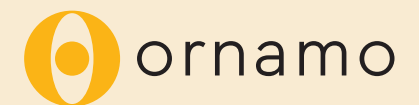

Finnish design sector in numbers

Report on the Finnish design sector and the sector's economic
outlook 2013



Design in the Finnish national economy

Designers – that is, design professionals in Knowledge Intensive Service Activities – are experts specially trained in design. They work in design service enterprises, in design-intensive industries, and in enterprises and organizations in various economic sectors.

Design service enterprises are service providers specializing in Knowledge Intensive Business Services (KIBS). KIBS design service enterprises operate in the specialized fields of industrial design, graphic design and interior design. KIBS enterprises are service providers, because their services do not include manufacture of products. These enterprises create and pass new thinking and know-how to public entities, businesses and other private organizations. Design professionals support the operations of their client organizations, such as industrial manufacturing companies, by providing them with specialist solutions for demanding applications and situations.

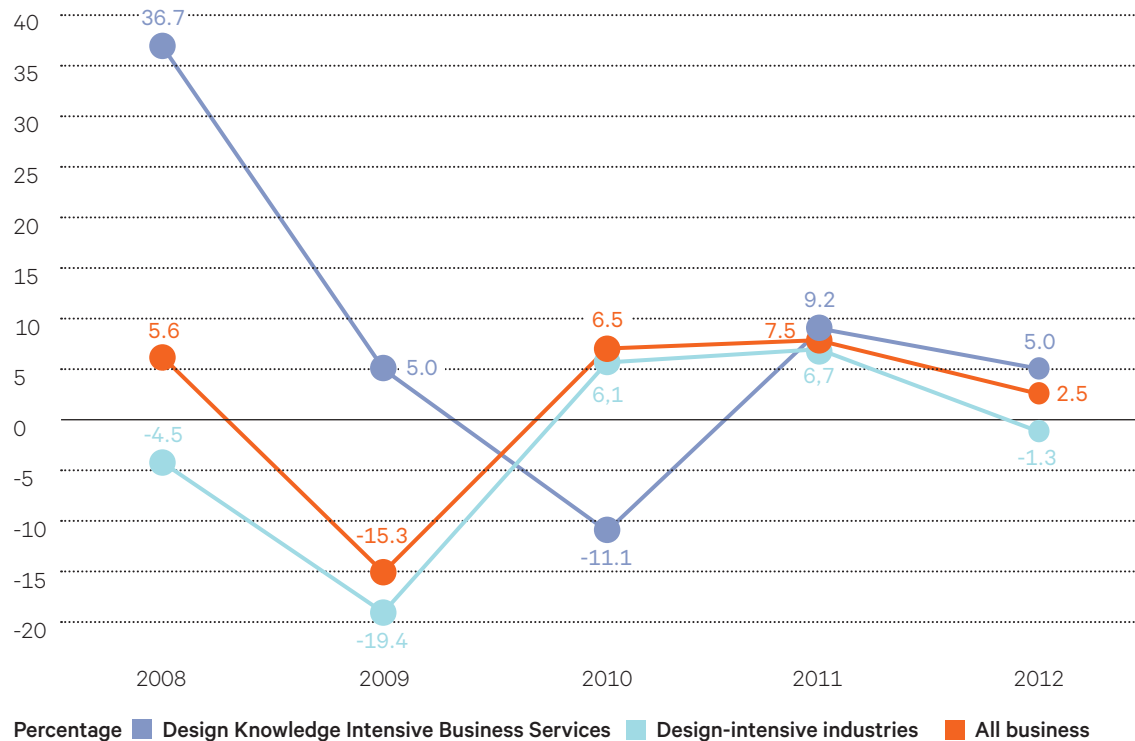
Design-intensive industries comprise industrial manufacturers of mass-produced products, small and medium manufacturers, and enterprises specializing in crafts. The costs for design are relatively low in design-intensive industries, but design plays an important role in the corporate activities, as in industry in general. Design-intensive enterprises do not usually provide pure design services, as design is included in their products. The design input is more prominent and more personified in designers in small-scale and crafts-like manufacture than in industrial mass production.

