

'How would you like to star opposite the tallest, darkest leading man in Hollywood?'

Why cinema, oil and IT relied on design in a crisis *page 32*

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Design Council Magazine

Issue 5 Autumn 2008



SSN 1752-7244

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Unconventional wisdom

Chinatown gets a makeover, lean consumption fattens profits and Amazonian Indians create luxury chocolate



Regeneration Redesigning Chinatown

It has a wealth of Oriental restaurants, supermarkets, clothes shops, barbers and bookshops, yet London's Chinatown is set to become even more Chinese.

Westminster City Council has launched a new project fronted by the Prince of Wales, whose Foundation for the Built Environment is already involved in a scheme to preserve Beijing's historical hutongs (narrow streets).

"The aim is to give Chinatown more character," says Roger Austin, Westminster Council project manager for Chinatown. "We hope to attract more people by creating more points of interest. If that improves economic vitality, it will be a bonus."

The present Chinatown is the second incarnation in the capital. The first, in Limehouse, was all but demolished during the Blitz, and in the 1970s immigrant families instead began to set up businesses in rundown Soho.

Enticing restaurant façades, lights and smells will remain. The gates, however, are up for redesign, says Austin: "You wouldn't see anything like them in China. They're 1980s-designed faux versions."

Initial plans, developed in consultation with the London Chinatown Chinese Association, Chinese Community Centre and residents, include creating a pagoda and screen garden, and renaming the district's nine entrances after Chinese dragons. Architects have been asked to design street corner canopies from stone, timber and glazed tiles.

Consumer trends

The rise of lean consumption

It was Toyota that pioneered 'lean manufacturing', streamlining its production processes to maximise efficiency and transforming itself into the world's most profitable manufacturer.

But as customers become more discerning, companies are adopting 'lean consumption', giving them what they want, where and when they want it.

Lean consumption demands that the customer's time isn't wasted, and that offerings are continually rolled out to improve brand experience. Goods and services must work together in a complete package.

It's an ethos that can reap major rewards. In June 2008, Nintendo sold 660,000 of its cheap and easy-to-use Wii in the US, outselling Sony's PlayStation 3 and the Microsoft Xbox 360 combined. The Wii comes with simple, intuitive handsets and Nintendo's software is taking it beyond gaming into keep-fit and interactive quizzes.

Meals are also getting lean. Kraft Foods is making more products available in single-serve packets and Domino's is planning a value menu with smaller pizzas for its American market.

Consultant Jim Womack, who heads the Lean Enterprise Institute, says: "Lean frees up resources by requiring less effort, space, capital and time to match products to precise customer desires."

Q&A

Furnished for success



Sustainability and craftsmanship are increasingly recognised as ways to stand out from the crowd. Thorsten van Elten – whose company (www.thorstenvanelten.com) showcases and distributes work he produces on behalf of designers – shares his views.

How did your business come about?

I started working with British designers and branched out to include those from abroad. They're all recent graduates and I produce their designs and put them in my collection. I don't have factories, so work is all sub-contracted but sold as part of the Thorsten van Elten range.

Will sustainability become important in your work?

I have a different outlook on sustainability. I want to make products that last, that people will want to keep for a long time. That's the best way to be sustainable. If you buy a T-shirt for £1, it doesn't have a life afterwards. I like traditional manufacturing techniques. My products carry on living – they can be given or sold to someone else over time. It's the masses of crap being produced in the world that's the problem.

How would you describe your design ethos?

I like products with personality. It's what appeals to me by gut instinct. And it's about people, too – I have to get on with the designer, otherwise there would be no point. Quite a few designers I've worked with have come up with something different, which might have come out of a discussion we've had over a beer. That's the most rewarding part – that and seeing people enjoy the products. My other rule is that every piece I produce I would want to have in my own home.

Will good design go out of fashion?

There's no indication of that. I'm going to stick to the things I do. People are going to have to realise that if they buy something that will last them, the price will be higher.



Thinking big: Thorsten van Elten hopes the work he distributes is part of a trend towards long-lasting design

Micro-economies of scale

Collaboration, innovation and technology are generating sustainable income in unlikely places and showing new ways for isolated communities to become sustainable. In Ecuador's Amazon rainforests, the Kichwa people formed their own commercial collective 10 years ago. Recently, they began making organic dark chocolate, which is marketed online and sold in selected shops around the world. This provides income for 800 families, enabling them to continue to live in their homeland. It also tastes good – *Business Week* has labelled it "the best chocolate in the world".

Such ingenuity is creating growth in economies where entrepreneurship is a rarity. In Finnish Lapland, winter conditions in Rovaniemi are harsh but perfect for snowmobile-maker BRP Finland. The company has just opened Europe's only snowmobile production plant, following a £23m investment. Rovaniemi is ideal for testing, while the factory provides much-needed jobs. Snowmobiles are also vital to tourism, the region's other big revenue generator.

Collaboration is also helping transform the fortunes of Australian Aboriginal artists, who went unrewarded for years. Their work is now available to buy from Aboriginal-owned and managed art centres. Aboriginal art includes painting on rock and bark, wood and rock carvings, sculpture and embellished weaponry. The dramatic increase in its popularity in Australia and elsewhere has created an industry now estimated to be worth £230m.

Creative cities Belfast



Jobs and investment: Belfast provides 30% of Northern Ireland's jobs. Financial and business services will create 75% of new jobs from 2007 to 2015. Unemployment has fallen by 75% since 1991. In the UK, only London attracts more foreign direct investment.

Planning for success: In 2003, Belfast City Council developed its first culture and arts plan. Annual grants for arts and heritage projects total £1m and the creative sector is growing twice as fast as the overall economy. There are 1,000-plus creative Belfast businesses, employing 16,000 people. In July, the city launched a new logo, designed by Lloyd Northover.

Child's play: In 2007, Belfast's TV and film studios hosted the new *Sesame Street*, the revamped *EMU* series and Tom Hanks-produced children's sci-fi adventure film *City of Ember*. The Belfast Film Festival is one of more than 50 festivals held in the city each year.

Pulling power: Tourism now supports 16,000 full-time jobs. In 2007, the number of overnight visitors rose by 18% and total visitor spending reached £156.6m. Key attractions include the Titanic Quarter, soon to be one of Europe's largest waterfront developments.

Standing tall: A £103.9m scheme to improve the city's transport infrastructure launched in 2006 and is due for completion next year. The city is also growing skywards. The £25m Obel Tower, standing at 80.5m (265 ft) tall and scheduled to open in 2010, will (for a time) be Ireland's tallest building.

Seat of learning: Queen's University Belfast is one of the UK's largest and one of the Russell Group of 20 leading research universities. Almost half its 250 buildings are listed as being of architectural merit. The University of Ulster has its art, design and architecture campus in the city.

Designing a president: Obama v McCain

America's historic presidential contest isn't all politics. The power of design, social networking and branding could all prove to be influential factors, says *Paul Simpson*

If designers' votes swung presidential elections, Barack Obama, the first African-American to be nominated for the office by a major party, would beat John McCain, the 88th white American male to be so nominated, by a landslide. Alice Rawsthorn, doyenne of design journalism, says: "The best-designed US presidential candidate is Barack Obama. Every aspect of his visual identity has been masterfully conceived and executed to depict Obama as perfect presidential material." Such sentiments are echoed across the design blogosphere.

The historic 2008 race for the White House isn't purely about parties or ideology, it is also a battle of brands – Obama's crisply defined, McCain's usefully amorphous – in which design is a potent weapon. Though this contest will hardly feature in election coverage, it may decide the outcome.

Let's start by defining the candidates' brands. Jon McLeod, chairman of UK Public Affairs for global PR group Weber Shandwick, explains: "Obama's brand is clean, clear and consistent. He is the challenger brand – the Apple to McCain's Microsoft. Differentiation is part of his strategy. The rhetoric – "dare to hope" and "change we can believe in" – is challenging but strong, with echoes of JFK."

In contrast, McLeod says McCain's brand is "firmly in the American comfort zone: earthy, rural, middle American, homespun, yet strong in an uncertain world. McCain's branding resembles NATO, but there's a bit of country and western and John Wayne in there, too."

These stances are reflected, at their simplest, by their typography. McCain's preferred fonts, Optima and Eurostile, were invented in the 1950s and 1960s. Obama has chosen Gotham, created

eight years ago for *GQ*, whose cover Obama has graced. American designer Brian Collins says urban, urbane Gotham is perfect: "In ['casual' font] Comic Sans, the word 'Change' feels lightweight and silly. In Times Roman it is self-important. In Gotham, it feels right. Inspiring, not threatening."

Picking a typeface is relatively easy. Using design to define and control a candidate's brand is more complex. Indeed, in a campaign that must span print, broadcast and the internet, absolute consistency may be impossible.

Even so, British designer David Hillman is underwhelmed by the McCain and Obama posters, websites, T-shirts, badges, baseball caps and mugs. "There is no imagination – instead of a mug, why not an Obama memory stick? – and little consistency," he comments. "Obama does have a red, white and blue theme, alluding to the old Kennedy posters, yet some branding makes him look like 1950s Castro and others a preacher. But he has a clever logo, with the sun rising over the stars and stripes inside the letter O." That logo has been adapted for all 50 states and for most minority groups – from kids to lesbians and native Americans – wrapping his message of change in a patriotic colour scheme.

Hillman is even less impressed by McCain's campaign. "They've boldly broken out of red, white and blue to use black and yellow on their campaign logo and some badges, but it's just not followed through. The website reverts back to the red, white and blue." There is a blue logo, inspired by the uniform McCain once wore as a naval officer, but the black and yellow version looks like an uptight tweak of the McCain Oven Chips logo. And black, for a candidate who is 72, is a surprisingly funereal choice. »



'Obama's brand is clean, clear and consistent. There are echoes of JFK but he's the challenger, the Apple to McCain's Microsoft'



Brand extensions: Obama's colours and message pay homage to the optimism of JFK and Reagan. McCain's logo breaks away from the stars and stripes colours

How recessions shaped four presidential elections

1840 Harrison
The panic of 1837, in which British investors stopped investing in US banks because interest rates had risen at home, led to the closure of four out of 10 US banks and unemployment on a mass scale. Voters blamed Democrat president Martin van Buren for not intervening and he lost the 1840 election to William Harrison, who died after a month in office.

assurances that "the worst is over", elected Franklin Roosevelt instead.

1980 Reagan
Stagflation, US diplomats held hostage in Iran, and the *Washington Post* headline "President attacked by rabbit" branded Jimmy Carter as a weak leader. Ronald Reagan won with a promise to cut taxes and trim government.

1992 Clinton
In a contest with Bill Clinton and Ross Perot, George Bush Sr's perceived indifference to ordinary voters' suffering in the 1990-91 recession gave Clinton the edge.

1932 Roosevelt
Incumbent Herbert Hoover won less than 40% of the vote as the Great Depression bit deep and voters, who were fed up with two years of



Typography and logos can seem like so much fluff but design makes a tangible difference online. In the primaries, Obama beat Hillary Clinton on the internet. Her website treated visitors as 'customers', giving them a unique reference number when they donated. Obama hired Chris Hughes, one of the co-founders of Facebook, and used the social networking model, inviting enthusiasts to climb a league table by earning points for hosting events or raising money. Guided by Hughes, Obama has also launched Mybarackobama.com, the first 'official' social network site devoted to a political campaign.

Clinton's campaign struggled for funds. Obama raised £2.2m from his website in one weekend. And, as election day nears, he is raising more funds than McCain, despite the Republican using the league table model on his site.

The effectiveness of the campaigns' online presence could be crucial in other ways. McLeod points out: "In 2004, Bush inspired a small, active minority, the Christian right, which made the difference with its enthusiasm and turnout. Branding, marketing and the internet are a vital way of communicating channelled nuances and messages to these groups. Their levels of enthusiasm could decide a tight election."

As the race tightens, both candidates will try, he claims, to brand their rival. "Obama will brand McCain as George Bush III. McCain will position himself as a meaningful change, suggesting that voters don't need to risk the inexperienced Obama and that, with economic

troubles at home and uncertainty abroad, the wisest change is McCain."

Obama will try to cast this election as a choice between the past (McCain) and future (Obama). If he wins, McCain will be the oldest US president to be elected. Consultants say that his age is a recurring worry in focus groups.

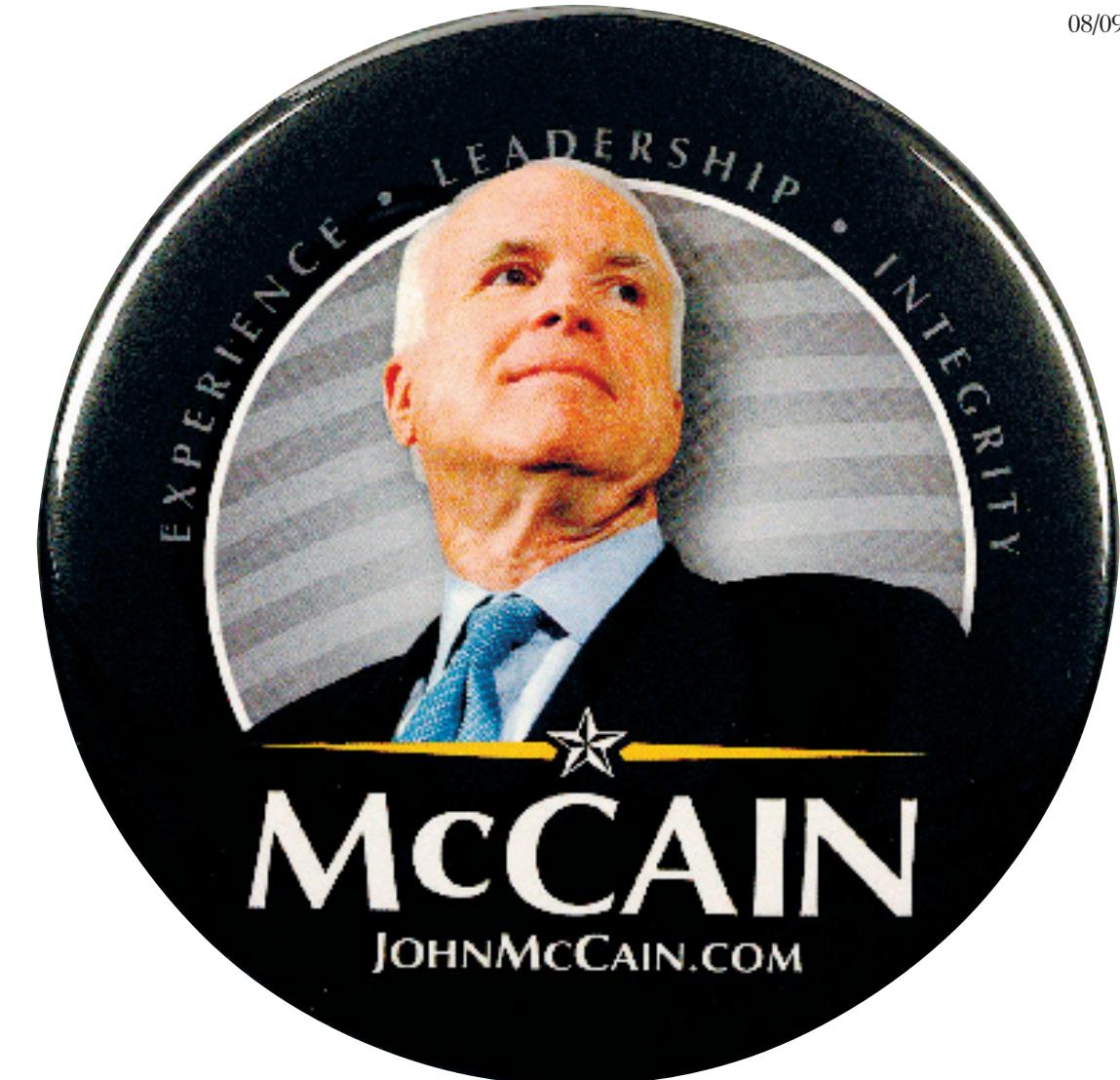
James Boys, the British historian who worked as an aide in Washington and has written extensively about US politics, says: "American voters base their decision on personality – who they'd rather go for a drink with. Every successful candidate has taken a leaf out of Kennedy's book – to win you have to play up personality, family, wrap yourself in the flag."

