BOOM OR DOOM?
Future scenarios for the 2018 Dutch Design Industry

Mark Hoevenaars
Preface

Technological innovation is changing our world at an ever faster pace. Our world is becoming more complex and is constantly connected. To maintain the human measure of these developments, creativity plays an increasingly important role, turning problems into opportunities.

A healthy and successful design industry is important to everybody; both designers and society benefit since it helps organizations to innovate better, more sustainably and more quickly.

Personally I have always focused on good entrepreneurship within VanBerlo which has led to a financially healthy and professional agency. An agency that constantly asks itself what added value it delivers to its clients. This is how we have re-invented ourselves numerous times. We love to experiment and take calculated risks. We have innovated on content, processes and business management.
When we feel our clients should innovate better and faster we should of course do the same. We always do this in collaboration with businesses and not-for-profit organizations which has proven itself to us. Innovation has led to excellent results both for the client and us.

With over a decade of experience of working with our client base, our Strategy Director, Mark Hoevenaars, has developed the future scenarios detailed in this publication. This study has helped us rethink our paradigms and sharpen our strategies, with the aim of becoming an even more professional partner to our clients.

Sharing this knowledge benefits us, as well as the design industry and its clients. Innovation brings about a creative sector that better serves its clients. Clients who understand what design can do for their organization can be more critical and deploy design more successfully. This has led to an improved quality of products and services.

I wish everybody in the field, clients and suppliers good luck with preparing for the future. After all, our future is also what we want it to be.

Prof. Ad van Berlo
Professor Entrepreneurial Design of Intelligent Systems
Founder VanBerlo
Executive summary

The last couple of years has seen a significantly increased interest in the creative sector, both by the media and policy makers. The international reputation in this creative sector has seen major success. A good example is the recent promotion of this sector to Top-sector, one of the nine sectors the Netherlands wants to excel in. However, there is no getting away from the major economic issues within this sector and begs the question where its future lies and what must be done to achieve a positive economic result. The first question will be discussed in this publication. Based on this information, each agent in the field can then answer the second question individually.

The future scenarios in this publication are based on research done amongst designers, design managers, researchers, trainers, and policy makers in the Dutch design sector. In total, four future scenarios have been developed for the Dutch design sector of 2018, based on interviews, workshops, surveys and a qualitative analysis of the responses. The most significant uncertainties for this sector are the nature and size of the economic problems and demand. This has led to four scenarios:

1. **Design Thinking Breakthrough**
   Clients will use design thinking to solve complex issues in a prosperous economic climate leading to a stronger strategic role for designers.

2. **Perfect Creative Competition**
   Clients remain cautious and limit designers to designing the creative object. The strategic component is denied.
3. **Defenders of the Status Quo**
   Clients really want to deploy designers to complex issues but due to the low economic growth they are forced to defend their current positions.

4. **Network of Jobbers and Stars**
   Smaller budgets must stretch to cover the final styling stage of the objects. Only a few of the larger agencies remain since not many can surmount the legion of jobbers.

The role of the designer and the agency is significantly different in each of these scenarios. Usually people prefer one of the four scenarios. Unfortunately we cannot determine the future but we can influence how we strategically position ourselves in that future.

It is recommended that each designer and each agency evaluates their current strategy in order to devise an improved strategy that allows them to be successful in each of these four future scenarios. This should bring about an organization that is always learning and continuously reforming, which could strengthen the sector.
Growth Revenue Design Industry relative to 2006

Source: BNO branche monitor 2006 – 2012
Introduction

Over the last few years the media have published many success stories about the creative sector. The ministry has even declared the sector to be a ‘Top-sector’. With design being part of this sector, it too has seen strong growth over past decades. Growth in this whole sector has been exponential with a huge increase in the content, size and number of design disciplines.

