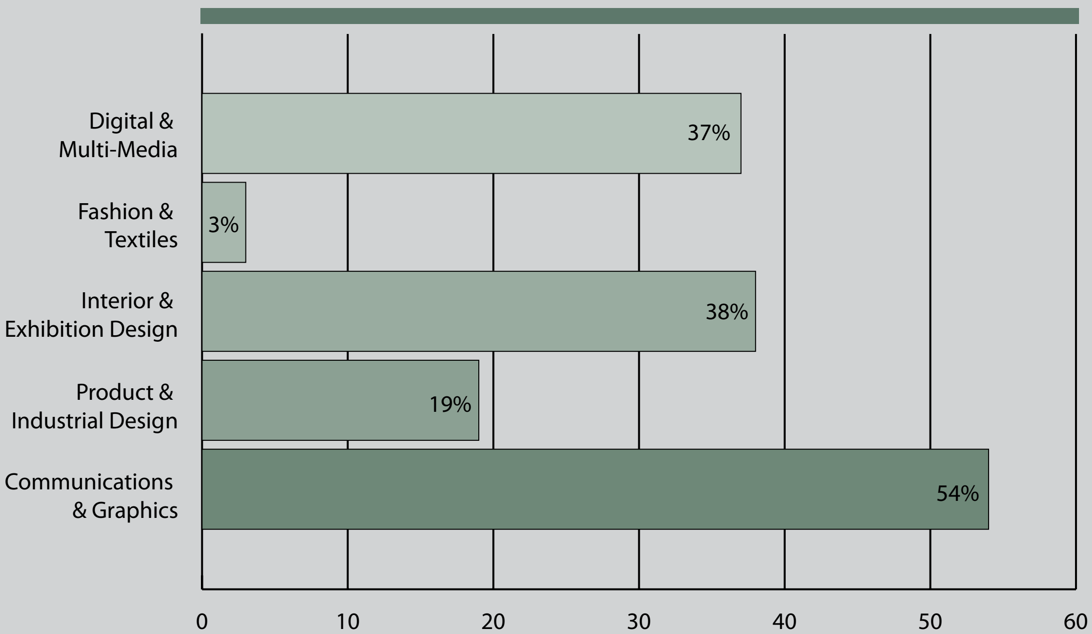


Figure 7. Degree of Specialisation

% of respondents active in both disciplines	Comms & Graphics	Product & Industrial Design	Interior & Exhibition Design	Fashion & Textiles	Digital & Multi-Media
Communications & Graphics	**100%**	12%	28%	3%	48%
Product & Industrial Design	34%	**100%**	41%	5%	26%
Interior & Exhibition Design	40%	21%	**100%**	4%	31%
Fashion & Textiles	63%	38%	63%	**100%**	38%
Digital & Multi-Media	70%	13%	32%	3%	**100%**

The study also found that outside of the Communications and Graphics discipline, there is an absence of specialisation among respondents across the disciplines. For example, respondents who identify themselves as providing Product and Industrial Design services also provide services across a wide range of other disciplines including Interior and Exhibition Design services (41%) and Communications and Graphics services (34%). Similarly, 70% of those providing Digital and Multi-Media services state that they also provide Communications and Graphics services. This is a link that is understandable given the connection between these types of services. However, 32% are also active in Interior and Exhibition Design services that are less obviously linked. This reinforces the conclusion that the primary driver for business is the client relationship and not the service type.

This lack of specialisation has implications for the Design sector for although a business with less specialisation will be able to extend its reach within its existing client base, it will find it harder to deliver high degrees of effectiveness in specific disciplines and therefore develop a competitive advantage that would allow it to trade more widely and seek new markets.

Profile of the Design Services Sector on the Island

3

Where does the sector add most value?

Design is inextricably linked to innovation and can add value across the entire innovation process. By way of illustration, Figure 8. outlines a simplified model of the innovation process and identifies the points at which design adds value to that process.

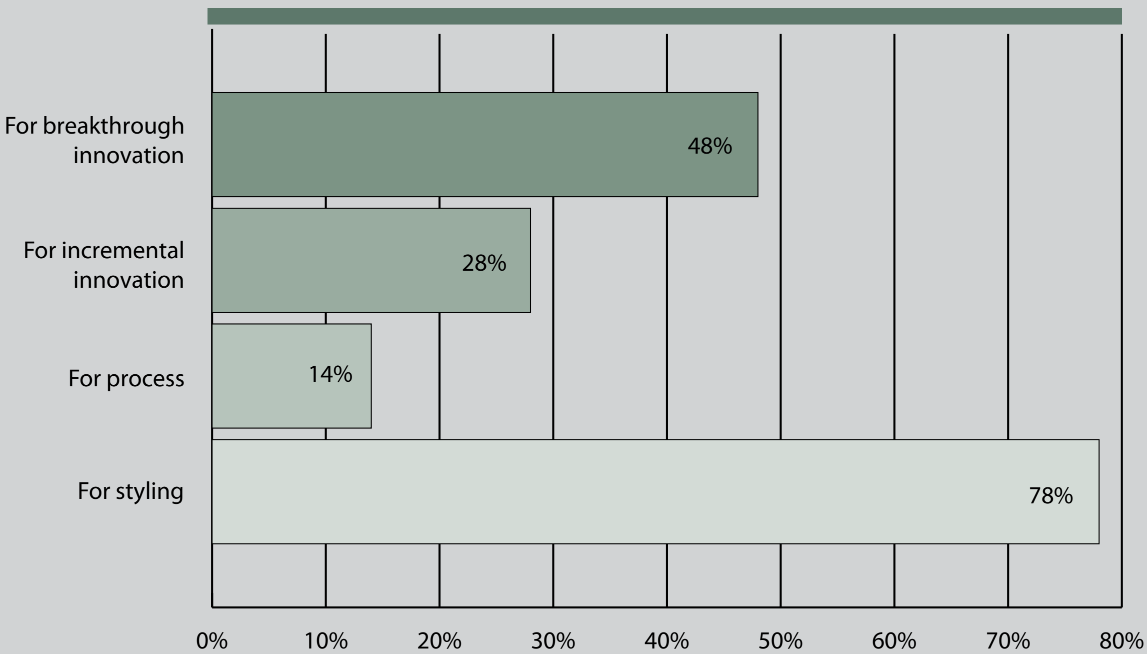
Figure 8. The Role of Design in the Innovation Process
(from a model created by the Centre for Design Innovation)

