



# Messaging with a Point

*From* MARCOM point.solutions

Newsflash: Jackie Deutsch quoted in February

**FAST COMPANY**

## No Accounting For Design?

Great design drives profits. We know that. But we can't prove it—yet.

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### **It's the design world's dirty little secret.**

Despite the growing consensus that "good design is good business," most companies lack objective financial metrics to help them calculate whether increased investment in design will, in fact, generate increased profits. Does it matter? Chuck Jones, Whirlpool's design chief, certainly thinks so.

Two years ago, Jones made a pitch to add some injection-molded ornamentation to a KitchenAid refrigerator's redesign, which would have added about \$5 to the per-unit

cost. The company's resource-allocation team asked him to estimate the return on investment, but Jones couldn't produce the numbers to make such a forecast. As a result, he was forced to fall back on a rationale that was simultaneously elitist and lame: Trust me. I'm a designer.

That argument didn't fly.

### **Instant Feedback**

Design is the first touch point of branding for a customer. What will catch the purchaser's eye? Will it influence them to buy the product? These are quantifiable metrics that can and should be measured, even though it is a difficult task. The challenge is to determine the best process for measuring the metrics that should be captured.

Jackie Deutsch  
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Defeated, Jones resolved to improve on what he dubbed his "Las Vegas approach" to investing in design, "where you're basically asking people to roll the dice and hope for the best." As a first step, he surveyed 15 "design-centric" companies, including BMW, Nike, and Nokia. To his surprise, few had a system for forecasting return on design. Most simply based future investments on past performance. "No one," Jones says, "had really figured this stuff out."

The reasons are twofold, according to two Northeastern University accounting professors, Julie Hertenstein and Marjorie Platt, who described the phenomenon in a *Journal of Product Innovation Management* article. First, it's incredibly difficult to untangle design's contribution from all of the business drivers—engineering, manufacturing, distribution, marketing—that ultimately fuel a product's performance in the marketplace. Then there's the accounting problem: Design investments are immediately written off as expenses. Months (or years) later, when a product finally hits shelves, companies are loath to retrieve the data necessary to calculate returns.

Beyond those issues, designers themselves can't agree on how to approach return on design—or even whether to. One camp argues that the surest way for designers to

manifest their capacity to drive corporate success is to bring objective business measurements into the process. A design solution might be technically masterful and aesthetically pleasing, but if you can't quantitatively calculate its clout, you can't claim its success. "If we don't sort out the ROI, design will continue to be viewed with skepticism in many corners," warns Rob Wallace, managing partner of Wallace Church Inc., a brand-identity consultancy.

Then there are those who contend that design is an inherently creative pursuit that won't easily take on the yoke of measurement. Design is one part technical and one part magic, they argue, and you can't quantify magic. "I'm not suggesting that we shouldn't try to prove the impact of design," says Harry Rich, deputy chief executive of the UK Design Council. "Let's just be realistic about what we can prove."

Rich hints at a possible way out of the dilemma: Prove what's provable, then trust that financial results will follow. In a sense, this is the path that Whirlpool has taken. Jones has shifted his focus from bottom-line returns to customer preferences. His logic? If he can objectively measure what customers want in a product and then fulfill their desires, the company will reap big financial rewards.

Jones's team has created a standardized companywide process that puts design prototypes in front of customer focus groups and then takes detailed measurements of their preferences about aesthetics, craftsmanship, technical performance, ergonomics, and usability. Whirlpool charts the results against both competing products and its own previous iterations, giving it a baseline of objective evidence from which to make investment decisions.

The methodology, two years in the making, recently yielded its first data-driven product, the KitchenAid Architect Series II freestanding range. With top scores in

customer preferences, the Architect II won a 15% increase in investment over its predecessor. While it's way too early to pronounce that decision a success, initial results are promising: In the three months following launch, profits for the redesigned range were up 30% over the previous model.

Jones believes his metrics-based approach is also transforming Whirlpool's culture. With customer-based measurements, design-investment decisions are now based on fact, not opinion. The shift has enabled Whirlpool's designers to make the business case for investments and give financial folks

greater confidence to ante up—resulting in bolder designs.

As Whirlpool's database of consumer-generated measurements continues to expand, and as the company rolls out more products, Jones believes he'll be able to make clear the connection between his team's work and marketplace home runs. Which is, he feels, what designers today must do. "We can no longer get by on being the wacky creatives who can't be held to any kind of standard. The sooner we get over this notion of having to 'speak the language of business' and just get on with it, the better off we'll all be."

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