A few comments however, should be made on all these glowing stories. The sector itself is seeing huge fluctuations in revenue - some major, some minor, but all with a downwards trend. In particular the graphical and communication designer sub-sector have major decreasing revenues despite the number of agencies and self-employed people having tripled in the last five years. The figures of agencies that are BNO members also show that even they are seeing mildly decreasing revenues and that the profit per employee shows a falling trend.
In their maturation stage, many markets become increasingly concentrated with larger organizations. The design sector is atypical in this respect since it shows an increasing fragmentation. Many employees that were laid off during the economic crisis are now self-employed designers and other, previously established agencies do not grow. This leads to splintered knowledge among individual participants and also affects the master-apprentice relationship, where graduates would learn the trade, which is also under pressure now. We also see that customers have more knowledge of design, marketing and innovation than they did ten years ago. An industry analysis in 2009 by Cooper in the UK confirms these developments. One of the respondents concluded: ‘In the end there are more good agencies than there are good customers’. This leads to major competition among agencies and pressure on the price and margin which inhibits financing investments; enough reasons therefore, for design agencies to develop or review their strategy for the future.
Average Revenue per FTE in 1000 euro

Source: BNO branche monitor 2006 – 2012
Average Profit per FTE in 1000 euro

Source: BNO branche monitor 2006 – 2012
What will the future bring?

The question is: for which future should we develop that strategy? To resolve this we have utilized the method of scenario planning. This method assumes that multiple outcomes of the future are possible and that the organization will develop its strategy in such a way that any of these possible future scenarios will lead to a positive outcome.

Designers have been trained in the concept of a makeable future. Unfortunately we will have to accept the future as it comes but we can adjust our choices in such a way to have the best possible starting point.

We hope that these future scenarios will inspire design agencies and self-employed designers to develop a future-proof strategy that will lead to good results regardless.
Scenario development process

- Literature research
- Industry analysis
- Definition of scope
- Method development

- ‘Seven Questions’ interviews with VanBerlo & thought leaders in the sector

- Factor analysis
- Trends & uncertainties workshop

- Scenario building

- Scenario publication & workshops

- Scenario revision

- Description
- Current situation
- Factor survey
- Development scenario matrix
- Four sector scenarios 2018
- Strategic discussion
- Scenarios 2020
Process and method

Method
Based on a literature review, a process has been developed with methods, questionnaires and tools, based on ‘Seven Questions’ by Amara and Lipinski, scenario planning by Van der Heijden and scenario development according to Wulf (see the list of references). The process started with interviews which has led to an evaluation of various future trends. These qualitative data have been clustered to 164 trends using the ‘grounded theory’ by Glaser and Straus. Those trends have been assessed on their measure of impact and uncertainty. Next they were clustered to 16 critical uncertainties which were then ranked by participants in a survey. This led to two dominant critical uncertainties upon which the scenario matrix is founded. The trends with the highest impact and certainty have been added to the scenarios to give the story line more scope.

Selection of participants
The purpose of selecting participants was to obtain and assess the broadest range of opinions of what the future may hold. Within VanBerlo a total of 19 strategists, designers and managers participated. Outside VanBerlo a total of 17 people participated, including researchers, designers, customers and policy-makers. More than half of this group of participants indicated they fell into one of these categories which is typical for the dimension of the sector. By choosing subjects with various points of view and perspectives, the validity of the outcomes has been increased.
**Definitions and scope**

The future scenarios are limited to companies that are registered according to the standard SBI 74.10 sector classification and are aimed at supplying strategic design services: design developed to achieve the strategic goals of the client. We defined strategic design as the discovery, development, innovation and communication of propositions, limited by the feasibility, viability and desirability with the goal to create value for both the end-user and the client.

