

Investment Opportunities in the Design Industry in Taiwan

I. Industry Definition and Scope

The Cultural and Creative Industry Policy in Taiwan has delineated the domestic design service industry into three major categories, including Product Design, Visual Communication Design, and Packaging Design:

- (1) Product Design: Planning of product design, product appearance design, structural design, production of prototypes and models, and fashion design.
- (2) Visual Communication Design: Corporate Identity System (CIS) design, product image design, print media visual design, ad design, and website and multimedia design.
- (3) Packaging Design: Industrial packaging design, commercial packaging design.

Additionally, according to the Annual Cultural and Creative Industry Development Report, any occupation related to the planning of product design, product appearance design, structural design, production of prototypes and models, fashion design, patent logo design, brand visual design, print media visual design, packaging design, website and multimedia design, and design consulting are all included in the category.

II. Taiwan's Industrial Environment

1. Output value and number of companies for Taiwan's specialized design

In 2012, Taiwan's design service industry generated \$2.067 billion USD in output value, with product appearance taking the lead with \$1.36 billion USD, accounting for 65.8% of total business volume.

Table 1: The number of companies in Taiwan's specialized design and business volume from 2010 to 2012.

Name of Industry	2010		2011		2012	
	Number of Companies	Business Volume (in thousands USD)	Number of Companies	Business Volume (in thousands USD)	Number of Companies	Business Volume (in thousands USD)
Product Appearance Design	1,576	1,530,745.80	1,513	1,468,608.84	1,557	1,359,664.43
CIS Design	32	28,792.60	33	32,262.88	33	15,767.60
Commercial Design	111	25,536.40	165	33,999.02	212	38,329.26
Industrial Design	54	5,176.80	71	6,986.86	86	11,787.99
Fashion Design	74	6,224	94	8,921	116	10,473
Other Unclassified Specialized Design Services	1,012	589,748.54	1,062	694,473.19	1,126	631,082.76
Total (100 million USD)	2,859	22.08	2,938	22.45	3,130	20.67

Source: Ministry of Finance, compiled by the Commerce Development Research Institute (CDRI), (2014.05)

2. Main Businesses in Taiwan's Design Service Industry

(1) Present State of Product Design and the Main Businesses

Taiwan's industry used to take the form of original equipment manufacturer (OEM). Its industry has since shifted from arts and crafts production design to product design. At present, three types of products under product design are in high demand: The first type is the manufacturing of transportation vehicles, which includes automobiles, scooters, and bicycles. The second type is 3C electronics and communication products, including computers, cell phones, and MP3 players. At present, the original brand manufacturer (OBM) remains the main designer, while

partial design jobs are outsourced to design companies. The third type is the manufacturing of furniture and daily necessities, including office equipment, furniture, and bathroom amenities. This type of product is currently the most popular and has room for added design value. Therefore it is one of the main focal points for designing companies in the future.

(2) Present State of Fashion Design and the Main Businesses

The fashion design industry relies upon the designer's guidance for product creation and manufacture, selling and providing of goods, and services provided to clients. If defined narrowly, brand name fashion design includes clothing, accessories, cosmetics, leather goods, shoes, and textiles. A more general definition includes home decoration and furniture, hair products, gift items and crafts, retail products, exhibition consulting, publishing, image packaging, and related products. Taiwan's textile technology and fabric manufacturing are both advanced and diverse. With the gradual maturity of the industry, open market, diverse culture, rise of educational standards, and influence from western fashion trends, more and more local designers are beginning to develop their own brands. The international acclaim received by many ethnic Chinese designers in recent years demonstrates the prowess of Taiwan's fashion design industry. The popularity of Chinese culture in recent years has catapulted local designers onto the international stage. Brands such as Shiatzy Chen are among the first to achieve international fame by utilizing elements of Chinese culture.

III. Analysis of Industry Chain Gap

Taiwan used to rely heavily on OEM exporting. Therefore, the design service industry was limited to playing a communicator role between businesses. The only goal was to provide a solution to the design of a product. Recently, however, the design industry has shifted away from the traditional manufacturing orientation to the creative orientation. The elements of the design process have evolved from styling and coloring to newer materials, forms of service, and business strategies. The design service industry in Taiwan is still in its infancy. But from the standpoint of the value

chain of design, design services should include market research, planning, creativity, data, production, and marketing. In other words, people with expertise in different areas are needed for the creative design, market integration, and commoditization.

