



## **The Positive Dividends of Design**

How Great Design Impacts  
the Bottom Line



Ask your neighbor what his favorite coffee cup is, and he'll have no problem demonstrating the virtues of his 15-year old chipped porcelain mug, the one with the smooth, thick rounded lip and solid heft. Ask your wife what she looks for in a handbag (aside from designer logos, supple leather and fashion appeal), and she'll surprise you by wishing for a light-color interior and zippers that don't stick.

**Good design: It's a conundrum.** It's nearly impossible to define, but we all know it when we see it. Moreover, we probably all agree: Despite its elusive nature, good design has a universally ubiquitous value, both to the individual consumer and to the manufacturer itself. Though there is no standard way to measure the success of the design process by itself, we are seeing a powerful trend in the marketplace. Simply put, design-focused companies gain more market share, are more profitable and more successful than companies who are not design-focused.

Here are some compelling examples of the positive impact great design is having on companies and their customers.

*Design is so simple –  
that's why it's  
complicated.*

*Paul Rand, award-winning graphic artist*

## **The Positive Economics of Design-Focused Companies**

Design is one of the most powerful emerging drivers of business success in our current century. No longer considered just window dressing used primarily for marketing "must have" products, design is a key enabler that presents a solid business proposition.

In fact, design's impact on profitability can be observed in many tangible ways, including greater product acceptance, sustainable competitive advantage, increased word of mouth, higher brand loyalty and ultimately growing revenues.

Therefore, it is no surprise that an increasing number of companies are putting design at the front and center of their business model. In what follows, we note several developments that explain the emergence of these new design-oriented companies.

## Design delivers

The Design Management Institute (DMI), a professional organization, recently performed an analysis and found that design-driven companies outperform others on the stock market by 93%.<sup>1</sup> The DMI is currently completing research to determine how to best quantify design's return on investment. Called the Design Value Project, the undertaking involves qualitative and quantitative research to demonstrate how to measure quantitative outcomes such as increased sales, profits, market share growth, and market valuation that are driven by design investment.

From Apple to Nike, Disney to Samsung, a quick review of their annual reports reveals that design-focused businesses outperform others. As further evidence, in 2007, the Design Council of the United Kingdom analyzed the 10-year financial performance of 250 companies well-known for their strategic investments and recurring achievements in design and found they outperformed key stock indices by 200%. The council concluded: "For the financial community, it offers a new way of looking at investment. And for business managers and designers alike, it provides the business case [for investment in design] that is needed in an increasingly rigorous business environment."<sup>2</sup>

## Design leads

Design is at the core of many highly successful businesses and is considered a core competency and the foundation of the company culture. The \$2 billion company Citrix is a well-established company with a bona fide designer at its helm, as are Dyson LTD, the highly successful manufacturer of unconventional vacuum cleaners (with 27% market share in the U.S. alone), and Method Home Care, a company founded by an industrial designer that makes sustainable consumer soaps and detergents.

Method Home Care in particular shows just how far-ranging and influential the concept of great design can be: According to Time magazine, Method Home Care "has come up with a unique formula that changed the way consumers think about the products they use to wash their hands, floors and clothes. In the process, they have changed the entire \$5.2 billion cleaning products industry. By adding innovation (odor-neutralizing kitchen soap), cool packaging (laundry detergent in a pump), and fun fragrances (ginger yuzu!), to the traditionally staid green cleaning products category, they brought eco-friendly cleaning out of the natural foods stores and onto mainstream shelves."<sup>3</sup>

In many successful companies, the CEO shares a close personal connection with a top designer, case in point being "Team Apple's" Steve Jobs and Jony Ive. Other "dynamic duos" include Nike CEO Mark Parker and his VP of design, John Hoke; PepsiCo CEO Indra Nooyi and her chief design officer, Mauro Porcini; and Google's CEO Larry Page's support for designer Jon Wiley, whom he credits with being the motivating factor behind Google's new design signature.<sup>4</sup>

***Design-oriented organizations take a strategic approach to design that permeates everything the company does to guide innovation and continuous improvement. A strategic design focus leads to repeat business, a competitive edge and higher profits.***

*Chris Ross, Principal, MindFlow Design*

Companies don't have to have a designer at the top, however, to take advantage of the benefits of a design focus. Many companies partner with design firms to infuse the company culture with design-led thinking because they value design at the top but don't have the necessary resources within the company to make it happen.

