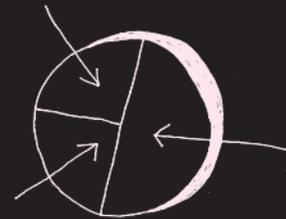
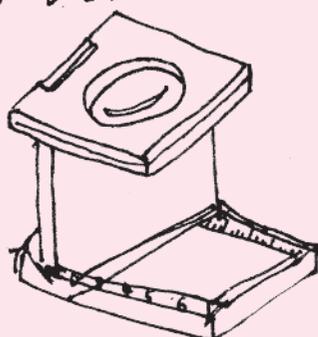


DESIGN

INDUSTRY INSIGHTS

COMMENTS & CONVERSATIONS ON THE BUSINESS OF DESIGN IN THE UK.

2010

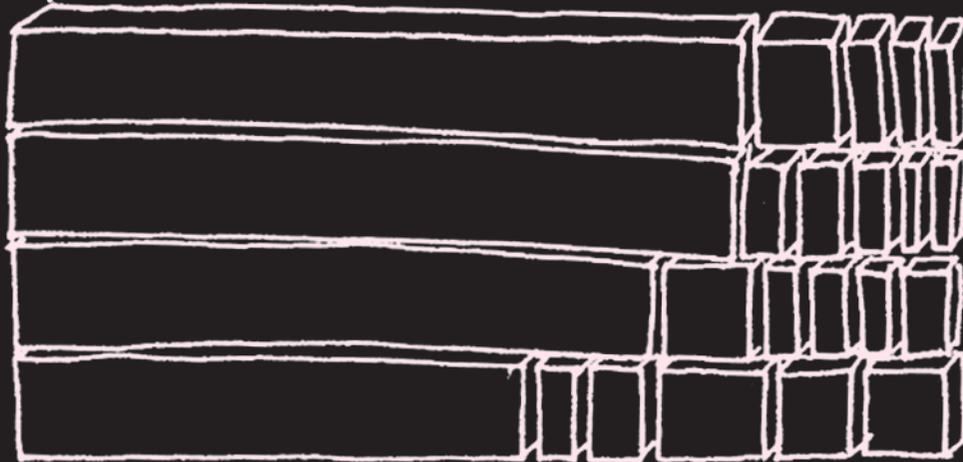


87% OF DESIGN CONSULTANCIES EMPLOY LESS THAN 10 STAFF



£2 MILLION

TOTAL FEE INCOME IN LAST FINANCIAL YEAR FOR 5% OF DESIGN CONSULTANCIES



55,310

UNDERGRADUATE DESIGN STUDENTS IN THE UK



Introduction



owards the end of 2009, the Design Council's research team completed its biggest survey of the design industry for five years. It was a major piece of work involving extensive interviews with more

than 2,000 people over nine weeks. The team took great care to reach design professionals from all backgrounds and from all corners of the UK. The aim was to get up close and personal about designers' views of the industry, the performance of their businesses and their outlook on the future.

As they compiled their findings, the team began to see the pieces of the picture emerging from the data, with glimpses of the industry before, up to and after the credit crunch. The research reveals how designers and clients see the development of the industry, the structural changes to their businesses and disciplines, and the opportunities and challenges that define the present era in their eyes.

This publication is designed to go just that bit further than a research report and policy briefing document. Our aim has always been to capture and make sense of the overlapping stories within the industry for the benefit of the design community that created them. We hope you get plenty out of it and that you'll take the time to share your thoughts, so we can keep the comments and conversations flowing at www.designcouncil.org.uk/industryresearch.

Mike Exon
Ruth Flood

Key Findings

There are an estimated 232,000 designers in the UK: 65,900 are freelancers, 82,500 work in design consultancies, 83,600 work in in-house design teams.

The combined fee income of design consultancies and freelancers plus the budget of in-house teams comes to an estimated £15bn, up 15% on 2005 in real terms.

Communications design remains the dominant discipline in the UK, followed by digital and multimedia design.

60% of design consultancies employ four people or fewer; a further 27% have between five and nine staff.

78% of design consultancies have an annual fee income of less than £500,000. 85% of freelancers have an annual income of less than £100,000.

Since 2005 the number of in-house teams has increased by 10% and 8% more designers are employed by them.

69% of design businesses haven't recruited in the past year; 7% of design consultancies and in-house teams made redundancies over the past year.

Approximately one in 10 designers is a member of a regional design network.

Six out of 10 design businesses feel well equipped to advise their clients on sustainable design practice but only 18% think it's an important factor in winning work from new clients.

Most design businesses work on a fixed fee or day rate basis; only 4% work on a client retainer basis. 66% of designers do not take any action to protect their IP.

Editorial Team

Mike Exon, Consulting Editor
Russell Cox, Production Editor

Contributors

Maeve Hosea, Adam Woods,
Scott Billings, Chris Cox, Antonia Ward

Design Council Team

Ruth Flood, Head of Knowledge & Research
Ursula Davies, Research Manager
Chris Cox, Research Assistant

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Design Council
34 Bow Street
London WC2E 7DL
Tel +44 (0)20 7420 5200
Fax +44 (0)20 7420 5300
Email info@designcouncil.org.uk
www.designcouncil.org.uk

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Methodology: The data in this supplement is drawn from the Design Council's Design Industry Research 2009-10 unless otherwise stated. The survey is based on 2,236 telephone interviews with designers from design consultancies and in-house teams as well as freelancers. To find out more about our methodology go to www.designcouncil.org.uk/industryresearch

The big picture

It's five years since we conducted the first major survey of the UK design industry. Back then we found an industry in good shape, but with a few warning bells ringing. Lots has happened over the intervening years. In the current economic climate, putting the industry through its five-yearly MOT couldn't be more important. So we're excited to present this overview in Design Week with more detail for those who seek it online.

What we've uncovered is that design is holding up remarkably well in tough conditions. Naturally, some businesses have been hurt, but the industry has increased its earnings by around 15% since 2005, clocking up £15bn last year – not bad for a sector many said would shrink during the recession. Designers have clearly been working hard to grow their number of clients, increase their fee incomes and boost demand. In addition, many feel optimistic about their future financial performance. In-house teams have also been doing well, making themselves indispensable to firms, despite downward pressure on budgets. There are now 6,500 in-house teams in larger businesses in the UK – a 10% increase since 2005.

However, some things need tuning to ensure the industry is certifiably roadworthy for the future. The research suggests that growth is being achieved through new ways of working – for example, there are 39% more freelance designers than in 2005. Is this growth sustainable? New distributed operating models may give design companies greater flexibility and lighten staff costs at a time when margins are tight, but how do these lone designers access training and development support? Furthermore, does this fragmentation of the industry threaten our ability to compete on the world stage?

Likewise, it's worrying that the industry still lacks diversity. The average UK designer remains male, white and 38 years old. Only 7% of UK designers are from ethnic minority backgrounds. With this profile, can UK design really compete internationally and respond to client companies around the world? These are important issues in a global market place. We can't afford to ignore them.

It's reassuring to see that the UK design industry is already responding to a number of these challenges, freeing it up to support post-recession growth. Design networks are playing an important networking and peer-to-peer role as are the established trade and industry organisations. There is great evidence of our top design talent rolling up their sleeves in education. Above all, the design industry presents a confident face to business and government as the engines of innovation, enterprise and economic growth.

So there is a lot to reflect on here. We hope this supplement, and the conversations that follow, will encourage you to get in touch with your thoughts. Have we got it right? Have we missed something? How are you making sure your business is fit for the next MOT in five years' time?

David Kester, Chief Executive, Design Council

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Currents in design

The UK design industry has performed well through the recession with fees increasing, demand remaining strong and designers feeling optimistic. Mike Exon analyses the Design Industry Research 2010 figures.

In 2005, the Design Council produced its first ever in-depth research on the industry. Since then, our picture of the design world has become sharper and more granular. It's an important step forward. Talking to designers in depth helps us identify the currents shaping the industry and make sense of how design is adapting to outside factors, such as post-credit crunch conditions, sustainability issues and patterns of design buying.

The latest research report contains some startling discoveries and confirms some longstanding home truths. It's perhaps not surprising to find that the average UK designer is a white 38-year-old male. At the same time it seems incredible to discover that 87% of design consultancies in the UK employ fewer than ten staff, that almost a quarter of consultancies are less than four years old, and that only one in ten design consultancies believe they compete outside of the UK.

The good news is that top line figures for design fee incomes are growing steadily and demand for design services is still reported to be strong, particularly in digital and multimedia, as in 2005. Just as significantly, a higher proportion of design businesses report increased demand for communications design and interior design than did five years ago in spite of the recent downturn.

Since 2005, there have been some very marked changes to how much designers say they are earning each year. Fee rates don't appear to be going down. Around 40% of consultancies and freelances report increasing their rates and another 40% have kept them the same. But as client budgets have been squeezed and design procurement processes strengthened, there has certainly been downward pressure on fees, too, from the demand side.