The creation of artworks is considered a service in the design-sector classification, although artworks are physical products. The creation of artworks differs from the manufacture of crafts in that artworks are single and unique products. Design plays an important role in the creation of artworks, design is personified in the creators of artworks, and the value of the design input cannot be easily separated from the production of artworks.

Businesses, public entities and other organizations hankkivat outsource their design Knowledge Intensive Business Services to external service providers, or they hire in-house design professionals, that is, design professionals in Knowledge Intensive Service Activities, to their organizations. Many organizations combine outsourced design services and in-house design. Industrial sectors that outsource design Knowledge Intensive Business Services include the textile and clothing, electrical and electronics and metal industries; wholesale and retail sales; information technology and communication; and business services.

Turnover of Finnish design sector and all Finnish business 2008–2012

Turnover of Finnish design sector and all Finnish business 2008–2012

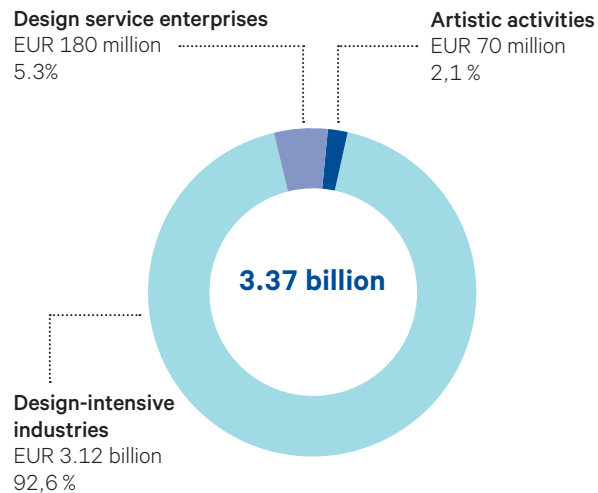


Turnover of Finnish design sector and all Finnish business 2008–2012 in current values, percentage.
(Source: Ministry of Employment and the Economy, Sector Online.)

- The productivity of Finnish design enterprises weakened markedly in 2009 but has since improved somewhat faster than in Finnish business on average.
- Total turnover of KIBS design enterprises grew by five percent in 2012. Design-intensive industries showed nearly zero growth, although the industries differed widely in terms of growth. Growth was strongest in clothing manufacture, and leather goods, metal goods and textile manufacture also showed growth in 2012.
- Despite growth in the 2010's, total turnover in real terms is lower than in 2008 in most design fields, with the exception of the KIBS fields and the manufacture of jewellery products and leather goods. According to the best scenario, it will take several years to reach the pre-recession level of profitability in all fields.

Turnover of design enterprises

Turnover of Finnish design service enterprises (KIBS enterprises), artistic activities and design-intensive industries in 2012



Total turnover of Finnish design enterprises in 2012 according to the enterprise and workplace register of Statistics Finland.

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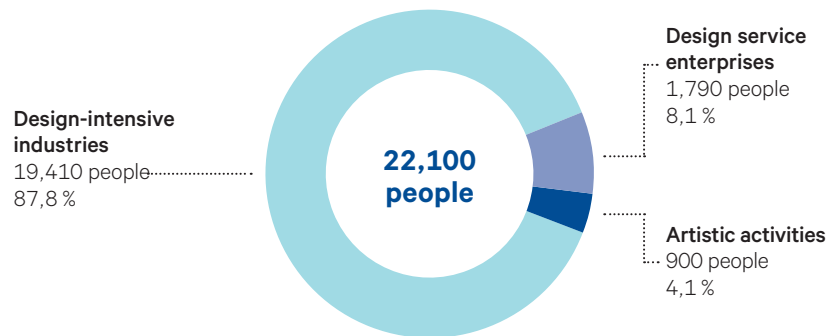
- According to Statistics Finland, total turnover of Finnish design enterprises was EUR 3.37 billion in 2012.
- The total number of design service enterprises and enterprises in other design-intensive fields was 6,940 in 2012. The total number of workplaces was 7,060.

The design sector is dominated by small enterprises

Employment in the design sector

- Design employs an estimated 22,000 people in design-intensive industries, in design service enterprises and in artistic enterprises measured by full-time work years.
- The various fields of the Finnish design sector are dominated by small enterprises. Most enterprises in the sector only employ the owner-entrepreneur.
- Nevertheless, design enterprises that employ less than ten people represent only less than one-third of the total employment of the Finnish design sector and only one-quarter of the sector's turnover.

