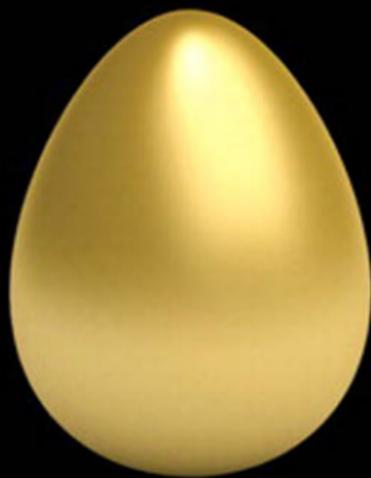


# PREDICTABLE MAGIC



UNLEASH THE POWER OF DESIGN STRATEGY  
TO TRANSFORM YOUR BUSINESS



DEEPA PRAHALAD • RAVI SAWHNEY

## Praise for *Predictable Magic*

“*Predictable Magic* provides a much-needed set of insights, case studies, and methodologies for product design and development. In particular, the products and services being developed for customers in emerging markets must think about design and experience in the way described by *Predictable Magic* if they are to succeed and improve the lives of millions around the world.”

—**Nishith Acharya**, Executive Director, The Deshpande Foundation

“An indispensable resource for anyone concerned with creating value through innovation. The EMPOWER framework uniquely combines concepts of creativity, strategy, and psychology in a pragmatic and integrated approach. With concrete cases, it offers many timely insights that can be readily adopted by any organization striving to connect emotionally with its customers. Deepa and Ravi have demystified the black box of creativity.”

—**Dr. Arvind Bhambri**, Faculty Director,  
Marshall School of Business—Executive Education

“As the competitive playing field shifts from segments to clusters, consumers to cocreators, functionalities to user experiences, and product innovations to new categories, companies are challenged to relate ever more directly with the market’s new Big Kahuna—the whole person. How does a large, engineered business system engage an individual’s heart and mind and deliver unanticipated benefit? *Predictable Magic* offers a truly elegant answer. Prahalad and Sawhney’s EMPOWER framework is practicable, tested, and intuitive. Rely on it: The hours spent with this book will empower your strategy.”

—**Job Brugmann**, Founding Partner, The Next Practice;  
author, *Welcome to the Urban Revolution: How Cities Are Changing the World*

“Pralhad and Sawhney are among the very few designers who understand that meaning itself is a design—that humans are not built into the environment via instinct. *Predictable Magic* demonstrates an appreciation of humans, in all their authenticity, as beauty incarnate: full of asymmetry, paradox, and irony. Prahalad and Sawhney are exceptional product designers, because they are creators of things that allow people to emotionally connect with what is latent in them and deeply personal. A bigger gift no one can offer.”

—**Dr. Bob Deutsch**, Cognitive Anthropologist;  
President and Founder, Brain Sells

“*Predictable Magic* places the consumer experience at the center of product design and marketing. Empathy and emotions, understood through the concept of persona, bring a richer and fresher perspective on consumer-driven innovation than any other book I have seen. This book is a ‘must-read’ for anyone concerned with developing products and experiences consumers will love. It provides practical advice, frameworks, and tools to foster successful innovation, without ever falling in the recipe mode.”

—**Yves Doz**, The Timken Chaired Professor of Global Technology  
and Innovation, INSEAD; author (with Mikko Kosonen), *Fast Strategy*

“By putting the empowerment of people at the center of strategy creation, *Predictable Magic* is as much a book about values and leadership as it is about design. It can help executives find meaning and value in their work as they create meaning and value for their consumers.”

—**Dr. Marshall Goldsmith**, world-renowned executive coach;  
author, *The New York Times* bestsellers, *MOJO* and  
*What Got You Here Won't Get You There*

“Pralhalad and Sawhney shine a light on an important piece of the strategic puzzle: how to convert consumer emotions into successful designs. They provide a rigorous approach to guide innovation efforts from strategy creation through execution. This is a must-read for anyone who is trying to create a new product or develop a new business model.”

—**Dr. Vijay Govindarajan**, Earl C. Daum 1924 Professor of International Business, Tuck School of Business, Dartmouth College;  
Chief Innovation Consultant, GE; author (with Chris Trimble),  
*Ten Rules for Strategic Innovators*

“Truly great designs are magical—they surprise us with their unexpected functionality, delight us with their thoughtful ergonomics and beguile us with their seductive aesthetics. While every company *strives* to create products and services that dazzle, few achieve this feat. Now, in *Predictable Magic*, Deepa Prahalad and Ravi Sawhney lay out a simple but powerful methodology for turning deep consumer insights into attention-grabbing, expectation-defying designs. If you're looking to increase the 'magic quotient' in the things your company makes and sells, you'll want to dig into *Predictable Magic*.”

—**Dr. Gary Hamel**, Visiting Professor, London Business School;  
author, *The Future of Management* and *Leading the Revolution*

“Pralhalad and Sawhney have developed the most comprehensive book I have found on the emerging study of emotional connections between consumers and products. The Psycho-Aesthetics® concept is something that every person who has a leadership role in brand building, product development, or innovation must absorb and understand. *Predictable Magic* is attainable and needs to be integrated into the business architecture of every business.”

—**Charles L. Jones**, Vice President,  
Global Consumer Design, Whirlpool Corporation

“*Predictable Magic* convincingly argues that design is intrinsic to successful product innovation in the consumer marketplace, requiring deep understanding of the emotional and psychological needs and experiential responses of diverse individual consumers, and early integration into the formulation of business strategy. Its engaging verbal and visual exposition draws from many disciplines and distills original insights from the compelling experience of well-chosen case studies into a systematic framework of general applicability in the process of strategic innovation.”

