



# BUILDING A DESIGN BRAND

**an essay about 3 headed dragons crossing the design chasm**  
a strategic marketing analysis identifying some key factors determining success

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## 1 Introduction

Every day a new company is founded in Europe that aims to one day become a design-brand, successfully offering furniture, accessories, lighting or materials based on new designs by new designers. The latter are themselves often also the entrepreneurs. But in spite of their youthful enthusiasm and probably bright design ideas very few actually make it.

This essay gives some basic answers where and why it often goes wrong. Thus it can hopefully help those with the ambition to build a new design-brand and even those who “merely” want to engage in own-branding.

In my view own-branding refers to a sort of “hobby” version of a design-brand, rather with the scope of being noticed as designers than to really expect to build a brand, sell products and make money with it.

Self-producers however create a company, edit products, are responsible for them, and inevitably need to invest, thus also taking risks. Their objective is to create a new brand.

I sincerely hope many young designers with ambitions in either way: to brand themselves or become owners of a brand editing products, will read these pages carefully before starting. It may actually also serve those who have already started some years ago and are still struggling.

I surely also believe this essay may help many institutes actively promoting local design, young designers and/or design-start-ups. This essay offers a vision that is surely new, and will probably not immediately be appreciated by all.

Actually, this essay describes the functioning of design markets, introducing several new concepts, which are completely new also to experienced managers in the industry and those who provide financing. This has become clear in my work as consultant for such companies.

Especially the chapters 3 to 5 offers food for thought for instance with the analysis on buying behaviour and on pricing. The Design Chasm, the dragon and the 3 software are all new management concepts introduced in this essay. For this reason, I do hope many of them will read this essay as well.

### 1.a Warning

I have to confess to have added rather a lot of marketing terms. I haven't added innumerable footnotes explaining these concepts in detail, in order to maintain readability. I rather hope that most concepts will become sufficiently clear while reading also to those without a marketing background. Clear enough to understand the general meaning, intuition being the driving force for anyone in this lovely business.

***“Pragmatists won't buy from you until you're established, yet you can't get established until they buy from you” Geoffrey A. Moore***

## 2 Young Designers and Existing Brands

For young designers it is incredibly difficult if not (almost) impossible to make a name for themselves by immediately working with big brands. Obviously these brands have relations with several designers already; starting with a unknown young designer automatically involves higher risks only few are willing to take, and surely with the current crisis many brands further limit such risks. Even those “white rabbits” who have launched new designers and continue to do so like Moroso, Cappellini, Moooi and Established & Sons together only add just a very few new names annually. It is near to nothing compared with the daily flow of interesting new designers contacting them or with the thousands of new designers graduating each year.

There are several reasons why most companies don't like to engage with new, young designers. It involves higher risks than commissioning a new product to say Urquiola, Starck, Dordoni, Grcic or Wanders. A new product by a famous designer will be seen much easier and much more by relevant parties in the design world like journalists, but especially also it will more easily be accepted by the buyers in the market.

However this aspect should not be overestimated. In terms of communication brands are very powerful themselves and only designers often think that the communication is all about them. If the designer would be central, than young designers could easily be successful, launching the products themselves. When Moroso introduced Urquiola as a new designer it took only few fairs in one year of

repeating how to spell and pronounce her name. After that, all journalists and other opinion leaders knew it. The saying <it's not about the design it's about the communication> often attributed to Antonio Citterio, is absolutely true and refers to the companies, who yearly invest normally some 7 to 10% of their turnover in communication.

There is another major risk connected to starting with a young designer, which already starts before; with the product development. Famous designers have years of experience, they have also designed, helped industrialising and often also at least influenced the marketing of the products they introduced with many other products and at many other companies. They have a proven track record, they know the tricks of their trade and their vision has been thoroughly tested and found to be successful before.

Young designers, straight from college, don't know how to industrialise a product, can't predict from a nice 3-D drawing or prototype if and how it will actually work as a product that has to pass all kinds of technical tests. They can't convince the technicians, don't know cheaper solutions for production. They don't have the market experience and thus don't know which adaptations are really necessary and which may damage the original design idea, how they want the product to be marketed and why, why one material is better than another apart from their own esthetical opinion.

*In March I was present during a presentation of James Caan, a famous English entrepreneur and venture capitalist, at the London School of Economics where he asked the many present students who among them wanted to become an entrepreneur. 50% answered positively. So he (more or less \*) told them to wait with their ambition, and to first learn a trade, build up knowledge and experience by working for someone else, learning the tricks and only after enough years of sacrifices and acquiring substance, live up your dream, using your drive and passion and some necessary own capital to start your own company. Absolutely sound advice; the difference with many design-promoters struck me.*

*\* the words are absolutely my interpretation of what mr Caan said during the course of his intervention. For those who want to know more about mr. Caan's thoughts and visions I recommend them to read James Caan's latest book 'Start your business in 7 days'.*

All too often young designers underestimate the important role of the brands in the design process. <The centre of design is defined by the factories, certainly not by designers> is a nice phrase, especially considering that it comes from Alain Berteau, a designer himself and now also entrepreneur with his company Objekten.

Or to quote Patrizia Moroso <successful design is a process between a designer and a brand. Designing from the beginning (designer) it arrives to the end (final consumer) but the company must be the bridge, the junction point between ideas & visions and the market.> Often the design process is also described as a

professional marriage between a designer and a brand, with the designs as their children. In this marriage both parents obviously have their distinct responsibilities, but just as obvious both need to have a thorough understanding of the other's responsibilities in order to really be able to discuss and innovate successfully.

For such marriage to be successful there evidently has to be a match between the two parties; the two identities have to fit together. It is obviously easier to predict the changes of success of a collaboration with an existing designer, rather than with a newcomer.

*Kartell, without a doubt an extremely innovative brand, investing huge amounts in new designs and technologies, typically works with designers who have already been successful. This surely is logical since their products normally involve huge investments to develop. They need to work with designers who exactly know what they want and why they want it, in terms of design and in terms of technology, so that they can discuss about it on an equal level. Also the relevant people at Kartell are equally well prepared and so, together they manage to develop products that often were considered impossible before. Also for a major brand like Kartell it is an advantage if the designers themselves are known personalities, but, as discussed, this is not the main reason why they normally work with experienced designers; it may just make it easier to make the right choice based on a specific design-brief.*

Another extremely important reason why the space for newcomers is limited is that successful brands often have one or more "house designers", they are associated with. Citterio and Flexform, Dordoni and Minotti, Wanders and Moooi, Nicheetto and Italesse, Grcic and Plank, Arne and Quinze & Milan, Franzolini and Karboxx, Laviani and Kartell are just some examples of typical successful combinations, long lasting fixed links between brands and designers. So, even if a typical Minotti buyer may not be aware that his/her sofa was designed by Dordoni, the company will surely feel a strong urge to continue their extremely successful cooperation with this designer.

Last difficulty/example all designers mentioned before have also at least once designed for Moroso, some as young designers, others (also) at a later stage in their career, and most more than once. This means that apart from a certain house designer, Urquiola in the case of Moroso, there are normally also relations with other famous designers the company may want to work with. Thinking about Moroso, the company also gladly works with Arad, Nendo, Lovegrove, Doshi-Levien, etc. All these partnerships add to what the brand Moroso stands for, "just" adding new names every year might dilute the own identity and would proof difficult for the market to follow. This also limits the space available for new designers, even at Moroso.

## 2.a Own-branding and self-production

A designer needs companies he/she can work for, and if existing brands don't offer possibilities to work, than many start their own company. Some start those companies merely with the objective to be noticed as designers, so rather branding themselves, whom I will refer to as "own-branders". Others really start a company with the intention to slowly but surely create a brand; I will refer to them as "self-producers".

### Own branding

Creating a company not with the intention to make that company work but rather to use it as a means to promote the designer himself is an extremely risky business. In my experience all designers who do so heavily underestimate what is asked from them and what financial risks they are taking. If you want to exhibit, necessary to be seen, you have to invest. But it's not just the costs for hiring the stand. Roughly the total investment for a stand at a major fair is 3 times the costs of the space. Most own branders downsize this investment to 2 times, which results in cheap, white, non-decorated, non-inspiring spaces that make it increasingly difficult for them to be noticed positively.

But standing on a fair with a few prototypes is a more cost, with no possible income to gain from it, unless you manage to sell something. But in order to sell you first have to industrialise, find suppliers including for the packaging, visit the potential clients, convince them, confirm them, specify what you are and what you are not delivering on a pricelist, maintain those promises, etc. And you will typically receive payment for each single item only 30 days after shipment of that item. If there are no claims.

