

# DEVELOPING AN INNOVATIVE PRODUCT: THE SEVEN REASONS TO THINK ABOUT THE FUTURE. ONCE MORE.



Dr Ekaterina Khramkova, LUMIKNOWS, 2008

Everybody who is in the business of New Product Development knows what a complex process it is. This is a multidisciplinary activity requiring coherence between almost all the functions of manufacturing firms.

Until recently though those who were called 'product designers' played in this process a role of rather a secondary importance. They were briefed by marketing, engineering departments, ad agencies with an only task: 'We want this look nice'...

Then something went wrong. And those days are over. Today, Design Council Chairman prepares reports to the UK Prime-minister on how 'UK businesses can stay ahead of their global rivals by drawing on the country's world-leading design capabilities'. And at Davos, during the World Economic Forum held under the theme 'The Creative Imperative', world leaders discuss how to apply design thinking to survive in the uncertainty and complexity global economy brings.

Approach to design in Russia is still at the level of aesthetics and, at best, ergonomics. In the meantime, design can be applied as a strategic

«Only one company can be the cheapest, the others have to use design.»

Rodney Fitch, Chairman Fitch & Co

business tool at least in the two directions. Inside the company design can become a strong management tool for aligning - and, thus, optimization - all the processes of NPD through focusing on the needs of all stakeholders for whom the product is developed through creating consumer-based innovation culture. Outside the company, designers have proved to be excellent observers researching into people's unmet needs and, thus, discovering new niches and even new markets.

**Developing innovative product: Seven reasons to think about the future** is searching into the ways which made design shift from aesthetics towards strategy and discussing how to make most out of design thinking when developing really innovative new products, - both tangible and intangible.

The industry of design is undergoing deep transformation: from now on design is not only for appearance and style. Design is dramatically changing its role from being simply a tactical device to becoming a strategic business tool.

## How does it have to do with NPD?

Design today is playing a much more important role during the first, probably, the most critical phase in the whole process of developing new product. This is a stage of strategic planning when you need to understand what to do, what target audience will be involved, what brand values will be pronounced, what new value to your customer this product will bring. It will not be an overstatement to say that it is from this stage success and failure of the new product depends. After

all, it is not by accident that this '0' phase is called the Fuzzy Front End of Innovation...

## What happens with designers today?

They expand their capabilities into new to them areas until then being 'occupied' by marketers, brand specialists and management consultants. They obtain degrees in business and anthropology, psychology and ethnography. And more and more they become 'human factors' specialists.

«We investigated into fourteen large companies with an annual sales volume from \$500 million to \$10 billion. We discovered that only four of them had managed to meet plan in terms of timing, functionality of new products and market share. In five cases companies designed new generation's products which were positively evaluated by experts, but at the end these products failed. As it turned out, every time when in an NPD process difficulties occurred, the roots of problems could

easily be found at the stage of early planning, when the company had to decide what design the new product will have.»

«In search for new generation's product», Harvard Business Review, 2007

### What are the reasons for the changes in the role design plays in NPD?

Technological revolution provides customers with real power in the market. Today, the question of the utmost importance for brands is how to satisfy people who have an almost endless choice reinforced by instant access to global market.

Thus, the main issue of NPD has dramatically changed:

Until recently it was: 'What technical/organization/financial/manufacturing possibilities for designing new product we have' (Technology-Driven Strategy);

Now: 'What else does our customer want?/How can we empathize with him?/What should we design to make our new brand/product experience as interesting, amazing, exciting as possible' (Consumer-Driven Strategy).

«It's About Wants, Not Needs.

Consumers are saying they have enough stuff, want more experiences - 59% of them say they have all the material things they need.»

Fitch, 2005

Moreover, fusion of virtual and mobile cultures give people the power to manage their own 'marketing environment' regardless of companies business aims:

«3000: Number of advertising messages people are exposed to per day;  
90%: Proportion of people who can skip TV ads who do skip TV ads;  
80%: Market share of video recorders with ad skipping technology in 2008;  
69%: Proportion of people interested in technology that enable them to skip of block advertising.»

Justin Kirby & Paul Marsden (2006). Connected thinking, Oxford, UK

### Who meets new challenges?

Traditional marketing tools are good to shape already existed in the market ideas, understand whether these ideas have huge market and potential. All anything, but the larger demand for innovation, the more problems with identifying new product opportunities marketing has. Thus, companies have huge difficulties with identifying unmet customer needs since these are largely latent and not easy to formulate by the customers themselves.

By this, intuitive thinking, qualitative approach used by designers is very good for imagining new possibilities. Designers proved to be those folks who have managed to accomplish traditional marketing

research with its design research methods based on approaching to human life in all its complexity and versatility.

This was the reason the whole NPD chain turned upside down and today it is not marketers and so called creative agencies tell designers what to do, but design consultancies identify new product opportunities, create design briefs, conduct research, develop a platform for further innovations and even brief ad companies on how to promote the new product.

«Every year brings 30,000 new products.  
About 90% of the fail despite thorough and expensive market research...»

Harvard Business Review, 2005

«If I'd asked people what they wanted, they would have asked for a better horse...»

Henry Ford

### What philosophy is behind design research?

Unlike artificial situations of focus group discussions, designers prefer conducting in-context observations looking at the world through their customers' eyes, empathizing with the soul, mind and body of customer. Philosophy of Zen Buddhism with its total immersion in reality, attention to ordinary life and day-to-day experiences is possibly the best way to describe how they like approaching to work.

