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# Incorporating the future

A study of three companies' internalisation of future trends forecasting and scenario planning

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## Abstract

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- Title:** Incorporating the future – a study of three companies' internalisation of future trends forecasting and scenario planning.
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- Authors:** Johan Ny & Nils Thott
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- Keywords:** Brand Management, Design Management, Trends, Trend Forecasting, Scenario Planning, cross-functional teams.
- Purpose:** The purpose of this thesis is: to determine key success factors for an organisation's internal process of internalising future trends forecasting.
- Methodology:** A qualitative approach has been chosen by examining three different companies (Electrolux, H&M and, Sony Ericsson) through interviews and other data. The empirical material have been analysed by using valid theory as a platform from where the analysis can be performed. This has created a conceptual analysis that enables the use of the conclusions in other similar companies.
- Conclusions:** Companies with clear strategies for forecasting trends and implement scenario planning have promising opportunities to gain a competitive advantage. Important variables have been identified as key success factors for companies with the objective to internalise future trends forecasting. These involve an integrated approach between functions and organisational levels, where all involved functions can gain knowledge and understanding from uncertainties in the external environment. Furthermore, all planning activities should be non-static and communicated throughout the organisation with the use of measurable milestones. A good internalisation of trend forecasting and/or scenario planning can lead to an increased organisational memory that can create a better strategy of forecasting trends.

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## Preface

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This thesis marks the end of four interesting years at the Lund school of Economics and Management. It has been a period filled with inspirational challenges and valuable network development.

We, the authors, would like to extend our gratitude to a few but most important persons who have contributed with valuable insights and advice during the process of this thesis.

The representatives from the case companies Margareta van der Bosch from H&M; Sean Carney, Mats Rönne and Martin Hörnqvist from Electrolux; Johan Karlberg, Helen Key and Michel Saboné from Sony Ericsson and; Göran Moberg and Tony Holmberg from the Swedish Armed Forces.

We would, further more, like to thank Professor Leif Edvinsson for inspiration and valuable knowledge exchange.

We would finally like to thank our advisors Dr Christer Kedström and Dr Frans Melin for challenging our creativity and providing interesting perspectives that has improved this thesis in many ways.

This thesis has tried to meet and deal with the problems of uncertainty and the future because:

*“The future belongs to those who prepare for it today.”*

– Malcolm X (1925 - 1965)

Lund 17 juni, 2005

Johan Ny & Nils Thott

# 1 Introduction

## 1.1 Background

The future is full of uncertainties and will continue to be so; this makes future trends forecasting a strange phenomenon because who can predict the future? It is however possible to make qualified assumptions regarding scenarios of future events; this is the foundation of the industry that has emerged around prediction and business of how companies should handle product development and innovation.

The majority of the consumers have become more ambivalent and many markets have evolved to be similar to traditional fast moving consumer goods (FMCG). That is, more markets have become more volatile and fast moving. Products that used to be considered as capital goods are now experiencing a speeding turnover, especially technological consumer products. This leads to a necessity to reduce the risk by using innovative design and brand identity in a structured and integrated fashion. Companies in these markets cannot afford to take unnecessary risk and follow the wrong trends and fads, and especially not companies with products operating under a corporate brand.

This thesis is a product of the authors' interest and professional experience within the field of trend forecasting. The idea for the thesis was conceived by a mutual feeling of inconsistency and lack of reliable methods of performing trend internalisation in a brand- and design management environment. The authors have worked on both consultant and client side of the business and felt that trend reports were done in a capricious way, and then implemented in a less than optimal manor. This initiated the process of examining the field for existing theories and best practice in the industry of today. Many different fields of theory were looked into and even military strategy was tested in order to find new ways to limit the uncertainty of the future on a fast moving market. Design intensive companies were chosen as case studies since there is a need for these organisations to be up to date and in tune with the market and consumers on a higher level than others.

There are numerous examples where innovative and trend sensitive designs have created competitive advantage for a company. In other cases the companies' design management may create ways for new trends to emerge, often followed by other companies. An innovative design will then create increased brand value and equity. This implies the existence of key success factors that needs to be identified and determined, in order for a company to be above average in implementing trends into the business.

A clear example of this is the launch of Apples high memory storage portable music player; the iPod. It was the new innovative interface and navigation system that created the tipping point and huge success on the consumer market. It was rather the innovative design combined with its functionality that made even non-Apple users appreciate the now classic design of Apple products<sup>1</sup>. The iPod became a success story, but it should not be considered a total surprise. The explanation can be found in the accumulated knowledge within the Apple organisation, its vision and brand image of launching creative design solution with high technology products. The company has a long history of being on the edge of innovation, in order to avoid being overrun by Windows-based computers. This has lead Apple to establish a

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<sup>1</sup> Salkever, A; *Apple's New iMac: Skin-Deep Beauty*; Business Week; Sept 2004

position as trend setter in the market of design solutions for high-tech products. This can be a result of the strong credibility of the strong Apple brand.

The values' of independence, innovation and cutting edge has enabled them to express and anticipate what the next consumer trend will be. That is, an organisation forced to become trend forecaster with highly motivated designers that together with brand management creates high accumulated knowledge and credibility. The internal process is interesting to examine in order to determine what different variables that contributes to a success like the one of Apple. This also illustrates the power of a strategy combining design- and brand management with an awareness of the world of uncertainty in which the companies of today operate.

## ***1.2 Discussion of the problem***

It seems as if it is quite usual that companies buy and implement trend reports into their business without considering the process in which the reports were conceived such information. It should be instead a company's focus to understand the driving forces behind any prediction report since the future is by its nature unpredictable. It is the authors' belief that too many companies regard different trend reports as a magical recipe for innovation. However, since more companies observe and include trend reports, it leads to a competitive parity given that any and all companies can gain access to the same information. Thus trend forecasting would not create competitive advantage, but the manner implementation and internalisation can. The information is everywhere, for everyone to see (or buy), but it is what is done with it that counts.

The brief introductory text regarding Apple in a trend perspective show, that Apple seems to have been very successful in internalising trend information. But the solution in the case of Apple is multi-dimensional. The position as a trend setting company and brand has evolved through external factors (market, competition, etc.) and by internal factors (vision, organisational structure, corporate culture, etc.). This implies that it is necessary to understand the internal processes in order to understand the difference between companies success in implementing trends.

This thesis will need to observe and understand the internal processes within different companies on different markets. Thus increased understanding of which variables correlate with a greater sensitivity to the market, in order to determine if there are organisational structures for increasing understanding of the company's future trends.

The last part of our problem is to examine the possibilities to map and create a model for how trend forecasting should be codified in order to increase valid trend information; focusing on the internalisation of trends into the brand and design management.

## ***1.3 Purpose***

The purpose of this thesis is to identify key success factors for an organisation's process of internalising trends forecasting and/or scenario planning.

## ***1.4 Delimitation***

Delimitation has been necessary to do in order to be able to conduct the study within the considered time frame. This will also enable the result to be more aligned with the purpose. The limiting factors are:



- The number of companies in the study has been limited to three, thus no statistic results can be drawn. The study will therefore be of conceptual nature.
- The companies all sell market consumer products under a corporate brand.
- Trend forecasting and scenario planning will only be studied from a design and brand perspective.
- The focus is internal, thus only the companies' organisation for trend forecasting and scenario planning has been under examination.

### ***1.5 Theoretical and Practical Relevance***

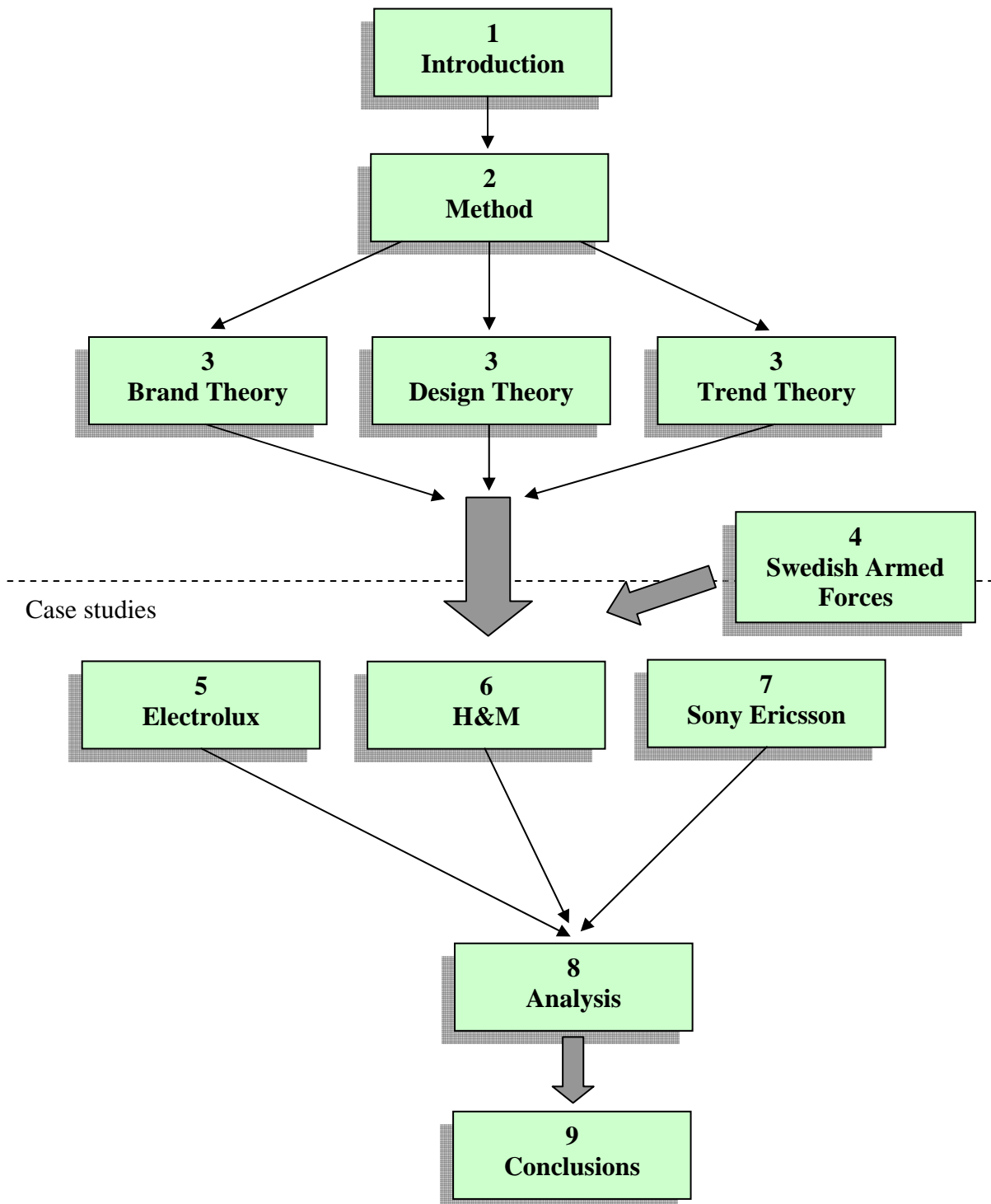
Companies need to map and understand changes in the external environment, and connect these to market implications, to be more competitive. The implications are internalised through brand and design management, with the purpose of increasing sales, profit and image.

## **1.7 Glossary**

Brand	See chapter;
Brand Management	See chapter; 3.1.6 Brand Management
Competitive Advantage	When a firm sustains profits that exceed the average for its industry. Traditionally this can be obtained through cost advantage or differentiation advantage.
Concept products	A product that is defined as being outside the ordinary product portfolio, which should express a certain competence within the company. It might be the introduction of new design, new technology, etc.
Consumer Foresight	The competence to understand the consumer insight in a future concept.
Consumer Insight	The competence to understand the consumer's behaviour.
Design	See chapter; 3.2 Industrial design
Design Management	See chapter; 3.3 Design management
Mood board	A creative approach to visualise future trends and/or scenarios.
Scenario Planning	See chapter; 3.4.5 Scenario planning
Strategic Readiness	See chapter; 3.4.4 Strategic readiness
Trend	See chapter; 3.4.1 Trends – our definition
Trend Forecasting	See chapter; 3.4.2 What is trend forecasting?
Trend Sensitive	An organisation, company, brand, product, etc, that is aligned with the present trend(s). Positive as the trend evolves, but sensitive to fluctuation and emerge of new trends. A trend sensitive company will try to spot relevant trends and develop products that are aligned with these trends.

## 1.8 Disposition

This model illustrates the disposition of this thesis, thus it will help the reader to understand the composition and the links between the chapters.



## 2.0 Method

*This chapter will present the methods and processes used when conducting this thesis. It starts by introducing different scientific approaches in general terms. The case study approach is also discussed before presenting the theoretical platform for the study and the empirical framework.*

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It is important to apply a reasonable method and present the methods used, since it helps not only the authors, but also the reader, to make a correct judgment of the validity of the study. The objective of this study is to provide theoretical contributions with the aid of scientific methods<sup>2</sup>.

### 2.1 Scientific perspective

The purpose of this study is to identify key success factors in the internalisation of trend forecasting and/or scenario planning, which has resulted in a need to find companies that are successful in implementing trends. Furthermore it will be necessary to gain a knowledge depth and be able to understand the different companies' possibilities and restraints, which in-depth interviews may create. Due to the limitations of the time frame, a statistic result would be difficult to deliver. Thus the cases have instead been studied from a qualitative approach. The methodological purpose has been to increase the understanding of an incidence, and not quantifying it. Thus the usage of a qualitative research enables deeper understanding, which is appropriate for this conceptual study<sup>3</sup>. Even though the qualitative approach provides a holistic view for better understanding of especially social processes and interrelations (a systemic perspective), it cannot work as a comparative study and will only create theoretical understanding of certain problems given the situations in our empirical studies.

### 2.2 Case study research strategy

By focusing on a small number of companies with different kinds of success and history, the results gathered will be able to be used in a conceptual purpose, i.e. when implementing the analysis on other companies active within a similar business environment. Thus the study's conclusions will be considered more compelling and robust, compared to a study only involving one case study. It becomes crucially important to understand, when using multiple-case studies, that every case need to serve a specific purpose within the overall scope of the inquiry<sup>4</sup>. All companies chosen in this study have therefore been selected after identifying both the purpose of this study, as well as the different structural and business processes within the company. Furthermore it should be noted that all companies chosen have undertaken a process were the authors have tried to determine what already has been studied at these companies within similar theoretical fields. This will hopefully enable the creation of a new theoretic approach that will increase successful implementation of the result, instead of "reinventing the wheel"<sup>5</sup>.

The approach is however not a traditional case study research. As the companies have been chosen to enable a conceptual analysis within a specific function, the research has been tailor made for each company in order to gain necessary information. Thus one case study (H&M)

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<sup>2</sup> Lundahl & Skärvad (1992), *Utredningsmetodik för samhällsvetare och ekonomer*

<sup>3</sup> Holme & Solvang (1997), *Forskningsmetodik*

<sup>4</sup> Yin, (1994), *Case study research – Design and Methods*

<sup>5</sup> Ibid

has been conducted from information almost entirely from one person within the company, due to the specific situation within mentioned company.

During the process of identifying the three chosen companies (see 2.4 Empirical frame – choice of cases), several companies were evaluated in order to find an optimal coalition of companies. This means that some highly interesting companies have because of the study's limitation not been examined in this study. The three companies chosen did instead fill the preconditions set by the authors, and are all companies highly regarded for their ability to understand the consumer and trends.

Before gathering the empirical data, current theory in fields interesting for this study was studied. This has helped both the reader and the authors to make the correct analysis as well as form an understanding of the empirical data on a theoretical level. The theory were then associated to the empirical data in the analysis, with the objective to identify possible solutions for gaps in the theoretical field. The theory is presented in the same way it was presented to the authors, which enables a comparison of different models. It will, by doing this, be easier to determine where the theoretical field has a shortage of understanding, which validates the purpose of this study. This is why the literature and theory will be applied with an academic and critical mind.

The theory will also help in the process of understanding how the different companies act as they do. Analysing the companies' actions has been compared to the presented theory, and will help the process of gaining a greater understanding from the case studies. The result will therefore become more valid, and the theoretical contribution greater.

### **2.3 Theoretical frame**

A theoretical frame is presented for the purpose of enabling the reader to understand what and why the fields of theory have been chosen. This study is trying to link the fields of; *Brand*, *Design* and, *Trends*. This means that the collection of data focus on different kind of literature to enable a good results. A lot of effort has been made on mapping the different theoretical fields from different perspectives, e.g. branding from a marketing and strategic management perspective, design from both marketing and designing perspective and, trends from a management perspective, etc. The literature is therefore diversified and a lot of effort has been made on translating and uniting the "language" and vocabulary of the theories used. Even though the purpose has been focused on the validation of all theory by collecting data from a source that can be considered as academically previewed, some shortages in theory has forced a validation of data collected from non-academic sources.

The theoretical frame shown in figure 2.1 present how and why the different theoretical perspectives will be used in order to fulfil the purpose of the thesis. It also shows how the different theoretical fields interact with each other.

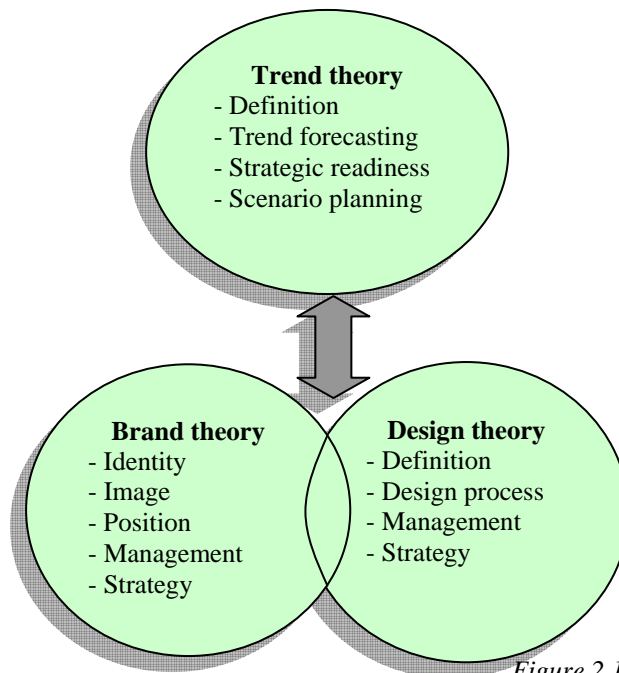


Figure 2.1.  
The study's theoretical frame

It is the authors' belief that both branding- and design theories are to some extent overlapping which is apparent when studying the theoretical framework. It is also obvious for the authors that both Design- and Brand Management have strong correlation, and contemporary management need to understand that these both should be integrated. There is furthermore a need to better understand trend theory, so that it can be implemented in both Design and Brand Management. It is also the authors' belief that there is today a lack of theory linking these together, which implies there is a need to examine and study whether there are possibilities to link trend theories closer to the other two.

## 2.4 Information gathering

It was important for this study to compare and conceptualise the theoretical field with the empirical reality. The purpose has also been to try to link together the different fields of theory and develop a conceptual strategy for businesses similar to the companies in the case studies. This means that the information gathering process on have been different to some extent depending on the use within the study.

### 2.3.1 Theoretical information

The theoretical information has been collected through literature and articles in academic journals. The latter have been found through an extensive search on the Library of Lund University's article database; ELIN. Furthermore, some searches have been conducted in specific journals' own databases. The literature has been gathered after both extensive searches with key words in library databases, but also through the expertise from our councils. It should also be stressed that the study itself works as a learning progress and some ideas and advises for new literature emerge as the study evolve.

The Interviews have been conducted with experts in the fields of relevance. Further information and insights has also contributed through less formalised conversations with trend consultants, brand- and design experts.

### **2.3.2 Empirical information**

Both primary and secondary empirical data have been collected and examined. Primary data have been assembled through a number of interviews with the management teams in the different case companies. They were selected after a screening process by the authors since they possess the necessary responsibility in each field. The interviews have been divided into two parts; one standardised part, where the data have been compared to the other interviews, and another more and flexible part, where it has been possible to penetrate interesting fields for deeper understanding<sup>6</sup>. It is the authors' belief that this approach has created a deeper and more valid empirical foundation for this study. The interview guide is presented in Appendix A, and was sent in advance as a preparation for the persons interviewed.

The secondary data has been collected through the companies' websites and information material, journals and magazines and, interviews with experts in the studied field.

To understand current trends has been especially important for the guiding of the study, i.e. to make it more contemporary and useful for implementation on businesses. The observations have included both passive and active involvement<sup>7</sup>, e.g. observations of trend reports and product innovations in interesting businesses, as well as both authors have a history of, and to some extent still work with, developing and implementing trend reports.

### **2.4 Empirical frame – choice of cases**

Three different companies were chosen to be studied in this thesis; Electrolux, H&M and, Sony Ericsson. In addition to these, a study of the Swedish Armed Forces' planning process was conducted, in order to gain more knowledge for practical use of scenario planning. The case study of Swedish Armed Forces has worked as a reference study, with both a theoretical and practical contribution to the thesis.

The choice of companies has been done with the help of a few different parameters. They should all meet the following criteria:

- They should produce or provide consumer products under a corporate brand.
- They need to be public companies, i.e. listed on a stock exchange.
- They should have a competitive market share.
- They should possess product portfolio with a need to be aligned with current and future trends.

This calls for a determination of how, and in what way, the chosen companies differ, in order to increase the holistic and conceptual analysis. Thus some parameters were chosen in order to identify the three companies that would increase the reliability of the result. This included different lead times for the companies' products as well as being active on different markets with different target consumers.

The final choice of the specific three companies was decided because of, as mentioned earlier, the perceived favourable coalition of the three. Furthermore information about these companies was easy to find, as they all are frequently written about and studied. Finally these three companies were all positive when being contacted, and thus the importance of having persons with high influence within the studied subject, and within the organisation were fulfilled.

