The British Design Industry valuation survey 2007 to 2008

The BDI valuation survey, now in its eighth year, is the only annual survey that focuses specifically on the UK commercial design & innovation sector.

The survey uses a base over 4,500 commercial design firms

This year's survey attracted over 1,600 entries representing more than a third of the commercial design industry.

Published October 2008

The Valuation Survey is supported by UK Trade and Investment.

Headline figures have been rounded to the nearest one hundred million.

Percentages are accurate

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UK TRADE & INVESTMENT

BDI
British Design Innovation
Uniting Thinkers & Linkers

turnover: +11%

£4bn

£4.4bn

employees: +5.1%

62,0000

65,0000

fee income: +11%

£3bn

£3.4bn

overseas income: +1.9%

£0.7bn

£0.8bn

London turnover: +11%

£1.8bn

£2.0bn

introduction & Predictions:

the British Design Industry valuation survey

In 2007/8 pre-credit crunch the design sector showed a strong improvement over the 2006/7 results with fees and turnover up by 11% and employee numbers up 5.1%.

The second half of 2008 is already showing how vulnerable design firms are when economic down turn leads clients to swiftly postpone, reduce or cancel projects.

It again brings to a head the argument for tighter contracts and alternative remuneration models to reduce the vulnerability which occurs immediately an event causes economic panic.

Positive occurrences during 2007/8 include a greater focus on the role design plays in sustainability. Design and innovation firms have increased their awareness and knowledge of green issues and are demonstrating how design investment can address those issues for industry. This area will continue to grow and generate income for the design sector.

As predicted, and arguably led by BDI in the design sector, the benefits of open innovation continue to show new means of engaging with industry, proving effectiveness and challenging remuneration terms through Intellectual Property generation.

Whilst open innovation is not a universal solution for the design industry, it has for many, opened up opportunities to invest in their own knowledge and skills in a more entrepreneurial way. The success of BDI's own Corporate Open Innovation Challenge for Procter & Gamble in partnership with NESTA is hailed as a Best Practice model. This may encourage other corporate firms to explore open innovation & experience the skills, knowledge and IP rights of strategic design and innovation firms in a partnership role.

Equally, design firms learn to step into the shoes of the client and understand a great deal more about holistic proposition development and corporate decision making.

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BDI's predictions for 2009...

The Open Innovation Challenge demonstrated that co-creation and collaboration models are far more beneficial where commercial focus is paramount and where the IP rules of engagement are agreed at the outset.

Conversely, negativity in the design sector surrounding the damage caused to the private sector via publicly funded subsidising of professional design services will continue to rage throughout the remainder of 2008 and beyond but reach positive resolutions in 2009. Universities in particular who proffer subsidised design services backed by funding grants need to re-assess their practices.

Certain factions of the design and innovation community are recognising that they must take control of their position and make their knowledge and skills more easily identifiable and accessible to industry and research-intensive Universities. The easier it becomes for industry and others to engage with them the faster they will improve their position and status.

In this regard BDI has selected and accredited 30 principal directors from the UK's leading strategic product and service development consultancies, who have pulled together to act as evaluators & operate an Innovation Filter. The Innovation Filter under-pinned by Best Practice and IP protected processes will enable the Evaluators to assess viable from non viable propositions submitted by Originators. This will provide opportunity to have a direct impact on co-joining and adding value to the best propositions and bring new products, services and brands to market in a shared risk and reward model.

This model may also bring about a fundamental difference to the way in which the UK's most experienced design and innovation consultants are engaged by industry.

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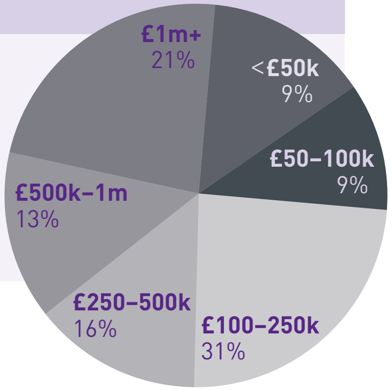
turnover:

the British Design Industry valuation survey 2007 to 2008

turnover £m				
company turnover	2006 to 2007	2007 to 2008	% change	% of turnover
up to 50k	12	10	-17	0.2
50 to 100	33	30	-9	0.7
100 to 250	251	248	-1	5.6
250 to 500	247	262	6	5.9
500 to 1m	426	444	4	10.1
1m+	3,007	3,419	14	77.5
total	**3,976**	**4,414**	**11**	**100.0**