Insight & idea generation	Concept development	Market testing	Product or service creation	Commercialisation and marketing	Process design
DESIGN'S ROLE AT EACH STAGE					
User research	**Visualisation & narrative**	**Context specific prototyping**	**Industrial & service design**	**Branding and styling**	**Process design**
Determine latent and unexpressed needs through design research and co-creation.	Convey complex ideas more fluently to teams, investors & customers by using design	Rapidly iterate simple prototypes with users thereby "Failing sooner in order to succeed more quickly"	Determine how a product or service functions and performs.	Build loyalty with the customer and differentiate through appearance	Reduce production costs to create price advantage

Successful iterative innovation takes existing products and services through the same process starting with user understanding.

Respondents in the survey reported that the services they provide tend to be largely focused on styling activities that take place late in the innovation process (to the right side of figure 8). There is a lower representation of earlier stage design activities that are more strategic in nature, represented on the left side of Figure 8.

Figure 9. Usage Profile of Services



In 1999, "Design Management in Ireland"[17] reflected a similar usage profile when reporting on how design was used by client companies. In that survey, 77% of larger client organisations used design for promotional literature design while only 29% used it for product development.

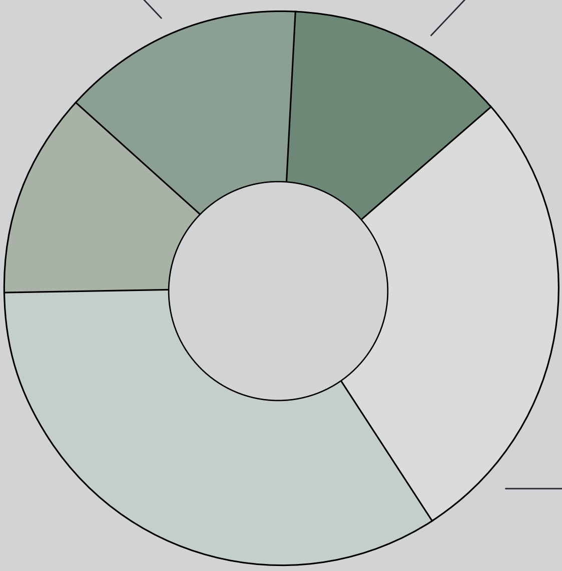
The 2007 "Design Difference"[18] study also reported that companies that used design for styling alone were likely to underperform other companies, while those companies that used design at a more strategic level were more likely to outperform their peers.

This suggests that the Design Services sector can add greatest value by supporting the innovation process at an earlier, more strategic level. It also creates an opportunity for the Design Services sector to diversify its offerings and provide more early-stage, strategic innovation support to clients. Not only does this area of work generate more value for the client but it is also less likely to be subject to competition from low-cost operators from overseas.

17. "Design Management in Ireland: A survey of business practice and perceptions", 1999, Bradley McGurk Partnership

18. "The Design Difference", 2007, Centre for Design Innovation

Figure 10. Design Services sector Clients



CLIENTS

Who are the clients of the sector?

The Design sector on the island is primarily focused on providing services to micro-businesses and small and medium sized enterprises (SMEs). 73% of respondents stated that their clients are from these categories.The clients of the Design Services sector are mostly drawn from the middle of the SME spectrum with 34% stating that their clients are in the 10 to 49 employee range. This distribution is in-line with the general distribution of business size in Ireland as reported in the CSO's 2007 report "Small Business in Ireland"[19] which found that 82% of all businesses, and 98% of all service businesses employed fewer than 50 people. Similarly in Northern Ireland according to the Department of Enterprise Trade & Investment[20] 98% of all businesses have less than 50 employees and 99.5% of service businesses are classified as small.

This market focus on mid-sized SMEs - in contrast to developing clients amongst large businesses or early stage SMEs - is in line with the emphasis the sector places on existing relationships over marketing or cold-calling and the long-standing nature of those commercial relationships. It may also reflect on a limited ambition within the sector to develop new markets and offerings.

19. "Small Business in Ireland", 2007, Central Statistics Office20.

20. "Inter-Departmental Business Register", June 2008, Department of Enterprise Trade and Investment