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<sup>6</sup> Lundahl & Skärvad, (1992), *Utredningsmetodik för samhällsvetare och ekonomer*

<sup>7</sup> Holme & Solvang (1997), *Forskningsmetodik*

## ***2.5 The analysis process***

The analysis has been conducted by using the different theories in a so called tool box, which has served as a platform on which the empirical studies has been tested and applied. The purpose has been to determine both consistency and discrepancy between theory and practise. This has been filtered through a “black box”, which include several key variables that have been identified during the course of the thesis. The aim has been to be able to conceptualise the result from the different case studies, in respect to the overall purpose of the thesis. The conclusions have then been drawn on the basis of the analysis and identified key variables.

## ***2.6 Quality reflection***

Branding and design play an important part of the overall context in contemporary business management literature. The management field has also started to take greater interest in theories regarding trend, forecasting and scenario planning. The authors have identified a lack of consistency and correlation between the latter and the more mature theoretical field of branding and design. This is why it has been important to identify any contributions that show the implication of trend forecasting and scenario planning to gain competitive advantage, with design and branding as tools of implementation.

The practical implication will serve to create an understanding of success factors in forecasting and planning for future events. It will also create an implication of key success factors of how the internal process can maximise the outcome of trend forecasting and scenario planning in a company.

Since only three different companies have been studied, the result can only present a conceptual solution.



## 3 Theory

*This part will discuss contemporary brand theories, by first presenting a general definition of a brand before focusing on brand identity, brand image, brand perception and brand management. Later in this chapter the definition of design and design theories are discussed, followed by a discussion over design management theory. Lastly this chapter will present how trends are defined, how both trend forecasting and scenario planning work in theory and, will finish off by discussing implementation of scenario planning in a business organisation.*

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### 3.1 The Brand

*"Products are created in a factory, but brands are created in the mind."- Walter Landor, design pioneer<sup>8</sup>.*

A brand can be defined as; *a name, term, sign, symbol, or design, or a combination of these, intended to identify the goods or services of one seller or group of sellers and to differentiate them from those of competitors<sup>9</sup>.*

During the last decade brand management have become increasingly important and branding theories have been implemented on several different fields, e.g. human resources, branding of countries and regions, self-branding, etc. Thus the definition used above is somewhat too narrow to fully explain the wide use of brand theory. For simplicity reasons, this chapter will however be focusing on a brand through a traditional marketing definition and perspective.

In the today's business environment, the brand can and may also be under judicial protections through *Trademarks* and *Copyright* laws, and may also be legally protected by its recognition. However this thesis is not focusing on the brand itself.

The brand can create added value for a specific product or service, and the brand can create a perception of high-quality or other intangible qualities perceived by the consumer<sup>10</sup>. From a consumers' perspective it is important for the brand to act as an intermediary of image, identity and even a lifestyle. Thus the brand can be seen as a; *source of information, catalyst, guarantee, reducer of risk and creator of an image<sup>11</sup>.*

The brand itself can also include different functions for the brand owner; *as a holder of information, as a holder of identity, as a tool for positioning, as a competitive advantage and as a generator of growth<sup>12</sup>.* These aspects all illustrate the brand's importance for a company. With the brand as a holder of information, it means that the brand is a showcase for the product's hard facts, i.e. content, price and quality. The identity perceived through the brand is on the contrary usually based on emotional arguments. The brand will also help the company to position itself on the market and towards its target market. As the brand might grow stronger, it might create lock-in effects or other competitive advantages, especially because of higher influence on the distribution chain and better negotiation strength. Finally the brand may generate growth as it has the ability to create added value and will grow to be an important intangible asset for the company. Furthermore it is known that companies with

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<sup>8</sup> Brandweek (2000), *Brand Identity Equals Brand Value*, May 15 2000

<sup>9</sup> Kotler et al (1999), *Principles of Marketing*, p. 571.

<sup>10</sup> Armstrong & Kotler (2000), *Marketing – An Introduction*.

<sup>11</sup> Melin (1997), *Varumärket som strategiskt konkurrensmedel*.

<sup>12</sup> *Ibid*

strong brands are considered by financial analysts as less risky, thus a strong brand reduces the perceived risk for both consumers and investors<sup>13</sup>.

According to Kapferer (1998), a brand can deliver up to four levels of meaning<sup>14</sup>:

1. *Attributes*. The brand will first bring to mind the set of product attributes that are linked to a certain product.
2. *Benefits*. Secondly the attributes must be translated into benefits, as customers do not purchase attributes but benefits.
3. *Values*. Additionally the brand will tell something about the buyer's values, thus it is important to understand the target market values.
4. *Personality*. Finally the brand projects a certain personality, and the brand will therefore attract buyers with self-images matching that of the brand's image.

### 3.1.2 Corporate and Brand Identity

Corporate identity is; *the system of symbols, signs, decor, colour schemes and so on by means of which companies and organizations signal to the world outside the way that they wish to be perceived. The aim is often stated as to 'Create' a corporate image, but the reality is that corporate identity is only one of many factors which influence the image of the company or organization. It is, so to speak, a person's clothes and household decor rather than the personality perceived by others*<sup>15</sup>.

According to Aaker (1996), brand identity is; *a unique set of brand associations that the brand strategist aspires to create or maintain. These associations represent what the brand stands for and imply a promise to customers from the organization members*<sup>16</sup>.

Brand identity stands for what the brand is all about, that what gives it a purpose and that what makes it unique<sup>17</sup>. Thus brand and corporate identity becomes almost united when the products and/or services are produced under the corporate brand, and the brand identity will to high extension influence the corporate identity.

Furthermore it is important to understand that brand identity is something constructed, which can be changed over time in order to become more aligned to current trends<sup>18</sup>. Because brand identity is something that the management can change in order to develop new paths for a certain product or service, the purpose of the brand identity is to specify the brand's meaning, aim and self-image<sup>19</sup>.

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<sup>13</sup> Kapferer (1998), *Strategic Brand Management*

<sup>14</sup> Ibid p. 47

<sup>15</sup> Westburn Publishers Ltd Marketing Dictionary at: <http://www.westburn.co.uk/tmd/>

<sup>16</sup> Aaker (1996), *Building strong brands*, p. 68

<sup>17</sup> Kapferer (1998), *Strategic Brand Management*

<sup>18</sup> Melin (1997), *Varumärket som strategiskt konkurrensmedel*

<sup>19</sup> Kapferer (1998), *Strategic Brand Management*

When the buyer is choosing a brand, the buyer expects to receive the same experience as the first time the brand was chosen. Thus a successful brand is one which enables to embody the brand identity messages within all methods of communication as possible<sup>20</sup>.

### 3.1.2 Brand Identity vs. Brand Image

Brand image is; *the set of beliefs that consumers hold about a particular brand*<sup>21</sup>. The difference between brand identity and brand image can be illustrated in the following model (Figure 3.1)<sup>22</sup>. It defines brand identity as being on the sender's side, which can be changed by the company. The brand image is instead on the receiver's side, and thus harder for the company to change, as it originates from the receiver's perception. In short, brand identity precedes brand image<sup>23</sup>.

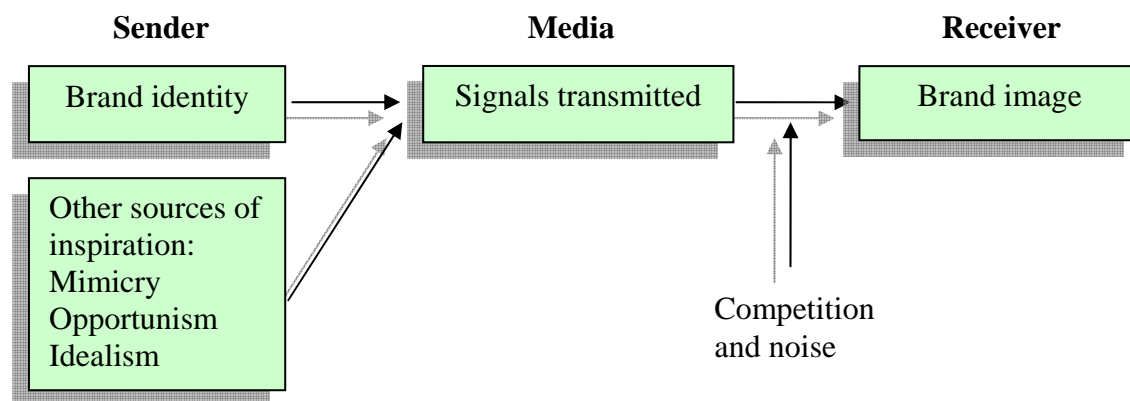


Figure 3.1 Identity and image

As the brand image may develop through product evolution, it is important from a brand management perspective that the brand identity is non-static. This can develop a great discrepancy between the new technology provided and the brand image perceived by the buyer, and the brand identity can therefore act as a reason for non-belief and the brand image will weaken<sup>24</sup>. So as brand image and brand perception becomes increasingly important and a factor for competitive advantage, it is important for a company to have a positive correlation between its brand identity and image.

More simplified, and according to Aaker, brand identity can be seen as the goal of the brand, while the brand image is the current reality of the brand<sup>25</sup>. The brand identity must be re-evaluated as progress is done. Thus Aaker perspective is somewhat too static and only to some extent describes the difference between brand identity and image, but it does not fully describe brand management involvement and possibilities to develop a stronger brand image. Therefore is Kapferer's identity and image model (figure 3.1) better to describe the brand managerial implementation.

<sup>20</sup>Kefallonitis & Sackett (2003), *Using feature design to showcase the corporate brand*, Design Management Journal

<sup>21</sup> Kotler et al (1999), *Principles of Marketing*, p. 256

<sup>22</sup> Kapferer (1998), *Strategic Brand Management*, p 95

<sup>23</sup> Ibid

<sup>24</sup> Kefallonitis & Sackett (2003), *Using feature design to showcase the corporate brand*, Design Management Journal

<sup>25</sup> Aaker (1996), *Building strong brands*

### 3.1.3 Brand Positioning

*A brand position is the part of the brand identity and value proposition that is to be actively communicated to the target audience and that demonstrates an advantage over competing brands*<sup>26</sup>.

If looking at branding in general as a process, brand positioning follows brand identity. The company needs to determine the market segment and market targeting before develop its positioning<sup>27</sup>. Before positioning the brand, the company needs to understand the target market, the competition and the brand identity.

To demonstrate further the defined difference between brand and brand position, it can be done by characterise the both with two different questions. The brand itself answers the question; “Who am I?” While brand positioning answers the question; “Why am I?” It is our reason of being, what the brand owns. Of course cannot brand position be created without a product or service, but it helps the market understand why the product or services is needed. Therefore effective brand position requires good understanding of the target market in order to become both relevant for the target market as well as differentiated from its competitors<sup>28</sup>.

Even if most brand theorists emphasise the models on brand identity and brand image, it is important to understand that brand positioning is essential for the holistic view on the brand. More simplified one can express brand expression by divide it into three elements, namely; *brand identity*, *brand personality* and *brand positioning*<sup>29</sup>. It is the brand expression which shapes the brand image or, differently expressed; the final user’s perception on the brand. This is why the brand position must be attainable, and not out of reach.

### 3.1.4 The Brand Identity Prism

According to Kapferer, the brand identity can by a company be defined through the use of six facets, and these will additionally also set the boundaries within which the company may change or develop. When putting these six facets into prism, it shows how all these are interrelated to form the brand identity<sup>30</sup>. The six facets and the brand identity prism are shown in figure 3.2.

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<sup>26</sup> Ibid p. 71

<sup>27</sup> Armstrong & Kotler (1999), *Marketing – An Introduction*

<sup>28</sup> Dougherty (1996), *Don't mix brand with position*, Brandweek

<sup>29</sup> van Gelder (2004), *Global brand strategy*, Journal of Brand Management

<sup>30</sup> Kapferer (1998), *Strategic Brand Management*

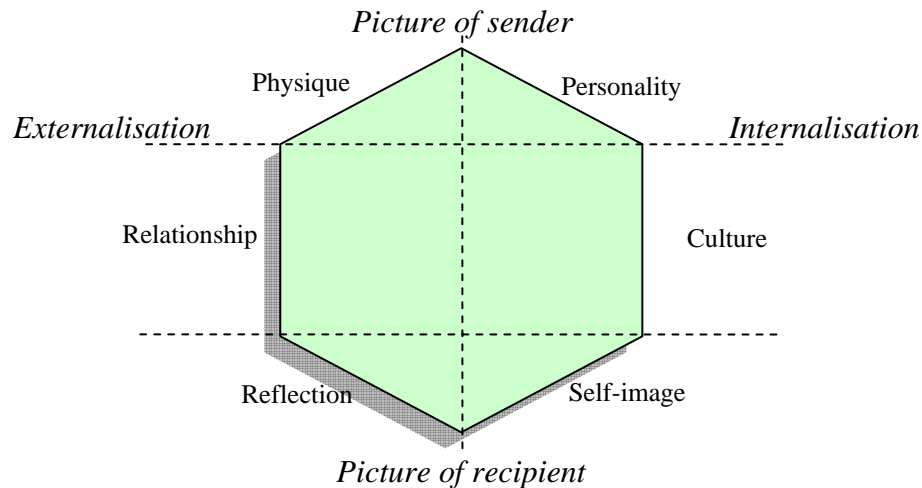


Figure 3.2. Brand Identity Prism

The six different facets or variables are, according to Kapferer<sup>31</sup>:

1. *Physique*. The brand's physical qualities, i.e. its appearance, what it do. The brand's physique is crucially important, but not enough to determine a brand identity<sup>32</sup>.
2. *Personality*. The brands own personality, its own character, built up by communication. Basically tells the respondent what the brand would be, if it were a person. The theories of giving the brand a personality relates to the 1970's, and the purpose is to give the brand a soul to which the consumer can relate to<sup>33</sup>.
3. *Culture*. A value system, a source of inspiration, from which the products derives from. A strong corporate culture can easily influence the brand's culture, e.g. IKEA, and therefore helps establish brand identity<sup>34</sup>.
4. *Relationship*. The brand sets a relationship between itself and the environment and target market. Relationship for the brand is essential for service providing companies and especially those that need high credibility, e.g. banks<sup>35</sup>.
5. *Reflection*. How the brand reflects on its target market, usually related to an idealistic picture. It differs from the brand's target, as it more describes the results of the consumers using the brand<sup>36</sup>.
6. *Self-image*. What the brand adds to the consumer's self-image. Reflection speaks of the consumers' external image, while self-image is instead what inner relationship the brand gives the consumer. What image it gives the consumer depends on what the brand communicates, as well what societal group is currently related to the brand or product. For example, when buying a Harley-Davidson, the buyer will enhance his/her self-image of belonging to a certain group of people.

<sup>31</sup> Ibid p 99-104

<sup>32</sup> Urde (1997), *Märkesorientering*

<sup>33</sup> Melin (1997), *Varumärket som strategiskt konkurrensmedel*

<sup>34</sup> Urde (1997), *Märkesorientering*

<sup>35</sup> Kapferer (1998), *Strategic Brand Management*

<sup>36</sup> Ibid

This Brand Identity Prism-model by Kapferer is interesting as it both consists of a theoretic as a practical value for the brand management theory and practice. It works especially well when analyzing brands on the marketplace and from the model explore what parts needed to work with. Giving the brand different emotional values have seen as especially useful when using focus groups to analyse the brand. Questions like; what kind of person would you say “brand A” is? They will easily be interpreted into the model to see if the brand image correlates with the brand identity. One might argue about the specific prism itself, and how relevant the opposite sides are and how they can be measured against each other. The use of *Culture* might be said to be less useful, according to Melin, as it cannot be applied on companies with a large brand portfolio that are to the consumer disconnected from the company name or corporate brand<sup>37</sup>. Thus it is more important to understand that the brand identity should be analysed from emotional perspective, not necessary using Kapferer’s six variables, both from the receiver’s (consumer) side as well from an internal perspective.

By understanding the brand’s values using the prism’s perspective, it occur to be easier for brand management to constantly develop a brand identity that lies within the market trends as well the perceived brand image within the target market. Brand management needs therefore to understand the importance to constantly evaluate the possibilities within the brand, and understand its strengths and weaknesses. When truly understanding the brand identity and image, brand management can get a feeling of what product and design development that will act as enhancer of positive values. Just as a company may work with constant physical development, the brand management should constantly evaluate and develop the brand identity.

### 3.1.5 Brand Identity System

Aaker have also a theoretical model for how brand management can evaluate and analyse the brand identity, called the Brand Identity System, and is a part of what Aaker calls the Brand Identity planning Model<sup>38</sup>. This model has several variables that are consistent with those of the prism-model, and it basically focuses on understanding the brand’s core and extended identity.

In short, the model shows how brand management needs to apply that perspective, which will represent those values the brand will stand for, the brand identity communicated. According to Aaker, the management can choose from four different perspectives; *Brand as product*, *Brand as organisation*, *Brand as person* and *Brand as symbol*<sup>39</sup>.

As Kapferer’s model is both easier and more relevant for our thesis, any further explanation of Aaker’s model will not be given. Interested readers will instead be referred to Aaker’s book *Building strong brands* (1996).

### 3.1.6 Brand Equity

Brand equity is; *the value of a brand, based on the extent to which it has high brand loyalty, name awareness, perceived quality, strong brand associations, and other assets such as patents, trademarks, and channel relationships*<sup>41</sup>.

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<sup>37</sup> Melin (1997), *Varumärket som strategiskt konkurrensmedel*, p. 136-137

<sup>38</sup> Aaker (1996), *Building strong brands*

<sup>39</sup> Ibid p. 78

<sup>41</sup> Armstrong & Kotler (1999), *Marketing – An Introduction*, p. 230

Brand equity is however very difficult to measure in financial terms, thus many companies do not usually list brand equity on their balance sheets<sup>42</sup>. The brand equity may therefore become a goodwill asset that can be highly valued.

Aaker explains the theory more explicit by defining brand equity as a set of assets linked to the brand, name or symbol. These assets create value in a variety of very different ways, and it creates value for both the consumer as for the company<sup>43</sup>.

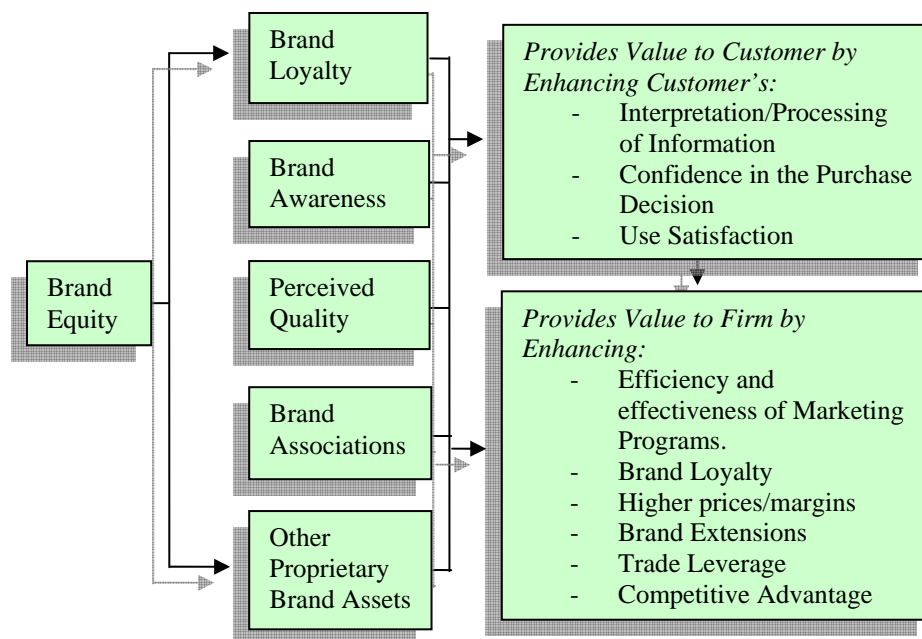


Figure 3.3  
How Brand Equity Creates Value  
(Aaker (1991), *Managing Brand Equity*, p. 17)

Aaker's model of the brand equity's different value creating parts have been criticised by its inconsistency. Melin (1997) discusses this and points out several flaws in Aaker's model. Melin (1997) points out that brand loyalty can be said to create value for the consumer, or is it not instead so that value created by the brand can create loyalty. Furthermore Melin (1997) points out that perceived quality is one of several brand associations, and seem to not deserve an individual part of the model<sup>44</sup>.

This discussion only emphasise the difficulties of creating a holistic view of brand equity, and new models need to constantly be created and revised. The brand creates value for the company, just as it creates value for the consumer. Initially it is crucial to constantly work with the brand, in order to gain competitive advantage and increase market shares. From this background we will now continue by focusing on the role of brand management.

### 3.1.6 Brand Management

Since Procter & Gamble became the first company to formalise and introduce the brand management organisation (actually product management) in 1929, the interest for brand

<sup>42</sup> Kotler et al (1999), *Principles of Marketing*

<sup>43</sup> Aaker (1996), *Building strong brands*, p. 8

<sup>44</sup> Melin (1997), *Varumärket som strategisk konkurrensmedel*

management has grown intensely<sup>45</sup>. As the brand have been experience increased role of the company, it is crucial to develop good brand management. The traditional focus of brand management has been on long-term, brand-building strategies targeting mass audience, while today's reality of the market demands short-term, sales-building strategies for more local or niche markets<sup>46</sup>.

Good brand management will understand what brands those are more valuable and stronger, and which those have the ability to build brands as strategic resources<sup>47</sup>. This is why the brand manager needs to be working with different tasks, in order to develop the necessary holistic view for brand development. According to Bureau (1988) the brand manager has four central roles<sup>48</sup>:

- *Market analyst*. Collect and analyse all available market data concerning the product. Develop a clear picture of the product's strengths and weaknesses.
- *Planner*. To plan future market activities, the brand manager primarily task.
- *Co-ordinator*. As a project manager lead and co-ordinate in order for market activities to happen.
- *Controller*. To monitor the product's and brand's progress on the market, understand the different variables and financial data, in order to be able to act quickly on market changes.

