Key Figures on the Finnish Design

These figures are based Ornamo's 2017 report on the Finnish design sector and its economic outlook. The related survey concerning the economic outlook was carried out in the summer of 2017, with 140 enterprises responding. In addition to Ornamo's survey, enquiries were carried among members of the Finnish Federation of Enterprises concerning the importance of applying design in business. The report was commissioned by Ornamo from the Lith Consulting Group.

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Design in the national economy – Where, how and for whom?

Enterprises of the design sector are divided into three main groups: the manufacturers of design-intensive products, design service enterprises (design offices and agencies) and enterprises involved in the creation of artworks. This classification is based on the EU's classification of industries. The 2017 Ornamo report on the design sector and its economic outlook includes digital design as a new category.

Design-intensive manufacturing is defined as activity in which the physical properties of products (fashionable features, ergonomics, colours etc.), practical aspects or individuality are of particular importance for the end user.

In the manufacturing of design-intensive products, design skills are usually associated with durable and other consumer goods, such as textiles, clothing, leather products, furniture and jewellery or decorative objects.

The manufacturing of design-intensive products often means the crafted production of small editions of products as opposed to capital-intensive and largely automated industrial mass production (production-line manufacturing).

Skill-intensive **design service enterprises** or design agencies differ from design-intensive manufacturing by usually having no manufacturing operations of their own. They are service providers creating and passing on new ideas and skills, for example, to public corporations, businesses and other private entities.

The design sector belongs by its nature to the labour-intensive service industries, whose main factor of production consists of trained labour and human capital based on a high degree of competence.

Artistic production consists of the enterprises of artisans and other artists operating on commission fees, contractually or on a freelance basis. Their works are unique, one-off pieces, not serially produced items.

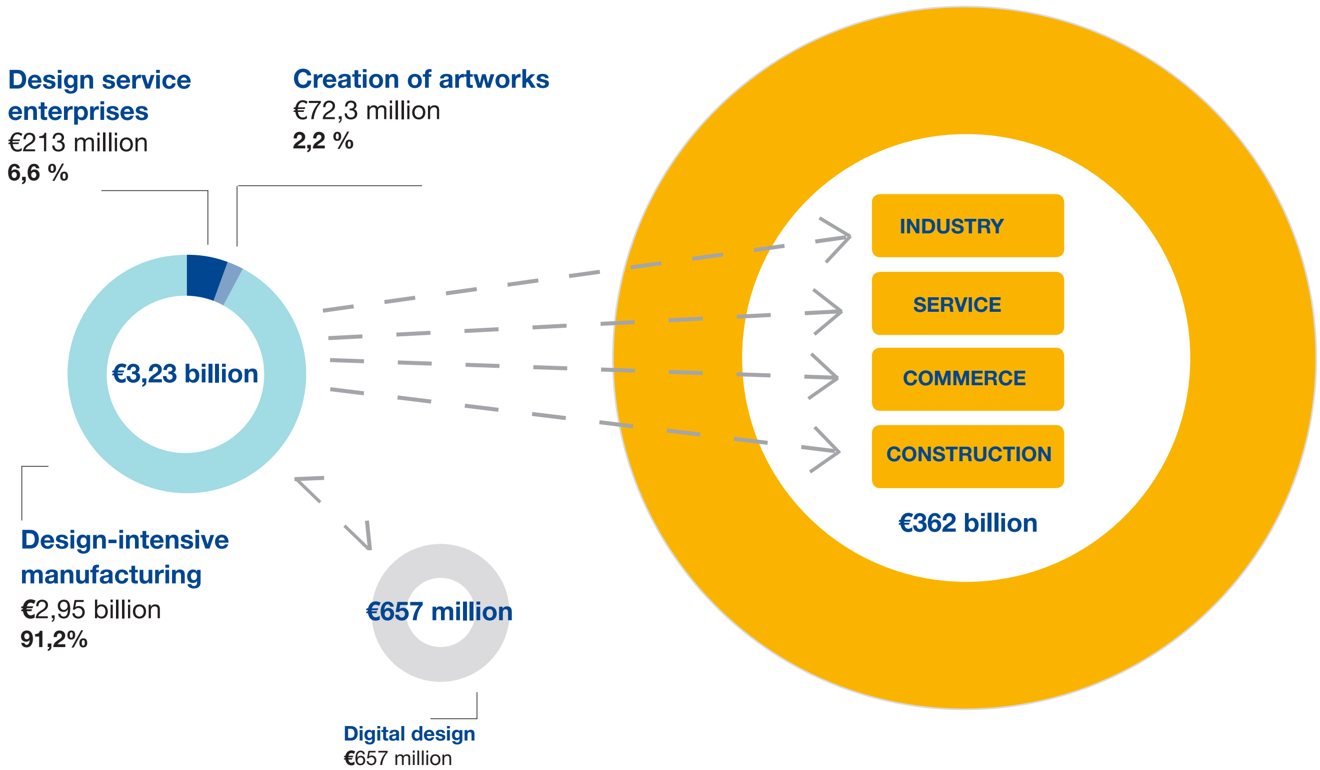
Actors in this field often consider themselves independent artists rather than entrepreneurs. Work as a side-line or on a part-time basis is typical of this field, because professional activity based on fees is often practised alongside other work such as teaching. The entrepreneurs in this connection are basically artists and designers in a wide range of fields.