Selling products also automatically means you are responsible for them. If you deliver half-prototype, semi industrialised products of dubious quality, with inferior packaging or not according to your own specs, this may result in not receiving a payment after 30 days, but rather a claim within one week. Or also the

claim may come after one year, and if you receive rather a lot of claims after one year, because the quality was insufficiently studied and tested on beforehand, you are in deep trouble.

All the things mentioned apart from the invoicing cost enormous amounts of time and often completely underestimated strings of small and medium investments. Such investments don't stand in relation to the possible positive result, if it is not about selling the products, but about promoting the designer behind it.

For that reason often such own branders don't even intend to really industrialise their products and rather only try to sell a few small items on the fair itself, hoping to break even. Rather than calling such initiatives companies they should be referred to as "hobbies". Even though these activities are of extreme importance for the designers' future surely, if the "company" is not created in order to produce and make money, it is not really a company.

These hobbyists manage to survive on other sources of income like from other work such as interior designing, lecturing at a University and if successful, after some years also working for real brands, thus reaching their initial objective. And depending on the country they live in, they may often in the meantime also receive interesting support from the state or region they live in, especially but not only, to help them exhibit at major fairs and exhibitions.

I write this rather long description, mainly to describe. Even though these "hobbies" may be of extreme importance to the own branders involved, in terms of business or even as added value creation they are practically irrelevant. Culturally speaking they are often considered of enormous relevance, overvalued in my opinion, but that is a completely other matter beyond the scope of this business analysis.

### Self-production

This essay, as is clear, doesn't intend to focus on those designers who treat their own branding activity as a (personally extremely important) hobby on the side, but rather to all those, designers and other entrepreneurs, who really start their own company. In reality, the distinction between the two is not so easy to make, and many designers starting their own activity may also shift their attention and ambition from one side to the other, depending on the (non) successes obtained.

The term "self-production" is actually at least apparently not really correct as it seems to imply an exclusion of those companies who actually edit products that are produced by others. However, I have used this term self-production here to describe the difference with own branding, and contemporarily in contrast to designing for other companies, who then will be responsible for producing and marketing.

Whether the new company wanting to become a brand actually produces itself, only packages or assembles products or merely edits products from external suppliers, I will refer to them as self-producers.

The rest of this essay is first of all directed at the young entrepreneurs who have the ambition to become a brand, and deal with some major difficulties they will face on their way.

Only in the side-lines (e.g. on Piet Hein Eek) and with one example at the end of the essay (Droog) I also shortly describe the possibility for companies to avoid the main market and survive in the early adopter's market niche, thus avoiding the main obstacle, the Design Chasm.

Considering that even those 2 companies, so extremely successful in the early adapters market, seem to indicate that growth into the main market would be desirable for them, I think that it is safe to safe that the Design Chasm is a problem for practically all young design brands, and even as will become clear for many who are already active on the market for a longer time.

And if the market confronts them with a Design Chasm, these new companies obviously have to be 3 headed dragons to overcome it, fighting for beachheads like in Normandy during WW II.

### 3 The Design Chasm

All too often young designers start, straight out of college, with self-production or own-branding. Whatever it is called and however “boutique” their ambition, they do in this way start their own small brand, without experience and often without cash. Some do so, more with the ambition to be noticed by the press and get through to the brands in that way, while making enough money in the process in order to survive, rather than aim to become a real brand.

Regardless of how serious their entrepreneurial ambitions, unfortunately most young brands strand rather soon. In this chapter I will discuss some important blockades that exist in the market. Between the early adaptors / opinion leaders and the main market, there is a gap, a design chasm, caused by risk averseness in the main market, which is difficult to overcome.

In several countries, young mini-brands may receive all kinds of support in marketing and/or financial terms. These mini-brands may actually serve their goals in presenting the designers involved to the “early adaptors” or opinion leaders of fresh new ideas meaning journalists,

museums, event organisers, design-promoters, art-directors of brands and a handful of shops like Rossana Orlandi in Milano, Frozen Fountain in Amsterdam, Mint in London, Espace Bizarre in Brussel and roundabout another 20 retailers that can be seen as early adaptors.

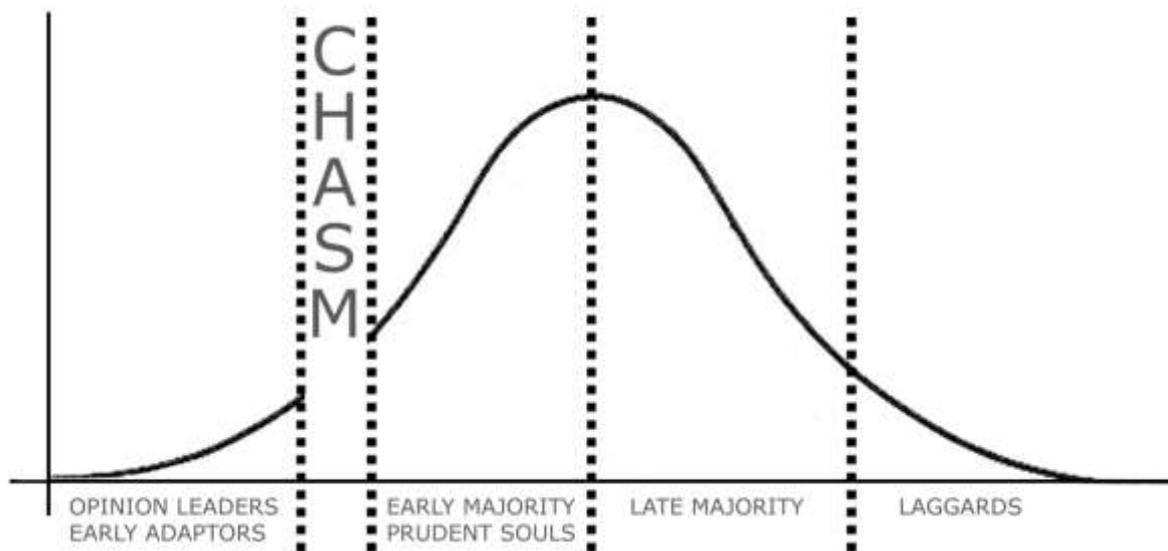
As a consequence, it is absolutely true that several famous designers have started in this way. Ron Arad, the Campana brothers and Matthew Hilton to name just a few, were noticed and became successful working with brands like Moroso, Edra and De La Espada. So, it was an important way for them to succeed as designers, even though all agree afterwards that it was a very tough and risky way. But hardly ever, have these mini-brands themselves grown to become real brands. Why?

This can best be explained using Geoffrey Moore’s Chasm-concept as he described it for high tech companies in his famous book ‘Crossing the chasm’ which is based on the Product or Technology Life Cycle theory (PLC; see drawing). I adapt his concept to the design-world, leading to what I refer to as the “Design Chasm”.

*Synopsis of Crossing the Chasm by Geoffrey Moore, adapted by the author*

*In Crossing the Chasm, Moore begins with the diffusion of innovations theory from Everett Rogers, and argues there is a chasm between the early adopters of the product (the technology enthusiasts and visionaries) and the early majority (the pragmatists, also described as the “prudent souls”). Moore believes visionaries and pragmatists have very different expectations, and he attempts to explore those differences and suggest techniques to successfully cross the “chasm.”.*

*Crossing the Chasm is closely related to the technology adoption lifecycle where five main segments are recognized: innovators, early adopters, early majority, late majority and laggards. According to Moore, the marketer should focus on one group of customers at a time, using each group as a base for marketing to the next group. The most difficult step is making the transition between visionaries (early adopters) and pragmatists (early majority). This is the chasm that he refers to. If a successful firm can create a “beachhead” (in analogy to D-Day and the subsequent conquering of half a continent during WW II) the real test begins. You arrive at the chasm.*



The early adaptors or opinion leaders go every year to Milano, but preferably don't even visit the fair. They come to Milano in search of new designers, fresh ideas and they write about and expose only young designers. When they buy products it is preferably from completely unknown companies. They even sometimes claim that <in Milano everything happens outside the fair> or state <nobody I know goes to the fair any more>. In this way these early adaptors totally ignore the statistics; roundabout 300.000 professionals annually visit this fair.

Fact is that these early adaptors represent a very small market, and by nature also a rapidly evolving taste. One year you are new, in a few years you aren't any more and someone else will be new. Who may showcase themselves and their products at the Salone Satellite may do so for a maximum of 3 years, after that you are supposed to have developed yourselves, in Moore's marketing terms, you are supposed to have found your "beachheads" to the early majority of the "real" market.