% of companies in turnover bracket		
company turnover	2006 to 2007	2007 to 2008
up to 50k	11	9
50 to 100	10	9
100 to 250	32	31
250 to 500	15	16
500 to 1m	13	13
1m+	20	21

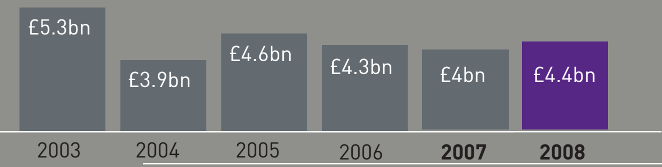


number of companies in turnover bracket			
company turnover	2006 to 2007	2007 to 2008	% change
up to 50k	486	420	-14
50 to 100	438	406	-7
100 to 250	1,435	1,417	-1
250 to 500	657	699	6
500 to 1m	568	592	4
1m+	915	966	6
total	**4,500**	**4,500**	

+11%

£4.0bn

£4.4bn



Design industry turnover, UK

- Turnover for the industry has seen an 11% rise on last years figures, rising from £4bn to £4.4bn
- Last year saw the £1m+ bracket buck the trend by posting the largest growth since 2006 with an increase in turnover of 14%, resulting in a total turnover for the year of £3.4bn. This accounts for 78% of the total turnover of the industry and for the vast majority of overall growth within the industry (94%)
- Smaller companies saw a fall in turnover compared to the 2007 results. Those with turnover up to £250k per annum have seen a total fall of £8m in turnover, a fall of 3% year on year.
- The largest drop has been in the smallest end of the market, with those in the turnover bracket of up to £50k seeing a fall of 17% in year on year turnover.

employees:

the British Design Industry valuation survey 2007 to 2008

% of agencies		
employees	2006 to 2007	**2007 to 2008**
0 to 5	57	54
6 to 10	16	17
11 to 20	11	12
21 to 50	8	9
50+	8	8

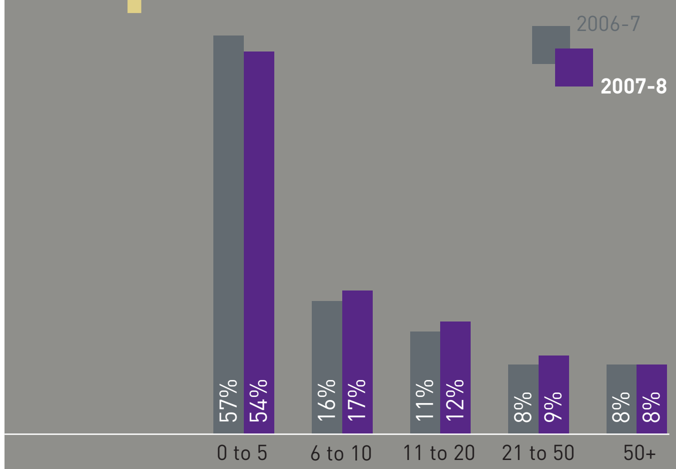
number of employees		
employees	2006 to 2007	**2007 to 2008**
0 to 5	7,758	7,298
6 to 10	5,687	6,184
11 to 20	8,087	8,676
21 to 50	12,561	14,345
50+	27,587	28,348
total	**61,680**	**64,851**

number of agencies		
employees	2006 to 2007	**2007 to 2008**
0 to 5	2,586	2,433
6 to 10	711	773
11 to 20	505	542
21 to 50	349	398
50+	349	354
total	**4,500**	**4,500**

+5.1%

62,000

65,000



Number of employees

- The 2007/8 results show growth of some 3,000 employees (+5.1%) and reversing the fall reported in last year's survey
- With the estimated number of companies remaining constant, the 2007/8 survey shows growth among all companies except the very smallest. Agencies employing up to 5 people account for 54% of the industry, down from the 57% reported last year.
- The largest growth has been in the 21-50 employee bracket, seeing numbers of employees rise 14% alongside a rise in the number of agencies in this bracket compared to last years results.
- The number of design companies in 50+ employees bracket has risen and they also report a 3% rise in the number of employees. They account for 44% of employment in the industry.