In 1960, JFK was, in Rawsthorn's phrase, "the best designed presidential candidate." A young war hero (with more movie-star charisma than Ronald Reagan), he was packaged as a dynamic, glamorous, intellectual alternative to Richard Nixon. The uneasy heir to popular Republican president, Eisenhower, Nixon's shifty persona was captured by a poster that asked: "Would you buy a used car from this man?"

Because JFK remains one of the most popular presidents, Dan Quayle, Gary Hart and Bill Clinton have all tried to bask in his reflected glory. But Obama packaging himself as the new JFK, peaking with a rally in Berlin where Kennedy once made an historic speech, is an attempt to invoke a presidential precedent in favour of youth and change. Boys says Obama's strategy isn't new: "Sound bites are briefer today. You must convey your message faster, so it can be easier to stand in front of a flag and look like a popular president of 40 years ago. In 1992, George Bush Sr ran as the new Harry Truman, though the two had nothing in common."

Bush lost. His campaign was defined not by a brand, but a gesture that offered a rare insight into the person behind the persona. During a crucial TV debate, Bush was caught on camera looking at his watch, as if he had better things to do than convince America to vote for him. Such a moment may yet decide this historic election.

As Obama and McCain contest the 56th presidential election, the management theory that a charismatic CEO can make all the difference is increasingly being questioned. But whatever *Harvard Business Review* might say about new styles of leadership, Americans expect their commander-in-chief to be branded as a 'strong leader'. At their most clichéd, such expectations are reflected in presidents' physical presence: seven of the past 11 have been 6ft or above. Obama is 6ft 1in. McCain, at 5ft 7in, would be the shortest occupant of the White House since the 1840s (and the first follicly challenged one since the 1970s). This all sounds absurd but when you're creating a presidential brand, every detail counts. **PC**



'Obama will try to brand McCain as George Bush III. But McCain will position himself as a safer change than Obama'

Barack Obama Democrat

Brand he most resembles
Other brand he evokes

Design agencies
Preferred typeface

He'd most like to be...
At worst, he could be...

Actor he most resembles

Most off-message
Facebook group

John McCain Republican

Brand he most resembles
Other brand he evokes

Design agency
Preferred typeface

He'd most like to be...
At worst, he could be...

Actor he most resembles

Most off-message
Facebook group



Designs that changed the world

How a Pop Art typewriter inspired the iPod



Ettore Sottsass (1917-2007) worked for Olivetti, Alessi and assisted at the birth of two design movements

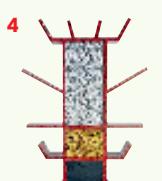


Pop Art, beatniks and George Nelson

In the 1950s, Italian architect Ettore Sottsass went to work in America for designer George Nelson and rejoiced in his mentor's kitsch bubble lamps. He was even more taken with the colourful vibrancy of Roy Lichtenstein's Pop Art (1) and the way Beat poets such as Allan Ginsberg (who became a friend) defied conventional ideas of good taste. In Europe, decoration and colour had fallen out of fashion in design and architecture. The dominant modernist Bauhaus school emphasised plain, smooth surfaces and forms unrelieved by 'unnecessary' design elements. Emboldened by his experiences in America, when Sottsass returned to Italy he designed the famous red Valentine typewriter (main picture). Created with Perry King for Olivetti in 1969, Valentine looked like it was meant to feature in a Lichtenstein painting.

Trailblazing for Apple - before Apple even existed

Sottsass wanted to demolish prejudices about office equipment with the Valentine's Pop Art styling. Thirty years later, the iMac did the same for the personal computer. Sottsass experimented with ways to differentiate computers back in the 1950s (with Elea, the first Olivetti mainframe computer) and with unusual materials such as plastics. His adverts for Valentine showed models typing away at the beach, a revolutionary vision of portability and eye-catching design that would come to fruition with iBooks and iPods (2). David M. Kelley, who designed Apple's first mouse, asked Sottsass to design his home in California. Kelley later founded the pioneering American design thinking company IDEO with Bill Moggridge, who also revered Sottsass.



Bob Dylan's influential Memphis blues

11 December 1980. A group of designers met in Sottsass's Milan apartment to discuss freeing design from the tyranny of smart, soulless good taste by using new materials, bright colours and kitsch motifs. Their movement needed a name. When the record player kept getting stuck on the words "Memphis blues again" in the Bob Dylan (3) song – *Stuck Inside of Mobile with the Memphis Blues Again* – Sottsass said: "Okay let's call it Memphis." The name – redolent of Dylan, blues, Elvis and Egypt – stuck. Memphis owed a lot to Studio Alchymia, an Italian group founded in the 1970s by designer and journalist Alessandro Mendini, that focused on surface and decoration but didn't make its designs commercially available.

If one product epitomises Memphis it is Sottsass's Casablanca cabinet (4). Revelling in form and texture, the Casablanca is a work of playful genius. Wowed by Sottsass, Studio Job, the up-and-coming design studio run by the Dutch/Belgian couple Job Smeets and Nynke Tynagel, today designs objects with flair, craft and humour that appeal to consumers bored with the predictability induced by globalisation and the earnestness induced by environmental crisis. Smeets' new Robber Baron (5) range, designed exclusively for New York design gallery Moss, pays obvious homage to the Casablanca cabinet.

Porcelain bells, colourful lamps and office furniture

Once mocked as the movement that invented the "who cares if it's uncomfortable, look at all the great photographs" school of chair design, Memphis – like Sottsass – is now back in fashion. The movement's vibrant colours and art influences are reflected in the untitled lamps launched last autumn by British designer Karen Styles that are a little Pop Art, a bit kitsch and very Memphis. At the 2008 Milan Furniture Fair, the giant replicas of ornamental porcelain bells exhibited by Dutch industrial designer Marcel Wanders paid homage to Memphis.

Sottsass has also inspired more practical designs. The knives, desks, forks, spoons and bookshelves he designed (for Alessi among others) still sell in their thousands. Michele De Lucchi, one of his Memphis collaborators, launched a range of adaptable workplace furniture called Tutti for British office furniture giant Haworth in 2001. Not as out there as the red typewriter, but friendlier and more fun than most products of their kind.

The windmills of Philippe Starck's mind

French designer Philippe Starck (6) has acknowledged Sottsass as a formative influence. Like his mentor, he likes to experiment with unusual combinations of materials. With an irreverent, boundary-busting spirit worthy of Sottsass, Starck has tried to bring creativity and elegance to green energy, designing polycarbonate windmills that can generate up to 80% of a typical home's energy and act as musical instruments.



ten

ways you can profit from design

Fancy a 35% increase in sales? Or being able to treble your prices? Do you need to persuade retailers to stock your brands? Whatever business you're in, thinking differently about design can, *Rachel Abrams* discovers, transform your company

1

Whirlpool
To add value and differentiate your brand, make design central to your strategy

For a decade, Whirlpool has engaged its employees in a formal innovation process and organisation-wide 'start-to-finish' design approach. It draws heavily on consumer and ethnographic research and (after going to market) on robust metrics, to relate design and manufacturing efforts to sales outcomes.

Integrating design, human factors and usability efforts in its Global Consumer Design function controls costs, differentiates its brand and exploits emerging trends across the organisation.

By modifying and improving design and user interfaces, Whirlpool has launched new machines that sell for three times the price of the models they replace.

2

Microsoft
Customers can tell you what they like. A designer can tell you what they will love

Technology might get your brainiac engineers excited, but their enthusiasm may not always be shared by your customers.

From CEO Steve Ballmer down, Microsoft knows designers are critical at spotting opportunities, problem-solving, interpreting what people say, and noticing what they actually do.

Once technology-driven, Microsoft now embraces design methods that enable it to uncover users' needs and translate them quickly into products. Microsoft director of user experience, Brad Weed, says design was once considered a luxury. But it's no longer a stylistic afterthought: design principles that produce "simple, delightful products" are critical to delivering experiences people want.

3

Challs
Ask a designer to help you tell your story

Challs' popular products unblock drains effectively, yet some supermarket chains were not bothering to stock the brand.

The Suffolk-based company invested more than a year's profits to clarify the brand positioning of its strongest product. It then worked with award-winning consultancy Elmwood, as part of the Design Council's Designing Demand programme, to develop a compelling brand story for buyers.

A video presentation that compared Challs' Kitchen Drain Clear to rival products persuaded supermarkets to take them seriously. Challs' lines are now stocked in almost all major supermarkets and sales have risen by 35%.



4

5

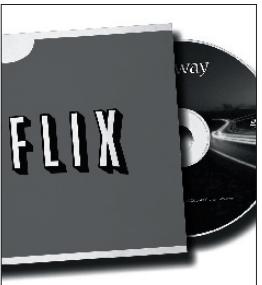
6

Nike
If you want to be green and safeguard profits, design the whole system

How can a global sports-clothing company minimise its environmental footprint while maintaining revenues? The Nike Environmental Action Team (NEAT) has spent the past decade figuring out how, by applying intelligent design.

It worked with 'Cradle to Cradle' pioneers William McDonough + Partners to design a green campus for Nike's £45m European HQ in the Netherlands, including toilets flushed with rainwater and an on-site 'jogging route' for staff to get around.

A 'positive list' of materials to meet targets for recycling included soles eaten by earthworms when discarded.



Rapha
For a niche market, remix what exists

Cyclists are no less fastidious about their outfits than other sports enthusiasts.

Functionality comes first, but not looking like a dork is also important. Simon Mottram and Luke Scheybeler realised this, and with design savvy gleaned from their work at user experience consultancy Sapient, founded stylish cycle clothing pioneers Rapha.

Within three years they had developed a business with a £900,000 annual turnover. Integrating design into their business model helped maintain brand identity so they stood out from rivals.

Inquiries have rocketed so much the school may accommodate 50% more students next year.

Kingsdown Water
If it ain't broke, sometimes it pays to fix it anyway

Even if customers are familiar with a product, revamping a brand can make a difference, as Kingsdown Water discovered when it redesigned its bottles.

William Bonner, the mineral water company's managing director, recognised that the bottle design Kingsdown had been using for six years was starting to look a "little tired". He felt refreshing its design could open up new revenue streams outside bars and mid-level restaurants.

In collaboration with design consultancy Lewis Moberly, a new, more elegant bottle was brought to market, along with a new brand identity.

Since the rebrand, sales have increased 34% and a number of prestigious venues have placed orders.

University of California, Architecture School
Think big, start small, and design within open systems

Posters for a lecture series were all UCLA's Architecture School had in mind when it approached New York-based designers The Map Office. Map convinced the school to consider its overall brand and approach identity more strategically.

Map has since produced posters, a ground-breaking website based on the open source Flex program (which means lower costs and easier updates) and a suite of stunning print collateral including a monograph of superstar students and staff.

Inquiries have rocketed so much the school may accommodate 50% more students next year.



7

WorldChanging

If customers prefer to rent, design better services rather than goods

Bloggers WorldChanging are big fans of Netflix, which is one of their favourite product-service systems.

The American equivalent to LoveFilm enables subscribers to rent DVDs online and delivers them by post. For an entrepreneur, the Netflix model poses compelling service design questions.

Why own the DVD when you can just rent it? Why own anything you consume if you could just share or borrow it when you need it? Why set up a delivery infrastructure when a perfectly adequate one exists already? What other innovations could piggyback on networks that are already up and running?

Business has improved ever since. Former 'Co-op' shops with the new identity reported a 6.7% increase in customers. WorldChanging envisages a service that downloads a movie without burning it to DVD, making the process even easier.

8

The Co-operative

Align visual identity with corporate values so we all know what you stand for

Seven years ago, the UK Co-operative Movement needed a more modern visual identity, reflecting its values and the relationship between its 35 independent, member-owned retail societies and their 6,500 outlets.

There was no consistency in branding. Many consumers didn't even recognise the brand and what it stood for.

The organisation's new visual identity won a silver DBA Design Effectiveness Award in 2007, for bringing myriad businesses ranging from undertakers to travel agents under a single name with a common look and feel.

Business has improved ever since. Former 'Co-op' shops with the new identity reported a 6.7% increase in customers.

9

37signals

Treat your customers as your community

The web-based software products company remains relentlessly respectful of its customers' desire to get things done. 37signals makes "elegant products that do what you need – and nothing that you don't". Its simple solutions make light work of managing projects.

37signals is open about its methods. Any lessons it learns are shared online and in print. In turn, customers become its community, while mere subscribers become loyal devotees. Recognising that customers already evangelise on its behalf, the company invites subscribers to become 'affiliates' who receive commission if they persuade others to sign up.

Rachel Abrams is a writer and designer and creative director of Turnstone Consulting in New York.



Why design matters

Ministers, academics and business leaders share their views on the economic importance of design

Tim Bradshaw
Head of innovation for the CBI

Businesses are paying more attention to design. There's a growing awareness that other key elements, such as training, software and marketing, all have to come into play. It's about designing your whole process. You don't create a product or service and then think about design – you have to incorporate it from day one. If you get the design right up front, you'll make the right investments, and when you hit the market you'll meet customer demand.



Dr Bettina von Stamm
Director of the Innovation Leadership Forum

Slowly but surely, it is sinking into managers' consciousness that innovation is important. Success is slow because the prevailing culture has been shaped by cost-cutting and efficiency drives. People who succeeded in reducing costs and improving efficiency are now expected to make decisions about creative, imaginative and unproven concepts. Change of culture takes time, but it is happening.



Jeremy Myerson
Professor of design studies at the Royal College of Art

Design can communicate propositions about products and services in a direct, compelling way. Many firms deploy design thinking at the front end of innovation, at the discovery and understanding phases. That's as well as at the development and delivery phases, where product design was traditionally sited. IDEO's work with Procter & Gamble in the USA is a good example of this trend.



Nick Ramshaw
President of the Design Business Association

Design can directly improve profitability. Brands need to differentiate themselves in competitive markets. We have worked with McCain to integrate the 'it's all good' brand essence into their business, from their own wind-generated power source to HR processes, packaging and website design. And guess what – it's working. Sales are up in key areas. Not bad for a frozen-chip maker!



Ian Pearson
Minister for science and innovation

Investment in design is a necessity, not a luxury, for start-ups, firms seeking to grow, SMEs and multinationals. Companies that invest in design out-perform their peers in practically every performance measure – be it market share, growth, productivity, share price or profitability. And yet nearly 45% of UK companies are failing to invest in design.



Fun, cheap, with no gears: will this design inspire us to get on our bikes?

Environmentalists, ministers and councils have all urged us to cycle – to no great effect. *Robert Jeffery* wonders if designers and a new breed of retailers have the answer

Saturday morning in a vibrant part of Hackney, east London. In a glass-fronted café just off Regent's Canal, families tuck into coffee and cakes and chatter. Across the room, a queue of cyclists wait to book their bikes in for repair, trying not to impede staff ferrying cups to tables.

Lock 7 is probably London's first cycle-café. Owner Katherine Burgess was inspired by a trip to Copenhagen, where they are commonplace. "We wanted people to come in, relax and see their bikes being fixed," she says. "They like the way we talk to them about their bikes."

Informality, she believes, is crucial. "Going to a bike shop can feel like going to a car showroom. You'd only go to one if you were already a cyclist. One woman who came in was worried because her bike felt easier to ride than normal. I asked her 'Can you change gear?' and she replied 'What's a gear?' Can you imagine that in a cycle shop?"