Digital design was included in the survey as a new sub-group of the sector. It consists of three areas listed in the EU's official classification of industries: the publishing of computer games, the publishing of other software, and the design and production of software. To consider digital design alongside other areas of design is called for because of the rapid digitisation of the overall operating environment. Digitisation does not only mean converting operations into electronic format but also implies changes in the whole operating environment and new forms of action.

A high degree of competence is the main factor of production in the skill-intensive design service enterprises.

Turnover in the design sector

Use of design by client sectors



Source:
Employment statistics, Statistics Finland

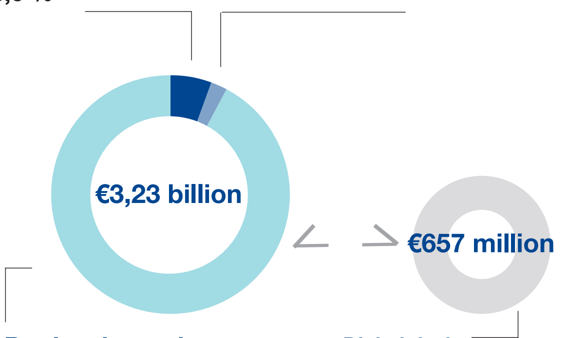
Digital design comprises:
- The publishing of computer games
- The publishing of software
- The design and production of software

Turnover in the design sector

The turnover of Finnish enterprises in the design sector (KIBS enterprises, artistic activity, design-intensive industries and digital design) in 2015.

Design service enterprises
€213 million
6,6 %

Creation of artworks
€72,3 million
2,2 %



Design-intensive manufacturing
€2,95 billion
91,2%

Digital design
657 milj. euroa
Comprises:
- The publishing of computer games
- The publishing of software
- The design and production of software

- The turnover of the design sector in Finland was €3.23 billion in 2015 according to the regional business operations statistics of the Statistics Finland organisation. This figure includes design-intensive industries, design service industries and the creation of artworks. The proportion of digital design, considered separately here, was €657 million.

