

Creating Better Connections: Strategic Gains from Holistic Design

by Gus Desbarats

In the global marketplace, design plays a growing role in ensuring a better connection between the formulation and the implementation of strategy. Gus Desbarats uses data gathered from winning entries to the UK's Design Business Association Design Effectiveness Awards to demonstrate how to measure success, understand what drives strategic change, and recognize the traits that lead to positive, design-led results.

At Alloy, we believe that good design is the kind that creates project outcomes that move companies forward. Our professional quest for creative excellence is totally aligned with the aim of achieving business results. This may sound very hard-edged, but it isn't. We are simply among the many designers who believe that the human and social focus of design helps companies to connect better with customers, and that makes for good business.

Although most designers take the connection between design and results as self-evident, as far as the rest of the world is concerned it is still quite an under-explored topic. The actual connection is hard to prove in ways that business finds



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credible, and even when this is possible, it is very hard to find enough consistent repetition to see patterns.

Among Alloy's countless successful projects across many sectors, we are lucky to have a set of case studies that, taken together, address both these problems and shed new light on how design thinking helps companies to achieve better results.

First and foremost, the design contribution in these projects has been independently, and credibly, judged to have made a contribution to the client's bottom line. We know this because, in the UK, we are lucky enough to have an industry design award judged purely on commercial results. It is called the DBA

Design Effectiveness award, and it is run by the DBA (Design Business Association), our national trade body.¹

Only design projects that have tangibly affected a client's bottom line are contenders. The main judging criterion is audited proof of a commercial gain—validated by the client—in which both the gain and the design contribution can be clearly isolated from other factors.

The award has been running since 1989, and more than 250 winners have been recognized across all the main design sectors. Any one of these would make a strong case study connecting design and commercial results, but repeated successes in this award for the same team are rare. They demonstrate a consistent approach to very different challenges. This article focuses on two Alloy relationships that have been successful in the DBA Design Effectiveness awards—our 2004 win for Suncorp Communications in the design management category; and various winning and finalist entries during the Alloy team's 16-year working relationship with the consumer products division of BT PLC, the number-one fixed-line telecommunications network in the UK.

Both of these relationships involve the same kind of products—telephone terminals—but they were designed for two very different companies with very different issues, selling the same kind of product in different ways and places. BT is a strong consumer brand in the UK, but Suncorp sells its designs to large, branded distributors around the world. This mix helps to focus on the consistency of the design approach, which has delivered strategic results in both cases.

Another important commonality is that the strategic changes Alloy's design contribution is credited with enabling have been achieved despite the complex realization challenges of global development teams. To use a marine metaphor: The rudder is a very long way from the helm—more like an ocean liner than a sailboat.

Taken together, these two relationships demonstrate how holistic design thinking can help companies make the ever-more-challenging connection between strategy and delivery.

Suncorp Technologies

Suncorp manufactures a range of telecommunications products, mainly fixed-line cordless handsets. The sales and marketing team is based in the UK; corporate headquarters is in Hong Kong, and the factory in Shenzhen, China. In 2000, the company launched its first digital cordless product, based on Philips technology and re-using a design created by customers for one territory. The product did not sell well, and Suncorp's Pan-European market share was stuck at 5.9 percent. Siemens was the dominant player, with a massive 30 percent share; all its products were based on a single, Pan-European design.

Alloy's brief was a simple verbal instruction from Suncorp's head of marketing strategy: "Create a Pan-European design to help us leverage our investment in digital cordless technology and compete with Siemens across Europe."

As is typical of our holistic, creative approach, we came at the problem simultaneously from humanistic, commercial, and technological perspectives.

From the humanistic perspective, we recognized that Europeans pride themselves on their cultural diversity. Volvos, BMWs, and Alfa Romeos sell around the world, but these brands are liked because they have that elusive quality of "character." Conversations with target distributors confirmed the existence of a vague sense of discomfort with the concept of a Pan-European design in the home phone market.

