Design for Business. The Gaps and Mismatches between Demand and Supply and Options for the Development of Services

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emda. Design for Business

The Gaps and Mismatches Between Demand and Supply and Options for the Development of Services

Executive Summary

Introduction

This paper compares the results of the research on the demand for design services and the supply of services in the region. The aim is to help identify any gaps which could be addressed based on the activities of other RDAs and the workshop with Business Link advisers.

Generally, the gaps and mismatches were more prevalent for micro and smaller businesses.

It also considers the options for strengthening support.

The Relevance and Value of Design

The research showed that there is a gap, in that significant numbers of businesses (ie some 60%) did not recognise the relevance of design to their business activities.

It shows that for three out of five businesses design has only a limited or no role to play in their businesses.

In this context there is an information gap in that businesses were not informed of the benefits of design through the provider sector, or user businesses, by demonstrating and communicating the benefits of design.

Some one in four providers thought that generally businesses had no clear views of design or their needs.

The Advice Sought by Businesses

The take-up of formal support for design is relatively low.

The proportion of businesses that had used external design advice over was less than one in five. However, just under a third of businesses had introduced a new product.

The main sources of external support used were informal (ie 70%).

A market failure issue here is that businesses do not recognise the need for advice.

The Type of Support Used

The fit between the services required and those available is relatively good but there is some mismatch. The main mismatch here is that generally the businesses are more concerned with communication and sales, through marketing, websites, and promotion etc. While meeting these needs, and to secure sales and revenue, providers of design services (compared to businesses) put more emphasis on the development and improvement of products and services.

The Nature of Support

Businesses place more emphasis on seeking information or support available but not on the assessment of their needs. The providers consider that the assessment of needs is important. The main gap here is in ensuring businesses are more aware of what design support is available to them.

The Level of Support for One to One Advice

There is a potential mismatch in that the businesses prefer light touch support, whereas providers place more emphasis on in-depth advice. Providers prefer in-depth advice because it generates more sales and revenue. Light touch advice (preferred by businesses) may not lead to sufficient or further fees for them.

The Provision of Information: Raising Awareness

For those businesses likely to use design over the next three years better information on the design support available to them was important. Here the gap is mainly in the marketing mix used by providers and the methods preferred by businesses generally. Many of the micro and smaller businesses may not be sufficiently computer literate to carry out web site searches or engage in e-procurement.

The Cost of Design Advice and Revenue Sought

The level and cost of services is a key issue for service take-up and the development of services and the market. The main gap here is between the light touch services businesses seek (perhaps also with a view to getting all needs met relatively cheaply) at a lower cost and the more costly services suppliers provide (ie to generate higher levels of revenue and sales).

The Delivery of Services

There are some capacity and capability constraints which limit the supply of services and hence the development of the market.

Providers cited a lack of funding for the development of provision. Linked to this was a view that the market was not sufficiently developed and that clients did not have a clear view of needs and what they wanted. Also a small but significant proportion of providers lacked the staff and skills (amongst in-house staff and sub-contractors) to allow them to develop services.

These factors, amongst others, underpin the gaps on the supply side in terms of what businesses are seeking and what is available.

The Options

In order to try and address the gaps shown above a number of options have been developed, and considered, including the Designing Demand service.

The options have been developed with *emda* and Business Link advisers in the East Midlands.

- Option 1. Do Nothing Further and Continue with Existing Services

  This was considered as the lowest cost option. However, it would not address the design needs in the region and the potential benefits would not occur

- Option 2. Strengthen Existing Support and Providers

  This would involve selecting and working with a number of providers to strengthen provision. This process would probably be ad hoc and piecemeal and not result in a focussed and dedicated design service

- Option 3. Designing Demand All Strands

  The research showed that the main needs of businesses did not reflect all the strands. Two strands (ie INNOVATE and IMMERSE) are more specialist and could be considered as part of a future review of the service which forms this bid.

- Option 4. Designing Demand. Selected Strands

  The best fit with needs and as a reflection of existing provision recognising the gaps were the strands covering:

  - Designing Demand workshops for SMEs to raise design awareness amongst owner managers and the benefits to their business
  - Generate involving one to one advice to develop products and services

  In parallel the Designing Demand workshops for business advisers would help strengthen the support sector and raise awareness, funded to support sufficient numbers of the right businesses, and achieve scale and critical mass

1 Introduction

1.1 This paper compares the results of the research on the demand for design services and the supply of services in the region. The aim is to help identify any gaps which could be addressed through policy and the introduction and development of services. The analysis here is more qualitative but based on the evidence that arises from the research.