Employees in design enterprises in 2012

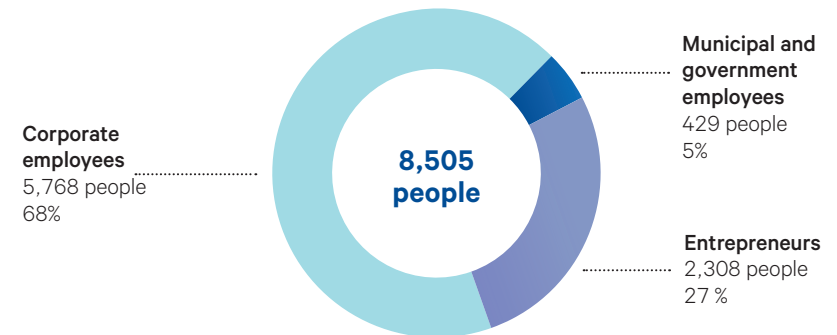


Employees in design enterprises in 2012 according to the enterprise and workplace register of Statistics Finland. (Source: Employment statistics, Statistics Finland.) © ORNAMO RY

Employment by type of employer

- Approximately 95 percent (8,080 people) of the design sector employees with professional training worked in private enterprises and organizations in 2010, and 5 percent (430 people) worked in public entities. Entrepreneurs represented 27 percent (2,308 people) of the total design sector employees with professional training.

Employment of design professionals by type of employer in 2010 (excluding visual artists)

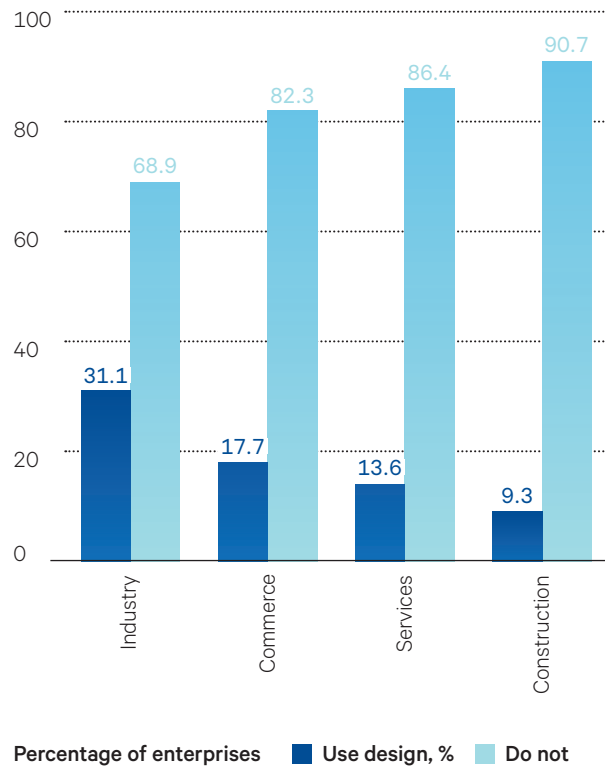


(Source: Employment statistics, Statistics Finland.)

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Use of design by client sectors