fee income:

the British Design Industry valuation survey 2007 to 2008

fee income £m				
company income (£)	2006 to 2007	**2007 to 2008**	% change	% of fee income
up to 50k	17	15	-12	1
50k to 100k	117	110	-6	4
100k to 250k	98	108	10	3
250k to 500k	217	209	-4	7
500k to 1m	321	350	9	10
1m+	2,313	2,628	14	75
total	**3,083**	**3,420**	**11**	

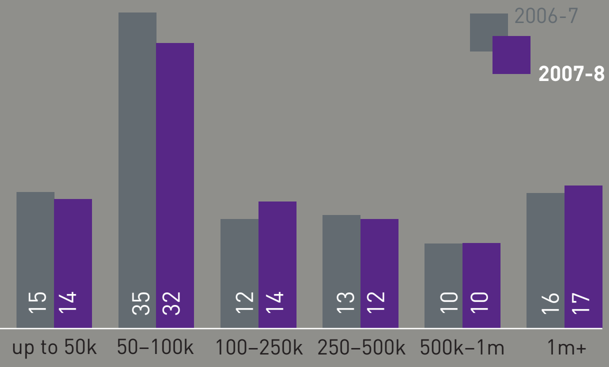
% of companies in fee income bracket			
company income (£)	2006 to 2007	**2007 to 2008**	% change
up to 50k	15	14	-1
50k to 100k	35	32	-3
100k to 250k	12	14	2
250k to 500k	13	12	-1
500k to 1m	10	10	0
1m+	16	17	1

number of companies in fee income bracket			
company income (£)	2006 to 2007	**2007 to 2008**	% change
up to 50k	662	612	-8
50k to 100k	1,558	1,462	-6
100k to 250k	558	618	11
250k to 500k	578	558	-3
500k to 1m	429	466	9
1m+	714	784	10

+11%

£3.0bn

£3.4bn



Design industry fee income

- Fee income has risen by 11%, up £337m on the 2007 results to £3.4bn
- The rise mirrors the growth seen in industry turnover, with the majority of the growth coming from the top end of the market, where the £1m+ fee income bracket has seen year-on-year growth of 14%
- The £1m+ bracket accounts for 75% of the industry fee income and nearly the entire growth of fee income.
- Similar to the results seen in the Turnover figures, the smaller end of the market has experienced a fall in fee income compared to the previous year's results. Up to £50k fee income bracket has seen a fall of 12% in fee income and the £50-£100k bracket a fall of 6%.
- Having estimated the number of companies to have remained similar to the 2007 survey, the results report a double digit growth in the number of agencies in the £100-£250k bracket and the £1m+ bracket. This may suggest growth among agencies moving up the fee income scale.

overseas fee income:

the British Design Industry valuation survey 2007 to **2008**

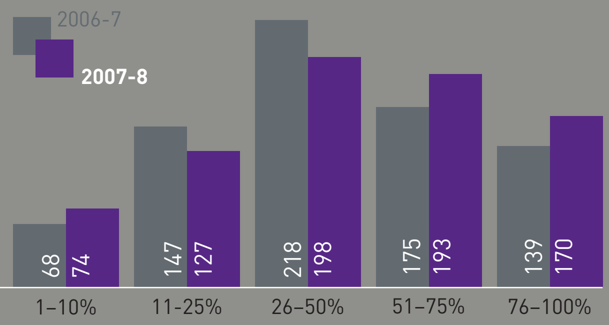
overseas fee income £m			
% of fees earned	2006 to 2007	**2007 to 2008**	**% change**
1 to 10%	68	74	8.8
11% to 25%	147	127	-13.6
26% to 50%	218	198	-9.2
51% to 75%	175	193	10.3
76% to 100%	139	170	**22**.3
total	**747**	**761**	1.9

% of overseas fee income split by range		
% of fees earned	2006 to 2007	**2007 to 2008**
1 to 10%	62	62
11% to 25%	18	18
26% to 50%	10	10
51% to 75%	6	6
76% to 100%	3	4

