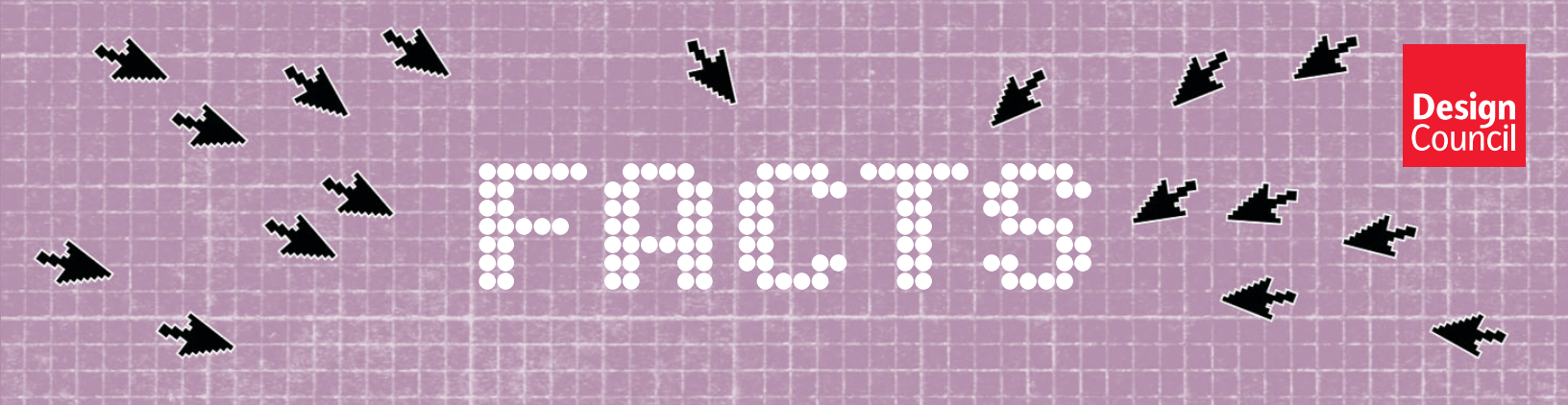




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INTRODUCTION

In a challenging economic climate, the need to stand out from the competition by adding value becomes even more acute. Using design is a great way to achieve that, and research in this edition of **DESIGN IN BRITAIN** shows that many businesses are realising the need to base their competitiveness on surer foundations than simply being the cheapest.