Burgess, who used to work as a crime scene examiner, has met many customers who don't fit the cycle shop stereotype, particularly female commuters and parents reintroducing themselves to cycling through their children.

Lock 7 sells cheap, second-hand bikes (theft is the scourge of many local cyclists), swaps worn-out models for newer ones and even rents bikes for a small deposit ("so far, every one has come back").

Such a venture may seem far from revolutionary, but Lock 7 and similar outlets appealing to more than just the usual Lycra-clad aficionados are crucial if the British pro-cycling movement is ever to become mainstream and ameliorate the effects of climate change.

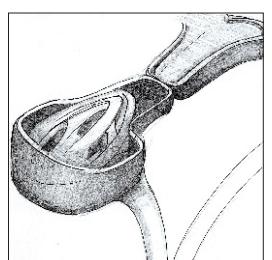
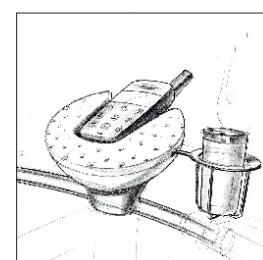
The stakes are not small. Government body

Cycling England estimates that increasing cycle journeys by a fifth would save the country £520m in healthcare costs and lead to 35,000 fewer tonnes of CO₂ being produced.

Yet the Western world isn't getting on its bike. Fewer than one in 200 Americans cycle to work. Despite initiatives, improved infrastructure and publicity campaigns costing millions, only one in six British adults cycled last year and the number of journeys per person is falling.

Isolated success stories in London, Cambridge and parts of Yorkshire and Scotland cannot disguise the fact that in an age of increased commuting distances and longer working hours, cycling is more popular as a Sunday afternoon off-road activity than a weekday commute.

It is a quandary David Webster has had to wrestle with. A partner in global design consultancy IDEO's San Francisco operation, >



Finishing touches: not every suggested feature (above) was used when the Coasting bike became reality

he was approached by Japanese bike component manufacturer Shimano in 2002 to create a vehicle to appeal to the 161 million Americans who never cycle. Shimano knew this vast, untapped market could define its future. What it didn't know was why these people were not riding bikes.

Webster and his team targeted middle-American parents in particular, trying to find out why they didn't cycle, and what kind of emotions and experiences they associated with cycling.

"People who weren't cycling were perfectly happy not to be cycling," Webster says. "There just wasn't that interest. But every conversation with them came back to being a kid. It was like switching a light on – they'd get this big smile and become nostalgic about this joyful, liberating, unstructured experience they had as a child. Those descriptors didn't apply to anything the industry was currently offering."

IDEO's research found that consumers were confused by technical jargon and most had no idea how to use gears. They were wary of bike shops – in particular local, independent stores where staff

'Cycle stores are full of young, male athletes. If you're a middle-aged, female non-athlete, that's a really intimidating place to be'

and customers were often biking fanatics – and felt at risk in traffic. And the mountain bikes saturating the market cost too much when there are so many other demands on leisure time.

IDEO set about designing a new bike around the simple, pleasurable principles of children's models. Out went gears (the IDEO Coasting bike uses an automatic three-speed system powered by a small processor which shifts up or down at certain speeds) while the chain and cables were hidden behind plastic casing.

After rejecting a steering wheel and a series of inter-connecting loops to hold onto ("You could get hooked on to them and crash. It was a liability"), the team settled on a seat low

enough to step into and handlebars high enough to sit up straight. Shimano handed the prototype frames to American manufacturers and asked them to modify and accessorise them as they saw fit.

The industry's big three – Raleigh, Trek and Giant – added finishing touches ranging from shopping baskets to an MP3 holder. They have been flying off the shelves across the US ever since. "Our local shop sells these \$6,000 carbon fibre models to people who are pretty hardcore," says Webster. "It was fascinating to see them with Coasting bikes selling as fast as they could assemble them out the back."

Coasting bikes, which can cost as little as \$400 in some incarnations, may or may not make it to the UK (brakes are operated by pedalling backwards, common in the US, but an alien concept to Brits and Shimano's Japanese executives, one of whom ended up in an ungainly heap during a test-ride), but the industry has already taken note.

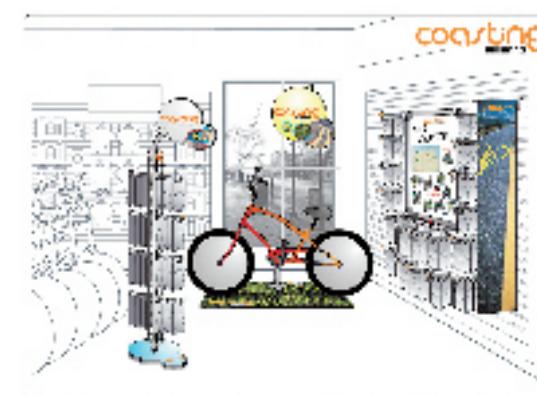
"We have to invest in design," says Neal Holdsworth, product manager at Raleigh UK. "There is a big growth in the commuter market and they are looking for bikes that are clean and not too complicated to use."

Mercedes-Benz has launched a range of high-end commuter bikes in Britain, while a new model being prototyped by another manufacturer uses folding handlebars to form a steering lock. A Japanese designer has pioneered a bike that can be folded small enough to fit inside a backpack.

Shimano and IDEO always recognised that the new bikes would not be enough to get non-cycling Americans into bike shops. For that, they relied on local marketing campaigns, cleaner, brighter areas in stores to show off models and training for staff. "These stores are populated by young, male athletes. If you're a middle-aged, female non-athlete who just wants to try out a bike, that is a really intimidating place," says Webster.

IDEO took store staff shopping for cosmetics to show them how non-cyclists felt outside their comfort zone. Predictably, they were flustered when confronted with sales assistants enquiring about their skin type and moisturising needs.

The final piece of the jigsaw may be the



Talking shop: stores were remodelled to ensure the Coasting bikes appealed to a more diverse market

A ticket to ride
Is hiring the answer for urban cyclists?

Buying a bike seems cheap compared to the cost of a car or season ticket, yet it is a serious commitment for Britain's commuters.

Montreal has a potentially revolutionary answer. The city's Public Bike System (www.publicbikesystem.com) consists of docking stations that hold a number of lightweight, aluminium bikes which users can rent with a credit or debit card.

Paris has run a similar scheme for a year using 'Vélib' bicycles. Although almost a quarter of the bikes have been destroyed or stolen, the city has made a healthy profit that can be invested in improving the cycling infrastructure.

Bristol is the testbed for a UK version of this idea. Service provider Hourbike (www.hourbike.com), which already operates in Dublin, will offer the same subscription-plus-half-hour-free model popularised in France, with a charge of just £1 per subsequent hour.



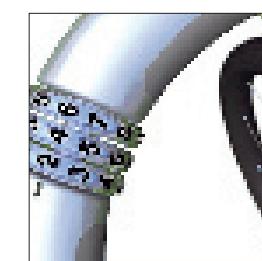
Cycling today: keeping bikes away from cars is the best way to encourage cycling, as planners are now realising

most contentious. New, fun bikes sold in a non-threatening manner will only appeal to commuters if they can ride free from risk of death or serious injury and without complex, stop-start routes. The UK has a patchy record here. Planning decisions are decentralised, leaving local councils to prioritise cycling, something some are keener to do than others.

"Getting more people on bikes means listening to those who don't cycle," says Peter Zanzottera, principal cycling consultant at transport consultancy Steer Davies Gleave. When he worked in local government, Zanzottera says: "We almost had to stop listening to lobby groups who kept talking about potholes and so on, because we needed to hear from a different audience. A lot of people only see our cycling infrastructure from behind the wheel of a car, which is very cosy. They think cycling must be dangerous by comparison, but when they try it they really enjoy it."

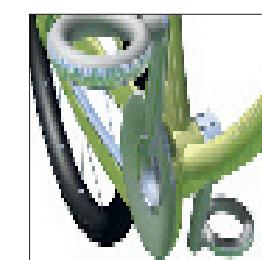
Even so, Zanzottera believes fear of traffic is a major inhibitor. Traffic segregation, where different modes of transport never share the same space, is recognised as best practice, but in a country as developed as Britain it can be hard to achieve. "We need a route network that minimises conflict with traffic," he adds. "At the very least, we need semi-segregation, where we can show people ways to get where they want to go on quiet roads with wider-than-average cycle lanes."

The importance of local advocacy appears to be getting through. In June, the Department of Transport announced a £100m package to create 11 'cycle towns and cities' with strict targets on reducing car use. If the UK is going to end its love affair with the car, there has never been a better time – or a more compelling reason. PC



Cycle-friendly cities

Davis, California
America's 'cycling city' began life at the University of California in the 1960s, when cars were all but banned from the campus. Today, there are more bikes in the city than cars, while police give new lights (rather than fines) to cyclists who don't have them.



Odense and Copenhagen, Denmark
In Copenhagen, a third of commuters ride to work. In Odense, 'green wave' lights show cyclists whether upcoming traffic lights will stay green if they maintain their current speed.

Amsterdam and Groningen, Netherlands
Amsterdam's cycle route network is well-respected and 80% of adults own bikes. In car-free Groningen, 57% commute by bicycle – the highest rate in Europe.

Design tweaks: chains inside plastic casing keep oil off clothes, while handlebar locks are ideal for forgetful riders

Is the UK really a design hub?

Article by *Titus Chalk*

LG, Sony and Nokia have all invested heavily – and recently – in British design. But design leaders and experts say the industry cannot rely on its traditional strengths if it is to prosper over the next decade

“It’s no good just saying ‘design is important to us.’ Companies have to prove it in the way they set up their organisation, their processes and the way they invest in it,” says Gerry McGovern, Land Rover’s director of design, as he leads the way through Jaguar Land Rover’s £2m Virtual Reality Centre in Gaydon, Warwickshire, which opened in June. With eight ultra-high resolution projectors, run by a roomful of humming computers, this is expensive evidence of a commitment to design that, McGovern believes, was key to the company’s takeover by the ambitious Indian group Tata: “They bought us because we were experts in designing and developing luxury vehicles.”

This summer, LG Electronics set up a British design studio. Luke Miles, head of design Europe at LG, says: “Over the past five years, we’ve seen enough development for the UK to be justifiably considered a design hub. The UK has proved it has something to offer as an environment for creative industries to flourish and a European base for multinationals.”

The global economy has been transformed by the collapse of barriers that once impeded the flow of goods, services, capital and labour, giant leaps in science and technology and shifting distribution costs. These changes have triggered a seismic shift in manufacturing to low-cost economies in eastern Europe and Asia. In contrast, LG, Nissan, Nokia and Sony have all chosen to invest in UK design. Why is this? And what does the industry need to do to remain competitive?

Vision: the ability to position yourself in the global marketplace

As recession bit deep in the early 1980s, many British businesses stopped investing in design, forcing designers to pitch for business abroad. Companies like Seymour Powell established an international reputation while potential rivals in the US and elsewhere firmly focused on their domestic market. John Morris, managing director of the London branch of Design Bridge, an international branding agency with business in more than 40 countries, says British design still benefits from industry’s shortsightedness: “Are we drivers of the standards of design globally? Yes. Do we value design? We do. Do companies from outside the UK come to us for our design skills? Yes. Clients come to us for our brand understanding, and our ability to translate that into design and creativity.”

Politically the UK’s relationship with mainland Europe has been uneasy, but commercially it has, since the 1970s, proved very fruitful indeed: “The reason UK designers are so successful and likely to remain so,” says Clive Grinyer, director of customer experience at Cisco’s Internet Business Solutions, “is their intimate knowledge of customers in Europe’s local markets.” David Godber, the Design Council’s deputy chief executive and former director of Nissan Design Europe, agrees: “The UK’s market is representative of the whole of Europe. Every brand, every product, every service is resident here – you can be completely market reflective by being here.”

‘We have a distinctive personality as a nation, a clear sense of identity and a means to make that work for us... there is something special in that’

Luke Miles LG Electronics

Nokia’s Mark Delaney, head of Connect design, says: “London is probably the most cosmopolitan city in Europe. If you go to German design agencies, you’ll find a lot of work that looks culturally German. In Italy, there’s definitely an Italian style. The thing that strikes you in London is the mixture of approaches.” »

Long-term, though, how useful will the UK's rapport with European consumers prove – especially if the most powerful global brands look for centralised design solutions? Nico Macdonald, consultant and author of the spy.co.uk blog, sounds a note of caution: "Our familiarity with European markets and consumers makes us attractive. But as Asian and other markets increase in importance, the importance of British designers will decrease, especially as British design schools train the Asian designers of the future."

'The successful brands will be those that have put design right at the top of their business... if you don't take design seriously, you will fail'

Gerry McGovern Jaguar Land Rover

Craft: realising your creative and commercial potential

Quality and creativity must be put to a purpose that makes commercial sense. Lin Dickens, managing director of branding agency Aricot Vert and a director of the Design Business Association, says: "It's all about creating effective design that is commercially impactful and the UK does this consistently. The DBA's Design Effectiveness awards are a good example of how we foster commerciality in the UK through publicly rewarding commercially effective design. But we must keep fostering that because the emerging markets are rapidly embracing design."

Many British designers learned this working with multinationals in the 1980s. "You can design anything, but if you can't build it for the right cost, you're not going to have a business," says McGovern. "Creativity is a prerequisite, but there has to be a commercial balance. Designers have to be responsible."

Morris says the opportunity to develop those skills in a commercially aware environment brings the finest talent to Britain: "Colleagues in Holland and Singapore say there is something about developing craft skills and nurturing talent that attracts them to the UK."

Attitude: finding solutions, no matter how big the problem

For British design, attitude is key. Godber says: "In a lot of companies and organisations around the world, there's a massive fear of failure, whereas British designers are willing to have a go. We don't have to be told to solve problems – we love solving problems."

This is one reason LG Electronics now employs 22 designers in the UK, the largest chunk of the multinational's £2.6m investment in design in Europe this year. "The UK design industry's attractiveness to overseas clients is linked to the creative essence of what makes us quintessentially British," says Miles. "We have a distinctive personality as a nation, a clear sense of identity and a means to make that work for us. Some creative studios blend intellectual rigour with wit and smart reflection and there is something very special in that. The ability to create subtle yet powerful connections awakens something in people. Our creative techniques and our way of seeing can lead to something compelling."

Ingenuity: being part of the global marketplace

Emphasising British qualities doesn't mean encouraging an island mentality. "Companies need to have an international perspective and a deep-rooted understanding of what's going on in the world," says Morris.

Miles adds: "The core of UK design's success was born from skills and expertise that are intrinsically British. We should adopt these without closing

our minds to what is happening globally. Many firms place consumer research at their core. Insights from examining subtle meanings in people's behaviour may lead to something truly innovative. Technological differences can be learned, but cultural differences are something you have to have a feel for."

Yet as British design faces tougher global competition, it is imperative that British education is at the very top of its game. Macdonald is worried about the future: "British design schools lack a serious engagement with interaction and service design, and struggle with the academic and intellectual side of design in its broader context." Even Grinyer, who is more optimistic, suggests that "our academic institutions do not represent the cutting edge of design thinking."

By 2018, creativity will no longer be enough

If British design relies on its attitude, craft, and a few warnings about there being no room for complacency, it will fail. Something more is required. A little diversification wouldn't go amiss – geographically (beyond London) and culturally (more women and ethnic minorities running firms).

Structurally, the British design industry is made up of small businesses, so better succession plans and judicious consolidation may help the UK maintain global market share. Macdonald believes politicians can help: "If the UK's political leaders had the ambition and vigour to commission innovative projects – for instance a post-rail/aeroplane national transport system – that used design skills, this would force foreign business to think again about British skills."