On the commercial front, the feedback from distributors made us suspect that Siemens' Pan-European design might be driven by vendor interests, not customers. Siemens operated from a high cost base in Germany, typically using fully hardened tooling and lots of automation. They needed large volumes of a single design to

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1. See www.dba.org

achieve margins. Our front-end investigations indicated that Suncorp had a totally different innovation culture, based on low-cost tooling and development, at the expense of slightly more labor-intensive manufacturing.

So our creative strategy was to use design to amplify the differences between the two manufacturing cultures. We suggested that Suncorp abandon the idea of a single Pan-European design and offer a range of three "meaningfully different" designs. We explored a number of different ways of structuring this diversity (demographic-based variety, a value hierarchy, and cultural variety, among others) before settling on the overarching range theme of "European cultural diversity." Within this theme we then defined three promising product identity sub-themes: Nordic, Mid-Euro, and Latin (Figure 1). These were selected because they set up the clearest associations between culture and form.

We needed to hold down the development cost of each body variant. We achieved this using advanced 3D working techniques to ensure that all three designs could share a com-

mon internal electronics platform and to eliminate any need for re-creation of the external shell by the mechanical engineers, saving them roughly 40 percent of their usual workload per design.

The outcome of our work was a coordinated range of designs that won the 2004 DBA Design Effectiveness award in the design management category, crediting Alloy's design contribution with creating a strategic change at Suncorp. What was it about the intervention that drove the change?

The entry data speak volumes about the contribution of design to both strategy and delivery. Figure 2 shows the sales growth at Suncorp beginning in 2000. The products were launched in 2001; the award entry dates to 2004. The sales gains are in the region of US \$250 million. This gain is dwarfed by the gain to shareholders: Suncorp's market capitalization tripled during this period.

These numbers are all well and good, but not enough on their own to win a DBA Design Effectiveness award. The sales gain could repre-



Nordic



Latin



Mid-Euro



Figure 1. Three cultural themes, three designs, one common platform. A keen eye will note the common positions of key centers, displays, and acoustics across all three designs.

sent a rising market driven by other factors, and the equity gain could represent a market bubble. Market-share gain (Figure 3) has proven to be a more reliable way of measuring a genuine financial gain. The Suncorp numbers are still compelling: Overall European share grew from 5.9 percent to 20 percent by 2003, and by spring 2004 (half-year), according to Infosource, the Suncorp share was up a further 6 points to 26 percent.

For the award, we were also able to convince the judges that the source of this gain could be isolated to our design contribution: No other product designs or technologies contributed to growth. Suncorp's technology was not a dominant factor over the competition; the company did not make any other significant increases in promotional spend, nor did it make any other significant productivity investments in the period. Price cuts were not a factor, nor was a strong consumer brand. Big share growth was repeated across many regions under many brands, with the same designs (Figure 4).

Suncorp's chairman also helped, with his statement in the 2003 annual report: "...Our experience over the past two years has been that we quickly gain approximately 15 percent to 30 percent of any new market that we enter, as customers respond to our innovative and attractive product range...."

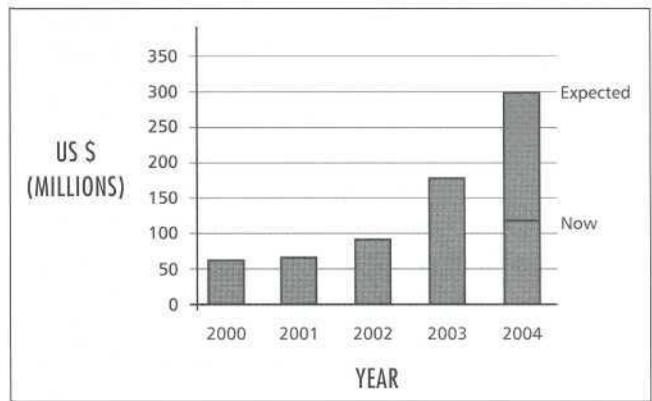


Figure 2. Sales growth for the new products was excellent. However, great sales increases on their own aren't enough to prove a commercial gain, and they're not enough to win your design a DBA award.