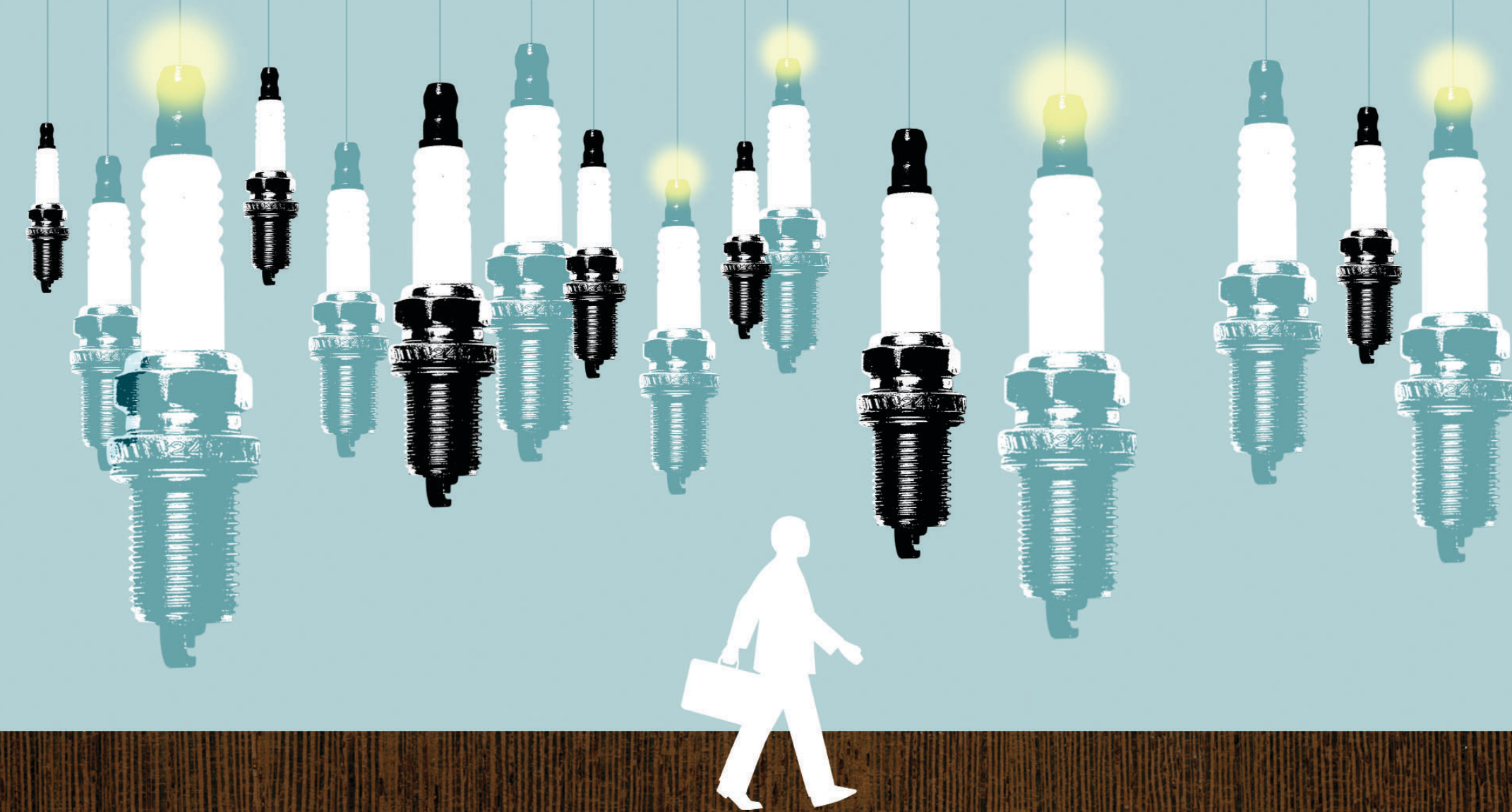
While spending on design has held firm overall, small and medium-sized businesses in particular are more aware than ever of the potential role of design within their organisation – and there is also a strong relationship between rapid growth and use of design.

As well as increasing prosperity, **DESIGN CAN REACH INTO AND IMPROVE EVERY CORNER OF OUR LIVES** – and that includes transforming the way public services are developed and run. For the first time, we have set out to discover what decision makers in public services think design can do for them. Large numbers told us design was about meeting people's needs, developing new products and services, and thinking creatively. Nevertheless it was not high on the list of factors helping them to decide how to allocate their resources.

In the coming years the Design Council will be **DEMONSTRATING DESIGN IN ACTION** in a variety of environments, so that businesses of all sizes, and public services organisations, can match their **AWARENESS OF DESIGN** with an increased confidence to use it in meeting their objectives.



Andrew Summers
Chief Executive, Design Council.



BUSINESS

Design can help businesses achieve real competitive advantage if they use it as part of their strategy to understand what customers need. Here, we explore what businesses of all sizes in the UK think of design, how much they use it and what it's done for them, as well as asking what's stopping them making more use of design. This section also looks at how the UK's design industry is faring.

HOW IMPORTANT IS DESIGN?

Despite difficult economic conditions, many UK businesses say design plays a key role in their operation. The feeling is strongest, and becoming more widespread, among small and medium-sized businesses. Three quarters of medium-sized companies (50 to 249 employees) said design was ‘integral’ or ‘significant’ to them, compared to 54% in 2001. Among small businesses employing between 20 and 49 people, 72% share this view, compared to 48% last year. But at either end of the commercial scale, the picture is more mixed. While 67% of large businesses (more than 250 employees) see design as integral or significant, this is down on the 75% who took this view in 2001. Meanwhile, 57% of very small companies with fewer than 20 staff say design has no role for them at all.

Source: Design Council National Survey, 2002.

DOES DESIGN BRING RAPID GROWTH?

Companies who said they'd grown rapidly over the last 12 months rate design highest of all, with 71% saying it was integral or significant to them, compared to an overall national average of 41%. Only 9% of rapid growers said design had no role to play, compared to 42% of companies overall.

Source: Design Council National Survey, 2002.

Initial findings from the Design Council's Design Index project show that UK companies recognised for using design well (through various design award schemes) out-perform the stock market by 25%, both when the market is rising and falling.