Back at Jaguar Land Rover, as McGovern walks through the hangar-like design studio, I ask for his views on the future. "Fifteen years down the road," he says, "the successful brands will be those that have put design right at the top of their business. History has shown that if you don't take design seriously, you will fail. I hope designers rise to the challenge." 

'The UK's market is representative of the whole of Europe. Every brand, every product, every service is resident here'

David Godber Design Council

Where design is working for business

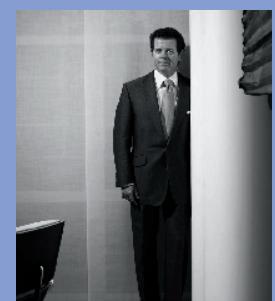
LG
A growing band of multinationals now have design studios in the UK:

Nokia
In 2007, Nokia brought its UK design operations together in a new London studio, where 100 designers are based out of a global design force of 300.

Aston Martin
The iconic sportscar maker opened a design centre in Gaydon, Warwickshire, in 2007, which employs 30 designers. Chief executive Dr Ulrich Bez said at the time: "We are not only increasing our design capacity, we are increasing our design quality." The company's cars were previously designed in Italy.

Jaguar
The carmaker's desire to keep future product development in-house has seen sizeable investment in its Warwickshire design centre. Its recently unveiled state-of-the-art virtual reality facility cost £2m.

Nissan
consolidated Nissan's previous operations in Bedfordshire and Germany. It employs around 50 designers, modellers and support staff.



Altered reality: Jaguar Land Rover's Gerry McGovern

'Diamond rings? Woolworth's ain't got no business selling them'

Fats Waller might not approve, but luxury is no longer just for the rich. *Rhymer Rigby* discovers how brands and designers have made high style big business



In *I Can't Give You Anything But Love*, Fats Waller laments his girl's love of luxury. Despite the jazz legend's complaint, Woolworths in the UK still sells diamond rings for around £200

Something strange has happened to the luxury market in the past 15 years. Cast your mind back to the early 1990s. Luxury was clearly defined. Brands such as Ford, Tesco and McDonald's served most of the population and the likes of Jaguar, Burberry and Harvey Nichols didn't. Everyone knew where they stood.

Today, the luxury market's boundaries are fuzzy. Many upmarket brands have covetted a piece of the lucrative mass market and the mass market has sought to serve the growing band of consumers who want to trade up to luxury.

The proliferation of premier-range goods and services in everything from cars and phones to supermarkets and banks has been matched by growth in 'luxury-diffusion' ranges and entry-level products. Often, there is a significant overlap.

While we find it easier to grab a piece of 'luxury' during our supermarket shop, most of us know we are often buying a mere illusion of the good life. Yet as 'masstige' (mass-market prestige) has become more affordable, more consumers covet the trappings of the super-rich. Ownership of yachts and private planes has soared in the past decade, and part-ownership schemes have allowed multi-millionaires to join billionaires in this exclusive club. The size of the average American home has doubled since the 1950s and although the downturn has hit hard, the market for property costing seven figures (on either side of the Atlantic) is far more buoyant. »



Elizabeth Taylor

Taylor's natural grace made her a poster-girl for effortless luxury in the 1960s and 1970s. One of her most famous gems was dubbed 'the Liz Taylor diamond'

**Victoria Beckham**

The former Posh Spice has the fourth biggest celebrity perfume in the UK, a line of handbags and jewellery and her own range of clothes

**Beau Brummell**

The definitive Regency dandy was an arbiter of taste who virtually invented the idea of men's fashion. He is said to have taken five hours to dress himself each day

Conspicuous consumption is not new – the term was coined by Norwegian economist Thorstein Veblen in the 1890s to describe the nouveau riche who profited from the second industrial revolution – but our attitudes are. Even in Britain, it is fine to flaunt. We all want to 'trade up', and our relationship with iconic celebrities mirrors this cultural shift. Stars who embodied luxury were once unattainable. The decadence of Liberace or Elizabeth Taylor reflected their charmed, God-like existence and was hardly aspirational. But today, stars such as Victoria Beckham and Jennifer Lopez market their chic through perfumes and clothing. Lopez's 'brand extensions' are said to be worth £130m.

As the average UK income has doubled in real terms since the early 1990s, this current downturn might nibble away at the edges of mass affluence. But it won't undo the basic changes to our consumption habits – no matter how many columnists write about friends who shop at Aldi.

Incomes and aspirations have risen, as the price of many consumer goods has dropped. A £100 camera does far more than one that cost £500 five years ago. Globalisation has driven down the cost of everything from clothes to wine.

Once people can afford almost everything they need, they change. "In recent years, we've seen consumers become more discerning as they react to the ever more complex messages brands bombard them with. Consumers have become

more sophisticated and demanding," says Simon Browning, head of industrial design at consultancy PDD. "As a result, we've had to create deeper connections between products, brands and people and become more holistic in our approach to deliver experiences with value."

Naturally, brands have responded. In the mid-1980s, Toyota developed what became one of the most successful mass-to-luxury brand extensions – the Lexus. The first Lexus was launched in 1989 and quickly became established as a luxury marque. Toyota believed that for Europe and the US, it needed to create a new luxury brand because 'Toyota' lacked the right connotations.

Mercedes is a useful counter-example. The world over, the company is associated with luxury cars. It also sells white vans. "Selling vans doesn't do Mercedes any harm," says Wally Olins, chairman of brand consultants Saffron and author of *The Brand Book*.

Bentley wouldn't dream of that sort of brand extension – in its world, marque is everything. Still, sales have grown ten-fold in the past decade, which suggests our faith in getting what you pay for remains touchingly undimmed.

Many of the mass-market 'new luxury' items aren't big purchases. Sales of Sainsbury's Taste The Difference 21-day slow-matured British beef rump have grown by 300% this year. Champagne (whose mix of relative affordability and status epitomises mass luxury) has also

Barclays luxury branches point to the contradictions in the market. Is the billionaire Roman Abramovich likely to be seduced by Casamilano lamps?

enjoyed significant growth. You can even buy champagne-infused Marmite.

Some brands provide nothing but everyday luxury. Apple's products perform similar functions to other phones, MP3 players and PCs but are desirable, easy to use and make owners feel special. Browning says most things can now be upgraded: "Take coffee. Nespresso is more about being part of something and making an aspirational lifestyle choice than appreciating espresso," he says. With its ergonomic design and George Clooney adverts, it is the 'coffee-machine-as-lifestyle statement'.

Barclays will try to do the same with its Premier Banking scheme. Select branches for affluent customers will be styled with "everything to ignite inspiration and desire". Out go the dull, corporate furnishings, in come Armani coffee tables, Casamilano lamps and Louis Poulsen lights.

Such products point to the contradictory heart of the new world of luxury. The Russian billionaire Roman Abramovich is hardly likely to be seduced by a Casamilano lamp – nor are those who manage his finances. Mass luxury is as much about perception and marketing as reality and quality, which is why the race to bring out newer, better products is endless.

If it seems marketers always have the last laugh, Olins believes this isn't so. He says the 'brandalism' that befell Burberry, when its range was appropriated as part of the 'chav uniform', is proof our relationship with brands is changing. Consumers interact with them and can change them radically. "Burberry didn't really understand what happened," Olins says. "You can't control how someone uses your brand." In May, the company responded by bringing out a new alligator-skin handbag for a cool £13,000.

In an age when you can buy a small jar of black truffles over the internet for £10, there is no point bringing them out at your dinner party – no matter how much you've spent. To distinguish yourself from the crowd you have to go further. For some this is product (custom-made furniture is very popular and the luxury cruise market is growing at 11% a year) but Barclays' research suggests that, for the truly rich, time is the ultimate luxury good.

Analysing the habits of 790 of the world's wealthy, it found them turning en masse to personal shoppers and concierges, seeking to enhance the 'experience' of being wealthy. And, as the credit crunch bites deeper, the two luxury goods that will remain unattainable to the masses are still time and space. **PC**

Going up...

Everyday items given an exclusive makeover

Fast food

Burger King is offering probably the world's most expensive burger at its Gloucester Road branch in London. 'The Burger' costs £95 and contains white truffle, champagne onion straws and Himalayan rock salt.

Drink

Billed as "pop culture in a bottle", water brand Bling H2o has captivated celebrities with its Swarovski-decorated \$40 bottles of spring water.

Watches

Swatch invented the idea of the watch as a fashion accessory but saw its market saturated by rivals. The answer? Move upmarket. It bought a stake in luxury brand Rivoli in July and partners with Tiffany.

Social networking

The catchphrase "I'm ASW" will help you get into the right nightclub and jump a waiting list for a Hermès bag. But exclusive social network ASW is under fire because, with 325,000 users, it's no longer exclusive enough.

Going down...

When luxury enters the mass market

Fashion

For years, Vivienne Westwood's subversive chic was available only from her King's Road shop. In common with many luxury fashion labels, however, Westwood is now mainstream, with stores as far away as Russia, Taiwan and even Liverpool...

Property

Owning a second home abroad once meant a dodgy time-share on the Costa del Sol. Now 800,000 Brits own 425,000 overseas properties worth £58bn, as TV shows encourage investment in Eastern Europe and other unlikely destinations.

Cosmetic surgery

Once the preserve of the super-rich, the UK market for cosmetic surgery has tripled in five years. High-street chemists frequently offer botox injections in store.

Shellfish

No longer a delicacy, lobster is now no more expensive than steak in many restaurants, as it goes out of favour among the wealthy.

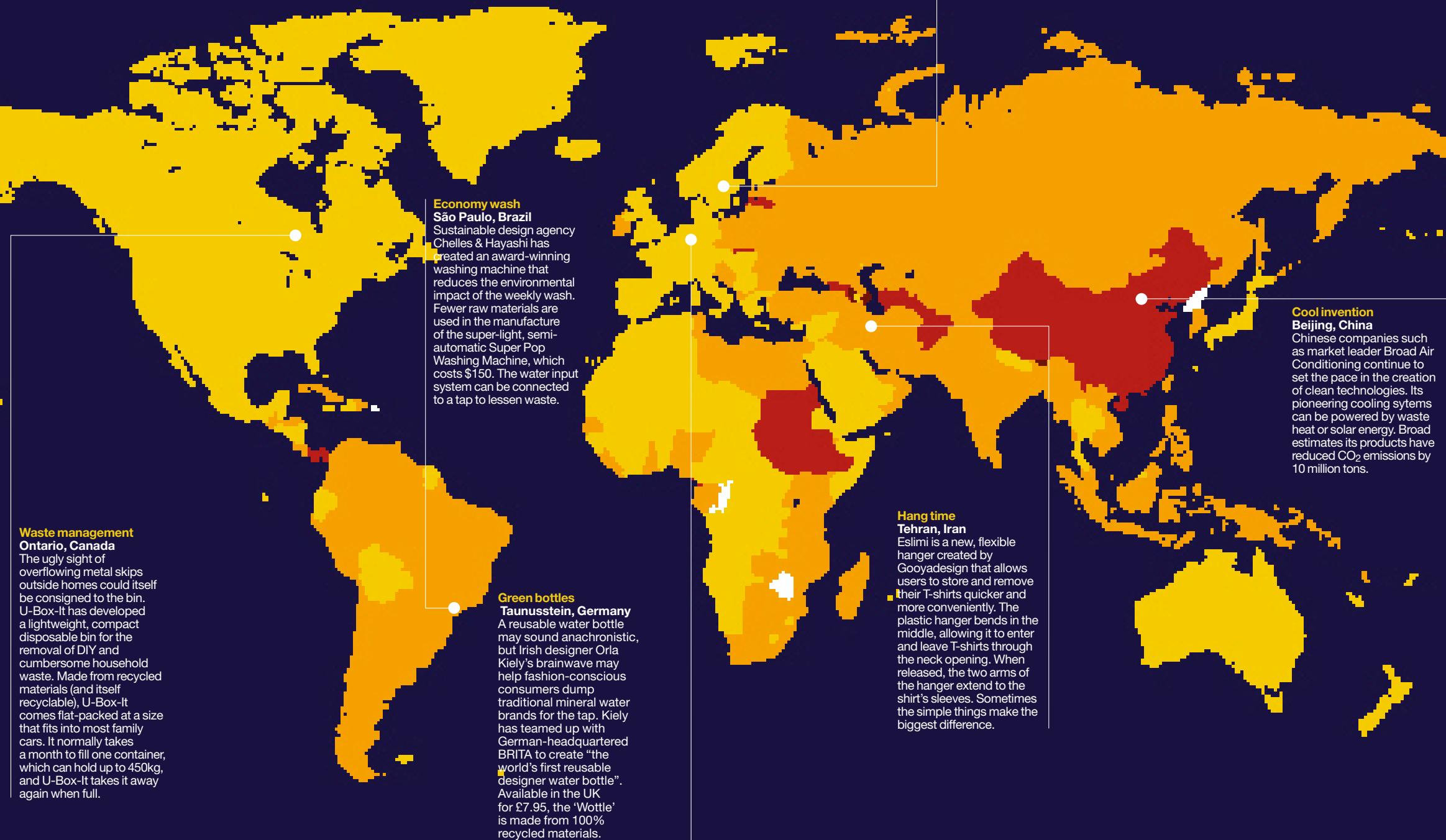
The best way to predict the future is to invent it

In a tough economic climate, innovative, ingenious design thinking is the driving force behind successful businesses, large and small, in all parts of the globe

Protective measures
Bromma, Sweden
Serial award-winning company Ergonomidesign has become famous for designing products based on "true user needs and abilities, not purely aesthetics". The latest example is the Speedglas SL, a welding helmet with auto-darkening filter that protects the user's eyes while working. Its lightweight construction is more comfortable for users.

Growing places
GDP growth in 2007 – from rapid expansion to countries going backwards
16-23%
10-14.9%
5-9.9%
0-4.9%
-8%--1%

Source: CIA World Factbook



'I started Tesla so I could build the kind of electric car I'd like to drive. Every electric car that had been around previously had been designed by people who thought of driving as a necessary evil'

Martin Eberhard, Tesla Motors founder

Home comforts

London, UK

Brits will have no excuse for making bad interior design choices if former dot com pioneer Brent Hoberman's new venture takes off. The lastminute.com founder's new website, mydeco.com, has 'Plan My Room' pages that use 3D software. Visitors can replicate rooms within their homes, apply paint or wallpaper and then place high street and niche furnishing products, linking through to buy them online.

Toy story

Billund, Denmark

Transformation of LEGO's design function is fuelling its success. The world's sixth-largest toy-maker announced pre-tax profits of £143m in 2007. Revenue was £85m – a 2.9% increase on 2006. LEGO's innovation process is governed by Design for Business, a system that aligns corporate goals with design strategy. LEGO's Billund design function is home to 120 designers from 15 countries.

One small leap

Delhi, India

HCL, one of the world's largest computer manufacturers, is taking laptops to the Indian mass market with the MiLeap X. Priced at just £160, the product is aimed at children from middle-class Indian families. The ultra-portable, shock-proof laptop features a seven-inch screen, LAN connection, integrated WiFi and built-in speaker.

