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Theme: Innovation in Consumer Goods and Branding

Executive Summaries

Keynote Article

Building Leadership Brands by Design

By Jerry Kathman



Thirty years of partnering with clients from Procter & Gamble to IBM has allowed Jerry Kathman of the LPK brand consultancy to draw some conclusions about what makes what he calls a *leadership brand*. In this article, he distills his thoughts into four principles that are common to truly great brands, leavening each with examples of such brands as Starbucks, Pantene, and Valvoline.

Principle 1: Articulate and Inculcate the Brand Strategy. Leadership brands, says Kathman, “have

self-knowledge and an uncanny ability to anticipate.” However, this ability is not a matter of luck; it’s actually the result of a serious commitment to understanding the brand’s strategic framework and being able to plan ahead. Further, not only is that framework understood and the plan articulated, but both are done throughout the enterprise. In this way, knowledge stays in the company no matter what becomes of the original brand-builders. This foundation is based on deep consumer insight, and an understanding of the brand promise that sets a leadership brand apart from its competition. Such brands are also able to capitalize on new opportunities by extending their strategies beyond the original product.

Principle 2: Leverage the Design Franchise. For a leadership brand, says Kathman, “brand expression is the visual manifestation of the desired brand experience.” This is built through a design strategy that is expressed across time, media, and geography: Design triggers stored memory. And because it must break through the static of a cluttered selling environment, it is crucial that design deliver an image that is “engaging, compelling, and proprietary.” Finally, it must do this comprehensively, through all aspects of brand communication, at all touch-points.

Principle 3: Innovate. As Kathman says, “There is no longer such a thing as a mature business.” Leadership brands are moving targets; commitment to innovation is part of their culture.

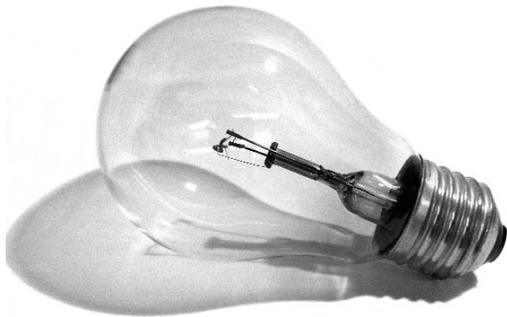
Principle 4: Connect Emotionally. Leadership brands connect with their consumers not just by meeting their rational needs, but by addressing the emotional context, as well. Doing so builds consumer relationships that endure.

In the context of a marketplace that seems to be changing more rapidly as the years go by, with new technologies and process models entering the scene, these four principles represent guidelines that remain constant for companies building leadership brands. *Reprint #05162KAT10*

Executive Perspective

Insights on Innovation

By Raymond Turner, Yvonne Weisbarth, Kenji Ekuon, Gianfranco Zaccai, Philippe Picaud, and Peter Haythornthwaite



In this collection of short articles, six design executives from around the world share their thoughts on successful innovation. Raymond Turner, an independent consultant with ties to BAA, Transport of London, and other large-scale transportation and city-planning companies, writes about such unsung “heroes of innovation” as the plastic six-pack holder—conceived as a way of using waste material from the production of another, unrelated, product. Turner points out that it’s all too easy to concentrate on advances in consumer technology and forget about the simpler, less conspicuous forms of innovation that we use daily but rarely acknowledge. As for the role of the design manager—well, that role revolves around helping realize an innovative idea: “A good idea doesn’t care who has it.”

Yvonne Weisbarth, a design manager for Bosch Siemens in Germany, agrees, noting that “innovation isn’t the domain of any single department—it is a hands-on game played by everyone.” In Weisbarth’s world, it is the responsibility of marketing, engineering, and design to work together to turn an idea into a profitable product. It’s a process of give and take, with leadership and responsibilities “rotating among the principals involved.”

Kenji Ekuon is chairman of Japan’s GK Design Group and has designed motorcycles for Yamaha, the table dispenser for Kikkoman soy sauce, the Komachi bullet train, among other things. He begins with this comment: “Since designing is, at the core, the art of matching a material thing to a human—namely, to humanize the material thing and to formulate it for use in a purposeful activity—it is necessary to clearly verify some points. What is the innovation *for*? In what way shall we humanize the material thing—and to what effect?” For Ekuon, it is necessary to consider the “truth, good, and beauty” of all built objects. Innovation is not just a matter of function and convenience; that would be too easy and superficial an approach.

