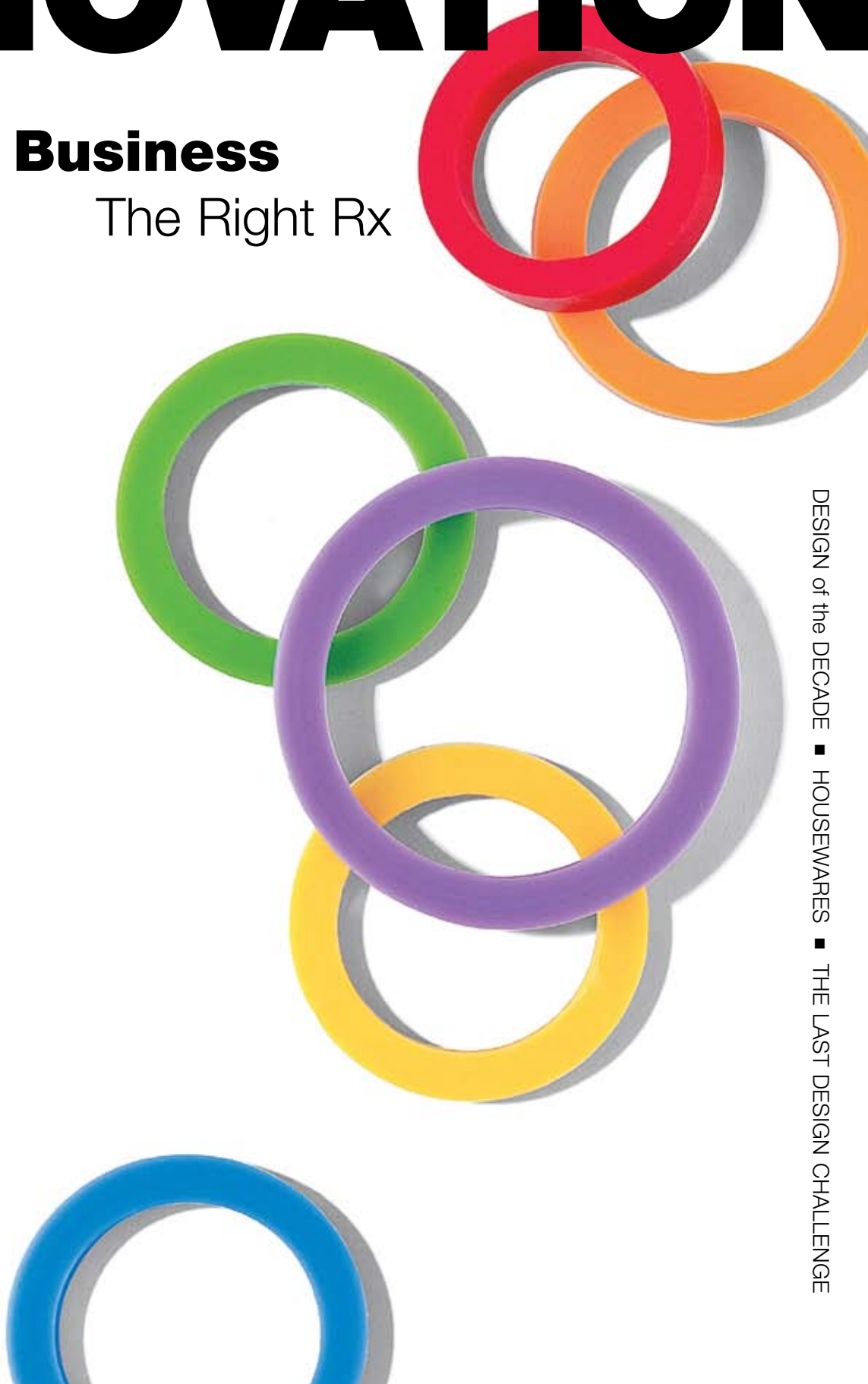


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INNOVATION

Design in Business

The Right Rx



DESIGN of the DECADE ■ HOUSEWARES ■ THE LAST DESIGN CHALLENGE

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Kyle Weiss, co-founder of FUNDaFIELD, gives a One World Futbol to a group of kids in Swaziland. See page 41.