—**Dr. Linda Lim**, Professor of Strategy,  
Ross School of Business, University of Michigan

“Deepa Prahalad and Ravi Sawhney have opened a window into the alchemy of converting consumer insight into innovative and successful products. In *Predictable Magic*, they provide a framework, a visual language, and a vocabulary that can be shared among interdisciplinary product development teams, thereby fostering collaboration and creativity, and speeding up the product development process. This is a valuable contribution to the art and science of creating breakthrough products and services.”

—**Sunil Mehrotra**, Managing Partner, Medizen

“In *Predictable Magic*, Prahalad and Sawhney offer a design-based approach to new product development and product line resilience that bridges the gap between inspiration and implementation. Sustainable success in global product markets requires industry entrepreneurs—whether they serve as principals in start-ups or as corporate senior managers—to understand the crucial, increasing role of design. How can managers make the leap from personal taste—which everyone can claim—to free themselves to collaborate with designers to reliably match market opportunities to products that engage consumers as individuals? *Predictable Magic* offers both a framework and a process to answer this question, supported by proven results.”

—**Thomas P. Murtha**, Professor of Marketing and Management,  
Michigan State University, and **Stefanie Ann Lenway**,  
Dean and Professor of Management,  
The Eli Broad College of Business Administration, Michigan State University;  
coauthors, *Managing New Industry Creation*

“The natural fusion of psychology and creative disciplines enable a potent capability that will be critically important as we seek to better understand the demands of a diverse global population. *Predictable Magic* outlines an important framework for all product development professionals to capture and define the emotional wants and needs of a user. Conventional data capture and analysis often lack the ability to gain true insight into the human user. This book provides principles and approaches that address those limitations.”

—**Ken Musgrave**, IDSA, Director, Experience Design, Dell

“In *Predictable Magic*, Prahalad and Sawhney lay out a novel and powerful approach for infusing a consumer perspective into innovation strategy. By providing a cohesive framework for understanding how and why consumers connect with products and services, including those of rivals, the book provides designers, innovators, and managers alike a lens through which to see which innovations can make your firm a hero in the marketplace.”

—**Elie Ofek**, T. J. Dermot Dunphy Professor of  
Business Administration, Harvard Business School

“Simple, profound, and radical. Prahalad and Sawhney have turned received wisdom upside down by making customer emotion the starting point for innovation and growth. This book will change the way you think about design, business, and strategy.”

—**Yann Risz**, Venture Partner, Siderian Ventures

“Pralhalad and Sawhney have powerfully articulated the conundrum of creating innovation around products and services. The failure of companies (and maybe even governments) to begin with the dynamic needs of human beings at all of their physical and emotional touch points...and their social, economic and technology challenges...is what leads such mediocre market performance.

“Corporations must take the time to understand global human trends and how they impact industries. Bravo! The authors have crafted an understandable set of principles, cases, and approaches to help us all navigate this more effectively.”

—**Robert T. Schwartz**, FIDSA, General Manager,  
Global Design, GE Healthcare

“*Predictable Magic* starts with an unassailable and potentially discouraging premise: the relationship between what catches our attention and what wins our hearts is mysterious and complex. For companies hoping to use mountains of market research and spreadsheets of demographic data to create heart-fluttering projects, that’s a grim bit of news.

“But not to fear! In this book, Prahalad and Sawhney divulge the alchemy behind some recent monster marketplace success stories. What’s more, they promise that by following a few clear, concrete guidelines, any company can do the same. And then do it again. What they offer, in short, is a sort of Holy Grail: a handbook for replicable innovation.

“*Predictable Magic* is invaluable for anyone seeking to use design to create products that are both highly successful—and greatly loved. And that’s magic, indeed.”

—**Linda Tischler**, Senior Writer, *Fast Company*

“Pralhalad and Sawhney have written an unusually useful book. It is one of the rare sources that goes beyond giving us another definition of innovation. With concrete examples linked to practical principles, they show us how to do it.”

—**Patrick Whitney**, Steelcase / Robert C. Pew Professor and Dean,  
Institute of Design, Illinois Institute of Technology

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*Unleash the Power of Design Strategy to  
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DEEPA PRAHALAD AND RAVI SAWHNEY

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For my parents, who taught me to ask questions and  
look for answers with persistence and compassion

*Deepa Prahalad*

For my parents, who instilled in me the need for  
integrity and caring for others

*Ravi Sawhney*

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# Contents

Acknowledgments . . . . .	xv
About the Authors . . . . .	xix
Preface . . . . .	xxi
<b>Introduction . . . . .</b>	<b>1</b>
It's the Individual That Matters . . . . .	1
The Model . . . . .	3
A Simpler Way to Innovate and Design . . . . .	4
About This Book . . . . .	5

## **PART I: Creation of a Design Strategy**

<b>Chapter 1</b>	<b>Set the Stage for Success . . . . .</b>	<b>9</b>
	Designing the Intangible . . . . .	9
	New Rules of Competition . . . . .	10
	A New Perspective on Design . . . . .	11
	Overcoming the Hurdles . . . . .	12
	Psycho-Aesthetics: An Integrated Approach to Innovation and Design . . . . .	13
	The Importance of Emotion—and Action . . . . .	15
<b>Chapter 2</b>	<b>Enable Your Stakeholders . . . . .</b>	<b>19</b>
	New Stakeholders, New Process . . . . .	20
	Why It Doesn't Happen Naturally . . . . .	21
	Essential Ingredients for Alignment. . . . .	22
	Process in Action—Amana . . . . .	24
	An Accurate Diagnosis . . . . .	25
	A New Focus on Consumer Testing. . . . .	26
	Building Confidence, Building Success . . . . .	28
	Moving Forward . . . . .	29
	Creating Meaning . . . . .	30