## How Design Impacts the Bottom Line

Simply put, design-focused companies believe that design is a driver of company growth. But, we might ask, why are design-focused companies so profitable? We believe the answer lies in both economic trends and psychological drivers.

### *Design turns commoditization into opportunity*

Design-focused companies achieve greater profit because they understand they must rally against the current economic cycle of increasing commoditization in which products and their underlying technology, which used to stand out in the marketplace, are now nearly indistinguishable from each other.

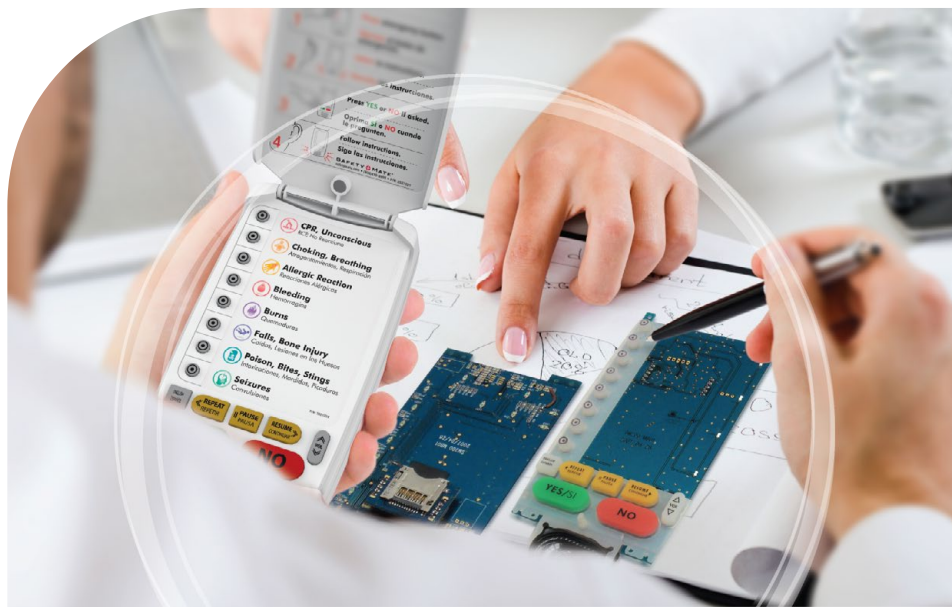
This era of commoditization has made design more important than ever. Commoditization has provided the opportunity for the more creative-thinking companies to use design to make their products stand out in a crowded marketplace of 'me-too' products. As Businessweek design editor Bruce Nussbaum pointed out way back in 2005, in the face of commoditized and globalized technology and information, "creative companies" are starting to use good design to achieve "product differentiation, decision making, and understanding the consumer experience."<sup>5</sup>

### *Design boosts profits through positive emotional connections*

Design-focused companies achieve greater profitability because they understand products are successful when they provide positive emotional attachments, connections and memories. Even the most mundane object (coffee mug, soap, vacuum cleaner) becomes adored if it provides a delightful experience.

When we think about a product in this way, it becomes clear that product lust is really the result of the entire range of customer experiences that begins with discovery and purchase and continues through first use, continued use and eventually updating or renewing the product. Design-focused companies understand this and strive to empower the effort to create the emotional attachment to a product. Enhancing the user experience through good design creates delight with the product, leading to word-of-mouth referrals, good reviews and testimonials (both online and in print publications), which increases the "buzz" around the product and ultimately boosts sales.

Examples abound. Instagram wasn't the first mobile photo sharing app, but it's the only one that skyrocketed into a billion dollar company and was acquired by Facebook. Why? Because it developed a photo-sharing experience that created an emotional connection with users.<sup>6</sup>





### *Design builds brand loyalty via a consistent customer experience*

Building on the previous theme, Don Norman, professor and author of *The Design of Everyday Things*, observes that it makes no sense to treat every stage (R&D, manufacturing, packaging, sales, customer service) as a separate, unrelated process. Such a strategy results in products that deliver an incoherent customer experience.

Instead, design-led companies use design as a strategy, viewing the whole ecosystem, not just an isolated product. Additionally, design led companies build their brand reputation by having a consistency throughout their product offerings and customer interactions. Consumers develop a greater loyalty when they recognize that a given product came from an admired company.

