



DESIGN MANAGEMENT INSTITUTE

DESIGN MANAGEMENT



Summer 2008 Volume XX Issue 1

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Looking Towards the Future

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As the second quarter draws to a close, we have much to report in the areas of our programming and also about our progress behind the scenes in the development of DMI's brand positioning and business strategy. Already this year we've conducted nine seminars, produced conferences in Singapore, Paris, and Cincinnati, and published two issues of the *Design Management Review* and one of our reviewed academic publication, the *Design Management Journal*. In Paris we had our 12th annual European conference, as well as an academic conference on "design thinking." The DMI team has been very busy, and on the following pages you will find summaries of their work as well as a glimpse of some very exciting upcoming projects. ■

2nd Opinion

Design Your Future: Blue Ocean Strategy



By Ralph G. Trombetta,
*Founder, Value Innovation
 Associates and Senior
 Strategist, The Value
 Innovation Network*

There's little doubt that competition in the business world is fierce.

Managers have been taught to analyze their industries and competitors in the search for competitive advantage. An obsessive focus on the competition, however, can make it difficult to find innovative market-creating products and services that generate unprecedented buyer value and company value.

Red Ocean Versus Blue Ocean

Professors W. Chan Kim and Renée Mauborgne, authors of the book *Blue Ocean Strategy*, refer to the vicious cycle of cutthroat competition in established industries as the red ocean. They argue that if companies wish to find high, profitable growth they must go beyond red ocean strategy and push for value innovation. Value innovation, the simultaneous pursuit of unprecedented buyer value at a lower cost, pushes companies to challenge the basic nature of competition that exists within an industry, and leads to new profit pools which they call the blue ocean.

Circus and Video Games Are Not Just For Kids Anymore

Cirque du Soleil created a blue ocean with their value innovation strategy of reinventing circus for adults. They challenged the conventional wisdom of having animals and star performers in a circus and searched for new value by looking outside the boundaries of the circus industry to alternative forms of adult entertainment, namely opera, ballet and theater.

Cirque distinguished itself from ordinary circus by creating a more sophisti-

cated experience for adults at a lower cost than a traditional circus while raising ticket prices closer to opera, theater and ballet. This unprecedented value was created by introducing sophisticated music, dance, and set designs, and the lower cost structure was delivered by eliminating traditional elements of circus-like animals and star performers.

With the introduction of the Wii, Nintendo is changing the basis of competition in the video game industry. While Sony and Microsoft have focused on providing faster processors, sophisticated graphics, and more games to teenage and young adult males, Nintendo is reinventing the market by creating an offering that is appealing to noncustomers of the traditional video game industry. By focusing on simplicity, rather than the most sophisticated processors and graphics, Nintendo is lowering the video game industry cost structure. Rather than compete head on with Microsoft or Sony in the red ocean, Nintendo is creating unprecedented value for users with the introduction of the motion-sensitive wireless controller.

The motion-sensitive wireless controller allows players to stand in their living rooms and mimic the motion of casting a fishing rod, tossing a bowling ball, or swinging a tennis racket, and they can immediately see the results of on their TV screen. With the Wii's simpler controller, adults can intuitively play a video game for the first time rather than get frustrated trying to master the intricacies of the complicated industry-standard game controllers. Nintendo is creating a blue ocean by expanding the boundary of the video game industry into exercise and social activities. This in turn is making the video game an alternative to other recreational activities for individuals who historically have not played video games.

Blue Ocean Strategy Is For Business To Business Environments Too

Companies in business-to-business value chains tend to view their businesses as commodities and may think that the concept of Blue Ocean Strategy is not applicable to them. In fact, the more removed a company is from the final customer, the more opportunities it has to apply value innovation at different nodes in the chain.

Consider UPS. If you own a Toshiba laptop computer and it breaks while under warranty, Toshiba will suggest you drop it off at a UPS store and ship it to them. What you might not know is that UPS doesn't deliver your laptop to Toshiba. Instead, UPS actually repairs the computer in its own UPS-run workshop. How did this value innovation occur?

Prior to fixing Toshiba's customers' laptops, UPS was among one of Toshiba's suppliers in picking up the PCs from customers homes and offices, transporting it to their Louisville hub and then shipping it to one of Toshiba's repair centers. Several years ago, Toshiba developed an image problem concerning the length of time that it took for customers to receive the fixed laptop back (it could be as long as nine days). UPS approached Toshiba with a value innovation strategy to fix the PCs themselves and get the repaired units back to Toshiba's customers in four days or less.