It seems as the brand manager has big responsibilities implementing the four roles of the position, but there have been comments that the brand manager usually operates on a level too far from top management and should instead be given more authority. According to Urde, the problem of brand management lies not in the system, but in the responsibilities given the brand manager, and he concludes that the brand manager should be given more authority within the organisation<sup>49</sup>.

### 3.1.6.1 Brand Management strategies

Brand management needs to constantly evaluate the product line as well as the brand extension. A good brand strategy must take a starting point from the brand perception, or brand image. Generally speaking can brand perception be categorised in three broad types; (1) *specialisation in the brand's domain*, (2) *reputation and*, (3) *Affinity*<sup>50</sup>. When management have a clear picture of the brand perception it can go further with deciding if the brand can be extended with new products or if the products category should be extended with a new brand instead. In the group of companies that we are focusing, i.e. corporate brands, it is not their strategy to develop new master brands, thus the practise of brand extension is crucial for future development. In the marketing theories, the matrix below illustrates the brand strategy choices for brand management:

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<sup>45</sup> Kotler et al, *Principles of Marketing*, p 117

<sup>46</sup> Ibid

<sup>47</sup> Melin (1997), *Varumärket som strategiskt konkurrensmedel*

<sup>48</sup> Urde (1997), *Märkesorientering*

<sup>49</sup> Ibid

<sup>50</sup> van Gelder (2004), *Global brand strategy*, Journal of Brand Management



		Product Category	
		New	Existing
Brand Name	New	New Brand	Flanker (Multibrands)
	Existing	Brand Extension	Line Extension

Figure 3.4  
Four brand strategies  
(Kotler et al, (1999). *Principles of Marketing*, p 581)

- *New Brand*. Especially an approach for companies that favour a multibrand strategy. It can also be the sum of a company entering a new-product category where the existing brand would not act as credible or favourable (an example is when Toyota entered the luxury car segment with its new brand Lexus, thus the brand image of Toyota would not be credible for that segment)<sup>51</sup>.
- *Flanker (Multibrands)*. The strategy for companies that deliver several brands within the same product category, which can be favourable as it reduces the risk on the corporate brand or the other brands in the portfolio<sup>52</sup>. However at the same time the new brands does not favour of the scale of economy one master brand cross the product range can offer, in form of perceived quality and brand loyalty.
- *Brand Extension*. Used when companies launch new products in a new category within the same master brand. The advantages for this approach is that it offers economy of scale, and advertising spent for one product will have spill-over effects on the brand's total product range. The strategy also helps companies building strong brands, as it becomes a core value for the company. However the strategy does not come without risks. Just as there are positive spill-over effects, there are negative ones as well. If the brand launches a product with lower perceived quality, it may result in negative effects on the whole brand and reduce brand loyalty across the product range. This effect usually happens when brands launches products in very different markets, which therefore differentiate from the brand image<sup>53</sup>.
- *Line Extension*. This is used when companies want to add an additional product to a product portfolio, under the same brand. However it does not come without involving some risks, it can especially erode the brand meaning – called the “line-extension trap”<sup>54</sup>. Two studies (Hardie (1994) and Reddy et al (1994)) have examined line extension and found that performance is related to three factors; 1. *The strength of the parent brand*. 2. *Similarity to other items in the parent brand*. 3. *The amount of advertising and promotion support*<sup>55</sup>.

<sup>51</sup> Kotler et al, (1999), *Principles of Marketing*

<sup>52</sup> Ibid

<sup>53</sup> Ibid

<sup>54</sup> Ibid

<sup>55</sup> Ambler & Styles, (1997), *Brand development versus new product development: towards a process model of extension decisions*, Journal of product & brand management

What Kotler et al (1999) does not focus on is the strategy of decreasing the number of brands, and also co-brand products instead. This strategy has the last couple of years experienced a growth as the product portfolio in certain companies have grown out of effective management. The strategy of reducing brands can analogy refer to brand extension, as the company put existing products with another brand under the parent brand instead. An example of this is Unilever that decreased its brand portfolio from 1600 to 400 brands in 14 different product categories, in order to be able to focus on the market leading brands and increase profit by building fewer but stronger brands<sup>56</sup>.

According to Aaker (1996), it is very important to be able to successfully leverage the brand, and this can be done in some different ways, all shown in figure 3.5. It basically describes the different strategies brand management can use in order to create larger and stronger business entities, as the brand usually is the most powerful asset that a company owns<sup>57</sup>. We will however in this thesis not further examine the different usage of Aaker's model for leveraging a brand, but only to comment on the slightly different approach used on what basically are the same different brand strategies. This highlights that brand management cannot easily be structured into general truth, but are instead much more of an organisational and personal skill within the company.

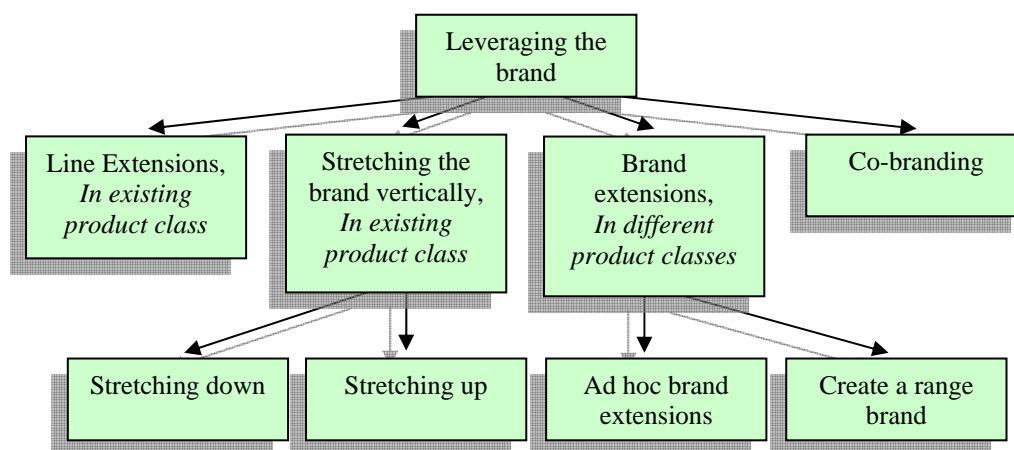


Figure 3.5  
Leveraging the brand.  
(Aaker (1996), *Building strong brands*, p. 275)

### 3.1.6.2 Consumer understanding in a brand management perspective

Consumer understanding and consumer behaviour is a huge field in the marketing theory, thus we will only in short recapture the central parts of this field and instead try to link it to successful brand management.

The consumer behaviour play an essential role in the building of a strong brand. It involves what brand the consumer chooses, for what reason and when the particular decision is made. This is why brand management involves a good market and consumer understanding, sometimes called consumer intimacy. Good consumer understanding helps brand management to segment the market, understand the target market and be able to spot changes on the market. Furthermore as we know from the brand theories, the brand helps building a factor of uniqueness on a product that otherwise is almost identical with the competitors'

<sup>56</sup> Melin (2004), *Den värdeskapande varumärkesstrategin*, Superbrands Sverige.

<sup>57</sup> Aaker (1996), *Building strong brands*

products. This is why it becomes crucial for brand management to understand the underlying factors of the consumers' decision process, especially in categories where the products become more and more identical.

Consumer behaviour can be divided into internal or psychological factors, and into external or physical factors. The internal factors involve the consumer's psychological core, usually sprung out of the consumer's *Motivation, Ability and Opportunity (MAO)*. The external factors are those that set the consumer's culture, e.g. age, gender, social class, social influences, values, personality, lifestyle, geographic influences, etc.<sup>58</sup>.

To understand the decision process of the consumer, the brand management can set strategies to develop more successful brand identity and positioning to create a competitive brand image advantage. This can easily be done by creating a perceptual map over the main competitors and the target market to understand what unexplored fields of the consumer's perception that can create competitive advantage<sup>59</sup>.

Recent study shows that not only can consumer behaviour be influenced by the product's brand, but also the company name or brand. This becomes increasingly important when focusing on corporate brands as well as on companies that are reducing their brand portfolio. Chen and Paliwoda (2004) have shown that; as the consumers' perceived risk increases, the more the consumer will choose not only a brand they can relate to, but more interestingly choose a company they can relate to. Thus the brand management implications are to use advertising to increase consumers' perceived risk and enhance brand difference. Furthermore the study has shown that brand management needs to get insight on how consumers judge the company's expertise, to enable composing effective message that claims uniqueness in a product domain<sup>60</sup>.

## **3.2 Industrial design**

There are many definitions of design and they are all dependant on the context in which the action of design is performed. The objective for this chapter is to present, define and evaluate theories of design relevant to this study. It has been divided into two sections: design theory and design management theory. The design section starts with limiting assumptions made by the authors in order to provide better insight for the reader and create streamlined background for the study.

### **3.2.1 Limiting assumption**

These assumptions are based on Jay Barney's resource based view of a company which acknowledges the importance of the employees' competence and the resources created within the organisation. Design is an important factor for all business decisions and this fact has caused the authors to make the following limiting assumptions:

- Design should be regarded as a core competence in a company<sup>61</sup>.

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<sup>58</sup> Hoyer & MacInnis (2000), *Consumer Behaviour*

<sup>59</sup> Dubois, (2000), *Understanding the consumer – a European perspective*

<sup>60</sup> Chen & Paliwoda, (2004), *The influence of company name in consumer variety seeking*, Journal of Brand Management,

<sup>61</sup> Svengren, (1995), *Industriell design som strategisk resurs : en studie av designprocessens metoder och synsätt som del i företags strategiska utveckling*.

- Design is a value adding activity that is measurable and therefore possible to manage<sup>62</sup>.
- There is a focus on product related design, so called industrial design, since it is most relevant in regard to the case companies and the purpose of the thesis.

The chapter is dependant on a small number of authors; this has a limiting effect on the validity of the content. On the other hand, the titles are academically recognized and frequently quoted in the field of design and management which compensate the initial lack of theoretical diversity.

### 3.2.2 Definitions of design

The word design is used to denote a number of different activities, which leads to difficulties when deciding how to use the term in a specific sense. The wide range and context makes design interesting but hard to use. Scholars debate the correct application of the term and the fields of relevance. The definition is therefore made step by step below starting with dictionary definitions.

#### 3.2.2.1 Dictionaries

Three English dictionaries have been used to capture a variety of definitions that can be of use and serve as a starting point.

The new Elisabethan dictionary defines design in the following way:

*...to contrive, to formulate, to project...to draw, to plan, to sketch out...to purpose, to intend, to devote or apply to particular purpose. And: ...a plan, a scheme,...an arrangement of forms and colours. ...Thought and intention as revealed in the correlation of means to an end.* New Elisabethan Dictionary, 1960<sup>63</sup>

The word can be used to describe either an action of thought and mind or an actual way of constructing a product or object.

The Oxford Dictionary continues and provides the following interpretation of design:

*The act of working out the form of something (as by making a sketch or outline or plan).*

This is a more concise definition that leaves less room for manoeuvre and focus on the conception of ideas and product shapes.

The Cassell Concise English Dictionary ends the odyssey within dictionary design definitions by recommending the following use of the word:

*Thought and intention as revealed in the correlation of parts or adaptation of means to an end; an arrangement of forms and*

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<sup>62</sup> Bruce, & Bessant, (2002), *Design in Business – Strategic Innovation Through Design*

<sup>63</sup> Ibid p.18

*colours intended to be executed in durable material. A preliminary sketch, a study; a working plan*<sup>64</sup>.

The dictionaries focus on product related design and the planning process of design, it is an interesting complement to the other three sources. They will all be used in the final definition for this thesis.

### 3.2.2.2 Definitions of the concept of design

This section explores the academic definitions of design and starts with the following quote in order to illustrate the width of the term:

*Design is a broad field covering many different disciplines. It can be viewed as a discrete activity, as a total process or in terms of its tangible outcome. Design can be viewed as a management function, a cultural phenomenon and as an industry in its own right. It is a means of adding value and a vehicle for social and political change. Design is defined differently in different countries with our understanding of it changing over time*<sup>65</sup>. The design Agenda

It is an action that touches many different fields and has implications within both business and society. Scholars define design as a problem solving activity often concerned with changing patterns of consumption, taste and commercial imperatives. Design is not only a process of constructing products and sketch drawings; it is also a potent way of conveying ideas and values<sup>66</sup>. Design can according to Cooper and Press be viewed as the output of a planned activity with the aim of creating something new for a specific purpose, not a random combination of elements.<sup>67</sup> This implies that a design process can be managed, which will be examined further in the design management section of the chapter<sup>68</sup>.

Design can according to some scholars be regarded as the application of human creativity to a purpose; a purpose of creating products, services, buildings, organisations and environments that are in line with peoples needs and demand. It is a controlled transformation of ideas into reality, and an activity that has been undertaken since the very beginning human ingenuity<sup>69</sup>.

To sum up and articulate the definition for the thesis according to the authors’:

Industrial design is the deliberate action of using human creativity in the process and pursuit of products adjusted to a need and demand in society. Industrial design is furthermore the combining factor between product, market, identity and strategy; connecting the company to the social *and* business environment of society. This makes industrial design a strategic resource that is important enough to play a leading part in the pursuit of long term competitive advantage.

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<sup>64</sup> Cassells Dictionary (1994)

<sup>65</sup> Cooper, Rachel and Press, Mike, (1997) *The design Agenda – A guide to successful design management*

<sup>66</sup> Bruce & Bessant, (2002), *Design in Business – Strategic Innovation Through Design*

<sup>67</sup> Ibid

<sup>68</sup> Ibid

<sup>69</sup> Ibid

### 3.2.3 Critique of the theories

Design is not easily defined, which creates a risk of being too generic when presenting the different theories. The purpose of the chapter is to define design and provide the reader with a sufficient background that enables a clear link to the empirical chapter. This has been done with and deliberately limited amount of literature and articles in order present a short but yet wide background. The definition might appear too wide but the aim has been to cover all aspects of design applicable within the frame of the case studies.

## 3.3 Design management

Design management is rooted in the notion that it is possible to manage the process of design. The objective of this part of the chapter is to illustrate the ways in which this is possible and effectively pursued according to the pursued literature.

### 3.3.1 Aspects of design management

The term design management implies that management tools and theories are applied on the creative and normally unstructured design process. A central theme of the book “Design in Business” is that good design does not emerge by accident, but as a result of a managed process<sup>70</sup>. Design management is a skilled capability, which entails the competence of coordinating resources in search of creative purpose – and at the same time creates and develops the structures and behavioural routines, to perform this on a consistent and repeatable basis<sup>71</sup>.

The overall objective of design management is therefore to lead and manage the process of product development by, among other things, emphasising the need for multidisciplinary teams for effective product and market development. It is also important to create an environment and organisation with the ability for fast product development, which can be crucial to a company’s success and survival<sup>72</sup>.

The term design management implies that the process of design can contribute to the overall strategy of the company. There are many indicators supporting this fact that links design to corporate strategy. Some scholars’ states that if strategy is about facing the challenges of the future, then the visionary potential of design have much to offer companies that are required to react to the changing values of our time<sup>73</sup>.

The objective of corporate strategy is to identify and establish a long-term competitive advantage for the enterprise. There are four main purposes of strategy; *setting direction*, *concentrating effort*, *providing consistency* and *ensuring flexibility*. Design has a recognised ability to contribute to the strategic goal of a company, especially on fast changing markets and technological environments<sup>74</sup>. Since most businesses are active in a physical environment that need to be designed; well designed buildings, interiors and physical distribution systems all contribute to the efficient operation of a business. The design is as a result of that part of the total communication of a company; something that all businesses need to do well especially in respect to reports, promotional and advertising material, videos etc. In short all

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<sup>70</sup> Ibid

<sup>71</sup> Ibid

<sup>72</sup> Svengren, (1995), *Industriell design som strategisk resurs : en studie av designprocessens metoder och synsätt som del i företags strategiska utveckling*

<sup>73</sup> Cooper & Press, (1997) *The design Agenda – A guide to successful design management*

<sup>74</sup> Cooper & Press, (1997) *The design Agenda – A guide to successful design management*

communicative channels and tools need to be designed and aligned with the brand. These features are measurable and can be managed in order to control an organisation and communicate with external stakeholders. This is unfortunately not recognised by most managers who therefore can not fully exploit the full potential of design management<sup>75</sup>.

### 3.3.2. The design process

There are multiple ways of describing the design process, many of them are linear and not very realistic, since new information can change the framework of the creative process at any given time and force the designers to return to an earlier stage. However the basic version is practical in providing insights of the most common phases of a design project. This model represents the internal design process and the way a designer normally tackles a problem. It does not involve the context of the designers output, the greater context of the designer working within an organisation that sets the boundaries and limits the room for manoeuvre on a creative level. The model does provide an easy overview of the common steps in a design process<sup>76</sup>.

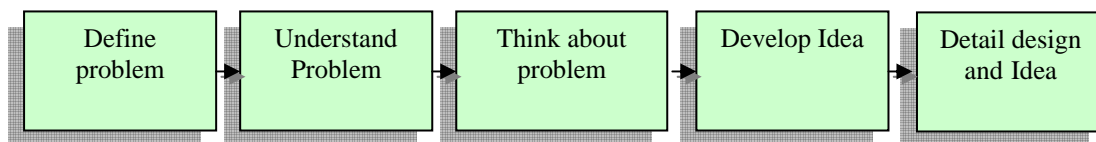


Figure 3.6. The linear design process

#### 3.3.2.1 Define the problem

There are several aspects to consider when preparing for a design project. It is important to define the problem in detail in order to find a good solution; this can be made by analysing the problem from an internal and external constraints perspective. There are two important factors to get right: First it is staffing, organisation and management of the project. Second is the preparation of product and project brief<sup>77</sup>.

External constraints are related to customers and competitors, which need to be taken into account. Customer preferences and buying behaviour are vital to recognize, how does the customers display brand loyalty and what determines their preferences? This can help to set the limits of the project. The competitor activities are important as benchmarks but not needed to blindly track since that would not lead to a beneficial market position<sup>78</sup>.

#### 3.3.2.2 The design process (generic phases)

There are three phases within the generic design process when describing it in detail. The bullet points below describe the design process in three phases.

- A planning phase – The initial idea is developed followed by an analysis of potential technical and market issues. The feasibility assessment, and last but not least the preparation of design brief to communicate the project constraints to the rest of the organisation.

<sup>75</sup> Oakley, (1990), *Design Management – A handbook of Issues and Methods*.

<sup>76</sup> Cooper & Press, (1997) *The design Agenda – A guide to successful design management*.

<sup>77</sup> Oakley, (1990), *Design Management – A handbook of Issues and Methods*

<sup>78</sup> Ibid

- A development phase – This is the detailed market and technical specification important for the product in order to meet standards and demand on the market, concept design, prototype development and testing, detailed design and production engineering.
- A production and sales phase – production and marketing planning, tooling, test manufacturing, trial marketing, full scale production, market launch and follow up.

The generic design process can be described in the following model<sup>79</sup>:

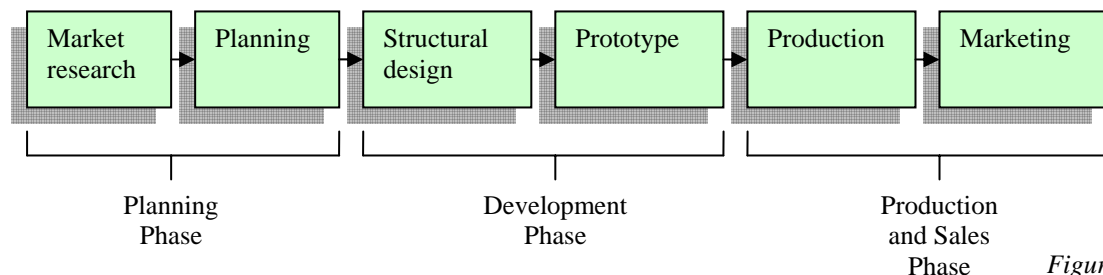


Figure 3.7

### 3.3.2.3 Design Brief

The design brief is essential to the success of a design project and is a direct result of the definition and constraints of the project; the brief specifies what has to be done and by whom. This is why the brief has been given a section of its own with the goal of emphasising the importance of a well prepared brief. The brief is generally divided into two parts:

- Product Brief: the new or customized product or service which is to be the result of the design exercise in regard to features, customers, costs etc.
- Project Brief: The detailed design project with the execution as far as time and resources are concerned.

The outline of the brief should be appropriate to the nature of the project, firm and industry which means that the amount of information available has to be sufficient to cover the need of the project group<sup>80</sup>.

### **3.3.3 Organisation**

The organisation of the design teams and the company in general is of great importance for the creation of a competitive corporation on the fast moving competitive markets of today. Many scholars suggest an integrated approach when organising for operational excellence internally- and externally. This can be performed with the help of cross functional teams working with a mix of employees from different functions within the organisation. This is presented in more detail below<sup>81</sup>:

<sup>79</sup> Cooper, & Press, (1997) *The design Agenda – A guide to successful design management*

<sup>80</sup> Oakley, (1990), *Design Management – A handbook of Issues and Methods*

<sup>81</sup> Bruce & Bessant (2002), *Design in Business – Strategic Innovation Through Design*



### 3.3.3.1 Team building cross functional team

The electronics company Philips is working with design from a cross-field-functional point of view, i.e. the product and product range are controlled by marketing vision, industrial design vision and engineering vision i.e. development and production. The products Philips generates are market driven as a result of the use of design as a bridge and combining factor for all functions of the company<sup>82</sup>. This means that the designer should participate in as many functions of the company as possible, in order to create cross-functionality and a dynamic exchange of ideas within the organisation. There is a model which illustrates this strategy called the rugby approach where all functions interact and integrate the company functions and is illustrated in the figure below<sup>83</sup>.

