



## ROI

*Don't Be Afraid to Talk About It*

**D**esign provides a compound return on investment. By linking the financial impact of the design function to results in your organization, you not only enhance design's image and value (yours too), the results will protect budgets, improve relationships and help secure future funding. You can develop credible ROI (Return on Investment) values and capture additional types of data that are CEO- and CFO-friendly, and respected by senior executives.

Why else should you care about ROI? Philip Thompson, director, global consumer design of Whirlpool has warned, "If it can't be measured, it won't be appreciated. If designers don't take responsibility for their actions, they end up being

treated like children, being told what to eat, what to wear..."<sup>1</sup> He continues, "We should be committed to advancing the understanding and value of what we do by holding ourselves accountable to a clear framework of objectives and contribution." In the current climate, as Thomas J. Watson, Jr., former CEO, IBM, once said, "Executives have moved from asking *if* design makes a difference to probing *how* design makes a difference."

We can now measure it, to a certain degree, but it has always been difficult to separate design's contribution to success from the contributions of other disciplines like marketing, engineering, technology or distribution. And there are other factors difficult to calculate in financial terms, such as the value of relationships, attitude, brand experience, engagement, awareness and reputation. Marketing is similarly affected as "more subtle markers are now being measured like gauging consumer changes in brand awareness or attitudes toward corporate brands which can yield significant indicators of corporate success in the marketing of those brands."<sup>2</sup>

A company is likely to be successful if all functions are aligned to deliver against corporate strategies. Measurement is an integral part of corporate culture. Bonuses are often calculated on the performance of the organization, whether it met or exceeded goals and the quality of an individual's contributions. Most every function (i.e., engineering, marketing, distribution, accounting, operations, sales, etc.) has goals and is measured; people directing them are rewarded for achieving or exceeding the goals.

Since stakeholders have objectives and measures for design—value, adoption, use, retention or whether something is sustainable, repeatable or ownable—it makes life so much easier to align with goals and the measurement prospective when you offer predictions or anticipated results for a strategy or design path. (You do not have to sacrifice creativity or quality to do this.) Stakeholders cannot make an informed decision about a strategy and design direction if you do not. You want them to move from opinion to factual assessment. "You can prove what's provable, then trust that financial results will follow."<sup>3</sup> There will be less angst for them and you.

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Chuck Jones, vice president, global product design and usability of Whirlpool, has been building a database of consumer-generated measurements with which to make design-investment decisions “based on fact, not opinion,” enabling him to make clear the connection between his team’s work and marketplace homeruns.<sup>4</sup>

### Evidence

“For every dollar invested in brand identity/package design,” says Rob Wallace of Wallace Church, “there is an average return of more than \$500 in incremental sales...and over \$400 in incremental profit.”<sup>5</sup> This is not surprising in the BI/PD world because, as he says, “One hundred percent of current and potential consumers see the brand’s identity at retail. And up to 70 percent of brands in high-turn selling environments are purchased on impulse; package design is the last and most critical opportunity to influence sales.” He provides information for measuring return for advertising-supported design change and change without it. See his diagram, *The ROI of Design: A True Accounting*.<sup>6</sup>

The 2007 Value of Design Factfinder Report issued by the UK Design Council states, “research found that design can directly and significantly improve sales, profits, turnover and growth.

Using and valuing design brings bottom line benefits, and those who understand and act on this insight have a competitive edge over the rest. For example: Rapidly growing businesses are nearly six times as likely as static ones to see design as integral. Shares in design-led businesses have outperformed the FTSE 100 by more than 200 percent over the past decade. For every £100 a design alert business spends on design, turnover increases by £225. Businesses that add value through design see a greater impact on business performance than the rest.”<sup>7</sup>

### Building design metrics

When Sam Lucente, vice president, corporate design, joined in 2005, the perception of design inside HP was that it was only about appearance. “Yes, appearance is part of it,” he said, “but it is also about performance.” Internal skeptics saw design as a cost, not a benefit. Lucente believes design can be cost effective and beautiful at the same time and provide HP’s customers with the simplified experiences they want, at home, when mobile and at work.<sup>8</sup>

Working with a consultant, HP Corporate Design developed a philosophy and plan to help quantify, and therefore value, the business impact of design. Deborah Mrazek of HP Corporate Design and Katherine Wakid of Jump Associates,