Hotbeds of invention

Total number of patents filed by patent offices, 2006

200,000+

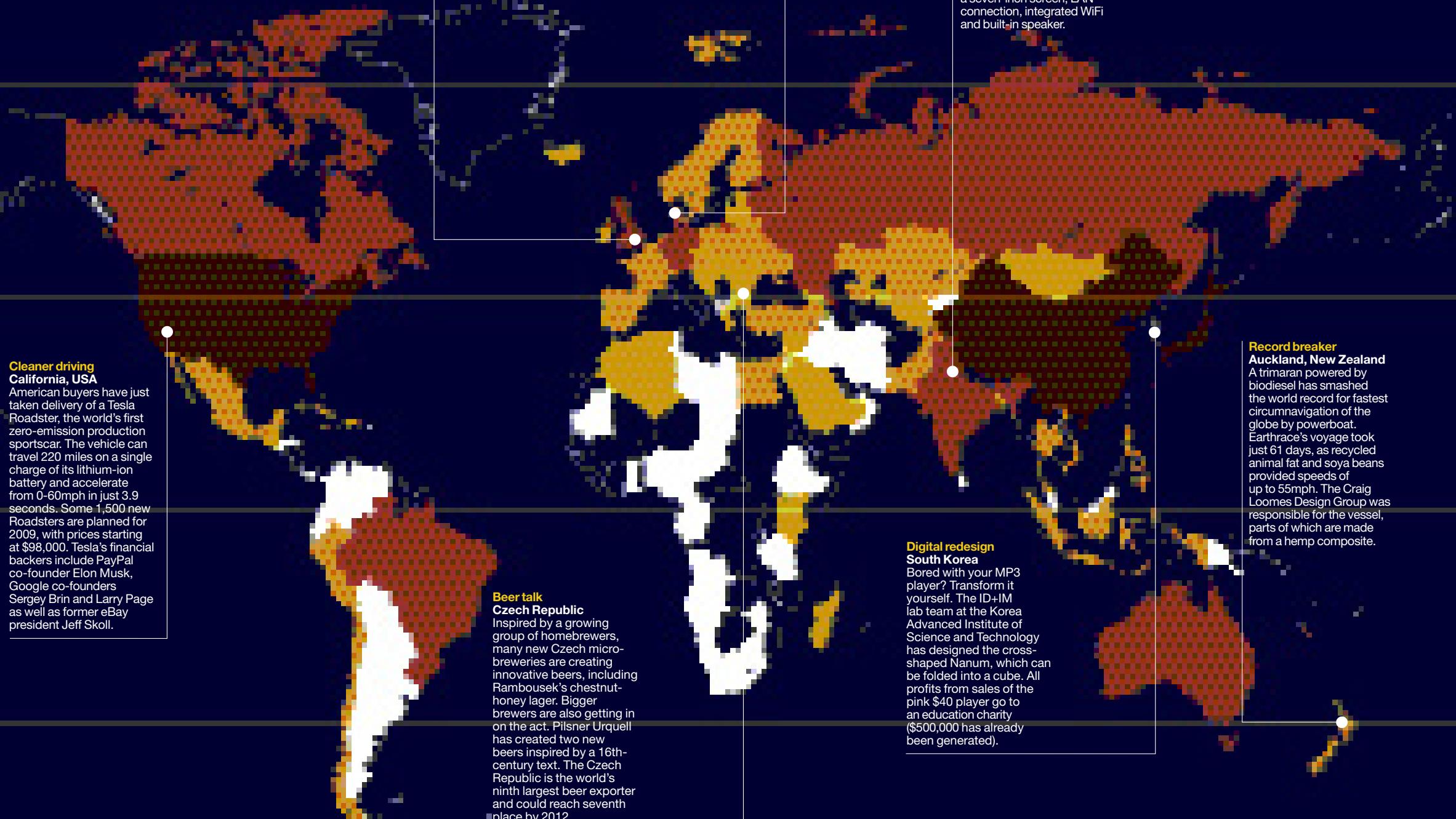
20,000-199,999

1,000-19,999

Less than 1,000

Data unavailable

Source: WIPO



'Good design is an upward sales curve'

From forecourts to textiles, IT and the cinema, the record shows that, in economic downturns, investing in design is not a luxury, it's a competitive necessity

1830s Exports and experts

Politicians have fretted about Britain becoming uncompetitive for centuries. In 1836, the Parliamentary Select Committee on Art and Manufacturers feared Britain was losing the "export race" because its manufactured goods were not up to scratch. The silk industry was losing market share at home to low-cost competition from abroad.

Design wasn't helping. Carpets with frenzied vegetable patterns weren't cutting it as the global competition in the textiles market intensified.

In response, the first Government School of

on affordable, functional objects.

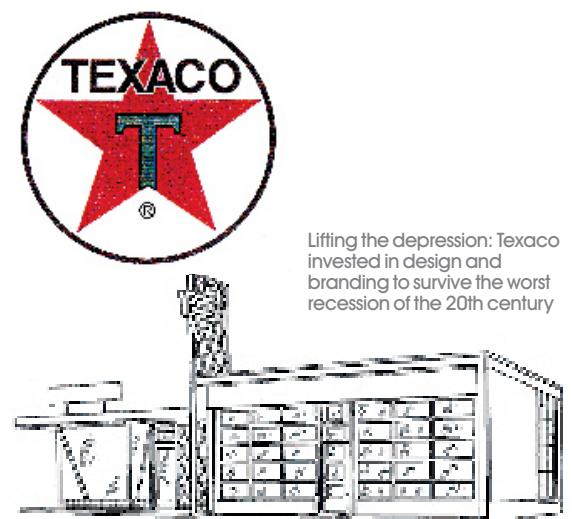
A similar spirit, with a big dollop of utopianism, inspired the Bauhaus movement in the 1920s. Guided by German architect Walter Gropius (1883-1969), Bauhaus set out to design affordable, useful, quality objects suited to mass production, an approach encapsulated in its slogan: "Art into industry".

Bauhaus was not alone. In England in 1915, a new, independent body called the Design and Industries Association (DIA) had called on industry to embrace "sound workmanship," "respect for material" and "fitness for purpose".



Design was founded in 1837. If designers were better trained, politicians believed, the quality of British goods would improve. They were proved right, eventually. After the 1840s, so grim they were dubbed the Hungry Forties, British textiles slowly recovered.

British designers – led by Christopher Dresser, the Glaswegian who was arguably the first industrial designer – began to focus



Lifting the depression: Texaco invested in design and branding to survive the worst recession of the 20th century

brand of oil seeming much like any other, Texaco asked Teague (1883-1960) to design a new petrol station.

After talking to drivers and staff, Teague designed a station – branded with Texaco stars and a banjo-shaped logo – with large glass areas, white, easy-to-clean walls, canopies over pumps and rest rooms. By 1940, Texaco had built 500 stations in this iconic style.

This design helped Texaco exhibit tyres, batteries and repair services, all vital new revenue streams as oil sales slumped. The stations were at the heart of Texaco's revolutionary corporate branding. Teague insisted he was no genius: "It is not surprising we all adopted the same method, those who did not simply did not last." But in the worst recession of the 20th century his design delivered a phenomenal return on investment.

Texaco's forecourt revolution had a sexy precedent. In the

booming 1920s, film studios built palatial cinemas where moviegoers felt like royalty. The most famous cinema owned by RKO, (created by merger in 1929, the year Wall Street crashed), was RKO Keith's in New York. With lobby fountains, sweeping marble staircases and ceilings that resembled starry skies, RKO Keith's was an experiment in experience design – 50 years before the term even existed.

Palaces weren't the only answer. In the 1930s, designer Albert Dreyfuss created a modern, modest, warm style of RKO cinema suited to middle America.

Though he was a designer, Dreyfuss's role wasn't confined to craft. He was once asked to discover why RKO's new Sioux City cinema was losing out to a dilapidated rival. After cutting prices to no avail, Dreyfuss stood outside the cinema for three days, watching locals walk past. Sensing that farmers were worried about leaving muddy tracks on

Design reform: the desire to create useful, affordable quality inspired Dresser's watering can and Bauhaus

1930s Oil and apes

Raymond Loewy, the great American industrial designer, remarked: "Good design is an upward sales curve." Loewy's rival, Walter D. Teague, proved him right.

Trying to stand out in the Great Depression, with one

the red carpet up the steps, he replaced it with a rubber mat. Ticket sales soared.

In Hollywood, art director Van Nest Polglase shaped RKO's moviemaking strategy in the 1930s. Rather than compete with MGM's costly historical epics, Polglase and his team designed versatile, low-cost sets that provided the backdrop to such classics as *King Kong* and the Fred Astaire/Ginger Rogers musicals, giving a high-style gloss to a string of successful romantic, musical and science fiction fantasies.

As the recession bit into budgets, RKO designers created a setting dubbed the BWS (Big White Set), used in eight Astaire/Rogers musicals. The BWS seemed vast on screen but was mostly white space, with a few walls, stairs and dancing platforms. The BWS made white rooms fashionable in the US and sales of Venetian blinds (seen in *The Gay Divorcee*) soared.

For *King Kong*, RKO redressed sets from the action film *The Most Dangerous Game*. Fay Wray, who starred in *Dangerous Game*, signed up for Kong believing her co-star was tall, dark, handsome Cary Grant. *King Kong* cost \$500,000 (\$8.3m in today's money) and grossed four times that in the US alone.

1940s and 1950s Best of British

In 1944, the British government founded the Council of Industrial Design (Coid), which became the Design Council in 1972. This body had a clear brief: "Use all practicable means to improve design in British industry" and help get Britain back on its feet. The first fruit of this mission was the 1946 exhibition "Britain Can Make It", showcasing the best of British products.



Although the government failed to persuade Britons to buy utility furniture designed in the best possible taste and to use materials economically, this campaign recognised design's influence on consumer demand. The 32 government-approved items of furniture showed design grappling with sustainability 60 years ago. The 1951 Festival of Britain kick-started the consumer

'Apple's problem is that it believes in selling caviar in a world that is content with cheese and crackers'

Industrious designer: Van Nest Polglase's inventiveness in set design spawned *King Kong*

offer weren't up to scratch, it created its own. With the economy stalling in 2001, Apple invested in product and retail design, opening a chain of stores and launching the iPod.

Joseph Graziano, Apple's former CFO, sneered at the time: "Apple's problem is that it believes in selling caviar in a world that is content with cheese and crackers." But by differentiating through design, Apple persuaded millions to buy its caviar.



User friendliness: Doug Engelbart's research into mouse-driven cursors inspired a design revolution

1970s Caviar and crackers

Nineteen seventy-three was a year of stagflation, war, soaring oil prices and Xerox's Alto personal computer. The Alto was inspired by inventor Doug Engelbart; his observations of how children learn influenced mouse-driven cursors, multiple windows and hypertext.

Like many ground-breaking innovations, the Alto was not an immediate commercial hit but its successor, the 8010 Star, had the first true Graphic User Interface (GUI) using icons, What You See Is What You Get editing, and a pointer to control the computer. Launched in 1981, the Star was part of an integrated office system, not a stand-alone PC.

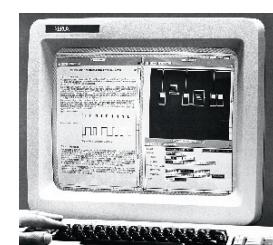
Steve Jobs, developing a new computer with some former Xerox engineers, took the stand-alone route when he launched the Apple Mac, the first commercially successful computer to feature a GUI.

In 1986, Donald A. Norman published a book called *The Design of Everyday Things*,

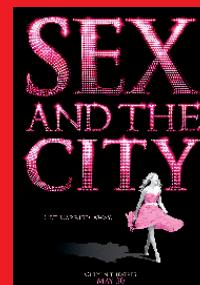
in which he used the term "user-centred design" and called for design that served, rather than ignored, the user. Norman felt computers were especially unfriendly, but the PC revolution placed the user's experience at the heart of good design, leading designers to study customer behaviour acutely and revolutionising design as a discipline and an industry.

The roots of the idea that design could be applied to experiences, services and corporate strategy lie in Engelbart's trailblazing research. This philosophy has underpinned the Design Council's Designing Demand programme, which has transformed thousands of businesses since 2004.

User experience also inspired Apple to invent the iPod. Looking to diversify, it tested digital cameras, camcorders and portable music players. Feeling the music players on



Star player: Xerox's PC, with a graphic user interface and WYSIWYG editing, prefigured the Apple Mac



Monday evening. to watch *Sex and the City* on the cinema we find the film isn't show out of date," shrugs the They buy tickets  upstairs for a coffee, it isn't working. Luck cream tray comes out be

Two friends go to the movies *the City*. After checking times bsite, they turn up, only to ing. "The website's always man behind the  till. for another movie and head only to be told the machine ily, the traditional ice fore the film starts. 

Why Britain needs a revolution in service design

Article by Trish Lorenz

Eight out of ten Britons have had a poor experience when buying services, according to the National Consumer Council. Sometimes it's merely frustrating, at other times totally infuriating, but it's never good for business. A survey by BSI British Standards found that two-thirds of Britons believe customer service is getting worse: 72% have taken their custom elsewhere after receiving bad service, while 91% said they are more likely to go back to a business that provided good service.

That's a great deal of revenue being lost – and serious damage being done to corporate reputations. Britons are pigeonholed as a nation of whingers happy to harangue businesses for their failings, but research suggests that many of our grievances are legitimate and, as the credit crunch bites, we're far more likely to act on them.

Some organisations believe that having a customer service department is the be-all and end-all. But such departments are invariably

dedicated to resolving issues after they arise. What is needed, says Chris Downs, director of service design consultancy live|work, is something far deeper and more wide-ranging: "Service design is about ensuring service pervades the entire business model of a company."

Service design involves creating services that meet customer needs and make good business sense. Service design recognises that by considering every way customers interact with a business, revenue can be increased by finding new channels to market and reducing customer churn. And churn is a serious problem: websites that compare customer service and showcase horror stories enable buyers to avoid companies with a poor reputation. Online campaigns against bad service (try Googling a budget airline or retailer and the word 'service') are damaging brands.

Pledges of good service are not enough. They need to be part of a system that delivers something »

of genuine value to companies and their customers. Downs says: "The sale of a product only accounts for about 20% of its potential lifetime value. Servicing that product provides the other 80%."

Alison Copus shares Downs' view. A former marketing director at Virgin Atlantic, Copus is now partner at business consultancy Coincidence. "At Virgin Atlantic we recognised that thinking about product and service separately was nowhere near as powerful as thinking about them as one. Launching a new product is one thing, but changing service flow around it brings many new opportunities," she says.

She points to the relaunch of Virgin Atlantic's business lounge at Heathrow Airport, which saw the airline offer customers everything from spray tans to a cocktail bar and restaurant. The airline sent its staff for training at restaurants, bars and hairdressers. Copus remembers: "We had to invest in the lounge because we were running out of space, but the next question was what should we offer? We wanted to be innovative and redesigning the service gave us that opportunity."

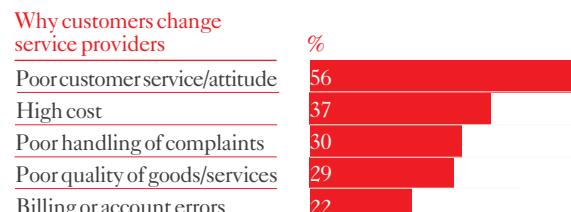
Service innovation can offer numerous benefits, she says: "Product is easy to imitate, but service is much more difficult. It offers a far more sustainable competitive advantage."

The banking industry is discovering just that. Bank of America worked with service design specialist IDEO to target mothers in their thirties and forties. Fran Samalionis, head of service design at IDEO, says: "We spent time with mothers and discovered they found lots of ways to save money. But it wasn't how much they saved – it was the act of saving that was important."

So Bank of America launched its 'Keep the Change' campaign. Each time a customer used their debit card the bank rounded up the amount to the nearest dollar and put the difference into a saving account. 'Keep the Change' generated 2.5 million customers, 700,000 new current accounts and one million new savings accounts.

As companies strive to retain more customers, service design may become even more important. "There's growing recognition that new customers are costly to acquire, which is why there's now a greater focus on retention," says Downs.

Most surveys suggest that acquiring customers is between six and eight times more expensive than retaining them. The BSI British Standards survey suggests that keeping more customers can boost



Source: BSI tickbox.net survey of 1,845 UK adults. Figures refer to previous 12 months

Seven steps to successful service design

How to make customer service effective in any organisation, using tested IDEO methods

1 Assess or audit the business

Understand the current service offer and identify additional service potential. New services must meet customer needs, make good business sense and be feasible to bring to market.