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By Anthony Pannozzo

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Anthony Pannozzo is a principal at Continuum. An industrial designer by training, he has led strategic innovation initiatives for 3M, Herman Miller and P&G, among many others. He bridges the gap between design and business by advocating that design, design thinking and design strategy all exist in the service of growth.

How Design Will Play the Central Role in the Next Economic Boom

DESIGN FOR EMERGING MARKETS



By 2030, according to the World Bank, 93 percent of the global middle class will live in emerging markets. Stop for a moment and think about that. In 20 years, nine out of every 10 people you will be designing for will live in a country that today you probably do not fully understand.

With huge debt burdens and a sluggish recovery slowing growth in developed economies, businesses are prioritizing consumers in emerging markets in order to capture a piece of the next wave of expansion.



These circumstances clearly present an opportunity for design. Historically, companies would sell value-engineered or reduced-feature versions of developed-economy products in emerging markets. The conventional wisdom was that on a strict purchasing-power-parity basis, emerging-markets consumers had less money to spend, making price the dominant, if not only, factor in their purchase decisions. Design had already been paid for and could be further amortized by extending the product into new markets.

As spending power in emerging markets increases, consumers in countries like Brazil and India are no longer content with low-cost versions of products designed by people living in San Francisco or New York. For these consumers, the definition of good design is shaped by their own culture and way of life. In order to succeed in the next 20 years, companies need to understand what these consumers value and how they live their lives—and design is their best chance for articulating a winning vision.

Why design? Because designers are the least biased of strategic thinkers. We don't attempt to prove a hypothesis, take a technology "push" approach or reduce cost for cost's sake. Rather, we observe and listen to people with minds open, empathetic to their lives and ask how can we make those lives better, even modestly so.

Design for a Growing World

At Continuum we've worked with a broad range of companies, from start-ups to the *Fortune* 50, helping them create and execute strategies and offerings for emerging markets that range from base of the pyramid (HIV testing in Kenya) to the so-called BRIC countries (Brazil, Russia, India and China). Along the way, we have studied successes and failures alike to understand how to best ensure success in future endeavors. We learned that companies succeed when design is central to the planning, thinking and execution of new ventures, and that good design in emerging markets is driven by a strong adherence to the following principles.

1. Rethink Conventions

All strategists, whether trained in design or business, are influenced by convention—specifically, by the way something is *usually done* in a particular context. Conventions exist on both macro and micro levels and are driven by culture. **If you live or have been educated in a developed market, then you have acquired that culture's conventions. These conventions need to be immediately rethought when designing for people in emerging markets.**

For example, there is a convention around milk in India that is different from the one in the US. Milk is an integral part of the Indian housewife's daily life and the broader cultural fabric. Milk is purchased fresh daily, not weekly like in the US. It is rarely kept overnight and is used as the key ingredient in homemade yogurt—a tradition passed down through generations. Fresh milk has qualities that packaged milk does not have, like how it reacts to heat and how well it is suited to making yogurt. These conventions, from shopping routines to the role milk plays in household culture, need to be fully understood before we begin to design a better milk experience.

So, how do you prevent your conventions from blinding you to what is really important? The first step is to recognize your biases and how they influence your thinking. When designing for consumers in emerging markets, you need to challenge your first read on your observations. Otherwise, they may lead you to an apparent insight that just isn't there. Partnering with local translators, both linguistic and cultural, will help your understanding in the moment.

Thinking about the Indian consumer's daily shopping routines and use of milk, you need to challenge what you might think is an obvious solution, like packaged milk. Would a packaged milk solution really work in India? Would consumers benefit from the convenience of shopping less frequently? How would the pasteurization process affect fresh milk's ability to be made into yogurt? Whereas a mom in the US would benefit from a prepackaged solution, allow-

ing her greater flexibility with her time, the trade off for the Indian mom would be the inability to make yogurt the way her mother taught her.

The lesson? Be careful about assuming that what benefits one culture (such as convenience and reduced spoilage time) will benefit another.

Another example can be found with the globally ubiquitous Coke bottle. In the US, Coke bottles are brand ambassadors as much as elegant structural packages. But in Brazil, they become repurposed vessels for homemade or bootleg cleaning supplies. To a Brazilian, the artifact is less brand touchpoint than multipurpose tool. Conventions like these shouldn't be viewed merely as sources of potential missteps, but moments of revelation that enable creative thinking *within* a convention.