Profile of the Design Services Sector on the Island

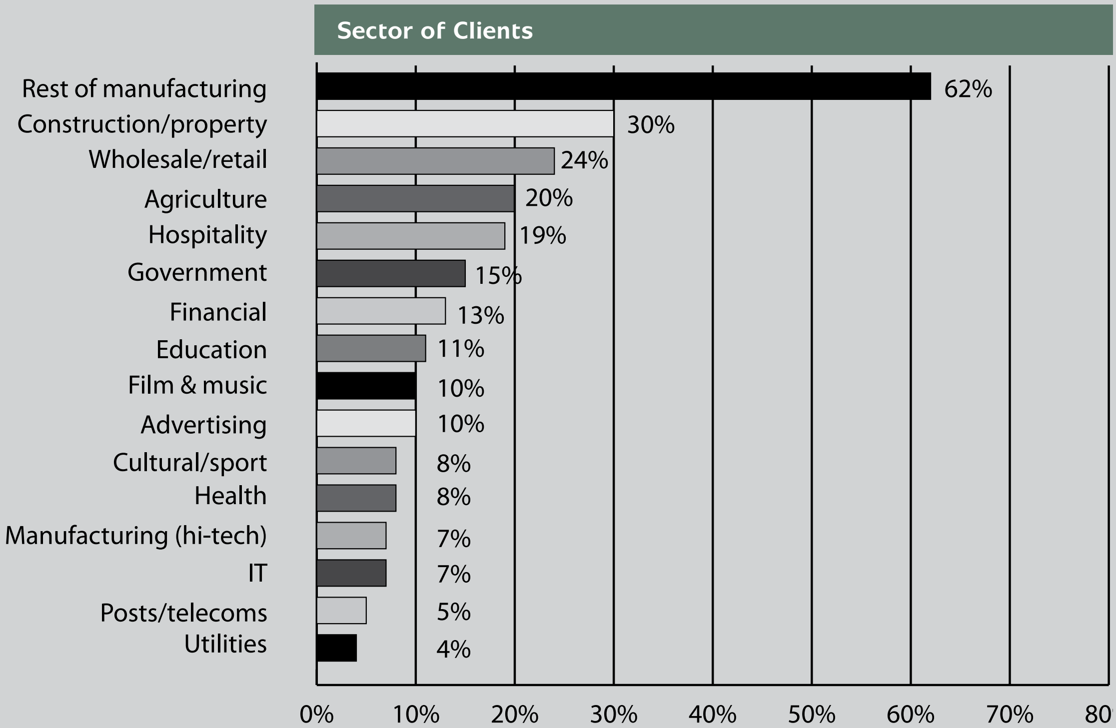
3

The conservative focus of the Design Services sector is reinforced when considering the sectoral distribution of its clients. While the full spectrum of sectors is represented in the client base of the respondents, the manufacturing sector is the largest user of design services followed by sectors such as construction and agriculture. Traditionally, these businesses tend to be more limited in the way they use design, restricting it to late-stage styling and aesthetics. This limits the potential for growth and innovation within those markets. But this is not just a problem for the Design Services sector; if these companies are not making effective use of design, it is possible that they are not achieving the highest level of competitive advantage. This in turn has a much broader impact because of their importance to the economy as a whole.

By contrast, the service sector as a whole, which generates over 60% of added value within the economy in Ireland[21], does not make such wide use of Design Services; this presents a significant opportunity for the Design Services sector. In their 2008 report, "Catching the Wave", Forfas identify innovation within services as being poorly supported with little knowledge about how to go about it and few service companies having formal procedures for innovation. The Design Services sector could exploit this gap and add value to this sector by supporting innovation.

21. "Catching the Wave: A Services Strategy for Ireland" 2008, Forfas

Figure 11. Sectoral Distribution of Clients



Where do the clients come from?

Survey respondents from both jurisdictions reported that the vast majority of clients came from their home market (Northern Ireland, 86%; Ireland, 92%). The levels of cross-border clientele is small; 8% for Northern Ireland companies and less than 1% for Ireland-based companies. Underlining the figure is the finding that a similar proportion of companies, from across different locations in Ireland choose not to look for business in Northern Ireland; of companies located in the Border region 38% did not look for business in Northern Ireland with 36% of Dublin region respondents and 38% of respondents from the rest of Ireland also choosing not to look for business in Northern Ireland.

Figure 12. Geographic Distribution of Clients

Client Location / Company Location	Northern Ireland	Ireland	Great Britain	Rest of EU	Rest of World
Northern Ireland	86%	8%	4%	0%	2%
Ireland	<1%	92%	3%	2%	3%

COMPETITION

Where does competition come from?

The finding that Design Service providers tend to rely on local clients points to the existence of a ‘community’ driven sector. This is reinforced by the evidence that competition for businesses in Ireland (91%) and Northern Ireland (85%) comes from local companies. Northern Ireland companies encounter slightly more competition, particularly from Great Britain.

From an island perspective, there is evidence of two neighbouring markets operating on a back-to-back basis. Only 1% of Ireland based design companies cite those in Northern Ireland as their main source of competition. The comparable figure for Northern Ireland companies is 3%.

Figure 13. Location of Main Competition

Client Location / Company Location	Northern Ireland	Ireland	Great Britain	Rest of EU	Rest of World
Northern Ireland	85%	3%	11%	0%	1%
Ireland	1%	91%	3%	2%	3%

The research examined the reasons behind the low level of reported competition between these two markets. The main inhibitor of cross-border competition for Ireland-based respondents is that companies have simply not looked for such business (38%). Factors such as lack of success or opportunity were cited as having comparatively low relevance. However, a very different pattern emerged for Northern Ireland based respondents with only 12% citing “not looked for cross-border business”. 34% chose not to pitch for cross-border business of which they were aware and 22% looked but did not find anything to pitch for.

Figure 14. Drivers for lack of Cross-Border Activity

Drivers for lack of cross-border business activity	Ireland	NI
Pitched for cross-border business without success	14%	18%
Aware of cross-border business but chosen not to pitch	16%	34%
Looked for potential cross-border business but not found anything to pitch for	7%	22%
Not looked for cross-border business	38%	12%
Don’t Knows	25%	14%

Figure 14. Drivers for lack of Cross-Border Activity

% of respondents who indicated that the following driver (or drivers) had influenced their decision not to look for cross-border business	Ireland	NI
Lack of understanding of different regulations and taxes	16%	18%
Lack of experience of doing cross-border business	27%	18%
Sufficient opportunity to grow the business in Northern Ireland or Ireland without looking elsewhere	34%	9%
Existence of different currencies	20%	18%
Communication and travel inconvenience	22%	0%

Further investigation of the barriers to cross-border competition revealed that the highest proportion of respondents from Ireland 34%, were largely satisfied with the current level of opportunity in their local jurisdiction. Companies in Northern Ireland reported equally that factors such as regulations, taxes, experience and currency differential impacted their decision.