<b>Chapter 3</b>	<b>Map the Future . . . . .</b>	<b>.33</b>
	Designing for Tomorrow's Markets Today . . . . .	37
	Experience Mapping Guides the Way . . . . .	38
	Mapping Emotions . . . . .	40
	Engaging Interactivity. . . . .	42
	Mapping Out the Possibilities. . . . .	44
	Strategy Based on Understanding . . . . .	47
	Experience Mapping and the Power of Design. . . . .	47
<b>Chapter 4</b>	<b>Personify Your Consumer . . . . .</b>	<b>.51</b>
	Redesigning an Icon . . . . .	51
	Personas—The Mask of the Consumer . . . . .	53
	Personas Fuel Intelligent, User-Centric Design . . . . .	54
	What Goes into a Persona. . . . .	56
	What You Get Out of Personas. . . . .	58
	Using Personas to Guide Design . . . . .	60
	Mapping Personas . . . . .	61
	Getting a Handle on the Right Design. . . . .	64
	A Fresh Perspective . . . . .	67
<b>Chapter 5</b>	<b>Own the Opportunity . . . . .</b>	<b>.71</b>
	On a Wing and a Startup Prayer. . . . .	71
	Understanding a Changing Landscape . . . . .	72
	Finding the Opportunity for Follow-Up . . . . .	74
	A Market Winning Strategy . . . . .	78
	Opportunity Is Where You Find It. . . . .	79
	The Benefits of Mining the Gaps . . . . .	79
	Unearthing the Opportunity. . . . .	82
	Choosing the Right Opportunities . . . . .	85
	The True Power. . . . .	87
<b>Part I</b>	<b>Conclusion . . . . .</b>	<b>.91</b>
	Amana . . . . .	94
	Flip Cam . . . . .	95
	JBL Professional . . . . .	96
	Vestalife . . . . .	97

## **PART II: Implementation and Consumer Experience**

<b>Chapter 6</b>	<b>Work the Design Process</b> . . . . .	<b>101</b>
	From a Guitar Stand to a Guitar. . . . .	102
	Set Up a War Room . . . . .	103
	Uncovering Aspirations (of Guitar Players) . . .	104
	Get Started—Fast . . . . .	105
	The Role of Experts/Lead Users . . . . .	106
	Back to the Consumer. . . . .	110
	Sustainable Solution to Sound Quality . . . . .	111
	Optimized Ergonomics for a Better Playing Experience . . . . .	112
	The Final Result . . . . .	113
	Personalized Experience. . . . .	113
	The Importance of Execution. . . . .	114
	Channeling Our Learning. . . . .	116
	Designing a New Way to Market . . . . .	117
	Competing by Helping Others Win . . . . .	118
	Finding a Balance . . . . .	120
<b>Chapter 7</b>	<b>Engage Emotionally</b> . . . . .	<b>121</b>
	The Importance of Belonging. . . . .	122
	Beyond First-Mover Advantage to “First-Connector” Advantage . . . . .	124
	The Hero’s Journey . . . . .	125
	Why We Still Need Heroes. . . . .	126
	Calling Out the Benefits of a Design . . . . .	128
	Motivating Behavior Change . . . . .	128
	Boosting Memory and Recall . . . . .	128
	The Creation of Heroes . . . . .	130
	What It Takes to Make a Hero . . . . .	133
	Basic Quadrant (Lower Left) . . . . .	133
	Artistic Quadrant (Upper Left) . . . . .	134
	Versatile Quadrant (Lower Right) . . . . .	134
	Enriched Quadrant (Upper Right) . . . . .	135
	Winning Through Creating Heroes . . . . .	135

<b>Chapter 8</b>	<b>Reward Your Consumer</b> . . . . .	<b>139</b>
	Putting It All Together . . . . .	139
	Greening the Landscape . . . . .	140
	Enable Your Stakeholders . . . . .	142
	Map the Future . . . . .	143
	Personify Your Consumer . . . . .	144
	Own the Opportunity . . . . .	146
	Work the Design Process . . . . .	148
	Engage Emotionally . . . . .	150
	Reward the Consumer . . . . .	153
<b>Part II</b>	<b>Conclusion</b> . . . . .	<b>157</b>
	Afterword . . . . .	161
	Endnotes . . . . .	165
	Bibliography . . . . .	171
	Index . . . . .	177

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Our editors at Pearson, Jeanne Glasser, Steve Kobrin, and Tim Moore, were willing to take on two new authors and guide us patiently through the process of bringing this book to life. We were also able to gain the insights of many people who we have collaborated with when they agreed to be interviewed for this project. Special thanks are due to John Herrington (of Amana, and now LG), Robert Hayman of Discus Dental, Simon Jones of JBL (now of Line 6), Eric Barnes and Paul Shustak of KOR Water, Dave Mason from RKS Guitars, Hardy Steinman of Zyliss, Wayne Ludlum of VestaLife, and Simon Fleming-Wood of Pure Digital Technologies for ensuring that the perspective of executives came through in the chapters. We also benefited from our dialogue with Dr. Bob Deutsch, Dr. Chip Wood, Tom Matano, Dale Jensen, and Frank Tyneski for their insights on design and its business relevance.

Every individual at RKS has contributed to this effort at some stage. We cannot adequately thank the team at RKS for their dedication and hard work, on the projects that are featured in this book. All of the RKS team members over the years have built the foundation of the firm and consistently produced award-winning work and generated bottom-line results for our clients. Lance Hussey, Chris Glupker, and Kurt Botsai were early employees of RKS, and almost every project has been touched by them as they have helped to shape and evolve the practice of Psycho-Aesthetics®. They shared my vision early on and continually pushed themselves to execute and rose to the occasion as we took on more ambitious projects. Over the course of this project, everyone we called on put in efforts that went beyond our requests or the call of duty. Barb Mackintosh and Karen Kelly provided their sharp editorial eyes, keen insights, and well-reasoned

critiques to each version of the chapters. Hojin Choi developed early cover concepts and the inspiring final design. Several of the designers, especially Harnish Jani, Leah Thomas, and Eric Lai created the illustrations that help to bring concepts to life throughout the book. The title of *Predictable Magic* was adapted from our former colleague, Tom White. Our conversations with Lance Hussey, Harnish Jani, and Ingvald Smith-Kielland yielded many of the insights reflected within the chapters.