1.2 Generally, the gaps and mismatches were more prevalent for micro and smaller businesses spread fairly evenly across the region, rather than the medium and larger ones.

1.3 It also considers the options for strengthening support including strands which form the Designing Demand service.

2 The Relevance and Value of Design

2.1 The research showed that there is a gap, in that significant numbers of businesses (ie some 60%) did not recognise the relevance of design to their business activities. Hence the competitive advantage associated with design and the improvements associated with it are not recognised.

2.2 It shows that for three out of five businesses design has only a limited or no role to play in their businesses, and that, for a similar proportion, there were barriers to using design more than they did (mainly to do with a lack of relevance, high costs, skills available and time). Two in five undertook no design activity and for a fifth it was not relevant and a fifth could provide no definition of design.

2.3 In this context there is an information gap in that businesses were not informed of the benefits of design through the provider sector, or user businesses, by demonstrating and communicating the benefits of design. This can be viewed as a market failure in that there is an asymmetry of information. It could also be argued that businesses show an excessive aversion to risk in that investment in design (or design support services) is not made (in itself a market failure issue).

2.4 Some one in four providers thought that generally businesses had no clear views of design or their needs and they did not understand the concept and value of design.

3 The Advice Sought by Businesses

3.1 The take-up of formal support for design is relatively low showing a gap in the take-up and use of advice.

3.2 The proportion of businesses that had used external design advice over the past three years or regularly used a design consultant was less than one in five.

3.3 However, just under a third of businesses had introduced a new product, service or process in the past three years – but primarily without external design support.

3.4 The main sources of external support used were informal (ie 70%) with other businesses, friends and colleagues or the internet and websites. Less than one in twenty businesses used an external consultant or agency in the past three years.

3.5 A market failure issue here is that businesses do not recognise the need for advice and its relevance and they do not engage with the market to access it.

4 The Type of Support Used

4.1 The fit between the services required and those available is relatively good but there is some mismatch.

- Services used by businesses. In order – marketing, advertising, website design, promotion, branding, product and service development
- Services required. Only one in ten businesses will definitely or probably require support services over the next 3 years. The support required in order is for marketing, advertising, website design, promotion, branding, product and service development
- Supply of services. In order, promotion, branding, website design, marketing, advertising, product and service development, design as a strategic business tool, packaging of products and services.

4.2 The main mismatch here is that generally the businesses are more concerned with communication and sales, through marketing, websites, and promotion etc. While meeting these needs, and to secure sales and revenue, providers of design services (compared to businesses) put more emphasis on the development and improvement of products and services and design as a strategic business tool, ie the emphasis is on the fundamentals – businesses having something to sell in the first instance.

5 The Nature of Support

5.1 Businesses place more emphasis on seeking information or support available but not on the assessment of their needs. The providers consider that the assessment of needs is important.

- Services required by businesses. In order are better information on and assessment of support available, one to one advice, workshops with businesses and networking events and assessment of needs
- Supply of services. In order, assessments of needs, one to one advice, internet and website advice, introductions to design advisers, email bulletins

5.2 The main gap here is in ensuring businesses are more aware of what design support is available to them. The design support services promote and advertise their service but this is usually through business/yellow pages and/or websites. A profile of services is not available.

6 The Level of Support for One to One Advice

6.1 There is a potential mismatch in that the businesses prefer light touch support, whereas providers place more emphasis on in-depth advice.

- Services required by businesses are. An initial / light touch (rather than in-depth), at business premises, with a general design consultant. If specialist support: the companies' sector, products and services, specific technologies
- Supply of services. These are in-depth (rather than light touch), at business premises, with both generalist and specialist design consultants. Support balanced between that for innovation, advanced and new technologies, and advanced and new materials. Specialists with sector, products / services, technologies knowledge

6.2 Here the main gap is in the level of service, ie providers prefer in-depth advice because it generates more sales and revenue. Light touch advice (preferred by businesses) may not lead to sufficient or further fees for them.

7 The Provision of Information: Raising Awareness

7.1 For those businesses likely to use design over the next three years better information on the design support available to them was important. Two thirds stated this view.