And this view isn't limited to consumer products. For example, hospitals are now linking and managing their medical devices and machines into ecosystems using well-designed iPad apps. The folks at the helm of the ecosystem are often times industrial designers because they know how to make everything fit together seamlessly. As Cliff Kuang points out in a Fast Company article, "If they do their job right, the result—a working ecosystem—is a far better platform for innovation than an isolated product.

Just think about Apple and how its products have expanded from iMacs to iPods, iTunes, iPhones, and iPads, all linked via its iCloud. Or Nike, whose body-computing foray began with Nike+ and has evolved into the Fuelband, which aims to rebrand the calorie, for an age filled with networked devices." <sup>7</sup>

***A product is more than the product. It is a cohesive, integrated set of experiences. Think through all of the stages of a product or service—from initial intentions through final reflections, from first usage to help, service, and maintenance. Make them all work together seamlessly.***

*Don Norman, author of "The Design of Everyday Things"*

## **Best Practices of Design-Focused Companies**

Design-focused companies share a common DNA that makes them successful. First, they believe in the power of emotions and empathy; second, they believe that "good enough" is the enemy of great. Lastly, they embrace a new way of thinking that permeates the entire business.

### *Leveraging the power of emotional connections*

To paraphrase noted designer Frank Chimero (author of *The Shape of Design*), **People ignore products that ignore people** (and gravitate to products that seem to be built just for them).

Design-led companies are successful because they understand this and strive to enable emotional attachments to a product through their designs. By engaging with users during the design process, companies can look for and find new opportunities that might not otherwise be apparent. These opportunities present new potential products or variations of a product that become revenue-generating.

According to Michael Westcott, president of DMI, at the most strategic level, design is involved in creating new user-centered opportunities to improve the company and avoid disruptions from the outside. It can also help emerging organizations become disrupters of the status quo. This is done by using design as a strategic tool to reframe whole markets and opportunities.



For example, Sk8ology approached MindFlow Design with a very specific design for a skateboard multi-tool and asked the design firm to “make it.” The designers at MindFlow convinced Sk8ology to take a step back and allow them to conduct design research that included observing and interviewing people in context, while they were skateboarding. The result was a wildly successful skateboard tool containing specific wrenches, a screwdriver, and a bottle opener that fit into a carabiner form for clipping to a belt loop or backpack. This led to the formation of the wildly successful Click Carabiner Company who now develops many sport-related carabiner tools for multiple industries.

### **Implementing a User-Centric Design Process**

What follows are four methods that design led companies use to consider the needs of the ultimate consumer of a product in every stage of the design process.

**Empathy and context:** In this process, businesses strive to gain a deep understanding of the people who will use the product and how they use it. You just can’t do this from inside an office cubicle. Imagine needing a portable medical device that helps you breathe. It is attached to you 24/7, you bring it everywhere, and you sleep next to it. Wouldn’t you want it to fit your lifestyle rather than changing your lifestyle to accommodate the device? In a design-focused company, the process would begin by observing and talking with patients in the real world while they interact with their current devices. Those designing the product might also “become the patient,” connecting themselves to a device or prototype and using it throughout their daily lives over a period of time to fully empathize with the patient.

MindFlow Design did just that when designing the Eclipse oxygen concentrator for SeQual Technologies. The MindFlow team used a competitive product 24/7 for a week throughout their daily lives in an effort to experience empathy. Additionally, they drove with patients in their cars, visited their homes, and attended their exercise classes.

**Observation:** The basic consumer-centric design methodology of observation can be used anywhere – with shoppers at malls, families participating in outdoor sports or eating out in restaurants, patients being treated in hospitals or at home. Often the results lead to innovative design strategies that would otherwise be overlooked. For example, BMW’s observations of their customers uncovered the fact that BMW owners are more stressed by parking than by freeway driving, leading to the car’s new parking assist feature. The research was so precise it correctly determined how far to take the innovation, leading BMW to scrap a completely automatic parking feature, because it would have been an insult to its customers’ driving skills!<sup>8</sup>

And, when MindFlow Design conducted field observations of equine veterinarians using specialized X-ray equipment, it discovered that the vets had to perform back-breaking and back-bending work in order to use the device, which led to a more ergonomic, flexible design of the X-ray device that had never been thought of before.