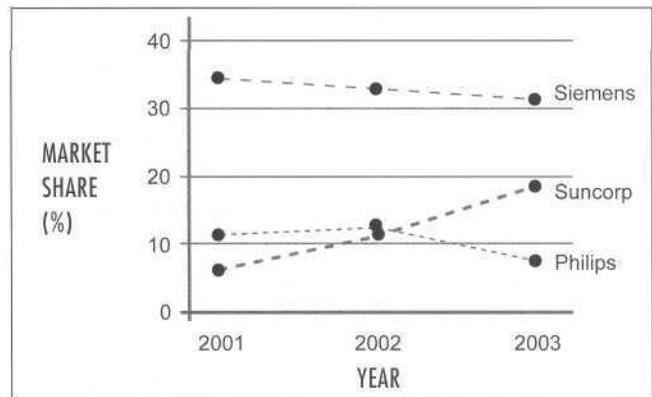


Figure 3. Market-share comparison is a more reliable measure of financial gain. Note the contrast in trends among the three competitor brands.

Country/Region	2001 (%)	2002 (%)	2003 (%)
Europe	5.9	10.8	17.3
Belgium/Luxembourg	-	18.9	12.4
Denmark	-	6.2	9.1
Finland	-	7.0	5.0
France	1.7	3.4	11
Germany	0.3	3.4	10.9
Greece	-	4.5	3.0
Ireland	-	4.1	11.4
Italy	2.5	11.8	18.7
Netherlands	-	3.4	6.4
Norway	-	1.8	9.4
Portugal	-	4.6	36.9
Spain	-	11.8	16.2
Sweden	-	5.7	12.8
Switzerland	-	10.6	10.5
Turkey	-	-	25.8
United Kingdom	27.9	33.2	38.4

- Some of the brands.....
- AEG
 - Topcom
 - Alcatel
 - France Telecom
 - Continental Edison
 - Belgacom
 - KPN
 - Fujitsu
 - Portuguese Telecom
 - Master
 - Telecom Italia
 - Audioline
 - Switel
 - Astec
 - Homeline
 - TeleDenmark

Figure 4. The same three designs were shared across X countries and Y brands.

Alloy's contribution created a more useful connection between Suncorp's actual strengths and a deeper, more subtle insight into the human behavior that would influence buying decisions. Having helped Suncorp set a better strategic direction, we then assured the successful delivery of this vision, managing information sharing and collaboration with the delivery team to ensure that our creative vision was exactly reproduced for production. Our industrial design contribution improved the effectiveness of a global team with engineering run from a lower-cost base, remote from customers.

Suncorp is a great example of a single dramatic intervention changing the course of a company. The second example is a demonstration of how Alloy's holistic design approach can move beyond this type of one-off change to sustain a successful innovation culture over the long term.

BTConsumerProducts (BTCP)

BT CP is the product division of BT Pic, the UK's main fixed-network operator. The division employs only about 200 people, mostly in marketing and distribution, yet its sales turnover is in the region of \$US 500 million. As a stand-

alone company, it would be in the top 100 of the UK's FT index. Since the mid '90s, it has held a dominant market share in the UK telephone market, averaging around 45 percent. In the eyes of the market, BT is a manufacturer, competing against (and beating) brands like Philips and Panasonic (Figure 5).

Few organizations have a basic structure so clearly delineated to isolate the contribution of design thinking to operations: BT CP commissions industrial designs from Alloy, which are then put out to tender to third-party development and manufacturing partners. This "weightless manufacturing" business model is central to BT CP's clear pricing and margin advantages over competitors.

The design contribution has always been quite easy to isolate. BT's only exclusive intellectual property is the industrial design; there is very little direct product advertising, and the halo effect of network advertising can't be guaranteed. In fact, it's easier to prove the opposite. Back in the early '90s, before the Alloy team came on the scene, BT was buying designs off the shelf from China, and retail market share was around 18 percent. There was considerable