But according to me an extremely small amount of the companies annually present at Salone Satellite, Designers Block, DMY or similar exhibitions actually manages to overcome this stage and make it to the *real* market. There is a Design Chasm, a huge gap, between early adaptors and the majority of the market. This Chasm is the consequence of a widespread misconception about the presumed openness to new companies of the majority of intermediaries and in effect also final customers in the design-market.

In order to explain this, I have to include a short analysis on the buying behaviour and the role of intermediaries. And to make a citation from Moore's book: "You can succeed with the visionaries, and you can thereby get a reputation for being a high flyer with a hot product, but that is not ultimately where the dollars are. Instead, those funds are in the hands of more *prudent souls* who do not want to be pioneers."

The early adaptors market is a market in itself, and surely also some companies exist, also for many years, who work exclusively and happily on this anyway tiny part of the market. A famous example is Droog (see examples), and in recent years also many small, recycling/upcycling, locally operating, transportation avoiding and/or otherwise extremely interesting ecologically sound companies exist, survive and sometimes even thrive. Probably one of the most famous examples of such a thriving eco-producer, not really interested in reaching any mainstream market but nevertheless successful and at least apparently growing is Piet Hein Eek. The company exists 20 years, does exciting projects, also internationally, has some interesting distribution partners, but seems to carefully avoid the main market.

### 3.a Buying Behaviour & Distribution

When families buy a new sofa or kitchen their buying behaviour is very similar to B2B buying processes. You typically have a **Decision Making Unit** comprised of the complete family and often external advisers like an architect, mother or neighbour. Typically dad is supposed to be more a **transactional buyer** interested in the price, and mum a **relational buyer**, interested in receiving advice, with the latter having the overhand. It involves a 6 months

process of **extensive problem solving** during which information is gathered in many completely different ways like visiting many shops, reading magazines, talking to family, friends and relations, studying several websites, and maybe visiting a local fair, and during which a **trusted professional** is sought and chosen. And believe it or not, but when buying these design items, they are absolutely **risk averse**.

*The buying process I describe above, using some typical concepts normally absolutely reserved only to B2B marketing, is I believe easily recognised. In order to develop an in depth understanding, I recommend reading "Rethinking the sales force" by Neil Rackham & John De Vincentis.*

It is important to understand that buying major design items for the house is not the same as buying FMC-goods like bread or fashion. It is a major investment in the quality of life. Also compared to other consumer durables like a computer, a car or a TV-set the acquisition of design furniture has several aspects which make it more difficult and thus risky. First of all, when starting the acquisition process most people don't have an opinion on the (many, small, relatively invisible) brands available. Brand awareness tests indicate that consumers typically hardly know any design-brand, unless they are in the process of buying. They do know Apple, Philips, BMW, Alfa Romeo of course.

Buying design is also more difficult because there are hardly any hard figures to compare, no technical specs and rather similar options. Design is about quality of life and tends to co-determine how living at home is perceived.

Buying a wrong sofa may not just be uncomfortable, an aspect that can easily be tested. You may not like the colour any more after one year, and this influences how the family may feel about their own living room, it influences their life style for the next 10 years.

The family takes 6 months to decide because of these reasons; their sense of risk. They need a trustable expert to advise them. A good retailer will become the trusted professional the family turns to in Europe. In USA/UK an interior designer is typically hired for this. Whomever chosen, the professional will try to satisfy the family also in the long run. If they are happy with the sofa, next year they will be back for a new kitchen or a dinner table. And every sales person knows that "don't buy this shape, colour or material, you might get bored of it after one year" are exactly the kind of sentences many risk averse consumers love to hear.

*The importance of trust and the relation with trusted sales person can be explained with some examples. When retailers in Vienna were complaining about too many Viennese buying in Italy, because of presumed price differences, I went to visit Walcher in Tricesimo the most famous shop in Italy serving Austrian clients, 500 km from Vienna. One lady told me that she bought all her furniture at Walcher because their pre-and-after sales service was better and that already her mother had always bought all her furniture there.*

*Designfunktion in Munich regularly asked for direct deliveries to a warehouse in Frankfurt, at 400 km. When I asked them how come, they said there were two reasons: they had recently hired an excellent sales woman who had previously worked in Frankfurt, actually attracting some clients to her new shop, but especially clients, who had moved from Muenchen to Frankfurt, continued to buy furniture from them because they appreciated their knowledge, vision and service.*

*A third and last example: in Holland the magazine Eigen Huis & Interieur for a few years asked their readers to indicate the best design shop, announcing the winner at a trade party. The first year Vos wan, in Groningen, in the extreme North; the second year Cilo was the winner, situated in the extreme East of Holland. Both shops are relatively big and work nationally, but they are more or less the most remote major design shops you can get seen from the big cities Amsterdam, Rotterdam and The Hague, where the Dutch population, the readers of the magazine can be found. As mr Eijerkamp, owner of Cilo once told me <we have to try harder, really be better, because we have to convince our customers to drive a few hours to visit us. But, because we are perfectionists in everything we do, people keep coming back.>*

### 3.b Retailers

And all this in turn explains why the retailers themselves are actually rather risk averse. They know their clients are, and they will tend to be similar in attitude when buying themselves for their showroom. Rather the same supplier, than buying a more or less industrialised product from an unknown new company, with unknown delivery dates, quality standards, packaging, transportation. So it may seem as contradictory to the word design which almost automatically assumes extremely innovative retailers, who are always looking for the latest brands and designers, but really they aren't. Risk averse

people tend to buy (and sell) famous brands. And this typically excludes young designers.

Just like opinion leaders go to Ventura Lambrate. Orlandi, and similar hotspots, thinking the fair isn't important, these prudent souls, these main market retailers, during the Salone mainly visit the fair. Additionally they have some important meetings outside the fair at Poltrona Frau, B&B, or other brand and maybe before dinner they visit one or two parties. They don't even know where Ventura Lambrate is.

*An excellent example of the risk averse nature of professional buyers comes from Jan te Linteloo, owner of Linteloo. After exhibiting several years in Super Studio / Zona Tortona they opened their own permanent showroom in the same street. An unexpected immediate success was that they acquired several important new clients in Japan and Corea. The buyers had been following the company for years, but when the permanent showroom was opened they bought declaring <if you as a Dutch company open a showroom in Italy, this means that you are probably a powerful player on the market and thus a reliable supplier for us.>*

There are other reasons, similar to many other branches, like the vested interests of major brands with whom they have long-lasting relationships, and who will pressure the retailers to keep their place in the showrooms. Extremely important is also that the sales people, in order to be trustworthy professionals, really need to know their suppliers well. They need to know the pricelist, their rules, their quality, delivery times, their buying conditions, the product adaptation possibilities, the minimum order quantities, etc. The more details they know, the more trustworthy they will be and the better their service will be. The sales person's capacities, limited by nature, to remember everything therefore also determines a certain maximum amount of suppliers they can work with.

Just the same, retailers occasionally start working with a new supplier. But most often they choose them from amongst the known brands, who they see on the fairs, and who have an agent regularly visiting them. The space for real newcomers tends to be limited, in part also by bad experiences from the past with young, fresh starting brands that didn't keep their promises, didn't respond to recurrent claims or simply disappeared after just a few years.

Also for the buyers at design shops buying the wrong product costs, especially when it involves products that require installation and/or when

### **3.c Architects**

And by the way, designers often hope and think that their next of kin, the architects working mainly on the contract market will provide ample space in the market for them.

Undeniably, architects are creative people, interested in new products. In effect, if an interior architect always prescribes Eames, Jacobsen and/or Bertouia, who needs them in the end? This, in fact, often offers some possibilities for newcomers. But architects are "merely" advisors, the buyers at their corporate clients are even more risk averse than most private people are. And procedures, technical requirements, test results, references, product

re-orders are often bespoke, like a kitchen, or a bath. A kitchen once placed will not easily be removed and has to be sold out at an extremely low price. Buying the wrong one, which doesn't create sales, is not an option, and an extremely high cost, especially when also the rent and the opportunity costs (lost sales) are considered.

Moore summarises this difficulty for new companies trying to enter the market as follows: <pragmatists won't buy from you until you are established, yet you can't get established until they buy from you>.