+1.9%

£0.7bn

£0.8bn



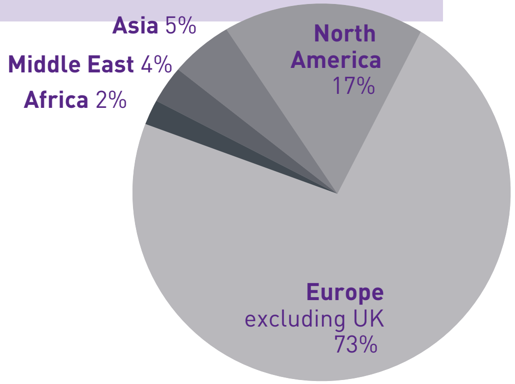
No. of companies by % of fees earned overseas

- Overseas fee income reports a marginal increase of 1.9% to £761m
- The rise is accounted for by those companies whose overseas fee income accounts for more than 50% of their turnover. Companies in this bracket have reported a 13% rise of £49m.
- Companies reporting 21-50% in overseas fee income have seen a fall of 14% and the 26-50% bracket a fall of 9% compared to last years results.

overseas markets:

the British Design Industry valuation survey 2007 to 2008

% of companies operating in single overseas markets		
markets	2006 to 2007	**2007 to 2008**
Europe (excl. UK)	71	73
North America	16	17
Asia	6	5
Middle East	4	4
Africa	2	2
South America	0	0



% of companies operating in overseas markets		
no. of overseas markets	2006 to 2007	**2007 to 2008**
1	56	55
2	28	26
3	12	13
4	3	4
5	1	1
6	1	1

the top countries exported to		
	2006 to 2007	**2007 to 2008**
1	United States	United States
2	France	France
3	Germany	Germany
4	Netherlands	Netherlands
5	Ireland	Italy
6	Belgium	Ireland
7	Japan	Belgium
8	Spain	Switzerland
9	Switzerland	Spain
10	Italy	Japan

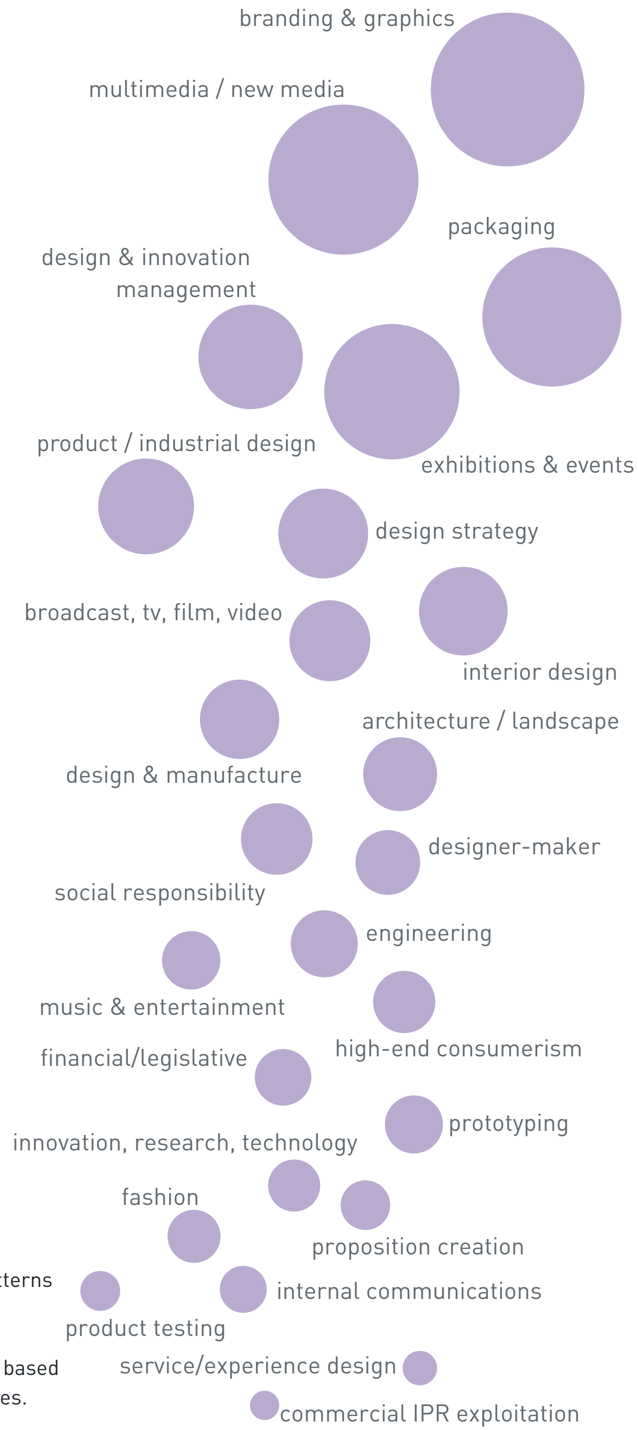
- The UK's design base comprises a huge number and range of businesses, delivering products and services to national and international clients
- Destinations in Europe remain the most popular export markets accounting for nearly three quarters of all overseas fee income
- The Top 10 countries remain the same as last year with the US leading the survey once again.
- The main change has been Italy moving up to 5th place