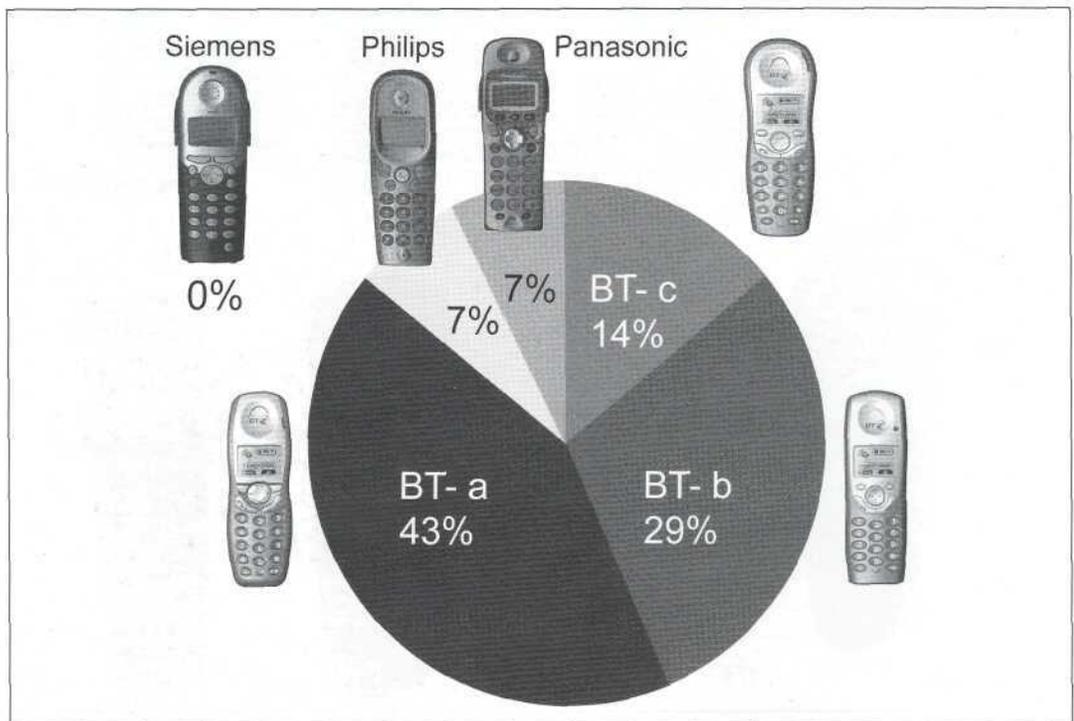


Figure 5. In the UK, BT designs compete successfully against major global brands. This chart is the output from some design selection research. Part of Alloy's work for BT is ensuring that early research asks the right questions using realistic simulations of the planned outcomes.

pressure to follow the lead of many other networks and get out of products.

The graph in Figure 6, which was taken from one of Alloy's DBA entries, shows the market-share growth BT achieved after taking up design, sector by sector. The bold sections of the graph highlight the rapid gains made each time BT launched a product, using the new and consistent BT identity we had created and managed. Our most extreme DBA winner was a design for a fax machine, the DF-200, which took BT's value share of the fax market from 14 percent to 40 percent in six months.

These early successes were the cornerstone of a partnership that has delivered more than 500 BT designs to market, survived at least four major changes of client-side management, and is still going strong today. This quote, obtained for a DBA entry, sums up the client's perspective:

...Strategic management of industrial design has played a key role in the growth of BT Consumer Products. To us, it's a core knowledge asset that adds value to our products and keeps our brand strong. Industrial design is often undervalued in our industry, but our results show that the investment has more than paid back...." (John McGrath, general manager, BT Consumer Products).

Within the relationship, our work is constantly benchmarked against a set of criteria that define

BT's view of how and where design adds value:

- Ease of use
- Clarity of purpose
- Attention to detail
- Expression of BT brand values
- Meaningful differentiation from sibling BT products
- Perceived quality

These criteria are applied to every project delivered by Alloy to BT, and the result is a clearly recognizable identity with strong, consistent attributes. This identity has evolved steadily over time, building up long-term equity despite the products being sourced from more than 20 manufacturers (Figure 7).