It appears that Northern Ireland businesses have been more open to cross-border opportunities than businesses in Ireland. However, a significant proportion of businesses from both jurisdictions still perceive their own lack of understanding and experience as decisive factors in their decision not to pursue cross-border business.

How does the sector win business?

The strategy for winning business is focused on existing client networks. 63% of new clients and projects are derived from personal recommendation with just 38% of respondents indicating that they engage in marketing activity. This significant dependency on personal recommendation and referral suggests a tendency towards a 'closed' community of design service providers and users. This presents challenges for both emerging providers wishing to enter the market and for existing providers wishing to extend beyond this community. The existence of such a community may also limit the scope for innovation in the provision of services in that the evaluation of needs and proposed solutions may be constrained by history and prior interaction, thus limiting the emergence of a more diverse response, emanating from different 'players' in the sector.

While client recommendation provides the major source of new projects, designers still make a significant number of pitches every year with varying levels of success.

Figure 15. How the sector Wins Business

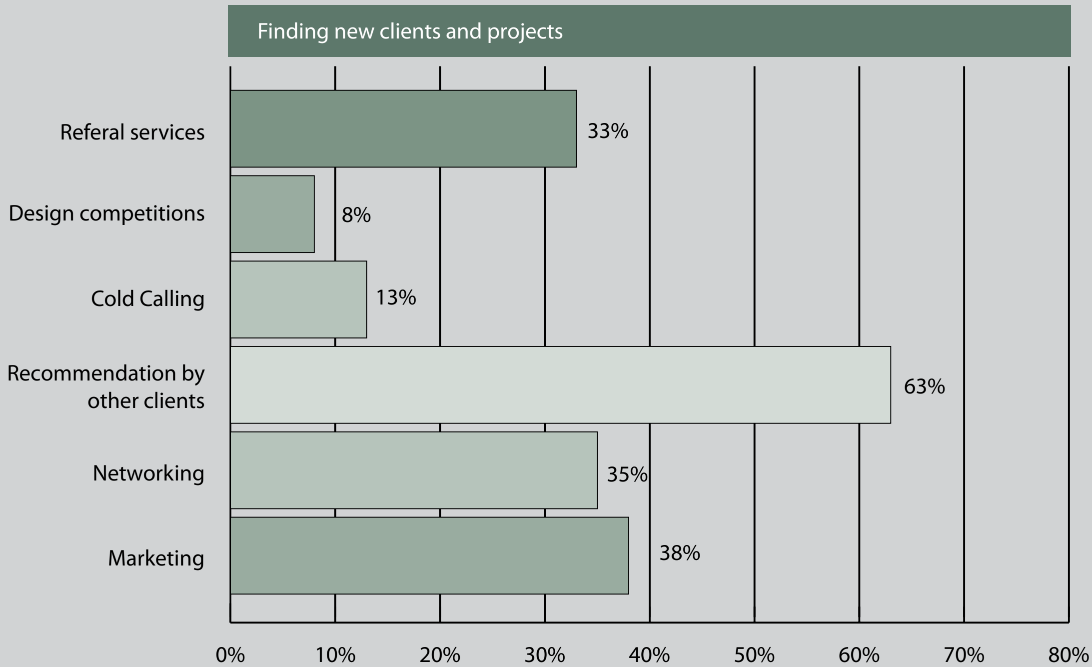
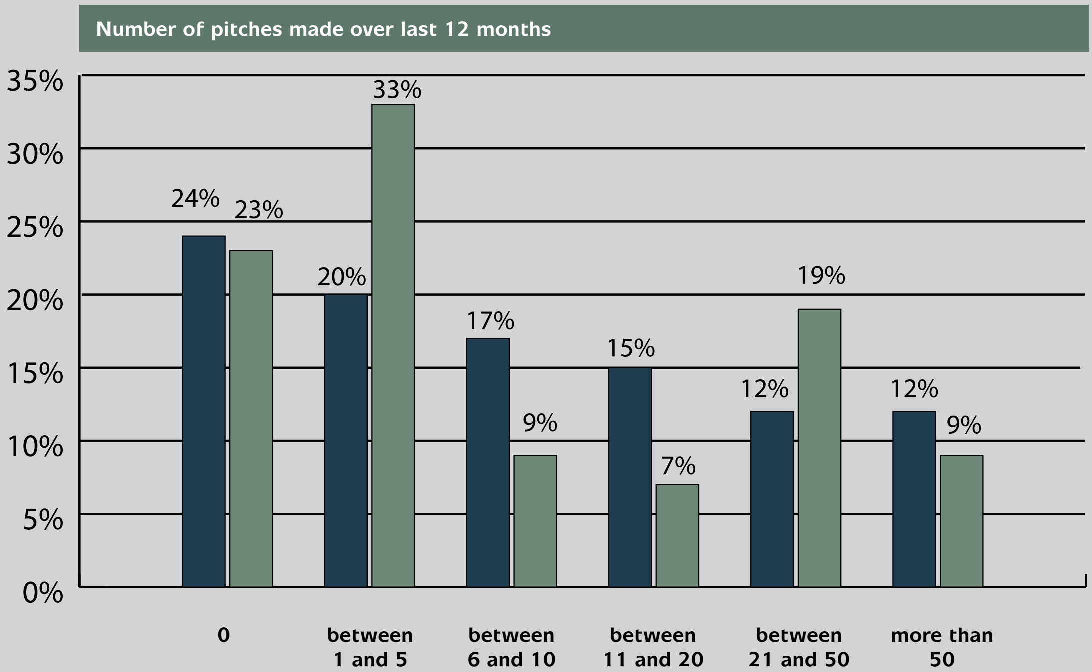
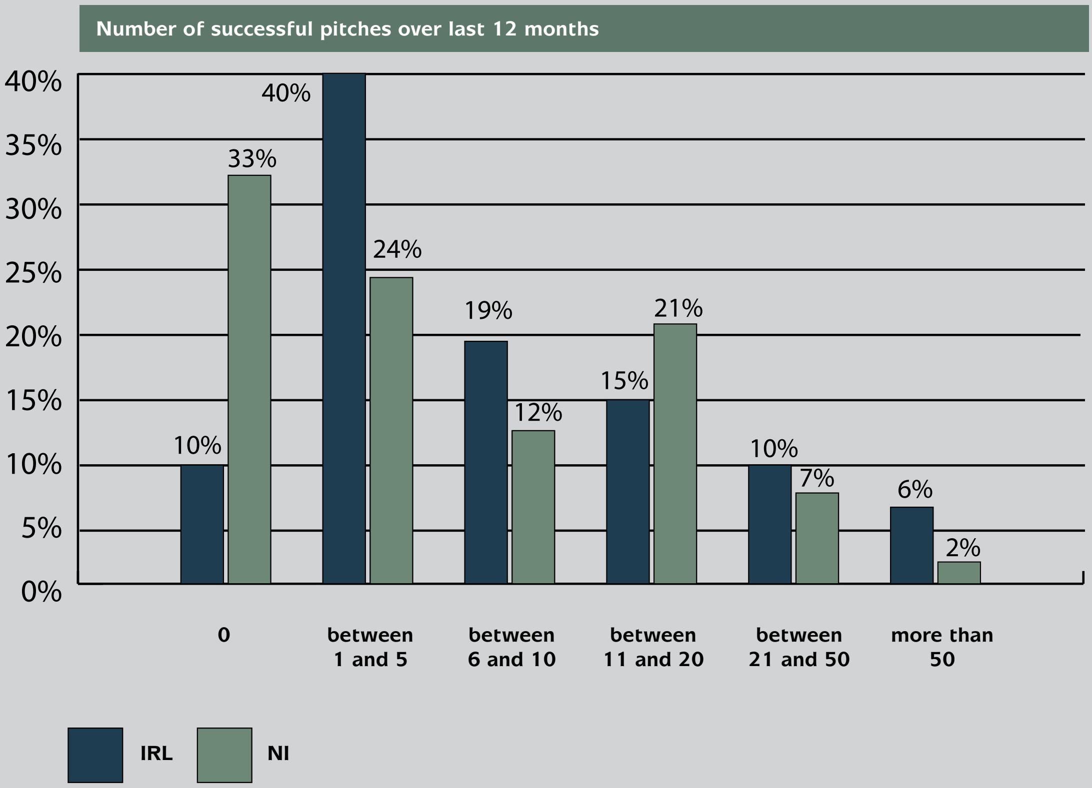