design disciplines:

the British Design Industry valuation survey 2007 to **2008**

agencies undertaking discipline	%	number
branding & graphics	62	2804
multimedia / new media	57	2545
packaging	48	2139
exhibitions & events	47	2119
design & innovation management	29	1326
product / industrial design	24	1096
design strategy	24	1078
interior design	23	1015
brodcast, tv, film, video	21	955
architecture / landscape	20	920
designer & manufacture	15	670
social responsibility	15	670
designer-maker	13	572
engineering	10	469
music & entertainment	12	529
financial / legislative	11	506
high-end consumerism	11	497
fashion	8	351
innovation, research, technology	9	414
prototyping	9	391
proposition creation	7	328
internal communications	7	336
product testing	4	198
service /experience design	6	253
commercial IPR exploitation	3	115

- Following an overhaul of design disciplines in 2007/8 to take account of the shift towards innovation and the rise in new technology, sustainability and social changes, interesting patterns are beginning to emerge.
- The image to the right is reporting drops in traditional paper based graphics and packaging and increases in innovation disciplines.



2007–2008

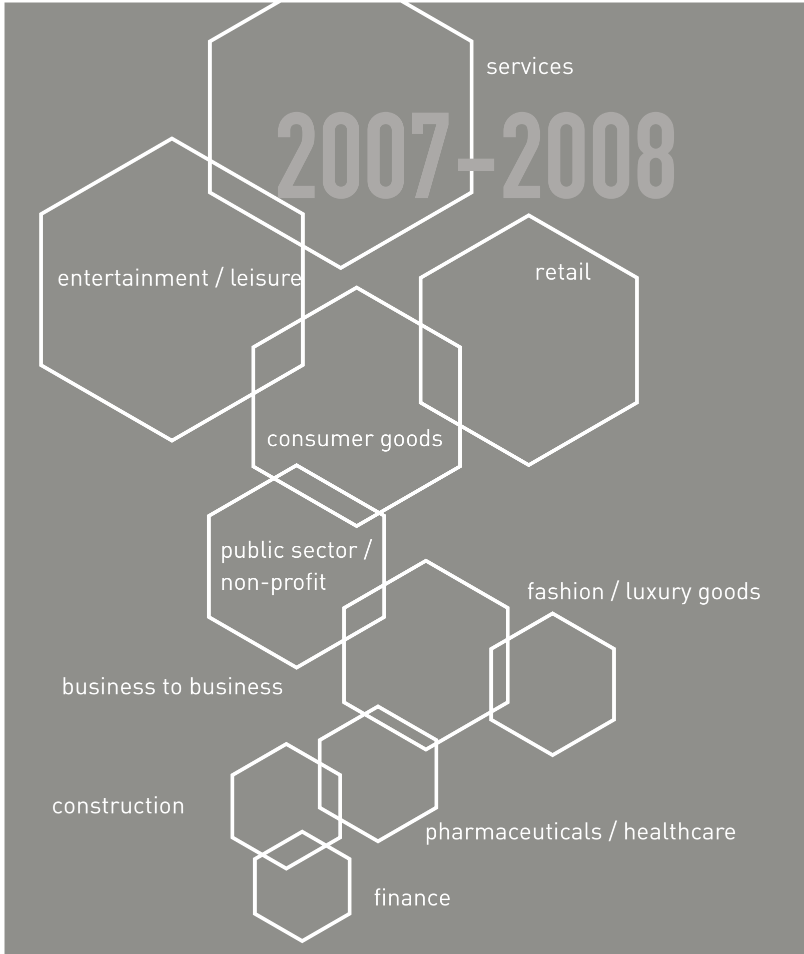
- The top 5 disciplines remain branding and graphics, multimedia/new media, packaging, exhibition and events and design/innovation management. This shows no change from the 2006/7 results.
- The number of companies reporting each discipline has remained pretty constant over the year; with no one discipline showing any significant growth, suggesting a year of some relative stability