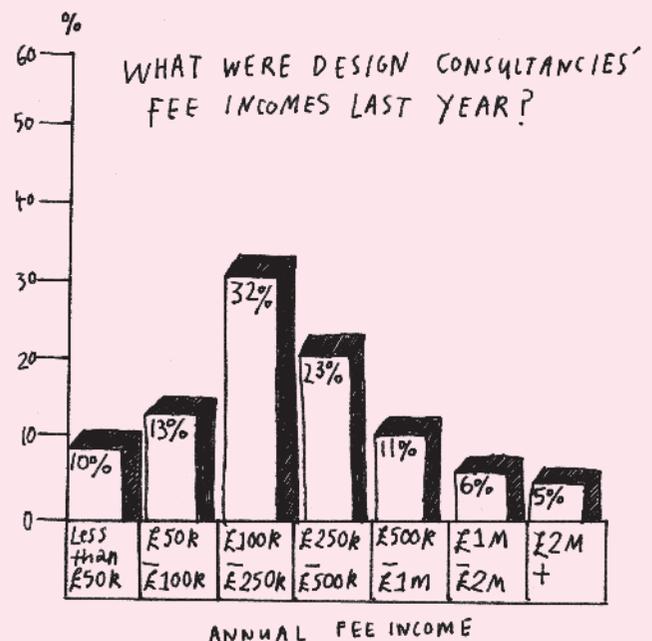
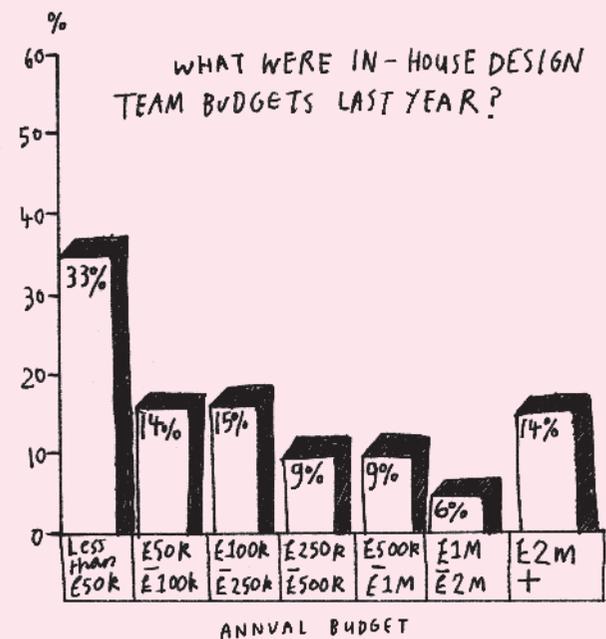
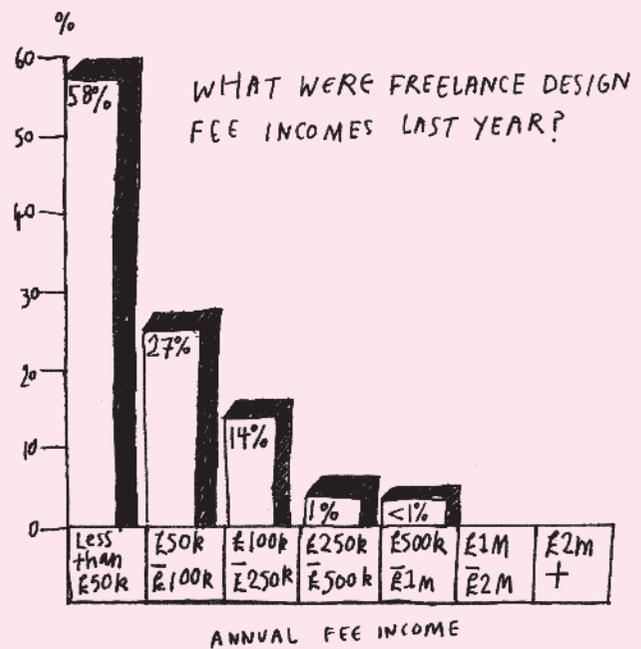
Look a little deeper and we find a design industry that is becoming increasingly bottom-heavy as it becomes more polarised. The number of micro design businesses and freelances is growing at one end, while at the other, the top 5% of consultancies have annual fee incomes of more than £2m.

We get a different picture when we split out the three main types of design operations – consultancies, freelance designers and in-house teams. What we find then is that total (adjusted) income for consultancies is much the same as it was five years ago, while combined earnings for freelance designers have increased by 22%, and combined in-house budgets are down by a third.

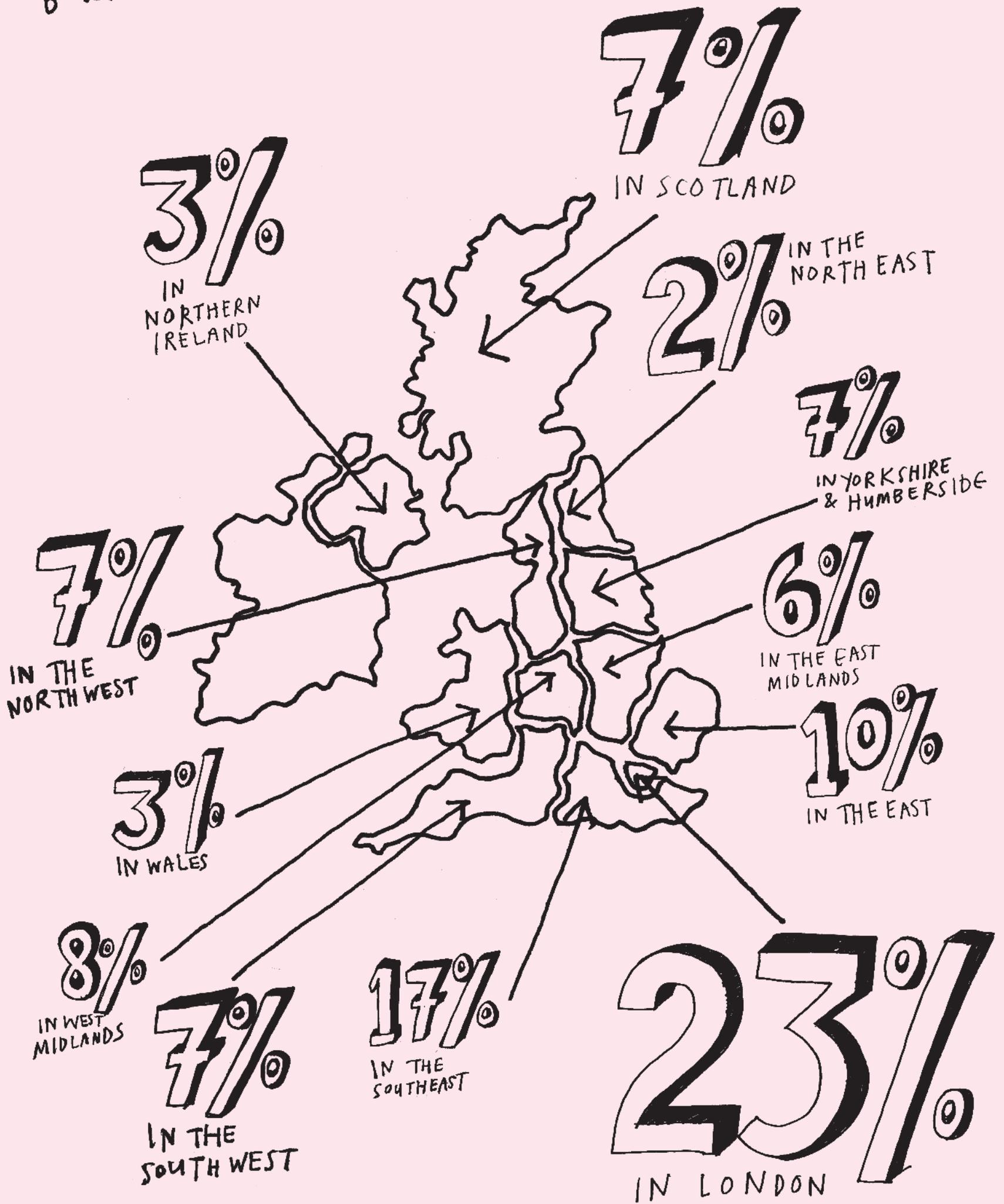
Getting into the numbers historically, there are two important stories we need to consider. The first is the long-term trend between 2005 and 2010. The second is the short-term impact of the UK recession during the last 18 months. Even with the negative impact of recession, assuming even annual growth, the design sector has seen growth averaging 3.5% a year, over the five year cycle. And while the downturn has played a big part in the substantial decrease in in-house budgets, it has not been at the expense of staff, according to the research.

The growth of freelance design within the industry is a big story in itself. But there is no clear evidence of a structural shift towards freelance working styles and away from consultancies, since consultancies have actually increased their staff numbers by 35%. On the face of it the numbers look good for the growing numbers of freelance design professionals – very good if you consider the recent recession. However, freelances still say it's tough out there in 2010 even if conditions are improving.

In the consultancy world there are some fascinating parallel trends. Just as staff numbers have been rising, the number of consultancies has been falling. →



WHERE ARE UK DESIGN BUSINESSES BASED?



Designers have always been optimistic about their future earnings, though the credit crunch has somewhat reined in people's expectations for 2010. Half of designers still expect to earn moderately more this year than last year, which is very encouraging, and about 11% expect to earn a lot more. This is almost back in line with people's expectations in 2005, which can only be good news. The significant change in this respect is within in-house design teams, which now largely predict flat budgets for the foreseeable future.

What hasn't changed notably is the relative spread of work being done by designers. More designers still work in communications than in any other type of design discipline. Almost two-thirds of consultancies now do some form of communications activity, followed by digital and multimedia (around half) and then interior and exhibition design (roughly a sixth).