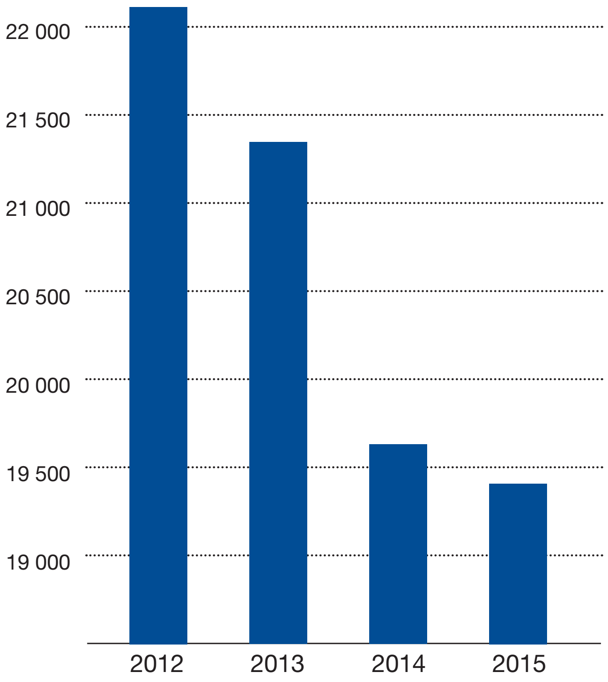
- Design-intensive manufacturing accounted for 91.2 percent of all turnover in the design sector. The leading areas of industry in this connection were the manufacturing of wooden products and furniture. Design service enterprises and the creation of artworks amounted to less than nine percent.

- The volume of turnover grew in the design sector by €120 million from 2014 to 2015. The largest amount of growth came from design service enterprises, whose turnover grew by a total of 8.7 per cent from 2014 to 2015. The increase of turnover from 2010 to 2015 was 27.8 per cent. There was also a small increase in the turnover for artistic activity, amounting to €72.3 million in 2015. The corresponding figure in 2014 was €71 million.

- Turnover decreased in most areas of design-intensive manufacturing. Exceptions were the clothing, leather and metal products sectors, and ceramic products.

Employment in the design sector

The number of people working in the design sector measured in terms of full-time work years, 2012–2015.



- In 2015, the design sector employed 19,420 people calculated in terms of full-time work years, the majority of them in design-intensive industries. This figure includes design-intensive industries, design service enterprises and the creation of artworks.

- The number of employed people has decreased. The corresponding figure in 2014 was 19,600 and 22,100 in total in 2012. The number of employees has gone down in all sectors of manufacturing industries, except for the small metal-products sector. In design service industries, on the other hand, the number of employed people grew by 20 per cent.

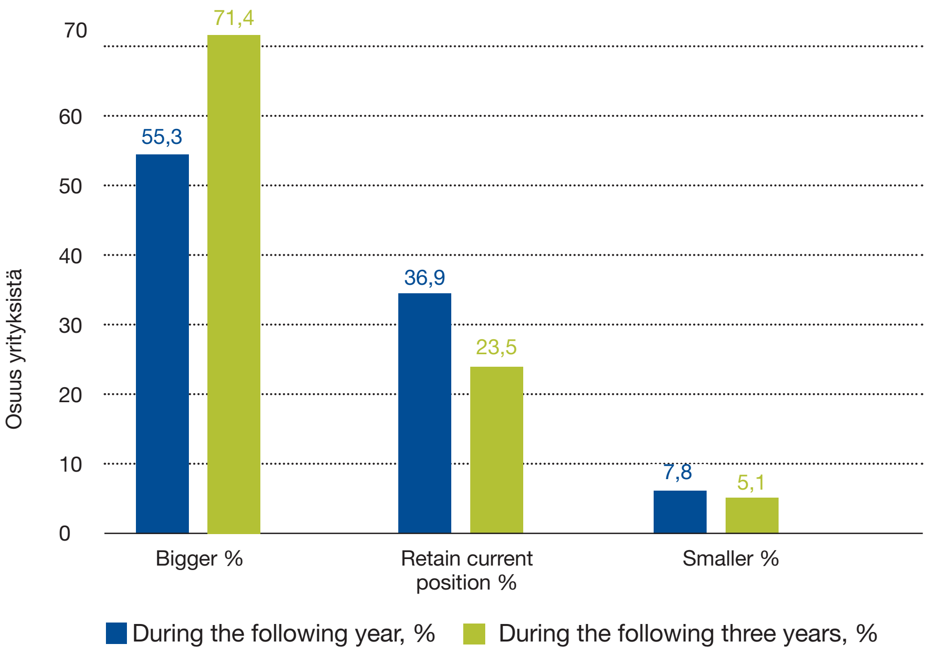
- It is noteworthy that the design sector is in a process of change and the applications of design are expanding into new areas. In commerce, banking and service industries, for example, design methods and design professional are engaged to a growing degree in developing services. The jobs created through these developments are not completely indicated by the above figures.