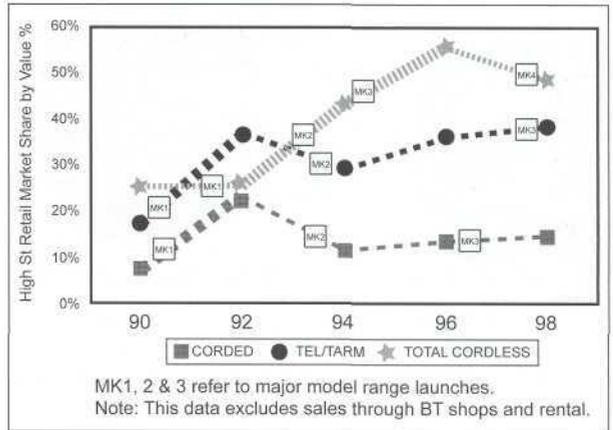


Figure 6. The bold lines represent the market share growth in the periods immediately after BT launched its own design products in each sector.



Figure 7. Alloy has managed the evolution of BT's product identity across more than 500 designs. The products in the picture are all in the UK top ten. In fact, just one model, BT Studio, accounts for more than one in ten phones sold in the UK.

Beyond these general metrics for design outcome, Alloy has also defined the BT CP innovation process. We have been instrumental in this role since our very first projects, when we had to work out a process that would ensure our designs could be faithfully realized by sub-contracted third parties who were culturally, commercially, and physically worlds apart from BT's customers and, as we soon discovered, not totally sold on the idea of their customers specifying design.

We obviously don't set strategy for BT, but we play a key role in helping the company to break down large strategic objectives into individual initiatives that represent steps toward the

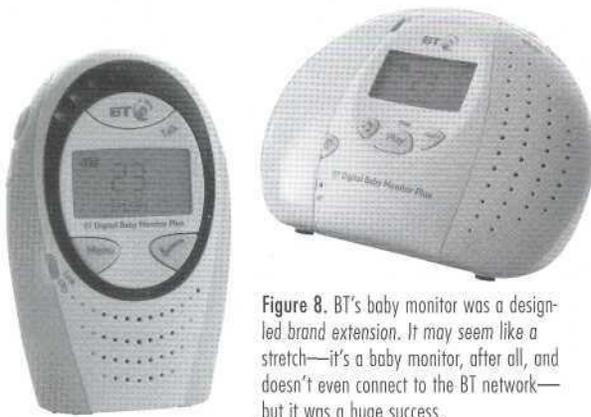


Figure 8. BT's baby monitor was a designed brand extension. It may seem like a stretch—it's a baby monitor, after all, and doesn't even connect to the BT network—but it was a huge success.

big goals. This is another key aspect of how design thinking helps BT.

A great illustration of this is BT's successful brand extension into baby monitors. Launched in early 2005, the product (Figure 8) achieved more than 15 percent market share in a year, from a standing start, through completely new retail channels. The product has received minimal advertising. It doesn't even connect to the BT network!

The baby monitor was part of a broad incremental strategy to extend BT's brand from its strong base in voice calls toward the broader world of multimedia content, to be delivered over its totally new broadband network. The brief was a simple one: What could BT launch within 24 months to extend the brand from person-to-person voice in the direction of broadband multimedia applications, but not necessarily all the way?

The innovation process

Figure 9 shows how Alloy divides up the innovation process into five major stages, each with its own set of practices, and clear rules for progressing from one stage to the next. The entry point for the process depends on the original question. In this case, the process started at the earliest