Fortunately, many retailers like to show that they are innovative by every now and then buying a few crazy new products, sometimes also from a completely new company. This is normally to show their sense of innovation, in occasion of some design event for which they invite their clients and relations. After the event, some items will typically remain in the showroom window, in order to attract customers, also for a longer period. But all too often these singular one time investments are used as "window dressing" or "brands collecting" as it is also referred to. They should attract architects and clients, to which the retailer will try to sell his/her existing main brands. Just the same, such investments by these prudent souls may be the best possible ways for new entries to create "beachheads" or first successes to the early majority market.

adaptations needed, fixed opening dates, competitive pricing, and all kinds of other obstacles may make this other important part of the market almost as prohibitive.

Many architects are rather practical advisors themselves, not permitting themselves to risk their relation with their clients. So even if architects are surely naturally inclined to innovate, they may often easily give in, or even become "prudent souls" themselves regarding the furniture and lighting, in order to safeguard their architectural freedom on other aspects and/or their possibility to build for their clients also in the future.

## 4 A dragon with 3 heads

So how can one go about creating a design brand?

The first thing to understand is that excellent design is not enough. It is unfortunately very often stupidly underestimated how important the other factors are. It's not just design, it's especially, and first of all, business. Building a design brand is a long and a risky process, involving difficult management, patience for investors, next to, obviously, a winning product.

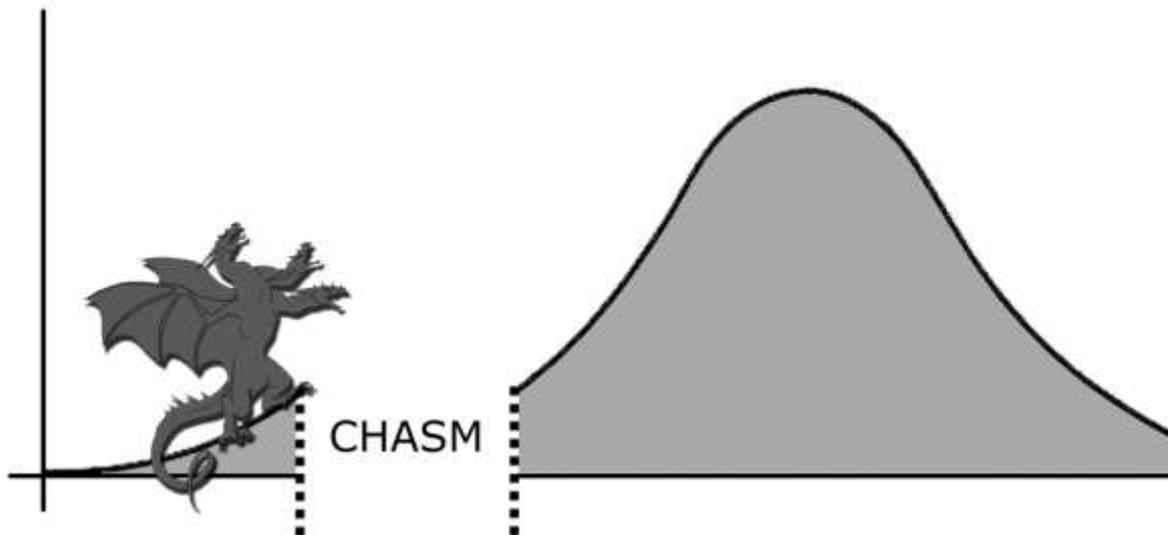
Contrarily to other creative industries like the music industry, where one hit may create a name for a band, or fashion where a big and successful launch of the right collection, may put you on the market, the design industry is, in

terms of speed, dictated by the acquisition frequency of its customers. It will take years to create a new design brand.

To be successful the company needs to fight like a dragon creating beachheads and subsequently build on them to conquer the market and overcome the Chasm. And the dragon needs 3 heads:

- ART DIRECTOR
- MANAGER
- INVESTOR

Below, I address all three of them individually before merging them in one vision.



*Mathew Hilton in an interview with Architonic on his self-production experience <When I launched my own brand in 2007, I had a lot of things sorted out, but the production and logistics, the selling and distribution hadn't really been addressed.....And I had to finance the whole thing. I'd saved money, had to borrow money on my house. Booked a stand at 100% Design, which is a significant amount of money..... It was just a disaster. Really horrible.>*

## 4.a Art Director

Normally with design brands this part is covered first of all; it is where the ideas start with, a design vision or a specific designer. It goes too far for this article to discuss this at length, but any new entrepreneur should ask him/herself whether the design vision is really so new and

especially so interesting for the market to base a company on? Can it really be expected that the company will attract enough customers? Do we have Meaningful Selling Points (MSP \*) for them?

*\* MSP is a term by Shan Preddy, derived from and less stringent than Unique Selling Proposition, a term normally used in strategic marketing as a necessity for truly sustainable and rather absolute competitive advantages. For small companies, especially when active in creative fields, it is not really necessary or even possible to strive for uniqueness, but it is always necessary to be "meaningful". But meaningful is intended in the eyes of the potential client.*

Frenzl, in an article in his rather unique book (see below), describes a specific widespread trend amongst young designers in a specific moment. One that hasn't necessarily led to enormous sales, at least for most designers it hasn't. Trends come and go. Important is to be aware if you are just part of such a widespread, often short lived trend? If you are ahead of those trends? If the market is really interested

in it? And for how long will such a trend last? Can you make meaningful and lasting designs avoiding such trends? Naturally designers strongly believe they can and will make a difference but just as typically this is impossible to prove on beforehand and takes years to really find out, provided good management and slow finance is there to back up the ideas.

*These are important questions to ask. As Markus Frenzl wrote a few years ago in his book <Was heist hier Design-Kultur>: "Already the renewed appreciation of craftsmanship and the traditional starts to become ubiquitous and a bit boring. The young designers shows on the furniture fairs and on the design exhibitions work, with all the efforts of these young designers to develop individuality and obstinacy, surprisingly homogeneous; the young designers from all over the world just like as if they had all studied together in Eindhoven. All pick up historical shapes and put them in a contemporary context, all play with traditionally made materials and ancient ornaments, all break with the perfection of industrial products and understand their designs as ironic side swipes on modernism .....".>*

## 4.b Manager

Every company needs management. Production wise, the specific difficulties in the design field are not as disastrously difficult as in, for instance, the bicycle market, but just the same industrialisation is difficult enough, especially because of limited quantities. Often products involve different materials, different technologies, different suppliers, combinations of industry and manual labour resulting in difficulties in maintaining a steady, reliable quality, and especially also because you have limited quantities it may be extremely difficult to maintain reliable delivery dates.

In terms of quality it is often underestimated by starting companies that the products have to be used for many years and have to resist all that time also to usage for which it has not really been designed. People tend to sit on the armrest, or on 2 legs sometimes instead of using all 4 legs; children may jump and play, products are used more intensively on an airport than you expected and packaging and transportation are other well-known and potentially extremely costly difficulties in the beginning.

Often starting companies create a relatively high percentage of claims. And the costs of

claims are normally underestimated, even at some bigger companies. It is not “just” the cost of making and shipping another product, the major cost is the risk of losing a client, a

“beachhead” that was hard fought to win and is difficult to replace. Making new clients is difficult but losing them over quality problems is actually very easy.

*Production: to produce wooden frames for chairs, a supplier typically needs 300 pieces per batch in order to rationalise production, thus also controlling quality and prices. A young brand “just” ordering 60 pieces potentially creates difficulties to control quality and is not very interesting. If an important client urgently orders 1.000 frames, the delivery date for the young brand will immediately, almost automatically be postponed. So, the young brand has higher costs, lower quality and unreliable delivery dates as compared to an existing brand.*

Clients have to be visited regularly. Sales material has to be developed, catalogues, samples and clear unequivocal pricelists + conditions. Additionally, it is often necessary to immediately start an international development of the sales in order to create some quantities. This means travelling even more, also because in the beginning you will not have agents, and in order to convince a new retailer to start ordering, you need meeting him/her on one fair followed by one subsequent visit merely ever is enough.

International development may also implicate product adaptations, surely in case of lighting. This automatically creates difficulties because the necessary technical testing plus adapting the plugs. But this is not only a matter of costs and extra specifications; it also is a matter of organisation, avoiding lamps with Swiss plugs to be sent to America and vice versa.

These are all rather normal activities for any company, not necessarily they are specifically difficult for design brands, apart from the extreme slowness and risk averseness of the market. Maybe you are doing right, but you will only know in a few years' time, not sooner. That makes management extremely difficult.

Surely in the meantime these important practical activities make or break the company. A successful company manages to organise all these functions plus the supporting functions (like bookkeeping and marketing) in an effective and efficient way, creating the growth in sales, keeping the promises in terms of

delivery and quality, and earning money on these activities.