- The general economic situation is reflected in the design sector. The employment rate has decreased in the sectors and the numbers of launched and closed enterprises have grown. Compared with related fields, designers have a higher rate of unemployment than the average. According to the statistics of Finland's Ministry of Economic Affairs and Employment, 15% of designers were unemployed in 2015. As a result of restructuring in the industrial sectors, the number of redundancies is higher than a year before. Unemployment among designers has grown at the rate of approximately one per cent per year

- For purposes of comparison, it must be pointed out that 29,176 people were employed in the digital design sector. This number includes people working in the publishing of computer games and software and the design and production of software.

The optimism of the design sector reflected in the economic outlook

Estimates of overall demand and economic outlook among design sector enterprises for the next and three following years compared with the present situation.



Source: Ornamo's enterprise surveys 2017

- Ornamo's 2017 economic outlook survey indicates continued growth of turnover in the design sector. Sixty-one per cent of the entrepreneurs that responded to Ornamo's 2017 economic outlook survey stated in June that their turnover had grown in comparison with the situation at the same time in the previous year. Only 5 per cent of all respondents reported lower turnover. The trend is obvious, as almost a quarter of the enterprises had noted decreased turnover last year.

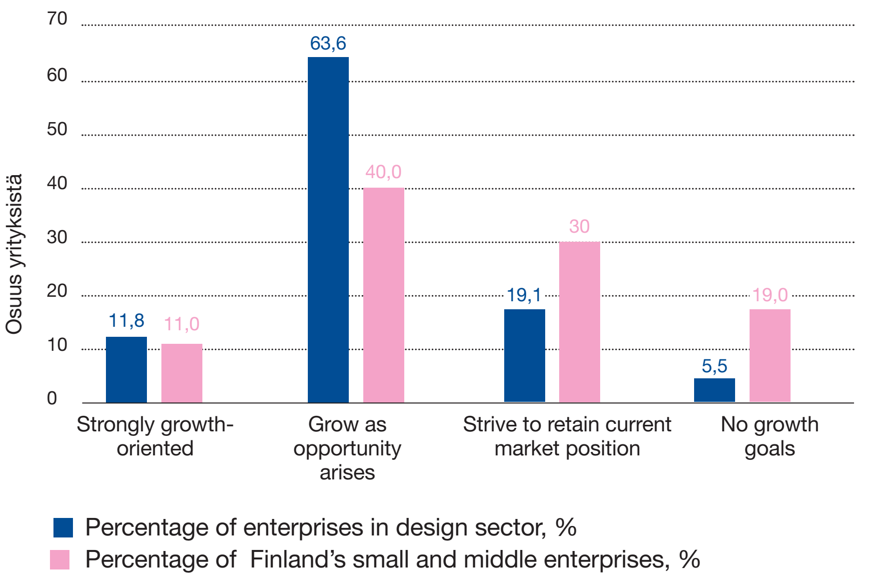
- Improved profitability was reported by 40 per cent and weakened profitability by 11 per cent of the enterprises, which means that the balance indicating the development of profits was +29 per cent, showing that average profitability had improved. These developments were the result of turnover growing faster than production costs in the sector during the past year.

- The optimism of enterprises in the sector is reflected in the economic outlook, since as many one out of two entrepreneurs who responded to the 2017 survey expected overall demand and the economic outlook to improve during the year to come.

- The design sector's short-term expectations of development in turnover in their own enterprises were much more positive than among Finnish enterprises on average. The small and medium enterprise barometer of the Ministry of Economic Affairs and Employment, the Finnvera organisation and the Federation of Finnish Enterprises also shows that the design sector's expectations of general economic trends and demand were more positive than the average among other small and medium enterprises.

Enterprises in the design sector are growth-oriented

Growth orientation in the design sectors and the small and medium enterprise sector as a whole in 2017.