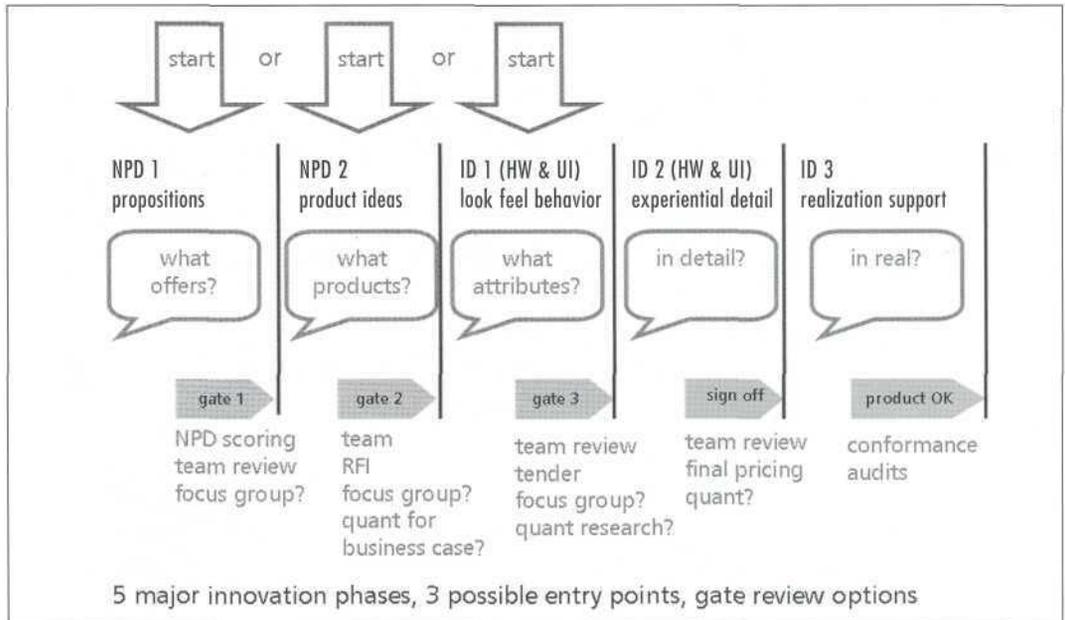


Figure 9. The start point depends on the question. Each gate has a clear set of guidelines that determine what gets through.

point, which we call product planning 1 (PP1).

Figure 10 provides a useful snapshot of how the baby monitor thread progressed from an early open question to a finished product.

In PP1, we focus on making a connection between general lifestyle trends, unmet needs, and the character of a brand's reputation (what we call the brand envelope). In this instance, the focus was on home life, communication, and trust. For the baby monitor project, one outcome of this stage was a team decision to focus on parent/child communications (other outcomes set off their own product threads). This phase tends to be very short and focused but with a strong emphasis on divergent thinking, and lots of fast idea capture. The general goal is to find a set of consumer profiles and situations on which to focus.

The goal of the second stage (PP2) is to progress within each focus zone to a recognizable product-based proposition that can be fully tested for both desirability and feasibility. This stage usually involves direct design-led ethnographic research (in that the designers themselves sit in the room and do the interview; they don't farm it out to a specialist agency), and we let it take as long as it takes. The result we seek is that at least one out of 10 or 20 product propo-

sitions gets a go for production development. Planning to allow failure is a key part of the process, and the kind of "failure" we find acceptable is an idea people want but that can't be manufactured in time or within a budget that allows sufficient margins, considering the possible demand.

Once there is a commitment to create a specific kind of product, we start the classic industrial design process. For industrial design phase 1 (ID1), we go out and get very detailed insight, which we convert into clearly streamed options for look, feel, and behavior (of either hardware or software). In ID2, we focus on the details of the customer experience and on ensuring that our ideas are documented with the precision needed to represent a commercial purchasing contract between BT and its outsourcing partners. Finally, in ID3, we audit the delivery of the engineering design and pre-production samples against our specifications.

Again considering the baby-monitor project, we find a clear example of the knowledge continuity from boardroom to tool room that defines Alloy's holistic design approach. With the exception of BT CP's senior management, we were the only people involved through all five stages. This continuity played a key role, assuring that a) the