Geographically speaking, the new data shows there are definite local hotspots emerging such as the South West and the West Midlands for digital, Northern Ireland does very well on the interiors side and the North East also performs well in interiors as well as in industrial design. Communications is very strong right across the UK, Yorkshire tops the communications charts, although the North East and East Midlands have lower than average proportions of communication design businesses.

Measuring and improving business performance is still something design businesses need to address. Too many are still ignoring questions about business development and cost efficiency altogether. Surprisingly, about a quarter of design groups say they don't plan to do anything at all to improve their financial performance in the next three years, and many say they don't know what they will be doing in this vein, in spite of the tightened economic situation and the clear pressure on client budgets. In its 2009 report *The Financial Performance of Marketing Services Companies*, accountant Kingston Smith W1 highlights the need for design consultancies to use better metrics to measure their performance. Optimum operating margins should be between 15% and 20%, says the report, while fee income per head should hit £80,000.

Consultancies report some interesting things about their relationships with design buyers. Instead of thinking long term, the average agency relies very heavily on winning new clients every year. Design consultancies and freelancers say on average 43% of their fee income came from new clients during 2008–09. Designers also say that in 74% of cases it is chief executives or business owners that commission them.

Sustainability has been avidly discussed as a design issue in the last five years, though designers need to do more collectively if they want to be able to advise clients with confidence on sustainability best practice. Around half of designers are building waste reduction criteria into their projects or their own business practice, as well as using environmentally friendly materials and lowering energy consumption, but more attention could still be paid to increasing the lifespan of materials.

Connecting and collaborating with outside designers is an important part of professional life, though this tends to be on short-term projects for most design businesses. Fifty-five per cent of design businesses collaborate with other designers and 51% say they work with non-design businesses. More than a quarter of design businesses that collaborate say they work with certain outside designers all the time, though they also say they do not rely on them.

Professional design representation is still a big issue. In 2009, only one in ten design consultancies and freelancers were members of local or regional design networks, though even fewer said they were members of national design bodies such as the Design Business Association, the Chartered Society of Designers, D&AD or British Design Innovation.

Training is still a big blot on the copybook for consultancies and freelancers. Lack of time and cost still seem to be the reasons for not providing the development and training needed. And while cost is cited most often as the reason, lack of time has become less of an excuse in the last five years.

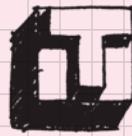
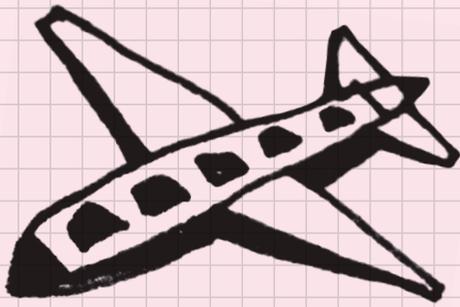
The research has revealed a lot about the sector, but there is clearly much more to be discovered. When it was compiling its recent *Innovation Index*, Nesta found more than three-quarters of investment was not in traditional R&D but in so-called 'hidden innovation'. Only by continuing to explore and understand the currents flowing through the design industry will designers be able to discover the nature of any 'hidden design' and help it to flourish.

Over the next five years, design should have a lot to look forward to. Will Hutton, Director of the Work Foundation, has recently talked about the importance of the knowledge economy in driving economic recovery. What he identifies as strong consumer demand for 'experiential services' should mean designers are well placed to keep contributing significantly to GDP by designing and anticipating the currents of the future.

'Design consultancies and freelancers say that on average 43% of their fee income came from new clients during 2008–09'

The international competition debate

Global competition is increasing, so why, asks Chris Cox, don't UK designers think it is affecting their businesses?



The global design industry is changing. Last year a major report by Cambridge University highlighted that countries such as South Korea and Singapore are becoming powerhouses of design, while China's ambitious plans for design are turning it into a major player. But the jury is still out on whether all this is really affecting British designers. Are projects being plucked from them by overseas talent? Is international growth opening doors for collaboration? Or is it simply business as usual?

Others have found that becoming internationally connected has been vital for staying competitive. Jeremy Sice, Managing Director of SAS, says: 'For us it works both ways. Being part of an international network means we have an overseas delivery mechanism; but just as important are the global insights it gives that help us add value to our offer.'

With consultancies joining global networks in growing numbers, designers are increasingly competing on their international credentials to win domestic business. According to Sice, 'The international card is definitely being played more heavily these days.'

Sice says that now emerging economies are offering cut-price design, it's vital for UK firms to add something different, which they can get from adopting an international perspective. 'The UK can only stay at the top table if we keep challenging our views by drawing in learning from other countries,' he notes.

For others, concerns about pressure from overseas are all wrong. Branding guru Michael Wolff believes that instead of worrying, designers should seize this opportunity to raise their game. 'Fear is completely the wrong way to look at it,' he says. 'Instead, we should be using this moment to genuinely question what value we can bring as designers.'

Wolff says that designers will always be vulnerable to overseas firms that are competing on service, 'because it's not a very high bar. That's why intellectually based creativity is our best chance of building on our heritage and pushing things forward,' he says. 'You need to be asking, "What is the value that we bring?" And to do that you have to look at the value others bring and be open and inquisitive about how these others do their business.'

'Intellectually based creativity is our best chance of building on our heritage and pushing things forward'

The majority of designers (63%) who work abroad say overseas competition for work has increased. But the real point to note is this:

90% of British design businesses say that their main competition still comes from within the UK.

This certainly rings true for London-based Graphic Thought Facility. 'For us it's not really an issue,' says Creative Director Andrew Neale. 'We do sometimes go up against international consultancies, but I wouldn't say it's a problem. We're also increasingly pitching for overseas work, so there's a pretty healthy balance.'

Focus on Business

Factors such as supply chains, production processes and the business environment for SMEs are having an impact on the way design businesses operate, says Mike Exon.



How do both the UK business environment and the way design businesses operate add to our understanding of the industry? It's not an exact science, but factoring in research data with our knowledge about working models of design companies gives us a richer reading of the challenges and opportunities facing the industry. It's a question of design economics.

To make a salient business case for design, we need to try to see the underlying operational shifts design businesses are undergoing. What is happening to supply chains in design? What is the extent of horizontal integration and collaboration? What has been the operational impact of digital business and technology on our businesses generally?

Other important factors to consider are why designers are choosing to operate in smaller or individual business units; how easy it is to migrate from freelance operations to a small business model; and how general business conditions are affecting what designers can or can't do.

Design is becoming an increasingly fluid and fast-moving sector, where lead times to market are getting shorter. Technology has had an important effect on the supply chain, simplifying production processes, increasing volumes and reducing unit costs. Whether it's designing, building, storing or distributing their creative output, design businesses have benefited very significantly from the digital effect over the past five years because they are early adopters of technology. On the demand side, design has easily absorbed the transformation in communications, retailing, brand building and general consumer behaviour that digital media have created.

In terms of the way design businesses integrate with their suppliers – the vertical supply chains in design – there is strong evidence of regular renewal of the production chain and supplier relationships. Rapid prototyping is now starting to follow print and production overseas, as it is increasingly outsourced to cheaper markets. The net effect is a clear, continual change to the vertical supply chain as processes are automated and commoditised.

In terms of the horizontal interactions between design consultancies, 57% say they collaborate, but do not rely heavily on project partnerships. International group networks even work counter-collaboratively by forcing their consultancies to compete for the same client project.

As far as design penetration goes, we know that corporations are becoming increasingly knowledgeable and skilled in design and are increasingly able to manage their own intellectual property from inside the organisation. Companies like Ford and Nokia, with established design arms, say they are reaching further into their organisations, integrating design with their business operations.

The 'ad-hocracy' of the design process is disappearing – less is left to chance, risk is eliminated throughout the production system and new processes are built in to assess viability and probability of success. Where design is a standard operating process, it is increasingly monitored for efficiency.

Because they are often configured to suit a particular industry or type of business, general conclusions are hard to make about in-house creative teams. They can be substantial in size or run by a few highly skilled individuals. Some clients are looking to rosters and existing consultancy relationships in order to externalise the cost of design. Others build in-house teams then augment them with freelance staff as workloads change. Some see the value of investing in both in-house and external design work: for big projects it can pay to flatter the design stage and eliminate risk rather than incur heavier costs further down the production chain.

Understanding the growth of freelance modes of design and the overwhelming importance of micro-businesses is critical to building our design business models. So why exactly are we choosing to work in different ways, using smaller business structures?

During a downturn you would expect spending on consultancy work to be down short-term. The drop in discretionary spend by clients, combined with general cost cutting across businesses naturally contributes to a drop in consultancy headcounts, causing the freelance ranks to swell. On top of this there are growing numbers of individuals opting to freelance as a lifestyle choice – often after relocating or returning to work after starting a family, or because they prefer to have different responsibilities to those of the agency model.

These factors have been amplified by the reduction in total numbers of consultancies due to consolidation or shutdowns. Though it is hard to trace the exact movements here, the shutdowns tend to occur in smaller, less profitable groups without the client book, forward revenue forecast, specialist skillset or brand value to be worth acquiring. For the same reasons, mergers are most likely at the upper end of the consultancy spectrum.

Another strong factor in the growth of the micro design operation over the last few years is simply the number of apparent operational advantages it can have over the SME business model. Both the employee and employer benefits of operating as a freelance professional or freelance collective have clearly encouraged many designers to choose self-employed options, but these advantages may also serve as barriers for potential start-ups adopting traditional business models (see panel opposite).