Figure 16. Pitching for Business





These pitches are predominantly paid for by the client (55% of respondents in Ireland never pitch for free, compared to 48% in Northern Ireland). Only 15% of respondents always pitch for free and 8% frequently pitch for free.

It is worth noting that the issue of free pitching remains unresolved. Within the sector there is a significant movement to encourage all organisations to avoid free pitching since it is believed to devalue the work of all designers. The data shows that this has not been universally implemented. The public sector creates confusion in this area because it will not pay for pitches since it is constrained by EU legislation on the awarding of government contracts. Since this is unlikely to change in the short term, a pragmatic approach would be to address the issue at an education and sector support body level to assist the Design Services sector to agree protocols for how to bid successfully for public sector business within existing regulations but without incurring additional cost or devaluing the work.

OUTLOOK

What is the mood of the sector?

At the time of this study, Design Service providers described themselves as satisfied with the performance of their business and optimistic for future growth. 25% of respondents were completely satisfied with their business in terms of growth opportunities, market maturity and skills while a further 65% were quite satisfied. This is also reflected in their expectation for business growth over the coming year with companies in both jurisdictions expecting increases in fee income (Ireland, 53%; Northern Ireland, 52%). A similar level of expected decline was reported by companies in both jurisdictions (Ireland, 16%; Northern Ireland, 15%). Seven per cent of respondents in Ireland and 19% of Northern Ireland respondents stated that they did not know how their income would change in the coming year.

> *"The main challenge is making government value design, and procurement has to be corrected."* (Design survey respondent)