**Prototyping:** An essential step in developing any successful product is prototyping early and often. A prototype can be almost anything - a sketch, a series of post-it notes, or a physical object. The main goal is to turn an idea into something tangible that can be shared, tested, and/or used to gain feedback. The trick is to spend as little time as possible on each prototype, allowing for many iterations, each one getting you closer to the best design. Prototypes can even be co-created with users to leverage their knowledge real-time in an effort to provide the best user experience. For example, a pilot and a researcher sitting in a simulated cockpit with Velcro surfaces can reorganize the buttons, dials, and switches repeatedly, until the optimum design is realized. Prototyping early and often speeds up the development process, helps ensure people's needs are met, and will lead to a more successful product.

### Going from “me too” to “breakthrough”

Design-focused companies strive to achieve a product that is more than “good enough,” going the extra mile to elevate a “me too” product into a “breakthrough” product. Going beyond “good enough,” however, frequently is at odds with the cost-cutting measures that are so prevalent in a commoditized world where competition is based on price. As we move to more formal ways of measuring the return on investment (ROI) of design practices, more and more companies see through the false economy of cutting corners and being just “good enough.”

In fact, skipping customer-centric design research altogether can actually raise costs down the line and reduce the bottom line. A certain German auto manufacturer found this out the hard way after introducing their high-end car to U.S. consumers, who were not lining up in droves to purchase this epitome of excellence simply because the car had no cup holders! (Europeans, it seems, do not deign to drink coffee in their automobiles.) The manufacturer was forced, at great expense, to retrofit their vehicles. The resulting cup holders have been called “the most complex, expensive, unreliable and least user-friendly cup holders ever produced.”<sup>9</sup>

The story of the MiniMed 507 insulin pump also illustrates the positive economics of going the extra mile. Once a “me too” but highly popular portable insulin pump, MiniMed sales suddenly declined. The company hired a design firm to attack the challenge of turning things around and increased revenue by nearly 400% in just three years. (See box for more of the story.)<sup>10</sup>

**Creating personas: Developing customer personas (which include characteristics such as lifestyle, wants, needs, hopes and fears) and building stories around each persona such as “a day in the life” is also critical to empathetic design. Placing a product within an emotional story greatly raises the chances of success by maximizing adoption rates, reducing returns, and creating “buzz.”**



**Betty**

- Perseverance
- Upbeat
- Helpful
- Emotional
- Loving

AGE | 67  
GENDER | Female  
MARITAL STATUS | Divorced  
INCOME | Fixed  
INTERESTS | Golf, Bowling, Cooking, Soccer

CAR | Jeep Cherokee  
Prescribed O2 since 2005  
SHOWS | Fox News, Fox Sports

Betty smoked cigarettes for most of her life and since 2005 she has been prescribed oxygen. She had surgery that same year after falling on her hip and consequently gained weight. She has more trouble breathing now because she is out of shape and has back problems. Her lifestyle has changed dramatically since she has been on oxygen and can no longer participate in the activities she once enjoyed. Betty uses many different devices to breathe: a stationary concentrator, a cylinder which she carries in the passenger seat of her car and, 1-3 small M6 cylinder in her portable black bag with wheels.





Current O2 Devices




Volunteers 3 times a week at the rehabilitation center where she also goes for exercise.





Activities Enjoyed Before Oxygen Prescription




Cylinders Stored on Passenger Seat

## MiniMed 507 Insulin Pump: The Little Pump That Could

After traditional research techniques failed to uncover why patients were suddenly abandoning the MiniMed 507 for a competing (and inferior) product, four of the designers actually wore MiniMed pumps for several days. They administered saline solution instead of insulin and carried it in public just as a true diabetic would. As advertised, the pump was efficient and convenient – but to everyone’s surprise, it attracted all sorts of negative attention, including rude stares and lectures from onlookers about the dangers of eating too many sweets!

It was an “Ah Ha! Moment” that led to a total redesign. Using the then-trendy pager as inspiration, the firm created a colorful, opaque housing for the new MiniMed pump, even providing it with a belt clip, rather than hiding it in a pouch. It was new and fresh for the times, and during use, patients appeared to be answering a page. Adoption rates soared, and MiniMed’s annual sales skyrocketed from \$45 million in 1995 when the new design was first launched to \$171 million in 1998, nearly a 400% increase in revenue.

### *Advocating design thinking throughout the business*

For companies where good design has yielded higher profits, many have incorporated an entirely new way of thinking into their corporate culture. In this approach, design is much more than a department; it has become a collaborative process and a structured way of thinking – design thinking – that permeates every action of the business.

Design thinking is all about uncovering new ways to look at possible solutions to a problem. It encourages companies to think big before narrowing the focus. The guiding principle is empathy for the user, plus observation, frequent prototypes and the use of cross-functional teams to provide a broader understanding of the true design challenge. For example, designing a refrigerator is one problem, but finding a way to make fresh food easily available in your home leads to more creative solutions.

Viewing a problem from multiple perspectives is critical to design thinking. By incorporating cross-functional teams from a variety of disciplines, businesses get a new understanding and avoid stereotypical assumptions. It also creates the ability to build possible solutions incrementally on the ideas of others.

Design thinking includes the need to develop iterative mockups or prototypes quickly. People can better visualize a solution by touching a physical thing. Most importantly, it encourages deeper, more meaningful conversation between people on the design team and potential users of the product. Design thinking incorporates both divergent thinking, with lots of solutions and no constraints, as well as convergent thinking, which involves narrowing down ideas and applying restrictions.

***Design thinking is a solutions-based approach. You start with solutions and work your way down, instead of starting with constraints such as marketing, R&D, and manufacturing requirements.***

*Chris Ross, Principal, MindFlow Design*



## Conclusion

We all know good design when we see it. It grabs us from 20 feet away. At closer look, the product engages our senses and makes our hands itch to pick it up and interact with it. This emotional and sensory connection leads to greater sales and market share because people will not only buy the product, they will tell their friends about it.

Since consumers do not always have the opportunity to convey what they want (much less know what would delight them), design-focused companies are at an advantage because they are best equipped to tease out the information required to respond quickly and innovatively in competitive, rapidly evolving markets.

When it comes to designating the proper design resources, design is a savvy investment that will positively impact – and delight – both your customers and your bottom line.

***Thinking about design  
is hard, but not thinking  
about it can be disastrous.***

*Ralph Caplan, designer and author*



MindFlow Design is an innovative California product development company that strategically develops products for clients who range from start-ups to Fortune 100 companies. We employ a user-centric design approach fueled by the process of discovery and years of experience designing and engineering successful products.

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<sup>1</sup> From report to be published in DMI Review in December 2013:  
[http://www.dmi.org/dmi/html/aboutdmi/roi\\_2013.htm](http://www.dmi.org/dmi/html/aboutdmi/roi_2013.htm)

<sup>2</sup> The Design Council, The Value of Design Fact Finder, 2007, downloaded from [http://www.designcouncil.org.uk/Documents/Documents/Publications/Research/TheValueOfDesignFactfinder\\_Design\\_Council.pdf](http://www.designcouncil.org.uk/Documents/Documents/Publications/Research/TheValueOfDesignFactfinder_Design_Council.pdf).

<sup>3</sup> Carlyle Adler, Time, "Method Home Cleans Up with Style and (Toxic-Free) Substance," May 3, 2011, downloaded from Method Home Cleans Up With Style and (Toxic-Free) Substance | TIME.com <http://business.time.com/2011/05/03/method-soap-business-profile/#ixzz2l7DC3Aaw>.

<sup>4</sup> Linda Tischler, "Dynamic Duos: PepsiCo's Indra Nooyi And Mauro Porcini On Design-Led Innovation," Fast Company, October 2012, downloaded from <http://www.fastcodesign.com/3016310/pepsico-indra-nooyi-and-mauro-porcini>.

<sup>5</sup> Bruce Nussbaum, "Get Creative!" Business Week, July 31, 2005, downloaded from <http://www.businessweek.com/stories/2005-07-31/get-creative>.

<sup>6</sup> Katie Fehrenbacher, "As the Underlying Technology Becomes a Commodity, Design Emerges as the Answer," downloaded from <http://gigaom.com/2013/10/17/as-the-underlying-tech-becomes-a-commodity-design-emerges-as-the-answer/>.

<sup>7</sup> Cliff Kuang, "Why Good Design is Finally A Bottom Line Investment," Fast Company, October 2012, downloaded from <http://www.fastcodesign.com/1670679/good-design-is-good-business-an-introduction>,

<sup>8</sup> Ibid.

<sup>9</sup> Ibid.

<sup>10</sup> 2010 Catalyst case study, "MiniMed 507 Insulin Pump: The Little Pump that Could," Dave Destler, 2010 Catalyst case studies are available as pdfs and audio recordings at [www.idsacatalyst.org](http://www.idsacatalyst.org).