What does this informal recycling system reveal about how resources are valued in Brazil? Questions such as this bring us closer to local truths and farther away from our own biases.

Although examples can help us reevaluate what we see, there is no substitute for experience. The future is in the developing world, and US and European designers, in

particular, need to begin what will be a life-long immersion process in countries and cultures foreign to their own. Start small with two-week excursions into lucrative growth markets, such as urban China and suburban and rural India. This will help you see, hear and taste the local culture and begin to understand the conventions that influence behavior and values. Ultimately, you will need to build a local team with the right blend of capability and native understanding. Many companies have already recognized this and have studios in China, but fewer are seizing opportunities in Brazil or Africa. The more global design becomes, the more local it needs to be in order to succeed.



2. Distill Differences

The moment you segment a market, you acknowledge that there are differences that need to be addressed. Otherwise, why change a particular design? The challenge lays in understanding which differences are meaningful, as the meaningful differences will reveal opportunities for localized design. A useful framework we use at Continuum outlines five key areas of difference—physical, psychological, cultural, environmental and financial—and provides a useful planning and analysis tool for design for emerging markets:

- **Physical:** Anthropological differences like height and weight
- **Psychological:** Our mental and emotional states and perceptions of the world around us
- **Cultural:** Customs and social norms within our societies
- **Environmental:** The spaces, public and private, where we live, work and play
- **Financial:** Our economic circumstances





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Often, no single difference but rather a combination of two or more differences will reveal opportunities.

In the case of Pampers in China, the key differences were financial (price) and cultural (how moms potty train their babies). In the mid 1990s, Pampers was struggling to gain traction. At first glance, it appeared the only problem was price. Pampers first attempt was to reduce the cost of diapers sold in developed markets to meet a price point it believed the Chinese consumer needed for trial. But even at an attractive price, the product failed. Why?

First, the disposable diaper market barely existed in China in the early 1990s. Diapering in China involved cloth diapers or “split pants,” which are used to support the traditional method of potty training where parents condition children to potty on demand. In both cases, the baby’s skin is either protected by a soft cloth or exposed to the air. Procter & Gamble’s (P&G) cost-reduced first effort used cheap harsh plastic as a substitute for more expensive materials. Chinese moms felt that the material was too bulky, would irritate baby’s skin and would prevent it from breathing. They balked, and Pampers had to start from scratch.

In partnership with Continuum, P&G knew that its next effort had to focus on finding a low-cost way to deliver a cloth-like diaper experience. But another challenge remained. Moms in China didn’t use disposable diapers because of the traditional method and a family structure (multiple generations living together or close by) that can support around-the-clock attention to baby’s potty schedule. So even with a softer solution, why change?

Our research uncovered a key insight about the modern Chinese mom. She was maxed out. She was now working, typically in a factory, up to six days a week, yet was still responsible for taking care of the family. She had moved to urban centers away from her family support structure in the rural countryside, to marry and find work. These circumstances were making the traditional method of potty training difficult to sustain, especially during the night. We also learned that Chinese moms believe in the power of rest to nurture a baby’s development as well as provide the

energy necessary to balance work and family commitments. Disposable diapers were a perfect way to help ensure both mom and baby got their rest by helping them sleep through the night.

Pampers’ second attempt was a low-cost diaper that felt good to the touch, minimized bulkiness and positioned itself around the good-night’s-sleep insight. No longer competing

with the traditional method, Pampers complements it. Today, Pampers is the number-one diaper brand in China.

Understanding the impact of China’s booming economy on tradition and culture created an opportunity for Pampers to build a sustainable business. The solution is informed by the cultural and financial differences, not the physical or psychological differences, as Chinese babies are physically no different from American or European babies. Nor are there differences in the ways moms think of their children (mothers love their children throughout the world). P&G has become a dominant player in China because the company designs solutions customized to the areas of difference that are most meaningful to Chinese consumers.