industry sectors:

the British Design Industry valuation survey 2007 to 2008

agencies operating in sector	%	number
services	56	2531
entertainment/leisure	51	2308
retail	51	2292
consumer goods	50	2245
public sector/non-profit	49	2195
business to business	45	2013
food and drink	40	1809
fashion / luxury goods	36	1615
pharmaceuticals/healthcare	35	1587
construction	35	1568
finance	34	1552
telecommunications	32	1461
manufacturing	32	1461
child/youth	31	1402
medical	30	1364
electronics	28	1270
transportation	27	1223
automative	24	1060
personal care	22	994
packaging	21	953
utilities	20	881
publishing	19	837
tv, film, video, dvd	14	649
agriculture	12	555
capital goods	9	423
aerospace	9	395
sport	9	383
biotechnology	7	379
textiles	7	336
environmental technology	8	314

- This table represents the industry sectors engaging design firms and the number of firms operating in these sectors. It might also be taken as an indicator of UK plc sector strengths and growth industries as a whole – noting manufacturing at 32% and services as 56%.



Top 10 industry sectors that engage design firms

- Across the board, there has been a general but small decline in the number of companies reporting activity for industry sectors.
- The largest falls, albeit marginal at 4%, are in Electronics, Personal Care, Entertainment/Leisure, Retail, Fashion/Luxury Goods and the Child/Youth market
- The service sector remains the largest source of work for the UK design sector

regions:

the **British Design Industry valuation survey** 2007 to **2008**

regional company analysis

	no. of companies	percentage of UK
London	1,480	33
South East	706	16
East of England	455	10
Scotland	393	9
South West	362	8
East Midlands	299	7
North West	220	5
West Midlands	212	5
Yorkshire and Humberside	189	4
Wales	93	2
North East	71	2
Northern Ireland	17	0

[N.B - not all tables will be equal to the 4,500 commercial design firms or 100% due to rounding errors]