2 View service experience through customers' eyes

Shadow consumers through their experience of the organisation. This exceeds the usual qualitative and quantitative research and aims to uncover latent needs consumers are less able to articulate. Identify possible new services and areas where current services are underperforming.

3 Prototype the new service

New services can be hard to visualise. Produce something tangible, for example a sample advert that sells the offer to your target audience. Create something everyone within the organisation can understand. Until it is possible to see, touch and feel, it may be hard to decide whether to implement the new service.

4 Collaborate internally

Silos of expertise are unavoidable, but effective service design invites collaboration. Establish multi-disciplinary teams and communicate the programme widely.

5 Enable frontline staff

Frontline staff know where service issues lie, but often feel unable to make changes. It is important to build a 'can-do' attitude by teaching frontline staff how to develop, share and implement new ideas.

6 Measure impact

Evaluate progress by measuring results against benchmarks set at the start of the project.

7 Encourage ongoing innovation

Service is about developing long-term relationships with customers. Iterative improvements and a culture of innovation are vital.

Adapted from guidance by IDEO's Fran Samalionis



'Product is easy to imitate, but service offers a far more sustainable competitive advantage'

Breaking point: irate First Great Western passengers stage a fare strike in 2007

at short notice to meet punctuality targets but then infuriate passengers who face unnecessary delays.

Although overall customer satisfaction with rail is up, ticket prices continue to cause discontent, having risen by 13.6% since 1995. In 2007, irate commuters risked £1,000 fines after staging a fare strike to protest at prices, delays and overcrowding on First Great Western trains.

BSkyB shows a better way forward. It wanted to boost call-centre satisfaction rates and contacted consultancy Engine, which began monitoring customer calls. Engine developed a service model based on the idea that customers need looking after on an emotional level as well as a functional one.

The model was translated into practical tools and systems, including call-handling guidelines. A pilot involving hundreds of call handlers showed a 50% increase in customer satisfaction.

As the financial benefits of service design become clear – and market conditions grow tougher by the day – the need for businesses to place retaining and delighting customers at the top of their agenda has never been more urgent.

Trish Lorenz is a design journalist and consultant and former service design consultant with Virgin Atlantic.



Getting it wrong: great customer service disasters of our times

Hoover (left)

In 1992, Hoover infamously offered two free return flights to Europe (and later the US) to those who spent just £100 on its products. Hundreds of consumers took legal action when they didn't receive their free flights. The episode cost Hoover a reported £48m.

FIFA

At the 2006 World Cup, FIFA refused entry to Dutch fans wearing branded orange lederhosen given to them by a Dutch brewer because it

represented a 'marketing ambush' (Budweiser was one of the tournament's official partners). More than 1,000 fans had to watch the Holland versus Ivory Coast match in Stuttgart in their underwear. At least the Dutch won 2–1.

Banks

In what has been billed the UK's biggest ever consumer revolt, high-street banks have paid back around £784m in out-of-court settlements to customers who have paid excessive overdraft charges.

Ryanair

In 2002, the carrier was publicly criticised by the Consumers' Association, who revealed that the 'Copenhagen' service actually landed in Malmö, Sweden – 45 minutes away by road.

In 2000, following a 31% increase in passenger complaints, Connex lost its South Central franchise. Poor punctuality, cancellations and crowded trains infuriated commuters.

Will this Russian evolution spark a creative economy?

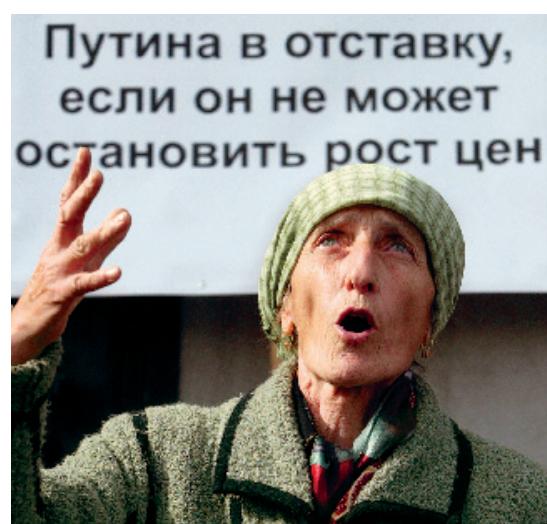
New president Dmitry Medvedev knows his country must change. But, *Paul Simpson* wonders, can he really turn Russia into a nation of innovative entrepreneurs?

Eight years ago, IKEA tried to promote its new Moscow store with the slogan: "Every tenth European was made in our beds." But the Metro banned the poster, saying it was in bad taste.

IKEA took that on the chin. But its two-and-a-half-year campaign to set up shop nearly came unstuck when the council stopped the retailer finishing a £3m overpass to its store when it was just two pillars away from completion. The overpass obscured a war memorial. Moscow officials were furious the store had been built outside city limits and the mayor's press secretary was tasked with publishing stories exposing the "illegal activity of IKEA". The company had been given the go-ahead by the regional government, but a city decree threatened to make the overpass illegal. After a threat to quit Moscow, IKEA prevailed and has prospered in Russia, opening its first Siberian store last year.

Russia has changed radically in many ways in the eight years since – and not at all in others. Two years ago, the concept of a small business was legally recognised for the first time. The government would like 60-70% of Russians to work for an SME by 2020 and generate half its GDP.

Running a small business in Russia has never been easy. Entrepreneurs were persecuted when ➤

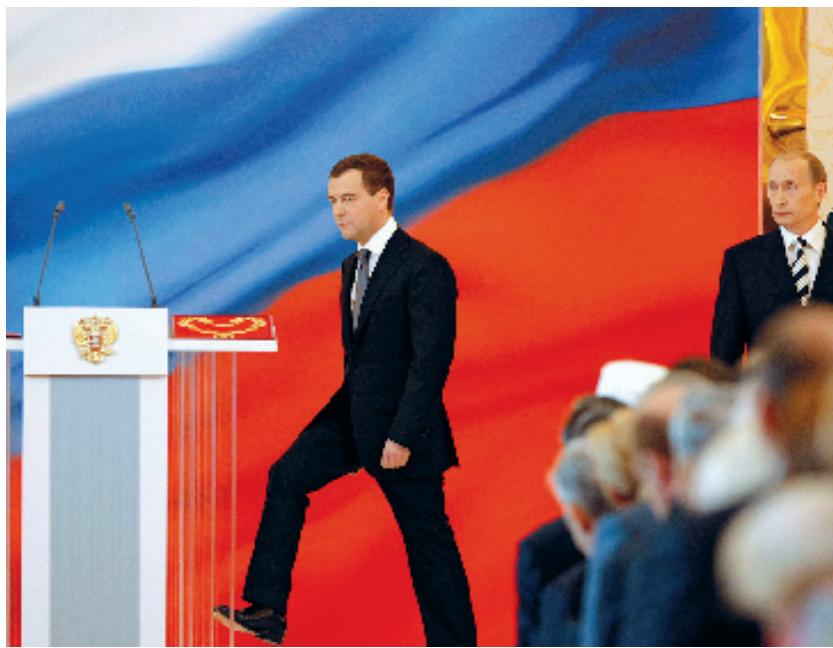


Not so peaceful co-existence:
while billionaires prosper and
models strut their stuff on
Moscow catwalks (right),
ordinary Russians protest
over rising food prices



'Russia has something it didn't have 14 years ago: 20% of the people are now middle class'

Regime change? President Medvedev steps up while his predecessor – and prime minister – Putin looks on. Their double act has puzzled investors and foreign leaders



the Bolsheviks seized power in 1917, encouraged – out of desperation – by Lenin's New Economic Policy in the 1920s and shot or imprisoned on Stalin's orders in the 1930s. That may partly explain why recent polls suggest that only one in 20 Russians dreams of starting a business.

Tom Fleming, director of a consultancy that works on creative economy projects across Russia, says: "There is no culture of entrepreneurialism. Most Russians leave education assuming they'll be employed by a company in a traditional industry. That's especially true in the regions."

The daunting obstacles an entrepreneur must face include: expense (it costs £150,000 to start up as a fashion designer in Moscow), endemic corruption, red tape, poor infrastructure, challenging logistics (Russia's transport system is very Moscow-centric) and sheer lack of mobility. "Moving between cities isn't straightforward," says Fleming. "It's often easier for Russians to move abroad than within their own country."

None of this tallies with the government line. Dmitry Medvedev, Vladimir Putin's hand-picked successor as president, is a former lawyer (who won a major case defending a pulp mill against powerful oligarchs), iPhone enthusiast and – depending on who you believe – either a faceless opportunist or the new Gorbachev.

But in talk and deed, Medvedev has been consistently pro-business. Securing Russia's future, he says, is all about four I's: innovation, investment, infrastructure and institutions. Medvedev has vowed to end Russia's "legal nihilism" where "rights belong to those with the sharpest teeth and not those who obey the law".

Russia's economy has endured enough rapacious capitalism to have Lenin turning in his mausoleum. What it needs, Fleming says, is the legal, managerial and cultural framework that underpins capitalism in the West.

Recognition of basic property rights, simplified taxation, enforcement of copyright ("in most cities, it's easier to find pirate CDs and DVDs than the official ones," says Fleming) and a drive by local authorities and law enforcement officials to "stop frightening business" (Medvedev's words) would bring the dream of an economy driven by SMEs (rather than giants like Gazprom) that much closer.

Mark Dampier, head of research at stockbroker Hargreaves Lansdown, is optimistic: "Foreign investors should realise the Russian stock market is one of the cheapest in the world. And forget the talk of oil dependence and falling prices. Russian oil is profitable if the price is above \$10 a barrel."

Dampier points to the progress made since 1999, when Putin inherited from Boris Yeltsin what was

Russian designers of influence

Valentin Yudashkin
Born in 1963, Yudashkin is Russia's most famous fashion designer. In 1991, he became the only Russian member of the Parisian Syndicate of High Fashion. Since 1987, he has created 50-plus collections.

Nadezhda Lamanova
Aged 24, the mother of Russian fashion opened her own dressmaking workshop in Moscow in 1885. She quickly earned royal customers and her fame soon spread throughout Europe.

Sergey Korolyov
Head engineer and designer for the Soviet space programme during the 1950s and 1960s, Korolyov was imprisoned for six years after Stalin's 'Great Purge' in 1938. On release, he oversaw the Sputnik and Vostok projects.

Alexander Begak
The aircraft designer made the headlines this year when he launched the 'Evolution' – a vehicle that can travel by land, air and water and can reach 160kmph in the air and 80kmph on land.

Vladimir Zworykin
For some, the 'true' inventor of TV. Zworykin (1889-1982) played a key role in cathode-ray tube development. He also designed the iconoscope, a transmission tube used in the first TV cameras.

Yuri Soloviev
After studying design in Moscow, Soloviev became the first director of the USSR Research Institute of Industrial Design in 1962 and in 1987 helped found the Society of Soviet Designers. International Design Award winner in 1989.

'Designers can treat investors as philanthropists but capital and creativity can go hand in hand'

virtually a failed state: "Russia has something it didn't have 14 years ago: 20% of Russians are now middle class. That could reach 50% by 2020 and change the dynamics of its society and economy."

Russia mystified the West even before Winston Churchill's riddle/mystery/enigma remark, and it remains a puzzle. In Georgia, it behaves like a typical superpower. Yet the profusion of online pop-ups promoting "sexy Russian girls" reveals the desperation of many of its inhabitants.

You can travel through centuries as you cross Russia (just to give you an idea: Siberia alone is bigger than Europe and the United States combined). In one of the gated communities flourishing near Moscow (one of which has been acquired by Goldman Sachs for £161m), you are at the cutting edge of the 21st century. As an architect in Moscow, enriched by the rush to build skywards, you share the heady optimism of 1920s New York's skyscraper boom. But in a wooden village in the Siberian taiga, you're nearer the 17th century than the 20th, your pride in owning a TV and fridge tempered by the fact that electricity only trickles into your village for one hour a day.

So is the growing middle class cause for hope? Up to a point, says Fleming: "The middle class is growing fastest in the big cities. In many regions, you just have the poor and the very rich."

This isn't good for Russia as a society or, as Putin has admitted, as an economy: "We are only making fragmentary attempts to modernise our economy. This increases our dependence on imported goods and technology and reinforces our role as a commodities base. The economy remains very ineffective. Labour productivity is very low. We have the same labour costs as many developed countries, but our return is much lower. With global competition, this will become dangerous."

The urgency of Putin's remarks is reflected in the massive priming by the state of such strategic ➤



Russia by numbers

3,000

Russians who enter Silhouette, the country's most prestigious competition for young fashion designers

20,000,000

Russians who live abroad, many stranded by the collapse of the USSR in 1991

80

Percentage growth in Russia's GDP between 2002 and 2007. The average increase over the same period was 46%

£4,128,000,000

Sum the Russian government will invest in nanotechnology over the next seven years

300

Percentage increase in alcohol consumption per head between 1990 and 2006

£24,610,000

Russian government's budget surplus in 2008

16.5

Murders per 100,000 people in Russia in 2006, compared to 5.7 in the US and 2.03 in the UK

200,000

Science and technology students who graduate in Russia every year – as many as India, which has five times the population

14,000

Dolls on display in Moscow's Matryoshka museum

£2,251

Bonus paid to mothers who have a second child, equivalent to the average wage for five months

Ambush marketing: as the first spacecraft, the Sputnik was such a cultural phenomenon in the 1950s that US diners launched burgers in its honour

areas as IT, software, nanotechnology and the £200bn investment in infrastructure. The drive to stimulate innovation may – as it is fleshed out over time – stimulate Russia's creative economy.

"The creative economy is not a national priority," says Fleming. "Graduates in art or design are loath to become entrepreneurs. The education they get is technically very good, but the learning process is instructive and didactic. They're not necessarily acquiring the skills they need to think laterally in a creative economy."

In the absence of a national plan, Fleming says local clusters have emerged. "In Academgorodok, an academic city in Novosibirsk, the renaissance of the Russian space programme has encouraged the growth of digital services such as computer game design. In Moscow, creative networks have emerged organically in developments such as Artply, in an old textiles workshop."

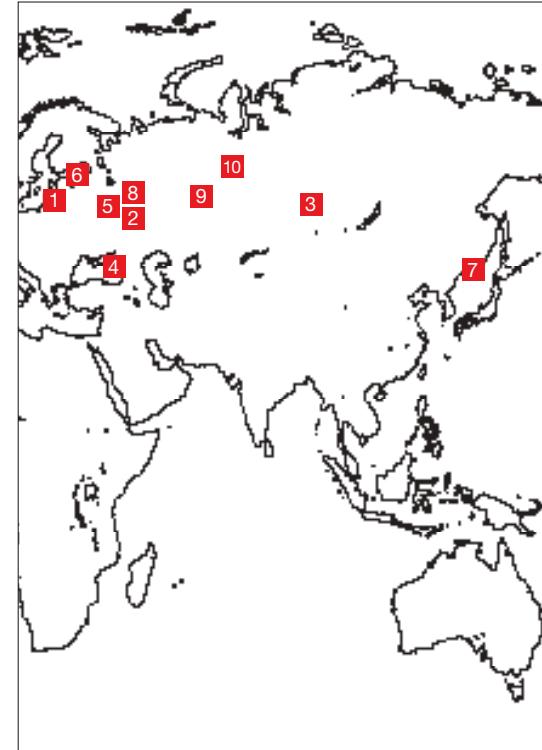
Business space in Moscow and St Petersburg is so costly that arts and design businesses often have to take over abandoned industrial buildings. Elsewhere, Fleming says, "creative industries can benefit from a kind of civic boosterism" but this often promotes cultural institutions – such as ballet companies – rather than nurturing clusters of innovative small businesses.