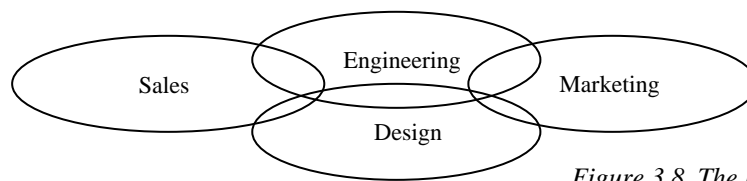


Figure 3.8. The Rugby Approach

The process is based on an “all phases at the same time” approach, problems and solutions are worked out simultaneously and ideas passed around between team members. The senior management puts up a specially selected team that is given broad goals and then hands off support<sup>84</sup>. This is in direct contrast to the generic design process and has many benefits. The product development phase can be done faster if the organisation is integrated and all phases are performed simultaneously as a result of coordinating advantages<sup>85</sup>. This enables a quicker product development which puts more products on the market due to reduced lead times and product life span; it is one explanation to the competitive advantage upheld by the Japanese under a long period of time. It is possible to do if the designer is involved in the process of development all the way<sup>86</sup>.

### 3.3.3.2 Design as a planning process

Design interfaces with engineering, market research and basic research to develop a product that exploits new technology to meet the needs of the market. The design process can be regarded as the process that “modulates, controls and encourages the innovative and creative inputs into business”<sup>87</sup>

The Fairhead Report, which examined the use of design for corporate culture, purposes illustrates the design process as:

*“the strategic planning of products, a process which collects information on markets, technological innovation and competitor activity, develops strategic planning on new product development*

<sup>82</sup> Svengren, (1995), *Industriell design som strategisk resurs : en studie av designprocessens metoder och synsätt som del i företags strategiska utveckling*

<sup>83</sup> Cooper, & Press, (1997) *The design Agenda – A guide to successful design management*

<sup>84</sup> Ibid

<sup>85</sup> Bruce & Bessant, (2002), *Design in Business – Strategic Innovation Through Design*

<sup>86</sup> Cooper & Press, (1997) *The design Agenda – A guide to successful design management*

<sup>87</sup> Ibid p. 40

*and specifies product performance characteristics, product image, production processes and allied performance”<sup>88</sup>.*

### **3.3.3.3 Success factors in managing the design process**

There is no generic strategy that will enable success from design management in business, but there are certain factors that will increase the probability of positive contributions and make a difference to the management of the process. Many of these factors are important for all businesses to blossom and not just design related organisations; however, only a small important selection is presented below since many of the success factors are of a obvious nature. The interested reader can turn to the book “Design Agenda” for a complete list.

- The top management needs to be involved and acknowledge the significance of design for the success of the company. Many of the authors within design management stress this factor since it is important for the company vision and strategies to be aligned in for effective implementation of design in all levels of business.
- There has to be an awareness of the market and customer inputs throughout a design project. The needs and wants of the customer should be the foundation of the business and it is therefore important to track the behaviour and actions of the market.
- A product advantage generated by good design strategies lead to differentiated unique benefits, superior customer value.
- Early detection of problems as a result of design planning process leads to less re-works. Designers should be used in an early phase of the process in order to avoid unnecessary problems and errors that will have negative implications in the long run and create delays.
- Overlapping/parallel working. Concurrent or simultaneous engineering aid faster development, while retaining cross-functional involvement. The use of cross-functional teams is of great importance for success.
- Cross-functional team working, involvement of permits different perspectives, use of team-building approaches can ensure effective team working and develop capabilities in flexible problem solving.

### **3.3.4 Integrated perspective of design**

Many of the authors advocate methods for integrating design in the organisation and all aspects of its operation in functional, visual and conceptual aspects. The three are presented in detail in the following section.

#### **3.3.4.1 Functional**

The common organisation of companies has historically been of a functional nature where different departments have specified tasks and duties. This has changed since the 1990s with the emerging of cross functional and multidisciplinary teams. The teams are composed as a small company in itself with all the competences needed to run a concept or develop a new product. It is not an over-the-wall approach where each function is isolated from the other<sup>89</sup>.

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<sup>88</sup> Cooper & Press, (1997) *The design Agenda – A guide to successful design management* p, 40

Fairhead, J. (1987) *Design for a Corporate Culture*, National Economic Development office, London

<sup>89</sup> Svengren, (1995), *Industriell design som strategisk resurs : en studie av designprocessens metoder och synsätt som del i företags strategiska utveckling*

The generic ways of acquiring competitive advantage has been through cost efficiency or differentiation<sup>90</sup>.

The integrated use of design early in the manufacturing phase can contribute to more efficient processes and profitable products as a result of the use of sketch methods, semantic analysis, and the use of models and the involvement of end users in an early phase. It is most of all the enhanced communication between the different functions that improves the result of the product development process<sup>91</sup>.

The challenge of the design function was greater during the 1990s than before, according to studies done at Hewlett-Packard. It created a shift towards focusing on the end user and, to use visual methods to communicate and interpret functional demands of the product. Design also needed to perform as a coordinator of product families instead of building a series of separate products. This implies that design has to be used in a broader way in order for it to become a strategic resource than just a mere method of differentiating<sup>92</sup>.

To summarise, the functional integration is all about the coordination and integration of design at the concept stage in the product development phase in order to take advantage of the potential of the design process in two aspects;

- Make the product development and production more efficient
- Achieve more creative solutions in tune with the market and target group<sup>93</sup>.

#### 3.3.4.2 Visual

Visual integration means that someone has the responsibility of coordinating the different design objects of the organisation in order to communicate a message of the vision and values of the organisation to chosen target groups. The needed departments are often separated in product-, information- and environmental design. The fragmentation leads to less correlation between the different functions and a mixed message between the different design products and unclear image of the company in the eyes of internal and external stakeholders<sup>94</sup>.

Many companies aim for a consistent design within communication with the help of graphical brand books and manuals, where the company packaging, promotion and other sales material are regulated. There should for better results rather be an integration of design in the processes and objects that visualise the company identity i.e. the mission and strategic concept<sup>95</sup>.

#### 3.3.4.3 Conceptual

Conceptual integration means from a design perspective that the vision is visually translated and integrated into the strategic concepts of the company. Design can play an important role as a catalyst for strategic change and evolvement A comparison should be pursued between object-, product-, information- and environmental design and the strategic concepts of the company. This can identify a need for change in the general business idea. It's a matter actually *seeing* objects rather than observing. There is a reason to believe that visual analysis

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<sup>90</sup> Grant, (1998), *Contemporary strategy analysis*

<sup>91</sup> Svengren, (1995), *Industriell design som strategisk resurs: en studie av designprocessens metoder och synsätt som del i företags strategiska utveckling*

<sup>92</sup> Ibid

<sup>93</sup> Ibid

<sup>94</sup> Ibid

<sup>95</sup> Ibid

can provide new perspectives and new action points. A visual analysis is however important to link to all conceptual processes of the organisation<sup>96</sup>.

A common aspect of the organisational solutions is the managerial task of establishing a fit between products and functions as Dumas and Mintzberg points out (1991:30):

*“Managers are designers in this regard because of their concern with the fit of product with context, the fit across different forms of design expertise, and the fit of these with the sister functions of production and marketing.”*<sup>97</sup>

The organisation can benefit from an effective interaction between the different departments through design as this quote illustrate.

### 3.3.5 Design and strategy

Design can be a key strategic tool and lead to the creation of superior products, inject life into mature markets or introduce new or adapted products to allow the company to diversify into more profitable markets. That is if it is used and managed in a beneficial manner, a summary of the key benefits from design investment are provided below<sup>98</sup>:

- Increase profit by increasing sales or by decreasing manufacturing costs.
- Increased market share
- Gain a competitive advantage
- Revamp mature and failing products.
- Provide a strategy for growth.
- Design is a way of launching a new product or service.

Design offer a differentiating possibility towards competitors and thereby counter the traditional advantages of size and scale economy. Consumers are often prepared to pay more for good design, which leads to an opportunity of generating economies of scope<sup>99</sup>.

As strategy can be a result of a flow of commitment decisions, it becomes easier to define the role of those who design products and services. Designers play a key role in providing firms with foundation for decisions making. If they are performing their proper function they open ‘doors of opportunity’. They help decision makers to explore alternative futures. The main task is to invent, discover and communicate ways to advance the collective sense making of what the firm is about to do next<sup>100</sup>.

Designers play three key roles as they open doors of opportunity. Firstly, designers *extend* managers’ notions of what is possible. Secondly, they *demonstrate* possibilities by making a glimmer of an idea into a proposal (for example by making a prototype). Lastly, they *fight* for their ideas, thereby shaking the foundation of the management decision making processes<sup>101</sup>.

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<sup>96</sup> Svengren, (1995), *Industriell design som strategisk resurs : en studie av designprocessens metoder och synsätt som del i företags strategiska utveckling*

<sup>97</sup> Ibid p.152.

<sup>98</sup> Bruce & Bessant, (2002), *Design in Business – Strategic Innovation Through Design*

<sup>99</sup> Ibid

<sup>100</sup> Ibid

<sup>101</sup> Ibid

### 3.3.6 Strategic Gateways

Design is most of the time about creating something new and innovative; this leads to risk taking when developing products and services. There is, however, always a component of uncertainty and a risk of something going wrong. Design management can be used for the purpose of managing risk by providing measurable mile stones along the way of the product development phase. The theory constitute so called “stage gates” or miles stones where a strategic assessment and progress be measured and controlled. The project can only “pass through the gate” when key technical and market issues are fulfilled. This provides a road map for the project by the identification of a set of “stage gates” along the project life span. This makes it easier to assign appropriate design skills, preparing briefs, project management, and evaluation within the design process. It affects the design process from being a route of gamble to a managed set of risks<sup>102</sup>.

### 3.3.7 Performance indicators of industrial design

*It pays to spend money on design, but it is important to spend early and carefully. The design phase of a new product development typically absorbs 15 percent of its budget, but commits at least 80 percent of its costs.* Bradley, 1997, p.424<sup>103</sup>

The performance contribution of design is difficult to measure since it is a function dependant on collaboration with other departments in a company. A measurement of commercial output like sales, profit margin, time to market or image change; may to a great extent depend on design in particular situations. It may also require contributions from several other activities such as R&D, engineering and/or marketing<sup>104</sup>.

There are limited research reports available in the field of design performance evaluation, but they indicate that evaluations are done in a qualitative and non-financial manor today. The extent of prospective and/or retrospective design performance evaluation seems to depend on several factors including; industry features, inherent risks and the views of top management on the reliability and value of performance measurement. It is especially dependant on whether product design and development has superiority over individual functions (such as R&D, design and marketing) in an organisation’s structure, management processes and reward system<sup>105</sup>.

Research carried out by Bruce & Bessant (2001) suggest that ex ante design performance measures are intended primarily to assist attainment of project objectives; consequently, definition of Critical Success Factors (CSF) precedes the performance measures<sup>106</sup>. This is why critical success factors vary depending on the industry structure and the nature of the business of operation.

### 3.3.8 Ex post evaluation of design performance

A design council survey (Design Council, 1999) suggested that the benefits of design to UK businesses are perceived to be in descending order:

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<sup>102</sup> Ibid

<sup>103</sup> Ibid p. 171

<sup>104</sup> Ibid

<sup>105</sup> Ibid

<sup>106</sup> Bruce, Margaret and Bessant, John (2002), *Design in Business – Strategic Innovation Through Design* p. 173

- Improved corporate identity
- Improved product quality
- Better customer communication
- Increased profits
- Greater success in entering new markets
- Reduced costs
- Improved internal communication

There is relatively little evidence of measures that qualify these perceived benefits and there are even fewer metrics that apportion the benefits to the various disciplines that the design process encompasses. There may be good practical reasons for not attempting to measure retrospectively the contribution of individual disciplines whose effectiveness depends importantly on close collaboration with each other.

### **3.4 Trends and scenario planning**

*“A trend is a trend is a trend  
But the question is, will it bend?  
Will it alter its course  
Through some unforeseen force  
And come to a premature end?”* – Sir Alec Cairncross

Trends are around us, everywhere in the society, evolving every second. People see trends in every single situation; a new fashion trend, a trend of warm weather during a month, stock values incline over a period of time, the trend of health consciousness, etc. Trends can be evolutionary, revolutionary or just shifts in our daily lives. But however the trend, it is important to understand how these evolve, what that drives them and what affect they have on the environment.

#### **3.4.1 Trends – our definition**

Even though most of us use the word *trend* in our common language, the definition is somewhat blurry and wide. Usually we define trends similar to fashion or fashion trends, and quite often fads are mistaken as trends. To be able to work with trends and trend forecasting, one must first fully understand and be able to define trends.

The dictionary definition of a trend is; *to extend or lie along in a particular direction; to incline; to bend; to have a general tendency or direction. [Noun], general tendency, bent, or inclination; mode, fashion*<sup>111</sup>.

When defining trends it might not be that important to narrow it down from trend as a general tendency, instead as we will discuss, it is more interesting for management to understand how they can forecast and plan for future trends – whether they are global environmental trends or local fashion trends. It is by our definition the business opportunities that comes from evolving trends that are interesting in this thesis. Thus we define trends as shifts that set new

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<sup>111</sup> Cassell Concise English Dictionary (1994)

standards, intangible or not, which have enough consistency not to be regarded as fads or that will evolve from a fad to a trend.

Trends can have different adaptation curves as well as different life cycles, which makes it hard to determine that will become lasting and growing trends from more volatile fads or even declining trends. A company with its managerial organisation and process often need to determine early what direction its development programme should take, making trend sensitive decisions extremely risky. We believe, that companies that are successful in capturing trends and thereby become more competitive also are organised to better forecast trends as well as implementing them. To understand the difficulties in forecasting trends, figure 3.9 shows the similarity between trends and fads in the initial stage of trend development and, it also shows the uncertainty of forecast the trends future development.

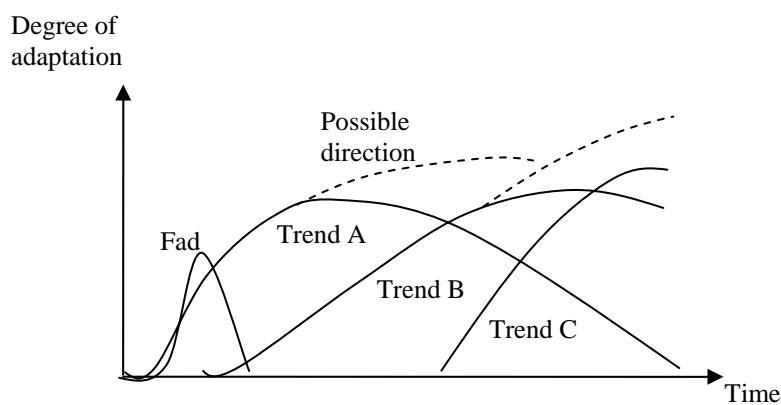


Figure 3.9 Random patterns of trends and fads

### 3.4.2 What is trend forecasting?

*“Forecasting is very difficult, especially if it is about the future.”*  
– Anonymous

The ability to read and understand the environment creates knowledge for ability to foreseeing future events, by analyzing the changes in the environment. That is, trend forecasting is not a theoretic field by its own; instead it can be defined from a broad field of different theoretical approaches. The literature can include definitions such as; business intelligence, competitor intelligence, market intelligence, scenario planning, strategic flexibility, to name a few. How it is defined origins from the usage of it in the military and political sector<sup>112</sup>.

When people talk of the future, they generally talk in terms of what they think will happen. But this is very seldom relevant as they tend to project thought of what people would like to see and not necessary what would in reality happen. Therefore one must when forecasting trends focus on changes in the present and analyse these for future occurrence. Lindgren and Bandhold (2003) show with figure 3.10 a number of factors that can be studied when conducting trend forecasting<sup>113</sup>;

<sup>112</sup> Hamrefors, (2002), *Den uppmärksamma organisationen – Från Business Intelligence till Intelligent Business*

<sup>113</sup> Lindgren & Bandhold (2003), *Scenario Planning – the link between future and strategy*, Figure 3.2. p. 56

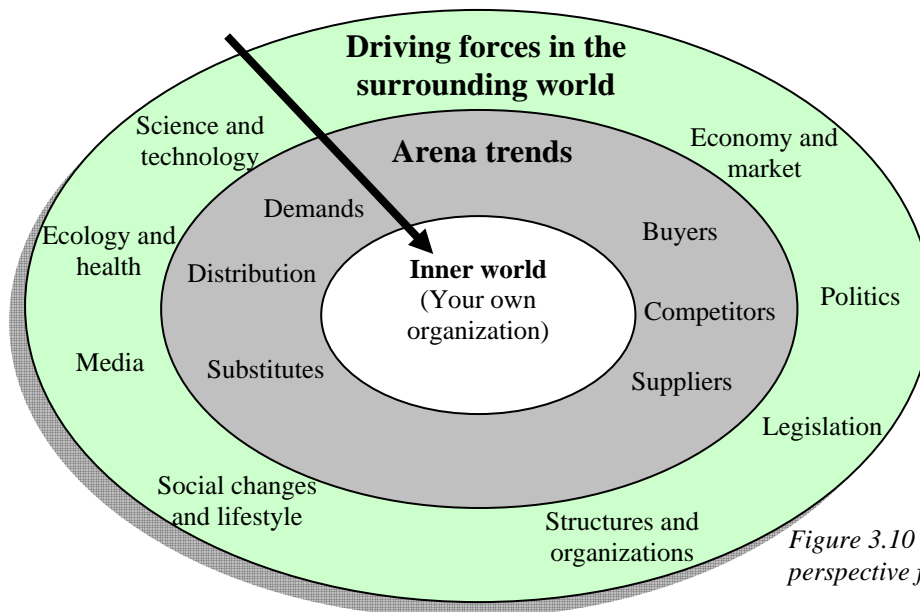


Figure 3.10 The outside-in perspective for trend forecasting

### 3.4.3 Trend forecasting in a managerial context

The future is filled with uncertainty, knowing what trends that will evolve and what trends that will not. But the uncertainty creates winners<sup>114</sup>. Thus the ability to see the future together with its potential is and would be, of course, a competitive advantage for a business. Even though it is by definition impossible to see into the future, the skill of predicting future events with low margin of error is highly possible and interesting for any business. In this thesis it would be next to impossible to be able to present all different models for conducting future predictions, it can somewhat be considered as an art with no true or false practises. However what more successful trend forecasting methods all have in common is that the core for prediction lies in John Naisbitt's (1983) words (the authors' translation):

*“The only reliable method of grasping the future is by understanding the present”<sup>115</sup>*

One can actually argue that the best trend forecasters are weather forecaster or financial analysts. The two professions have both in common that they use present data in combination with advanced mathematics to predict patterns in the nearby future, also including possibilities to risk manage the decisions based on these forecasts. A trend forecaster needs to be able to collect necessary data from the present environment, and be able to filter useful data from the information buzz. It is however important to acknowledge the need of several data and to be able to present different forecasts with different grade of possibility. It is in this moment the role of scenario planning becomes both interesting and crucial for successful implementation.

*“Relying on a single forecast of the future is not a very clever thing to do.” – Graham May, a principal lecturer at Leeds Metropolitan University<sup>116</sup>*

<sup>114</sup> van der Heijden et al, (2002), *The Sixth Sense – Accelerating Organizational Learning with Scenarios*

<sup>115</sup> Naisbitt, (1983) *Megatrends*, p. 12

<sup>116</sup> Director, (2001), *Prophet Making*, Section: Futurology, July 2001



Interestingly enough, it seems that companies working with trend forecasting and reporting are seldom questioned by their methods. Even though the methods for collecting consumer behavioural data are valid, there is usually a lack of validation in the analysis process. In an article in Brandweek; Alice Uniman (1998) is questioning the business of trend spotters. She is pointing at the uncertainty in these reports, of the impossibility of knowing what trends that will evolve in a heterogenic society<sup>117</sup>. The authors to this thesis believe that this is often the case, which emphasise the need of focusing on the internal organisation for forecasting and implementing trends in a business.

This implies that companies that are more successful than others have developed some internal competence, which enables them to be more precise in their trend forecasting. According to some scholars, this competence lies within the ability for an organisation to respond quickly and more effortless to abnormalities. The authors have chosen to call this ability in an organisation; *strategic readiness*.

### 3.4.4 Strategic readiness

For a company to be able to analyse future trends as well as implement these into the business, it needs to be organised in a way that enables both motivation and inspiration for change. This is defined by the authors as *Strategic Readiness*, i.e. the ability for the organisation to evolve and change without eroding its credibility or image. In a turbulent business environment the key performance drivers are, according to Lindgren & Bandhold (2003), the combination of robust business concepts and strategies in combination with a high degree of responsiveness<sup>118</sup>. This means that before a company can be successful in implementing future trends, it needs to have a well defined strategy and vision from which implementation can grow. Especially on an individual level, this is of great importance as it clearly defines the boundaries from which the managers can work within in order to not erode the brand image.

### 3.4.5 Scenario planning

Different scholars have defined scenario planning differently, but for which all have in common that they define scenario of not being equal to a forecast. Instead scenario may be described as the answer to questions like: “What would happen if...?” or “What can or will conceivably happen?” It seems as scenario planning is something closely related to strategic planning<sup>119</sup>.