All the evidence suggests we have a strong, vibrant design sector in the UK that is adept at rejuvenating itself by embracing new modes of business and by quickly exploiting supply-side and demand-side opportunities when they arise.

Taking advantage of every opportunity it can, design is well placed to be bullish about the global market, creating better products, services, brands and experiences that are desirable, usable, buyable and feasible. If designers realise their power to generate profit, social benefit and environmental improvement simultaneously, the industry will begin to grow in new ways.

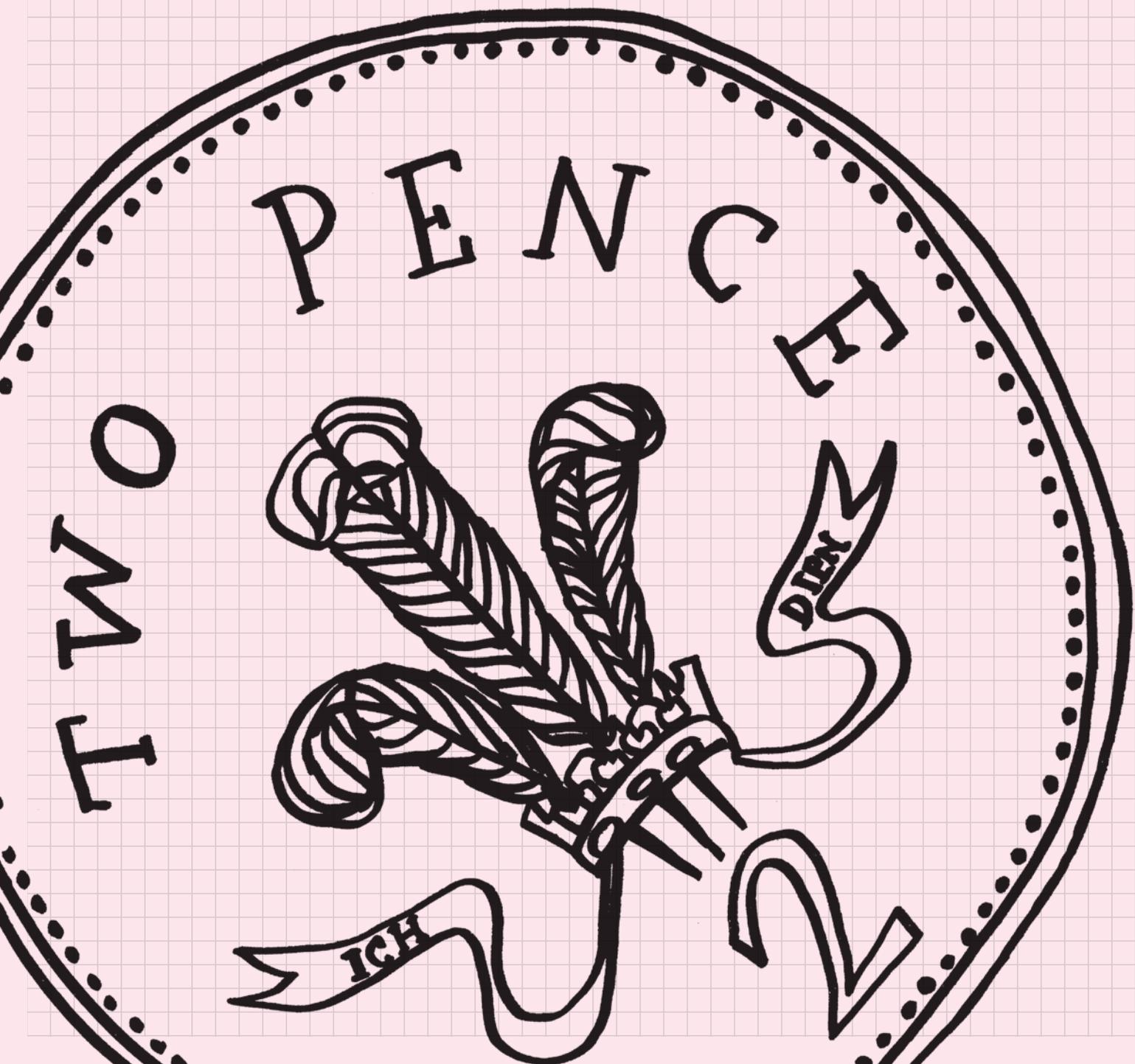
Business benefit or barrier?

- time flexibility: working time directives prevent businesses having long working weeks, while freelancers choose their hours, take multiple clients and are remunerated accordingly
- income tax: freelancers benefit from an income tax regime that allows claims on costs and capital investment incurred as a sole trader, while employers reduce their own wage and benefit bills
- VAT thresholds: freelancers are exempt from charging VAT on work until they earn over £68,000
- glass ceiling: these same benefits can represent barriers to freelance designers looking to start up a traditional design consultancy business model

57%

OF DESIGN CONSULTANCIES
SAY THEY COLLABORATE
WITH OTHER DESIGN
BUSINESSES

The hard cash debate



Designers are confident fees will increase over the coming years, but, asks Chris Cox, will they be working harder for their money?



According to the latest figures, the recession hasn't stopped the design industry growing. Its overall turnover has increased by around £3.4bn since 2005, while 40% of design businesses are reporting that their fee rates have climbed over the past three years. It seems like the recession has bitten, but perhaps not as hard as many expected.

But what is most surprising is that despite commentators warning that businesses now simply have less money to spend on creative services, designers remain bullish about their future growth prospects.

'Work is exciting because clients are more willing to take risks, but shorter project times mean they are paying smaller fees'

In the UK, 78% of consultancies earn less than £500,000 per year, 85% of freelancers earn less than £100,000 a year and one in every five in-house teams has a

budget of more than £1m. Around 60% of consultancies and freelancers say they expect their fee rates to rise over the next three years.

Wally Olins, Chairman of Saffron Brand Consultants, typifies this confidence. Olins says that the recession caused slumps in every market, but in the last quarter of 2009 he saw a dramatic upturn. 'People who'd been delaying for months and months seemed to decide that they couldn't wait any longer,' he says. 'The next 12 months are going to be a consolidation period, but business is slowly coming back.'

Olins is confident that design will not just recover, but thrive. 'Some markets will pick up faster than others, but broadly speaking it looks like we'll be back to the same levels of growth that we saw when we first started business nine years ago.' During this period, Saffron has seen 20% growth year on year, he says.

Jim Thompson, of retail and branding group 20/20, says the consultancy's fees have increased over the last three years, but are not as high as they were six years ago. 'There was a huge drop in the market value of design in around 2004,' he explains. Thompson points out that the drop in value wasn't recession-driven. Instead it was caused partly by the diminishing life span of design projects – for example, brands once lasted a decade, but are now refreshed every few years – and partly because there is simply so much more design being offered around the globe.

For some this has been a mixed blessing. 'The work has been exciting because clients are more willing to take risks,' says Thompson. 'But it also means they are paying smaller fees.' Thompson says that 20/20 has responded to these lower rates by doing more for clients, digging deeper into their needs to get a bigger bite of their marketing budgets. This has resulted in them pushing their strategic advice as a stand alone offer, for example, or offering web design as part of communications projects.

This approach does have the benefit of deepening designers' relationships with clients. Nick Talbot, Director at Seymour Powell, says the consultancy has responded to increasing competition and tighter budgets by expanding its offer to include a whole series of connected services. These span research, strategy and 'pure' innovation services.

While rates might not be rocketing, these broader approaches appear to be prompting companies to spend on design across different parts of their business, which for designers means more money coming in. With clients buying design in new ways, the trick seems to be in providing them with a 'joined up' approach.

According to Thompson, the biggest issue remains meeting the needs of clients who are competing for increasingly sophisticated consumers. 'Good design has become part of consumers' expectations, so demand is not going to disappear,' he says. 'The challenge is coming up with the ideas that help clients differentiate themselves.'



The client knows best

Clients are becoming more and more adept at tapping into the services of design consultancies. Adam Woods asks design buyers what they are looking for.

If there ever was one standard template for the relationship between clients and designers, it's a thing of the past. It seems that these days every client has a slightly different idea of how to get the best value out of its design partners. The view from the client side is becoming more and more nuanced.

Some clients are more inclined than ever to place design and branding specialists at the so-called top table, where their opinion counts in strategic matters across all digital and above-the-line platforms. Others don't make room for a specialist design voice in their inner circle of marketeers, preferring to draw their closest advisors from other disciplines.

The tendency of big clients to maintain a roster of studios has certainly diminished too but, on the other hand, ongoing project work is more common. Some clients call on small, focused design outfits or freelancers when they need them, rather than putting their brand in the hands of the big design groups; others insist that there is no substitute for the business thinking of the larger names and rely on the ongoing innovation of the external design resource.

BT Group's long-serving Head of Design David Mercer has witnessed these shifts: 'I think the design industry is going through some fairly significant changes, and it is also probably maturing, to a fairly large degree. I would say design is generally being taken more seriously as a business resource by large companies – therefore what we need from consultancies is a greater degree of professionalism and sophistication in the way they operate.'

Increased demand for maturity and professionalism in the design sector has inevitably entailed some uncomfortable moments. While overall fee income has risen narrowly in recent years, consultancies have been working harder for what they earn, often in the face of tougher, more price-driven competition. But what might be bad news for medium-sized to large consultancies isn't necessarily a bad thing for designers – or for design.

The growth in the number of freelancers – up by almost 40% since 2005 – has given a new dimension to how clients can choose to buy design.