Source: Design Council research, 2002.

‘Businesses today face an increasingly stark choice. They can aim simply to be the cheapest – and leave themselves vulnerable to being beaten on price. Or they can achieve secure growth with design at the heart of their strategy, acting as a catalyst to completely new offerings.’

Digby Jones, Director General, CBI, in *Competitive Advantage Through Design*, 2002.

‘In a competitive world, high quality design is increasingly a differentiating factor. Good design is not just a matter of flair or an occasional flash of inspiration – it is an ongoing, systematic process.’

George Cox, Director General, Institute of Directors, in *Directors on Design*, 2002.

WHAT HAS DESIGN DONE FOR YOU?

Almost three quarters of small firms (74%), 80% of medium-sized businesses, 72% of large businesses but only 20% of very small businesses say design, innovation and creativity have helped increase their turnover in the last three years.

What about competitiveness, profits, quality, communications and other key parts of business life?

	Percentage of all companies (by employment size) saying design has contributed, at least to some extent, to the following:			
	0-19	20-49	50-249	250+
Increased competitiveness	25	75	82	80
Increased profits	22	79	78	76
Better communications with customers	26	80	83	87
Reduced costs	6	62	64	54
Improved quality of products and services	26	69	87	78
Increased market share	16	70	83	83

Source: Design Council National Survey, 2002.

And can design help exporters?

We asked Queen's Award for International Trade winners how important design was to their success. Here's what they told us:

More than **90%** said their international customers valued design and **86%** said design helped them challenge international competition in the UK. **51%** of their export sales are attributed to their investment in design. **82%** said design helps their products stand out. **61%** spent more than their industry average on design. **75%** found design helps boost the value of their products for export.

Source: Design Council research, 2001.

A survey on innovation in British business created groupings of companies based on how they scored on certain key issues, including innovation culture, ideas generation and management, and use of technology and R&D. Among those classed as ‘innovation stars’, design was seen as highly important, while among ‘erratic innovators’, design had a very small role.

Source: *Innovation Potential*, CBI, 2002.

WHAT’S DESIGN FOR?

Small and medium-sized businesses want advice on a wide range of areas, including websites, innovation, product design, intellectual property and trends. Meanwhile, very small companies’ views on the importance of design are explained in part by how they see its function. Sales literature, printed material and branding – all activities likely to be reduced in challenging times – featured prominently when they were asked what design issues they wanted advice on.

Source: Design Council National Survey, 2002.

While businesses often think design is about the look and feel of products, in many cases they also know it runs deeper than that.

Which of the following do you agree with?

Design is ...	2001	2002
...about how products look	70%	81%
...used to develop new products and services	66%	73%
...about products working well to meet client needs	58%	70%
...a strategic business tool that differentiates in markets	36%	36%

Source: Design Council National Survey, 2002.

‘Innovation starts with people, not with enabling technologies or manufacturing plans or distributor preferences. If you forget this you risk delivering feature-rich rubbish into already overcrowded lives.’

Richard Seymour at Design in Business Week 2001.

‘Design is an investment, not a cost. It is a continuous thought provoking process that affects every part of business.’

Stephen Byers, Managing Director, Ritec International, at Design in Business Week 2001.

‘If you think good design is expensive, look how much bad design costs.’

Martyn Denny, Sales & Marketing Director, Aqualisa, at Design Council event, July 2002.

WHAT’S STOPPING YOU USING DESIGN?

43% of small businesses say cost is a factor stopping them using design, innovation and creativity more, though nearly a third of all businesses (32%) and 57% of large companies, say there are no barriers.

Source: Design Council National Survey, 2002.

DESIGN ACTIVITY

Use of design is increasing among all businesses, except the very small.

	Percentage of companies (by employment size) saying they use design			
	0-19	20-49	50-249	250+
2000	37%	69%	79%	93%
2001	40%	61%	63%	88%
2002	34%	81%	85%	91%

Source: Design Council National Survey, 2002.

91% of rapidly growing businesses are using design, compared with 49% of companies overall.