“The world is littered with innovative ideas that fell short in some critical way—that never captured the imagination (or the wallets) of customers and users,” says Gianfranco Zaccai, president and CEO of Design Continuum, a Boston-based consultancy with offices in Milan and Seoul. Trendy designs that are not appropriately innovative are often quickly rejected; on the other hand, technical innovators who think of design as a cosmetic and nonessential element often learn that if their great ideas are not embodied by designs people can understand, use, and connect with emotionally, they fail. Not infrequently, that mistake is capitalized upon by a “fast follower” company that redesigns the innovation and reaps the benefits. Design and technological innovation, Zaccai concludes, are two sides of the same coin.

From Paris, Decathlon Design’s Philippe Picaud reports that his company has recently introduced some processes that support innovation—an evolution that came from the creation of a project management structure, as well as from the enhancement of the design function and culture. Design managers now work with designers from different disciplines and domains instead of giving a project directly to a single designer dedicated to the product range—and multidisciplinary teams have become the rule.

“Innovation,” says Peter Haythornthwaite of New Zealand’s Creativelab, “tends to focus on the development of a new means of, or a device for, achieving a particular purpose. And while innovation may create a workable solution, that solution may not be suitable for the market or may not capitalize on the opportunity.” Design’s job here is to interpret that innovation’s intentions and to create a solution that addresses a need but is also fit for use and production.

There does seem to be agreement here among these far-flung design executives on one thing: Design and innovation are closely allied, and innovation grows best in a varied and eclectic soil. *Reprint #05162EXE16*

Case Study

People as a Source of Breakthrough Innovation

By Stefano Marzano



There has always been a tension between designing products that capitalize on new technological breakthroughs and designing products with real consumer benefits. As Philips Design CEO Stefano Marzano notes, there’s “a general assumption that consumers would automatically value any breakthrough in technological power, whatever its form. But a breakthrough . . . only becomes a breakthrough when consumers place a high value on it.” Marzano’s design philosophy has thus become one of learning from consumers where those breakthroughs may be found.

Of course, there’s always the problem of just how to learn from consumers. It has become a design cliché that consumers can’t always articulate their needs—but after all, most consumers

don’t spend time thinking about how a milk carton might be better designed; they just want a glass of milk. In seeking to create “new value,” says Marzano, designers need to keep an open mind—and at Philips, that means an open mind not only for markets and the customer interface, but also for the company itself (“We have to consider whether, to give our market what it wants, we need new competences.”). By market, Marzano means those inarticulate consumers mentioned above, from whom designers need to get information indirectly—“particularly information about what they value.” He continues: “This is hardly ever a product; it is usually a benefit, within a given situation. Rather than focusing on products as such, we need to look at the wider context in which people use them. By doing so, we may discover opportunities to apply our competences in ways that provide consumers with completely new benefits.”

By combining the insights gleaned from the market, the company, and the consumer interface, says Marzano, “we can arrive at a general vision of the future” and work out what new types of benefits to provide, what competences will be necessary to do so, and how the company should interact with its customers.

To implement this approach, Philips applies three methods, which Marzano calls understanding people, innovative integration, and design articulation. Understanding people is done through “the social sciences,” which helps Philips analyze current societies “in terms of their key components and drivers,” and to identify emerging trends and underlying movements both short- and long-term. Developing new solutions for products, systems, and services requires a variety of team members—engineers, marketers, strategists, and designers. Innovative integration—a set of skills including an understanding of technological trends, media design, and business strategy—is the glue that keeps these various members communicating with each other. Design articulation is a more typical design competence and doesn’t come into its own until a clear concept has been developed. It involves shaping that concept into “a tangible, or at least visible, solution.”

Marzano goes on to describe the ways in which these methods are used, as well as some of the Philips products and services that have resulted. *Reprint #05162MAR23*

Strategy

Lessons Learned from Building a Design Culture at P&G Europe The Making of Design Champions

By Mark Barngrover



As Procter & Gamble's director of design for Europe, the Middle East, and Africa, Mark Barngrover's brief includes building and maintaining a strong design organization in the region. Two things he notes in particular: Partnerships with design consultancies are critical; and anything he can do to create and encourage high-level design champions will help him.

P&G, of course, is a huge organization, employing about 21,000 people in 17 countries in Western Europe and about 100,000 worldwide. Design at P&G is now considered a corporate function—"a new development, and a significant show of support," writes Barngrover. Up until recently, he notes, design was seen as a late-stage activity or brought into the work "through narrowly defined tasks." Because of this, it was often seen as a barrier rather than a benefit. Says Barngrover: "We make packages that fly down the manufacturing line—it's an important component of our economic model. But we've learned that if you let the machines rule, everything ends up in the shape of a brick or a cylinder. Bricks and cylinders are stable and easy to fill—but in this more-sophisticated marketplace, if the package isn't distinct, it suggests that what's inside it is a mere commodity."