'It is not about size now, and there is no guarantee that the big boys will win,' says Peggy Connor, Business Director at client/consultancy relationship specialist AAR. 'We see work from very small consultancies that is really remarkable.'

There are two clear reasons for the slow rise of the smaller consultancy and the decline of the roster. First of all, in tough times, even blue-chip clients look for opportunities to cut back on retained suppliers. And second, many clients are now far more confident in the management of their own brand and their ability to call upon and brief nimble, creative designers on a project basis.

'Going back, we used to work almost exclusively with very large consultancies and now we don't,' says Mercer. 'It is to do with cost, it is to do with being cleverer in the way we procure this resource, and it is probably a matter of confidence, too.'

To an extent, that reflects the fact that branding and identity are maturing disciplines. Some clients have gleaned enough from third party consultancies on these matters that they now feel comfortable overseeing those things themselves.

'When we have big identity challenges, we will call upon external consultancies, but we no longer have a roster of design groups like we did in the past,' says Ben Spencer, Orange's Head of Design and Retail Marketing. 'By working very closely with branding consultancies, I think we have learned the dark arts of identity management.'

'No matter how well I write the brief, I am really looking for something more than I was actually asking for'

Other large clients continue to draw regularly on a variety of large and small consultancies. Barclaycard is one, and Senior Design and Identity Manager Sharon Zimmerli believes brands that don't recognise the particular strengths of large and small consultancies are naive. 'A couple of years ago, we found that the bigger branding consultancies were working out too expensive for the smaller projects, so we started working with some smaller consultancies as well, and that has been great.'

'But if you are working on bigger pieces where you know there is a strategic sell-in through the business, where you have got bigger mountains to climb, rather than just a technical creative brief, it is absolutely good to work with the bigger consultancies, because they understand that mindset.'

Whether a consultancy is large or small, the measure of a good piece of design work remains largely the same as it always was. 'No matter how well I write the brief, I am really looking for something more than I was actually asking for,' says Mercer. 'The ability to provide that is a good measure of a really good consultant or consultancy, and it marks out creativity in design from most other business resources I can think of.'



Rapha
Simon Mottram

As clients' budgets are tightened and project fees replace retainers, new business has been ever more important for designers whose old business isn't paying as well as it once did. Competition, meanwhile, has come from all sides as the basic rules of marketing communications have changed.

'As far as branding and design are concerned, a lot of consultancies from different disciplines are now stealing that territory,' says Connor. 'And the ones that are successful are those that take the conversation to the client and say: 'we solve issues'.

'We have the best consultancies in the world, so quality isn't an issue any more,' she adds. 'It is who understands the client best and, in commercial terms, who makes it easiest to buy.'

The watchwords of modern business, for designers and clients are better, cleverer, faster and more, and the difficult economic conditions have only hammered that home. Egos are decidedly out of fashion, as are experts who, however skilful in their core field, are not able to adapt to new models.

'We feel it is all of our consultancies' responsibility to deliver what their core disciplines are, but we encourage them to think about how a certain creative approach could be brought to life in different areas,' says Spencer.

For some agencies, the modern tendency for clients to build a small panel of strategic advisors and to outsource the actual creative work as required is not necessarily a crushing blow. For all the talk of strategic roles, many design groups – especially the smaller ones – are happy to produce creative work to order, particularly given the challenges of billing for strategic advice.

While 90% of designers report that they only compete within the UK, clients say the growing international market for design should be taken seriously.

'We live in a changing world, and I don't think design is exempt from that,' says Mercer. 'That is a challenge, but it is also, I think, an opportunity. The best people, the ones who are fleet of foot, will survive and will do very well out of it.'

It makes sense that relatively small businesses would use relatively small suppliers to fulfil their design requirements, though Simon Mottram, founder and Chief Executive of specialist cycling apparel brand Rapha, has other reasons for cherry-picking freelancers and small-scale consultancies. A former design professional, Mottram tends to know the type of design he wants and usually knows where to find it. 'I am not a business person who doesn't get design,' he says. 'If I was, I might go for a consultancy too, rather than using the network I have. But ours is also a very focused brand, and deciding what to do next and how to get there is not usually a problem for us.'

The ease of cultivating and maintaining networks of suppliers has become ever easier, Mottram reflects, but he also raises a philosophical point about the nature of consultancies. 'They are really just collections of freelancers,' he says. 'I think what they really do well, though, is investing in (R&D that leads to) interesting new ideas and ways of doing things. That is something I've always really liked about consultancies, and I think it is important that somebody continues to do that.'



Barclaycard
Sharon Zimmerli

Barclaycard works with large and small design and branding firms, allocating work across a handful of regular vendors where appropriate and occasionally inviting pitches for particular projects.

'We don't have our branding consultancies on a retainer, but we will look at a piece of work that we know we want to push through for the year, we will assess who is best-placed for that and we will ask for a couple of quotes,' says Senior Design and Identity Manager Sharon Zimmerli.

A key attribute for a design partner, Zimmerli suggests, is not just to fulfil the brief, but also to question it when appropriate.

'Because we don't have an internal design department and we outsource all our creative work, we see our consultancies as an extension of our team,' she says. 'As a client, we respect consultancies that stand up and have an opinion, even if it is different to ours.'



THE UK DESIGN INDUSTRY IN 2010

37% DESIGN BUSINESSES EXPERIENCED AN INCREASE IN FEE INCOME BUDGET COMPARED WITH THE PREVIOUS YEAR

36% OF DESIGNERS WORK IN IN-HOUSE DESIGN TEAMS

2010

NUMBER OF DESIGNERS IN THE

60% MALE DESIGNERS

74% OF DESIGNERS FROM A MINORITY ETHNIC GROUP

40% OF DESIGNERS ARE BASED IN LONDON & THE SOUTHEAST

AVERAGE DESIGNER AGE 38

BRITAIN'S DESIGNERS

BROMPTON



...CED
...ME/
...T OF

40%
FEMALE
DESIGNERS

51% OF DESIGNERS
HAVE A DEGREE

31%
DESIGN CONSULTANCIES
& IN HOUSE TEAMS
RECRUITED LAST YEAR

28%
OF DESIGNERS
ARE FREELANCE
DESIGNERS

36%
OF DESIGNERS WORK
IN DESIGN CONSULTANCIES

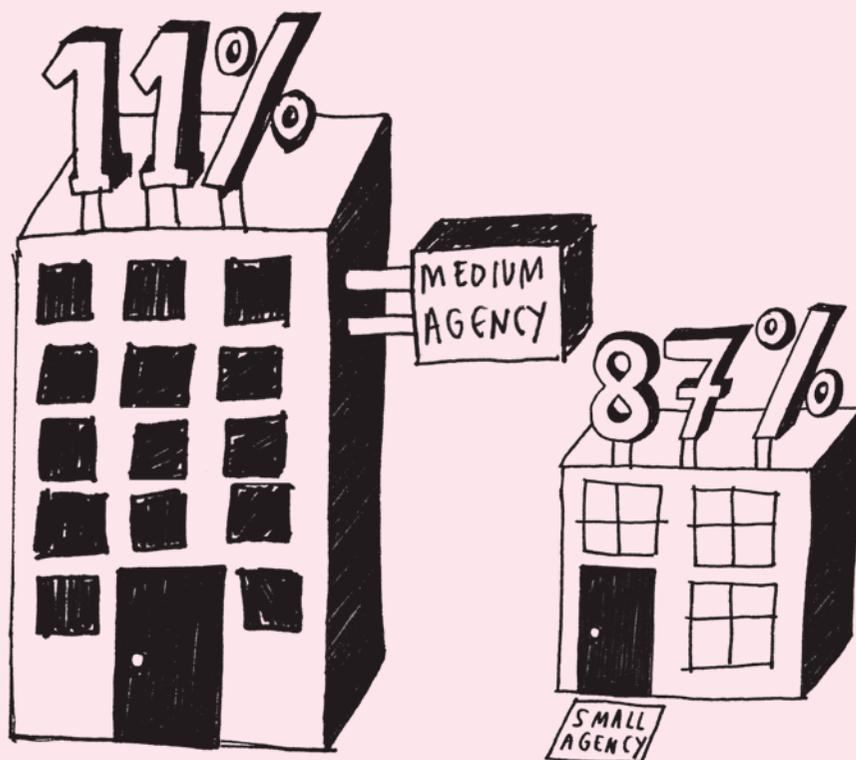
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Size matters



'Clients can be nervous about giving small companies big projects, but to grow they need larger projects to keep everyone busy'



How do design businesses of different sizes fare against each other? Maeve Hosea discovers what life is like for design agencies big and small.



Against a backdrop of economic challenge, a heightened energy is pulsing through the design industry, from the coffee shop offices of nimble one-man bands to the swanky headquarters of global behemoths. Now the sector has emerged as central to the definition of a modern brand, it finds itself increasingly seeking out ways to be sleek, robust and fit-for-purpose.

With projects that include innovative furniture for future modes of working and a new public realm project for the city of Bath, Pearson Lloyd operates from its London base with a team of 10 people. The team is deliberately small. The consultancy strives to be intellectually challenging and forward-looking and a small business model is better able to facilitate this. 'We don't want to be complacent on any level,' says founder Tom Lloyd. 'But I don't think size undermines our ability to deliver complex projects, and in fact, with the type of work we do, our people need to immerse themselves in a way that a larger team model doesn't necessarily support.'

Sixty per cent of design consultancies are not just small but have fewer than five staff. The advantage for a designer working in a smaller operation is the ability to stay close to a project that appeals to them personally.