He says a stronger retail sector would help enormously. "After the fall of Communism, Russians gravitated to glamorous Western brands. It's not always easy for Russian companies or designers to find the retail space to make a name."

This is changing, says Alexander Shumsky, director of Moscow Fashion Week: "Six or seven Russian designers took part in big international shows in 1999, and 50 or 60 are here now. Now we invite potential investors to shows, though designers often regard investors as mere philanthropists. We realise creativity and capital can go hand-in-hand. Russian couture appears, little by little, in larger shops. Hopefully, Russian designers will have boutiques in all major department stores in three years or so."

Fleming, like Shumsky, has no doubt Russia has the talent. "The young Russians I've worked with have all the craft, intelligence and spirit to succeed. It's depressing to think that if they were in Manchester or San Francisco, they'd be starting their own business." In ten years time, will their successors launch a design business in Novosibirsk or Moscow? The answer to that may depend on Medvedev. In Moscow, one popular souvenir is a *matryoshka* doll of the new president which, when you open it, contains a doll of Putin, inside which is a doll of Lenin. The hope for Russia is that the dollmakers have got it wrong. **RC**

Putting on the glitz: Moscow may house 200 skyscrapers and Sir Norman Foster's 600m-high tower (right) will be Europe's tallest building when it is completed in 2010



Places of distinction

What sets Russia's major cities apart

1 Kaliningrad
Location of Yantar, Russia's most successful free economic zone.

2 Novorizhskoe
Home to most of Russia's 350 gated communities.

3 Novosibirsk
Siberia's largest city; hub for computer games design.

4 Sochi
2014 Winter Olympics venue.

5 Moscow
Russia's biggest design hub and home to Moscow University of Design, the country's oldest school of industrial and applied art.

6 St Petersburg
Base for world's largest natural gas company, Gazprom.

7 Vladivostok
Media hub, home to Russia's most famous band Mumiy Troll. Some suburbs are so polluted they're classed as ecological disaster zones.

8 Korolev
Home to the Russian Federal Space Agency's Mission Control.

9 Yekaterinburg
Educational and scientific hub; has 16 state universities.

10 Khanty-Mansiysk
Centre of Russian oil boom; has 70% of the country's developed oil fields. Average salaries rival those in Moscow.



Working knowledge

Vital intelligence on the world's largest country

Russia

Area 17m sq km
Population 142.3m
GDP \$1,289.6bn
(PPP: \$2,087bn)
GDP growth 7.2%
Inflation 15%
Literacy rate 99.4%
Internet users 30m
Unemployment 6%
Foreign direct investment (2007) £24.2bn

Briefing

The world's largest country by area (ninth by population), has the world's greatest energy and mineral stores. Oil, natural gas, metals and timber make up more than 80% of Russia's exports. Despite having reserves equaling less than 10% of the Middle East's total, Russia is the world's largest oil producer and second-largest exporter. It is also responsible for 30% of global weapons sales.

In 2006, the ratio of R&D spend to GDP was 1.08%, well below the 2005 OECD average of 2.25%. The government aims to increase this to 2.5% by 2015 and boost private R&D spend to 70% of the total. About 9% of Russian R&D is financed by foreign companies.

Earlier this year, Russia introduced legislation to target intellectual property pirates, but the US has warned it must toughen up its enforcement if it is to join the World Trade Organisation. Last year, US copyright industries lost \$1.4bn to Russian piracy.

Strengths

Russia is home to more billionaires (101) than anywhere except the US.

Thanks to oil profits and fiscal prudence, Russia has paid off most of its foreign debt and amassed foreign reserves of £254bn – the world's third-largest total.

Part state-owned company RusHydro, the world's largest listed renewable power firm, is set to double its production.

Manufacturing (especially machine-building) and construction are booming domestically, although many firms in these sectors are not yet globally competitive.

Corporate taxation has fallen to 24% and is expected to decrease further.

Economic growth has been concentrated mainly in Moscow, yet national quality of life is improving. Just 14% of Russians lived below the poverty line in 2007, down from 40% in 1998. Real disposable income has nearly doubled in the past five years and is growing by more than 10% a year. The average salary in 2008 was \$640 per month. The number of unemployed Russians has roughly halved since 1999.

Decades of dispute over the Russian-Chinese border ended in July when the countries settled the final details of a treaty.

Government schemes to boost the waning population (which the UN warned could fall by a third come 2050) are finally paying off. In 2007, the birth rate was the highest since the USSR's collapse.

Space agency Roscosmos is collaborating with the European Space Agency on a manned craft.

The film industry, finally recovering from the demise of the old state-funded system,

Forecast FDI inflow 2008

USA	\$235bn
China	\$84.1bn
Russia	\$29bn
Brazil	\$27bn
India	\$18bn

Source: *The Economist*

has begun to make a real impact abroad. At the 2008 Oscars, two Russian movies received nominations for best foreign film.

Although only 18% of the population has direct internet access, most Russians are technically highly literate. Many people access the web at work, university or college. Russian internet usage is growing at a faster rate than anywhere else in Europe.

Bettered only by China and India, Russia is already the world's third largest supplier of offshore software development, thanks in part to state aid. Russia's share of this market will be worth £6bn by 2010.

'Intelligentsia' is a Russian word and the country has one of the most educated workforces in the world.

Weaknesses
Economic growth is slowing as industry approaches full capacity. Rising energy and labour costs are threatening Russia's competitive edge, with skills shortages restricting company growth.

Inflation – now more than 15% – has nearly doubled in the past year, and food prices are rising even faster. Moscow has been rated the world's most expensive city for the past three years. The average cup of coffee costs £5.19 (compared to £2.57 in Tokyo and £2.20 in London).

Poor regulation, lack of investment in infrastructure and heavy taxes when oil prices soar, have caused oil production to fall. Further stagnation is predicted. After BP's troubled joint venture with TNK, foreign investment in oil won't be easy to attract.

Publicity over the BP-TNK affair – and other high-profile legal disputes with business – have persuaded many private equity firms that Poland is a more appetising market.

Growing domestic demand is increasingly met by imports. Despite helpful government legislation, domestic carmakers have not profited from the booming market.

R&D spend has increased in recent years, but it has been outpaced by GDP growth. A 2007 EU-funded study of

national innovation ranked Russia 27th out of 36 nations.

The government is pouring billions into nanotechnology and space science, however most private businesses have no R&D or innovation strategy. There is also no official government policy to support the growth of the creative economy.

Russia boasts many researchers (13.5 per 1,000 employees in 2006), but their productivity, as indicated by patent filings and journal contributions, is poor. Russia only files half as many triadic patents (registered in the EU, US and Japan) as Singapore.

IT is booming but needs more private investment to follow metals and banking tycoon Mikhail Prokhorov, who has created a £9bn holding company to invest in high-tech ventures.

Corruption remains a big problem in Russia. Twelve of its 101 billionaires are MPs, mostly from Putin's United Russia party. Earlier this year, £124m was stolen from the Russian Treasury following a fraudulent legal claim.

Bribery is considered an everyday part of business, while in the education system alone more than £500m a year is spent on bribes.

Corruption isn't the only problem afflicting Russian entrepreneurs. Red tape is so bad that it typically takes 29 days to start a company. This partly explains why Russia has only one-fifth as many SMEs as other developed economies.

Russia's war with Georgia has been politically and strategically successful in the short term, but it has reinforced international unease about its global role.

The uncertainty over whether Putin or his successor Dmitry Medvedev really runs Russia has unsettled potential investors. For example, Putin's criticism in July of the taxes paid by metals and mining company Mechel sent the Russian stock market into a nosedive.

Health remains a concern. The average life expectancy of a Russian male is only 58 and the infant mortality rate is twice as high as in the US.

Top five cities by population (2006)

Moscow	10,425,075
St Petersburg	4,580,620
Novosibirsk	1,397,015
Yekaterinburg	1,308,441
Nizhny Novgorod	1,283,553

Source: www.citypopulation.de

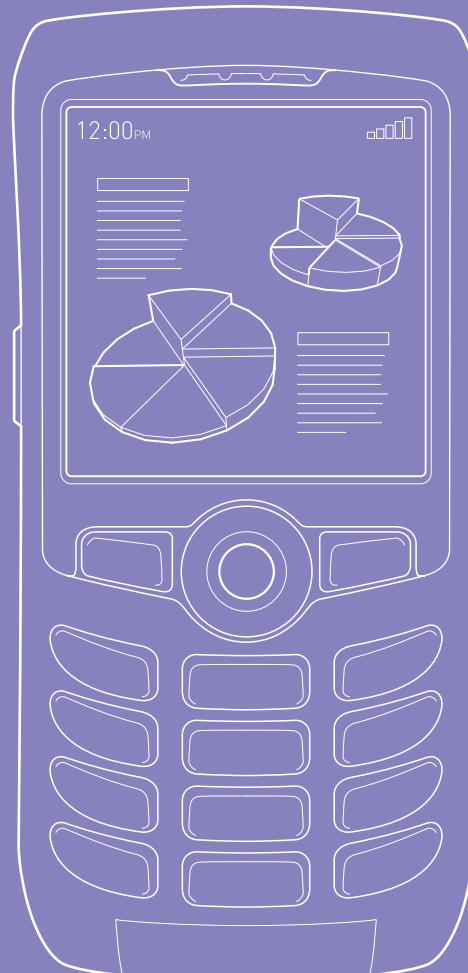
Gross regional product per capita

Top five regions	Bottom five regions
Tyumen Oblast (Urals) \$234,989	Dagestan Republic (south) \$12,233
Chukotka autonomous Okrug (far east) \$177,478	Ingush Republic (south) \$12,267
Moscow city (central) \$155,712	Adygeya Republic (south) \$14,194
Sakhalin Oblast (far east) \$94,955	Tuva Republic (Siberia) \$14,859
Sakha (Yakutia) Republic (far east) \$91,741	Karachaevo-Cherkess Republic (south) \$16,220

Source: World Bank

Case study 1

T-Mobile finds a new way to satisfy customers: redesigning their bills



The issue

Two years ago, T Mobile realised it had a serious problem. Customer satisfaction surveys ranked its phone bills worst in the industry and bill related queries were clogging up the company's helpline.

T Mobile's situation wasn't unique – but its solution was. Few sectors have witnessed so many radical changes as quickly as the mobile phone industry. Just a decade ago, mobiles were used only for calls, but with the huge increase in available functions (roaming, texting, 3G) billing has become more complex, while understanding charge breakdowns has become increasingly challenging for customers.

The solution

T Mobile gave direct marketing agency Tullo Marshall Warren and information design specialists Boag Associates a simple brief – make the bill design as clear as possible to ensure customers can understand information quickly and properly.

It wasn't the first time a mobile phone company had sought salvation in improved information design. In 2005, Vodafone revamped its bills, which led to vastly improved customer satisfaction and a 35% reduction in paper use. Information design has also been employed successfully by Royal Mail and various energy suppliers.

Andrew Boag, director of Boag Associates, didn't underestimate the magnitude of the task. We knew the biggest challenge would be achieving a solution that would be colourful and an excellent manifestation of the brand – while working within the constraints of black only print.

Fortunately, T-Mobile had already conducted research that identified a number of customer needs and Boag says it soon became clear which design tools could meet them. What he proposed was revolutionary for the telecoms sector. The new bills would include visual snapshots of usage in the graphical form of pie charts and graphs. Boag says: "While there are examples of graphs being used on bills in other countries, ours were the first to be used on a mainstream mobile phone bill in the UK."

Further changes included better signposting, improved space utilisation, layout and information delivery, as well as bringing the T Mobile brand experience to life on the bill by being honest and straightforward and dynamic in its look and feel.

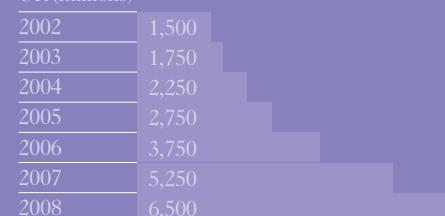
The outcome

The new bill was launched in November 2006 and it proved an instant hit. Bill clarity satisfaction increased by the target 10% over 12 months and unnecessary bill related helpline calls fell substantially, with those from new customers decreasing from 31% to 22%. The new bill's clarity meant customer service representatives dealt with calls much more rapidly and 28 staff were redeployed elsewhere in the business.

T Mobile's product manager of billing, Paul Harrison, believes the company's new bills exceed the level reached by Vodafone: "The new bills are highly user friendly and make it significantly easier for customers. The use of graphs helps T Mobile explain what would otherwise be a complex system for customers to understand."

Boag says many companies still underestimate the role documents play in a customer's brand experience: "Well-designed information documents are a manifestation of a brand that is straightforward, transparent and clear. Information documents that are not well-considered represent the brand as disorganised and uninterested in its customers." ME

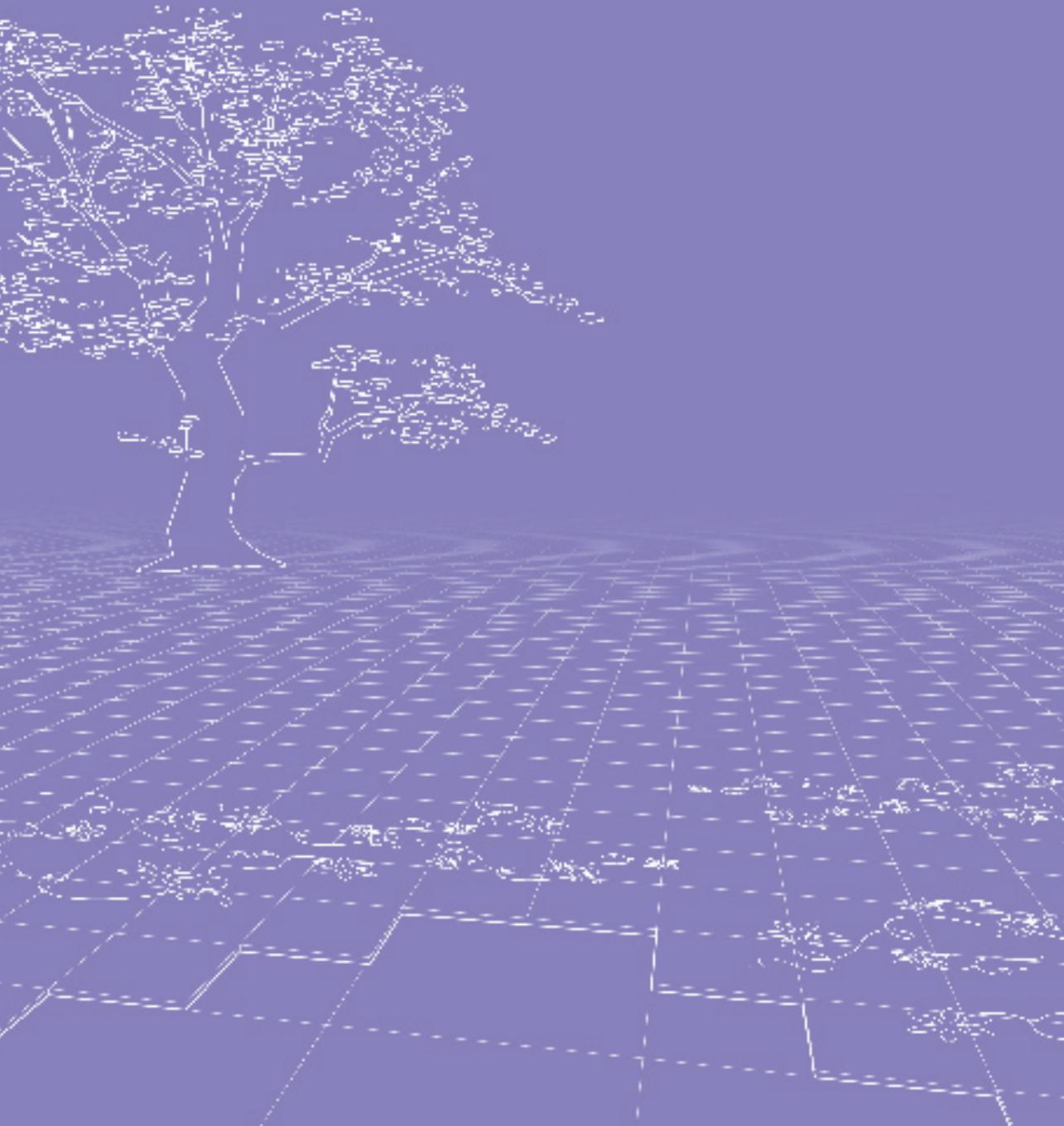
Number of text messages sent in the UK (millions)



Source: Mobile Data Association

Case study 2

Meet the flooring firm that discovered biomimicry, cut waste and saved \$372m



The issue

In the mid-1990s, InterfaceFLOR chairman Ray Anderson wasn't concerned about the bottom line. The company he had founded 21 years earlier to introduce carpet tiles to the US had become a leading worldwide supplier of modular flooring.