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in a presentation given at the DMI Academic Conference this year in Paris, demonstrated how, at the project level, “using a design metrics system enables teams to make better-informed and timelier decisions throughout the project cycle.” Within their approach, the two main goals are communicating value and quality by linking the design team’s actions and efforts to the outcomes achieved, and demystifying design. The second is that the design measurement system itself provides a framework that organizes what teams are already doing and creates early alignment of priorities and goals among stakeholders. The teams are kept in alignment as the process is driven forward to completion. The in-process metrics the system uses emerges dynamically from the design process. “The system takes into account the ambiguity, dead-ends and iteration that are part of the creative process and the space, time and flexibility needed are factored in.” Dynamism emerges if some of the elements of the measurement system are fixed and some flexible. The company’s strategic initiatives are fixed, and the team’s work must be in alignment with them to be successful.<sup>9</sup>

The HP team developed what they call a D3 Matrix. Each of nine cells represents a strategic design goal to be pursued built on three tiers called Design to Simplify, Design to

Differentiate and Design to Innovate. Design to Simplify is the foundation. One of HP’s strategic goals is the planned digital convergence of all of their products—hardware and software (for both consumers and enterprises); the matrix takes into account goals, such as addressing unmet needs with compelling solutions, providing an emotional connection, creating roadmaps for short- and long-term success, developing sustainable advantage with proprietary IP and so on.<sup>10</sup>

Designers in HP’s three businesses use the matrix to kick off a design project, identifying key goals, aligning stakeholder expectations and solidifying the strategic intent of the project. This acts as a compass to track if the project is keeping to the timeline and budget. Documenting the work and sharing the results during and after completion builds understanding of how product development teams work, which investments in design can translate to business success, and the business, in turn, understands the value of design.<sup>11</sup>

In their presentation, Mrazek and Wakid advised that historic and competitive data can be used to set concrete benchmarks for the team. And then it becomes easier to plan activities and allocate resources. Their recommendation: “[Partner early on] with the people who track the ultimate market results.”<sup>12</sup>

### Implications for communications design

Companies hire designers to make their products, ideas and environments relevant, accessible, useful and desirable to customers. Graphic designers give form and personality to information, places, technology, companies, organizations, institutions, processes, services and ideas. They use imagination, craft, technology, a point of view and creativity to attract people's attention, persuade, guide and teach, amuse and surprise and connect with content.

A communications designer cannot rely solely on intuitive judgment about the interaction of words and images. Many have transitioned to balancing the constraints of business goals with design communications that engage a particular audience. Increasingly communications design work is being held responsible and partially accountable for the outcome of a client's interaction with selected targets via every possible touchpoint. Enormous skepticism still exists about the contribution of communications design because most companies have not figured out how to measure it. If a company does not have a good business strategy, there is no way to develop a good branding strategy and all the elements that will need to be designed and executed to get it out into the world. **CA**

- 1 Presentation: "Performance Based Design Leadership," Connecting '07 World Design Congress, October 17–20, 2007.
- 2 Ted Mininni, "Marketing Metrics and Package Design," August 1, 2005, BrandChannel.com.
- 3 Harry Rich, former deputy chief executive, Design Council, UK, "Proof: The Evidence that Design Drives Business Growth," DMI Conference, Europe 2005.
- 4 Bill Breen, "No Accounting for Design?," [www.fastcompany.com/node/58562/print](http://www.fastcompany.com/node/58562/print), December 19, 2007.
- 5 Rob Wallace, "Design ROI Re-envisioned," [www.stepinsidedesign.com/STEPMagazine/Article/28782](http://www.stepinsidedesign.com/STEPMagazine/Article/28782).
- 6 *ibid.*
- 7 [www.designcouncil.org.uk](http://www.designcouncil.org.uk).
- 8 [www.youtube.com/watch?v=OBfBTezZQCU](http://www.youtube.com/watch?v=OBfBTezZQCU).
- 9 "The Holy Grail of Design Management," presentation by Deborah Mrazek, design management strategist, Hewlett-Packard and Katherine Wakid, Jump Associates, design strategist, at Design Management Institute Academic Conference, "Design Thinking: New challenges for designers, managers and organizations," Paris, France, April 14, 2008.
- 10 *ibid.*
- 11 *ibid.*
- 12 *ibid.*