Studio Glithero, a two-person outfit founded by Tim Simpson and Sarah van Gameren in 1998, concentrates on designing high-end furniture, products and installation pieces for galleries. The consultancy says knowing what it does differently and having a distinctive approach across a range of projects adds value to its work in a competitive market. 'I am proud of the fact that we are steady and able to make the work we want to make,' comments Simpson. 'It is a volatile market situation at the moment and the trick for us has been to be a little bit gymnastic and place our work in different areas.'

Susanna Cook, Creative Director of Allies, a small design and branding consultancy, says the business works on bigger projects with a small team and relies on an extended skill base of freelance talent or 'allies' such as social media consultants. 'Now we are in a studio that embodies our company culture, and we are having our best year yet,' comments Cook. 'I feel in a position to plan our growth. However, I don't want the core staff to be more than six and because of our collaborative work style I want to have space to host regular networking suppers here with clients.'

Due to the natural ebb and flow of business, small businesses tend to have flexible cost and employment structures. 'Our challenge is to balance full-time employment with the pipeline of business coming in,' says Claudius König, founder of small branding group Closer London.

'As work is irregular we need to be able to respond quickly in putting together senior talent with a cost structure that allows for junior support, so freelance and flexitime is much more the norm than it was, say, five years ago.' Closer compares itself to bigger consultancies in terms of quality and ability but doesn't compete directly with the big players.

Small consultancies often have a hard time trying to persuade clients with large projects that big is not necessarily best. 'The fundamental difference between us and bigger operations is scale and time,' comments Garry Blackburn, Partner of graphics-focused Rose Design. 'Clients can be nervous about giving small companies big projects, but to grow they need larger projects to keep everyone busy.'

The landscape is shifting. Global branding giant Interbrand claims it always comes up against the usual suspects at the level it is pitching at, but now believes it is likely to be up against smaller consultancies for back-end work such as building websites. 'A big brand will typically have a top list of consultancies it is working with, but may have to shorten the programme so that the deliverables might be done with smaller consultancies,' says Creative Director Andy Payne.

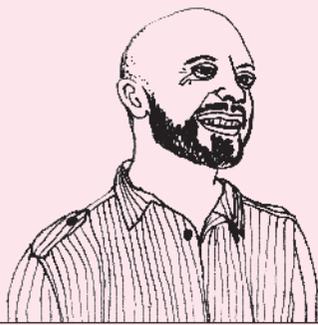
According to Dick Powell, co-founder of product design specialist Seymour Powell, the scale of the large consultancy business gives reassurance. 'There is an old saying that big businesses gravitate towards big business. We are working for substantial businesses that are product-led and product as brand is becoming much more important now,' he explains.

Big consultancies, in particular, are finding foreign markets critical. The world for design consultancies of all sizes is changing rapidly, says Jonathan Ford, Creative Director of branding and packaging specialist Pearlfisher. 'The market has become a lot smaller very quickly and while that is a challenge because a brand can find designers that are good everywhere, there are valuable opportunities for UK design companies to reach out across borders.'

Trends such as the consolidation of technology, the empowerment of consumers and the growth of emerging markets present the design specialist with interlinked opportunities and obstacles. A design consultancy with a global view is in an enviable position to capitalise on the growing international nature of business.

Although Ford advises caution in establishing an office in a foreign market, Pearlfisher finds itself stepping into emerging economies at a rate it hadn't anticipated. 'It has taken five to six years in the US for us to be seen as an interesting new kid on the block, rather than high-risk to work with,' he says. 'But if you get your reputation out there with international clients they come to you in buying mode.'

This is an experience echoed by retail specialist Checkland Kindleysides, which does not have international offices, but has extensive experience of global projects. 'International clients are really important because everything is connected – you rarely do a job where a global brand only asks you to do their stuff in the UK,' says Managing Director Jeff Kindleysides. 'We have designed stores for Timberland, from Kazakhstan to Boston.' →



Because of the very real reduction in the size of the world in business terms, Checkland Kindleysides often finds itself up against international competition both for UK and international projects. Much of its reputation for getting the job done cost-effectively and reactively, in often condensed time scales, is linked to its practice of partnering with specialists on the ground such as a local project architect.

It is with this ability to deliver local knowledge to a global customer base that communications group Havas has launched a design and branding network across ten cities worldwide. Havas Design Plus features well-known groups including Conran Design Group (CDG) and Euro RSCG. 'The world that the brand lives in is very different to what it was five years ago and increasingly clients are looking for breadth and depth,' explains Jane Simmonds, Managing Partner of CDG. 'This partnership gives us access to trends and data from all over the world and means that our solutions are well informed, not parochial.'

As design becomes a greater force for business, there is a consensus among design consultancies that their work delivers value and differentiation, giving brands a competitive edge.

Agencies understand there are pros and cons of being one size or another. But realising growth requires will as well as opportunity.

Start Up Diary: Kin Design Kevin Palmer

Kevin Palmer talks about the thrills and spills of founding the London-based digital design group, Kin Design.

'Coming from large established design consultancy backgrounds, Matt Wade and I launched the business 18 months ago. We work for a good balance of corporate, public and arts-based clients and have built a large portfolio of diverse and innovative work.

Our strategy is to grow slowly and organically because we are in this for the long run and have seen too many digital start-ups get greedy and just end up imploding.

It makes sense to build up our own brand and reputation for strong art direction and a return to 'craft' – something which is too often lacking in the digital realm.

We were very lucky to get our first project going as we were leaving our last jobs – working every evening and weekend – which nearly killed us. But it meant we were already up and running and had some money in the bank once we left.

We also got a very helpful 'leg up' through some old colleagues who gave us our first clients and let us share their office space while we found our own studio.

Finding a good space is very important. We took a while before finding our loft in Farringdon. It was a nerve-racking commitment to make at the time, because it meant signing up to leases and paying deposits, but we soon reaped the rewards from it. It's a great space to bring clients into, with lots of natural light and large white walls on which we exhibit our work.

Having this space helped elevate us very quickly from simply a two-man start-up to a solid design business.

Our first job was for Unilever – working alongside SHM Productions – branding an internal workshop for Unilever's Global IT Conference. We created the identity for the event and ran this across the printed graphics, environmental signage and sonic branding. Our main focus was a syncopated three-screen animated video projection piece with a surround-sound music track. It opened the event.

It felt incredibly liberating starting out. We realised very early on that everything was all down to us. In our previous agencies we were used to the 'layered blanket' of having other people and departments around us. But now, if it's going to go wrong then it's down to us.

Interestingly, the main obstacle to growth is not getting the work or becoming established, but good old-fashioned cashflow. We've been surprised at the amount of time and effort needed to get large wealthy corporations to pay us on time.

My ultimate advice for anyone considering starting up on their own is just to go for it. Even if it doesn't work out, at least you will have given it a go rather than just sitting behind your desk wondering 'what if...?'

The big green design debate

Many clients are now embracing sustainability and building their brands around greener practices, so why do so few designers feel their ability to provide green advice is important? Chris Cox reports.



As the UK shifts to a low carbon footing, the next 30 years are going to see radical changes in the way we do business. The question of what role designers can play in reducing our environmental impact is going to be a crucial one. European researchers have said that 80% of a product's environmental impact is determined at the design stage, and there have been growing calls for designers to adopt more sustainable practices to help businesses reduce their carbon footprints.

And there are plenty of designers taking notice. Almost half of designers say they use resources in an environmentally conscious way. Forty-one per cent say they are minimising their transport requirements, while 29% have been trying to increase the lifespan of the materials they use.

For some designers, these practices are simply becoming part of good design. 'I think we're getting to a time when we're not going to be talking about sustainability any more,' says Jason Bruges, founder of the Jason Bruges Studio. 'It's just going to become part of the checklist.' Bruges says that he's interested in 'the overall intelligence of the design process, which means considering everything from its environmental impact through to its benefits for the client.'

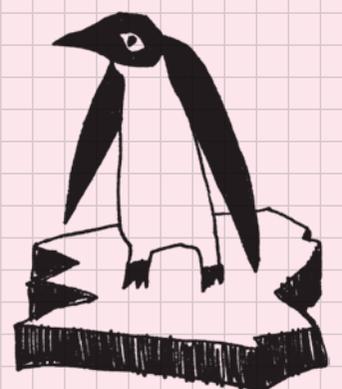
In spite of the encouraging signs, however, very few designers feel that their ability to provide green advice is important to clients: only 16% of design consultancies told the Design Council that it was an important factor for winning work, while 18% of freelancers said the same. So are we witnessing a sustainable design revolution – or are designers just providing clients with business as usual?

Where branding is concerned, there has definitely been a visible change. Jon Hewitt, Senior Designer at Moving Brands, says clients increasingly see sustainability as 'part of their responsibility as good corporate citizens'. In recent years, he says, clients have matured from simply 'giving a nod' to greener practices towards building their brands around them. Hewitt says Moving Brands' designers have undertaken training sessions with environmental consultants, to help them persuade clients to consider sustainable approaches.

But while shaping up environmental messages is one thing, reducing the overall impact of products and services is hugely complex – and not yet fully understood by designers or clients.

Fifty-nine per cent of designers say they feel well equipped to advise clients on sustainable design practices; but there are still underlying problems that need to be resolved.