A couple of examples of different definitions on scenario planning:

*“That part of strategic planning which relates to the tools and technologies for managing the uncertainties of the future” – Gill Ringland (1998)<sup>120</sup>*

*“A disciplined method for imaging possible futures in which organizational decisions may be played out” – Paul Shoemaker (1995)<sup>121</sup>*

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<sup>117</sup> Uniman (1998), *Perilious Trend – trying to spot the trends*, Brandweek, June 1998

<sup>118</sup> Lindgren & Bandhold (2003), *Scenario Planning – The link between future and strategy*

<sup>119</sup> Ibid

<sup>120</sup> Ibid p. 21

<sup>121</sup> Ibid

At the same time scenario planning is something that every human individually is conducting, it might be in the process of buying a new house where it is needed to understand what different possibilities that lies ahead and how the dream house can be purchased. When doing this we as humans think in terms of scenarios, and by this approach we might realise that in order to afford the dream house we need to move to a smaller and less costly option. Thus through scenario thinking and planning a person can make early decisions that are less profitable in order to achieve the larger objective later<sup>122</sup>.

Understanding that scenario planning is just as much a state of mind as it is a management tool for coping with changes in the marketplace, will help an organisation to be able to implement scenario planning into management. Scenario planning should not be considered as a tool, instead it is a toolbox including several different tools of reading and analysing the environment. With this in mind it is easier for an organisation to realise that the future is and will continue to be uncertain, thus more than one possible future scenario must be taken into consideration<sup>123</sup>. Therefore management need to be able to separate trend forecasting with scenario planning, as the latter is focusing on implementation if the future trends will evolve.

In order to easier understand the concept of scenario planning, the military literature of implementing strategies and battle tactics can be studied. Scenario planning has its roots in the military history, where the uncertainty facing military organisations have forced the military to use scenario planning in order to increase successful fast decisions on the battlefield. This is why history has taught war leaders that planning and preparations are crucial factors for success, as it increases the level of responsiveness<sup>124</sup>. Military officers are educated in how to be able to plan the battle in order to both understand best possible tactics and to be able to reduce the risk of bad decisions when the battle is over them. The planning process then include enemy intelligence, environmental analysis, own troops analysis, to name a few<sup>125</sup>. This emphasise the need of having different tools and sources in order to be able to map scenarios and the outcome of these.

Studying how military leaders gain this knowledge helps management to understand that scenario planning is also not about knowing the future outcome, but instead understanding how different chain of events will affect that possible outcome. The strategic readiness will therefore increase as more organised for the future an organisation is. Scenario planning will therefore provide a way to handle uncertainties. Military theories of the planning process will be further discussed later in this thesis.

### **3.4.6 Organising scenario planning in a business**

When a company want to organise the practise of scenario planning into the organisation, it is necessary to understand the underlying purpose of the practise. As described earlier, scenario thinking evolves from forecasting trends and future events. Scenarios should be created with a notion of the different potential future events, with the purpose to help management make decisions as well as be able to detect small events leading to the bigger scenarios. This is why the literature presents an outside-in perspective, where organisations first need to analyse the

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<sup>122</sup> van der Heijden (2002), *The Sixth Sense – Accelerating Organizational Learning with Scenarios*

<sup>123</sup> van der Heijden (2003), *Can internally generated futures accelerate organizational learning?*, *Futures* 36

<sup>124</sup> van der Heijden (2002), *The Sixth Sense – Accelerating Organizational Learning with Scenarios*

<sup>125</sup> Försvarsmakten (1995), *Arméreglemente del 2 Taktik – (AR 2)*

outside environment and macro trends before creating possible scenarios, one example being the process described in figure 3.10 by Lindgren and Bandhold (2003).

As both trend forecasting and scenario planning are quite complex management tools for trying to predict something that by definition is unpredictable, more companies need to develop methods for minimising future risks as well as increasing its strategic readiness. This will help the organisation to cope with fast changes on the market. Even though some general and useful methods have been developed for different companies at different market, one must be able to critically question the underlying reasons for these methods: Who has developed them? For what purpose are they developed? Is the method too general to have an impact on the company/market? Can these methods be successful just by implementing them or does the organisation need to be changed internally first?

The authors have chosen to present two different approaches for forecasting trends and scenario development; The Six Stages Scenario Planning Process and, the TAIDA™ method.

### 3.4.6.1 The Six Stages Scenario Planning Process

One general method for implementing a scenario planning process through six stages has been developed by van der Heijden (2002)<sup>126</sup>:

*Stage 1: Structuring the scenario process*

- Identify gaps in organisational knowledge, relating specifically to business problems with high degree of uncertainty about their future impact.
- Create a facilitation team, externally or internally.
- Decide on the duration of the scenario project.

*Stage 2: Exploring the scenario context*

- Conduct interviews with team members.
- Collate and analyse the results of the interview process.
- Set the agenda.
- Invite any “remarkable people”, those who can help the team challenge conventional approaches and attitudes.

*Stage 3: Developing the scenarios*

- Identifying the driving forces through structured thinking, test the outcomes, and handle complexity.
- Determine the impact and uncertainty levels for different possible scenarios. Filtering scenarios according to impact and predictability can be conducted through a diagram or matrix (see figure 3.11)

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<sup>126</sup> van der Heijden, (2002), *The Sixth Sense – Accelerating Organizational Learning with Scenarios*

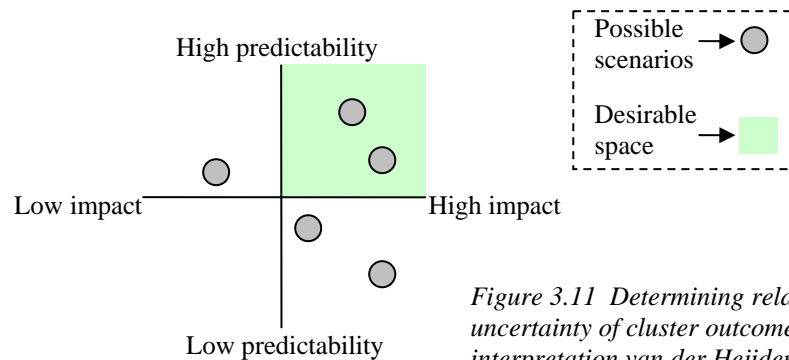


Figure 3.11 Determining relative impact and uncertainty of cluster outcomes (the authors' interpretation van der Heijden (2002) p. 207)

- Scoping the scenarios, that is to capture the essence of the end state and to discount irrelevant description.
- Fleshing out the storylines, creating a short history of the future by discussing the end states of the different scenarios chosen. This will open up the whole team's thinking and making them more alert to the future signals that can suggest a particular direction.

*Stage 4: Stakeholder analysis*

- Test your understanding of the business problem.
- Test the internal logic of your storylines.

*Stage 5: System check*

- Draw an influence diagram of the forces underpinning the scenario story. This can be described as an iceberg analysis, as you try to describe the events that are taking shape in the story and then specify the trends and patterns that are recognisable. When the "iceberg" includes the main features of the future story, a casual influence diagram should be drawn. This should then help management to identify different casual loops that close in upon themselves, i.e. effects of which have not yet been accounted for in the story.

*Stage 6: Impacting organisational thinking and acting*

- Stimulate the organisational "jolt", an opportunity or threat
- Identify the early indicators of events that may evolve later into new futures.
- Action plan from the future to the present.

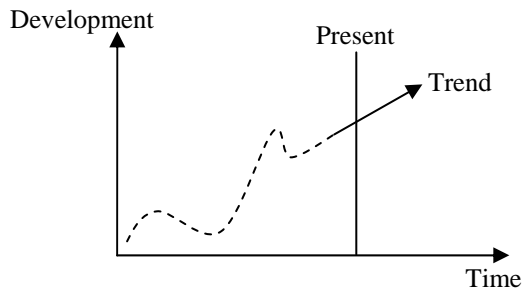
### 3.4.6.2 TAIDA™: a method for scenario planning

The other method presented in this thesis that can be used for the implementation of scenario planning into an organisation is a method called TAIDA™, which has been created by a Swedish consulting company called Karios Future. The TAIDA™ method may be easy to comprehend for an organisation, but must on the other hand be considered hard to implement because of its inability to explain the necessary internal considerations before any successful implementation of the method. The method contains of five steps<sup>127</sup>:

*Tracking:* To trace for changes and signs of threats and opportunities in the external and present environment. These changes in the present will be the focus for an organisation to forecast and determine future trends, illustrated in figure 3.12.

<sup>127</sup> Lindgren & Bandhold, (2003), *Scenario Planning – the link between future and strategy*

When trends have been identified these can be charted in diagram shown in figure 3.12 where they are being compared in regarding predictability and impact. Those with high scores in both predictability and impact will then be the cornerstones for the developing scenarios.



*Figure 3.12 How trend forecasting is based on observed changes in the present (Lindgren & Bandhold (2003) figure 3.3. p. 57).*

*Analysing:* This phase is about identifying driver and consequences in order to understand how the identified trends interact. At this stage the organisation also need to include an analysis of what conceivable actions from other players may affect the system of trends. This is all necessary in order to identify the uncertainties that the scenarios will be based upon.

At this phase the organisation should have identified several different separate trends. To achieve greater understanding of the future, the organisation now needs to do an analysis of the interrelationships between the trends. One easy way of conducting such an analysis is by drawing a casual-loop diagram (to compare with stage 5 in the Six Stages Scenario Planning Process).

It is at this stage the organisation should start building scenarios. The scenarios should be built upon the identified trends and the casual-loop diagram, and summarize a “certain picture” of the result of future events. It is important to take the time factor into account, thus the TAIDA™ method emphasises the use of a timeline when structuring up the different scenarios. This will then help the organisation to follow the development of trends as well as be able to detect any discrepancy between forecast and reality.

An easy way of build scenarios is by determining two different uncertainties and build scenario cross from this. This approach is, according to Lindgran & Bandhold (2003), as simple as it is profitable. A scenario cross is presented in figure 3.13. This method can be criticised as it simplifies a complex area of developing future scenarios only by focusing two different uncertainties, which also is identified as being interrelated. However it visualise in simple terms the need and advantage of developing scenarios as it increases the ability to spot uncertainties and discrepancies in the future development.

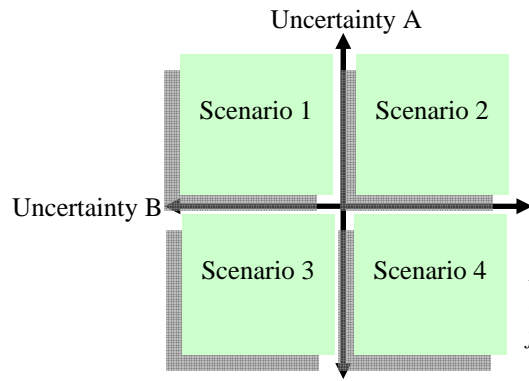


Figure 3.13 The scenario cross  
(Lindgren & Bandhold (2003)  
figure 3.9. p. 67)

*Imaging:* At this stage the organisation should identify the possibilities and generate visions of desired end state. As any other vision these will contain of two main components; it creates meaning and gives identity, belief, guidance and inspiration. Basically the *Imaging* stage about create positive visions and visualisations of the desired future around developed scenarios.

*Deciding:* This is the stage where it all is put together by deciding upon the collected information, and identifies choices and strategies. The authors (Lindgren and Bandhold (2003)) present several different managerial approaches for developing strategies for coping with the identified future forecast and scenarios. An organisation needs to have the competence for developing these strategies, but there are identified inputs to help the organisation. These include; trends, scenarios, core competences or other assets and, visions. When the organisation has developed strategies according to these inputs, the work should be focused on clustering these onto embryonic strategies, i.e. to be able to identify new patterns and develop a bottom-up strategy.

*Acting:* Setting up short-term goals, start acting and follow up on these actions.

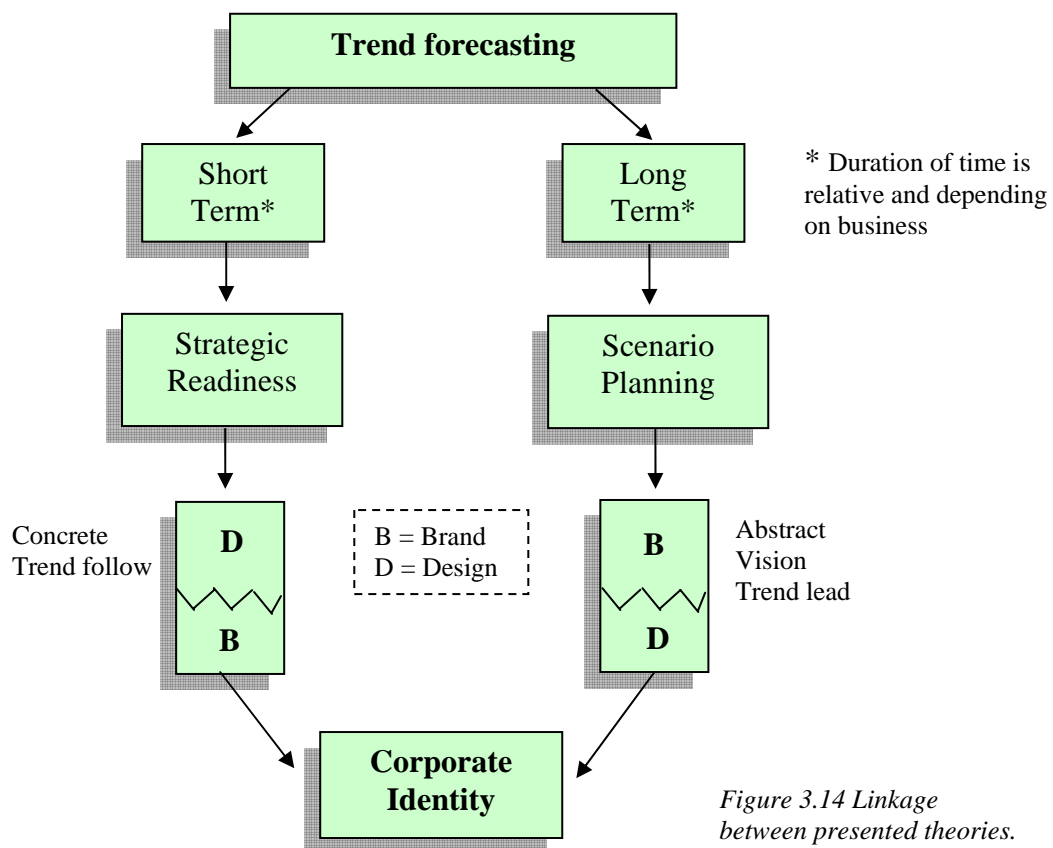
### **3.5 Reflection on chapter 3**

Chapter three has presented models and concepts applicable for this study. As the theoretical frame showed in chapter “2 Method”, both the theory of brand and design are to some extent interrelated. It is especially through the theory of corporate identity that these theories interrelate; where design visualises the product, the physical environment and graphics. Branding will enhance the corporate identity through conceptual and cognitive values, but also through more emotional communicated values. Design and branding both illustrate similar problems of image and identity, but from different perspectives. Contemporary brand management cannot function without design management, and vice-versa, as the market place has become increasingly visually driven. The brand is visual to a greater extent, thus design plays a crucial part of communicating brand values.

The last part of this chapter has presented contemporary trend theories, as well as discussing different methods for trend forecasting and scenario planning. As the theoretical frame visualised, trend theory do not have a clear association with brand and design theory, thus one objective has been to gain understanding in how these parts can be more integrated. The reader should try to take a moment for reflection; how the understanding of trends and future planning can contribute to brand and design management.

The links should be easy to identify, as design to some extent is a tool for following and creating, trends. As well as design, the brand plays both an emotional and rational part in the buyer’s decision process. Understanding shifts on the market can help the brand management enhance the brand image. This will then lead to stronger brand equity and value for the company. This is why a good knowledge of trend forecasting tools and scenario planning may help to create competitive advantage. The link established in this thesis between these fields is presented and discussed below.

### 3.5.1 The link between presented theories



This model summarises and illustrates the link between the theories presented in this chapter. It is important to define the scope and timeframe of the organisation when working with trend forecasting and the internalisation of trends. It is the first step towards identifying an effective strategy for the overall corporate identity.

### 3.5.2 The short term perspective

When product development for a certain product needs to be conducted with a short term perspective, i.e. in relation to the specific market and/or industry for that product, the linkage between the different theories will differ from a long term perspective. In a short term perspective the product development is depending on the company's strategic readiness, i.e. the ability to make fast adjustment within the overall scope of strategy. Trend forecasting plays the part of identifying present shifts in the market, and the strategic readiness determines the business value or implication of these. This leads to a trend following behaviour or strategy for the company.

The internalisation will be conducted differently in a long term perspective, i.e. a trend leading strategy, and instead the main tool for internalisation is conducted through design. The trend following strategy is visualised by design, and the brand will be a function of that certain design. These must be tightly related in order to keep the brand credible. These two, design and brand, will determine and be linked through the corporate identity.

### 3.5.3 The long term perspective

If the company has a long term perspective and products that demand a longer timeframe for development, then a clear vision and planning is essential for success. The long term planning



is especially important if there is an objective to become a trend leader. The design then needs to be in line with the core values to a higher extent. The design is a function of the brand that forms the overall corporate identity. The internalisation of trends needs to have a longer perspective and a planning process in order to decide the outcome of the corporate identity.

### **3.5.4 Trends to corporate identity**

The trends are internalised differently depending on the timeframe of the product development. The design and brand are influenced differently. The mix of brand and design determines the nature of the corporate identity and varies between the two alternatives. The brand is a function of design in the short perspective and the design is a product of brand in the long perspective. It is not a water tight correlation but it will be more apparent when analysed in the light of the different case studies presented in the next chapters.

### **3.5.5 The analytical model**

This model, where the identified linkage between presented theories has been discussed, will be implemented into the analysis of the cases studied. It will work as a concluding and uniting factor of the theories used in this thesis. It is a flexible approach since the model can be used from a trend forecasting perspective and planned forward; it can also be a form of back planning starting from the objective of strengthening the corporate identity with the use of branding and design as primary tools.

## 4 Case study: Swedish Armed Forces

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*"The plan itself is nothing but planning is essential."* – Lieutenant Colonel Tony Holmberg, Swedish Armed Forces

This chapter will describe the Swedish Armed Forces planning process, based upon empirical data and military literature. The military planning process is based on scenario planning. This theory can be analogical and applicable on business organisations and management which has evolved from military organisational forms. The case study will help the reader to achieve a deeper understanding of the advantages by provided scenario planning in an organisation. It is, furthermore, the authors' belief that the planning process theories developed by military organisations have high degree robustness towards fluctuation of management and organisational theories, i.e. have been developed by trial and error during a long duration of time. All of the military planning process theory can of course not be applied on a business organisation, which is why the presented empirical study have been modified in order to give sustainable level of application on a business organisation.

The bulk of this chapter is based on an interview conducted with Lieutenant Colonel Göran Moberg, chief officer for Joint Operations and, Lieutenant Colonel Tony Holmberg, Head Lecturer at Joint Operations. The interview was conducted at Royal Swedish Military Academy in Stockholm on the 13<sup>th</sup> of May 2005).

### 4.1 Perspective planning; a long-term approach

Perspective planning is a long-term planning process that uses a life cycle of twenty years. The so called *Idea perspectives*, is planned twenty years in advance, and depend on a discrepancy in development and change during its life time. In order to be able to target the Idea perspectives, other short term objectives are identified called *Target perspectives*. They can have a life cycle of up to ten years, and will help management to follow development and spot abnormalities and/or discrepancy. Both Moberg and Holmberg emphasises the importance of understanding the present first, and that the process is on going and never static. The long term planning can in business language be compared to the long term strategic and holistic planning for the entire organisation.

Games are, furthermore, used to play and test the different scenarios, in a manor that will increase the readiness within the organisation as well as identifying uncertainties in the present plan. It will help to evaluate the present organisation in the light of the identified future scenarios in order to take necessary actions and measures<sup>128</sup>.

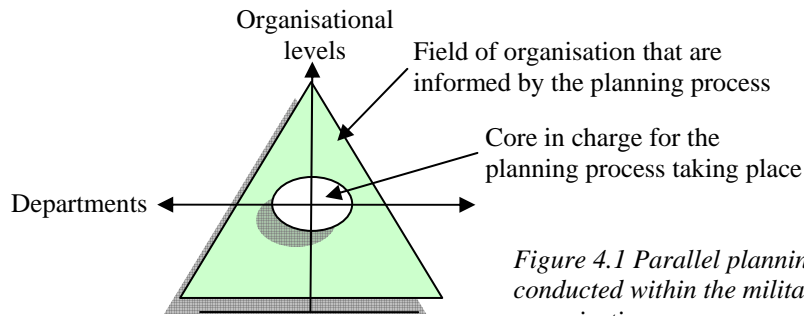
### 4.2 Operational planning and parallel planning

The operational planning process within the military may be useful for organisations to implement in a shorter perspective. The operational planning process aims to help officers on the battlefield to make both the correct preparations as well as fast decisions when the situation demands it, i.e. to increase the strategic readiness within the organisation. Moberg and Holmberg emphasises the process planning itself as a key factor for decision makers to increase their ability to both understand the future uncertainties as well as improving the identification of key factors in the environment that may change the operational outcome. Thus the process of planning, integrating several parts of the organisation with cross-

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<sup>128</sup> Försvarsmakten, (2005), *Doktrin för gemensamma operationer*

functional teams, will increase the competence of foresight among the members of the organisation. This is done by the use of so called parallel planning within the military organisation (see figure 4.1), i.e. cross the whole department as well as involving other departments and other levels of management. Both Moberg and Holmerg emphasise that the whole group need to understand both input and output, as well as understand what is considered as critical information for the whole campaign, in order to decrease a potential overflow of information.



*Figure 4.1 Parallel planning as conducted within the military organisation.*

This approach towards integrated planning process within the organisation is useful in order to achieve consensus within all categories. The gap of inopportunity will decrease if successfully implemented; this leads to better use of both physical and intangible resources.