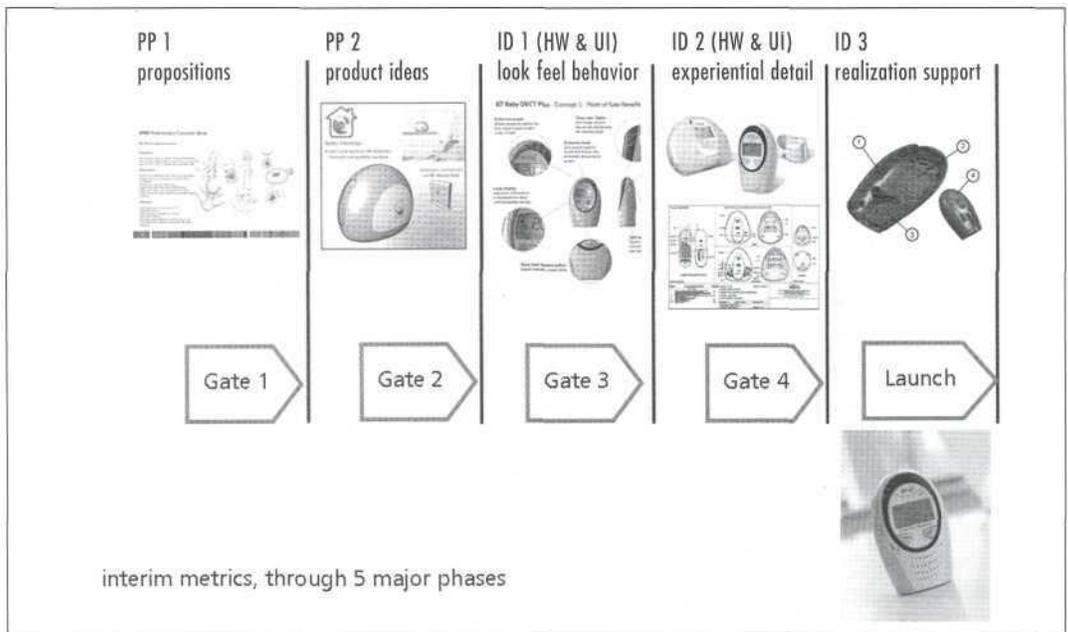


Figure 10. Each stage is given its own distinct innovation culture. The focus of the early stages, for example, is on fast, high-risk explorations of many options. Later on, the focus shifts toward guaranteeing attention to detail by clearly specifying, then auditing, the delivery work of others. Alloy's BT team ensures knowledge continuity across all five stages.

product outcomes were all well aligned with the strategic brand objectives, and b) the execution of these outcomes fully met the expectations of senior executives who signed off on the business plan before ID1.

The bigger picture

So what are the common patterns across these two examples of design-led strategic growth?

Humanistic insight becomes a stronger, more respected driver of innovation.

In both the BT and the Suncorp examples, design was the vehicle for achieving deeper consumer insight, as well as the means of building market leadership on the basis of this insight. In the case of BT, where there were no clear assets other than the brand, it has become a prime driver for innovation. This is in sharp contrast to the conventional approach to innovation, which is often driven by internal needs, such as finding markets for the outcomes of previous discoveries or investment decisions.

Innovation risk was better managed, on many levels.

The Suncorp and BT examples demonstrate a number of important risk management benefits. For both, design thinking is simultaneously focused on the twin tracks of demand opportunity and supply opportunity. This makes the connections necessary to get a result far more efficiently than approaches that don't balance both kinds of insight. As external consultants, in both cases we were also objective about the client's strengths and weaknesses, and we planned our innovation contributions to accentuate the positives and minimize the negatives. We also helped manage risk by setting up gate processes to contain failure in allowable places early on, and by sharing high-quality simulations with all the innovation stakeholders to ensure well-informed, early feedback from many different risk perspectives.

Innovation and delivery were better connected, especially when it was hard.

Knowing what to do is one thing. Making it happen at the other end of a global innovation process is another big challenge. Both the BT and Suncorp examples show how designers newly empowered by working techniques involving the Internet and re-usable 3D data can perform a key continuity role as a catalyst for better results from delivery teams spread across disciplines, companies, continents, and cultures.

Innovation projects were a powerful driver for change within the two companies, on many levels.

The Suncorp and early BT examples clearly demonstrate the power of individual design projects to create outcomes that drive genuine transformations in company performance and in their strategies for adding value. Both cases also demonstrate how an external input from innovation specialists has helped these companies improve the actual processes they use to innovate. The BT baby monitor example also demonstrates how design thinking has helped a large company manage a large brand extension challenge—by breaking it down into a planned sequence of stages, each with its own distinct innovation micro-culture, under the umbrella of a coordinating creative direction.

So Alloy's design contribution didn't just create better phone connections—it was a catalyst for innovation-led growth via better knowledge connections between customers and the fragmented cross-functional teams delivering to them. •

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