Apart from analytical and social qualities, good managers, especially at small companies also, always need to have a gut feeling for the market they are in. And not just at small companies according to Robert W. Johnson of Johnson & Johnson who once stated <Never acquire a business you don't know how to run>. This is evidently even truer for managers than for owners. What is specific however to the management of a design brand is the necessary gut feeling for the market also in creative terms, which inevitably means having a vision on future developments.

Looking into the future is an impossible but necessary task, and being successful at it is what makes the difference in terms of design. The art director will be the one to develop the vision, but the general manager must decide how much to invest and in which ideas. And to that extend, it is unfortunately impossible to “analyse tomorrow's market”.

Ask sales people their opinion about possible new models and they will typically respond indicating some most successful models from competitors that have already arrived on the market. This would result in the introduction of mere “me too” products, which are hardly ever successful, surely not for small young companies who lack the necessary power to impose their will on the market and normally operate with higher rather than lower costs.

*Antonio Citterio once indicated that a successful designer of sofas may introduce a really successful and substantially new sofa once every 7 year. To do so he must introduce at least 1 sofa each year. As he surely is one of the most successful sofa designers, this doesn't sound optimistic. But this has to be understood; not that the other 6 sofas don't sell; rather they sell less or for a shorter period than the one who really creates a breakthrough. What I believe he meant is that even the best designers don't only make bestsellers and that to succeed in creating one bestseller, many products need to be tried. Not even the best designers or art directors can completely predict the future. Keeping this in mind makes the management extremely difficult.*

### 4.c Investor

The third “head” needed is that of the investor. Finance is rather specific for the design industry because of its extreme slowness. Normally financiers live by the old adagio “time is money” but for design-brands “money is time”. Money is needed to invest but results come slowly. After the first fair, results are measured in business cards rather than sales, and are normally rather marginal. The second time may bring some more contacts and even some sales and the third year may finally see some breakthroughs. If the products are really interesting, that is.

Because of the risk averseness of the business, the development will go slowly. “Beachheads” have to be conquered by blood, sweat, tears and made possible by financial oxygen. Not by one big investment, but by a careful selection of where and how to invest small amounts of money annually, in a rather steady flow, before hopefully reaping the benefits.

In time ROI may be extremely interesting, esp. considering the relatively limited amount of annual investments necessary. But the first years it may be extremely difficult to separate the beachheads from lucky one-off sales.

*In this light I have once seen and broadly remember an analysis by an Italian financial newspaper, on the performance of, to financial people unknown, small “major design brands”. Though I have lost the article I remember the outcome. Comparing design brands to fashion houses it concluded that although investment levels in R&D and marketing were extremely high compared to the turnover, also the ROI was equally high. This article marked the start of the interest from fashion managers in the design industry. This analysis is fairly old and outdated, but unfortunately it is the only attempt at a sectorial comparison I have ever seen.*

It is my strong believe that private investors should and could show more interest in the design business. Because developments go relatively slow, it is possible for the investor to follow and monitor them, providing the young entrepreneurs with often priceless advice from a close distance. For the entrepreneurs who will need to regularly report and discuss with their investor, it will keep them sharp and focused on the short and long term viability of the company; providing necessary moments to check the developments also themselves.

Investors in reality often appear only after some years. Seen from the company, they often arrive when the funds start drying out while further investment is needed. Seen from the investor's point of view entering a company that has already struggled for some years clearly enables them to get a better insight about their chances of survival and success. It may obviously also increase the initial entrepreneur's willingness to really consider the investor's specific needs, wishes and advice (see also the chapter examples).

“Everyone realises that if you give a scientist a million euros, telling him he needs to make a discovery within a year that's worth hundreds of millions of euros, you'll probably be a million euros poorer. Yet investing in culture and science provides much more certainty of prosperity than any other type of investment. These are essential disciplines for certain progress and value increase in the relatively long term. We simply have to accept the uncertainty about the exact results.” Piet Hein Eek

#### 4.d 3 heads, 3 software

In theory, these three heads need not be organised involving three different persons, but it is extremely difficult to find all three united in one. The way of reasoning is completely different, or in other words the software, on which these three heads run are completely different. The three “heads” and the typical software you can associate them with are:

ART DIRECTOR	< >	RHINO
MANAGER	< >	WORD
INVESTOR	< >	EXCEL

I use this comparison with software to explain what makes design business especially difficult, and also different probably from many other industries. It will be clear that finance and management will speak a rather similar language, as in most companies, even though one typically expresses himself in words and the other in numbers. Excel and Word are in fact normally sold as software in one package. But, Rhino is a completely different story and thus to have a similar understanding between the business side and the art-director side is extremely difficult. A head functioning in terms

of images may not understand (the need for) numbers and the other way around.

In order to be an outstanding creative mind, as designer and surely as art-director, one needs to be constantly researching, be curious, questioning things, challenge reality, and even head in the clouds. These are not necessarily the qualities needed to prudently run a business, decide, lead people, analyse and be practical. Stand <with your feet in the mud>, as William Brand, a successful designer/entrepreneur refers to it.

Creating cohesion between these 3 necessarily different software is the really difficult challenge for any new design business, and it is the single most important difference determining success or failure. There may be 3 heads looking in different directions, but they also have to come together to become one whole, one dragon, in order to cross the Design Chasm. Without it, most companies will not overcome the Design Chasm, meaning they either go bankrupt, or maximally linger in their existence for some more years before stopping.



## 5 Marketing Choices

This essay really can't cover the specific marketing choices to be made by companies, regarding the products, the pricing, the distribution, the marketing and the people needed. This partially because such choices are specific to individual brands, their situation and the Product Market Combinations they operate on. Selling contract lighting on the UK contract market will inevitably be different than selling residential bathroom furniture in Russia. The elements of the marketing strategy are part of

### 5.a Pricing

Design surely is all about luxury. If you *need* a new chair because the one you had has broken, you immediately go to Ikea and take it home the same day. If you *desire* a new table plus chairs that better fit with your life style, look better in your home, allow you to invite more friends around a bigger or extendable table, then you typically form a DMU with the relational buyer attitude and problem solving behaviour described in Chapter 3.

#### Demand side approach

To fulfil such a desire easily becomes a luxury. With luxury, price elasticity is completely different than with other products. A higher price may, at least in theory and to a certain extent, make the product more attractive to a buyer of luxury. This "Veblen" effect where price elasticity may be inverted to a certain extent and within certain limits, is extremely difficult to measure, for experienced sales people as well as for researchers.

The idea is that if Rolex, Prada or BMW were to lower their prices they might sell less instead of more. The perceived value of products under these brands increases with price increases because of the status, the snob appeal. People buying Rolex, buy status, not a small machine to tell them what time it is. Similarly, the risk averse nature of design customers does favour

the unique positioning of every brand on the markets they chose to operate on.

Companies obviously have their own ideas and strong beliefs, but sparring with experienced consultants, confronting and sharpening these ideas, guiding the (young) brand, may help to avoid easy mistakes and win precious time on the market.

Just the same, I will herewith give some general, important considerations on one extremely difficult and important aspect for young companies: pricing.

many to pay higher prices for Vitra, Knoll or Cassina, rather than a much cheaper copy.

It is impossible to know how the price elasticity exactly runs for design products, but surely the *substitutability* gives clear indications both to consumer as well as to (new) brands.

Benchmarking is needed or in other words: study the prices of other goods with more or less the same function and materials marketed by existing brands. As a starting company you are not a brand yet, and thus if your products are really comparable to existing products, you might have to refer to penetration pricing. This is certainly not easy.

Also for regular "normal" design brands selling on the design market, price elasticity has drastically changed after the 2008 crisis. Increasingly customers, private or contract, want more value for their money, they are more price conscious. Many brands have reacted by not raising prices, while pressure on prices and thus margins from retailers but especially also bigger contract clients has increased dramatically. In general it seems more "main stream" less risky products made of clear, solid, "honest" materials like real wood, real leather, real intrinsic, natural materials are being bought, by clients demanding equally "honest" prices.