Business was good, but Anderson was deeply embarrassed when, in response to customer inquiries, he was asked to address a board meeting to clarify the company's environmental policy. After admitting he was clueless on the issue, he was given Paul Hawken's *The Ecology of Commerce*.

One epiphany later and 'Mission Zero' was born, a new philosophy that would take the company away from what Nigel Stansfield, senior director for product design and innovation, calls the "take-make-waste" approach, and towards a model of sustainability.

The solution

"When we started Mission Zero, people thought we'd gone mad," Stansfield says. "But it's proved to be the most important decision we've taken."

A company-wide initiative called Quest considered how waste and fossil fuel dependence could be reduced. Stansfield says: "We started to understand much more about the supply chain and began viewing the product in terms of impact over its whole life-cycle – and our responsibility for that."

The company launched its Cool Carpets scheme, which gave customers the option to offset emissions from purchases. A new ReEntry programme enabled carpets to be returned for re-use and repurposing. The Evergreen Lease system takes this further. Customers lease flooring by the month, allowing Interface to maintain ownership of the product and ensure it stays in the closed cycle.

InterfaceFLOR focused on two product design principles that emerged from Quest. The first, called "Less is more", resulted in a 10% reduction in fibre consumption in the first year of Mission Zero. Following "de-engineering", says Stansfield, the company developed its Flatworks range, which uses less nylon while maintaining performance.

The second principle – based on the concept of biomimicry – approaches design through the study of nature. Designers were sent into the countryside to consider how nature would design a floor. This inspired the Entropy line, which fast became the company's most popular product. As the first carpet tile to feature an entirely random design, it can be installed "as leaves would fall off a tree", which means quicker installation and less waste – the tiles can be laid in any order and direction, and stained or worn tiles can be replaced individually.

The latest portfolio addition is Fairworks, which began life in 2004 when the company decided to develop products made from recycled or renewable, locally available raw materials, incorporating local craft influences and providing income for local people. Just, the first Fairworks product line, was launched earlier this year. It was developed in India

'When we started Mission Zero, people thought we'd gone mad. It was the best decision we've taken'
Nigel Stansfield, InterfaceFLOR

in collaboration with the Industry Craft Foundation, which helps rural craftspeople sell their wares. InterfaceFLOR designers worked with local experts to develop a tile made from hand-woven grass with a coconut fibre and latex backing, which Stansfield describes as "a highly technical product based in rural skills".

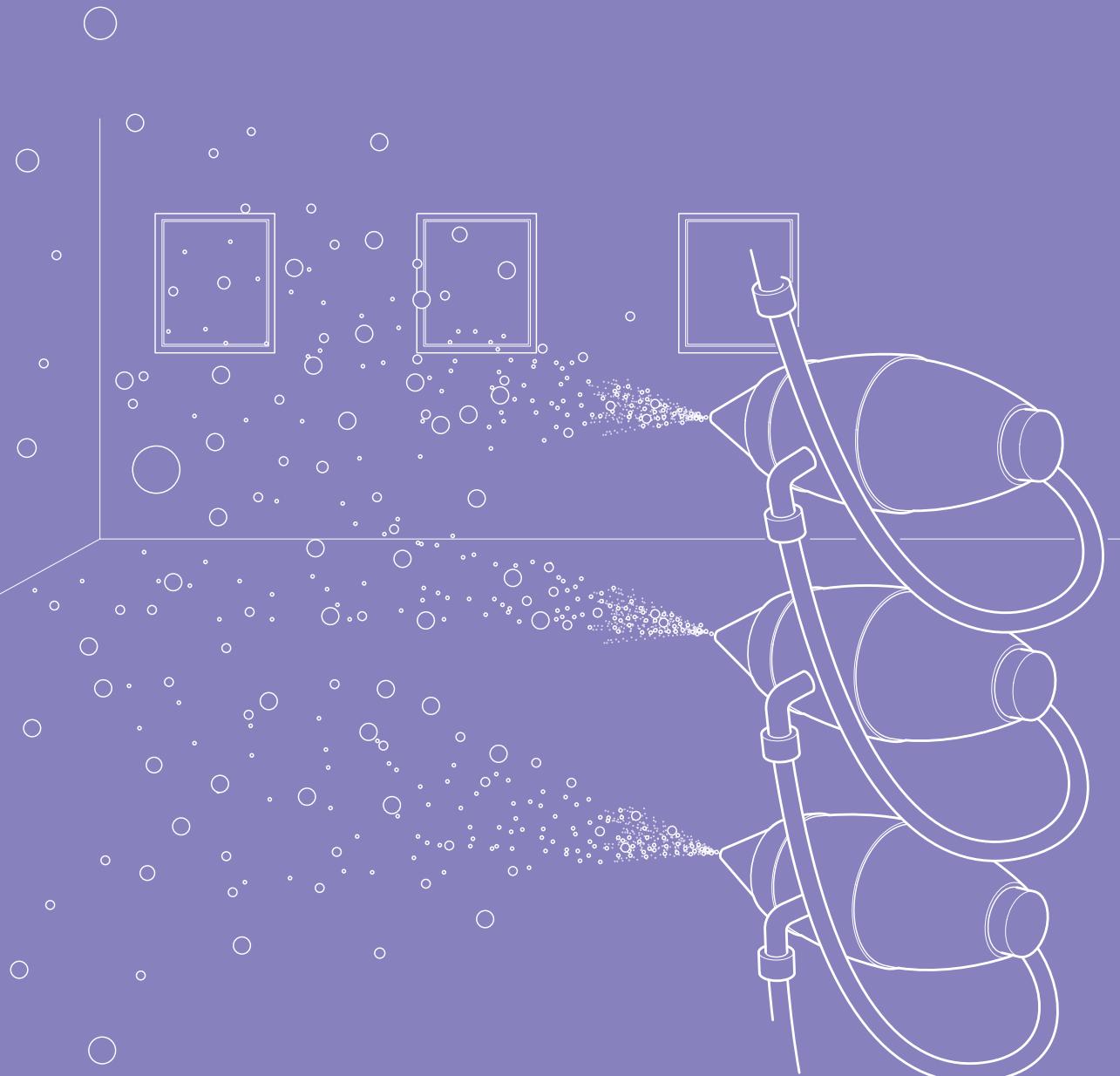
The outcome

Since 1996, InterfaceFLOR has reduced its manufacturing waste to landfill by 75%. Net greenhouse gas emissions have been cut by 82%, water usage by 75% and energy consumption per unit of output by half. All energy used in its European manufacturing sites is renewable, as is 27% of global energy consumption. Mission Zero has enabled the company to save more than \$372m in avoided waste costs.

The company, which employs 5,000 people and has a turnover of \$1bn, is still the world's largest modular carpet-maker and has been recognised as a world leader in sustainability. A 2008 survey of 3,000 experts by Globescan placed InterfaceFLOR first for sustainable development. In the UK, the company has recently been awarded a second Queen's Award for Sustainable Development.

Case study 3

How JS Humidifiers grew sales by over £1m just by rethinking its brand



The issue

Complacency is a cardinal corporate sin. Avoiding it, even if you have been a market leader for 25 years in a specialised field, requires ruthless self-scrutiny and the openness to bring in new thinking. Luckily the UK's largest humidification specialist, JS Humidifiers, exhibited both these traits when it decided to put design first. And the decision is already delivering a return on investment.

Since 1980, the company, which generates annual sales of £7m, has been providing equipment to control environments ranging from pharmaceutical plants to art galleries. In 2006, technical director Tony Fleming says, the company needed to change to sharpen its competitive edge.

"We'd been making and selling our two flagship products – JetSpray and HumEvap – for many years," he says. "To ensure their continued success, they needed updating. We were also aware of new competitors, so the time was right for a facelift."

The solution

Taking advantage of the Knowledge Transfer Partnership scheme – the part-government funded programme that enables businesses to improve their competitiveness by using the knowledge, technology and skills that exist within academic institutions – JS Humidifiers brought in product design graduate Stanislas Brahier to work on its redesign project and inspire the company's in-house team with fresh ideas.

"We needed help with our corporate design," Fleming admits. "We needed to create products that looked as if they belonged to the same family, with the logo in the same place and so on. I asked our Business Link advisor if he knew anyone locally who could help us and he recommended the Design Council's Designing Demand programme."

Designing Demand helps businesses become more innovative, competitive and profitable by helping managers exploit the power of design.

James Duguid and Jonathan Ball were drafted in to help define project objectives and act as design mentors. "We wanted to use our own guys,"

Fleming says, "but we needed to make sure they had assistance. James and Jonathan set us on the right track. As well as advising us on enhancing product appearance, they encouraged us to focus on other things such as reducing waste and cost."

The redesigned JetSprays and HumEvaps were not only better looking and cheaper to make, their improved energy efficiency made them more environmentally friendly.

Fleming adds: "We assessed such factors as supply-chain management, inventory and commonality of components. Our CAD software has been used to its full potential, which has improved efficiency because drawings now go straight to sub-contractors' machinery rather than having to be re-programmed by them. The software also enables us to prototype much more rapidly."

'The designers encouraged us to focus on reducing waste and cost, as well as enhancing the product'
Tony Fleming, JS Humidifiers

The outcome

The redesigned JetSpray proved an immediate hit and attracted orders totalling £1m when it was launched at a major trade show in 2007. HumEvap has sparked a similar buzz. "The redesigns have impressed our customers," Fleming says. "And without doubt, our competitiveness has increased as a result."

Designing Demand's influence has inspired staff at JS Humidifiers. As well as boosting the bottom line and increasing competitive edge, a new zeal for design is evident throughout the company.^{PC}

The briefing

How the Design Council is helping produce results – from fighting hospital superbugs to cutting crime

Under the microscope:
designers have been invited
to help the NHS prevent the
spread of superbugs such
as *Clostridium difficile*



Superbugs Design takes up the challenge

Could design cure the UK's superbug epidemic? The Design Bugs Out initiative from the Department of Health, NHS Purchasing and Supply Agency and the Design Council challenges designers, manufacturers, service providers and contractors to come up with design-led ideas to prevent the spread of Healthcare Associated Infections (HCAIs). Five submissions, selected by a panel of health, design and manufacturing experts, will each receive £25,000 to fund research and develop prototypes.

Designs can be for a system, or a piece of equipment or furniture in one of five categories: hand hygiene, bedside environment, commode, patient transport and open brief. Key principles

include ease of cleaning, cost effectiveness, comfort and usability. The five winning ideas will be trialled in seven NHS hospitals in April 2009.

HCAIs affect around one in 10 patients in UK hospitals, with more than 300,000 people developing an infection as a direct result of healthcare every year. Infected patients are up to seven times more likely to die in hospital. In 2006, the two most common HCAIs, MRSA and *Clostridium difficile*, caused 8,000 deaths.

The financial burden for the NHS is around £1bn a year. Infected patients cost three times more to treat. The HCAI Research Network estimates that better practice and hygiene could prevent 15-30% of HCAI cases.

In 2004, the design-led Clean Your Hands campaign raised awareness of hygiene in hospitals. A pilot scheme suggested that, nationwide, it could save 140 lives and £140m a year. Almost all NHS trusts now implement the programme.

Putting learning back on the design agenda

Designers need to think seriously about their professional development, but may be confused or overwhelmed by the courses and training available to them. The new UK Design Skills Alliance wants to break this vicious circle to revolutionise the way designers are trained.

The Alliance is a joint venture between the Design Council and Creative & Cultural Skills, working with partners including the BDI, DBA, D&AD and others. It was unveiled at the 2008 London Design Festival and aims to improve development and ensure students are prepared for the industry.

"It's aimed principally at design professionals and managers and addresses the need to take skills seriously to improve the service offered to clients," says Lesley Morris, head of design skills at the Design Council and director of the Alliance. "In the past, designers might have felt they needed business skills and gone to business college, but found it didn't really work for them. There's a need to develop the training available, and that needn't mean formal courses. There are innovative ways of learning, such as mentoring." For more information, visit www.ukdesignskills.com.

GOOD DESIGN PRACTICE CREATES A THRIVING DESIGN INDUSTRY



Dott's Public Design Commissions ranged from improving access to sexual health services to increasing awareness of the viability of locally grown produce in Middlesbrough. They generated sustainable, innovative solutions to change how services are delivered.

The New Work project, which aimed to help sole traders and micro-businesses build a support network, continues to grow via an online forum. The Eco Design Challenge involved pupils in reducing their schools' carbon footprint and has inspired similar projects in Australia, the US and France. The National Endowment for Science, Technology and the Arts (Nesta) gave £60,000 to winning schools to implement their ideas.

"Dott 07 showed how design can generate innovation that leads to new and improved services," says Design Council chief executive David Kester. "In Dott's Public Design Commissions, members of the public acted as clients and co-designers of solutions."

Designs of the time How Dott made a difference

Dott 07's legacy lives on across northeast England. The project, led by the Design Council and One NorthEast, brought together service providers and the public for innovative, grass-roots collaboration.

Some 223,000 people in the region were aware of Dott and 76% of those who visited the 12-day flagship Dott 07 Festival said they had gained a new understanding of design.

Participants give their verdicts on Dott 07

"We had so much fun with your support in the Eco Design Challenge that we will repeat our carbon footprint investigation."

Caroline Pryer, head teacher, Ponteland Middle School, Northumberland

"Improved access and easier transport could boost numbers and increase the viability of our small, but highly rated, school. We have lost pupils due to poor transport links."

Helen Harrison, head teacher, Scremeston First School, on the Move Me Commission

"The idea of Urban Farming in Middlesbrough captured the imagination of over 1,000 people. The city is now growing itself towards a sustainable future."

Ian Collingwood, former regeneration consultant, Middlesbrough Council

Crime prevention Protecting teenagers

British teenagers are significantly more likely to be victims of crime than they were 10 years ago. The Home Office aims to change this, with the help of the Design Council, working through the Design and Technology Alliance.

The new initiative focuses on five research areas: schools, built environments, alcohol, business and hot products such as mobiles and bikes. The goal is to develop projects that will help government and businesses reduce crime. At a Design Council event earlier this year, attended by Home Secretary Jacqui Smith, designers, teenagers, and police devised briefs for crime-safe products. Andrea Siomok, chief design officer at the Design Council, says: "For example, 42,000 Britons are injured by pint glasses a year – if the glasses shattered like car windscreens many injuries could be avoided."



Talking shop: Home Secretary Jacqui Smith discusses designing out crime at the Design Council

'How would you like to star opposite the tallest, darkest leading man in Hollywood?'

Why cinema, oil and IT relied on design in a crisis *page 32*

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Design Council Magazine

Issue 5 Autumn 2008



SSN 1752-7244

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