UPS technicians, certified by Toshiba to repair PCs, are creating new value for Toshiba's customers by returning the repaired PCs much quicker. UPS is additionally reducing costs by eliminating roundtrip shipping (between UPS and one of several Toshiba's repair centers) and reducing total repair parts inventory through consolidating repair

(continued on page 12)

Member News (continued)

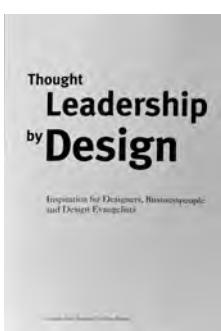
proven methodology for assessing products for sustainability at each stage of the development process.

David Kendall, principal and creative director of Kendall Ross, delivered a hands-on lecture, "The Power of Packaging" at the 2008 Wine Marketing Series in Washington. Throughout the lecture, Kendall examined how to create the key messages companies need to deliver in order to differentiate their company from the competition.

The Chinese language version of *Design Management by Kathryn Best* (AVA Publishing) was launched at the Eslite 3F Forum in Taipei in April this year.



Nate Burgos self-published *Thought Leadership by Design: Design Inspiration for Designers, Businesspeople and Design Evangelists*.



The book features voices in design and business who provide timeless and contemporary thinking about design.

Darrel Rhea, CEO, Cheskin, participated in the Inaugural Annual Meeting of the New Champions, organized by the World Economic Forum, in Dalian, China. Business CEO's joined international government leaders, gurus of the Web 2.0 world, and media to discuss emerging global competitiveness, risk, and opportunity. Rhea acted as discussion leader for the session From Fast Follower to Innovator.

Glen Walter of (ELEVEN), spoke at Proctor & Gamble's New Business Development Division's Quarterly Meeting on Innovation in December.

Walter urged design managers to immerse themselves in the bounty of ideas around them.

DMI members spoke at the 2007 IIT Institute of Design's Research Conference in September. Presenters included **Stuart Karten**, of Stuart Karten Design; **Darrel Rhea** of Cheskin; Dan Buchner of Continuum; **Tania Aldous** of Whirlpool; and **Harry Rich** of the U.K. Enterprise Insight.

DMI members also spoke at the 2nd annual Barcelona Design Week, which encouraged creative growth and development in Barcelona, Spain. Presenters included: **Tim Selders** of PARK; **Pia Bech Mathiesen** of Danish State Railways; and **Surya Vanka** of Microsoft.



WAY, an 8-year old marketing and design agency, based in Lisbon, Portugal, initiated a program of short conferences on brand design and retail design experiences in October. This first event featured DMI member, **David Lemley**, Chief Brand Strategist of Lemley Design. **Bruno Costa**, WAY's CEO and speaker at the conference, discussed the importance brands need to play in order to achieve success. ■

Do you have a new product, have you received an award, or recently spoken at a conference? This is news members want to hear about!

Share your member accomplishments. Submit news and events to polshan@dm.org.

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at one UPS location. UPS has created a value innovation strategy with Toshiba – faster repairs at a lower cost.

Sharpen Your Ideas Before You Sharpen Your Pencil

If you truly create a new market idea on paper, relying solely on traditional analytical business tools to "prove the idea" and estimate market size may prevent you from implementing a valuable concept. Virgin Atlantic understood this when they created their Upper Class value innovation strategy. According to CEO Steven Ridgway, "we've always positioned our products half a notch out of the convention"!¹ When Virgin Atlantic debuted their Club House Lounges in the 1990s, they went way beyond what other airlines were offering in their lounges (e.g., Virgin Atlantic offered hair cuts). Initially, consumers told Virgin Atlantic that they didn't want these items. Virgin offered these items anyway, and later consumers told Virgin Atlantic how much they loved their offering.

If you are developing market-creating ideas, it may be difficult for potential buyers to fully appreciate your concept before they have a chance to experience it. Rather than prematurely killing a potentially winning idea, consider the use of business prototypes to advance learning. Business prototypes can be very helpful in refining and validating market-creating offerings before spending too much time proving a business case. They are also a great way for business managers to discover the most appropriate business model to deliver the offering. Getting the business model right is a critical part of creating buyer value and capturing company value.

Email Ralph (ralph.trombetta@viassociates.com) or DMI (dmistaff@dm.org) with your comments. ■

¹ "No, The CEO Isn't Sir Richard Branson: Virgin Atlantic's Ridgway Balances Profit, Innovation and Keeps the Planes on Time," *Wall Street Journal*, July 30, 2007.