

redefining the business of design

By
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Lead, follow or get out of the way?

industrial designers and engineers pride themselves on innovation, defining the state of the art, being at the cutting edge and leading the market. Often, though, being the first is not always the best business strategy. To succeed, being first requires carefully designed market, design and business strategies. Sometimes, being a market follower has advantages, but that too can fail. Many believe products that achieve a Silver IDEA perform better in the marketplace than those that win a Gold, perhaps because first-place products are too advanced for the mass market where the second-place entries have more familiar forms while containing excellent solutions¹. Here is where design and marketing meet.

being first doesn't guarantee success

Designers love to create marvelous products that take the marketplace by storm. They want to make a difference, to make a statement. Many companies believe they can grab market share by introducing new generation products with advanced technology and features to leapfrog their competition. They believe being first to market is necessary to succeed. Many other companies believe it is best to follow the leader to avoid the heavy risks of being first yet succeed by offering a better product.

Which strategy is best and under what conditions? In this article, David Rodstein of Rodstein Design explores the influences of the industry type, corporate culture, organizational structure, demographics and overall business context on selecting the appropriate strategy. The conclusions may surprise you.

—Brian Vogel, IDSA, Business Editor



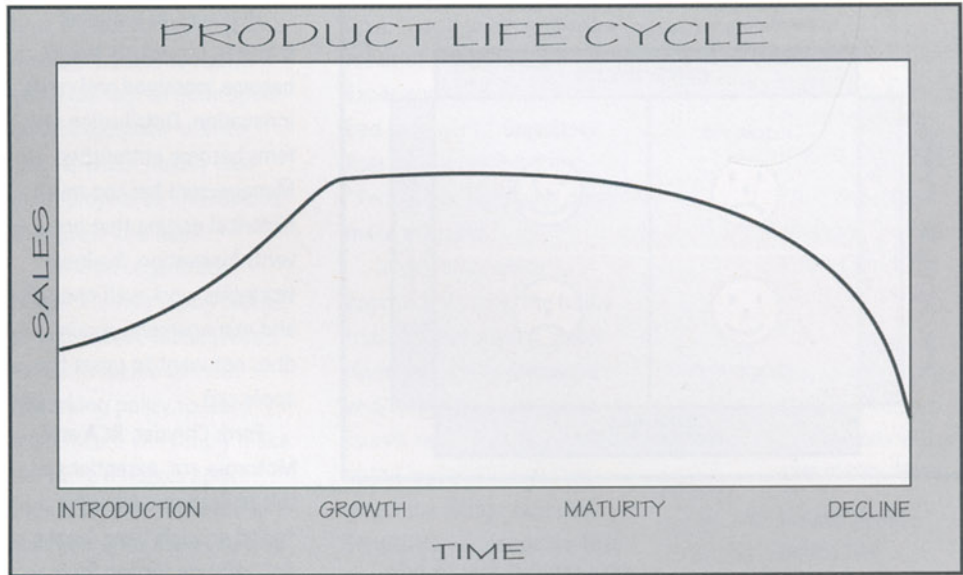
How do we decide which strategy is best?

How do we best serve our clients or corporate brethren who may not be on the cutting edge? How does the market position and strategy fit into the work of the industrial designer? The answer is not so much which strategy to use, but which to use when.

Being first to market gives the edge in brand equity.

The innovator usually sets the rules of the game—the industry and product standards, distribution channels and price—and captures a larger market share. If impending government regulations make current offerings obsolete, the first on the market has the advantage of being the benchmark. In the late 1980s, Lightolier capitalized on imminent energy legislation and quantum leaps in fluorescent lamp technology by introducing track-mounted fluorescent fixtures for retail/commercial applications.

While competitors catch up, the innovator uses the time for new innovations and can then get rid of products that have attracted imitators by introducing their replacement. Chrysler was first to market with the modern minivan and 14 years later continues to outsell its imitators. The Black & Decker Dustbuster™ is still the benchmark for handheld cordless vacuums.



On the other hand, the first to market must educate the buyers/users and sales force about the product.

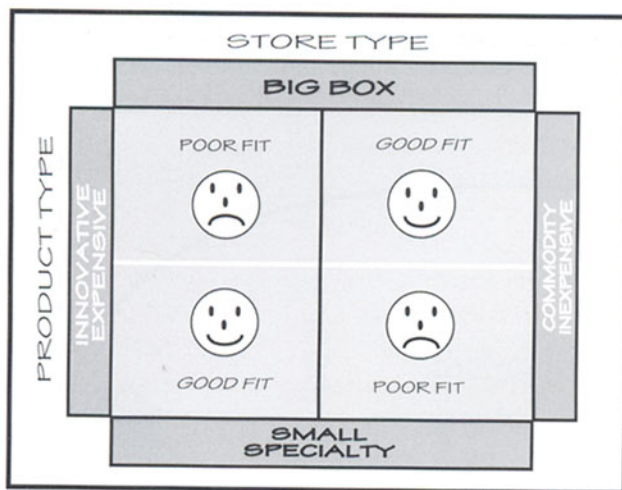
Advertising, distribution and promotion programs are all the more vital but truly innovative products have no history on which to base failure or success. Long development times can result in inaccurate forecasts, especially if out of sync with economic cycles. If the amortization time is long on the development cost, economic cycles can wreak havoc on profitability.

RCA invented color television, but years elapsed before there was sufficient market demand to pay back the investment due to lack of color broadcasts. Then, when color shows became more common, competitors came into the marketplace, driving down the prices.