### 4.3 The timing aspect between multiple planning processes

A strategic planning process may include numerous short-term operational planning processes, it is therefore necessary to understand the importance of the timing relation between these. All the minor operational processes must have been finished before a strategic procedure can be complete, otherwise a gap will appear. This is called a gap of opportunity, implicating the potential opportunity gained by a competitor, in the military vocabulary. Thus it is desirable to decrease any possibilities for gaps to occur. This means that management needs to be well integrated in all lower level processes, as well as these need to understand their part within the overall strategy. The planning process should preferably be conducted simultaneously at all levels within the organisation, i.e. both on strategic and operational level<sup>129</sup>.

A military example of where the implementation of a plan has been unable to decrease this gap is the US operation in Iraq 2004. The gap occurred as the military operation was finished, but the US government and the international allies had not planned for the creation of a functional society in Iraq after the actual fighting were over. The gap of opportunity increases with the absence of law and order, trained police forces and other societal necessities for the creation of a democratic state. This gap has been used by terrorists groups within the country.

### 4.4 Factors for successful planning process and implementation

The planning process is of high importance in military operations, the Swedish Armed Forces have tried to create standardisation systems for the procedure of conducting plans. The standardisation of procedures is a success factors, as it will help to both minimise incorrect handling of uncertainties, and support individuals in their decision process in a stressful

<sup>129</sup> Försvarsmakten, (2005), *Doktrin för gemensamma operationer*

situation according to Moberg and Holmberg. Another criterion for success is that all goals and development must be measurable and evaluated.

#### 4.5 The military planning procedure

It is, first of all, important to determine the warfare ability for any operation, which is done according to three different pillars shown in figure 4.2.

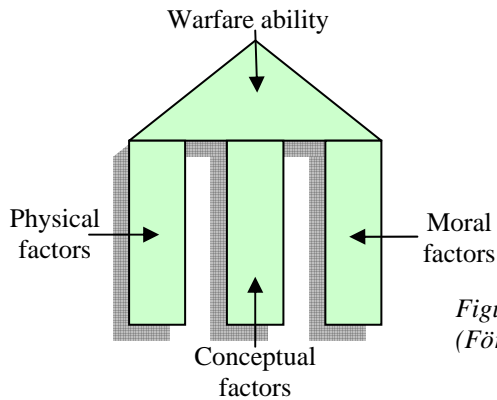


Figure 4.2. The three pillars determining warfare ability. (Försvarsmakten (2002), *Militärstrategisk doktrin*, p.75)

When translating the model for strategic management, the warfare ability can be described as the business and market ability for an organisation, i.e. determining what opportunities that lies within the business credibility and ability. The physical factors are determining what workforce, competence, distribution, etc, that lies within the sphere of the organisation. The conceptual factors are those that determine the business vision, policies, long-term strategies, etc. The moral factors determine the organisation’s will, leadership and values.

So before any planning can be conducted it is important for the organisation to understand all these three pillars, as they determine possible routes that are emphasising the strengths of the organisation.

When the greater strategic goals have been determined, the operational planning process begins (in the military vocabulary this is usually described as *Manoeuvre Warfare*). The planning begins by determining the organisational core values and then proceeds to describe the preferred end-state of the operation. This end-state should preferably be visualised and/or described in present terms, i.e. describing state as if it was already met. From this end-state a back-planning process begins, with the purpose of determining decisive points and goals as well as planning different operational lines of development (see figure 4.3). These planning processes will help management to take necessary action when critical points emerge, as the understanding of the operational development is greater than the goal itself.

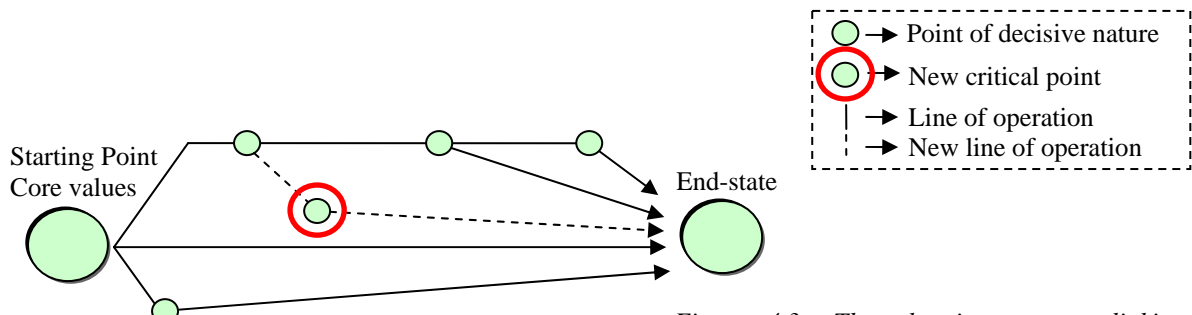


Figure 4.3.. The planning process linking together possible operations to reach the end-state. (Interpretation of Försvarsmakten, (2002), *Militärstrategisk doktrin*, p. 80 and 85)

Figure 4.3 describes the importance of the perspective of planning as an on going progress to gain future advantage and to handle uncertainties. After determining where the organisation stands today and the description of the end-state; the targets or points of decisive nature will be identified. They should be measurable and well defined beforehand. Then different lines of operations are identified that connects these points to the end-state. This creates a strategic map that visualises the different points of actions that can be taken in order to reach the end-state. But as described earlier, planning should be an on going project and therefore new points can be detected later in the process, and thus new lines of operations identified and added to the map. This way of visualising the planning process will therefore provide guidelines and a ability for decision makers to change point of action when identifying new possible routes to success. It helps management to achieve the most basic principal for successful operations; to take and maintain the initiative<sup>130</sup>.

In military literature, having the initiative leads organisations to be inside the competitors' OODA-loop (Observe, Orient, Decide, and Act). This means that the organisation can determine the course and outcome of the battle, which also could be applied in a market environment<sup>131</sup>. The OODA-loop can, in business management terms, be described as the competitors' planning process, and even business organisations may create advantages from getting inside the competitors' planning process. It would then enable the organisation to have the initiative in the market space, and create opportunities to become market leader. According to Holmberg, it is important to understand that having the initiative does not, necessary, imply taking fast decisions, but rather making the right decisions at the right time.

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<sup>130</sup> Försvarsmakten, (2002), *Militärstrategisk doktrin*

<sup>131</sup> Försvarsmakten, (2002), *Militärstrategisk doktrin*

## 5 Case study: Electrolux

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This chapter will aim to describe the Electrolux brand and design management, as well as how the company works with trend forecasting. The empiric data presented below has been collected from both primary and secondary sources, the latter being from articles in different journals. Most of the presented data have however been based on interview conducted with the management team at Electrolux.

The interview was conducted at Electrolux in Stockholm on the 11<sup>th</sup> of May 2005. The persons interviewed were; Sean Carney, Group Director Design and Brand Strategy; Mats Rönne, Vice President, Brand Management; and, Martin Hörnqvist, Consumer Insights Director

### 5.1 Historic overview

*“The Electrolux mission is to be the world leader in profitably marketing innovative product and service solutions to real problems, thereby making the personal and professional lives of our costumers easier and more enjoyable. This we will achieve through; a commitment to driving performance throughout the entire organisation; a commitment to innovation and marketing – to products and brands; a commitment to superior talent management; a commitment to the Electrolux way of doing things.” – The Electrolux mission<sup>132</sup>*

The company, then called AB Lux, was established 1901, producing the Lux lamp for outdoor purposes focusing on lighthouses. The first vacuum cleaner was produced in 1912 is, the Lux 1, an agreement was reached between Lux AB and Svenska Elektron AB in 1919, which later lead to the name change to Electrolux AB. The product line was extended to involve refrigerators in the early 1920s and later on including food processors, laundry machines, etc<sup>133</sup>.

With sales of SEK 121 billion in 2004, Electrolux is today the world’s largest producer of appliances and equipment for kitchen, cleaning and outdoor use. Every year the company sells over 55 million products in more than 150 countries. Electrolux has divided its product portfolio into two different business areas; indoor- and outdoor products. In 2004, indoor products accounted for 77% of the Electrolux Group sales and outdoor products for the remaining 23%<sup>134</sup>.

The market space have experienced a push towards low-cost products, threatening Electrolux market share on several markets during the last couple of years. The white goods sales have declined, especially in Western Europe<sup>135</sup>. Steel prices have inclined during 2004, which lead to lower margins for the company<sup>136</sup>. Management have proclaimed its strategy for strengthening their market leadership by cutting costs in production and distribution, create

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<sup>132</sup> [www.electrolux.com](http://www.electrolux.com), 2005-05-20

<sup>133</sup> <http://www.electrolux.com/node291.asp>, 2005-05-20

<sup>134</sup> Electrolux Annual Report 2004

<sup>135</sup> Olson (2004), *Electrolux fryser ut vitvaruchef*, Dagens Nyheter 2004-11-09

<sup>136</sup> Lindberg (2004), *Electrolux varnar och aktien faller*, Dagens Nyheter 2004-09-23

more efficient purchase processes, building the brand and by increasing investments in product development<sup>137</sup>.

## **5.2 Organisation**

The organisational structure is of extra interest for this thesis includes Electrolux work with branding, design and forecasting of trends. It was however clear during the interview that all these areas have a great impact and influence on the overall business, thus a lot of attention is given these areas within the organisation.

### **5.2.1 Brand management through cross-functional teams**

Electrolux used to work with brand books and brand pyramids etc, but did not consider these methods effective and comprehensible enough. The values of the company are translated into visual language in order to create better briefs, debate the meaning and, form a basis of products with clear market communication. It has also helped to set the creative framework for the designers making their task easier and aligned with the overall design philosophy and brand. Everything that touches the brands leads to an integrated approach.

Electrolux is organised in brand leadership groups at an overall level, which involves brand, design and PR, across 27 product lines and 20 different brands. There is therefore no traditional organised brand management, with one brand manager for each brand; instead they have implemented shared responsibility among different departments for the brand. They believe that brand management and the brand itself is what consumer believe, and should therefore be connected with different departments like Product line, Sales Company, etc. These cross-functional teams include different individuals from different departments, and this integrated approach helps Electrolux to be better in understanding market changes and future developments across all business functions. The company formerly used an over-the-wall process, where the innovation and design went from department to department, which added their perspective and competence without necessary understanding of the larger concept according to Sean Carney. With this relatively new concept of cross-functional teams, Mr Carney emphasise the fact that every member of the team understands the overall strategy.

### **5.2.2 Brand competence**

The position of the company, and its brands, is of great importance especially for internal use as mentioned above since it provides the organisation with a clear direction and vision. Some companies identify their target market to be across all market segments, i.e. a mainstream strategy for all segments. Electrolux choose to call this “the dead centre”. Electrolux believes that some segments have to be abandon in order to really succeed a clear and profitable brand position. The most effective way to communicate the brand to the consumer is to be fully aware of the brand internally, and then the products will speak for themselves. Product brands are evolving to corporate brands and will continue to do so in the future within Electrolux.

### **5.2.3 Design as competitive advantage**

Design has a central part in Electrolux’s organisation since it is a factor that can create sustainable value, brand loyalty and competitive advantage. Design is a corporate function within Electrolux, which indicates the importance of the function for the entire company. The design teams are divided into geographical origin and product lines with design studios on all major markets. There are some 170 designers employed globally within Electrolux. The

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<sup>137</sup> Electrolux Annual Report 2004

product development and innovation were design driven before, using an over-the-wall approach, but has changed to integrated cross functional team. All concepts are organised in cross functional teams which has helped to change the reference points for the industry.

The design strategies are also proactive when it comes to trends, and uses trend consulting agencies from time to time to acquire all what the competitors can buy. It is important to work actively with macro trends, which enable the integration and creation of consumer insight for the future for the company. For product development Electrolux uses so called empathic design approach, which means the conception environments and scenarios where the products of the future can be identified. This leads to an opportunity platform where a framework for the designers can be identified. Furthermore Electrolux aim to make design that is more focused on experience, through sensory ability, visual ability and sustainability. Thus Electrolux design process can be said to have a experimental focus.

The company has focused on making the design process as efficient as aesthetical appealing in order for Electrolux to be able to create competitive advantage through design, and thereby add value as well as price accordingly. Furthermore the Electrolux design aims to visualise the brand.

Mr Sean Carney emphasises three cornerstones for the Electrolux design process. First they need to understand internal competencies to determine what can and will work. Second the design need to add value to a product. The aim is to get the consumer to pay for what they want and, not what they need. Third, and last, it is important that the design will help to translate consumer insight to consumer experience.

### **5.3 Organised for consumer foresight**

*“[Innovation] is about understanding consumers' needs and desires, and how they differ, before these needs and desires have become articulated. Some people would call it consumer insight. We like to call it consumer foresight. But there is no magic to it - it's simply a matter of listening, observing and analyzing people's comments and responses. And then using experience and innovation to solve these problems in new and better ways.”*

– From Electrolux's official website<sup>138</sup>

There is a danger in being driven by consumers in design and product development since consumers are not aware of the possibilities and boundaries of current and/or future technologies, i.e. can not anticipate what they can not see. Instead Electrolux works with a consumer insight driven approach were they work as journalists when writing an article; gathering information and creating correlations and form a bigger picture. Electrolux can pick up on the referred future. This approach has been defined as consumer foresight by the company.

It is important to consider all factors relevant for the consumer that drives the development of life and behaviour of the target group. It can be parameters such as detergents, kitchen appliances, etc. A general overview of the trends valid within fashion, internal design, cars and the future world in general, is made, in order to identify the consumer environment and influencing parameters of daily life.

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<sup>138</sup> <http://www.electrolux.com/node436.asp> 2005-05-20



The codifications of the trends are carried out in reference to the brand characteristics, where input from the outside is filtered to ensure relevance and trust to the segmentation of the various brands and product lines. Electrolux is working with a global segmentation model which is updated on a regular basis. The trends are filtered through in order to achieve a story model applied to the different segments and product levels. The different product lines are influenced differently and the input is then of various relevance.

### **5.3.1 Scenario planning – a future tool**

It was obvious to the interviewed management team that scenario planning, if conducted correctly, may create guidelines for future products and product development processes. It has been implied that the top management at Electrolux use scenario planning to create scenarios for a future with a higher degree of competition<sup>139</sup>. There is no proper scenario planning process conducted at a product development level, although there is a will to apply the technique in a not too distant future, according to Mr Martin Hörnqvist.

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<sup>139</sup> Olsson (2004), *Möte om Electrolux framtid*, Dagens Nyheter 2004-12-20

## 6 Case study: H&M

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This chapter will aim to describe the H&M brand and design management, as well as examine how the company works with trend forecasting. The empiric data presented below have been collected from both primary and secondary sources, the latter being from articles in different journals. Most of the presented data have however been based on interview conducted with responsible person at H&M.

The interview was conducted at HM in Stockholm on the 13<sup>th</sup> of May 2005. The interviewed person was; Margareta van der Bosch, Design Director.

### 6.1 Background

The credo of the company is; “*fashion and quality to the best price*”, which makes the company a consumer champion much like the famous Swedish company IKEA. The aim is that the customer should be able to make bargain without compromising with the level of design.

H&M has evolved the past 15 years and elevated the ambition of the fashion and design; they have done so by employing a large number of designers and also hiring famous international designers from the Haute-couture scene. This has contributed to the elevation of the company image increased sales of the ordinary basic collection as well. Fashion shows are issued on key markets with the latest example in Central Park, New York. The design showed at these events can be linked to the use of concept design or products as a tool to enhance brand image<sup>140</sup>.

With the massive expansion of the past 15 years on an international basis, this has resulted in 1068 stores in 20 countries. The company uses around 700 suppliers for the production of the different collections on sale<sup>141</sup>.

It has been important to keep the culture within the company intact to keep the organisation together. They strive to do things better and work with the principle of working according to freedom within certain boundaries. This has also meant an improved product portfolio, in order to reduce the effect that in-house brands, e.g. LOGG and Conwell, are being confused to be external brand.

### 6.2 Product portfolio

The buy fewer quantities of the expensive collections since they are meant to create the niche products and elevate the brand, the other lines are more mainstream and larger in volume which lowers the risk of losing sales and money. The niche products have a high fashion character, a higher profit margin but less volume. The aim is to make sure there are new products available in the stores on a daily basis. The wide range of concepts will cover the majority of needs on the market.

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<sup>140</sup> Interview with Margareta van der Bosch

<sup>141</sup> The H&M annual report 2004

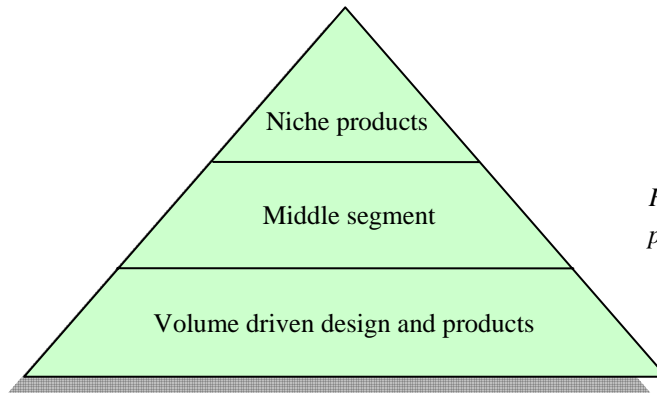


Figure 6.1. H&M Volume and product mix pyramid.

The different segments of the H&M fashion triangle represent the fashion style and preferred segment among the consumers. The base is the updated classics of volume character, the middle segment is the current seasonal trend interpretation, the niche products it the challenging high fashion that elevate the brand values.

The H&M collection is also divided into concepts tailor made to fit certain target groups but most of all different events and situations. Every concept is controlled by a so called cross-functional team consisting of the following functions<sup>142</sup>:

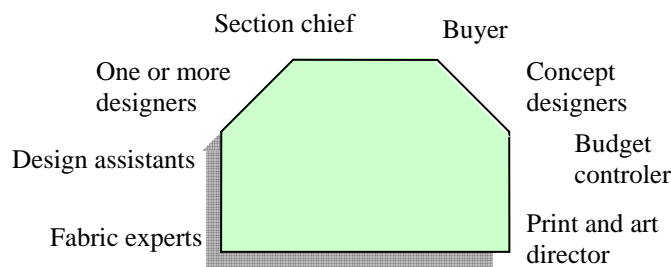


Figure 6.2. Cross functional team at H&M

The different teams use the triangle as a tool in order to create a balanced collection for every concept. There are 500 people employed with the process of designing the complete range for men, women, teenagers, children and cosmetics. The range includes everything from updated classics and basics to clothes that reflect the latest international trends apart from underwear sportswear, cosmetics and accessories<sup>143</sup>.

### 6.3 A trend forecasting organisation

The trend task force consists of ten people with representatives from the most trend intensive concepts, colour scheme experts, designers, and Margareta van der Bosch who are central to the trend forecasting team. The group is the creative filter of the organisation between the external stimulus available outside of the company and the trends they chose for the company to use internally in the final products. The trend task force compares information from trend books, magazines, fashion shows and all stimuli available in the “air around” the company. It is also matters of a certain level of continuity between the seasons since the same kind of trends are used as a basis of product development during an 18 months period. The gut feeling is more important than a structure of trend development according to Ms Margareta van der

<sup>142</sup> Ibid p. 23

<sup>143</sup> Ibid

Bosch. It is unwise to be too trendy since that would affect sales negatively. The lead time to market vary from three weeks to six months. The scope of the design is 3 seasons and a trend interpretation is normally used during a 10 months period<sup>144</sup>.

The actual trend forecasting process consists of initial garment fairs where the foundation of fashion is created through the trends and availability of different garments. The objective is to use this information to coordinate with sales figures, films, celebrities and other trend setters in order to understand the impact of temporal trends.

The intangible competence within the organisation can be regarded as high. The employees at H&M have a general interest in fashion and enjoy shopping and related activities. The designers are educated on an international level just as their colleagues in the more expensive fashion houses. The objective of the design director has therefore from time to time been to keep the designers on track. Many of the designers start in the organisation as design assistants in order to ease their way in to the culture of H&M. All of this should increase the competence of understanding present trends and forecast future trends<sup>145</sup>.

#### **6.4 Constant evaluation**

The follow up of sales and merchandisers is most important and serves as a way of identifying success- *and* failure factors. This is a major part of the improvement processes within the company. There are business graduates in the organisation to ensure that costs are kept at a minimum. The sales figures are monitored every Monday with accumulated data from all outlets around the world which provides the management group with a basis of decision. Apart from that, the lead time for most of the product lines is 18 months or three seasons<sup>146</sup>.

#### **6.5 Influence of macro trends**

There are macro trends within fashion as well as many other markets, the macro trends change are altered every season but basically stay the same over a long period of time. There are also many sub trends to take into account especially for H&M since the diversity is important for the multiple target groups of the company.

#### **6.6 Design methods**

The design methods are based on understanding the situations where the customer uses the clothes and the problems entailed with that. The same customer may need to buy different concepts, which is why no segmentation is made according to age or financial position; it is rather the context that is of importance. The assortment is not as vast as it use to be historically; the focus has instead shifted towards scope. It is more beneficial from an impulse shopping point of view<sup>147</sup>.

##### **6.6.1 Products and design visualise H&M**

The trend task force communicates the company interpretations of the current trends through mood boards and examples. These boards constitute the limitations of the company design and products. The H&M process of forecasting trends and implement these within the organisation is presented below (see figure 6.3). The model is an interpretation of the H&M

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<sup>144</sup> Ibid

<sup>145</sup> Interview with Margareta van der Bosch

<sup>146</sup> Ibid

<sup>147</sup> Ibid

process when internalising new trends and setting the boundaries of the design output of the company. It is the authors' own version of the process that emerged during the interview with the design director; Margareta van der Bosch. The model shows how the identified trends are filtered through the organisation, and how it divides into different concepts for different products. The last part of the model projects the assembled concepts and visualise the total product portfolio, and how it absorb the total spectra of identified trends. It is the total product portfolio that visualise the H&M brand.