**Validity**

This research is limited in approach and size. All respondents have a design related background. The quantitative industrial analysis has a limited reliability due to the lack of qualitative sound data. Therefore the research should be regarded as a foundation for a larger research project with a higher number of respondents from more organizations.
CULTURAL INDUSTRY

CREATIVE INDUSTRY

CREATIVE PROFESSIONAL SERVICE FIRMS

PROFESSIONAL SERVICE FIRMS

**Trends and critical uncertainties**

**Trends**
An increasingly elderly demographic was the trend the respondents of the ‘Seven Questions’ interviews most agreed upon. Connectivity, i.e. all areas always being connected to the network, was perceived as the trend with the highest impact. Technological developments such as digitalization, big data, high-tech systems and health technology scored high on certainty and on impact. Changes in business models, both for customers, consumers and clients also scored highly. Design services as a commodity, the critical consumer and sustainability were also in the top 20. The impact of art on design scored surprisingly low, which was also mentioned by various respondents in previous interviews. This is remarkable because many designers have an educational background in art.

**Critical uncertainties**
Trends can quite easily be predicted and responding to them is relatively easy. It is much more complicated however, for developments that impact the future but whose direction and outcome are as yet uncertain. These are known as critical uncertainties when the impact and also the uncertainty about the direction are high. The participants have indicated which high impact developments they consider uncertain.

Economic growth is the main critical uncertainty for the design sector. More growth means more investment in design. Economic growth cannot be influenced by the sector and is largely determined by international developments. Other economic factors also play a role such as the economic climate, financial stability, the availability of credit, the economic strength of Europe and the Euro. These factors have been clustered under the title ‘Condition of the Economy’.
The second critical uncertainty for the design sector is how the clients’ demand may develop. Do clients see design in the future as one of the tools to solve multi-disciplinary complex challenges and a way to achieve growth, or do clients see designers as creative practitioners who develop artefacts?

It seems as if designers could influence that view. Unfortunately customer demand development is an autonomous, in particular to the qualitative side process. This is mainly discussed by management gurus of Harvard and Stanford and designers hardly participate. Platforms for these discussions are mainly the Harvard Business Review, Business Week and The Economist. The impact of the outcome is enormous and will probably strongly influence the qualitative demand of clients.

Participants mentioned the following factors in relation to this: a lack of qualitative good customers, faith in design as a business driver, customer specific innovation, consolidation, behavior of multinationals and progressive integration. These factors have been clustered under the title: ‘customer demand for design as a business driver’.
The scenario matrix

The main critical uncertainties are detailed on the axes of the scenario matrix. For each of the two axes, two extreme values have been defined resulting in a matrix with four quadrants, each with a different future scenario. These four scenarios have been supplemented with high impact and highly certain trends to give the story line more scope. The descriptors at the far ends of the axes are based on the trends from the interviews and workshop sessions.

Customer demand for design

The outcome of a positive scenario for customer demand for design is that companies and public corporations realize that they need a different way of working and thinking in order to solve complex problems. The analyses by management consultants may tell them how to cut costs but after such reductions, the question remains how companies can create value with product-service combinations that satisfy actual customer needs. To resolve these complicated, networked and dynamic issues there is a need for multi-disciplinary co-creation to bring about ground-breaking innovation that is accepted by multiple stakeholders.

The negative outcome of the scenario is that clients don’t believe that design can be a proper business driver. They hire designers to increase the attractiveness of their products and services, usually by organizing online pitches where the most attractive design wins an award and all the work of the others was futile. Design has become an internationally purchased commodity more often
than not from one of the 700,000 graduates from the Chinese design schools.

This has allowed Asia and the surrounding countries to grow as well. Brazil, South-Africa and Turkey are continuing to grow. Europe still has the Euro, with a low but stable growth of more than 1%. Governments have started to repay their loans. Sustainability is something we can afford.

The negative outcome for the scenario would be that the USA has another recession, the FED can no longer stimulate spending and emerging markets are decreasing because they are depending on the spending in America. The Japanese scenario for Europe has come true, hence deflation, stagnating house prices and a rising national debt because the taxes on income and profit are going down. Germany can no longer export due to the low growth in China which is their main outlet. Sustainability is only important because it is cheaper to recycle and costs less energy.

