

RESHAPING BUSINESS BY DESIGN

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ABSTRACT

Design can reshape business by suffusing a design ethos throughout the organisation. This paper will explain the conversion model, indicating how inputs are turned into outputs and the value that design can add in the process. This principle will then be illustrated by four actual case studies: SL Magazine, Steers, Safari Wines and Cadbury's P.S. chocolate.

INTRODUCTION

Design, when viewed as an input and not an end in itself, can play an increasingly important role in the survival of any business in a free market system. As a growing number of businesses are competing for the same Rand, it will be the one with the best designed products or services that will continue to profit.

The market for these products or services is not increasing. The population growth in the countries with the biggest economies is either stagnant or less than zero. Most economic growth rates are closer to zero than any other figure. As more people are fishing in the same pond, competition will increase.

This paper will explain how a strategic design input can make a difference to a company's bottom line. The conversion model will be explained first to provide an understanding of how inputs are turned into outputs in any business venture. Thereafter the place of the design input will be discussed. This theoretical background will then be illustrated with four case studies, indicating in tangible terms the value of a design input.

THE CONVERSION MODEL

Every business uses inputs in order to provide outputs. The process of turning inputs into outputs is called the conversion process. With this in

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mind, a conversion model can be drawn up, illustrated below with the making of a chair. Refer to figure 1.

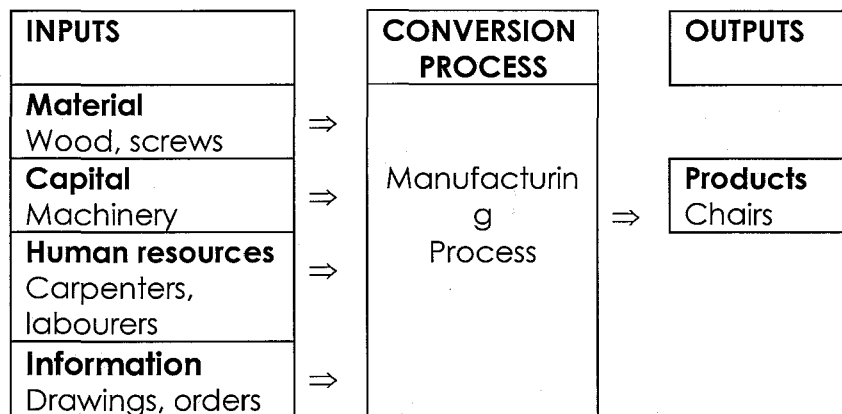


Figure 1 The Conversion model

In order for a business to make a profit, the total value of all the outputs must be more than the total value of all the inputs. This can best be done through synergy. Synergy means that the whole is bigger than the sum of the parts. There are many instruments in classical music, which on their own can provide beautiful music, such as a violin or piano. When the music of all the individual instruments is put together and skilfully integrated by a conductor, the harmony of a full symphony orchestra is much more than the total of the individual pieces.

In a similar way, businesses combine their inputs to create a whole, which is more than the sum of the parts. The difference between the two is the profit. In the example of the chair: If the total of all the parts (wood, screws, etc) that is used to produce the chair amounts to say R400, and the chair (the whole) is sold for R500, the profit would be the difference, which is R100.

A design influence in business can increase the difference between the sum of the parts and the whole. A professional designer, using the same material, can design the same chair. Let's assume that the added cost of the designer amounts to R50 per chair. (The more chairs that are produced, the less the cost that needs to be added to each chair.) Disregarding the fact that the factory can also be redesigned to lower the production cost of the chair, our professionally designed chair now

cost R450. As a result of the input of the designer, the chair can now be sold for say R800, leaving a profit of R350. Thus the influence of the designer has resulted in an increase of the profit from R100 to R350! Refer to table one for a summary.

Table 1 The making of a chair

Profit statement for one chair		
	Without a professional designer's input	With a professional designer's input
Selling price	500	800
Cost	<u>400</u>	<u>450</u>
Profit	100	350

The following four examples will illustrate how this was achieved in practice.

SL MAGAZINE (GRAPHIC DESIGN)

"Student Life" was launched in July 1994 as a glossy, bi-monthly magazine that was published for the students by the students. It was priced at R2.95 and had 96 pages per issue. It was sold in all local stores such as magazine suppliers and corner cafés, and also at all tertiary education campuses. The target market consisted of South Africa's student population (more or less 350 000 individuals) from technikons, technical colleges and universities, aged between 18 to 21 years, mostly white population.

The cover of Student Life featured young funky models to sell the trendy, hip appeal. The magazine's content consisted of crucial issues and light-hearted topics of particular interest to students (e.g. an article called "Cops and Robber – kids crime in the suburbs).