For example, making a green choice can have negative knock-on effects. 'We tend to move a client away from heavy print solutions as much as possible now,' says Neville Brody, founder of Research Studios. 'But at the same time we're learning more and more about the energy resource drain caused by continual use of the internet – which could potentially be far more damaging than paper.' These kinds of problems will keep coming up for designers – the challenge will be keeping themselves, and their clients, educated and moving forward with the best solutions.



Tomorrow's world

Antonia Ward fast forwards to the year 2050, to a future world that is defined by design.



The year is 2050. Here in the UK, Kylie Jones is travelling by the public hoverway to one of her three jobs. Today she's working at Japanese electronics giant Suntory's headquarters in South Wales. She and her team are designing gestural interfaces for some of Suntory's most popular products, the MediCam range of personal health management devices. They're popular with over 80-year-olds, and Suntory became a global leader in the field soon after 50% of the Japanese population reached the age of 60, when its investment in assistive technologies really paid off.

Kylie's mother doesn't really understand what her daughter does, but she's happy to get a discount on the systems that link her body sensors to the personalised healthbeing and preventative medicine provision services run by the National Healthbeing Service. Mind you, her mother keeps asking if she's making plans for 'her retirement' which always makes Kylie laugh. 'No one retires any more, Mum,' she says. Sure, most people change their working habits at around 70, but the idea of putting yourself out to pasture in your youthful mid-60s just seems strange. When Kylie's mother was working, though, it was before the 50/50 Act, which put so many women on to the boards of companies, so maybe work was a bit different for her generation.

Two days a week Kylie devotes her time to her own business, designing print-at-home customisation kits for 10G phones which she sells on 3dBay. Her mother still calls them 'mobile phones' which is odd because there isn't any other kind. And once a week Kylie can be found teaching at a nearby school – she partly does it for the tax relief, but if she's honest she quite enjoys working with the kids in their 'right brain' lessons, plus the networking with other VolunTeachers is good. Some of the kids could do with spending a bit more time playing those sharing skills computer games. When Kylie was younger you just learnt to share automatically because you had brothers and sisters, but families are so much smaller these days. And though she'd never say it out loud, She thinks the teachers are paid too much. Some of their bonuses are scandalous.

Sha'kiera is aged 25 and an experience sequencer for McDonaSoft, one of the oldest fast-mood companies in the business. This week she's designing customer interactions around the Lacrosse World Cup which is being held in Kazakhstan. Her knowledge of the ageing company's history is a bit sketchy, but she knows they used to sell quite basic products and didn't provide the whole range of interactive, mood-changing and energy-giving experiences that people now look for at meal times. As for food in the past, Sha'kiera can't quite believe there were ever health issues around food, but things were different before she was born. She likes to point out to her friends that she's a pro-designer, not just a digital artisan: after all, she has a post-experience degree from the Apple School of Business and Entrepreneurship at Oxford. Lately, though, Sha'kiera has been wondering about changing jobs.

Since carbon emissions targets were personalised and linked to local rates, interesting businesses have been springing up around resource management services – helping people make sure they don't get fined for not managing their waste or energy use properly. Then there are the luxury food brands – when 80% of your food has to be locally grown you're willing to pay a lot for an imported vegetable on a special occasion, no matter how loyal you are to your local vertical farmer.

But today she's putting these thoughts aside while she plans a disorientating trip – you can now go places where you pay to have your GPS disabled. Imagine being totally, utterly lost – now that's a high-adrenaline leisure activity.

Oscar is trying to pretend he's not 40 this year. He's got enough on his plate running his 15-to-25-person multi-design consultancy (everyone has a flexible workforce) and trying to keep all his clients happy. If only he could cross-sell some more work. Wouldn't it be great if the brand narrative work he's doing could extend into some more retail theatre projects like they did for Saab baby buggies. He'd like more clients like his Indian 'cosmeceutical' magnate (one of the biggest Bollygarchs) and less of the standard online packaging and personal branding clients. He's not sure who is harder to get hold of – the personal brand managers or their clients.

He's behind on his e-learning MDBA course (and it's one of the best Masters of Design Business Administration courses in the world), his BBC subscription needs renewing – of course you could just rely on free news, but would you trust it? His girlfriend, who is a system-designer for a Moroccan fuel-cell dealer, is going to stand as an e-MP in the European social media elections this summer. Oscar is looking forward to the World Cup because, like so many guys his age, he's fanatical about lacrosse, but he thinks the new technology is ruining the game. He'll probably watch the match in the pub with his best mate Tiger, if they can find one that isn't overrun with the tourists who flock to the UK to watch the most state-of-the-art holographic sport transmissions in the G50.

Perhaps he should have done what his dad suggested and taken that steady, if slightly boring, job as a spaceline pilot?

The world in 2050

- the world population is 9.1 billion, while the UK population stands at 72 million
- 2 billion people in the world are over 60, including a quarter of the UK population
- China is the largest economy in the world, surpassing the US in 2041
- the global fuel cell market is worth more than \$180bn
- new legislation has connected local taxation to an individual's waste production, promoted locally grown food and made 50% of all company board members female



‘When 80% of your food has to be locally grown you’re willing to pay a lot for an imported vegetable on a special occasion.’



Talking heads

Question: What is the best thing you've done that has helped you develop professionally?

Get over myself. Empower others to do the best work of their lives, and radically collaborate.

Ingrid Baron, Head of Industrial Design, Ideo

It's a bit like the film Karate Kid, when he's made to wax cars and paint fences and stuff. You're not sure what it has to do with what you're trying to be good at, but then, boom... you get it. Being inspired is a wonderful thing. I make the younger designers go to see as much stuff as possible. It's really important to find inspiration away from your profession. That way you create something new and different and don't just follow the latest trend.

Stuart Watson, Creative Director, Venture Three

In 2008, I attended a day workshop organised by D&AD, and run by Michael Johnson. The workshop was called The Truth About Branding – and Michael's approach was to lay bare the stories and processes behind the way he works. Michael was generous with his wisdom and I often revisit his practical pearls throughout my continuous professional development.

Andy West, Partner, Mulitadaptor

I faced my fears. Early in my career a client asked me to help front pitches – a scary thought. In my very first job, in-house, I'd been to presentations as 'chief portfolio carrier', but decided I needed more than one company's take on how it was done. A DBA course taught me, quite apart from presentation skills, three lessons: first, don't confuse lack of confidence with lack of ability; second, a course can help you realise you know more than you think you do; third, experiences outside your core competence (and comfort zone) help you grow.

Deborah Richardson, Creative Director, Objectives Communications

The best learning comes from unexpected sources. While living in Japan, I attended a Zen meditation retreat. The living aesthetic of the monks was bare, but rich in ritual. It has informed my own approach to design and delivery of complex projects.

Ursula Morrish, Project Director, FITChive

The best thing I've done is to learn to focus on people. If you can ask the right "people questions", you are halfway to answering the design questions.

Richard Eisermann, Strategic Director, Prospect Design





To me it was getting into the bones of the benefits of design and how it impacts on the environment, traceability, adaptability and social change. The best thing I've done is get my hands dirty working print presses and seeing how recycled materials are created by going to recycling facilities to watch the process: good old hands-on practical relationships and interactions. Very time consuming, but knowledge is everything and it is what shaped Leap.

*Matt Hocking,
Creative Director, Leap*



Probably the best thing that has not only helped me develop, but kept me in business, is to treat clients and the people we work with in the way I would like to be treated myself. (I think the advice came from Atticus Finch in *To Kill A Mockingbird*.)

*Brian Webb, Founder,
Webb & Webb Design*



I sometimes wonder whether being relatively naive about how other designers work has helped me most in developing a working method that is right for me.

*Gitta Gschwendtner,
Designer, TNA
Design Studio*



For me, the first thing about personal development is being open to learning and trying new things out. When starting Thinkpublic, I worked with a life coach and that really helped me to think differently and conquer some of the invisible barriers to starting a business. Now I'm being mentored by John Bartle (Co-Founder of BBH) to help me take Thinkpublic to the next level. John is really helpful, as he brings real-life experience and advice.

*Deborah Szebeko, Director,
Thinkpublic*



I'd been running a business for six years and had hit a wall. I enrolled with the DBA on a one day presentation and negotiation skills course. I was sceptical but it completely changed the way I do business and it has even had an impact on my personal life.

*John Corcoran, Director,
Wire Design*



The best thing I did was to leave the country. I spent several years in my twenties working, trying to work, or travelling in Australia, Japan, North and South America. When I got back I had a much broader take on life in general, and design in particular. Having a global perspective from my late twenties onwards has really helped, especially now that we have genuinely global clients.

*Michael Johnson, Creative
Director, Johnson Banks*



The best thing was to work in a team where I was the only designer. It wasn't easy but I learned so much about other people's perspectives, learned to communicate my ideas more simply, and saw much more clearly what I could uniquely contribute as a designer.

*Mat Hunter, Chief Design
Officer, Design Council*



Inside knowledge

Being able to build an in-depth knowledge of a business's design and brand thinking is the in-house team's trump card. Scott Billings goes behind the scenes.



There are around 6,500 in-house design teams inside non-design businesses (with 100-plus employees) across the UK. They vary in type and structure but between them they employ just over 80,000 designers, similar to the number employed by design consultancies. And although there are a further 66,000 freelance designers in the UK, the reach and importance of non-design businesses is clear: they account for more than a third of all design employment. While in-house design employment has continued to grow slowly, by just 8% since 2005, it is estimated that around a quarter of businesses with more than 100 employees have some form of in-house design operation. Of these, 63% employ up to four designers and 20% have five to nine designers.