Source: SME barometer surveys 2017 and Ornamo's enterprise surveys 2017

- In the summer of 2017, approximately 12 per cent of the respondents to the Ornamo survey were strongly growth-oriented. Sixty-four percent reported that they would grow where conditions permitted and 19 per cent stated they would focus on maintaining their present position.
- In relative terms, the number of strongly growth-oriented enterprises was the same as in the previous year. All in all, the number of growth-oriented enterprises was roughly the same from 2014 to 2017 if those intending to grow where conditions permitted are included.
- On the whole, the design sector has more growth-oriented enterprises than on the average among Finland's small and middle enterprises.

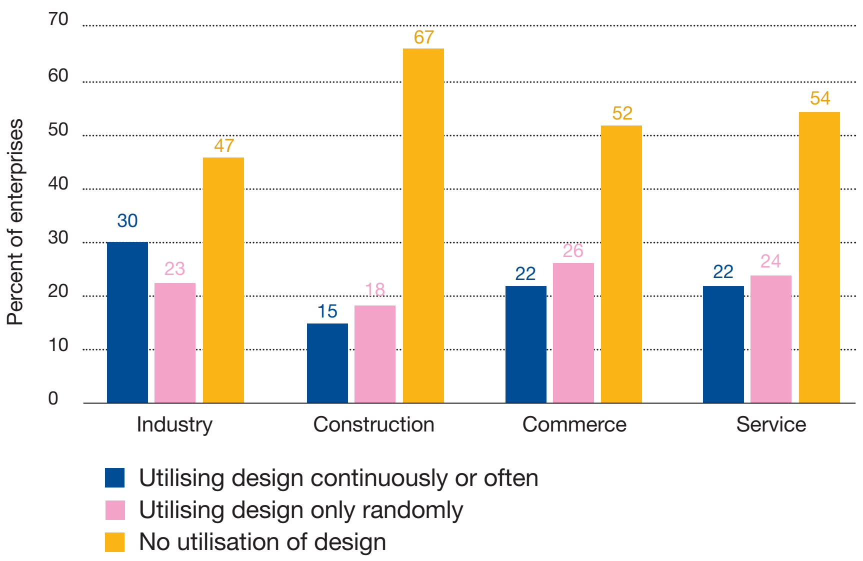
Added value from design

- According to the barometer surveys of the Ministry of Economic Affairs and Employment, the Finnvera organisation and the Federation of Finnish Enterprises, 21 percent of Finland's small and medium enterprises make use of design continuously or often. Twenty-four percent utilise design randomly, but 55 percent make no use at all of design. Design is utilised the most in manufacturing and the least in construction.

- Design has several direct and indirect effects on the business operations of enterprises. According to surveys conducted by the Federation of Finnish enterprises in the summer of 2017, design has speeded the development of products and services and increased understanding of the real needs, hopes and wishes of clients. (See diagram 'Effects of design on business' on the following page.)