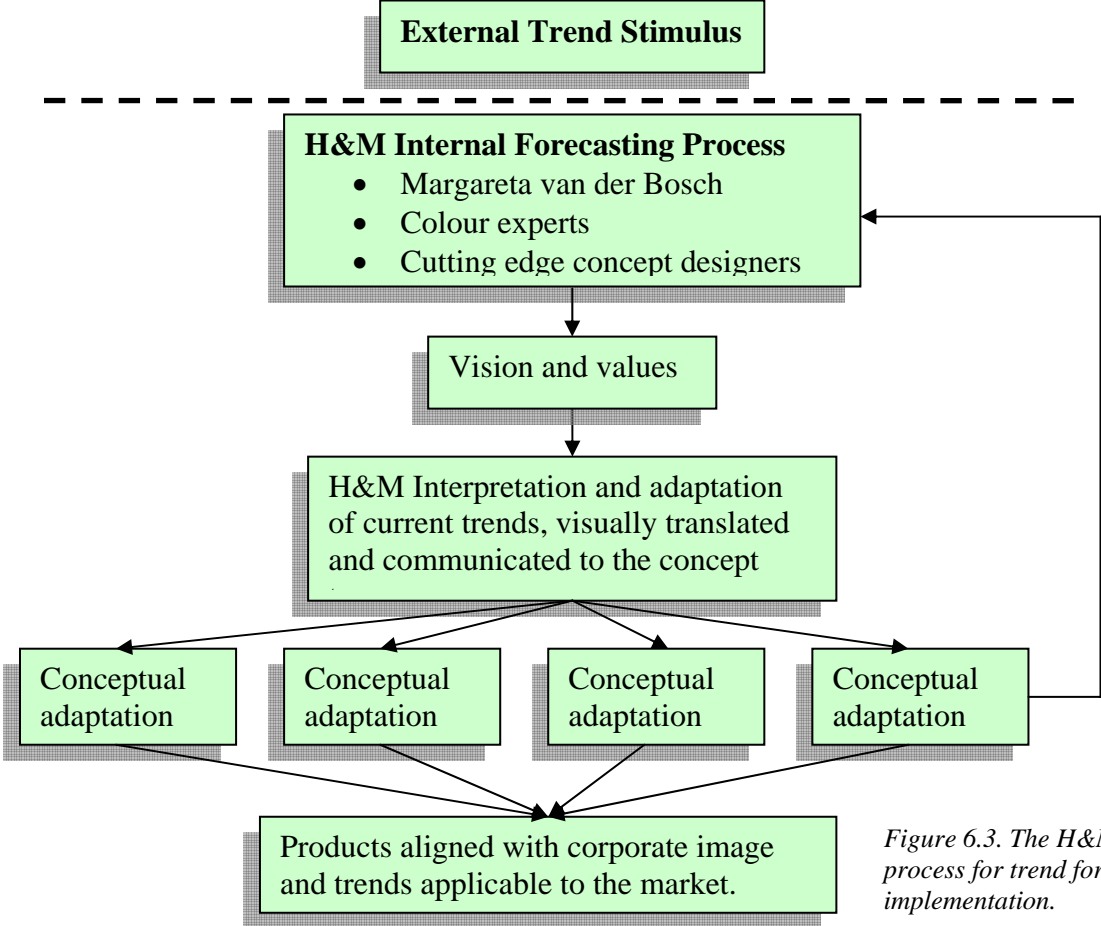


Figure 6.3. The H&M internal process for trend forecast and implementation.

## 7 Case study: Sony Ericsson

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This chapter aim to describe the Sony Ericsson brand and design management, as well as examine how the company works with trend forecasting. The empiric data presented below have been collected from both primary and secondary sources, the latter being from articles in different journals. Most of the presented data have however been based on interview conducted with the management team at Sony Ericsson.

The interview was conducted at Sony Ericsson in Lund on the 27<sup>th</sup> of May 2005. Interviewed persons were; Johan Karlberg, Business Strategist; Helen Key, Senior Manager, Graphic Design & Trends; Michel Saboné, Vice President, Creative Design Center.

### 7.1 Historic overview

Sony Ericsson was established in 2001 by as a partnership between the Swedish telecommunications company Ericsson and the Japanese consumer electronics company Sony Corporation. The company is partly owned by the Swedish telecommunications company Ericsson as one of three business areas; Mobile systems, telephones and other systems. Ericsson was in need of a strategic partner for their telephones in order to inject new life and innovation to the brand after period of hard times<sup>148</sup>. The company had severe problems in the end of 2000 and onward when the large corporation was “bleeding” as a result of the telecommunications business experienced difficult times and declining demand. The main competitor Nokia also experiencing the same problems but was coping better. However, business improved for Ericsson when a partnership with Sony Corporation was established<sup>149</sup>.

The company describes itself in the following way:

*“The products combine technology with innovative applications for mobile imaging, communications and entertainment. The net result is that Sony Ericsson is an enticing brand that creates compelling business opportunities for mobile operators and desirable, fun products for end users.”<sup>150</sup>*

Ericsson had difficulties to obtain profitability, even during the period after the merger with Sony. The company made positive financial results during the third quarter of 2003 after a couple of years of net losses<sup>151</sup>. Sony Ericsson is now, according to them, established as the world leader in design and innovation. It is above all the T610 model that has won design awards since its introduction on the market, e.g. Teknikföretagens stora designpris 2004<sup>152</sup>.

### 7.2 The corporate structure

The company employs around 5000 people on a global basis concerned with product research, design and development, marketing sales, sales, distribution and customer services. The

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<sup>148</sup> [www.sonyericsson.com](http://www.sonyericsson.com) 2005-05-23

<sup>149</sup> Ibid

<sup>150</sup> Ibid

<sup>151</sup> TT, *Äntligen vinst för Sony Ericsson*, TT 2003-10-15

<sup>152</sup> Telekom Online, *Sony Ericsson T610 fick Teknikföretagens designpris*, Telekom Online 2004-05-12

global management are placed in London and design/ R&D studios are placed in Lund (Sweden), Japan, China, the US and the UK<sup>153</sup>.

The over all objective is to be a cutting edge provider of applications, building partnerships with application developers and content providers. An example of this is the global strategic agreement with Sony Music Entertainment that provide the company with the latest in entertainment and content to the users.

All departments have a structure for tracking trends within their field of expertise; the different insights are then gathered by a central department. The actual strategy of trend implementing starts with a concept phase where different departments form cross functional teams with product, market and design departments in order to maximise the idea generation.

The process is often initialised with need identification for the future and then followed by the establishing of the different teams. It is a matter keeping the product portfolio up to date by making sure that it is diverse and cover all target areas on the market. The initial ideas can come from any and all departments, but the pursuit and development phases are done integrated in cross functional teams.

The input from different market channels and trend insight institutes are handled and processed by the company designers and visually translated to provide an easier communication to the rest of the organisation. These translations serve as inspiration to the different departments in regard to the future and materials of relevance and are used at different internal workshops.

### **7.2.1 Brand Management**

There is a variety of trends monitored at any one time but it is above all financial trends and market demand fluctuations that are of special interest. However, technological and material trends are covered in order to establish the limits for the design teams. Finally, a complete picture is created when the softer values are monitored through socio cultural trends in society. All trends are covered from fashion and mega trends on a regional level, present and for the future. All these factors are affecting the marketing mix in regard to the 4P of marketing Product, Place, Price and Promotion.

Sony Ericsson is aware of the significance of a clear brand strategy effectively communicated on an internal and external level. The employees always work according with the core values guiding principles; they are the foundation of all business decisions. The company is actively created and supported by individual reviews of every employee on a regular basis. The joining of Sony and Ericsson created a chance to emphasise and build a new organisation with a distinct focus on innovation and determination to succeed on the market. The design is based on the notion that all decisions are based on the core values and not temporal trends and fads.

### **7.2.2 Design Management**

Sony Ericsson wish to be on the inside of the consumer demand and inspire people with their design products and state their design intentions and philosophy on the corporate website in the following way<sup>154</sup>:

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<sup>153</sup> [www.sonyericsson.com](http://www.sonyericsson.com) 2005-05-23

<sup>154</sup> Ibid

*“At Sony Ericsson, design is about more than just a good looking product: it is integrated every step of the process – intelligent features, user-friendly applications, innovative materials and, of course attractive visual appearance. Design is the essential differentiator when comparing mobile communications products.”*

The design process is described in an overall perspective on the website. They claim to use an integrated approach when working in teams in order to maximise the input from all design fields. The actual design process starts with industrial designers developing the underlying shape of the product while human interface designers decide the graphical themes, icons and wallpaper for the screens. Colour and material designers creates the texture, materials and colours. The packaging is crafted by graphical designers. Designers participate during the entire design process<sup>155</sup>.

The designers are important for the implementation and communication of the trend perspective at Sony Ericsson. It is therefore important to provide the designers with a picture and an idea of the environment in which the products are to be used in the future. The trends are used to create a background and establish a picture of future.

### **7.2.3 Scenario Planning**

Sony Ericsson work actively with consumer-, fashion- and market trends and serve as an inspiration and tool for aligning the products with demand on the market<sup>156</sup>.

The company has products with different lead times since it varies from 3-12 months from idea to launch of a product. The product life cycle is 1-2 years but it depends on the geographical market, it can be as long as 7 years in India where the phones are passed on to younger relatives. This makes it important to be up do date with the needs and wants of the fast moving market. Sony Ericsson work actively with future planning as a tool for limiting the risks uncertainty and have for this purpose identified three different perspectives on planning: short range-planning with a timeframe of 1-2 years the mid-range planning with a 3-5 year time outline and the long-range planning perspective with a 10 year horizon<sup>157</sup>.

The implementation of trends in the business strategy is done with the use of a form of scenario planning. These help to paint a picture of the world where the products are to operate and be used in the future. The aim is to identify key success factors for the products based on the conditions and needs of the consumers and society at a specific time. The activity of trend tracking is performed in all departments within their specific area expertise. The input from the different departments are then accumulated in a central department in order to accomplish “economies of scale” and optimal output for the organisation. The future concept team then produces a document called “the world in 200X” which is the foundation for all departments such as R&D, Global Marketing etc and creates a cascade effect that extend the information in the organisation. The report is internalised at work shops within the organisation and a new document are prepared every year. This becomes the vision leading document for the financial, analytical and market segmentations. It is, however, important to remember that this document and report is based on assumptions.

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<sup>155</sup> Ibid

<sup>156</sup> Ibid

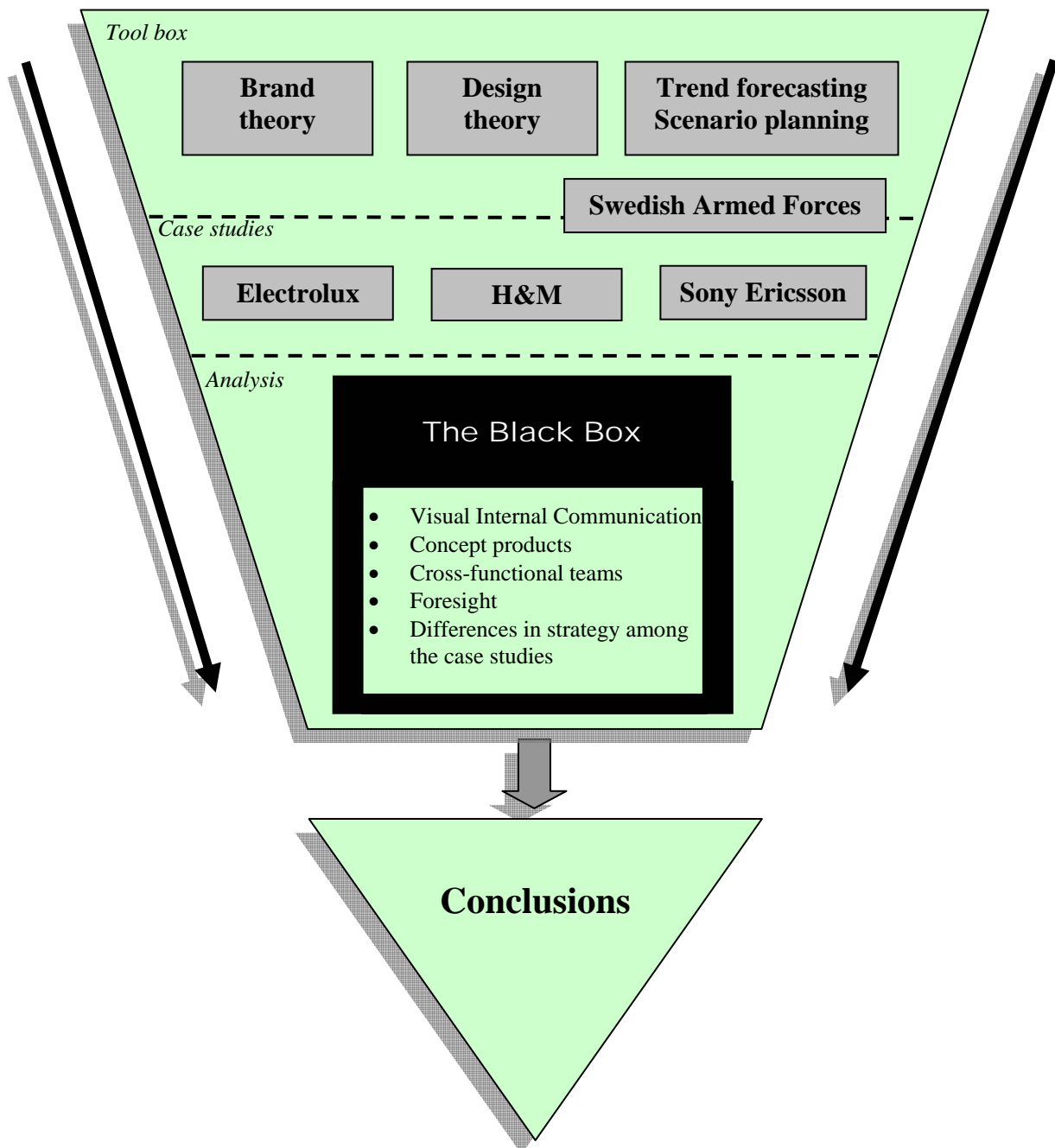
<sup>157</sup> Interview at Sony Ericsson May 26 2005



The designer has the role of a translating function permeating the vision of the future to the rest of the organisation by producing prototypes and creating models that project a feeling and direction for organisational user scenarios.

## 8 Analysis

This part of the thesis has the objective to synthesise and compare the presented theories with the empirical material gathered during the course of this study. The different perspectives that have emerged are analysed with a critical mindset in order to produce an inspiring analysis. The analysis has been divided into different topics, which are analysed separately according to a standardised structure. The different theories have served as a platform from which the empirical data from the case studies were examined. The empirical material were analysed with the help of the “black box” where different key variables have been identified to provide variety of perspectives. The theoretical model (see chapter 3.5.1 The link between presented theories) have been used to analyse the different cases in order to identify these variables presented within the “black box”.



The initial part of each identified variable is a brief literature review that is combined with the case studies. The last part compares the findings in order to identify a common ground for conceptual insights. Cross references will be made to the theory chapter in order to guide the reader through the analysis.

The analysis has been performed with the help of a so called "black box", where a number of variables have been identified as a result of the authors' assumptions, based on presented theory in reference with the studied companies.

## **8.1 Internal Visual Communication**

The integrated approach to design management stress the importance of the visual integration to establish a unification of the organisation on a both internal and external level. See the design management chapter 3.3.4.2 Visual integration.

Electrolux translate their core values visually in order to communicate it better within the organisation. It is especially important to translate the visions and design possibilities to enable better product development in line with present trends and brand management. The company uses concept products as a means of direction for the organisation, discussed in chapter 8.2 Concept products.

Sony Ericsson work with visual communication in order to provide a concrete vision of possible future designs within the company. The trend reports are translated into visual collages and prototypes in order to perform as inspiration at workshops and seminars; where new concepts and products are born.

H&M translates every seasonal trend and colour scheme into mood board presentations in order to create a unified output of the different concepts and product lines of the company. The internal visual language therefore plays a major role in the communication strategies on both internal and external level.

The studied companies have proven similar in many aspects when it comes to the use of a visual language for internal communication purposes. The strategy of internal visual language is similar or the same across all three case companies even though they have different lead times to market. The core values are translated into shapes and pictures in order to provide a better understanding and effective product development. It seems especially practical when it comes to the translation of trend forecasting reports and communication to the rest of the organisation. It can be mood boards, prototypes, conceptual products and similar artefacts that stimulate imagination and at the same define the creative limits of the organisation. This is in line with the theory of the importance of positive correlation between brand identity and brand image (see chapter 3.1.2 Brand Identity vs. Brand Image).

It is therefore reasonable to assume that visual translation and the use of design competences within internal communication help the establishment of coherent design output.

There is a difference between the companies in regard to the strategy of the internalisation of trend forecasting reports. Sony Ericsson and Electrolux use a structured approach and achieve good results on the market. H&M is, however, also successful on their markets but have a different method of internalising trend reports; the company is dependant on the design director Margareta van det Bosch which is the constant and creative leader of the company.

## **8.2 Concept products**

The use of concept products among the case companies has shown that it has become an important tool when used as an enhancer of the brand image and to break boundaries regarding product design. It is in line with the theories presented in the design management chapter 3.3.4.3 Conceptual integration. Electrolux use concept products in order to visualise the future strategy within a specific product line, which can be regarded as an effective tool for creating guidelines for different functions within the organisation. One, but minor, problem that emerged during the interview, is that the concept product have been launched internally long before the market oriented product is developed. This creates a lag between the markets excitement and the organisations mature view of the product. At Electrolux this can be related to the strategy of increasing consumer foresight instead of presenting consumer insight, thus it should instead be considered as an asset.

Sony Ericsson does not work with external concept products, according to themselves. However they use concept products internally in order to visualise the future within the organisation, product design helps to increase trend knowledge within the organisation. They also have complementary products, gadgets, which helps to enhance the brand image for the core products, mobile phones. These gadgets include; remote (Bluetooth) controlled camera on wheels, remote (Bluetooth) controlled miniature car, etc. The design and technological solutions of these gadgets may help Sony Ericsson to increase its brand image to a more trend wise appeal. Thus the next phone can be launched with trendier brand image than before.

H&M visualise the future trends with the help of collages and concepts internally. It is however the authors' perception that even a company like H&M can and is working with concept products. A collection can be regarded as a concept with the objective to influence the brand image development. One example can be the co-branded collection with Karl Lagerfeld in 2004 or other scheduled co-branded collections with Fiorucci and other brand image enhancing designers. This can be a result of the H&M strategy as trend follower concerned with the identification of fashion trends and translation of these into to low-cost products for everyday consumers.

It seems that a company with a well defined vision paired with a strategic readiness, can raise the brand image to new levels by strategically develop a concept product that is trend sensitive well outside the current brand image level (see chapter 3.1.2 Brand Identity vs. Brand Image). It will raise the image to a new and more trend following brand image (see figure 8.1), but only if this is done with an understanding of the risks and is followed up with more conservative products in the upper boundaries of the current brand image. It is important for a company to pursue an effective concept product development, which provides an internally communicated vision. It is therefore the authors' belief that the concept product can be an effective tool for a company to both increase its trend following strategy, as well as it can increase brand leadership for trend leaders. Furthermore the concept product can be a external or internal tool, depending on purpose and intentions. Externally it may have direct influence on the brand image, and internally it may have an indirect influence on the brand image since it will visualise future directions for the organisation.

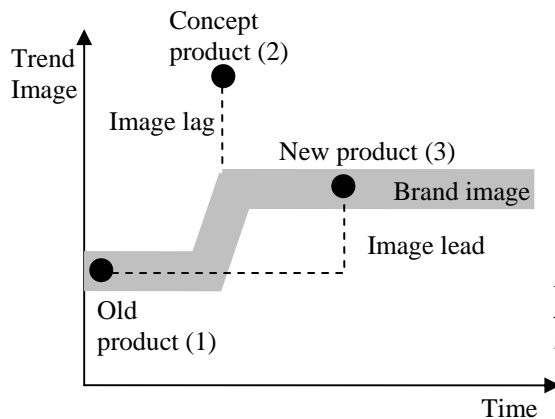


Figure 8.1  
How concept products can raise brand image.

Even if this approach may work in theory, the difficulty lies in the strategic readiness within the organisation. Not only to forecast the trends that will lift the brand image with a concept product, but also in an early stage being able to launch a new product within the now higher brand image before it will return back to the older image. Just as Kapferer discussed, concept products may help a company to create a brand identity to become more aligned with market trends (see chapter 3.1.4 The Brand Identity Prism). The authors have identified different examples of where companies have used this approach, more or less with a strategic focus but from where the result can be considered as successful lifting the brand image. Except Electrolux, Volvo Cars with their creation of the concept car YCC (Your Concept Car) can serve as an example. The YCC was designed by a group of eight women with a focus on feminine design and product details. These details, to name a few, included a keyless sensor that will open the door for when you have the hands occupied with bags, or an indicator that will tell the driver if the parking space is big enough to park within and other design solutions with practical details<sup>158</sup>. Volvo Cars have followed up this concept car with a drive of market communication that is clearly focusing on female buyers, thus the YCC have helped Volvo Cars move its brand image towards feminine values. This implies, according to the authors, that a company with a robust strategy and clear strategic vision can use concept products as a cost saving tool for lifting the brand image closer to an identified trend. In the case of Volvo Cars' it might have been to acknowledge the trend towards female buyers- and decision makers within the consumer car industry. To emphasise the success from which Volvo have had from the YCC; it has not only helped the company raise its brand image but also resulted in a design award (the Torsten and Wanja Söderbergs' award)<sup>159</sup>, in recognition of the innovative design.