Design is a multidisciplinary effort, and much of our learning comes from outside our organization—and profession. The foundations of Psycho-Aesthetics were inspired by the work of Abraham Maslow, whose keen understanding of human behavior and motivation has led to many of our most inspired designs. As the design profession has evolved and matured, communication with consumers has grown in importance, and philosopher Joseph Campbell has helped us to discover the stories and narratives that have enabled us to connect in a meaningful way. We have always believed that design is more than an aesthetic challenge, but a business challenge as well. Readers will easily recognize the inspiration from leading thinkers in business strategy including Peter Drucker, C.K. Prahalad, Gary Hamel, Michael Porter, W. Chan Kim, Renée Mauborgne, and Yves Doz.

It is an exciting time to be in the design profession, and the work of other firms and individuals has certainly provided inspiration in pushing the limits of where design can be applied and to refine our methodology. As always, the support and help of the Industrial Designer's Society of America (IDSA) has been firm as we have tried to stake new ground. The design profession is composed of a diverse lot of talented individuals, and many small firms who have been steadily helping companies and entrepreneurs bring their ideas to market. We draw tremendous inspiration from their work and hope that this book empowers them in their creative endeavors.

We do not speak about the potential for business and design to work effectively together on a theoretical basis. Our collaboration with business schools and our own entrepreneurial efforts inform our recommendations. We are especially grateful to Rajib Adhikary and Elie Ofek who introduced us to Harvard Business School; this resulted in a HBS Case study of RKS Guitars and Psycho-Aesthetics.

Harvard and other schools, notably USC, UCLA, and Pepperdine, have regularly invited us to speak about the method in their classes. The team who worked on producing RKS Guitars and my partner Dave Mason also deserve mention. Linda Tischler of *Fast Company* generously provided us the opportunity to blog and share our stories with a wider business audience.

Of course, our families, friends, and mentors provide the support to venture into new areas and are what really sustain us as we take on new roles. For both of us, the love and encouragement of parents, spouses, siblings, and children have made this effort worthwhile. Both of us have had professional mentors and teachers who helped shape our worldviews.

## **Deepa Prahalad**

My parents (C.K. and Gayatri Prahalad) have always been my biggest inspiration and support. They not only believed in me, but also listened to me prattle on about design and debated with me. My brother and his family (Murali, Punam, and Nithya Prahalad) were steadfast in their support. My in-laws, Anand and Shaila Abhyankar, always offered their encouragement. My extended family all over the globe dutifully checked in throughout the process. However, it was my husband, Ashwin Abhyankar, and son Arjun who indulged me with tremendous patience and good humor, adjusted their lives around deadlines, and made sure I could devote time and attention to work. They were generous with their affection and support, and enabled me to keep plugging away.

While a student at the University of Michigan, I had the benefit of learning about the world from great professors such as Ken Lieberthal, Linda Lim, Jeff Winters, and Pradeep Chhibber. All of them helped me to build an awareness of the many moving parts in every situation and instilled a healthy skepticism of the “obvious” answer. At the Tuck School of Business, I learned from professors such as Vijay Govindarajan, Sidney Finkelstein, and Richard D’Aveni. Professionally, my experience with Cargill in Singapore and with Safe-Med in San Diego provided me with real-world insights that I continue to draw on.

## Ravi Sawhney

My wife Amalia supported and encouraged me in this effort; always believing in me. My parents Ved and Lajya, my brother Ramesh, and sister Parmela, shared my excitement. My daughters Nesha and Sita, my son-in-law Ingvald, and stepchildren Ben and Claire lent their enthusiasm.

My mentor Dick Bruton inspired me to forge ahead and become an industrial designer at a time I was about to abandon my major in industrial design. Leroy Petersen's mastery of ceramics taught me how to combine form and function. The very special, late Hollis Killen who I met as a teacher when I was 12 and stayed friends with for almost 40 years set me on my professional path. Sunil Dhir first encouraged me to start RKS. Both Sunil and Daniel Frank have been trusted friends and advisors through the years.

The example of Alan Kay who changed the world through his work remains a huge inspiration. I was privileged enough to help develop some of his concepts into the first touch-screen interface while part of the team at Xerox. The understandings and insights developed there in the late '70s started my investigations and innovations in the psyche and of user interaction reflected in *Predictable Magic*.

It is from a very privileged position that we can therefore both speak about emotional connections and their value. We understand their importance through our families, friends, and colleagues and know their power to transform organizations and the lives of individuals.

*Deepa Prahalad*  
*Ravi Sawhney*  
*Thousand Oaks, CA*  
*December 2009*

# About the Authors

**Deepa Prahalad** holds a BA in Political Science and Economics from the University of Michigan and an MBA from the Tuck School of Business at Dartmouth. Passionate about emerging markets and innovation, she began her career researching how to increase efficiency in UN procurement and later moved to Singapore to become a commodities trader with Cargill.

Deepa's career has also included work as a management consultant specializing in the opportunities at the intersection of consumer experiences, technology, and strategy. She collaborated with RKS to research and co-author *Predictable Magic*, and is the creator of the EMPOWER framework.

**Ravi Sawhney** is president and CEO of RKS, a global leader in Strategy, Innovation, and Design. Founded in 1980, RKS has incubated companies, created licensed products, and won more than 80 design awards for clients ranging from start-ups to large multinational corporations.

Ravi invented Psycho-Aesthetics, the popular design strategy which has been the subject of a Harvard Business School Case Study. The Academy of Art University in San Francisco awarded Ravi an honorary doctorate for his body of work, the development of Psycho-Aesthetics, and the reinvention of the electric guitar with RKS Guitar's open architecture guitar. Ravi has been named on more than 150 patents, in the United States and worldwide. He also serves as an expert design blogger, sharing his insights on [Fastcompany.com](http://Fastcompany.com). In 2009, Ravi was elected as an IDSA (Industrial Designers Society of America) Fellow.