Figure 16. Pitching for Business

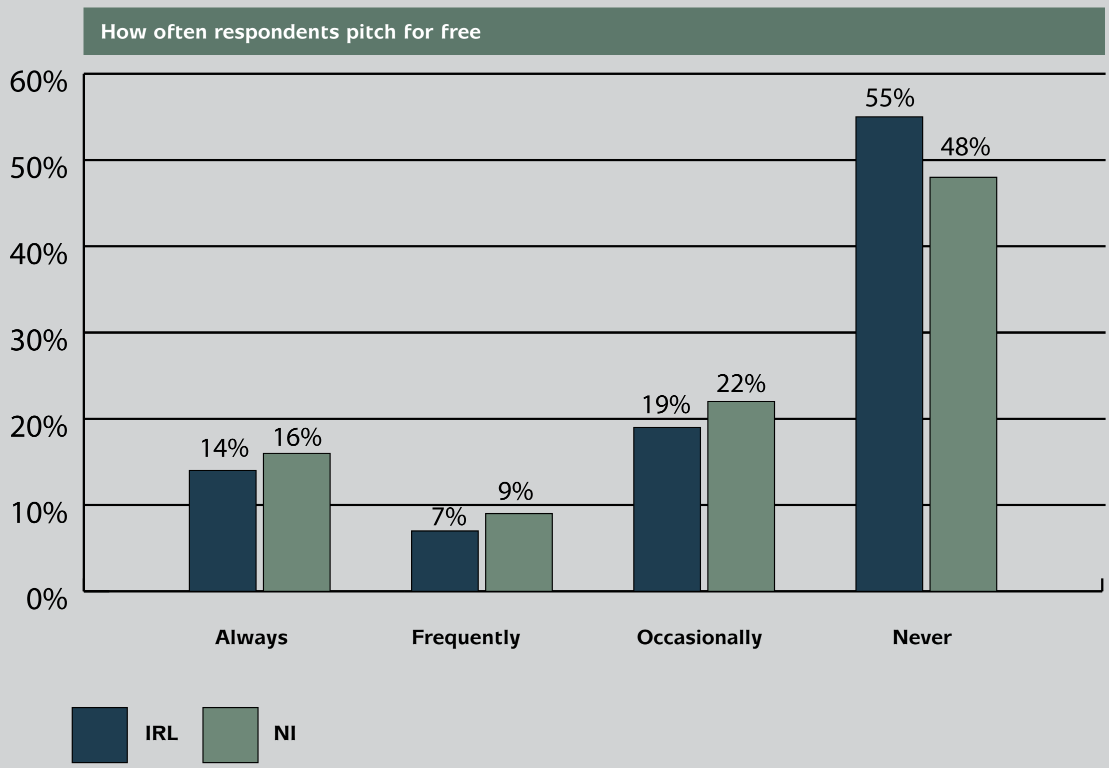
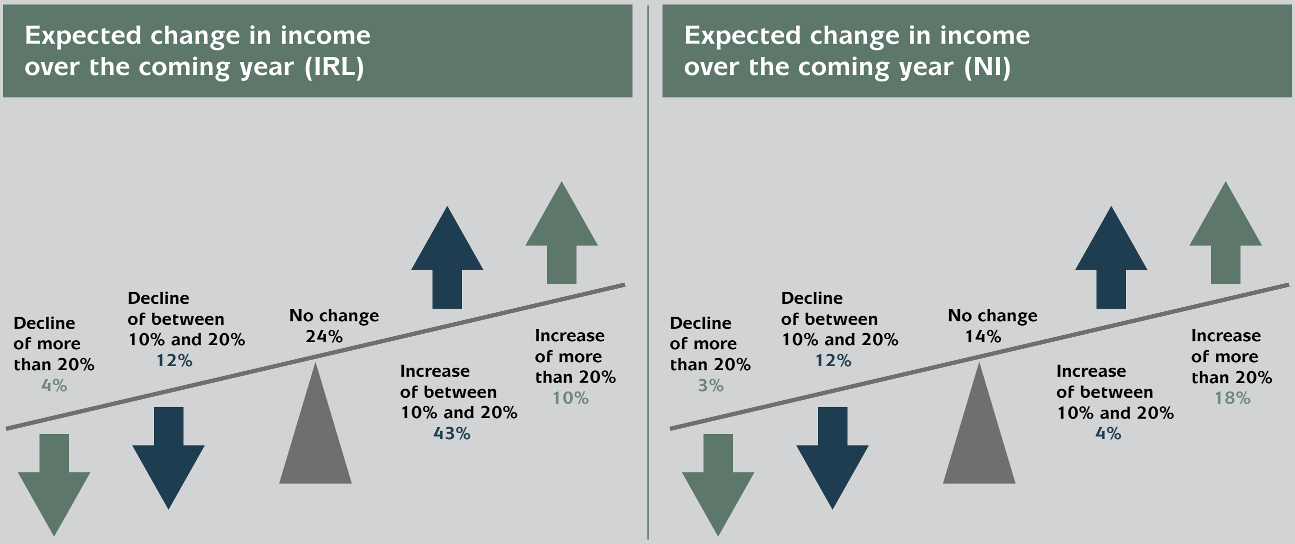


Figure 17. Expected Change in Fee Income



Looking across the disciplines the optimism for growth comes largely from those companies offering Communications and Graphics and Digital and Multi-Media services. Those companies active in Product and Industrial Design and Interior and Exhibition Design were most likely to report a decline in demand for services.

The decline in demand for Product and Industrial Design is particularly worrying because it is a good indicator of whether, and how, companies are creating new products. A decline in demand suggests either that companies are developing fewer new products or that they are outsourcing their industrial design to another country or as part of the manufacturing process.

The overall optimism of the outlook may not reflect the change in economic circumstances that occurred during the latter part of 2008. The Design Services sector provides services that may be perceived as dispensable during an economic downturn despite evidence to show that it is important for companies to continue investment in activities that retain competitive advantage during such periods. It is likely that the optimism within the Design Services sector will decline through 2009.

How ambitious is the sector?

To assess the level of business ambition (as reflected in a wish to grow as businesses) within the sector, the research examined the reaction of the businesses to the lack of available resources to service current business and their long-term strategy to diversify the services provided and succession planning. The conclusion of the research is that Design Services sector businesses do not generally exhibit behaviours typical of ambitious growth-oriented businesses. This is in contrast to the overall optimism in the sector of fee growth.

Growth-driven businesses with an expectation of increasing revenues will typically invest in developing their ability to deliver services. In the context of the Design Services sector, a growth-driven business would be expected to hire additional staff. However, this research found that companies handle excess workload by increasing the amount of overtime worked, (56% of respondents), hiring free-lancers (28% of respondents), subcontracting to another agency (16% of respondents) or declining the work (11% of respondents). Many companies employ a combination of these options to meet the increased demand over resource availability.

A similar approach to developing lasting business value can be seen in the lack of succession planning in place. Amongst design consultancies, 49% didn't know or hadn't discussed the future of the business after the exit of the original manager; this compared to 26% who saw continuation under the management of an existing partner and the low figure of 12% who wanted to sell the business. Design Consultancies in Northern Ireland were less likely to have a succession plan in place (57%) than those in Ireland (47%). This may partially reflect the smaller scale of the Northern Ireland based businesses as measured by total fee income.