P&G's new model is much more design-driven. Design is now part of the very earliest stages of product development and stays with the process all the way through. Barngrover cites examples of several new P&G products in which the benefits of design appear clearly. Tampax Compak tampons, for instance, have targeted the needs of teens just entering the market and feature a package that is small, discreet, and fashionable. Not only that, but the tampons are sealed in a material that tears quietly, avoiding telltale noise in a school bathroom.

The elevation of design at P&G can be measured, says Barngrover, by the fact that he hears from design consultancies that their best designers now want to work with P&G businesses: "It's much easier to sell design within an organization when it's done well."

Most importantly, Barngrover notes that enrolling managerial leadership to create design advocacy is absolutely key to his success. He sees this as a crucial part of his job: "By creating design champions in senior management, we create a positive 'virtuous cycle.' Champions set priorities and create energy. This leads the design community to feel empowered and to take risks. If great design leads to a great business, then we see that this feeds on itself and becomes sustainable.... When it works, it works very well." *Reprint #05162BAR30*

Strategy

Marketing and Design: Rivals or Partners?

By Lisbeth Svengren Holm and Ulla Johansson

Why is the relationship between design and marketing so often rocky? From a conceptual view, the two disciplines have much in common. At Sweden's Stockholm University, Lisbeth Svengren Holm and Ulla Johansson are running a research project to study the relationships between design and engineering, as well as between design and marketing. Their initial results have indicated that where design and engineering tend to establish a good working relationship once they see that they can benefit from a mutual learning process, design and marketing tend to establish a rivalry. This article offers some hypotheses about why this should be so, and presents a profile of one of the six companies followed by the authors in their study.

Marketing was critical of design's expanded budget; they saw it as taking away from them, and they retaliated by leaving design out of their own campaigns.

Often the conflict is one of budgets and power. However, more to the point are the conceptual differences between marketing and design. Holm and Johansson narrow these down to five areas: attitude toward the product, professional identity, attitude toward corporate identity, relation to value creation, and approach to consumer and market research.

Attitude toward the product. “As close as design management may be to brand issues,” say the authors, “the physical product still has a central role.” Designers, especially industrial designers, work with manufacturing companies. They tend to have an eye toward innovation and therefore lean more toward the technical side than do marketers. The authors posit that marketers think more about the emotional associations consumers develop with the brand.

Professional identity. “A strong individual culture thrives within the design profession, and designers are used to marketing themselves and their technical skills,” write Holm and Johansson. In contrast, marketing students tend to study at business schools, where most of them are admitted based on intellectual capacity and grades rather than on talent and skills.

Attitude toward corporate identity. For design management, the concept of corporate identity is highlighted by the need to integrate design elements from product, graphic, and environmental design into a coherent visual identity based on the company’s “true identity.” Within marketing management, however, “identity is really about the identity the company wishes to have.” Interestingly, the authors point out that many corporate identity consultants now refer to themselves as brand consultants, while design management still considers product development to be the core issue.

Attitude toward creating value. Branding has become not only a marketing concept but also a financial asset. Design and design management, however, are more difficult to value. Indeed, say the authors, “industrial design tends to be regarded as a cost, while branding has become linked to the income side and is regarded as an investment.”

Approach to the consumer and to market research. Marketers lean toward using questionnaires, surveys, interviews, and focus groups, while designers prefer to use observation and ethnography. Moreover, designers tend much more than marketers to value subjectivity and intuition.

Are there any bright spots in the study? The support and influence of top management can do much to mitigate the design/marketing divide, say the authors. Meanwhile, nothing can improve on better communication and more shared knowledge between the two. *Reprint #05162HOL36*

Development

Big Box Thinking: Overcoming Manufacturing Barriers to Creativity in Manufacturing

By Peter Clarke, President, Product Ventures and Jeff George



All too often, structural packaging design efforts are doomed from the start never to make it to the store shelf. Peter Clarke and Jeff George, president of product ventures and director of packaging innovation at Quaker Foods, believe this is because designers are often sent off to work without a “strategic road map” that considers both consumer needs and manufacturing capability. What’s the point of creating designs that will be either rejected by consumers or impossible to commercialize?

Clarke and George recommend that the design team be “immersed in consumer and manufacturing reality from the word Go.” In this way, a “sweet spot” can be defined: an alignment of what consumers want and are willing to pay for with what the business can make at a profit. This lets the design team know the parameters within which they need to work and gives power to the spark of creative innovation.