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# Preface

## Why Psycho-Aesthetics?

Psycho-Aesthetics is the RKS process of creating emotional connections between consumers and designs. It spans the spectrum from research to strategy to implementation and finally to consumer experience. By revealing the triggers that attract buyers, generate the purchase impulse, and create emotional connection, this process can empower you to build the viral demand that leads to segment leadership. Whether you're a business leader, or engaged in strategy, innovation, and design in any way, Psycho-Aesthetics can help achieve your goals.

To understand the roots of this design thinking methodology, we simply need look at the psychology of what it means to be human, from the most basic elements we require for survival on through to the need for positive self-image and affirmation. When survival needs have been satisfied, we seek to satisfy our needs to grow and evolve...to adorn ourselves and our surroundings and to augment our being. The ongoing quest to satisfy these needs is the root of consumerism.

The days of simply designing a better (or bigger or prettier) mousetrap have passed. Consumers around the world have evolved into design and experience critics. Today, designs, services, and experiences must do much more than fill basic needs...they must connect emotionally. By understanding the core of human psyche and how it is an essential part of consumerism, we can all create that connection, that "wow" factor that makes people want to spread the joy of their discovery. When we get this connection right, it's pure magic.

Psycho-Aesthetics is a highly visual way of approaching these challenges. It's a scalable set of tools that enables mapping of the consumer audience, competitive products, and brands. When these market "windows" are aligned, consumers with unmet needs can be clearly recognized. We can then develop strategy, design, and storytelling to reach them. The result is tangible, memorable experiences and connections that build brand loyalty.

This methodology can allow you to look into the hearts and minds of markets. And after you have, you can clearly understand how and why to attract, engage, trigger adoption, and cause the viral effects on the market that most companies only dream of. What's more, you can use this process to generate the desired results repeatedly and predictably.

So, whether you're an Apple or you're selling apples on the corner, Psycho-Aesthetics can and will show you how to create higher levels of adoption, greater levels of perceived value, and, most important, create consumers that feel so good about your business, the experience, and themselves that they simply have to spread the word.

With these tools, you too can create Predictable Magic.

---

# Introduction

*“Information’s pretty thin stuff unless mixed with experience.”*

—Clarence Day

This book is the result of a collaboration that grew out of a chance meeting. Although as individuals we have followed different professional paths, we quickly found common ground in two fervently shared beliefs: in the power of innovation and in the importance of the individual. The road to those convictions was different for each of us, but debating how these ideals may shape both design and strategy has been a source of tremendous learning and growth.

## **It’s the Individual That Matters**

For almost 30 years, one of us, Ravi, has been leading RKS Design, the firm he founded. As an industrial designer and entrepreneur, Ravi has been involved in the innovation process in many industries from concept to execution. As the scope and volume of projects grew, so too did the need to efficiently and reliably understand the needs of the clients, market, and end users. To make sense of design success and failure, Ravi drew on experience in the heydays at Xerox during the 1970s working on some of the first versions of the modern touch screen to understand how human behavior relates to design and design to experience. Reflecting on hours of consumer testing, he realized that most of the lackluster performers (in technology and

elsewhere) did not have functional flaws—they simply failed to engage consumers. Some products made people feel inferior, as if they didn't understand great design. Others intimidated the audience, such as the early versions of the touch screen.

Puzzling over how to prevent this scenario led to a long process of exploration and the development of Psycho-Aesthetics<sup>®</sup>, the RKS philosophy of emotionally connecting with consumers through design. The focus of this approach is squarely on the individuals, specifically their emotions, aspirations, and connections as the starting point for strategy and design. Tracking the individual experience and emotional response is the goal of the process, rather than creating new functions and features alone. The test of success lies in whether the design empowers individuals and creates a meaningful experience.

For one of us, Deepa, business strategy and innovation are more than a matter of business school and professional experience; they are somewhat of an inheritance. Her father, C.K. Prahalad, was a professor at the University of Michigan Business School, and she had the benefit of watching, and often participating, in robust debates at the dinner table with MBA students, CEOs, and academics. Many of these sketches and diagrams created during these gatherings eventually entered the market and became hugely successful products and services. The idea that business should have a tangible impact on improving the lives of individuals—providing both opportunity and value—was cemented early on. Here, too, the role of aspirations—of managers, consumers, and corporations—was seen as the driving force in successful strategy and innovation.

These lessons resonated, though Deepa chose to study political science and economics. The Berlin Wall fell and Tiananmen Square unfolded while she was in high school, and the Soviet Union imploded a few days before a final exam in Cold War politics during her sophomore year in college. During her first “real” job (based in Singapore), her company and most others were working on strategies to enter the newly liberalizing markets of India and China. Many

offerings that had been successful in the West were promptly rejected, even when prices were competitive. Although people were hungry for change, they also wanted to retain a connection to their own cultures and beliefs. Here, too, the voices of individuals and their emotions made themselves known, loud and clear.

## The Model

Businesses today must respond to rising consumer aspirations. We wrote this book in the hope that understanding how to make these the starting point for strategy can help both the business and design communities transform their good intentions and need for self-sustenance into the enduring businesses that create opportunity for themselves and others. Executives, too, are empowered when their work has a positive impact on the world around them. We hope that this cycle can serve to counter the cynicism that abounds and help steer the path to solutions.

This book narrates some of the cases from the evolving practice of Psycho-Aesthetics. We firmly believe that innovation is as possible for a two-person start-up as for a large diversified corporation. We chose cases that represent a range of industries and challenges. They are largely based on our own experience. However, that choice is not meant to negate the truly outstanding achievements of other design firms and many innovative companies. The cases included herein were chosen merely because these were the ones that we could narrate with authenticity and a level of detail that may help you and your teams as they undertake similar challenges.