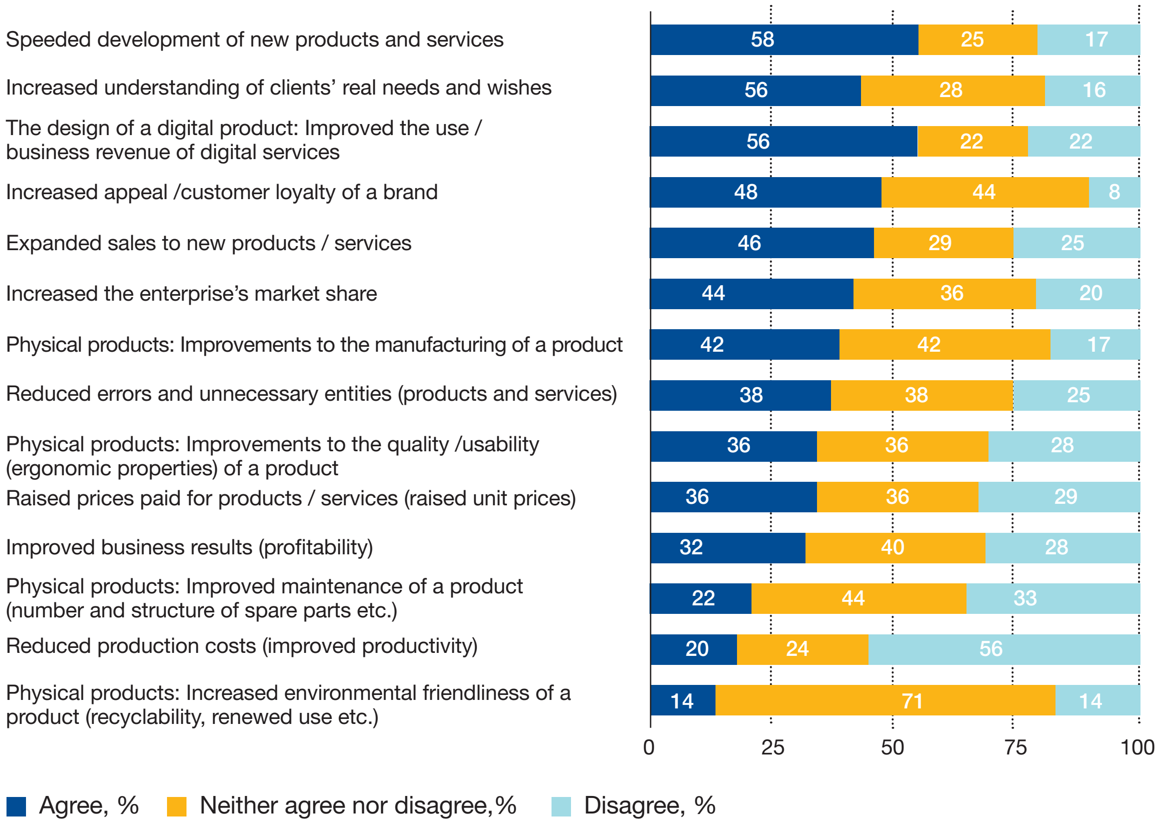
- The design of digital applications has improved service-related business in particular. Design has helped enterprises enlarge their share of the market and some enterprises have managed to expand their geographical market and their product range into new products and services. (See diagram 'Effects of design on business' on the following page.)

The use of design in small and middle enterprises according to main sectors in 2017.



Source: Surveys of the Ministry of Economic Affairs and Employment, the Finnvera organisation and the Federation of Finnish Enterprises 2017

Effects of design on business.