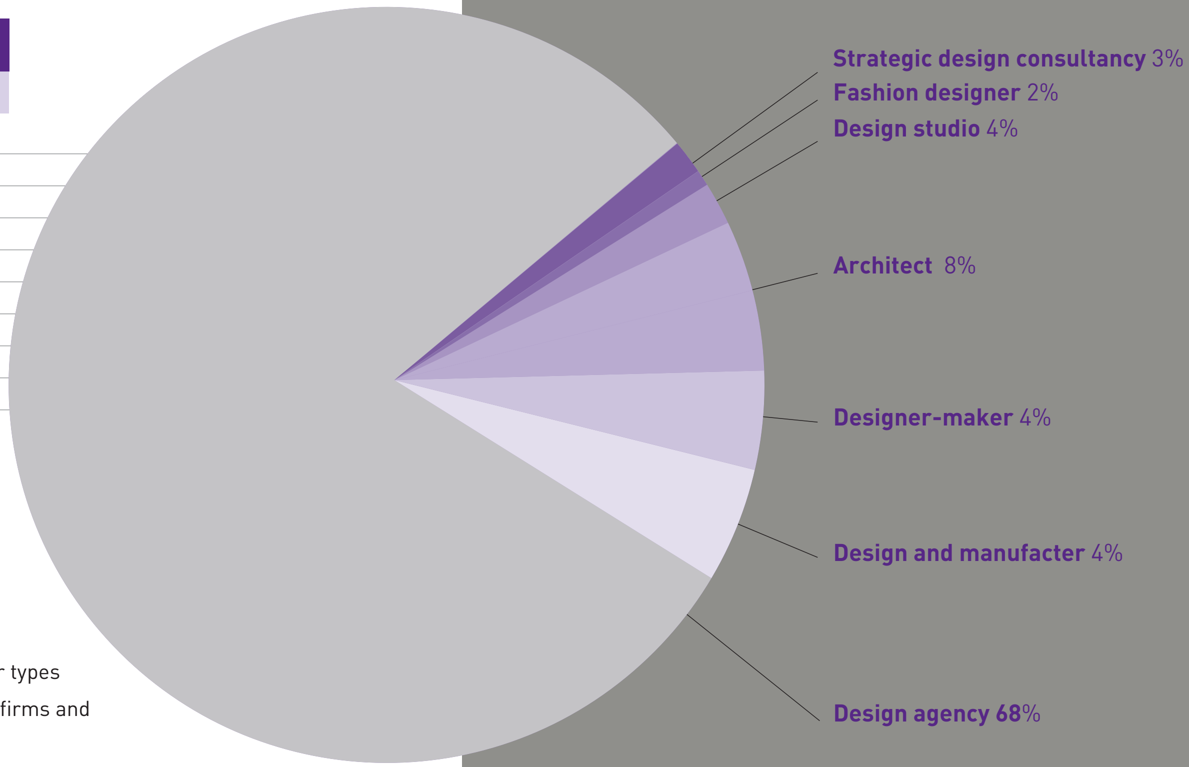
- Despite a hive of regional activity over the last couple of years particularly in the South West, North East and Scotland the regional market shares have barely changed. The East of England where no particular activity has been centered has in fact increased its market share, perhaps led by firms moving slightly further out of London into Counties such as Hertfordshire.
- Thereby, regionalised design activities seem to have little bearing on the choice of location for design firms. Life style choice is more likely to be a driver of re-location.
- Regional activities in context of local networks, information sharing and collaboration are worthy.
- However, a strong national force must be maintained to save the design industry from further fragmentation and a potential weakening of the national story in face of increased international competition.
- London remains the largest design region in the country with nearly one third of all companies

organisation type:

the British Design Industry valuation survey 2007 to 2008

organisation type	no. of companies	% of companies
design agency	3056	68
architect	346	8
design and manufacture	194	4
design studio	189	4
designer-maker	158	4
strategic design consultancy	121	3
innovation consultancy	20	0
fashion designer	87	2
furniture designer	17	0
interior product manufacturer	6	0

2007–2008



- In 2005/2006, BDI re-classified the make-up of the UK design sector to reflect the need of external audiences seeking to engage with particular types of design discipline. It also reflected the need to identify the strategic-led design firms and design-led innovation consultancies.

- BDI split the traditional commercial design groups into four categories. Strategic design consultancy – those leading strategy; design agency – those translating strategy, design studio – the more production-led firms, and innovation consultancy.

  BDI left it to the market to self-categorise.

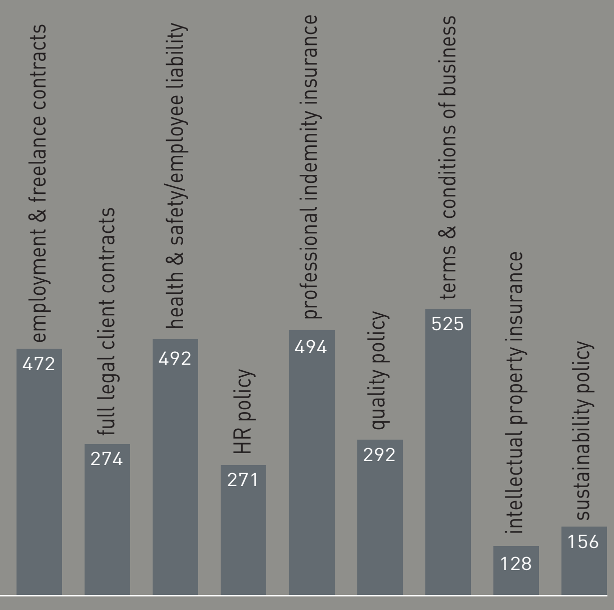
professional practice:

the British Design Industry valuation survey 2007 to 2008

professional documentation	no. of companies	percentage
employment & freelance contracts	472	66
full legal client contracts	274	38
health & safety/employee liability	492	69
HR policy	271	38
professional indemnity insurance	494	69
quality policy	292	41
terms & conditions of business	525	74
intellectual property insurance	128	18
sustainability policy	156	22