Coming to market second offers a running start by learning from the originator's mistakes. Many Japanese companies have captured markets by hundreds of little [kaizen] product improvements with each new release of something familiar. The ability to improve on the original design is far easier than starting from scratch. Market demand is much more certain.² Reverse engineering, or licensing of technology cuts development costs. By this time, the innovator has already educated and created the market and built distribution channels and there are business models to follow. But, to succeed as a follower requires a better designed product at a lower price. Ampex invented the videocassette recorder; Sony made it affordable.

Also, the runner-up can, through a long development cycle, miss an entire market. Chrysler introduced the Dodge Challenger in 1970, six years after the Ford Mustang, just as the latter's sales were declining due to high insurance rates and pollution controls. Other competitors enter the marketplace and the laggards get stuck in a price war >





on a product that by now may be a commodity.

Unfortunately, no hard and fast rules support either strategy. A strategy can take years to work. If there were a sure formula for success, there would be far fewer failures. Still, adequate information, used strategically, can reduce the odds of failure.

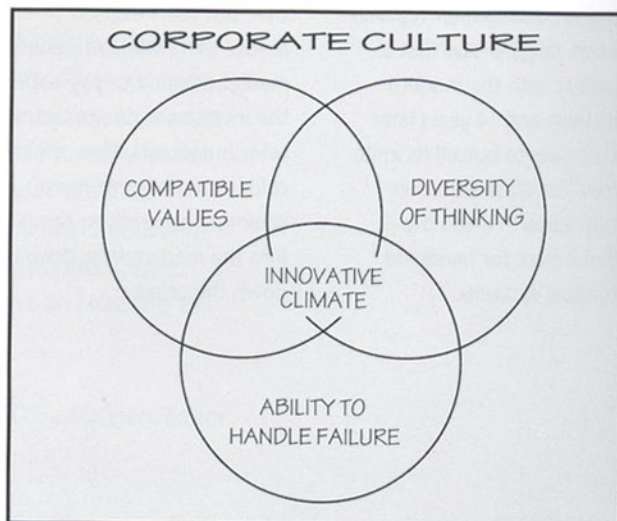
The type of industry and its maturity level are key criteria in deciding which way to go. Young industries (like computers/software) move so fast that it is almost impossible to gain market share coming in second. In contrast, in a declining market, a late second mover may introduce a product when prices are very low and gain a larger share. The first Walkman cost about \$200 in 1978 dollars. Now, some cost as little as \$20.

However, as a market matures, buyer/user habits become ingrained and resist innovation. Distribution systems become entrenched. Management has too much historical dogma that prevents innovation. Business strategies work well enough and management usually does not want to upset the apple cart.

Ford, Chrysler, RCA and Motorola are exceptions to this philosophy. Allowing a "good enough" and "make do" attitude for too long almost cost their existence. Motorola left the saturated radio and TV business for the burgeoning telecommunications market. Ford and Chrysler redesigned their corporate cultures with employee involvement and platform teams to have fast development cycles and a commitment to innovation, pioneering aerodynamic³ and cab-forward design, respectively. Automobiles and TV sets are not new. These companies brought them to distinction through evolution and revolution and became profitable again.

Mature industries such as lighting and furniture have their share of commodity products that are easily copied and improved upon. Innovative products in these two industries are usually sought by the smaller, more sophisticated buyer groups. The products that succeed are quickly knocked off and sold in the mass market. Patents and trademarks help little when a knock-off artist can get in and out of the market, earning the investment back before the legal system can administer justice.

The culture of the organization can have a big impact on whether to lead or follow. Public companies that adopt the buzzword "maximize shareholder value" are really focusing on quarter-to-quarter profits with little concern for long-term planning. Customers, employees and their communities then become necessary evils. On the other hand, if a corporation has a design executive in the top level of management equal to marketing and engineering, it will more likely have the ability to market



innovations effectively. Braun is a prime example of this approach. In addition, human resource management can cripple—or empower—an organization. The workforce should be diverse not only in ethnic variety, but psychologically too. Too many employees who think alike will create a complacent culture that cannot adapt to change or be able to launch innovations, much less create. By contrast, the corporate workforce needs cohesion, compatible (not identical!) norms and values among the workers to move forward with common goals. In what Gerald Hirschberg, IDSA, of Nissan Design International calls “creative abrasion,” NDI deliberately hires people in contrasting pairs, balancing for example nerds and hippies.⁴ Microsoft looks for

broad-based knowledge and divergent academic backgrounds, such as anthropology and computer science. The Japanese usually look at employees as investments that grow and learn.

How an organization handles failure is also crucial to innovation. Management that pins blame without reworking policy to learn from failure will simply make the same mistakes again. High turnover of people is common since the same trap is there to cause disaster. Innovation will be stifled because nobody will take a risk. Core competencies become core rigidities⁵. In the design process, failed experiments are as instructive as successful ones but business organizations have trouble acknowledging failure and learning from it. Walter Wriston of Citibank

says, “Good judgment is the result of experience. Experience is the result of bad judgment.” Says Steve Ross of Warner Brothers: “People get fired who don’t make mistakes.”

In deciding which approach to take, the industrial designer should understand the ability of the client and corporate brethren to launch new products, as well as the business issues that affect the design outcome. Sensitivity to choose the first to market or second to market strategy and make it a design parameter will give a better chance for success. ■

References

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