Highlighting the role of emotional insight should not take away from the importance of data and research. We simply believe that the legitimate need for structure and process should also explicitly capture the emotion and experience of the consumer. These are the ultimate measures of market success and need to be considered along with financial analyses. Better yet, the tools are accessible to those

who are in charge of actually implementing design and innovation—the designers and executives themselves. In acknowledgment of the time and resource constraints in most firms, the process is clear, efficient, and replicable.

Roger Martin, Dean of the Rottman School and a vocal advocate of design, once commented, “Strategists don’t have to learn how to understand designers better. In the future, they will have to become designers.”<sup>1</sup> We show how the energy directed into creating quantitative metrics of emotions and cognitive experience can be understood in the early stages, reducing risks of error and creating sustainable company business models in the process. Today, Psycho-Aesthetics goes way beyond product design, enabling businesses to look beyond the horizon. That’s another reason the book is called *Predictable Magic*—not only does Psycho-Aesthetics empower businesses to create magic predictably, but it also enables us to predict what designs and brand strategies will be successful in the future.

## **A Simpler Way to Innovate and Design**

In this book, we share the Psycho-Aesthetics philosophy and methodology through case studies from various industries. We start with helping to answer some of the basic questions about design: How should you approach the design process? How do you know when you’ve arrived at the right solution? And how can you make sure that your design and business strategies work together—consistently? We then show you how to translate these insights into actual products and services. You can

- Learn how to map existing products, consumers, and channels using the Psycho-Aesthetics methodology to reveal new opportunities for innovation
- Understand how to identify design features that can enable you to emotionally connect with your consumers

- Mitigate risk by understanding your consumers and setting appropriate design priorities
- Learn, with fresh cases, how companies from Fortune 500 to start-ups have used design to create sustained organic growth
- Align *all* stakeholders around the design process

It is now widely understood that consumers engage for emotional reasons and adopt based on rich and fulfilling experience. Yet few companies look at emotion and experience explicitly as a starting point for strategy and design. We have found that those willing to do so often see higher profits, brand value, and levels of consumer satisfaction.

## About This Book

This book is organized in two parts. **Part I, “Creation of a Design Strategy,”** focuses on aligning creative and executive teams and creating an actionable manifest that is the basis of successful design. Teams are guided to answer three major questions in creating a design strategy and use Psycho-Aesthetics mapping techniques and tools to guide the collaboration.

**Part II, “Implementation and Consumer Experience,”** covers the topics of implementation and consumer experience. Here, the process of translating insights and strategy into physical design are discussed along with some litmus tests for design success. We discuss how to position these designs in real-life retail and Web settings so that the value of the offering is easily understood and communicated to the consumer.

We ask and answer some familiar strategic questions about markets, consumers and opportunities, but we answer them from the perspective of the consumer—not the firm. Understanding that all insight would not be “provable analysis,” we sought to make the decision-making logic transparent by mapping consumer interactions in a collaborative setting. This represents the culmination of lessons learned from across industries, which have shown us time and time

again that there are basic emotional responses that apply to all consumer behaviors, and these responses can be analyzed objectively. We have broken down the steps into a framework we call “EMPOWER.” Empowerment is after all, what the best companies must do for their teams inside, and what they must do for their consumers as well.

We invite you to continue the conversation with us at [www.predictablemagic.com](http://www.predictablemagic.com).

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# 1

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## Set the Stage for Success

### **Designing the Intangible**

Bubble gum. Teddy bears. Legos. Roller skates. Red lipstick. Sports cars. All of these transcend the boundaries between object and experience. At each stage of life, designs become part of our lives and the stories we tell ourselves and those around us. They resonate with us emotionally.

Observing this phenomenon is much easier than creating it. There is no shortage of corporate attention and resources directed toward understanding the needs and desires of consumers. Despite these efforts, most new offerings fail to connect with consumers, and hordes of supposedly “satisfied” consumers defect. Without a consistent emotional connection, there is no brand connection—no barrier to defection. Worse still, the cost and visibility of these failures is increasing. However, the market performance of the success stories (such as the iPod) and the excitement generated by compelling new concepts provide a convincing case for the power of design to capture our imagination—and produce impressive returns in the process. For this reason, many companies today are integrating design thinking into their cultures at higher levels. This is an important shift in mindset, but the success of these efforts depends on the degree to which insights can be translated into strategy and action.

## New Rules of Competition

Today, firms in all industries find themselves *competing on design*. The concept of design has broadened beyond the purely aesthetic and now includes every aspect of the consumer's interaction and experience with the brand.

Companies invest vast resources into innovation and strategy. They hire market researchers, consultants, and armies of internal staff to identify new opportunities and develop new concepts. Yet the results are less than encouraging: Some studies suggest that 70 percent of strategies never get executed and more than 80 percent of new product introductions fail or underperform. Of course, there are visible exceptions in the most crowded and competitive industries such as Apple (computing) and Target (discount retail). The companies that manage to innovate successfully enjoy financial rewards *and* the respect and affection of consumers. These successes depend on carefully integrating corporate strategy with design to forge deep, emotional connections.

These emotional connections are the little-understood magic that can transform a product from an object that simply serves a purpose into a rewarding and empowering experience. By creating these connections, design transforms business strategy into business success.

In *Predictable Magic*, we seek to demystify the design process to make strategy and design more understandable and pragmatic. Something you can use and profit from. In this way, we can transform what for many is a black art into a repeatable process. Psycho-Aesthetics® is the RKS philosophy of creating emotional connections between consumers and designs. It spans the spectrum from research to strategy to implementation and finally to consumer experience. This process harnesses your knowledge and creativity and cultivates them into results. To put it simply, Psycho-Aesthetics takes the magic out of the process and puts it into the consumer experience.

Those on the front lines leading innovation know the importance of balancing inspiration with execution. Design is an increasingly important ingredient in carrying out strategy and can also be a powerful tool for mitigating the risk inherent in bringing innovations to market.