Those who combine design thinking with interest in user research are called human factors specialists. They research into total human - not merely customer - experience, investigate how people approach the world, what nuances of interaction with the product, brand, environment is of the most importance to them, what they expect from usage. That's why in development divisions of many companies we can find

such new positions as cognitive psychologists, social anthropologists, cross-cultural specialists who adapt products of global brands to markets with different values and mentality, as well as ethnographers. For example, Intel has more than twenty ethnographers among its employees. Microsoft, British Telecom, AT&T, HP, IBM - these and many other companies hire ethnographers who are excellent at watching people during design research.

If in a focus group you ask your potential user what characteristics should product of the future possess, high chances the answer will be in an area of the already known. At best, you will be said how to improve already existed aspects of using, say, a drill. The point is that the customer comes to a shop not to buy the drill. He is looking for a hole in the wall and you can endlessly redesign drill until some day somebody solves the issue of 'a hole in the wall' in some different way. And this will be the innovation.

It is not by accident that design thinking is often called 'out-of-the-box thinking': it is this way of thinking which helps come out beyond 'consumer' experience approach and see a human who has home and in this home he or she wants harmony and cosiness and to reach these one requires a means of mounting the picture they like to the wall. After all, should it be a drill or something else, for this human is not that important...

### But why design??

As a real power in the market goes to the customer, and knowledge worker accumulates critical for companies survival knowledge in his/her head, the problem of efficient dealing with tacit knowledge is becoming a real challenge within businesses and organizations. In other words, New Economy requires new way of thinking to tackle 'ill-defined' tacit knowledge - call it synthetic, lateral, innovative, right-brain, divergent and, of course, design thinking.

In fact, to go from a business concept of a new product to its actual realization, from the world of idea to its materialization, means to be

able to combine together controversial, on the one hand and underdetermined, on the other, demands:

1. Consumer's need in the product or service;
2. Viability of new product development for business;
3. Feasibility from the point of view of the required technologies.

«In poems, in novels, in painting the brain seems to find itself able to work very well with material that any computer would have rejected as formless.»

Norbert Wiener

«Today perceptiveness is more important than analysis.»

Peter Drucker

### What does all this mean for “new designers”?

An ability to create diverse human experiences, not just physical shapes. Content, not simply form. Workplaces not merely furniture. This is a gift of co-creation, of holistic approach to life and ability to fill it with meaning, emotions and lifestyle drivers.

Today, leading design consultancies position themselves as talents in creating a “complete product, brand, customer experience”. They regard this as their main competitive advantage. And it is well explained: ‘industrial design’ as a creation of the product appearance has moved to the Chinese - the chances you outperform them in terms of speed, price and even quality are near to zero.

It is quite interesting, that the word “experience” is one of the most difficult for translating into the Russian language...

«Truth cannot be defined, although it can certainly be experienced.

But experience is not a definition. Definition is done by the mind, experience is done by participating. If somebody asks, «What is a dance?» how can you define it? But you can dance and you can know the inner feel of it.»

Osho

### What does all this mean for businesses?

A new stage in the evolution and, first of all, an urgent search for new type of employees who are able to work with fuzzy, 'sticky' and vague information - the stuff inside employees' and customers' heads so critical for companies survival.

That's why we hear about 'The Creative Imperative' and observe deep interest of businesses in design, its methods and tools. For apply of such unique design tools, as design iconography, prototyping, scenario planning, storytelling, storyboards, videos have proved themselves as highly efficient in compressing and transferring multiple and complex concepts in the form which is easy to comprehend by a variety of audiences.

Moreover, design thinking being intrinsically synthetic type of thinking - read, leading to innovation - can be highly appropriate to co-create tacit knowledge of the network by:

1. Tapping tacit knowledge;
2. Processing it into tangibles;
3. Transferring it both inside and outside the company.

'The Knowledge Economy is being eclipsed by the Creativity Economy...

What was once central to corporations -- price, quality, and much of the left-brain, digitized analytical work associated with knowledge - is fast being shipped off to lower-paid, highly trained Chinese and Indians, as well as Hungarians, Czechs, and Russians. Increasingly, the new core competence is

creativity - the right-brain stuff that smart companies are now harnessing to generate top-line growth. The game is changing. It isn't just about math and science anymore. It's about creativity, imagination, and, above all, innovation!

Business Week, 2005

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- Member of committee on development of industrial design in the Russian Federation by the Ministry of Economic Development;
- Lecturer at the British Higher School of Art and Design in Moscow on Design Research, Foresight and Trends Forecasting;
- Coordinator for reddot Design Concept in Russia.

In 2005, Ekaterina was awarded a Chevening scholarship from the Foreign and Commonwealth Office of the British government to enable her to undertake the Masters course in Design and Branding Strategy at Brunel University - one of the first programs in the world designed to bring benefits of design thinking to the needs of business and society. For the first time in Russia, this prestigious scholarship was given in the area of New Product Development.





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Lumiknows is a Russia based innovation consumer experience consultancy with a subsidiary in Asia.

With a focus on People, Research and Innovation, our aim is to provide deep insights into drivers, lifestyle and mindset of gaining in sophistication Russian customers.

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