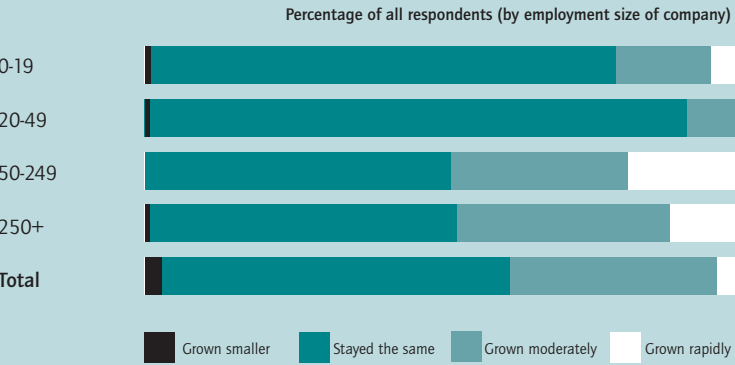
Source: Design Council National Survey, 2002.

Among large businesses, 55% have their own design department, while another 22% either employ internal designers or bring in consultants on an ad hoc basis.

Source: Design Council National Survey, 2002.

Spending on design has remained steady over the 12 months to July 2002 for most businesses.

Spending on design has...



Source: Design Council National Survey, 2002.

DO YOU KNOW YOUR CUSTOMERS?

Well over half of businesses (60%) admit to not carrying out research on their customers. Most of these are very small companies.

Percentage of all respondents (by employment size of company)					
	Total	0-19	20-49	50-249	250+
No	60	81	17	15	5
Yes	36	16	75	83	91
Don't know	4	3	9	2	5

Source: Design Council National Survey, 2002.

In a Design Council survey, 85% of businesses in the West Midlands said they aimed to delight customers by surpassing their expectations. Other regions produced roughly the same result. But only 61% of businesses said their suppliers were delighting them. The highest rating suppliers received was in Wales, where 68% of businesses said they were delighted by them.

Source: Design Council research, 2001.

‘Brands might aspire to take over the world, but that doesn’t mean they’ve succeeded. Companies produce things because we want them, or because we find we want them after they have tempted us. Sony TVs are not foisted into living rooms and Pepsi is not poured down our throats.’

Philippe Legrain, in *Open World: The Truth About Globalisation*, 2002.

‘A lot of trial and error goes into making things look effortless.’

Bill Moggridge, IDEO, *Financial Times*, 30 July 2002.

ARE WE AT THE LEADING EDGE?

41% of businesses say they have developed or introduced new products, services or processes in the last three years. That’s 4% up on 2001.

Percentage of all respondents (by employment size of company)					
	Total	0-19	20-49	50-249	250+
Yes	41	26	76	75	71
No	58	74	19	25	15
Don't know	2	0	5	1	15

Source: Design Council National Survey, 2002.

More than three quarters of businesses (77%) think the UK is either good or average at generating and nurturing good ideas, compared to 16% who think we’re poor and 7% who believe we’re very poor at it. Opinion is more divided about whether other countries do it better, with 24% saying they do, 24% saying they don’t and 52% being unsure.

Source: Design Council National Survey, 2002.

33% of businesses say they anticipate changes in the market, compared to nearly two fifths who react to them, but small, medium and large businesses again out-perform the average.

Percentage of all respondents (by employment size of company)					
	Total	0-19	20-49	50-249	250+
Usually react to changes	39	52	16	8	4
Usually anticipate and act	33	19	54	69	79
Sometimes anticipate and act	24	25	27	22	11
Sometimes react to changes	4	4	2	1	6

Source: Design Council National Survey, 2002.

UK businesses made 21,678 patent applications for the UK market in 2000, dwarfing the USA (3,289) and Japan (1,345). But for the European market the roles are reversed, with the USA making 22,717 applications (nearly 29% of the total) in 2001, compared to 11,199 from Japan and 4,050 from the UK.

Source: European Patent Office and UK Patent Office.

UK businesses spend about 2.2% of sales on R&D – about half the international average – though 'R&D intensity' in pharmaceuticals, health and aerospace outstrips international levels.

Source: Research & Development Scorecard, DTI, 2002.

64% of investors and venture capitalists polled in 2001 said they wouldn't invest in promising technology if the owner didn't have an intellectual property strategy.

Source: Howrey Simon Arnold & White solicitors, 2001.

COULD PRODUCTS AND ENVIRONMENTS BE BETTER DESIGNED?

In the EU about 225 people die every day in home and leisure accidents. That's about 80,000 deaths a year - twice the number of road deaths and 14 times the number of workplace fatalities. Many of these accidents involve consumer products or features of the home such as stairs or steps.

Source: ICE Ergonomics.