- **Note:** These figures, and their graphical representation, are indicative of the national picture, using only the total number of design firms who responded to this question.
- The debate surrounding Professional Practice; Professional Frameworks and Accreditation continued to rumble on throughout 2007/8.
- 54% of the entire sector employs fewer than five.

2007–2008



No. of companies using professional documentation

- Design firms that have a published sustainability policy has risen from 20% in 2006/7 to 22% in 2007/8.
- It is difficult to ascertain whether sustainability is being more regularly considered in design solutions. However the increase strongly suggests there is a greater awareness of sustainability issues and an enhanced responsibility being felt.
- Whilst sustainability is a major issue it is nonetheless a complex one when it comes to understanding if the changes proposed cause as much energy to be expended as the former status quo.
- Arguably the Design Council, as the national body with a public sector budget ought to be taking a strong lead in creating service driven initiatives that assist design firms to gain greater knowledge of this key issue.

remuneration:

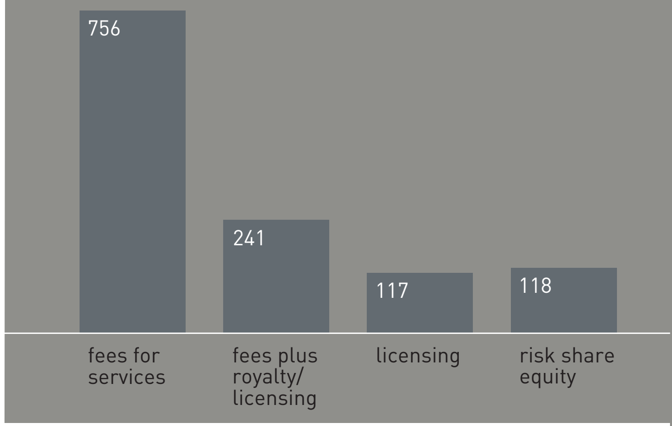
the British Design Industry valuation survey 2007 to 2008

remuneration models	no. of companies	% of those responding
fees for services	756	99
fees plus royalty/licensing	241	32
licensing	117	15
risk share equity	118	16

- **Note:** These figures, and their graphical representation, are indicative of the national picture, using only the total number of companies who responded to this question.

- This question was introduced into the survey for the first time in 2005/6 to reflect the changing business model.

2007–2008



No. of companies using each remuneration model

Shared Risk Shared Reward Guide

- In October 2006, BDI also launched, in partnership with Harbottle & Lewis, a Shared Risk Shared Reward Guide to enable design firms to begin to explore alternative remuneration models.

- During 2007/8 BDI, amongst others, worked with the Intellectual Property Office (IPO) on the Business to Business Licensing Guide. Launched in September 08. The Guide is designed to enable SME's, including design firms, to negotiate License agreements more equitably and cost efficiently with large Corporates.

- Respondents have increased marginally in 2007/8 and therefore only provide an insight into the design firms who are actually operating more than one income model.
- As understanding of Intellectual Property grows amongst traditional fee for services design firms and alternative remuneration model success stories begin to emerge, we expect more design firms to explore alternative remuneration models.

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The 2007/2008 Valuation Survey was produced by Maxine J Horn and Jeremy Walker

the British Design Industry valuation survey 2007 to 2008

The UK has been home to a professional, commercialy focused design industry for over a century. The sector is mature and experienced, with a professional infra -structure that supports and nurtures a high level of individual creativity.

The British Design Industry Valuation Survey is undertaken annually. First launched in 1999, the survey has become an important reference point that provides an insight into the performance of the UK commercial design industry.

Survey results are used by government, design industry infrastructure, media, education, design agencies and opinion formers.

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