Without naming the people involved, one example here. I once drank a beer with a famous designer immediately after a meeting with the management at a young, small brand for whom he had designed a collection of table lamps. He was devastated. Initially they had talked about 2 sizes, 3 colours and as the presentation on the fair had been “an enormous success”, the company had decided to put the complete collection in production and wanted to discuss this with him. He had taken care of the production of the prototypes for the fair and had supplied the contacts at a supplier who could guarantee the best industrialisation. Then they talked quantities to order immediately: 1 per colour of the big size and 3 per colour of the small one. The designer asked <do you mean hundreds or thousands> and the manager answered: <no, sorry, singular items>. The designer immediately urged them not to bother the suppliers he had worked on, but rather to continue with the one who had made the prototypes, even if this meant more or less continuing with uncontrollable quality, non-industrialised, handmade products. The manager was disappointed agreeing that the quality risks would be higher but especially also that the cost price would be 30% to 40% higher. The designer insisted on paying me the drinks <even if it means I am probably spending one year of my royalties from this company.>

**Limited Editions**

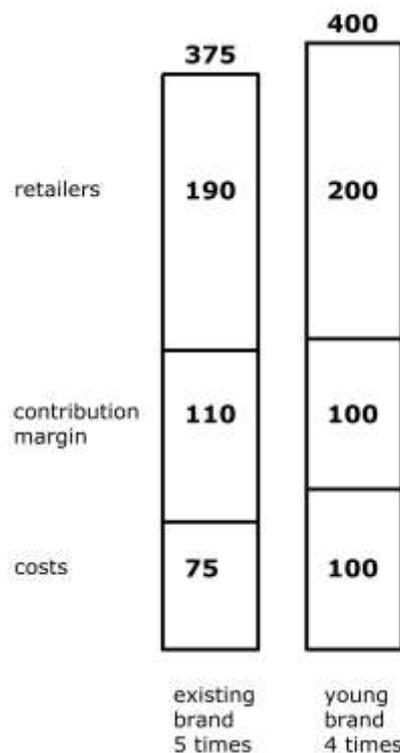
Often regarding prices and elasticity, also the comparison is made with Limited Editions, a relatively new phenomenon. However LE’s have little to do with industrial design (= industrialisation, products are bought to be used, prices set to maximise the amount and then the margin on them). They follow the logic of art, with a minimal amount of pieces, and a highest possible price, which depends on the name of the designer and is not related to the utilisation of the product.

The activities are so unrelated that companies like Established & Sons and Quinze & Milan had completely split those activities in different companies. With the crisis, this fast growing new art-collectors market has collapsed. It remains to be seen if ever it will regain its pre-crisis momentum in the future.

**Supply side approach**

All these market considerations have to be put in connection with the supply side, meaning looking at the costs. Many products have to be sold on the market at a price of 3,8 to 4 times **all** the direct production costs (including depreciation on the investments needed to industrialise) and including packaging and a provision for transportation costs. This mark-up of 4 times the direct costs is essential and necessary, as it needs to cover all kinds of other costs as well and create a profit when successful at the end.

Top brands may typically use mark ups of 5 to 6 times their costs (only in some cases higher than that), but please remember that their production costs, thanks to the economies of scale, may be substantially lower than those at a starting company (see drawing).



A theoretical confrontation between pricing at 2 companies; a young one and an established brand. The established brand uses a mark-up of 5 (against 4) times but prices are lower, because production costs are substantially lower thanks to economies of scale.

Retailers will make up for most of the mark-up by the way. They will for many products involved need a discount on the pricelist of 50% (if VAT included pricelist) or 40% (if VAT excluded). In order to accept working for a complete newcomer on the market as supplier and depending on the specific product, they may actually ask for higher percentages.

The difference created between direct production costs and sales price obtained from the retailers is needed to cover all the indirect costs plus the profit. Those indirect costs include marketing, all personnel, housing, banking, claims, agents, phones, everything

### Conclusion

It is not easy to set prices in such a way to enable penetration of the market on one side, and profitability of the activities on the other side. Opting for too low prices, facilitating easier and quicker penetration may seriously damage the possibilities to become profitable afterwards, even though “beachheads” may be created. If prices are set too high, it may be difficult to create beachheads at all, or too few, too slow, to let the company grow.

else. Some, but only some, extra margin may be obtained when selling directly to customers, always applying the same price the retailers are supposed to use.

Starting with prices below the 4 times mark-up is extremely dangerous. For a young company it is difficult to raise prices even to merely match the inflation. This means that selling below the 4 times mark-up often results in apparently rather successful start-ups that however never manage to earn money, and continue to create financial losses in spite of the growth in turnover.

This doesn't mean it is impossible; it is difficult. If the products are sufficiently new, different and interesting it is surely possible to penetrate and make money in the process, especially if the design strategy is accompanied by stringent control on costs.

Just keep in mind that the openness to extravaganza is relatively limited in the current crisis, while attention on more “value for money” pricing has intensified also at the main brands.

## 6 Examples

In this section, I try to give several examples of companies that have successfully overcome the Design Chasm, some that are in the process of doing so and some that haven't succeeded. I deliberately also use examples of companies that already exist for a long time. Just to show that creating beachheads and conquering continents is a continuous process. I end with just one example of a company that has made it even though, according to my theory, they should have seized to exist long ago. This just to show that my theory, like most theories, only has a limited value in terms of predicting the future of a particular company. Hopefully, I have given a framework to assess the risks, but business's beauty lies in its unpredictability.

It is important to state that all these examples are results of my own interpretation, looking at these companies mainly from the outside, even though I have come to know personally almost

all the companies cited. In few other cases, I have based my example on readily available information.

I didn't include any plain and simple examples of young designers who just didn't make it because of a lack of management capacities and finance or even a lack of a clear design vision, though surely this would have been possible. I tried to collect examples with a more complex and thus interesting situation regarding the three heads of the dragon.

All examples have in common that, based on their outstanding design management, they are or were to be considered seriously. They all share a clear design idea, an interesting and appreciated design vision. The reason of their success or failure rather lies in the other two dragon heads, general management and finance, in combination with that design strategy.

### 6.a HIDDEN and MOOOI and DROOG

Everybody knows Marcel Wanders, art director of **Moooli**. But Hans Lensvelt who believed in the company and invested in it from the start was surely extremely important for Moooli's success as well. Not to forget manager Casper Visser the 3<sup>rd</sup> partner. These three together made Moooli a successful dragon. B&B bought shares in the company when they had already emerged and were successfully jumping the Chasm, and actually in a relatively short period of time. The acquisition of shares by B&B actually "merely" changed one investor's role for another, even though the obvious resulting commercial power of B&B was beneficiary to the further international development of the brand.

Most people have forgotten about **Hidden**, a company launched by Leon van Gerwen just two years before the launch of Moooli. In a few years really breath-taking products from 35 different designers, most extremely talented young ones, some already on their way to success, and also

some design-stars like Ron Arad were introduced. The catalogues in the shape of plastic bags, with their typical Dutch design photography and graphics helped to make Hidden the immediate darling of opinion leaders in the business. It was a tremendous PR and design success, and even some "beachheads" towards important main stream retailers had been made by Van Gerwen.

Compliments for his pioneering work surely, but after less than 3 years Ron Arad had to assume the role of art-director. Metropolis wrote that time <Arad will see to it that the label's collectible objects are marketable too. In the past, partly because there was no one to vet ideas rigorously and scrutinize them throughout production, some Hidden pieces sold only to museums.> Arad also searched for investors, behind the scenes. Unfortunately he arrived too late already and the company went bankrupt.

Van Gerwen clearly had an excellent creative vision and some notion of the managerial side of the business. But the finance needed to match the ambition had lacked from the beginning, leading to a lot of half or not industrialised products and thus to unsatisfied customers, while Hidden had relatively big stocks of other products that simply didn't sell.

Talking about Dutch companies one of the most famous of all remains **Droog**, the symbol of Dutch design. Their exhibitions, innovations, provocations, humour, have contributed to a large extend in the creation of what is known as Dutch Design, another way to look at design, famous around the world. Since years Droog is a company, an editor of many (now) famous designers and always adding new design products. Their products regularly appear in museums around the world, but it is also a

perfect example of the Design Chasm. Though every design-professional knows and respects Droog and the company has several famous products and a lot of relatively easy products that appear sellable, it is extremely difficult if not impossible to see a Droog product at a main stream retailer. Hardly any beachheads seem to have been created in all these years, from the opinion leaders' early adaptors market where Droog is a huge name to reckon with, to the main market. The New York showroom, potentially a major beachhead, did win an important award as a showroom, but had to be closed after a relatively short period.

Droog appointed Ivan Beemster a few years ago as marketing manager. It will be his task to analyse the market and understand how to create beachheads to the main markets.