The state of the economy
A positive outcome on the state of the economy from these scenarios is stable growth with minor and short crises. America is more or less self-sufficient energy-wise and has a stable growth.
ARTEFACT CREATORS

PERFECT CREATIVE COMPETITION

ARTEFACT CREATORS

UNSTABLE LOW GROWTH WITH CRISIS

COMPLEX PROBLEM SOLVERS

DESIGN THINKING BREAKTHROUGH

DEFENDERS OF THE STATUS QUO

NETWORK OF JOBBERS AND STARS

STABLE GROWTH WITH MINOR CRISIS
Future scenarios

These four scenarios are story lines that are based on the scenario matrix and the trends that have been indicated by the participants. The four extremes have been described using realistically imaginable outcomes based on the developments in and around the design sector. Possible ‘Black Swans’ have been specifically avoided. The scenarios clearly depict the possible future consequences of the various forecasts for the design sector.

When the economy is doing well and the customer demand for design as a business driver is growing, the design thinking consultant is called for. Companies and public corporations are susceptible to the designers’ ideas to solve ‘difficult problems’ in a different way and they have the money to invest in this. Major challenges such as an increasingly elderly demographic, sustainability and the increasing healthcare costs are serious issues. These lead to innovation in product-service systems and transforms the customers’ business models.

The consequence is that design agencies have become truly multi-disciplinary employing marketers, psychologists, software developers and change managers. Specialist expertise is hired. The consulting agencies have also become multi-cultural since they help multinationals world-wide to solve the complex problems.
**Perfect Creative Competition**

When the economy is doing well but the customer demand for designers as complex problem solvers is limited, creativity will be the main competitive factor. Design managers will run an internal agency within the companies. Designers are selected via online competitions at the lowest possible price. Online polls and crowd sourcing, crowd funding and e-business are leading since companies think that this form of direct democracy puts the customer in the middle. Innovation is now limited to incremental innovation. As a consequence most designers focus on styling and the creation of artefacts. According to the clients this is what designers are for. Many self-employed entrepreneurs establish themselves. Strategic design agencies remain small or merge with management consultants. The market is stable or is slightly diminishing and the few surviving integrated agencies are those with the most economical organization.

**Defenders of the Status Quo**

When the economy is not doing well but the customers see the need for design as a business driver, the larger agencies are still highly valued. Designers are used by customers to defend the status quo in order to survive the crisis. Smarter and cheaper solutions that add perceived value to the customers are developed by multi-disciplinary teams that use ‘big data’ to determine what room there is for incremental innovation. Many products consist of a standard core but are adjusted to individual taste, based on digital solutions using 2D or 3D printing. The agencies that are doing well are those who are able to combine the digital and physical brand experience in complex product-service systems. The improved international connectivity allows for cheaper and easier online hiring of the best-of-breed specialists. Digital platforms offer an important competitive advantage and are deployed during the sale of design services in the implementation phase.
Netwerk of Jobbers and Stars

When the economy is not doing well and customers can hardly see the value of designers as complex problem solvers, the designers are perceived as artefact producers and stylists. Design services become a commodity and are mainly purchased online from the BRIC countries.

European consumers on the other hand feel the need to achieve authenticity whether or not real or faked. From the legion of designers, those with the most outspoken style become stars that are worshipped in design magazines. However, jobbers take care of company projects that were previously done by agencies but are now done in networks that cooperate in online communities without the overhead costs of a traditional agency.

Agencies only survive because of the high percentage of trainees doing all the work. The midfield of agencies is gone. Some agencies will stand out in size, quality and profitability.

Conclusions
The Dutch design sector could either become extremely successful or completely collapse in the near future. Some ordeals are probably imminent for the sector and will require substantial adjustments. Depending on the economic and qualitative demand development, the sector will be put to the test in different ways. The management’s navigation will determine what the outcome is. It is imperative that the sector will not determine its policy based on one linear prognosis or desired future vision but based on all these various future perspectives.
Discussion

What is next?
The presented scenarios depict completely different views of the future. Even though we prefer one of those possible futures we unfortunately cannot choose which one of these scenarios we will face as they are determined by factors we cannot influence. This is why we have to anticipate all these possibilities and address the developments which requires choices that each player will have to make for himself. Both designers and agencies will have to develop a strategy that is sustainable in each of those scenarios.