PERCEPTION

How do designers think their clients perceive the sector?

When asked how they believed their clients perceived the Design Services sector, respondents said that they felt design was critical to the success of their clients businesses; in particular by helping to win new customers and by creating competitive advantage with 62% strongly agreeing in both cases.

Figure 18. Designer's Perception of how Clients Value Design

	Strongly agree	Agree
Design is an important part of their strategic plans	58%	32%
Design is an important part of their approach to product development	48%	41%
Design is an important way to win new customers	62%	33%
Design is an important way to increase business with existing customers	54%	38%
Design provides competitive advantage	62%	32%
Your clients use design as a key part of the way they innovate	43%	41%

In general, designers agree that their contribution to clients, at a strategic level is valuable. This contrasts with the findings from the “The Design Difference”[22], study which reported that only 19% of SMEs who use design, use it strategically.

This disparity in perceptions is stark and is further reinforced by comments from Design Services sector clients and non-clients.

The communications gap that exists between the design community and their clients is acknowledged by the Design Services sector itself. Only 58% of respondents believed that the design industry communicates the value of design to business well. This confirms a finding later in the report where 56% of Design Service providers said that the lack of understanding of design by clients was their key barrier to success. The clear message is that the sector could do more to better communicate the value of design to its clients and better understand the value delivered by the sector.

“We have a …[colleague].. in marketing who does that as part of her job or the publisher does it for us” (Logistics SME)

“You don’t pay for design explicitly; it is the reason for the selection of an agency” (General Manager of International Software company)

“When we are ready to start marketing the product, we go to the design agency with a tightly defined brief” (Senior manager in SME)

“Design is something we have as a checkpoint for the product team” (General Manager in International Software vendor)

22. “The Design Difference”, 2007, Centre for Design Innovation

BARRIERS

What are the barriers to success?

A number of barriers to achieving additional business growth were identified by respondents, in particular the lack of experienced staff and availability of specific skills. However, in-line with the findings of The Design Difference[23], the lack of understanding of the value of design among customers was seen as the most significant factor holding back business growth.

The questionnaire did not examine competition from overseas, however, during the interviews, a significant number of respondents expressed concern about the impact of globalisation and emergence of competition from low cost economies providing "blue-collar" design services such as Computer-Aided Design (CAD). In this environment, Design Services sector companies on the island, North and South, will need to find ways of creating more innovative, value-added offerings for their clients. This is particularly acute amongst clients who perceive design as a 'commodity' as opposed to a process that can have an impact at a strategic level.

Further investigation of the skills issue revealed that companies were largely satisfied with the level of expertise of employees recruited directly from college/university or design consultancies in terms of core design skills

The majority of respondents were also satisfied with the skills of available employees in the individual design disciplines. The principal skills weakness identified among existing employees was understanding of client needs.

This is backed up by responses from the Design Services sector clients who confirmed that understanding their needs was a weakness across the sector.

Figure 19. Barriers to Success

		Service providers	In-house
Skills	Lack of sales skills	52%	40%
	Lack of marketing skills	47%	41%
Staff	Lack of experienced staff	46%	38%
	Lack of qualified staff	43%	35%
Market	Lack of understanding of the value of design amoung customers	56%	51%
	Lack of potential clients who use design businesses	41%	29%
	Cost of pitching to new customers	37%	37%
Competition	Competition from in-house design teams	26%	21%
	Competition from other design agencies	51%	38%

"The hardest part is finding a designer who can understand"
(Senior manager in Engineering SME)

"Other external consultants usually have strong domain knowledge. Designers usually have come from the graphic design wing and don't have this"
(Senior manager in Multi-national)

23. "The Design Difference", 2007, Centre for Design Innovation

When considering on-going training or continuous professional development (CPD), respondents cited "lack of time" (50%) and "cost" (25%) as the main barriers. These responses suggest that CPD is not considered a priority within the sector; however, when placed against the threat from emerging markets and the need to enhance the more strategic or business-focussed skills within the sector, CPD may need to be prioritised in the future.

When queried about the relevance of business-oriented education as part of the 3rd level design curriculum, 48% felt it was essential compared with only 5% who felt it was not relevant. This is in-line with the identified gaps in the skills of the current employees.

This study also found that the design community is supportive of initiatives to bring the design industry and design education together with a majority of respondents supporting a wide range of aspects of industrial involvement in education.

Figure 20. Relevance of Business to Design Curriculum

Relevance of business to design curriculum	%
Business skills are essential for all design students and should be taught as part of the design curriculum	48%
Some business skills are useful as part of the design curriculum, but not all	41%
I'm not sure which business skills might be useful as part of the design curriculum	6%
Business skills are not relevant to design and do not fit in to the design curriculum	5%

	Argee strongly	Argee
Increase the number of practicing designers working in education	54%	37%
Require fulltime lecturers to spend time working in industry	58%	32%
Require all students to complete extensive work experience	62%	30%
Create more employer based vocational training	48%	38%
Greater emphasis on multi-disciplinary collaboration	42%	42%
Design courses accredited by industry	52%	35%

Analysis of The Design Services Sector on the Island

4

As is often the case with studies of individual organisations and discrete sectors, the strengths and weaknesses are closely linked. The Design sector is made up of businesses that are successful according to their own definition of success and believe that their business is likely to grow over the coming year. However, this characterisation of success within the confines of a limited home-based market is also the primary weakness of the sector.

Throughout the report there are some differences in findings between the Design Services sector in Northern Ireland and Ireland. However, these differences are not significant and most likely reflect the smaller scale of the sector in Northern Ireland. Therefore any conclusions about the Design Services sector can be equally applied to both jurisdictions.