Use of design in enterprises by economic sector in 2013, percentage



Source: Enterprise survey by Confederation of

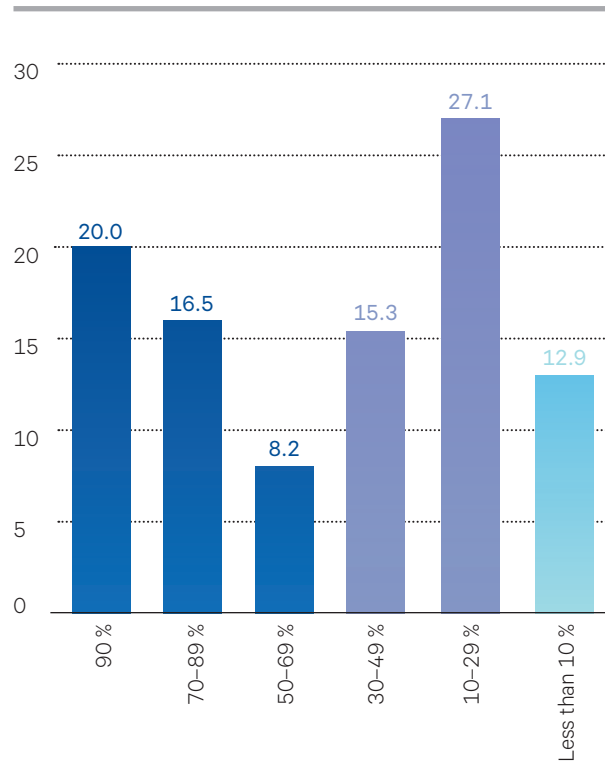
- According to enterprise surveys conducted by the Confederation of Finnish Industries and Ornamo, 20 percent of Finnish enterprises on average make use of design in their operations. In industry in general, design is utilized by every third enterprise. Design plays an important role in the textile, clothing, leather-goods and footwear industries as well as in the electrical and electronics industry.

- The use of design is on the increase in small and medium enterprises. Nevertheless, 60–70 percent of small and medium enterprises do not actively utilize design.

Only one-fifth of enterprises take advantage of design

Role of outsourced design services in client organizations

Outsourced services of the total cost of design, percentage of enterprises

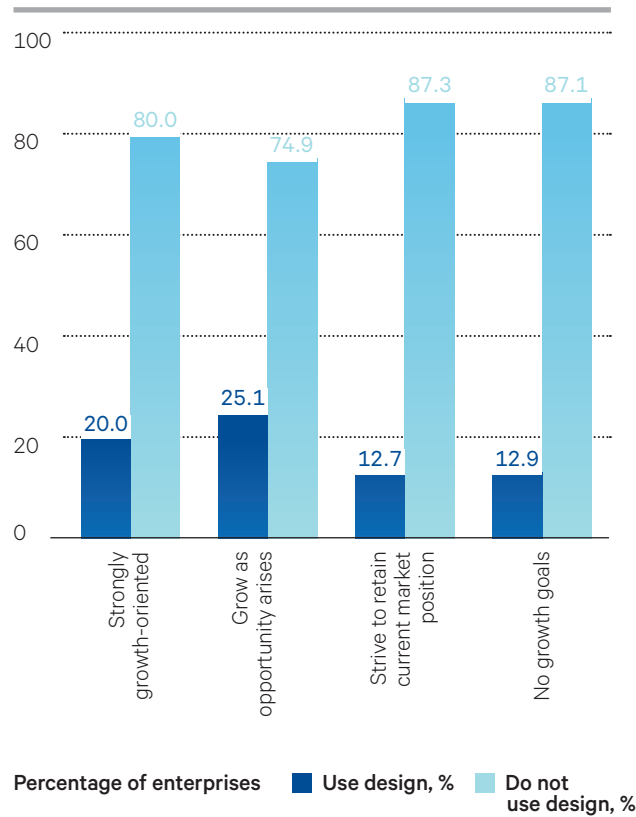


The percentage of design services outsourced to external providers of the total cost of design in enterprises that utilize design in their operations, percentage of enterprises. Source: Enterprise survey by Confederation of Finnish Industries 2013 and Ornamo's enterprise surveys 2013. © ORNAMO RY

- Many organizations combine outsourced design services and in-house design. However, organizations are reluctant to outsource strategically important design. Surveys conducted by the Confederation of Finnish Industries and Ornamo suggest that design services outsourced to external providers represent an average 45 percent of the total costs of design. In-house design represents 55 percent of the costs.
- According to enterprise surveys, the current uncertain economic conditions have had no significant effect on the design inputs of the industrial enterprises that utilize design. However, the recession has improved the use of financial resources allocated to design.
- The recession has had no effect on in-house design, but design services outsourced to external providers have declined somewhat.
- Despite the modest decline in outsourced design services, client organizations view the services provided by external sources favourably. Client organizations particularly appreciate reliability, high-quality operations and competence.
- Close to one-fifth of the respondents believed that service providers could improve in client orientation and flexibility. 46 percent of the respondents considered outsourced design services expensive.

Growth-oriented enterprises utilize design

Use of design in enterprises according to growth orientation in 2013, percentage of enterprises



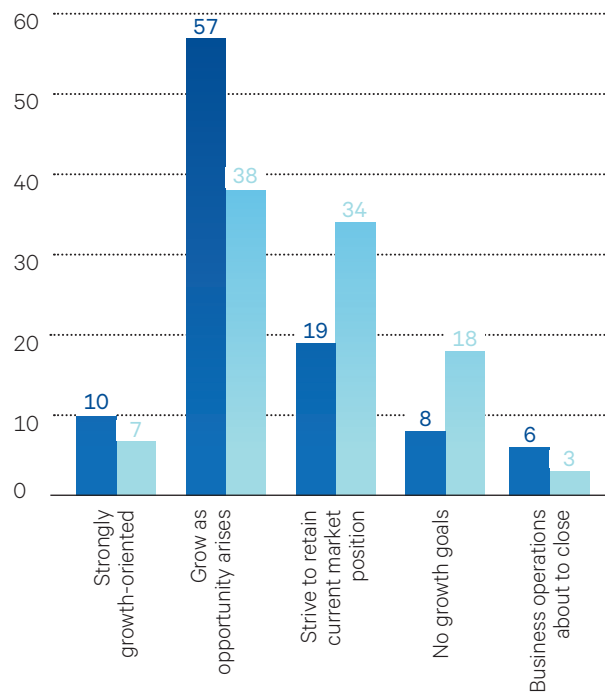
Source: Enterprise survey by Confederation of Finnish Industries 2013. © ORNAMO RY

- Use of design increases in enterprises as their business grows. Growth-oriented enterprises use more design than those that only seek to retain their current market position or have no growth goals.
- Design has helped many enterprises to grow their market share, and some enterprises have been able to expand their product selections and their geographical reach.
- Design boosts corporate competitiveness and growth, because it increases the opportunities of enterprises to distinguish themselves from competitors and to raise product prices (brand effects). Design helps to improve the quality and usability of products, and it improves productivity in enterprises.
- Design can help enterprises to improve their production processes, product quality, customer orientation, product usability and ecological awareness.

Design boosts competitiveness

New growth sought from international markets

Average growth orientation of enterprises in the design sector and among small and medium enterprises in autumn 2013



Percentage ■ Design sector, % ■ All small and medium enterprises

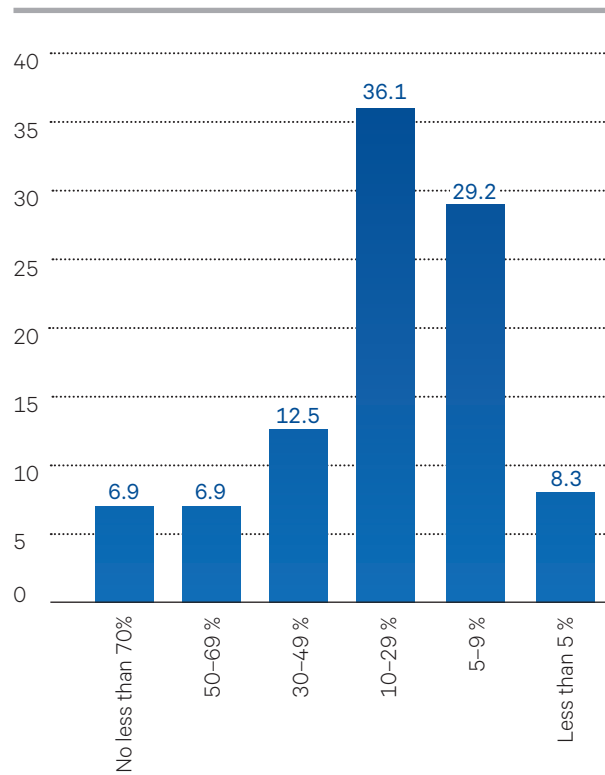
Source: Ornamo's enterprise surveys 2013; the small and medium enterprise barometer of the Federation of Finnish Enterprises, Finnvera and the Ministry of Employment and the Economy. © ORNAMO RY

- Most design enterprises look to the future with confidence. Many seek new growth from international markets to reduce their dependence on domestic economic cycles.
- Although the design sector is heavily dominated by one person enterprises, about 10 percent of the sector's enterprises were strongly growth-oriented in autumn 2013 according to surveys conducted by Ornamo.
- Design enterprises are more growth-oriented than the average among small and medium enterprises.
- 10 percent of the design enterprises surveyed reported being strongly growth-oriented. Only 7 percent of all small and medium enterprises report the same.
- 57 percent of design enterprises grow as opportunity arises, whereas only 38 percent of all small and medium enterprises do the same.
- Surveys show that the main means of growth are expanding to new market areas and broadening the product range. Many enterprises rely on promoting marketing and sales.

Design enterprises are growth-oriented

Design enterprises are internationally oriented

Percentage of enterprises engaged in export



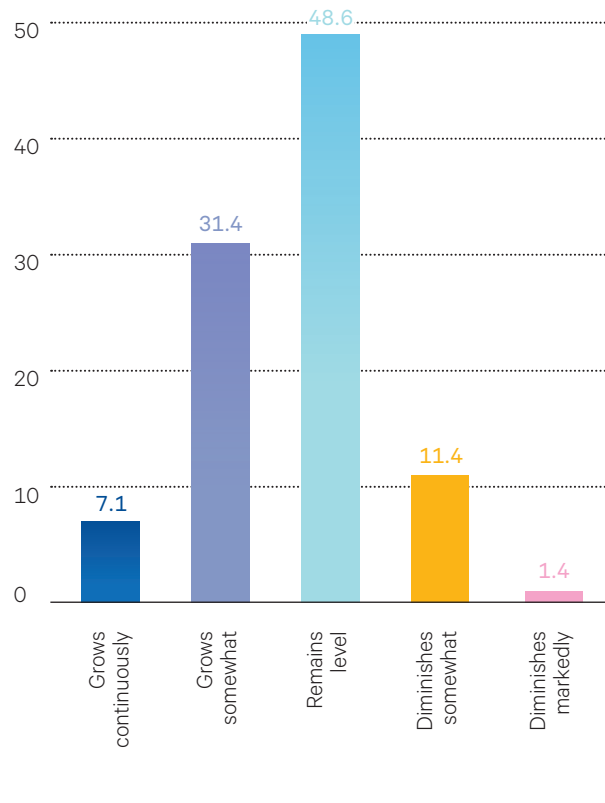
The percentage of export and other international activities of turnover in design enterprises engaged in international activities in 2012. Source: Ornamo's enterprise surveys 2013.

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- Design enterprises seem to be more internationally oriented than Finnish small and medium enterprises on average. According to the small and medium enterprise barometer, only 14 percent of all Finnish small and medium enterprises export.
- More than 40 percent of the design enterprises that responded to the survey are engaged in direct export or other activities outside Finland. This percentage is higher than the average among Finnish small and medium enterprises.
- Many design enterprises providing design services have more international clients than service-sector enterprises on average.

Public procurement grows in importance to design enterprises

Development of public procurement in the design sector over the next three years

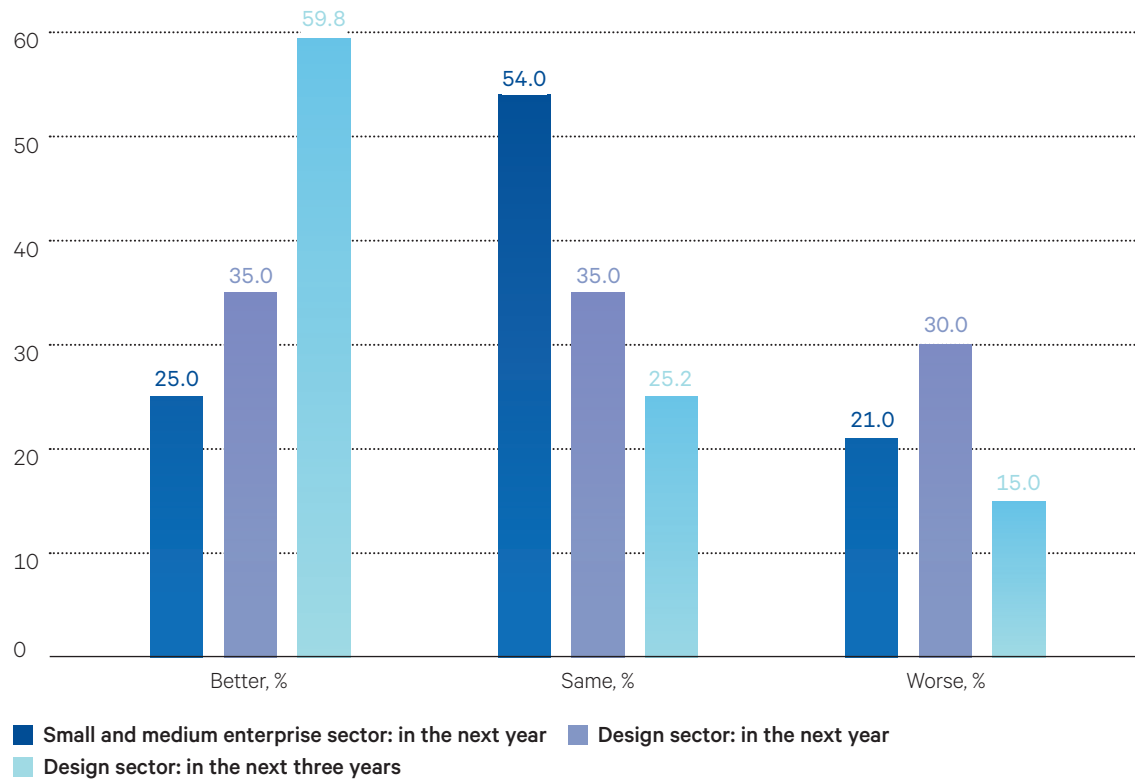


Source: Ornamo's enterprise surveys © ORNAMO RY

- Procurement by State organizations and municipalities is important or fairly important to nearly one-third of the sector's enterprises. It is somewhat important to 20–25 percent of the enterprises.
- 39 percent of the same enterprises expected the procurement of products and services by public entities to grow at least somewhat in the next three years.
- Surveys show that enterprises do not consider public procurement to be very effective.
- Enterprises consider that public procurement organizations should improve their procurement strategies.

Design sector's optimism reflected in growth expectations

Views of design enterprises and the entire small and medium enterprise sector about the general demand and economic outlook in the next year and in the next three years compared with the current situation, percentage



Source: Ornamo's enterprise surveys © ORNAMO RY

- Design sector enterprises are confident about their near future, although the general economic outlook is challenging and the Finnish national economy will grow very slowly in the next few years. Altogether 55–60 percent of the enterprises surveyed by Ornamo expected their turnover and profitability to grow in 2013–14, but they were more hesitant about hiring new employees.
- New optimism has arisen in the sector's enterprises, and this is reflected in expectations for turnover growth. About 60 percent of the enterprises surveyed by Ornamo expected their turnover to grow in the next year.
- Surveys conducted by Ornamo in autumn 2013 found that 35 percent of design enterprises expected the general demand and economic outlook to improve in the next year.

Report on the Finnish design sector and the sector's economic outlook 2013

Report on design enterprises, the corporate profile of enterprises, markets, growth enterprises and the near-term economic outlook

More information

www.ornamo.fi/en/survey-of-finnish-design-sector

What was studied and how?

Ornamo carried out the first ever sector study conducted on the design sector at the turn of 2013–2014. The study was conducted by Pekka Lith. The objectives of the study were to investigate and anticipate what sectors use and will be using design, what the future of the design sector looks like, and how design can promote economic growth. The use of design services by small and medium enterprises was studied in a survey of these enterprises conducted by the Confederation of Finnish Industries (EK) in October 2013. The EK survey comprised 675 enterprises of different sizes and operating in different manufacturing and service sectors.

Altogether 24 percent of the enterprises approached by EK responded to the survey. The results of the EK survey were complemented by another survey

conducted by Ornamo and targeted mainly at large enterprises that use design. By the closing date of the Ornamo survey, 27 large enterprises engaged mainly in industrial activities had responded.

The supply side of the Finnish design sector is illustrated by enterprise surveys conducted by Ornamo in September 2013. The results of these surveys reflect the views of design entrepreneurs and design enterprise management about the recent past and the near future of their enterprises and the fields they represent. The surveys were sent to 632 active players in the design sector. By survey closing dates, 156 enterprises and entrepreneurs had responded, that is, about 25 percent of the target group.



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