Redesigned

As a result of a design input, a major change happened in April 1997. Student Life magazine underwent a total redesign and became SL. Statistics showed that Student Life targeted only students and had an image of a younger generation, and by changing the name and the look of the magazine, it broke away from a young people's to a young adult's magazine.

SL opened itself up to a wider target market of 16 to 28 year olds. The name SL is more brandable. It is easier to print on t-shirts and other promotional items. SL magazine spends a lot of money on advertising. An example is the 5 FM campaign, which captures a large proportion of their target market who listen to the radio.

The magazine has grown from a 96 page to a 128 page magazine. The content was redesigned to include more controversial and important topics relating to young adults. Many of the issues are plastic wrapped. This creates an intrigue and interest as well as keeping people from browsing through the magazine in the shops. Some issues also contain promotional items such as matches or Beechies.

SL magazine now has personalities on their front cover. Examples of such celebrities are sports stars such as James Small and singers such as Arno from the Springbok Nude Girls. The current (June 2000) issue features Michelle Breeze, lead singer of the Cape Town band "Fetish". SL magazine also has a comprehensive fashion spread in each issue. This promotes new trendy, funky fashions available in South Africa from retail stores such as Young Designers Emporium, Edgars and Levi's. Levi's took the opportunity to advertise in SL, since their target market is the same as the magazine's. In one issue of SL (Sep 99) there was a six page Levi's fashion editorial. In this way Levi's reach their youth market and promote their product.

Impact

SL has won many awards in different categories including design, illustration and being the best youth magazine to have appeared in a long time.

With a price increase from R2.95 to R9.95, the number of copies sold, increased 3.9 times. The Student Life magazine had an ABC figure of 7 000 copies per issue, while SL has an ABC figure of 27 282.

The success of SL Magazine is mainly due to input from the design profession, in redesigning the magazine, combined with the application of sound marketing principles by the designers.

STEERS (INTERIOR AND GRAPHIC DESIGN)

KSDP Design Group (Johannesburg) designed a new look for Steers Fast Food chain. The contemporary design, incorporating bold purples, complementary vibrant oranges and blacks with red accent, is targeted at the youth market and a new generation of fast food eaters. The holistic retail image incorporates the store interior, space planning, finishes and fittings and integration of services. The distinctive colour scheme and modern interior design elements combine well with the fittings, packaging and uniforms to result in an effective image that has been extremely well received.

Clients brief

Steer's Fast Food chain had spent 20 years developing the intrinsic of the company, developing training and ensuring top quality products. However, with the emergence of McDonald's in the South African market, competition was rife, and the development of a new, internationally competitive image was essential. KSDP was to develop a holistic image, incorporating every aspect of the Steer's experience, in a modern international retail design style. From menu cards to furniture, the image was to appeal directly to the teenage market.

Relevant data

The new design elevated Steers out of its original cowboy theme and created a more contemporary Western ambience. The new look appealed to the more trendy customer, without losing its attraction for established customers, facilitating the company's quest to be market leader. The youthful, fun and vibrant Steers décor appeals directly to the core target market, namely the 16 – 30 year old AB income group consumer. In addition, the new image gave Steers a major competitive advantage, clearly differentiating them from the largely static competition, and further enhancing the company's position in the fast food market.

The redesign of the interior allows for elimination or alteration of non-functional areas or equipment points, ensuring maximum utilisation of all facilities. In addition, the redesigned kitchen area facilitates smoother operating functions, increasing staff

productivity. These improved operational features subsequently allow for substantial cost savings.

The impact

The new redesigned stores show an increase in sales and profitability of up to 40% against comparable non-redesigned stores. Comparably, customer spent per head increased by approximately 20%.

Following the incorporation of the new image, Steer's has become a listed company on the JSE with annual turnover quadruple that prior to listing. New business has increased by 30% and the group expanded internationally into 13 countries. The following year Steer won a fast food outlet interior design award. Where approximately 25 – 30 new stores were opening per year prior to the redesign, comparatively, 68 new stores were to be opened in the financial year following the redesign.

The average turnover in the four years preceding the image change was R29 million versus a three year average of R111 million post the image change. This indicates an increase of 282% (or 3.8 times) in turnover.

SAFARI WINES (LABEL REDESIGN)

SAD Foods entered the Cape Safari wines in January 1997 into the highly competitive wine market. They had decided to focus exclusively on one segment, the Grocers Wine Licenses, better known as the Supermarket sector. This makes up 35% of the natural wine sales. The other sectors are made up of Liquor Stores, Hotels, Clubs and Restaurants. SAD Foods chose this sector as it was geared to service Supermarkets due to its trade in dried fruits over the years.