The bottom line factor for the creation of a positive brand image enhancement by concept products seems to be; a clear and well communicated vision and strategy; a strategic readiness that creates possibility to react to market uncertainties and; a well defined planning process and trend forecasting.

### **8.3 Cross-functional teams, the integrated approach for future development**

The organisation of cross-functional teams has been used and advocated in design management theory for long and is not revolutionary in any way (see theory chapter 3.3.3.1

<sup>158</sup> <http://www.volvocars.com/AboutVolvo/ConceptLab/> 2005-05-23

<sup>159</sup> Artsman, (2005), *Kvinnobil vann stort designpris*, Svenska Dagbladet, May 6th 2005

Team building cross functional team for a closer overview. However, the actual use of this organisational form is not yet as obvious.

Electrolux used to be organised in a traditional “over the wall process” where the different functions worked separately in a sequential manor. This approach resulted in a technology driven development instead of consumer oriented design solutions. The company has now altered the organisational structure towards a cross-functional solution, which Electrolux believe is more effective. The outcome is more competitive products with a high technology standard and an appealing design.

Sony Ericsson also uses cross-functional teams and has been successful in their markets with such an approach. The company uses an integrated approach from the beginning, in the so called concept phase. The combination of design, marketing and technology specialists has demonstrated good results during the course of the brief company history. The ideas originate from a need in the product portfolio; since Sony Ericsson has to be able to offer a range of products that correspond to the demand of the market and competitor actions. The business risk will then decrease if a variety of employees participate in the idea creation and concept development, since more conceptual ideas can be conceived.

H&M has been working with cross-functional teams for a long time and organise the company around the different clothing concepts offered in the total collection. This strategy has proven effective since the fashion industry need to be in tune with market and current trends to a greater extent, because of the short lead times to consumer, (see model in chapter 3.5.1 The link between presented theories). There are, however, some concerning factors regarding the integration between the teams since the trends task force are depending on the knowledge and leverage of the design director Margareta van der Bosch (see the H&M case study 6.3 A trend forecasting organisation). The company faces severe difficulties in the event of losing her centralising capability.

All three case companies use cross-functional teams to integrate brand management, design, technology development, sales, product line, supply chain, etc, into the development process. The blend of professionals from different fields and departments increases the input and creativity of the project team. The companies can reduce the risk of product development with this organisational method and avoid being too technology driven. This affects the output and products in a positive direction in terms of shorter lead times, less manufacturing flaws and better products. Another thesis report<sup>160</sup> of similar character also concluded that cross-functional teams are a key success factor in order to maximise the use of brand- and design management as effective tools in an organisation. It can however not be enough stressed since the benefits are obvious both in a theoretical and practical sense.

#### **8.4 Foresight – lookout for the future**

All three studied companies do in some extent work actively with forecasting trends. Understanding the present situation is crucial in order to forecast future events (see chapter 4.2 Operational planning and parallel planning) as the Swedish Armed Forces have shown. Electrolux have chosen to call this approach consumer foresight, as it refers to understanding the consumers’ needs and wants in a future scenario. Before doing so, Electrolux need to have necessary information about the present consumer behaviour in order to create these

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<sup>160</sup> Andersson, Pettersson, Rudenschiöld (2002), *Design - en förmedlare av varumärkets identitet*.

foresights. It can be compared to the theories of strategic gateways presented in chapter 3.3.6 Strategic Gateways.

Some differences have been identified between the studied companies, and these become interesting to study. H&M seem to be more casual in their approach of forecasting future trends, as well as plan for consumers' future behaviour. Several aspects may be the underlying factors for H&M not being as formalised and strategic in their future planning. One factor might be that the fashion industry has more of a trend following nature than trend creating, even though this can be argued depending on initial perspective. A second reason can be that the lead times for H&M are shorter than Electrolux and Sony Ericsson, as well as H&M products are much more volatile. One further reason might be the organisational culture within the company, but it is not an issue for this thesis, see chapter 3.4.3 Trend forecasting in a managerial context.

It seems as if both the nature of the product and industry, as well as the specific lead times of the product, determine the risks and opportunities given to trend forecasting and scenario planning. If the lead times are long, the risk of having focused on wrong consumer trend is greater. If the products are fewer and where design provides competitive advantage, consumer foresight is essential for success. The case studies also imply that the bigger the risk, the greater the need for a formalised planning processes. Thus the military planning process for scenario planning can be favourable for a business organisation to follow. For a closer description see chapter 4.4 Factors for successful planning process and implementation.

Furthermore it seems to be effective to formalise the trend forecasting and planning process within the organisation. Sony Ericsson has a corporate function that is responsible for trend forecasting and to distribute information about future trends throughout the organisation. At the same time this information must be handled by the different departments, which once again illustrates the importance of an integrated organisation. There is, however, a risk that information is interpreted differently among the departments. Sony Ericsson uses design to clearly visualise the future possibilities with identified trends, and sometimes even creating an internal concept product to enable the employees not only to visualise the future but also touch and feel it. When listening to and analysing the chosen companies, it seems that an important factor in their work with trends and scenarios is the ability break conventional thinking. This is described in detail in the design management chapter 3.3.4.2 Visual integration.

## ***8.5 Differences in strategies among the studied companies***

All three companies have different organisational approaches for how to forecast trends, and how to implement these into the brand and design process. Electrolux use, for example, highly integrated teams where all functions contribute in all stages of product development, whereas H&M has a more hierarchical approach of filtering down identified trends through the organisation. Sony Ericsson can be said to be somewhere in the middle of these approaches, with more integration than H&M but with a more hierarchical trend forecasting organisation than Electrolux.

This can be a result of the different lead times for their products. As been discussed earlier, the risks become larger when the lead times increase. That is, it becomes more important for Electrolux to identify correct trends than H&M, since H&M will be able to adjust and potentially save the brand image with the next collection only three months later. Surely the risk is big at H&M as well, but the development time is much shorter and a too formalised

organisation might be less effective. However, it can still be argued that the current trend forecasting and planning organisation of H&M is too dependant on a few experts. It should be of great interest for H&M to increase the “organisational memory” and include more employees in the process, so that any losses of individual experts can be handled without compromising the brand. One aspect that has not been discussed is the market position of H&M that can create the opportunity to create fashion trends within chosen market segments. It is not within the scope of this thesis to speculate around these matters.

The different companies can be analysed with the use of the theoretical linkage model (presented in chapter 3.5.1 The link between presented theories), which is demonstrated below.

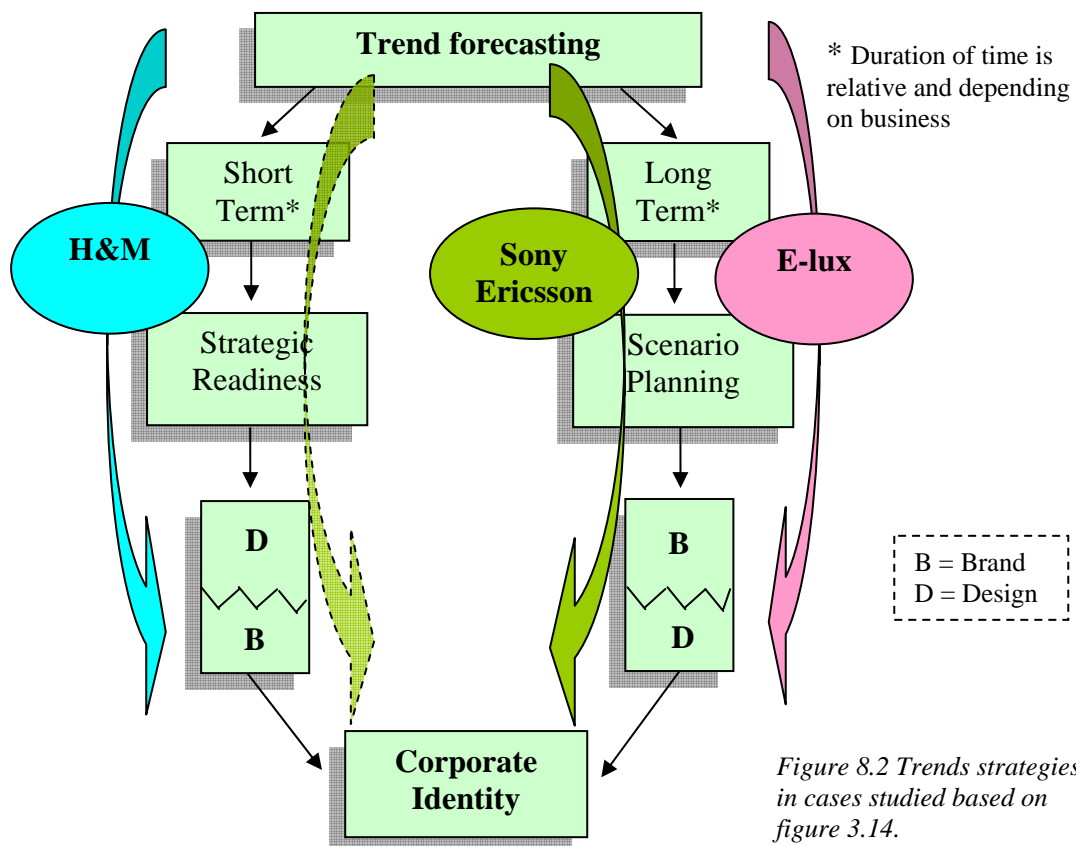


Figure 8.2 Trends strategies in cases studied based on figure 3.14.

This model aims to capture the identified differences between the companies in their process of internalising trend forecasting in their product development process, based on the analysis conducted in this study. The model shows that H&M and Electrolux uses two different approaches, which implies the different needs depending of product portfolio and market which they operate within. H&M have more of a trend following approach, where identified trends are filtered through the organisation to create the new H&M fashion. This means that the organisation and strategy of H&M is focused on a strategic readiness to develop and implement new fashion trends, and by that strengthening the H&M brand image and position. Design plays a crucial part of the H&M strategy, both in implementing fashion into low-cost segment clothes and by internally visualising the identified trends.

Electrolux have a different approach, they need to be the trend leader on several of their markets in order to compete against low-cost products. Design play a crucial part in visualising the brand image that Electrolux wants to communicate in this context. Even though Electrolux today do not work with scenario planning in detail, their approach is close



to it and the interviewed persons implied a shift toward scenario planning in a near future. Because of this approach, Electrolux needs to be able to determine future consumer insight (consumer foresight) and by doing so they create different possible scenarios. This leads Electrolux to focus on the brand aspect of product development, and creative design will then be a function of this. It is however important to understand that this process is integrated, and design and branding is strongly interrelated. It is merely the focus of creating a trend leadership of the brand that is the crucial factor of this approach, where design is a key for success.

Sony Ericsson has a more diversified approach than Electrolux and H&M. Sony Ericsson has a brand building approach and a focus of trying to be trend leading within different aspects of the mobile communication market. Because of the nature of this market, they also have a need for being able to quickly react to new market trends in order to be competitive. This means that some products work as enhancers of the wanted brand image while core products are developed for future trends, e.g. high technological gadgets and complements to mobile phones that are enhancing the Sony Ericsson brand image as being updated and trendy. Thus Sony Ericsson needs to organise its processes for trend forecasting and internalisation depending on purpose, to be both trend leading and trend following, depending on their position in the product portfolio. Trend following products in the Sony Ericsson case can be described as bridges connecting the trend leading products.

## **8.6 Identification of key success factors**

Through the analysis process, factors have been identified as being variables for successful internalisation of trend forecasting and/or scenario planning. The case studies have helped to gain crucial insight to identify these factors, and because of the methodology used for these study the result can only be used in a conceptual manor.

A number of conclusions have been drawn from these factors, which contribute to conceptual understanding through the "black box". There are several factors that contribute to companies' success to a greater extent than others during the process of comparison with the case studies and the presented theory. A result of this analysis have therefore been to identify key success factors great relevance for a company in its process of internalising trend forecasting and/or scenario planning. These are presented below:

The need of understanding trends are getting more important since the markets, where the three companies operate, have become more related to traditional FMCG (Fast Moving Consumer Goods) markets. The three companies have all emphasised the need of:

- *Integration:* Organised with cross-functional teams, where different functions work closely from beginning of a project to the end. Where all members of the team understand the identified trends.
- *Focus on planning:* The need of a planning process, especially if the lead times are long. All team members should understand the purpose of planning and the plan itself.

Furthermore the analysis of the case studies together with implementing military theory of successful planning processes and creation of future scenarios, have suggested the importance of optimising the internalisation of trend forecasting and/or scenario planning in the following way:

- *Absence of static structures:* True integration will evolve with structures in constant change, i.e. structures become obsolete if changes are not made.
- *Measurability:* Clear and measurable goals and milestones must be determined to achieve higher level of successful implementation of trend forecasting and scenario planning, This approach can in some extent be described in terms of a balanced scorecard, where intangible resources are measured with quantifiable variables in a concrete manor.

It also seem by studying the different companies that different organisational structures will enable the company to formalise and unite the process of implementing trend forecasting into physical products with an emphasise on:

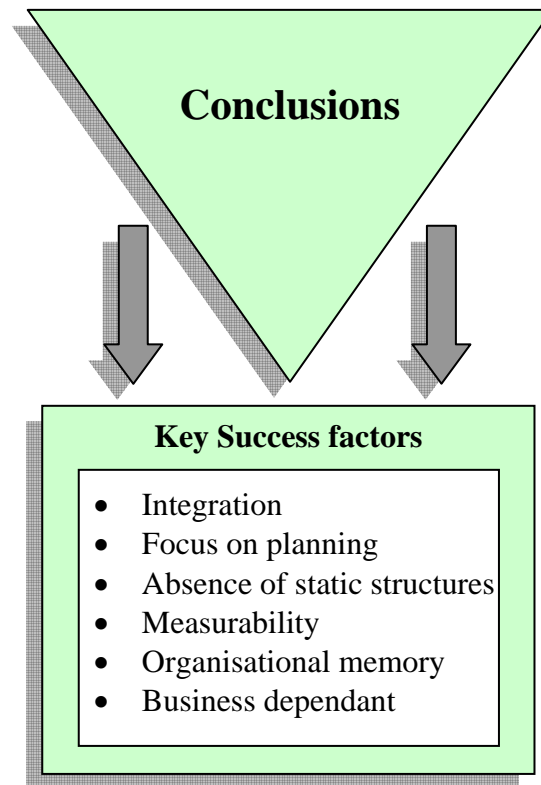
- *Organisational memory:* By formalising structures, and create a unifying organisation with a clear vision and strategy, the organisational memory will enable employees to become trend forecasters.

It is, finally, important for any company to understand the value of trend forecasting within their scope of business, and the last key success factor identified is therefore:

- *Business dependant:* All businesses or all companies may not achieve competitive advantages by internalising trend forecasting and/or scenario planning. It is instead important to understand core values and vision, and how these may interfere negatively in the internalising process.

## 9 Conclusions

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All scientific reports are organised around the basic purpose that has to be solved and answered. The purpose of this thesis has been:

*To identify key success factors for an organisation's process of internalising trends forecasting and/or scenario planning.*

It is the authors' conviction that this has been successfully pursued in this study since several different key success factors (KSF) have been identified through the analysis process. A company or organisation can establish and improve the opportunities of effective forecasting of trends and scenario planning if these factors are internalised in accordance with the KSF. This can create opportunities for companies to gain competitive advantages of a sustainable nature.

There are however a number of aspects to consider before identifying a preferred strategy. The time aspect is of great importance; both in a lead- and product life cycle perspective. This will determine what kind of actions that need to be taken in order to be in tune with the consumers, competitors and market in general. The case companies have different approaches to this phenomenon since they have different needs; this has helped the authors' achieve a higher level of conceptual credibility. The key success factors are discussed separately in the following text below.

## **9.1 Integration**

The use of cross functional teams assists the organisation with the creation of a true integrated approach, which leads to a flexible development process. An integrated organisation is a clear success factor when it comes to internalising trends within a company since a heterogeneous team can interpret the information in multiple dimensions. This assists the possibility to achieve a foresight of the consumer actions on the market that can lead to better services and products. A high level of integration will, furthermore, ensure a beneficial sensitivity in the identification and evaluation of trends within the team in a long-term perspective. This is a result of the challenge that integration will ensure against homogeneity and create the ability to surface different perspectives.

## **9.2 Focus on planning**

A planning process can be a time consuming activity but is of high significance. It is the planning process itself that is important, a process without end only concerned with adjustments to the changing environment. It is therefore essential to update goals and objectives on a regular basis. The gain from planning is most obvious when it comes to the identification of uncertain variables that are crucial for success. This generates a strategic readiness within the organisation that enables faster reactions to changes in the market. It will also increase the ability to identify shifts in the market environment early, and especially the ability to act upon these in order to achieve the overall objective (see figure 4.3 in chapter 4.5 The military planning procedure).

## **9.3 Absence of static structures**

Static organisational structures have a restraining effect on the internal processes of the company; it does not favour maximal innovative input to the solutions of the organisation. See chapter 4.3 The timing aspect between multiple planning processes, for a military example in Iraq, and also the Volvo YCC example in chapter 8.1 Concept products. The company can be more creatively effective if a blend and change of the team constellations are advocated on a regular basis. This provides a possibility to gain new perspectives within the product development. Integrated teams should therefore be created in order to avoid static structures, thus team members should be involved in several projects in multiple constellations. This will ensure that the organisation can surface new perspectives for different projects.

## **9.4 Measurability**

The goals and objectives of the organisation need to be measurable along the way in order to enable an effective planning process. This limits the risks of uncertainty since new measurable goals are identified on a regular basis. The result is a clear direction for the company to follow and enables better planning possibilities. Milestones should therefore be identified in the planning process so the organisation can evaluate every project's development, see figure 4.3 in chapter 4.5 The military planning procedure. Thus the measurability is important for a company in order to achieve the long term end-state and objectives of the different projects.

## **9.5 Organisational memory**

There is a need for a knowledge exchange within the organisation to lower the risk of concentrating too much on a limited number of employees. This can create a kind of organisational memory appropriate for the specific markets of operation. New employees can then be brought up to speed in a faster way when entering the organisation and the risk of losing key employees to competitors' decreases.

## **9.6 Business Related environment**

The environment in which the company operates will affect the probability of success when implementing trend forecasting reports which is why a high level of strategic readiness can be beneficial. Fast moving markets create a need for routines and strategies that deals with environmental related problems and uncertainties.

## **9.7 Concluding remarks**

One of the objectives for a thesis is to close knowledge gaps within present theory and practice of trend forecasting in a business environment. The authors believe that this has been achieved in this study since a combined approach with design; brand, trend and scenario planning have been identified for risk management regarding the future. The findings can seem obvious at a first glance, but the actual implementation of these KSF to form a specific strategy is not as apparent to execute. This bundle of theories and methods are likely to improve products and services for companies and organisations that in the end will improve the offer to the consumer. This may then lead to an improved competitive advantage.

## **10. Future studies**

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The key success factors presented in this thesis have been identified as a result of our empirical studies. It could be of interest for the field of trend forecasting if the actual implementation of trend reports could be examined in a more detailed manor. It can furthermore be interesting to identify similar key success factors from an external perspective; i.e. the formulation of the trend reports.

The brand and design are interdependent since the influence of the both dimensional tools is different depending on the business and market of operation. This leads to a need for further study of this in relation to trend implementation.

There is also a knowledge gap and a need to create a statistical model for trend forecasting which can need a larger study in order find a common ground for generalising.

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## **Interviews**

At Electrolux (2005-05-11)

Sean Carney, Group Director Design and Brand Strategy  
Martin Hörnqvist, Consumer Insights Director  
Mats Rönne, Vice President, Brand Management

At H&M (2005-05-13)

Margareta van der Bosch, Design Director

At Sony Ericsson (2005-05-26)

Johan Karlberg, Business Strategist  
Helen Key, Senior Manager, Graphic Design & Trends  
Michel Saboné, Vice President, Creative Design Center

At Swedish Armed Forces (2005-05-13)

Lieutenant Colonel Göran Moberg, chief officer for Joint Operations  
Lieutenant Colonel Tony Holmberg, Head Lecturer at Joint Operations

## **Appendix A – Questionnaire**

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### **Brand related questions**

How is your brand strategy team organised?

What is your position within this organisation?

What are the responsibilities of a brand manager?

Could you please describe how you work with future trends forecasting and how you implement this into your design- and brand process?

Are you currently using any trend forecasting agencies and/or reports? If so how are these used in a strategic perspective?

Could you please describe the evolvement of the Future trends Forecasting methods in a 5-10 year retrospective?

Could you describe how your company has worked with a product from idea to end user version?

Do you think design is a tool for achieving a position on the market?

### **Design related questions**

What is the definition of design according to you?

What is your position within this organisation?

How are your design team organised?

Could you describe the design process of your company?

What is the time frame for a typical product from your company?

How important is the product design for your brand?

How do you materialise the abstract brand components such as values and philosophy?

How do you combine and integrate the brand and product design?

Could you please describe how you work with future trends forecasting and how you implement this into your design- and brand process?

Do you have a Future Trends Forecasting team and if so how is it organised?

Are you currently using any trend forecasting agencies and/or reports? If so how are these used in a strategic perspective?

Could you describe how your company has worked with a product from idea to end user version?

Could you describe the product life cycle of your most popular products?

Where do find inspiration for the product design?

How cost oriented is the design the design process?

What is the importance of product design for the future?

What is the signifier of a good design strategy according to you?

What makes product design successful, are there any key success factors?

What can the design add to the company from an Identity perspective?

### **Future Trends forecasting related questions**

What is your position within your company? What are your responsibilities?

What is design for you?

What is the position of your brand?

What are the core values of the brand according to you?

How has the brand evolved since the merger with Sony?

How have the strategies for implementing future trends forecasting changed since the merger?

What kind of Market Insight strategies are you currently using?

How do you solve the problem of implementing future demand situations?

Do you work with Scenario Planning as a means of planning for unforeseen events?