### 6.b FREEDOM OF CREATION

Janne Kytanen came into contact with rapid prototyping while studying, and so invented the possibilities to use this technology to produce. He founded his company **FOC** which was initially run more on artistic values and tried to pave the way for this revolutionary new idea through PR. After some years he was joined by Michiel Dekkers as manager + partner. The sales of the lamps wasn't immediately successful, because their technology was to extremely new for the by nature conservative market, FOC developed other sales (architectural models, jewellery, marketing gadgets, etc.) in order to make money, which certainly also helped making their 3D printing technology more known.

Their technological edge is so interesting that FOC is a darling of all kinds of opinion leaders, also amongst technical visionaries/futurologists who claim that in future we will all produce a lot of products ourselves at home thanks to 3D printing. So, apart from many museums, FOC also appeared on the cover of Time and has all kinds of major multinationals as their clients including Apple, Philips, Heineken, Hyundai, Adidas, P&G, LVMH, etc.

But all this attention and some sales from opinion leaders didn't really help to develop FOC as a lighting brand. It should have bought them time, but it absorbed time; they didn't dedicate enough time on developing the lighting market. Very few retailers bought and sold the lamps, some more architects created some beachheads on the contract market. In 2011 the company was bought by 3D Systems, the US giant in their field. Funds are available to dedicate on the development of FOC as a lighting brand now managed by Bram de Zwart, who had already started at FOC improving the packaging, centralising most of the production and all the logistics in one place and publishing clear specs for clients.

Now the attention is on the market; some first agents have been appointed, a new collection introduced and sales are this year growing. The company thereby builds on the good reputation it has created amongst innovative architects and expects to grow the amount of retailers for whom they have also just introduced a commercially viable presentation set.

## 6.c DEDON

**Dedon** is another real innovator and is an enormous success. Bobby Dekeyser and his team managed to convince the market against all odds, that outdoor furniture can be made in Asia from plastics and not be considered cheap but top design. And by doing so, Dedon became a major contributor to the emancipation of outdoor furniture in general. Dekeyser's background is not that of a designer, but rather he was a professional football player, not the most common of backgrounds in the design

business. But as he said in an interview in Build <(my background) ... brought the big advantage that I could use my earnings from that time. I never owed a bank anything, so could last out, where it would normally have ended. Because the idea to replace rattan with plastics came 10 years too soon.> So, he is not a designer himself, but surely a real visionary and innovative design-entrepreneur and financier, who by the way puts a lot of emphasis on teamwork at Dedon.

## 6.d CAPPELLINI versus MOROSO

Surely these are two famous brands that have both existed for a long time, with two entrepreneurs amongst the most famous art directors in Europe, Giulio Cappellini and Patrizia Moroso. Many designers thank their breakthrough to these two who both deserve a relatively large chapter when explaining the special status of Italian design in the world. Their intuition had and has set the way for many others to follow. Both were born in a family business which allowed them to combine their natural creative talent and wide curiosity with an equally strong feeling for the furniture business.

But in a period when Italian design was booming **Moroso** grew year on year, ranking always rather high amongst the most profitable major design businesses, while **Cappellini** had to be saved at a certain point by the Poltrona Frau Group because of continuing financial losses and a resulting high debt. Looking at these companies from a Dragon with 3 heads point of view, at Moroso decision making was always much more balanced and shared by professional manager Alberto Gortani and by Patrizia's other members of the Moroso family, while at Cappellini, Giulio was never met by a stable, equally strong management counterweight.

There was probably another major factor that made this enormous difference. As also briefly discussed in the essay, Moroso always has had longer lasting ties with some house designers, for instance Urquiola and Arad. Cappellini always focused more on yet another new designer, which surely has made it more difficult for the "prudent souls" in the market to follow their every move.

The lacquered cabinets' collection was selling but retailers didn't really know which other products they should also sell. Seen from a retailers point of view, both brands are probably considered "complicated" brands to deal with, for instance compared to Minotti, the master of simplification (for retailers and their clients) offering well studied, clearly predefined lifestyle proposals. But where Moroso manages to remain "just" acceptable, Cappellini's level of complication was probably "just" too much? Too much opinion leader market oriented, disregarding the early majority market?

Now, with the new owners and managers and with Giulio Cappellini always as art director, Cappellini surely has regained market momentum. After a restructuring at the brand it has started growing and has become profitable once again.

## 6.e KARBOXX

Karboxx is a young company founded by Giuseppe Mesaglio and makes refined lighting based on innovative materials like carbon fibre and fibre glass, resulting in rather unique and elegantly thin products. Giuseppe surely booked important results more than just “beachheads” in just a few years, especially on the contract but also on the retail market. The necessity of continuous investments to further develop the technological possibilities and for the penetration of the market made him look for a

financial partner which he found in 2011 with the group Quadrifoglio, a producer of office furniture.

Thanks to this partnership Karboxx invests further, for instance in a completely new collection and technology for which a patent is pending and which will be launched later this year, and in marketing especially on a European scale. Thanks also to this new partner; Karboxx is well under way to bridge the Chasm.

## 6.f QUINZE & MILAN

The company was founded by two creative people eleven years ago, Arne Quinze and Yves Milan, based on a revolutionary new spraying technology. The enthusiasm and endeavour of the two owners wasn't enough to make the breakthrough for this new technology and the company seriously risked to disappear. But after Yves left and two private investors, who insisted on appointing a manager, entered, the company

slowly started to grow. Slowly but surely, as is obviously necessary with their still relatively new technology, Q&M has become a professional business now under the guidance of Tom Degres. Not that the “continent has been conquered” yet, but the company surely has created many more than just “beachheads” mainly on the European and American contract markets.

## 6.g TOM DIXON and ESTABLISHED & SONS

Tom Dixon is an important English design success story of the last decade, with Tom Dixon himself obviously as art director who can't be denied a sense of down to earth thinking, nor the business experience. Nevertheless, or maybe therefore, Tom has apparently happily concentrated his activities mainly on the creative part of the business, while partner and management expert David Begg, has surely played an incredibly important role in bringing the company to where it is now from a practical point of view. Two years after starting their business Proventus, a Swedish investor entered the company. Even though I admit not being familiar with the exact cooperation between the partners, their specific experience with several design

businesses (apart from Artek also Kinnasand and Snowcrash) has surely been incredibly useful in accessing risks, determining investments, etc.

**Established & Sons** is the other important UK-brand that has helped to create a position for British design companies in recent years, a position that was rather vacant before the arrival of these two both still relatively young brands. At E&S strong financial investments by financial partner Sir Paul Angad and an equally strong design vision by the 4 creative founders, under the guidance of PR genius Alisdair Willis, initially weren't met by the practical management experience, covering the practical aspects of business from industrialisation, logistics and shipment to sales.

The Limited Edition sister company initially was very successful, riding on the Limited Editions hype in the art world, during which many art collectors rapidly developed interest for design in limited editions. E&S Limited at a certain point moved to a splendid representative showroom next to Christies in Duke Street St James's (London), organising 5 major openings a year, launching new limited editions in the presence of important guests. Unfortunately the interest from art collectors for this new tool rapidly vanished after the crisis, and so has the turnover and the showroom of E&S-Limited.

Anyway, this artistic aura of the art brand "E&S Limited" and the truly special PR + astonishing products of E&S, helped creating beachheads in the market for the design brand itself, but the logistics and production side still suffered, making it difficult to continue conquering the various "continents" on which the beachheads were created. The initial idea of a completely British company had to be abandoned and as if to underline it Maurizio Mussatti, an Italian manager, was appointed still rather recently as CEO. It is his task to make a real 3 headed dragon out of E&S.

### 6.h BRAND VAN EGMOND

#### A counter example

William Brand and Annet van Egmond are two creative people who started their own small company, producing their own designs and selling it themselves. Without external financiers or general managers other than themselves, the company has steadily grown to become a medium sized and profitable design brand with a strong own design identity, well organised and planned production, extremely low claims percentages and a functioning international sales organisation. As William says <I like being creative but I also like to keep my feet in the

mud.> Both partners may sometimes state that they would like to have more time to dedicate to the creative side of their business, which they clearly feel as their natural own habitat, to immediately add that they are equally passionate about the whole business. So, time to be creative is partially restricted to the evenings and the weekends and if more time is needed this will have to be planned in their already extremely busy schedules.

And I am sure there will be other examples like Brand Van Egmond in our design world.

## 7 Conclusions

What lessons may be learned obviously depends on the specific role of the reader in the design process as well as on your own personal vision, experience and opinion. Below I try to

summarise some thoughts for four groups of readers: starting designers, design promoters, managers at existing brands and investors.