Recommendations
Designers, policy makers, trainers and agencies could develop and implement a number of specific activities based on these scenarios.

Review of strategy and policies.
Ask the question: Is our current strategy sustainable in all these possible future scenarios? If not, adjust the strategy.

Strategy and policy development.
Ask the question: What should our policy be like? How can we base it more on the future rather than extrapolating the past?

Value innovations.
Ask the question: What new value do our customers need in these future visions. How can we deliver that value and do we need to reform ourselves in order to be able to do that?
Development of a learning organization.
Ask the question: How can we use these scenarios in order to setup a dialogue with our employees, customers and other stakeholders to think about adjusting to possible external developments? If this is done in a cycle, an organization that continuously learns is brought about.

Large-scale research.
Larger-scale research into the economic performance and future of the sector is also recommended. It should include participants from within and from outside the sector. Furthermore, comprehensive quantitative and longitudinal research is important to make substantiated statements about the status and development of the sector in the long run.

And for now...strategy development
The scenarios can be regarded as a toolkit with which to tackle these and other questions. It is hoped they will inspire the various design agencies and individual designers to devise a future-proof strategy that will lead to good results, regardless of which scenario becomes a reality in the future.
Appendix

External participants
Occupation and organisation during research
Pieter Aarts, Online Strategist at TamTam
Erik Roscam Abbing, Strategist at Zilver Innovation
Bart Ahsmann, Valorisation Manager at TU Delft
Marco Bevolo, Author and lecturer at NHTV
Marco Bongers, Project Leader Innovation at Friesland Campina
Robert Carsouw, Partner at McKinsey
Victor Van der Chijs, Partner at OMA
Jeroen van Erp, Partner at Fabrique
Paul Gardien, Head of Design Strategy & Design at Philips Design
Cathelijne Hermans, Consultant at Berenschot
Arne van Oosterom, Consultant at Design
Frits Oukes, Consultant at Red Merito
Ton van der Pluijm, Global Design Director at Reckitt Benckiser
Hans Robertus, Creative Director at Dutch Design Week
Mark Schrooten, Innovation Manager at Dorel
Harry Wessels, Concept development manager at Douwe Egberts

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About the author

As a 14-year old boy Mark Hoevenaars started his first design assignment for the Eckart College school paper. His urge for innovation and improvement led to an expansion of the paper with sometimes up to 60 pages and five editions a year, written and designed by a team of over 20 people. That desire to innovate was later also expressed at the Design Academy where he focused on using a computer during the design process. He graduated in 1992 with a user interface design for an interactive cookbook on what we would now call a tablet.

He has worked at VanBerlo for the last decade on innovating and improving profitability of the design business. This is why he took an MBA at the TIAS business school and graduated on a management project aimed at strategy development. The industry analysis and future scenarios components are summarized in this publication. His vision is that a solid economic base is a prerequisite for a strong, innovative and creative design sector.
Here’s to a strong, profitable and innovative design sector!
Acknowledgements

Finally, this MBA is finished. It has taken me considerably more time than expected, but it has been a valuable experience, very educational and highly enjoyable. This is above all, to the credit of those who stood by me and supported me in my efforts to become a strategy consultant. Therefore, I would like to take this opportunity to thank those of you who made all the modules and this management project possible.

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Boom of Doom

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Mark Hoevenaars

The creative sector induces a lot of enthusiasm from the media and policy makers. Major creative successes have been achieved, many internationally. However, major economic problems are lurking.

What is the future for this great sector?
Based on a year of research, interviews and workshops Mark Hoevenaars presents four future scenarios. Creative professionals can formulate their own strategy for the future based on these. It is a must-read for all involved in the creative industry.