A few of these in-house teams are distinct entities with a high profile – the London design studios of Nokia and Samsung, for example. But most are small, typically housing four or fewer designers. In fact, in-house teams have on the whole become smaller, and more numerous.

According to Clive Grinyer, Director of Customer Experience at technology network company Cisco, 'Most in-house teams are tiny or made up of just one person. There are very few big ones, especially in the UK, apart from the odd ones that have been brought over like Nokia's. But it's interesting that the numbers of designers working in-house and in consultancies are at the same levels.'

Historically, working as a designer in-house was often seen as a bit second rate compared to holding a position at a successful consultancy, but this is changing. 'Ten years ago the perception was that in-house designers were the poor relation to consultancies. Consultancies would do all the fun work while in-house were the duffers who couldn't cut it in the real world,' says Mark Delaney, Design Director at Nokia Connect. 'But then we had the emergence of some very talented in-house teams – at places like Apple, Philips, Nokia – and it has switched. Now it is attractive to work in an in-house team; I get a lot of students wanting to get into in-house design,' he says.

The rise of the larger in-house design function seems to be very prevalent in technology-led product companies. Nokia, for example, handles almost all of its design work in-house, while other companies blend in-house skills with those of external consultancies.

Richard Newland is Group Head of Design and Development for HSBC and his 20-strong team is responsible for the design of every HSBC branch worldwide. 'First we started building design in-house, but more recently we have moved to work with external consultancies. The ability to offer work on a bespoke basis by commissioning out and using the in-house team alongside external groups has been hugely successful. The very best results come from this combination,' says Newland.

At Waitrose, Head of Graphic Design Maggie Hodgetts runs a small team of nine designers and one artworker. By nurturing the 'skill and enterprise' of this team, Hodgetts believes the in-house design function has steadily become more valuable to the business. 'I believe a highly skilled in-house team is entirely complementary to working with the best external agencies, but an in-house team can provide the anchor for brand values and from my experience they are actually better placed to drive change,' she says.

Developing a deep and broad knowledge of design and brand inside the company is one of the key strengths of an in-house team. As Delaney says: 'Because we're trying to evolve how we engage with customers it's very helpful to have people here year after year to attend the same meetings. If we make a decision and then assess it two years later, I'm still here. If I get it right I gain credibility; if not, I lose credibility.'

Whether to have an in-house team at all – and whether it should perform a design management role, a design execution role, or both – may depend on a number of factors. According to Delaney, consumer electronics companies need a strong design function because of the technological distinction between

'Working as a designer in-house was often seen as second rate compared to holding a position at a successful consultancy'

competing products has narrowed so much that purchases are now made on emotion, interaction and feel rather than on product specification. Designers are uniquely positioned to embed this very 'X factor' in products. 'It was a very deliberate decision that design would become a skill to drive Nokia forward in the market. The company chose to make what is a very significant investment [in setting up its design teams] and tried to make it very attractive for people to work here in order to get the best talent,' says Delaney.

In retail, it might depend on the scale of the product lines, the nature of the brand and the financial organisation of the company itself, says Kate Blandford, Director of Kate Blandford Consulting and former head of packaging design at Sainsbury's.

'Sainsbury's changed 15-plus years ago from having design in-house to having only design managers,' she says. 'Which model is better? Where it sits on your balance sheet might make a difference. Is it accounted for as headcount or is it a marketing budget? Sainsbury's would rather have design as a variable budget than as a fixed overhead; this way you can allocate and get rid of the cost in a number of different ways and departments.'



Nokia
Mark Delaney

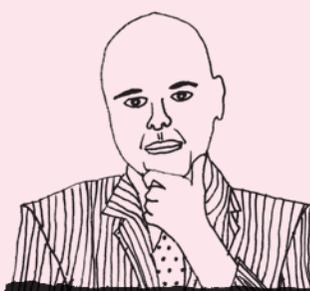
Brand makes a difference too. Some people have moved toward templated design as far as possible, using repro houses to do it as cheaply as possible. It depends on the management team in place at the company.'

While consumer electronics brands may now see long-term in-house design knowledge as valuable and necessary, companies in other sectors perhaps vacillate over in-house design depending on who's in charge. 'Over the years I have seen the likes of Marks & Spencer and Sainsbury's get an in-house team, then make them all redundant and do it again,' says Hodgetts. 'I think it's down to the people running the business and their attitude towards design. Keeping lean, keen and flexible has been key for us.'

Indeed, changes in management might bring new opinions of the value of design: some will view it as an investment, others as a necessary cost. Interestingly, either view can work for or against an in-house team because a permanent design function can itself be seen either as an inflexible overhead or as a cheaper way of maintaining design throughput. Again, it depends on the business and its directors.

However, the rise in the number of in-house teams indicates that the value of design as a tool – and therefore the value of holding design knowledge in-house – is growing, despite an overall dip in in-house budgets during the recession. As Grinyer notes, in-house designers can reach people in an organisation who would not otherwise engage with design, allowing an important 'design evangelism' to take place.

'In the last five to ten years companies have realised that design is part of their armoury and that they need to engage with design activities,' says Grinyer. 'Having somebody in-house who will manage design, who is a jack of all trades, who has relationships with local consultancies and so on, is very valuable. I'm like a Trojan Horse in a way – identifying the opportunity for design that conventional management wouldn't recognise. And this only happens because of this army of internal designers inside companies. They are heroes in a way and probably have a huge impact on the economy by getting design recognised and bought.'



HSBC
Richard Newland

A 20-strong creative team at HSBC is responsible for ensuring that 8,500 branches and 1,000 non-retail spaces worldwide reflect the financial brand consistently, but with local adaptations. The team covers retail space, office space and brand identity, with skills in project management, interior design and graphic design. Increasingly, the unit works in partnership with external consultancies, recently including Fitch, Checkland Kindleysides, Gensler and The Brand Union. 'Design is certainly a growing element at HSBC – our branches are our most expensive form of advertising. But the day-to-day business of the company is banking, not design, so it's incredibly important to have somebody internally who can explain the importance of brand and branch design, somebody who can evangelise these things in the company,' says Group Head of Design and Development Richard Newland.

The story on in-house design

- in-house design teams in the UK employ as many people as design consultancies
- there is a lot more demand to work in-house nowadays and more prestige attached, as the work has become more pivotal to business
- the added value of an in-house design function is the ability to build your knowledge internally over the longer term
- the decision to operate an in-house team rather than outsource design is very often based simply on what a company wants its balance sheet to look like
- an in-house design team can be used like a Trojan Horse, to attract interest and find new opportunities for design within a business
- strong in-house design teams are great evangelists for design, spreading the word about its value and earnings potential



What next?

This exploration of UK design has proved to be a very useful exercise and has added to our knowledge about how design companies operate. Ruth Flood asks: what are the big talking points for the future?

– What have the effects of recession actually been on design and can recessions ever be good news in disguise for designers? Have hard times helped design businesses to trim back and focus their services? Has the downturn enabled smaller consultancies to pick up great staff and accounts? Or has selling design become even more difficult and do more businesses think they can do without it?

– What does the growing number of micro design businesses mean for the industry? What are the new challenges they face, and what distinguishes them? How should they promote themselves and get recognised? How should they be represented and is there a risk that they're too small to show up in the research?

– Do design companies need to develop new business strategies beyond their local and national design networks, or are networks the lifeblood of the industry? Will they continue to grow and develop? Thanks to new types of connectivity like social media, design bodies have a wider audience beyond their core membership. Is there an opportunity for the professional design bodies to use new types of connectivity to raise profile and revenue? Can social media, for example, take them beyond traditional membership models?

– How can designers change how they work? What are the alternatives to the traditional day rate and fixed fees when it comes to getting paid? Can design businesses collaborate more often on bigger, more strategic projects that add value to the 'triple bottom line' – profit, sustainability, and social need?

– The design industry performs poorly on formal training compared to other professions – does that really matter? Will tighter finances mean there is more on-the-job learning, and is that a good thing? How can freelancers be helped to continue their professional development when time and money are in short supply?

– What are the barriers to entry into the design industry? How can the industry make entry easier and ensure more women and people from ethnic minorities have a fair chance to get a foothold? What's really going on in design in all the regions around the UK? Are some regions developing specialities? Is it more viable for freelancers to operate outside London and what does that mean for the industry at large?

OVER THE NEXT

FIVE YEARS, A HUGE

AMOUNT REMAINS TO BE

DONE TO BETTER UNDERSTAND

THE MECHANICS OF DOING BUSINESS

WITH AND IN THE DESIGN SECTOR.

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COST EFFECTIVENESS IS THE MAIN REASON BUSINESSES HAVE IN-HOUSE DESIGN TEAM

DESIGNER AVERAGE AGE →

38



THE DESIGN INDUSTRY IN THE UK IS MADE UP OF:

65,900

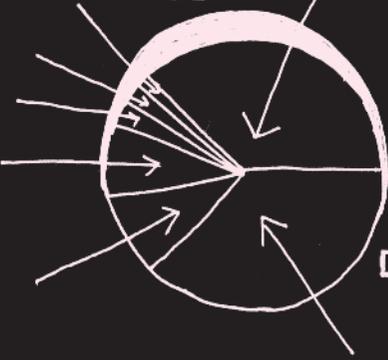
FREELANCE DESIGNERS

82,500

DESIGNERS IN CONSULTANCIES

83,600

IN-HOUSE DESIGNERS



OF DESIGNERS FROM A MINORITY ETHNIC GROUP