About 250,000 people a year need hospital treatment for accidents in the kitchen – about a quarter of them are down to the misuse of consumer products.

Source: ICE Ergonomics.

‘Too much research has focused on new technologies and markets, on the possibilities rather than the realities of human communication, and ignored the social context of people’s needs, desires and patterns of behaviour, both at work and leisure.’

Report by the Local Futures Group (IBM),
quoted in *The Guardian*, 4 March 2002.

‘It’s very easy to be different, but very difficult to be better.’

Jonathan Ive, Head of Design, Apple Computer Inc
(on the new iMac) *The Independent*, 14 January 2002.

HOW SUSTAINABLE ARE WE?

There is widespread agreement that to become sustainable we must become four times more efficient in using resources, though it is estimated that the developed world may have to cut resource use by 90% because it accounts for the most unsustainable practice and so must do more to allow a better quality of life in the developing world.

Source: *Natural Capitalism*, Hawken, Lovins and Lovins, 1999.

HOW BIG A DESIGN OPPORTUNITY IS EMERGING TECHNOLOGY?

Design Council research indicates that for the UK to achieve its growth target of 2%, about half of it will have to be delivered by the successful exploitation of emerging technologies.

The same research estimates that 3,000 to 4,000 companies are currently exploiting them, but says many do not recognise the value of design at the start of new product development and in testing the viability of new concepts.

Source: Design Council research, 2002.

WHAT’S THE STATE OF THE DESIGN INDUSTRY?

UK design consultancies' fortunes have fluctuated in line with the economy at large. Turnover rose from £6.5billion to £6.7billion in the year to April 2001, but dipped to £5.9billion the year after. Fee income rose by £0.2billion to £5billion in 2000-2001, but declined to £3.9billion in the year to April 2002. Meanwhile the number of people consultancies employ went up from 76,000 to 82,000 in 2000-2001 before going down to 67,000 in 2001-2002.

Source: Design Industry Valuation Survey, 2001 and 2002, Design Council and British Design Initiative.

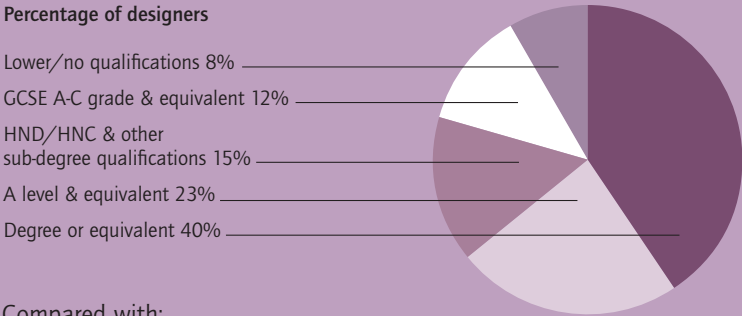


EDUCATION

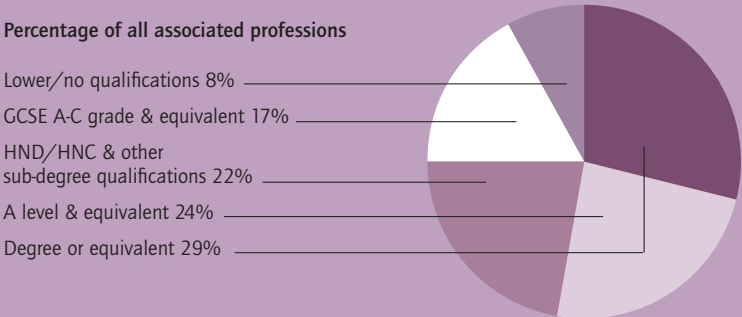
The creativity at the heart of the UK's world-leading design capability starts in our schools, before being developed in further and higher education. Here we focus on designers' skills, graduate recruitment and how popular design is at both GCSE and A level.

HOW SKILLED ARE DESIGNERS?

Designers are typically highly qualified, with far more holding degrees than in their professional group as a whole.



Compared with:



Source: Labour Force Survey, 2002.

ARE THERE ENOUGH NEW DESIGNERS?

Large numbers of design consultancies (71%) and non-design companies (41%) haven't taken on designers in the last year, but, of those who have, only 4% of consultancies and 3% of non-design companies said they had vacancies that were proving hard to fill.