Strengths

- The Design Services sector is led by highly experienced professionals;
- The Design Services sector is well established in providing styling and graphic design services;
- The Design Services sector perceives further opportunities for growth within specific disciplines;
- Design Services businesses operate within a community of service providers and clients that is built on locality. This makes the sector more resistant to external competition;
- The skill requirements of the Design Services sector in its current form are being serviced by available skills in the marketplace and educational system; and
- There is an openness to engagement with education and skills development.

Weaknesses

- The sector is locally focused with limited interest in operating on a cross-border or international basis. This also reflects the market for design services - as few see competition arising from outside the local market;
- The sector suffers from a poor understanding of the scope and value of design services by clients. Sectoral expansion and growth will be dependent upon innovation capabilities within industry.
- The sector is focused on the late stage design activities - in particular styling and graphic design. It appears that the sector is unlikely to extend outside of its' established disciplines without external stimulation; and
- There is no significant evidence of long term planning in design businesses. This will inhibit the further growth of a significant proportion of existing businesses.

Opportunities

- There are significant opportunities for growth outside the area of styling and aesthetics through a wider appreciation of the role design plays in the innovation process, i.e. that design can enhance value by turning user understanding into products and services that people want;
- Alignment of the Design Services sector agenda with those of development agencies and a shared focus on high-growth sectors such as services or high-tech industries will help create a competitive advantage in export markets;
- The sector recognises the need to develop and extend business and client skills that will allow designers to leverage their existing strengths. The sector is open and willing to engage with education to develop these skills;
- Encouraging greater collaboration between Northern Ireland and Ireland-based design service providers will not only support general efforts to increase cross-border commercial activity, it will also provide a vehicle to develop the sector's ability to extend beyond its immediate market; and
- There are opportunities to create a more competitive sector which would in turn increase standards and open up new markets.

Threats

- The immaturity of demand for innovation among existing clients hampers the evolution of the design sector as a whole.
- The current make up of the sector, and the dominant focus on specific styling and graphic design services may make it harder to extend the reach of design services beyond lower value activity;
- The current success is dependent on particular client sectors of industry that are least differentiated at a global level and hence most liable to displacement;
- External competition will be able to compete on price if the indigenous sector does not increase the value differentiation it can deliver to its customers;
- The lack of growth focus within the Design Services sector may lead to stagnation in the sector as a whole; and
- There is an over-reliance on using over-time and free-lancers rather than creating new jobs.

Conclusions and Recommendations

5

This report has identified that the Design Services sector on the island of Ireland is small and therefore the opportunities to positively impact other sectors of the economy and the overall economy are not being optimised.

Redressing this requires a holistic approach, from both a demand and supply side. The goal is to work towards developing a business culture that values design as an integral part of the innovation process and an active design sector supporting all aspects of business.

Overall, these recommendations are tailored to help achieve a larger, higher-skilled Design Services sector that can contribute more fully to the economic success of both jurisdictions on the island. They are broken down into three areas addressing promotion of design, growth and skills requirements of the Design Services sector.

Promoting Design

Design is a source of competitive advantage for business that is not being utilized to maximum effect. This is largely due to a poor understanding of the scope and value of design. This is the single biggest barrier facing the Design Service sector both North and South. It is clear that individually, each of the design support bodies and economic development agencies in both jurisdictions work very hard to promote the role of design and thereby, build the market of potential clients. Indeed, the approach taken by agencies, North and South is very similar, so the natural question is how much more efficient and effective they might be if a consistent and coordinated all-island approach was taken.

Recommendation 1

Develop an all-island campaign which promotes the importance of design and the intrinsic value it adds to business.

Action: Develop a collaborative all-island promotional campaign for design between the key stakeholders of design in both jurisdictions. The purpose of this activity is to:

- Create a uniform message to promote the value of design to business;
- Stimulate the demand for design services; and
- Encourage businesses to use design more strategically thus enhancing the innovativeness of their products and services.

Growth

The Design Services sector is small and needs to grow and develop if it is to play a full part in creating a knowledge economy on the island of Ireland.

The report has highlighted that the manufacturing sector is the largest user of design services but other sectors within the economy and particularly the services sector as a whole, which generates over 60% of added value within the economy in Ireland[24], does not make commensurate use of these services. This presents a significant opportunity for the Design Services sector.

In addition, the border appears to create a real barrier to trade that accentuates the closed nature of the sector and limits the opportunity for competitive growth; mechanisms that create greater transparency of opportunity will help to mitigate the impact.

24. "Catching the Wave: A Services Strategy for Ireland" 2008, Forfas

Conclusions and Recommendations

5

Recommendation 2

Assist the Design Services sector to expand into new markets and activities across the island and further afield.

Action: Provide targeted assistance to help firms develop the confidence and skills to pursue and take up new markets and break the cycle of dependence on traditional and/or local markets.

Skills

The report has shown that the sector is made up of experienced practitioners delivering high quality work to a familiar group of clients. In this environment, the skills available from existing sources are sufficient to meet current business needs; however the report also shows that that environment is changing.

Creative talent is no longer sufficient in itself; the ability better to understand client needs is becoming increasingly important as a means of securing business. In addition, the threat of low cost competition for basic design services suggests that agencies and individuals will have to find ways of adding value at a strategic level across the entire product or service development process in order to retain competitive advantage.

Recommendation 3

Support business training amongst design practitioners at both undergraduate level and through continuous professional development.

Action: Utilise the existing Skillnets mechanism to encourage business skills within the profession and develop an indigenous design management programme at Masters level that can be undertaken through distance learning.

Recommendation 4

Develop an all-island business programme to facilitate knowledge transfer between the Design Services sector and the end-users of design.

Action: Develop an all-island design programme to support collaborative projects between the design sector, business and education which focus on solving real business problems.
The programme would bring together Design Service providers, design students, business students and businesses around commercial projects that teach design students about business, business students about managing creativity and, at the same time, solve real problems within business.