Knowing your parameters is great, but even better is learning how to broaden that “sweet spot” and increase the creative possibilities. Clarke and George call this Big Box Thinking, because it’s a way to bridge the divide of the conservative in-the-box, supply-chain perspective and out-of-the-box creativity.

The Quaker Foods team starts by defining the consumer portion of the sweet spot as early as possible “by bringing end users into the design and development process from the start.” This is achieved through ethnographic research: “First-hand observation of consumer behavior by the client and design team spotlights true end-user needs.” Even better, say the authors, this also helps to determine “which features provide the greatest bang for the buck in terms of what’s most meaningful to the consumer experience.” The answers won’t always be spoken responses; often they’re revealed by compensatory behaviors. Clarke and George give the example of squeezable yellow mustard. If you were interviewed about your use of that product,

how likely is it that you'd remember to mention that you always shake the bottle before using it, to avoid getting the liquid that always comes out first?

Even so, designer-led interviews are important: "They open the minds of consumers to ways of improving a less-than-perfect scenario." This is a departure from conventional research collection, in that designer participation is mandatory; the design team, say the authors, "is skilled at bringing the appropriate stimuli to gain consumer consideration"—physical embodiments of other options.

The second important part of Big Box Thinking is having a good understanding of the manufacturing limitations of the business. Clarke and George write, "This includes challenging manufacturing constraints to separate the real from the 'perceived,' making sure they are truly insurmountable, even with additional investment or work-arounds." Defining the sweet spot harmonizes the two opposing mindsets industrial designers encounter when working on solutions. Say the authors: "Marketing, with its focus on consumers, and manufacturing, driven by production at the lowest cost, come together over a common goal—delivering consumer delight at a price both the buyer and business can afford." *Reprint #05162CLA42*

Production

Electronic Knowledge Management in Design Consultancies

By Wen-Chih Chang and Yen Hsu



With multidisciplinary teams becoming the rule more than the exception and with so much accumulated experience floating around a company, many design consultancies are finding that product development is more efficient if they organize their design and innovation information electronically. Nova Design, a consultancy based in Taipei, decided to go the knowledge management route, and Wen-Chih Chang and Yen Hsu write here about the company's experience.

Nova Design specializes in product planning, analysis, product form design, graphic design, CAID, engineering, rapid prototyping, and machining tools. In addition to Taiwan, Nova has operations in mainland China, Singapore, Malaysia, the United States, and Italy; it employs 200 professional designers in six global design and R&D centers. You can see how the varied requirements of clients in multiple global regions might send Nova running for a more streamlined solution, and what it hit upon was a method of applying electronic processes to all aspects of its business. Nova could then provide its clients with design services based upon real-time information.

To achieve that goal, Nova divided its EKM (electronic knowledge management) system into five blocks: a design project control center; a design creation management center; a customer relationship management center; an enterprise resource center; and a design turnkey center. Because it is designed to strengthen total enterprise effectiveness, the system was applied to all the company's departments, including accounting, financial, personnel, and purchasing. Nova has found that EKM improves communication efficiency among clients and project managers, as well as among designers, freelancers, and managerial staff members. Messages can be forwarded in real time and in a transparent fashion, upgrading design quality, cutting costs, and shortening the design schedule. Clients and project managers can communicate through the knowledge platform—having a real-time discussion via the Internet, or through videoconferencing—thus reducing transportation time. Not only that, but communication data can be accumulated and stored in the knowledge system, which is then organized, analyzed, compared, and published in such a way that all participants understand the client needs, reducing time and errors in communication. Designers can share information and make project team members aware of client requirements, design specs, and project schedules, and teams that have worked on similar projects can share their experiences with others. Even on business trips, project managers can coordinate and control project schedules using the EKM's Internet interface.

The authors finish with a few caveats for companies considering such a system. It takes time for EKM's effectiveness to become apparent; patience is important. Style of leadership and design management are significant; success depends heavily on buy-in from top management. The company must have a robust organizational structure if EKM is to be effective, and it should have a firm grasp of the nature of e-business and its implications; for instance, it should be confident in its ability to respond rapidly to client requirements. If these prerequisites can be met, electronic knowledge management may be a real boon to a design consultancy. *Reprint #05162CHA49*

Marketing

Innovation in Private-Label Branding

By Charlie Conn



Did you know that the majority of national brands in the US are owned by just a couple of dozen companies? That may come as a surprise, but it should also make it easier to understand why so many retailers have turned to private-label brands as a way to control and manage their shelves and to create another level of relationship with their customers. Using private labels makes it easier for retailers to manage what happens at the point of sale; they can design not only their planograms but also their product presentation in a way that allows them to compete directly with national category leaders.