The wine was targeted at the mass middle market, middle to lower income group, as a table wine. SAD designed a label and supported the wine with in store promotion and little marketing. But, by 1998, sales of the wine were static and began to drop.

Packaging design, price point and product quality, are the main criteria for listing with supermarkets onto their shelves and is strictly applied. SAD Foods was compliant in only two areas, price point and quality, but not design. The product did not interest consumers and thus the wine received numerous delistings from certain supermarkets. SAD Foods had

thus failed in one area of its marketing mix. It had the product, it had the price but failed to get the right place on the shelf.

The solution

KSDP Pentagraph (Stellenbosch) was approached to design a new range of labels. These labels were to transform the brand into an exciting, colourful and appealing wine brand, but it should still have to appeal to the old target market. One of the fundamental problems to address was the fact that the wine had no shelf appeal and, although competitively priced, consumers were attracted by cheaper brands. There were four labels to redesign for the conventional 750 ml corked bottles: Late Harvest (blended white wine), Stardust (blended white wine), Blush (a Rosé) and Late sun Red (a dry red). The first three are also available in a 2 litre Bag-in-the Box.

The labels were designed in matte black, with dark green and dead leaf green bottles creating a distinct upmarket look. Black also contrasts with moody atmospheres of the illustrations. Each wine has a distinct colour to correspond with a specific mood it is trying to capture.

The illustrations have a distinct Cape wineland feel to them, which is further enhanced by the bold colours and gold lettering. These rich colours and use of black in the design gave it an aspirational look. People would want to buy it because it looked expensive and exclusive.

The result

Despite the fact that the S A natural wine market has shown a steady decline in volume over five years, the following are some of the results:

- *304 new listings in the three supermarket chains.
- *Listings in bulk retailers, e.g. Makro, Hyperama and Metro since relaunch.
- *Cape Safari accounts for 68% of SAD's wine sales volume, compared to 54% for the same period the previous year.
- *Due to its rise in popularity, SAD has been able to increase the wholesale price by 14% on average and thus increasing their profit margin. Retailers accepted this increase due to the brand's popularity. SAD also expected increased profit margins after the following price increase.
- *In future SAD expects to see a growth rate of about 150% (or 2.5 times) on a year-on-year basis.

The overall impact of the redesigned label was high shelf impact. This then resulted in the supermarkets placing the product into more prominent shelf positions. An immediate upsurge in sales resulted.

CADBURY'S P.S. CHOCOLATE

Realising the power of effective design, sweet and chocolate company, Cadbury approached the design agency, Red Nail, to design and create a brand name for their latest caramel bar. Red Nail came up with the idea of a love-letter, due to the fact that the product is mainly directed at women. They suggested the name P.S. and presented six different chocolate wrappings, each with a unique message.

Creating the Brand Identity

This concept, of sending different messages, extended the use of an occasional chocolate. Positioning this new product in a niche-market where putting different messages on the wrappings and having different usage's for a chocolate was a first. Cadbury felt that the very sweet nature of the chocolate related to the romantic qualities of their consumers, the females and therefore they would easily take to the "P.S. love-letter" concept.

The packaging consists of a caramel-coloured background. The different messages on the wrapping are done in red and black, in a "hand written" typeface. Using this typeface added individualism to the packaging. They did not use high gloss substrate to print the packaging on, but plastics with a matt finish to resemble the paper, letters are written on.

Due to the versatility of the P.S.-design, the product could be changed to suit unique promotions and different festive times of the year for example, Mother's Day, Valentine's Day or Christmas.

Impact

P.S. was launched with the Easter Festival in 1997. It sold 3,2 million bars within its first month of being on the market. After three months the brand has sold 10 million bars of chocolate, exceeding their main competition, Nestlé for the first time. This meant that P.S. obtained a 7,5% share in the market, which resulted in an overall sixth place for them.

CONCLUSION

It is proved that design can contribute to making businesses more competitive. It is not guaranteed though, as the business success finally depends on the synergy reached between all the factors in the input model. Design, as one of the input factors, can, however, play a major role in reaching that synergy. What is needed is to suffuse a business with design. And this refers to all the design disciplines. Steers is a very good example of how graphic design (corporate image) and interior design (kitchen, customer flow) can compliment one another.

If the advantages of design can be harvested from the boardroom through to every worker, businesses can become more competitive. This can result in a more competitive industry. In a free market economy, this invariably means that consumers buy better products at better prices. If this can be translated to more competitive exports employment can be created, which in turn increases consumer spending that stimulates production, etc. The starting point is a design input in the conversion model.

Or maybe the starting point is to convince the managers in business enterprises of the influence design can have. This should be done in very clear business terms that any manager can understand.