‘Jobs are... changing too rapidly to let us stop learning. What really counts is not the possession of a chunk of knowledge, but the ability to rejuvenate and update skills.’

Richard Reeves, Director of Futures, Industrial Society, *The Guardian*, 20 February 2001.

‘What matters most of all is having the emotional capacity and the desire to learn. Technical skills are disposable – we have to be ready to drop them and pick up new ones.’

Javier Bajer, Talent Foundation, *The Guardian*, 20 February 2001.

Among companies recruiting graduates, most were happy with the supply of new people.

Supply of graduates is:	% of graduate-recruiting design-consultancies	% of graduate-recruiting non-design companies
Excessive	9	15
Adequate	54	67
Less than adequate	37	18

Source: Media and Creative Industries Skills Dialogue, DfES, 2002.

But some designers are not happy with graduates' skills. A survey of a small number of employers produced these results:

	% of graduate-recruiting design consultancies	% of graduate-recruiting non-design companies
Very satisfied	20	21
Satisfied	55	65
Not very satisfied	5	12
Not at all satisfied	21	2

Source: Media and Creative Industries Skills Dialogue, DfES, 2002.

Employers who were dissatisfied pointed to a lack of basic design skills, basic literacy and mathematical ability, as well as a lack of experience and business awareness. Poor standards were associated with less use of visiting lecturers and studio-based activities including the kind of collaborative and critical team working common in design consultancies.

Most design consultancies (72%) and large non-design companies (67%) expect IT and software skills to become more important in the next two to three years. But 40% of the latter group also expected communications skills to become more important.

Source: Media and Creative Industries Skills Dialogue, DfES, 2002.

PUBLIC SERVICES

Public services are at the heart of the UK's quality of life and as a result they dominate the Government's agenda. What kind of role can design play in developing and delivering them more effectively? The Design Council is setting out to answer that question, and to prepare the ground for our work in this area we carried out research into how decision makers in public services organisations see design and how much it matters to them in overcoming challenges and achieving objectives. This section presents some of the results.



Improved hospitals →



Better schools →



Efficient recycling



Effective transport →

HOW CAN DESIGN HELP PLAN AND DELIVER BETTER PUBLIC SERVICES?

In the first survey of its kind, the Design Council asked senior managers in key public services organisations, and also their suppliers, about their attitudes to design. Concentrating on education, transport, waste and health the aim was to discover what decision makers think about design’s role in delivering services and solving problems, and how important they think it is in making procurement decisions.

More than four fifths (83%) of organisations said they had influence over the design and delivery of services.

Meanwhile, although design and development were seen as important ingredients of successful service delivery by 71%, more organisations cited financial and human resources, operational management skills, education and training, marketing and communications as important.

Source: Design Council research by PACEC, 2002.

‘Design represents a minute proportion of the lifetime cost of a building – less than 1% – but done well it has a disproportionate impact on how well the building, and its surroundings, perform.’

Stuart Lipton, Chairman, Commission for Architecture and the Built Environment, *The Independent*, 8 February 2001.

‘Public sector modernisation needs to be built on a new approach to design which gives users a creative voice in how services are presented to them.’

Charles Leadbeater in *Innovate from Within*, 2002.

WHAT ARE THE BIGGEST CHALLENGES?

Regulations, quality standards, legal requirements and Government targets dominate when it comes to organisations' views of the most important challenges they face.

Importance of challenges
(Percentage answering 'very important' or 'important')

	Percentage of all respondents (by service)				
	Total	Learning	Transport	Waste	Health
Regulations	89	88	92	85	93
Quality standards	88	86	90	82	95
Legal requirements	86	85	90	82	89
Government targets	76	81	77	52	87
The need to innovate and be creative	69	77	66	48	78
Strategic policy changes	67	69	73	51	73
Inadequate budgets	65	68	70	46	76
Need to improve technology	64	65	70	41	77
Increasing productivity	62	55	70	47	80
Changing customer needs	61	67	59	56	56
Changes in the department's role	60	59	68	43	72
Recruitment difficulties	59	53	70	44	74
Skills shortage	57	53	65	40	71
Inadequate equipment	53	52	57	36	66
Adverse publicity/communications	43	36	46	27	64
Other important factors	6	7	4	4	7

Source: Design Council research by PACEC, 2002.

Nearly two thirds of organisations (65%) said their services had changed, at least to some extent, in the last five years. 62% said Government targets were the main factor behind the changes, though 47% cited customer needs.