## A New Perspective on Design

Psycho-Aesthetics arose as a formal practice out of the study of designs that were lauded for their beauty but failed in the market. Careful analyses reveal a simple and profound truth:

*“It’s not how you feel about the design, it’s how it makes you feel about yourself.”*

This counterintuitive idea has major implications for how companies approach their study of consumers and the innovation process. Few consumers buy purely on the basis of need. In the developed world, a majority of purchases are driven by a need for entertainment and self-actualization. But even for the four billion people in the world who remain poor, aspirations play a pivotal role in their consumption decisions—note the size and growth of the cell phone industry in emerging markets.

When we look at design success across industries, it’s clear that the relationship between what catches our attention and what eventually wins our hearts can be mysterious and complex. Consider some of the brands in different categories that are consistently given top ratings from consumers—from airlines (Jet Blue, Southwest), cars (BMW, Honda, Toyota), and food (Costco, Trader Joe’s, and Wegman’s), to Internet businesses (Amazon, eBay, and Google).<sup>1</sup> There isn’t a pattern to the functionality, aesthetics, or price points in their offerings. But there is a consistency to their quality and the unique and consistent experience they provide—in short, in the way that they tend to the well being of their consumers.

Of course, there is no shortage of alternatives for the specific products and services that the top brands provide. It is the way they

respond to the emotional needs of consumers that sets them apart. The ultimate goal of design is not merely making things that people enjoy or creating awareness of the company. When design creates feelings of empowerment, people are eager to share their experience with others. This cycle is essential to generating demand virally and building brand loyalty.

## Overcoming the Hurdles

The importance of creating emotional connections comes as no surprise for business leaders engaged in the strategy, innovation, and design process. Regardless of organizational function, those involved with creating new concepts or taking ideas to market are likely to find themselves frustrated in confronting two major hurdles:

- **Information overload**—There is no efficient way to process and prioritize the volumes of data and research that exist in most corporations today. The market research industry is estimated at a staggering \$19 billion<sup>2</sup> as consumer behavior and demographics can be studied in exhaustive detail. However, the vast majority of consumer purchase decisions are made on an emotional basis and experts estimate that up to 95 percent of buying behavior originates at a subconscious level.<sup>3</sup>

Although information is abundant, *insight* can be in short supply. Traditional market research reveals very little about the consumer's *emotional* triggers in the decision process in a way that can inform design and strategy.

- **Inadequate models for collaboration**—Even in the most enlightened organizations, fostering collaboration between executive and creative teams brings special challenges. The differences in tools, education, and perspective frequently lead to delays, battles, unsatisfying compromises, and uninspired results. However, companies that find ways to resolve these issues can create an important source of competitive advantage.

As a design firm, we have had a unique vantage point in this debate. We have collaborated with companies in many industries for almost 30 years. At its best, design is an excellent method for creating

organic growth, brand awareness, and meaningful consumer experiences. It also remains one of the most underleveraged tools in many organizations. We knew that we wanted to do more than help firms create one-time product success. Helping clients build brands for the long term requires understanding how to build and operationalize consumer insights and demands by developing an efficient collaborative process to enable repeatable success.

But that does not mean that companies looking to understand and incorporate design need to upend everything that they know. Sweeping corporate reorganization is not always a realistic (or effective) option, especially when a company is engaged with maintaining its competitive position. Moreover, changing the course of strategy and the inner workings of companies are not areas that design firms were traditionally consulted on. Therefore, the tools that we developed to lead innovation do not rely on a given corporate culture or executive champion. They are also not dependent on complex financial modeling. Psycho-Aesthetics guides the design process by creating dialogue and collaboration among stakeholders and empathy for the consumer.

*Predictable Magic* shows those interested in driving change how to move beyond brainstorming and create the consumer insight and collaboration needed to achieve breakthrough success—no matter your industry or company size.

## **Psycho-Aesthetics: An Integrated Approach to Innovation and Design**

Confronting two of the major challenges in the design process—creating rich, actionable consumer insight and fostering more effective collaboration—led to the development of Psycho-Aesthetics. This framework makes it possible to systematically understand the emotional reactions of consumers to products, services, and experiences.

Just like the consumer marketplace, new tools and concepts have to connect with the stakeholders they are designed for...Capturing

data and intuition in one place is a goal that remains elusive in most firms. Spreadsheets get updated far more often than assumptions about consumer behavior. Through our work with large corporations and entrepreneurial firms, we saw how business decisions about branding, channels, and pricing could weaken the impact of new concepts. The need for aligning strategy and design became obvious. Strategy without design is just good research. Design without strategy is just a good idea.

The case studies we share here span the range from start-ups to long-established, well-known firms. They are meant as an illustration of how to use emotional insight to guide the design process and to show the framework in practice across a wide range of industries. However, a single great design will not create lasting business success. Nor are we making the case that design can save a dying category or overcome inadequate funding, lack of corporate support, or flawed business models. Many good designs are quickly dismissed, and the best ones are quickly copied. Companies therefore need to innovate constantly to stay on top, and a predictable process for doing so can dramatically increase the odds of success. We know that the design process can be made more collaborative (for all stakeholders), efficient, and consistent with the right tools. And when design and strategy work well together, it can create new categories, transform industries, and drive financial results.

Psycho-Aesthetics is compelling because it creates efficiency in a complex undertaking—understanding the consumer. Technology has enabled the collection of large amounts of trend data. The problem is, all this data and measurement can create *analysis paralysis* in which companies cannot turn information into actionable insights. Measuring everything doesn't create insight any more than eating everything creates health. This methodology enables executives and designers to zero in on the data that matters because it gives them a means to create a compelling consumer experiences.

## The Importance of Emotion—and Action

Our experience shows that anticipating and responding to consumer *emotions*, rather than parsing demographics and focusing on market research, has proven to be the most reliable indicator of design success. Developing a simple, intuitive process for incorporating this emotional insight into the design process has involved vigorous experimentation. Over time, we discovered that factoring in emotion has not made design more complex but introduced clarity to the decisions and trade-offs that come with implementation. That clarity has enabled us to breathe new life into stale categories, help companies climb back from decline, and enter the market and seize share, faster, with more lasting results than we dared to hope for.