3. Create Meaning

Offering emerging-market consumers low-cost or feature-reduced versions of products sold in developed economies is no longer sustainable—and is even dangerous—because it assumes that value is calculated only in terms of cost and that needs and desires are universal. **It is true that people in emerging markets do not have the spending power of their counterparts in developed economies. But this makes them less likely to purchase products solely on the basis of price, not more.** They cannot afford to waste money on the false promises often associated with low-cost offerings. As Pampers has shown us, there is more to the story than price. Yet we keep hearing about price in discussions about innovation in emerging markets: the \$100 Laptop, the 10 cent diaper and, of course, the \$2,000 car.

That “car” is the Tata Nano, heralded at its launch as the world’s most inexpensive. When the Nano was introduced, Western journalists weren’t sure what to make of it with its tiny 50 hp engine, manual windows and only one

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windshield wiper. Most of the press focused on how it was so inexpensive. They rarely talked about why. And this is why we keep focusing on cost.

When you take a closer look, you understand why cost is a distraction. The Nano has a tiny engine because it was not designed for American highways or European cities. It was designed for congested emerging-market urban centers, where traffic is an eclectic mix of people, scooters, motorcycles, trucks, cars and livestock—all rarely observing basic traffic laws. It's hard to imagine any engine more powerful than 50 hp being useful in this environment.

The Nano is a safe and affordable alternative to the dominate form of family transport: the motorcycle. Enclosed in a cabin, passengers are now protected from the injuries that result from daily traffic accidents. And during monsoon season, when travel by motorcycle is nearly impossible, passengers are sheltered from torrential rains. In this context, having to manually roll up the windows isn't such a big deal.

Because this was a project about creating a meaningful solution for billions of emerging-markets consumers, Tata didn't start by stripping cost out of one of its existing models. No amount of cost reducing would have supported Tata's grander vision of using the Nano as the platform for a broader and sustainable economic model.

Tata's vision also includes growing the countless small repair shops found throughout India into a dealer and service network that supports local economies in suburban towns and rural villages. The Nano is designed with sev-

eral adhesive panels that allow local mechanics to do the final assembly without specialized tools. In addition to the affordability of the labor, the local mechanics can also offer a degree of customization typically found only in premium segments, like the Mini. This value-added service can be part of a dealer network that leverages each mechanic's base of customers.

Tata's efforts demonstrate a deep commitment to creating meaning. And the company did it with design. From low-cost manufacturing and assembly to solving for real everyday problems in emerging markets, this kind of thinking—design thinking—is the only way to succeed in emerging markets.

As the global middle class grows, each of us will demand experiences designed uniquely for us. No company will succeed with a single "world solution." This doesn't mean there is no value in economies of scale or platform approaches. The auto industry figured this out a long time ago. However, the powers that drive cost reduction in an organization do not need additional urgency—that inertia is already strong. Design's unique ability to focus on meeting needs to provide an adequate counterbalance. Recently, Ford CEO Allan Mulally, and former Boeing executive vice president, was quoted as saying "At Boeing, we had only one door" upon realizing that Ford manufactured different exterior panels for different markets, something he found wasteful. You cannot help but wonder if Tata could have ever achieved a bold vision like the Nano if it had focused on a one-size-fits-all approach to global challenges.

These principals are not entirely new. They are a distillation of the best practices design practitioners and visionaries alike have honed during the postwar economic booms in Europe and North America. As economic empowerment democratizes for people in emerging markets, design will represent the smartest, most efficient and most effective means to add value to their lives. And that is good for everyone. ■

Emerging Markets and the Base of the Pyramid

Discussion of emerging markets often blends with discussions about the base of the pyramid (BoP). It's important to clarify the distinction between the two. Emerging markets are defined as economies with a rapidly growing middle-class consumer base. This is essentially the middle of the population pyramid. Most global financial organizations define the middle class as people earning between \$5,000 and \$15,000 per year. When multinational corporations talk about growth in emerging markets, they are referring to middle class consumers. BoP is loosely defined as the 3 to 4 billion people who subsist below a middle-class wage. BoP efforts are typically part of Corporate Social Responsibility (CSR) policies that seek to leverage the power of private industry to do well by doing good. They are largely motivated by social and moral imperatives but have recently evolved into models that are economically sustainable as well. Our approach was primarily shaped by emerging markets work, but has foundational principles that can be applied to BoP work as well.



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