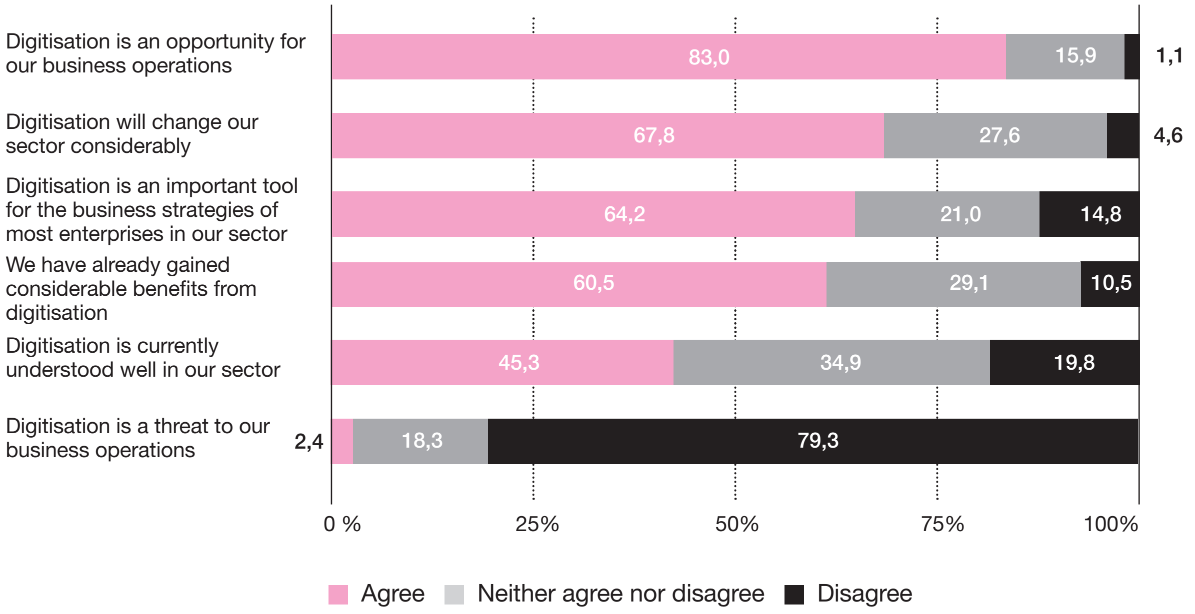


Source: Surveys of the Federation of Finnish Enterprises 2017

Increasing digitisation

- Financial investments by design sector enterprises in developing digitisation will increase significantly in the near future.
- The surveys also reflect the major importance of digital investments in the future. Almost half of the respondents stated that their financial investment in digital technologies and systems will grow during the next two years.
- A definite majority of design sector enterprises that responded to the Ornamo survey regarded digitisation to be a great opportunity for business. The balance for this opinion was as high as 82 per cent Only a couple of per cent of responding enterprises considered digitisation to be a threat to business.
- Over 60 per cent of the respondents stated that digitisation is an important tool in the sector and two thirds observed that it will change the design sector considerably in the future. The majority (60%) of the responding enterprises reported having gained considerable benefits from utilising digitisation.

The views of design sector enterprises on the digital environment and digitisation in business in 2017, percentage of enterprises.



Source: Ornamo's enterprise surveys 2017

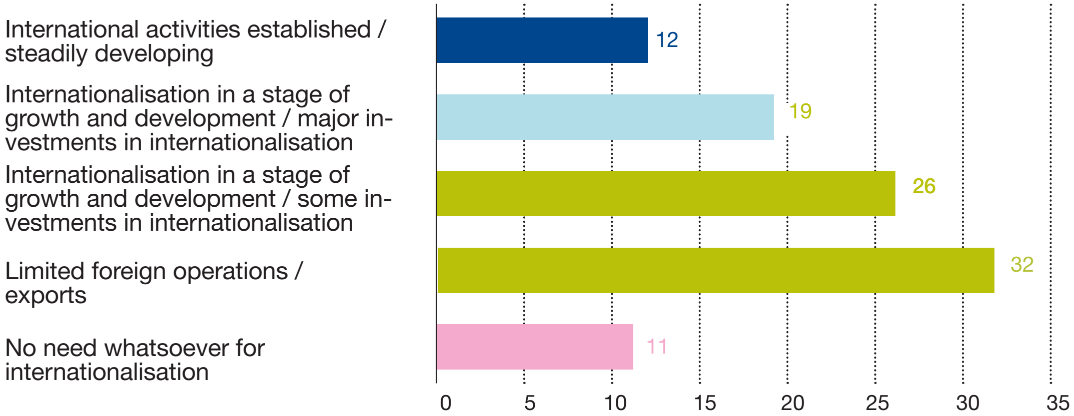
Exports and the internationalisation of enterprises

- Of the enterprises that responded to Ornamo's 2017 survey, twelve per cent had established and steadily developing international operations and almost one enterprise out of five invests determinedly in international operations. These proportions have grown slightly in recent years.

- The extent of international operations among design sector companies, the areas concerned, and the promotion of internationalisation were described in closer detail in the economic outlook and sector report of 2016. According to this source, the main market areas of design sector enterprises engaged in international operations are the Nordic countries, where slightly less than one third of respondents operated. Over a quarter of respondents had operations in other EU countries.