### 7.a For starting designers

My best advice would be to listen to Caan. If you have the ambition to become a design entrepreneur first work at least several years at a company and/or design practice. It will help you to acquire a lot of insight, regarding the design, but also about all other aspects involved in successfully running a company.

Take as an example Patricia Urquiola's career path. She worked at De Padova, at Piero Lissoni so that when she started talking with Moroso about her first design under her own name, she had already learned the trade and knew exactly what she wanted and how she wanted it. She had been there before and managed to convince others that some important design details were absolutely possible, and to listen to and accept important advice regarding adaptations or additions that needed to be made.

Big brands tend to work with big designers so also don't fix your focus too much on them. When developing a new product you don't just need to convince a (generally positive) art director, but also you need to level up with the engineers, the various managers of production, sales, marketing and PR and you need to convince them all. This takes experience or easily risks them abandoning the project after all. If you are not big as designer, why not try smaller brands first?

I would personally advice against self-production, surely as a start, learning also from Matthew Hilton's experience. It is an extremely costly process, not just financially. It may destroy your creative ambitions and potential, because if you are only half way successful you end up managing your business, leaving time for creativity only for the nights and weekends. However, as my essay shows, the chances you arrive at that stage are actually not too big. You rather risk coming out of it frustrated about the (beautiful) difficult design business.

But then again as one young designer put it, after citing all the right reasons not to do it <at the end of the day, ..... it is in this way that the Campana brothers, Ron Arad and others have started.> But please, carefully choose between own branding and self-production. Realistically consider the money flow, necessary investments and income and the management capacities needed. And finally, seriously look at yourself and judge for yourself if you are an incredible genius like Ron Arad, who I am sure would have emerged any way.

So, if for whatever reason you start, I wish you all the luck in the world, and I hope that with this article you may at least arrive a bit better prepared to the many challenges that will await you as a design-entrepreneur.

## 7.b For design promoters

I think much food for thought has been given. Some interesting questions to be asked could be how much effort should be put in promoting designers if the failure rate of their companies is so high? If actually many are doing it as a hobby rather than a company, even though an extremely important extra hobby? What is the lasting economic and cultural value of such investments? Aren't there other ways to promote young designers?

I personally really adore German Design Centre's project YDMI, Young Designers Meet the Industry, to which I contributed myself several times, and which I even brought to Italy together with Anna Termite. The project is meant for those young designers who have already survived 5 years and work with their own design office. The idea is that after those years they will have had some successes but in general far too few to really make a living out of it. But they have gained a level of experience, which makes them potentially interesting for the brands.

In Italy we managed to bring 30 selected young designers in direct contact with many managers of companies exhibiting at Abitare il Tempo (2009) as well as with visiting art directors from

major Italian brands. They had workshops with managers from Moroso, Established & Sons, Rudy Von Wedel (\*), etc. and the stand where they exhibited their products was judged by Repubblica as the absolute highlight of the fair.

*(\*) Rudy Von Wedel is less known by the public in general but he is (probably) the most important promoter of young designers towards major Italian brands, as independent consultant for these brands. Many now extremely famous designers have achieved their breakthrough thanks to Rudy.*

Looking at design promotion in this more matchmaking way, is surely less visible to the market but may, for the designers involved, be of extreme importance. This is feasible with such more experienced groups as chosen for YDMI. Matchmaking for "students" will not meet with a similar enthusiasm to participate from the side of the brands.

And, might such a matchmaking role in future also be applied by design promoters in searching investors for young brands who struggle to survive after some years of trying to create beachheads, but lack the financial means to conquer their continents? I hope that the examples shown, can give food for thought also regarding this aspect.

### 7.b.1 Design identity

Also promoters, especially in countries in north-western Europe, should discuss whether an exclusive focus on the promotion of (too) young designers is really the best way to promote design culture and business. Aren't the brands to be more considered as the actual carriers and lasting promoters of a design culture?

It is interesting to note that in some countries like Italy, Germany and Denmark the cultural identity tends to be connected more with the successful design-brands while in countries like Holland, Belgium and the UK the national or regional design promotion tends to be focused on young designers.

Just the mere fact that often it is extremely difficult to determine the local identity of designers should make this choice questionable: in Belgium all young designers tend to go and live in Brussels because in that way they can choose to be one day Flemish, next day Wallonian and the day after they come from Brussels themselves, depending on where they may find funds to promote their activities.

In a Dutch official document Tord Boontje, Hella Jongerius, Satyendra Pakhale' and Janne Kyttanen were all mentioned in a list of some 30 examples of successful Dutch designers. Janne and Satyendra' weren't born Dutch but

work and pay their taxes in Holland. But Hella and Tord, who both are absolutely Dutch born and raised, actually live and work respectively in Germany and England. Tord was for instance also often cited in similar English lists as an English designer, even when he relocated to France. And now that he is back in London, they probably can more “rightfully” do so again.

This question of cultural identity has become ever so much more important, now that design promotion is no longer considered “just” for its cultural merits, but also for the economic value it creates, making the countries more competitive. Without a doubt, in the design industry the companies bring most added value in terms of jobs, R&D, investments and profits,

while the royalties for designers are merely between 2% and 5% of the turnover created. In part because of these actually humble percentages also very successful design studios specialised in our furniture and lighting business normally have less than 10 people on the payroll.

In comparison the brands may have hundreds of people. And the most forward thinking brands, in order to remain successful, tend to invest some 15% of their turnover between R&D, communication and design. And yes, most design brands though surely not all (see Dedon) still produce themselves in local factories or edit products made by third companies elsewhere in Europe.

### 7.c For managers at brands

I hope this article gives some more insight in the always difficult cohabitation between the practical and the cultural side of management. Understanding the basic softwares on which different people’s mind run may help to increase the quality of the communication between them. Art directors are more visually oriented and the typical manager’s question “to write the proposal down on a A4” may actually often be an impossible task to meet. In order to survive and be successful as general manager at a design brand, gut feeling and sensivity are therefore essential requisites.

I also absolutely believe that an improved understanding of the extreme slowness of our business is important, and explains why many managers coming e.g. from the fashion industry have difficulties to get accustomed to it. This slowness is a direct consequence of the extremely slow buying frequency of our customers actually reinforced dramatically by

the limited communication capacities of each individual brand in our rather pulverised markets.

Few companies make more than € 100 million turnover, and even if they do, this turnover tends to be reached by selling all over the world. This means that companies rarely make enough turnover in a specific country to allow for investments that successfully target a general audience. In fact, most marketing investments by design brands end up in branch-related rather specialised media and general brand awareness on specific design brands remains mainly insignificant.

Most existing companies are still struggling to really become strong brands. Even though beachheads have been created, many brands haven’t really “conquered their continent” yet. To those companies this essay may have increased their insight in what needs to be done next to overcome the Design Chasm.

### 7.c.1 Dual Marketing

You may have acquired a better understanding of the mechanisms and functioning of retailers and the buying behaviour of customers. In this essay, I relatively shortly hint to some thoughts and concepts related to another, forthcoming essay on another important strategic marketing difficulty almost all brands are faced with:

#### Dual Marketing.

DM deals with the situation in which companies market contemporarily to private customers and businesses as end customers. In short, it's about doing B2B and B2C intertwined. I have so far found only two writers who have written about this, one an ex colleague when I was teaching at the University of Groningen. All other writers on marketing seem to "prohibit" DM as all marketing theory is neatly divided between either B2B or B2C.

I realise that part of the text may give rise to wrong thoughts that B2B and B2C are similar if not identical in our business. Fact is of course that they are absolutely not, even though the buying behaviour of private customers shows similarities in approach.

Twelve years ago I had promised my ex colleague in Groningen to one day write a case study on the design business for him, and must admit that so far I haven't. But I did collect a lot of information over the years, and have started to write my DM essay. In this essay a more balanced and complete vision on this other important aspect of design business is thoroughly explained.

The images below visualise one enormous and easily recognisable difficulty with Dual Marketing: the organization of the sales force



1 Traditional residential sales platform

2 Residential & Contract > Split Personality

3 Balanced Growth > Support Needed



### 7.d For investors

Design brands can be an interesting form of investment, even though with this essay I don't bring you any figures to judge on. I have tried much more to stress the mentality that is needed in order to understand such businesses, a way to look at them.

As the examples show investors are often from the same design business, which clearly creates an inherent understanding of the business

mechanism, possible synergies and a near natural look at the risks and possible returns. But the examples also include several private investors who either from a distance or, as in the case of Dedon are directly involved in the company itself. This hopefully shows that investing in design brands can be an extremely interesting and profitable way to make your money work. Slowly.

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