According to MIC, Taiwan's design service business (Design House) is being challenged by the In House Design Departments and SOHO freelancers. The In House Departments usually exist in 3C and the more traditional industry. Because of the contracting nature, it is relatively difficult to independently manufacture and take orders. Other SOHO workers compete by taking cases independently, which interferes with the market price. For this reason, Taiwan's design service industry is in dire need of governmental aid, which could provide integration, product (service) launches, and marketing to companies that would lead the production chain.

IV. Advantages of Investing in Taiwan

1. Taiwanese policy supports and invests a large amount of resources into the design service industry, which is considered to be one of the new rising industries. Ex: In 2006, Taiwan has initialized a developmental plan to invest 1.162 billion dollars during the course of 5 years into the design service industry. In 2009, a design industry plan pointed out that around 900 million dollars have been invested into promoting businesses to go into design services. In 2012, the Council of Cultural Affairs was upgraded to the Ministry of Culture as part of a larger governmental reorganization, promoting development of national and local culture, and drawing up and implementing related policies.
2. With a large pool of quality human capital, Taiwanese designers have demonstrated their strength by winning several international awards. During 2014 International Forum (IF), the National Taiwan University of Science and Technology received 5 out of 100 awards, and its score rank the highest for 4 consecutive years in the world.
3. The need for talented workers in the design field has gradually risen in a wide array of businesses. The number of people getting into the industry and per capita production value has continually risen. The number of companies increases from 2,859 in 2010 to 3,130 in 2012.

4. Taiwan's organization of the 2011 World Design Expo and won the title of 2016 World Design Capital (WDC), showing that its design ability and creativity has been recognized by the international community.
5. Taiwan enjoys the mobility of small and medium enterprises while possessing the advantage of taking manufacturing orders that are smaller in volume but more diverse in variety.
6. With the rise of the Chinese market, combined with the formation of the pan-Chinese economic zone, Taiwan enjoys the advantages of compatibility with both the language and culture of China.

V. Business Opportunities and Potential

1. Asian Elements Receiving International Attention: Renowned Taiwanese designers such as Shiatzy Chen, Johan Ku, and Jason Wu have recently achieved international attention and awards. For this reason, designs with Asian elements will have a greater chance of spreading to different parts of the world.
2. Business opportunities of masstige: Consumers are increasingly being drawn to 'fast fashion' and purchasing clothing with designer taste at affordable prices. For this reason, the design service industry will need to integrate the supply and demand chains in order to maintain low overhead and react efficiently to the ever-changing market.
3. Design Service's Short Industry Chain: Most of the design service businesses in Taiwan consist of small-scale studios; therefore capital and time are two essential elements. Sometimes the quality of the end product differs significantly with that of the original design. In light of this issue, the industry is in need of integration spearheaded by an experienced brand marketing team.
4. Experience must be passed down from the senior designers to the younger ones: Because the product life-cycle is getting shorter and shorter, few design companies have time to train their new employees. Due to the small size of the companies, inexperienced designers are not being recruited. This vicious cycle has severely compressed the room for development for design companies.

VI. Policies and Incentives Measures

1. ECFA:

The development of the design service industry relies upon its interaction and cooperation with other industries. It therefore needs to go into partnership with businesses from abroad to respond to the business opportunities presented by the pan-Chinese region.

2. Policies of CCI:

In recent years, the government has been supportive of cultural, creative, and design service industries in hopes of creating additional value for the manufacturing businesses and helping them reach the next level. For this reason, the design service industry could utilize existing resources, work with the government, non-profit organizations, and public associations while seeking opportunities for cross-industry cooperation.

3. Flagship Plan for the design service industry:

On May 14th, 2009, the “Creative Taiwan – Creative Culture Industry Development Plan” was passed by the Executive Yuan. The plan is set to run from 2009 to 2013. The plan focuses upon the advantages, potential, and needs of Taiwan's design and creative industries and will be formulated accordingly. It is hoped that the plan will enable Taiwan to become a development base, pioneer markets abroad, and establish itself as the design and creative center of the Asian region.

Some of the main development points are as follows:

- Strengthen the energy for design services and raise the output value of the industry.
- Use resources to assist businesses in order to elevate add-on value of the products and services.
- Build a business center for design industries to foster more business opportunities.
- Bring the concept of design to a national level and cultivate an eye for aesthetics among the public at large.
- Establish Taiwan's design image. Market Taiwan using the power of creative design.