WHAT IS DESIGN FOR?

Three quarters of organisations say design is about services working well to meet customer needs, while half see it as a strategic business tool.

Percentage of respondents (by service)					
	Total	Learning	Transport	Waste	Health
Design is about services working well to meet customer needs	76	79	80	75	68
Design is used to develop new products and services	65	57	73	73	64
Design is a creative thinking and envisioning process	61	60	63	68	53
Design is about how services look and are presented	54	52	54	67	47
Design is a strategic business tool	50	51	56	52	43
Design is used to provide a service which is tangible	40	38	45	38	39

Source: Design Council research by PACEC, 2002.

More than half of organisations (58%) expect design and development to retain the same importance over the next five years, but a significant number – 27% – expect them to become more important.

Source: Design Council research by PACEC, 2002.

‘The benefits of good design are widely recognised... Across the whole public sector, well designed and attractive working environments can aid staff retention and recruitment while delivering real value for money.’

Rt Hon Tony Blair MP, Prime Minister, 2002.

‘Design can heal. If we integrate art and design in healthcare buildings we effectively support the entire therapeutic effort.’

Sunand Prasad, Commissioner, Commission for Architecture and the Built Environment, 2002.

More than half of organisations (52%) say design has an integral or significant role to play in their operation.

Percentage of respondents (by service)					
	Total	Learning	Transport	Waste	Health
It is integral to the organisation's operation	15	17	26	10	8
It has a significant role to play	37	45	36	33	27
It has a limited role to play	27	32	16	17	37
It has no role to play	21	6	22	41	28

Source: Design Council research by PACEC, 2002.

Most organisations (80% or more) think they're good or very good at using design to provide innovative solutions and improve services, both within their own organisations and their sector as a whole.

Also, just under three fifths (56%) actively encourage their staff to use design and innovation.

Source: Design Council research by PACEC, 2002.

WHY NOT USE DESIGN MORE?

Finance is the biggest factor stopping organisations making more use of design, but a significant number also say it's not relevant to them.

Barriers to using design more in public services

Percentage of respondents (by service)					
	Total	Learning	Transport	Waste	Health
Cost/finance generally	33	43	22	22	33
Not relevant to our work/organisation	20	8	16	38	29
Lack of time	19	22	13	20	16
Lack of skills	16	16	10	21	17
High cost/low return	16	15	16	14	21
Lack of information	13	15	5	15	12
Organisational culture	12	16	6	13	10

Source: Design Council research by PACEC, 2002.

DOES DESIGN MATTER WHEN BUYING PRODUCTS OR SERVICES?

The vast majority of organisations (83%) have suppliers who provide equipment or materials and nearly half (47%) have suppliers providing services. When choosing suppliers, organisations are most likely to look at value for money, reliability, and reputation of the suppliers and how functional the service provided is. Design matters were said to be less important to all organisations in selecting suppliers.

When choosing suppliers, how important are the following?

	Percentage of respondents (by Service)				
	Total	Learning	Transport	Waste	Health
Value for money	98	97	97	100	98
Reliability	97	95	99	94	100
Reputation	94	93	97	89	99
Functionality	94	88	94	98	99
Cost of goods	92	86	90	98	99
Usability of goods/services	92	87	91	98	96
Flexibility	88	81	91	86	99
Ability to work with suppliers	84	78	85	87	89
Looks/presentation	79	75	85	76	84
Innovation	76	74	81	61	89
Local contacts	72	63	87	78	71
Creativity	70	71	78	52	79
Design systems	67	64	75	50	83
Design culture	65	65	77	45	77
Other	4	5	5	2	3

Source: Design Council research by PACEC, 2002.

Three quarters of organisations also think design is important or very important to their suppliers.

Source: Design Council research by PACEC, 2002.

‘When we think of cutting crime we tend to think of the police and criminal justice system, not better design... Improvements to products and services can drastically cut crime by the simple act of removing temptation and opportunity.’

Nick Ross, Journalist, broadcaster and Chairman of the Jill Dando Institute of Crime Science, 2002.

The Design Council website features constantly updated facts, figures and research on Design in Britain and beyond, plus hundreds of examples of the best use of design and innovation by business, education and government.

Visit www.designcouncil.org.uk

Do you have any suggestions for issues we can research in the future? We would welcome your views.

Write to us at: designinbritain@designcouncil.org.uk