7.2 Businesses prefer direct contact to make them aware of services. Providers rely more on their websites.

- Businesses. How to inform them of support available: in order – mailshots, email, telephone discussions, websites, trade journals

  Businesses also sought workshops and networking with other businesses as a way of obtaining advice
- Providers. Raising awareness: in order – websites (reliant upon searches), mailshots, telephone contacts, events and trade journals

7.3 Here the gap is mainly in the marketing mix used by providers and the methods preferred by businesses generally. Many of the micro and smaller businesses may not be sufficiently computer literate to carry out web site searches or engage in e-procurement.

8 The Cost of Design Advice and Revenue Sought

8.1 The level and cost of services is a key issue for service take-up and the development of services and the market.

- Services required. Businesses seek light touch / initial support. For most they were not sure what they would like to pay. Others had expectations of a day rate of less than £250 per day or a maximum cost of £1000. a quarter anticipated access to a free service
- The supply of services. Most providers sought in-depth projects rather than light touch ones. This would imply a higher cost than businesses expected

8.2 The main gap here is between the light touch services businesses seek (perhaps also with a view to getting all needs met relatively cheaply) at a lower cost and the more costly services suppliers provide (ie to generate higher levels of revenue and sales). This probably contributes to significant proportion and numbers of businesses not taking up external advice or support.

9 The Delivery of Services

9.1 There are some capacity and capability constraints which limit the supply of services and hence the development of the market.

- Supply of services. The majority of providers used in-house design advisers although there was some sub-contracting. Most of the services appear to be relatively small, ie fewer than 100 clients per year (critical mass issues). Providers cited a lack of funding for the development of provision. Linked to this was a view that the market was not sufficiently developed and that clients did not have a clear view of needs and what they wanted. Also a small but significant proportion of providers lacked the staff and skills (amongst in-house staff and sub-contractors) to allow them to develop services.

9.2 These factors, amongst others, underpin the gaps on the supply side in terms of what businesses are seeking and what is available.

10 The Options

10.1 In order to try and address the gaps shown above a number of options have been developed, and considered, including the Designing Demand service recommended by the Cox Review for the regions. The service has been assessed and appraised by other RDAs, most of whom have approved and implemented Designing Demand wholly, or in part, depending on the regional circumstances, needs and opportunities.

10.2 The options have been developed with *emda*, the other RDAs, the Design Council and Business Link advisers in the East Midlands. The survey of businesses and providers in the region also examined how design services could be developed and improved.

Option 1. Do Nothing Further and Continue with Existing Services

10.3 This was considered as the lowest cost option. However, it would not address the design needs in the region and the potential benefits would not occur from an improved service. *emda* would not be benchmarked as taking a positive approach to needs and support given the Cox Review on design and the activities of most other RDAs.

Option 2. Strengthen Existing Support and Providers

10.4 This would involve selecting and working with a number of providers to strengthen provision. This process would probably be ad hoc and piecemeal and not result in a focussed, freestanding, integrated and dedicated design service with sufficient scale and critical mass, and visibility. The practicality of working with a number of existing providers would be potentially time consuming and inefficient for *emda*.

10.5 e*mda* would not be benchmarked as taking a positive approach to needs and support given the Cox Review on design and the activities of most other RDAs.

Option 3. Designing Demand All Strands

10.6 The research showed that the main needs of businesses did not reflect all the strands. There was a need to stimulate awareness of the benefits of design, communicate the design support available and provide formal advice and more in-depth for the development of ideas of products and services. Two Designing Demand services are probably less appropriate, ie INNOVATE (for technology ventures) and IMMERSE (for mature businesses seeking strategic change through design). The reason for this was that the service needed to be developed in the first instance to reflect the needs of businesses, existing provision, and the budget available to *emda.* The two strands above are more specialist and could be considered as part of a future review of the service which forms this bid.

Option 4. Designing Demand. Selected Strands

10.7 The best fit with needs and as a reflection of existing provision recognising the gaps were the strands covering:

- Designing Demand workshops for SMEs to raise design awareness amongst owner managers and the benefits to their business
- Generate involving one to one advice to develop products and services

10.8 In parallel the Designing Demand workshops for business advisers would help strengthen the support sector and raise awareness.

10.9 This fourth option was more likely to be effective and efficient and deliver benefits to businesses and the region given they were funded to support sufficient numbers of the right businesses, and achieve scale and critical mass.