Charlie Conn, director of branding at Boston-based Proteus, points out the advantages and the drawbacks of instituting a private-label array of products. "Success in private-label branding," he writes, "boils down to a retailer's ability to build a brand and control and manage it on a local level. . . . The challenge is to provide consumers with unique experiences that are as good—or better—than those of the national brands and their competitors." Bear in mind that the large advertising budget traditionally used to introduce and market consumer brands can now be directed elsewhere—that is, once consumers are familiar with and learn to favor the private label. Private-label branding, once considered a "value-offering" solution, can now be found competing with even exclusive, premium-quality brands.

But there are drawbacks. "Consumers will try a brand once because they're curious," notes Conn. "But if the experience isn't good, it's extremely difficult to lure them back." Moreover, there's not much room for innovation in private labels, which after all are mostly predicated on replicating recipes and formulas. "True innovation," Conn writes, "occurs only when retailers approach private labeling from a branding perspective and create unique experiences that build another level of relationship with their consumers. To achieve success, retailers need to shift their focus beyond the label and build brands in a broader sense, making them fulfill the image of

who they are and what they're about." Wal-Mart, for instance, has begun serving local markets through its Neighborhood Market format, which tailors private-label products to regional consumer tastes.

Basic branding principles apply, says Conn. There are questions to be answered: How appropriate is the brand? What makes it unique? Who are the target consumers? What functional, rational, and emotional benefits do consumers get from the product? How adaptable is it? Is it protectable? Like all kinds of branding, private-label branding goes beyond the label and involves an understanding of the brand experience. "Retailers can apply branding principles. . . by developing an understanding of their own mission and points of difference." In this way, they can encourage repeat purchases and build brand loyalty.

Reprint #05162CON55

Support

Re-Energizing Product Development: InnovationSpace at Arizona State University

By Paul Rothstein and Peter Wolf



Challenges from abroad and opportunities at home have prompted several US educational institutions to offer design programs or courses that focus on collaboration and innovation. Paul Rothstein and Peter Wolf of Arizona State University add their program, InnovationSpace, to this group. InnovationSpace is a university research and development lab that seeks to commercialize product design concepts that are "progressive, possible, and profitable."

There are three parts to this effort. First is an emphasis on sustainable product development, which is communicated in a conceptual model called Integrated Innovation. The goal here is to create a new product that satisfies consumer demand, benefits society, is manufacturable, and creates measurable value for a business; and these goals, the authors say, must be achieved in sequence. The authors admit that "linking consumer and social elements as inseparable is. . . somewhat radical, since social

and environmental benefits are typically viewed as marketing options.” However, they point out that products like Toyota’s Prius, which embodies the idea of Integrated Innovation, have been very successful and have gained their manufacturers a great deal of attention and respect.

The second leg of InnovationSpace is an emphasis on “the institutionalization of transdisciplinary collaboration.” Integrated Innovation requires the kind of expertise and variation in thinking styles that can only be achieved by team members from many disciplines. On campus at Arizona State, InnovationSpace has established alliances with partners like the Carey School of Business, Fulton School of Engineering, and ASU’s College of Design. It has also worked with on-campus research labs, ASU’s business consulting service, and the legal group that handles the university’s intellectual property.

InnovationSpace’s third important aspect is “a real-world focus on the transfer of university-generated design concepts to the private sector.” This is an action-oriented program that hopes to get the work of its faculty, students, and partners into the marketplace. This is where the concept of intellectual property is most important; students from all the disciplines are assigned co-inventor rights on all projects and actively participate in getting ideas off the drawing board and into the private sector.

And with successful commercialization, say the authors, “all parties—students, faculty, ASU, InnovationSpace, and external partners—share in the profits.” InnovationSpace conducts applied projects with university researchers, corporations, and other private-sector groups for which topic and scope of projects are negotiated in advance. Once a project is defined and fees negotiated, the authors write, “students are recruited from the business, engineering, product design, and graphic design programs. Typically, students sign up for a year-long, two-semester course sequence that is cross-listed and satisfies program requirements in all the disciplines.” Students may also be hired as research assistants to work on shorter-term and more-targeted projects. Faculty members from each of the four disciplines offer instruction and support.

As a final step, the teams present their proposals in a trade-show exhibition and in front of a public audience, typically including faculty, students, venture capital groups, investors, and corporate partners.

The authors end by presenting several product concepts from two recent proposals, one targeted at the health needs of aging baby boomers, the other at the needs of vision-impaired individuals.

Reprint #05162ROT63

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