What does this mean in practical terms? How can a firm begin to practice this philosophy? What are the resources and skills involved in implementation? Based on our work with diverse clients, we have distilled the process into distinct phases that can be easily remembered with the acronym **EMPOWER**. The Psycho-Aesthetics process is a powerful catalyst in empowering clients and design professionals to innovate. Not coincidentally, EMPOWER also describes the experience that we aim to create for consumers. Empowering experiences create connections between consumers and brands. These bonds are the basis of market leadership and sustained financial performance.

**E**nable Your Stakeholders

**M**ap the Future

**P**ersonify Your Consumer

**O**wn the Opportunity

**W**ork the Design Process

**E**ngage Emotionally

**R**eward Your Consumer

The idea that emotional connections are the real drivers of growth and prosperity seemed radical when we began to use this

approach. If the results from objective data can be misleading, it was hardly surprising that business people were once hesitant to base major strategic decisions on *emotional* considerations. But emotional insight translated into design creates real business results. Consider some of the following examples of this philosophy in practice:

- In the mid-1990s, the Minimed insulin pump was a breakthrough technology that unintentionally reinforced the stigma of being a patient. By redesigning it to look like a pager (which were then perceived as “cool” and “hip”), sales went from \$45 million to \$171 million in 3 years and the firm was acquired by Medtronic for more than \$3 billion.
- An appliance engagement with Amana revealed that its products’ high quality was not reflected in its styling. Enhancing badging, knobs, and graphics to reflect its brand raised costs by \$0.30 but commanded a \$100/unit premium at retail. The result was more than \$20 million in profits and an acquisition by Maytag.
- Collaboration with Discus Dental to create the Zoom! Tooth Whitening system began more than 2 years after Brite Smile entered the category and began taking market share. Psycho-Aesthetics was used to design all components of the professional tooth whitening experience (from the syringe to the whitening lamp). Today, Zoom! sells more than 100,000 of the patented syringes per week and ultimately acquired Brite Smile Professional to secure its market position.

Looking at design as a means to deliver empowerment was central to all these efforts. The credibility of many companies today rests on whether they actually deliver value to consumers as they produce profits. In an increasingly global marketplace, few opportunities can be understood with financial metrics alone (although these will always be an important measure). Many of these markets and new consumers can be better understood—and designed for—through a deep understanding of their needs, desires, and aspirations. In this way, Psycho-Aesthetics can help translate the good intentions of most businesspeople into tangible business results.

## The Value of Consumer Emotions (and the High Cost of Ignoring Them)

Though no one denies that consumer emotions and experience are important, many hesitate to leverage them because they seem subjective and difficult to quantify. But take a look at your balance sheet. Consumer emotions are all over the place—implicitly and explicitly. Neglecting to consider emotions and experience for all stakeholders at every stage will always show up on the bottom line.

**Intangible value of brands**—Brand value is a major component of intangible assets determined by factors such as company reputation and goodwill. These are alternate names for consumer’s feelings about a firm. According to some estimates, intangible value now accounts for 62 percent of enterprise value on a global basis.<sup>4</sup> In addition, long-recognized marketing tools such as the lifetime value of a consumer and the value of word-of-mouth marketing can now be quantified in many industries. The link between consumer emotions to the bottom line has become more visible as a result.

**Vulnerability of financial modeling**—Assume the classic scenario of Company A and Company B. Would you bet on a decision process that is based on observed human behavior and emerging trends or assumptions and historic data? If you voted for the former, you intuitively understand the value of ethnography and “human factors” to supplement the traditional methods of financial modeling.

**Increased chances of survival**—Few companies have histories that do not include periods of difficulty and decline. It is often during the hard times that the feelings of consumers can make a difference in terms of which companies survive. Call it karma. When Starbucks announced the closing of 600 of its stores due to a poor economy, there were community efforts to “Save Our Starbucks” in many locations. At the same time, some investment banks and retailers with long histories folded with scarcely a protest—and sometimes to cheers. Although the love of consumers can’t compensate for poor management or business models, it may afford the flexibility to try out new strategies in good and bad times.

**Impact of social networking**—What are your consumers saying when they get on YouTube? Twitter? Have they listed themselves as fans of your products on Facebook? Consumers are not only making purchase decisions based on emotion, they are providing feedback the same way. Today, those opinions reach far outside their immediate social network. Most of what people feel and say needs to be positive for your company to thrive.

The poet Maya Angelou once observed, “People forget what you said, they forget what you did, but they never forget how you made them feel.” The emotional impact companies have on consumers is perhaps their most lasting legacy...and the largest element of their brand equity. It certainly deserves to be at the forefront of everything the company does.

# INDEX

## A

- actionable manifest, creating, 80
- aligning stakeholders. *See* collaboration in design process
- Amana
  - design collaboration, 19-29
  - empowerment, 16
  - Psycho-Aesthetics maps, 94
- Amazon.com
  - first connectors, 125
  - Psycho-Aesthetics mapping, 45
- Angelou, Maya, 18
- AOL, 86
- Apple, 135
- Artistic quadrant (Psycho-Aesthetics map), 44
  - design priorities, determining, 108
  - Hero's Journey in, 134
- aspirations, determining, 104-105
- attraction stage (Hero's Journey), 130-131

## B

- Barnes, Eric, 139-155
- Basic quadrant (Psycho-Aesthetics map), 44
  - design priorities, determining, 107
  - Hero's Journey in, 133-134

- behavior change, motivation for, 128
- belonging, importance of, 122-124
- brand value, 17
- brands, convergence with design, 49
- BriteSmile, 117
- business models, identifying opportunities, 81

## C

- camcorder example. *See* Flip camcorder example (design based on consumer experience)
- Campbell, Glen, 113
- Campbell, Joseph, 126, 135, 153
- Carbone, