
Finnish design sector in numbers

Designing the national economy – how, what, where and for whom?

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 organisations. 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.

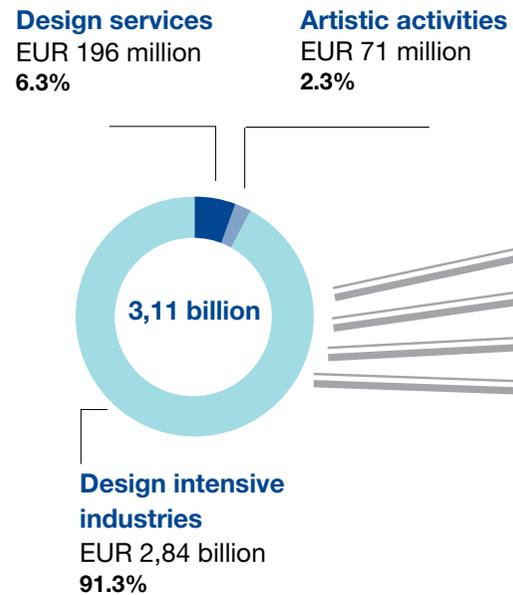
Design-intensive industries comprise industrial manufacturers of mass-produced products, small and medium manufacturers, and enterprises specializing in crafts. The costs for design are relatively low in design-intensive industries, but design plays an important role in the corporate activities, as in 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.

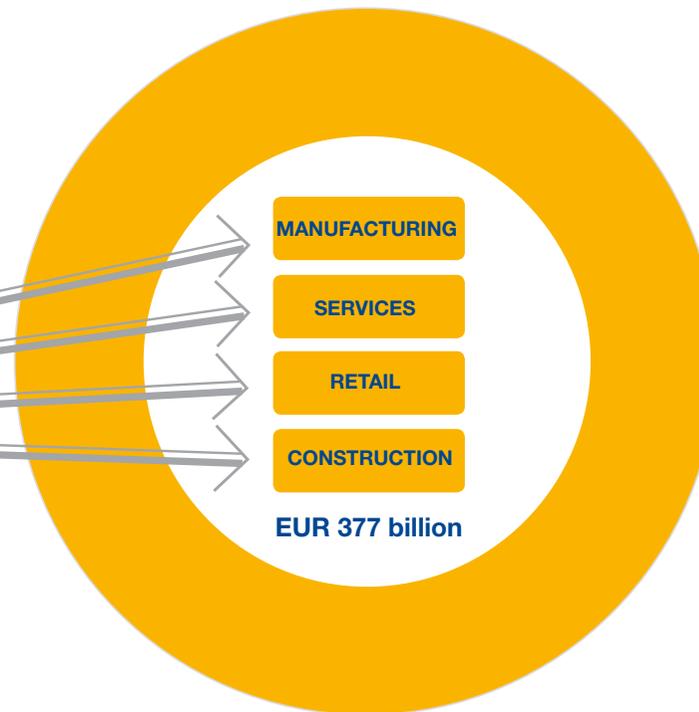
Businesses, public entities and other organizations outsource their design Knowledge Intensive Business Services to external service providers, or they hire in-house design professionals, that is, design professionals in Knowledge Intensive Service Activities, to their organizations. Many organizations 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.

Design industry professionals offer their clients a range of complex and sophisticated services

Finnish design sector turnover



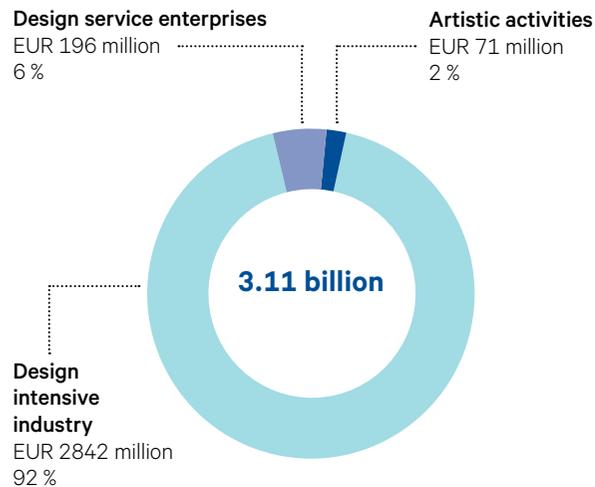
Client businesses



Source: Statistics Finland enterprise data (2007–2014) and Structural business and financial statement statistics (2014)

Design Industry turnover

Finnish design service enterprises (KIBS enterprises), artistic activities and design-intensive industries turnover in 2014.

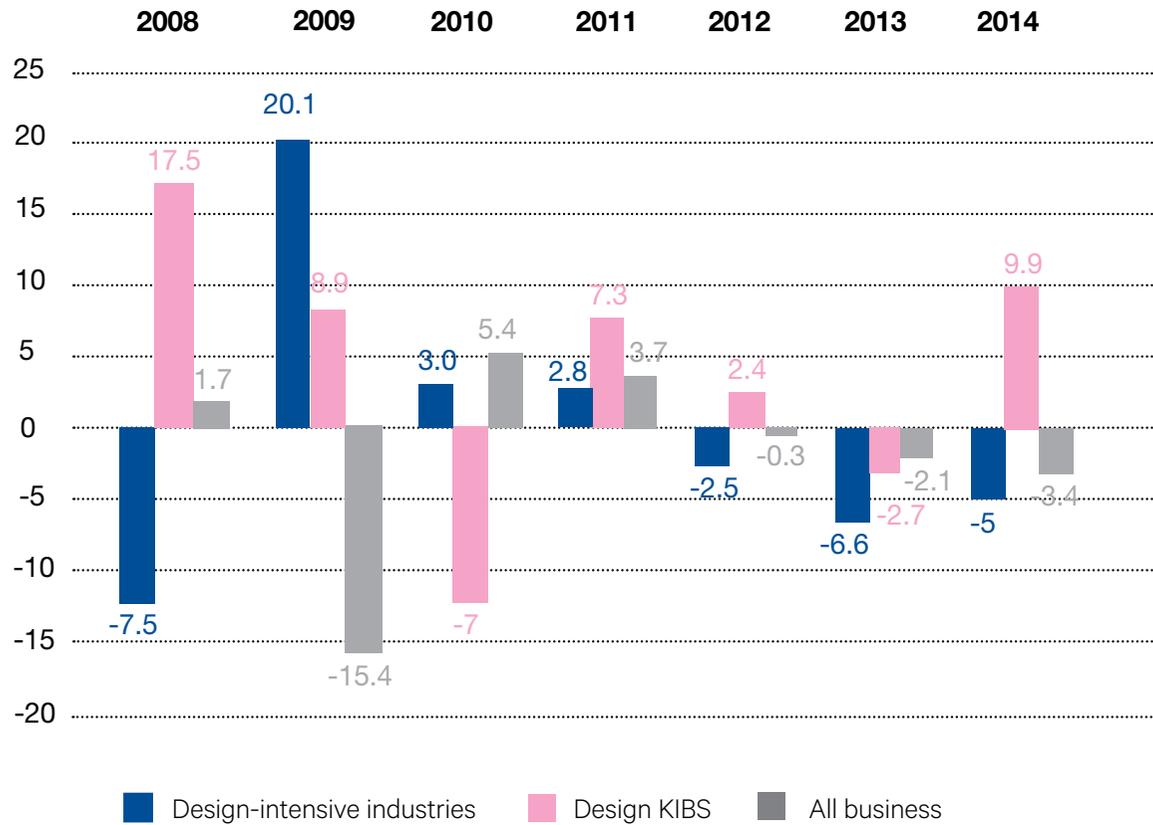


Source: Structural business and financial statement statistics, Statistics Finland

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- The total turnover of Finnish designed industry businesses in 2014 stood at approximately EUR 3.11 billion. The design-intensive industries represent some 92% of the total. The largest industrial specialties include furniture-making and wood products. Design services and artistic activities represent a total of 8% of the total.
- In 2014, total turnover grew by 9% and 5% for KIBS design enterprises and artistic activities enterprises, respectively. Turnover for design-intensive industries contracted by 5%. In manufacturing, turnover fell in all areas except metal products.
- Despite the growth recorded in the 2010s, the turnover for many design sectors remains lower in real terms than in 2008. Bucking this trend are the KIBS sector and the artistic activities sector. Even at the best-case scenario, it will take several years to return to the pre-2009 financial crisis levels.

Turnover trends in Finnish design sector and all Finnish business 2008–2014, %



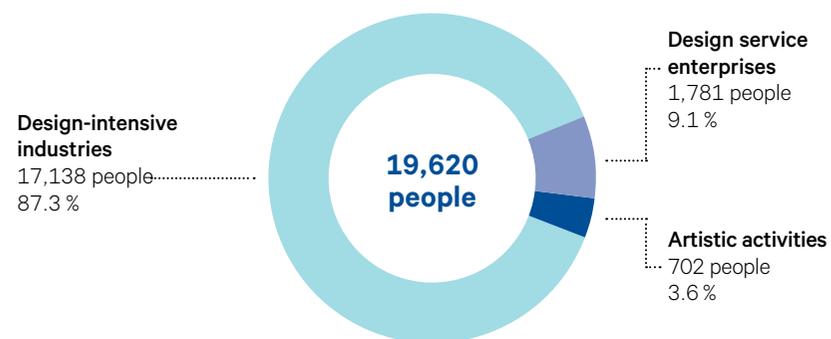
Source: Structural business and financial statement statistics, Statistics Finland

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Design sector labour market

- Design employs an estimated 19,600 people in design-intensive industries, in design service enterprises and in artistic enterprises in full-time equivalent posts. The number of people employed has fallen in the course of the 2010, due to the contractions in the sector.
- In relative terms, employment figures has suffered most in the furniture, leather goods and jewellery sectors. By contrast, businesses in the design service and artistic sectors have increased their employment. However, it should be noted that the Finnish design service sector is dominated by small enterprises, the majority of which offer employment to the owner-entrepreneur only.

Employee distribution by sector

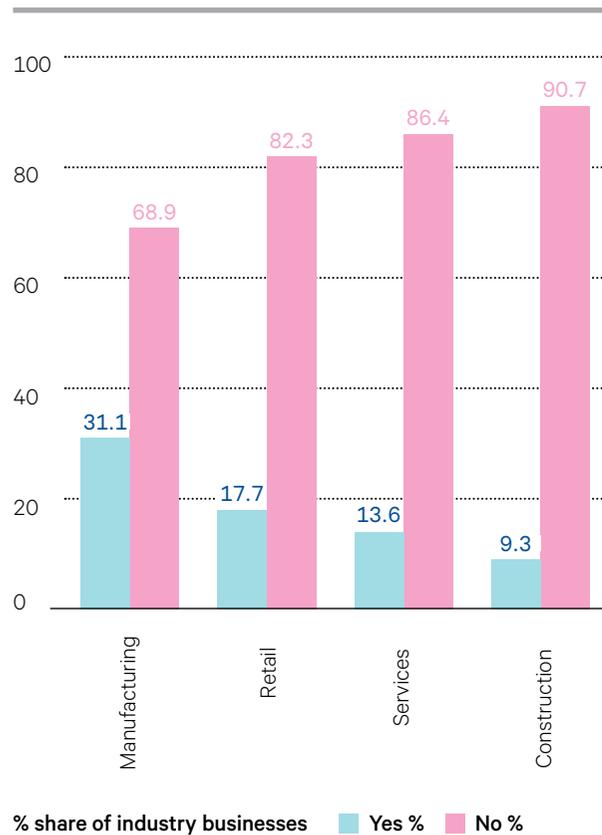


Source: Structural business and financial statement statistics, Statistics Finland

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Demand for design by client industry

Design demand by industry in 2013, %



Source: Survey of Finnish SMEs conducted by EK

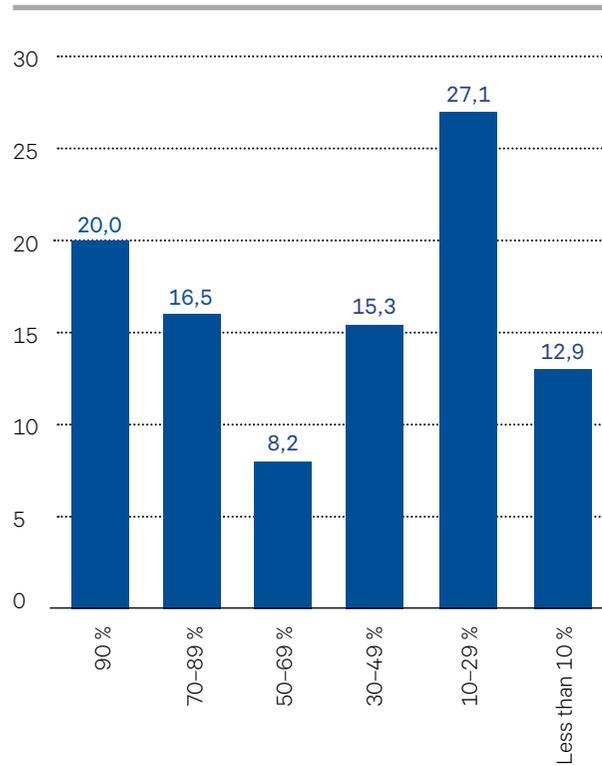
- Surveys conducted by the Confederation of Finnish Industries (EK) and Ornamo show that, on average, 20% of Finnish businesses make use of design in their work. In manufacturing, around a third of all businesses have demand for design-related services. Design plays an important role in the textile, clothing, leather goods and footwear industries as well as in the electrical and electronics industry.

- The use of design is on the increase among SMEs. Nevertheless, 60–70% of SMEs do not actively make use of design.

A fifth of businesses invest in design

Role of outsourced design services

Outsourced services by total design spend, percentage of businesses, %



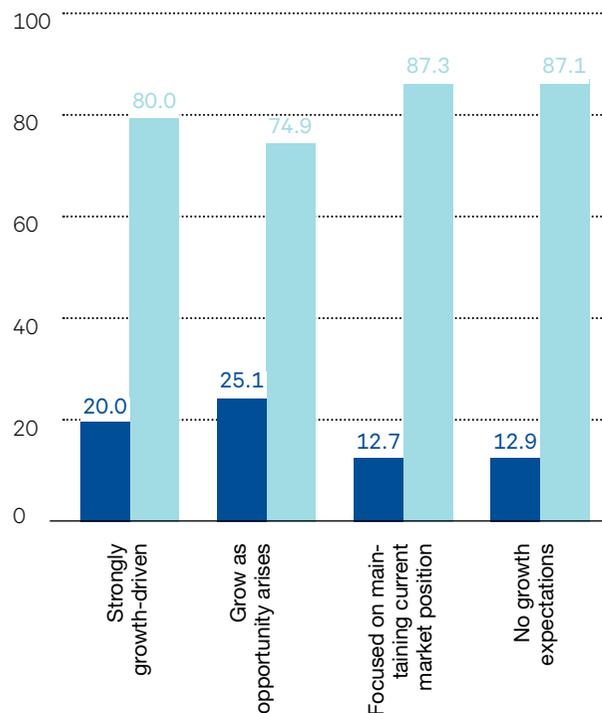
Percentage of design services outsourced to external providers represented as a share of total design spend, percentage of businesses. Source: Confederation of Finnish Industries enterprise survey 2013 and Ornamo's enterprise survey 2013.

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- 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% of the total costs of design. In-house design represents 55% of the costs.
- According to enterprise surveys, the current uncertain economic conditions have not had a significant impact 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 impact 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 on their client focus and flexibility. A total of 46% of the respondents considered outsourced design services expensive.

Growth -driven businesses keen on design

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



Percentage of Use design, % Do not use design, %

Source: Enterprise survey by Confederation of Finnish Industries 2013.

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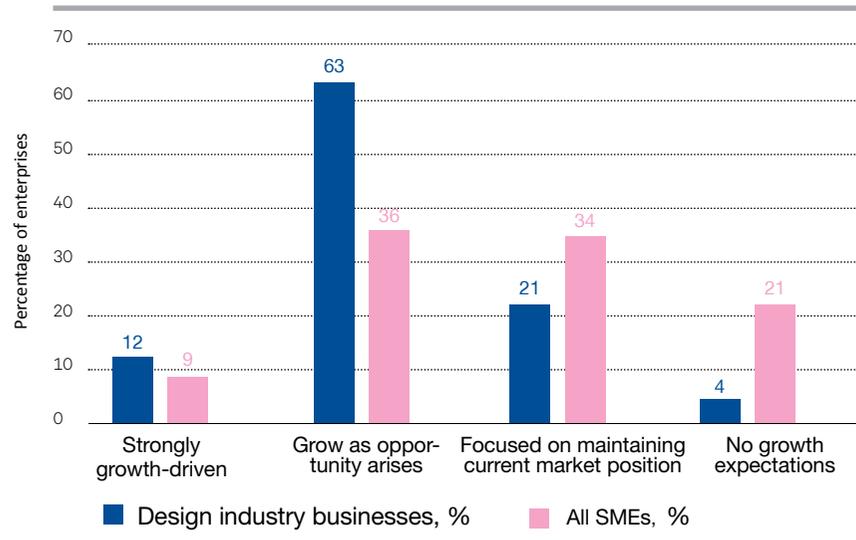
- Use of design increases in enterprises as their business grows. Growth-oriented enterprises use more design than those that only seek to retain their current market position or have no growth goals.
- Design has helped many businesses to grow their market share, and some enterprises have been able to expand their product selections and their geographical reach.
- Design drives 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 drives growth and competitiveness

Finnish design industry defined by drive for growth

- Compared with other SMEs, businesses in the Finnish design industry are more growth-driven, with more than 10% of respondents to the 2016 Ornamo survey reporting a strong focus on growth. In the first half of 2016, only 9% of Finnish SMEs gave the equivalent response.

Growth orientation among design sector businesses and SMEs in 2016

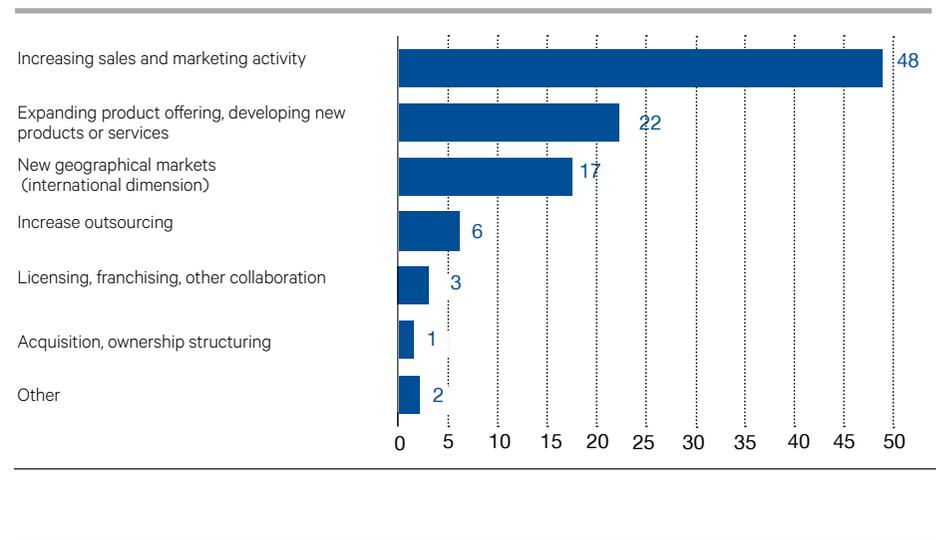


Source: Ornamo surveys 2016, Confederation of Finnish Industries economic barometer 1/2016

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- 63% of design industry businesses only pursue growth when the opportunity arises, whereas only 36% of SMEs report a similar approach. Sector businesses tend to rely on sales and marketing to generate growth. Expansion to new markets and increased product offering are also cited.

Key growth strategies for Finnish design industry businesses, by percentage



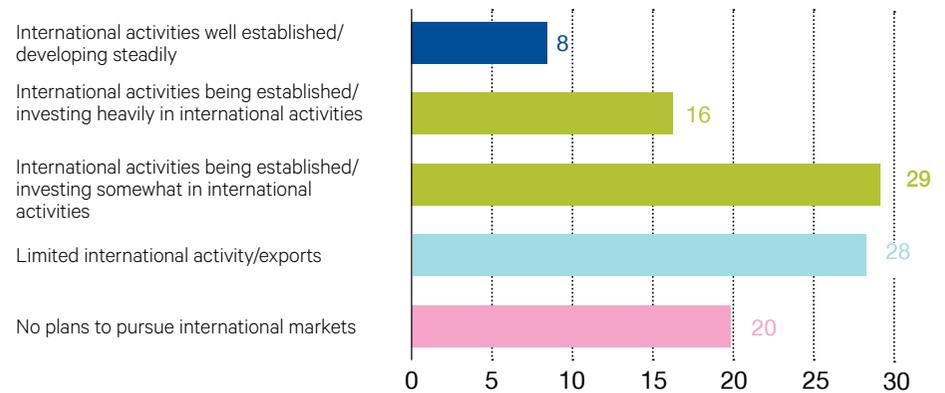
Source: Ornamo business surveys 2016

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The international dimension

- According to surveys carried out by Ornamo, more than a fifth of Finnish design industry businesses were involved in exports or other international activity, with such activity representing at least 10% of total turnover. In addition, nearly 40% of businesses reported small-scale or occasional sales to international customers. This is higher than the average among Finnish SMEs.
- Survey data suggests that international activities are an established aspect of business for some 8% of all design industry businesses. In addition, 45% of businesses invest heavily or somewhat into their international activities. Businesses offering design services are reporting increasing numbers of international clients.
- Key areas internationally are the Nordic countries and EU member states. That nearly 20% of all Finnish design industry businesses operating internationally sell to the challenging North American market is a reflection of the high level of professional competence and expertise found in Finland. Product and service sales to Russia and elsewhere in Eastern Europe remain limited.

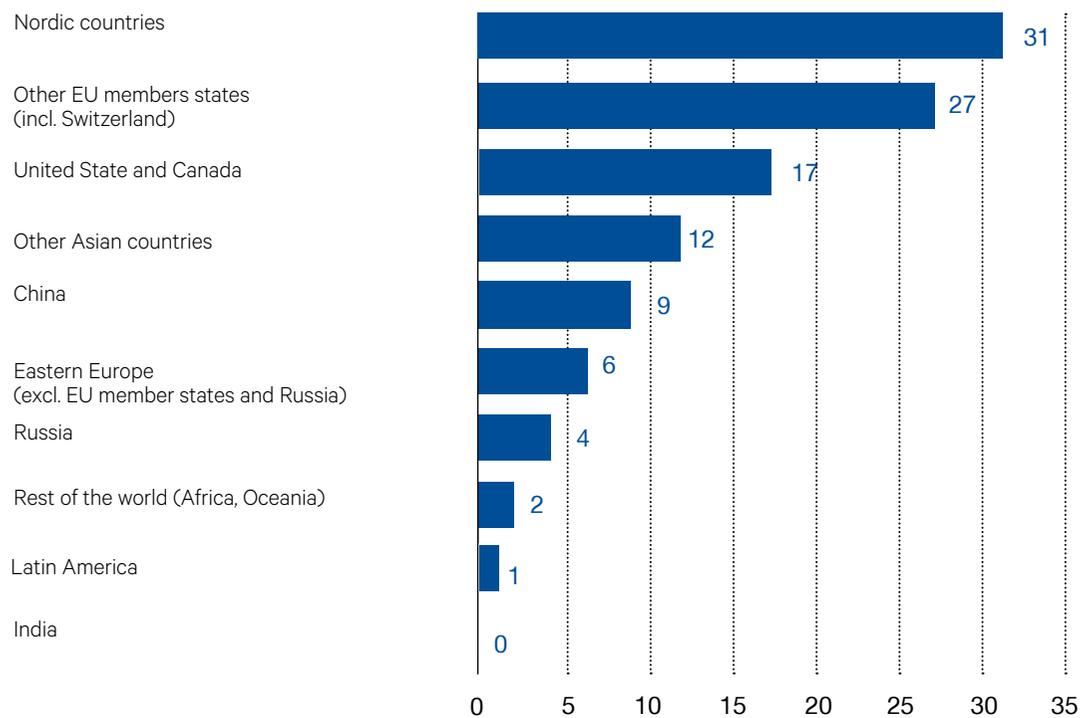
International market aspirations of Finnish design industry businesses



Source: Ornamo business surveys 2016

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Key target areas for Finnish design industry businesses in 2016, percentage of businesses



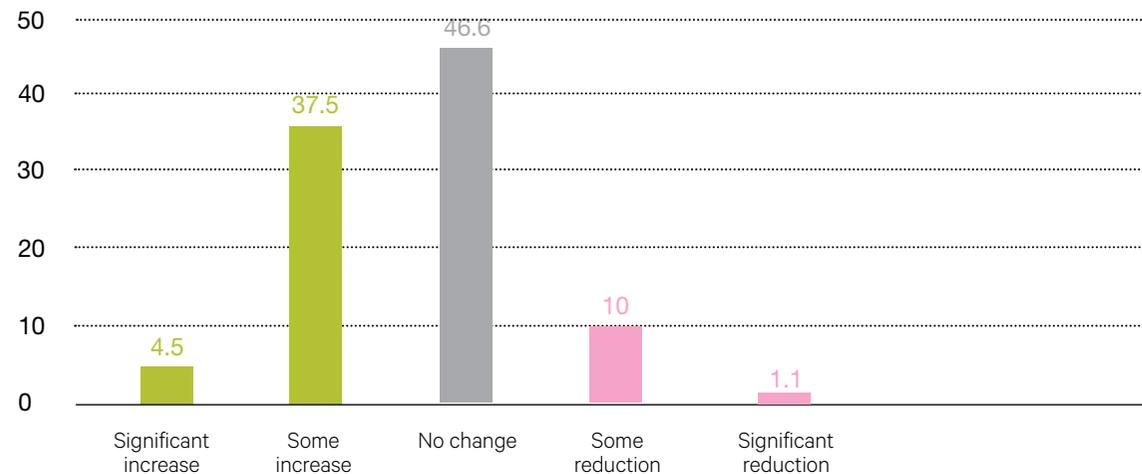
Source: Ornamo business surveys 2016
(NB: Businesses may report exports or international activity in more than one market.)

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Finnish design industry and the public sector

- Public procurement by central and local government is important or fairly important to nearly a third and somewhat important to 20–25% of sector businesses. In 2016, 42% of such enterprises expected to see at least a minor increase in the sales of products and services to public sector organisations in the next three years.
- Surveys findings suggest that design industry businesses do not consider public procurement processes to be very effective. However, reforms to the legislation surrounding public procurement are expected to improve the situation for small businesses, as regulatory framework is streamlined and clarified and more flexibility is introduced.