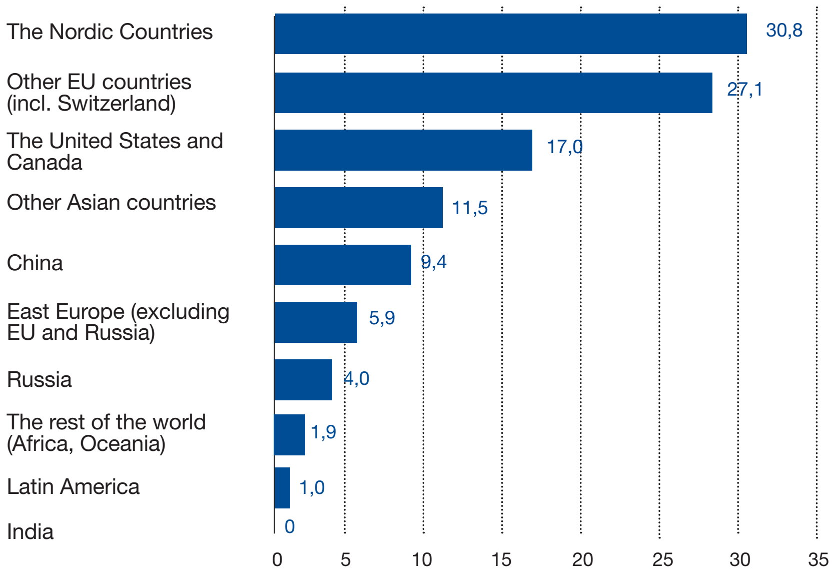
- Of the new potential market areas where enterprises do not yet have any activity, major focuses of interest are the Nordic countries, other EU countries and North America, which is ranked surprisingly high. According to the survey, international activities have a connection with an orientation towards growth but not with the size of the enterprise.

Aims related to internationalisation among design sector enterprises in 2017, percentage of enterprises.



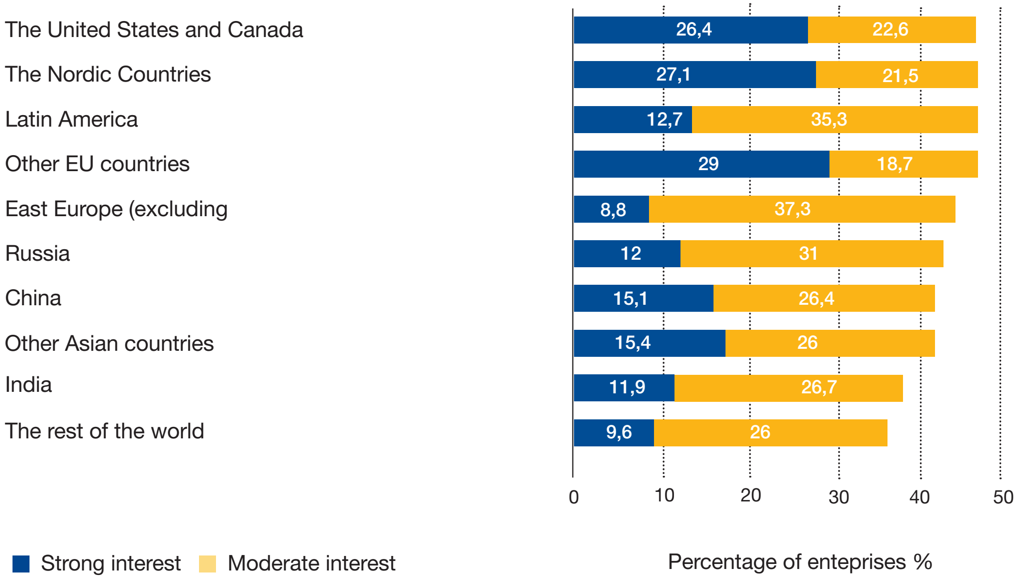
Source: Ornamo's enterprise surveys

The main market areas of design sector enterprises engaged in international activities in 2016, percentage of enterprises.



Source: Ornamo's enterprise surveys 2016

New potential focuses of interest in the international market among design sector enterprises, 2016, percentage of enterprises.



Source: Ornamo's enterprise surveys 2016 ornamo