Expected public procurement trends in the design industry, next three years

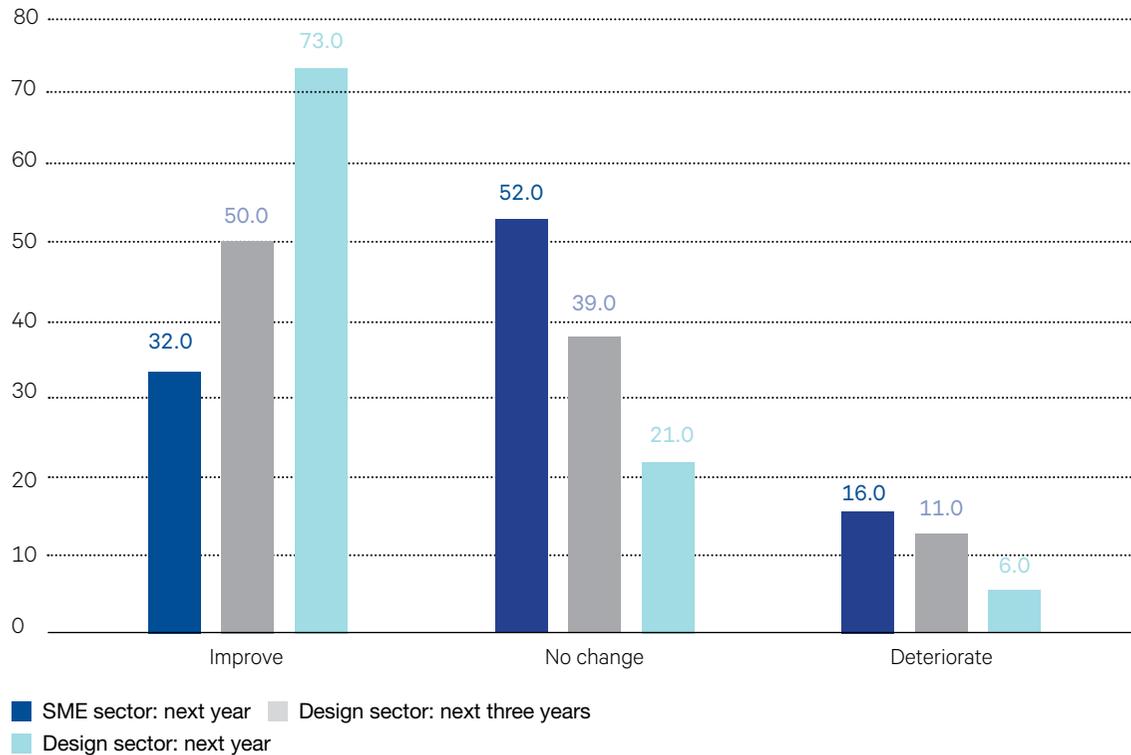


Source: Ornamo business surveys 2016

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Design sector's optimism reflected in growth outlook

Design business outlook on turnover, staffing, production costs and profitability for the next 12-month period, compared with the current situation (summer 2016), percentage



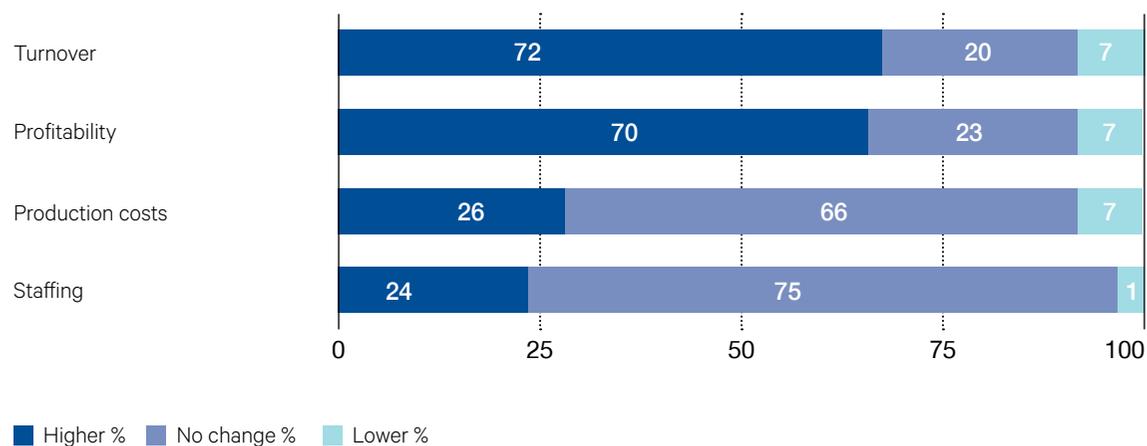
Source: Confederation of Finnish Industry SME barometer 1/2016, Ornamo business surveys 2016

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- Design sector businesses report a confident short-term outlook, although the general economic outlook is challenging and the Finnish national economy is expected to see slow growth in the next few years. In the summer of 2016, a total of 50% of design industry businesses reported that they were expecting demand and the overall economic outlook to improve in the next year.

- According to our survey findings, some 70% of businesses expect turnover and profitability to increase in 2016–2017. The moderate rise in production costs is facilitating the rise in profits. Respondents continue to report a restrained approach to recruitment, which is in part attributable to the high number of one-person businesses.

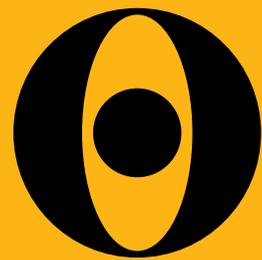
Finnish design industry views on turnover, staffing, production costs and profitability compared with current situation (summer 2016) and one year ago (summer 2015), percentage of businesses



Source: Ornamo business surveys 2016

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- On the whole, Finnish design industry businesses' outlook in the first half of 2016 was more positive on average than in the SME sector generally and the optimism increases over the next three-year period. It should be noted that expectations often outstrip actual growth.



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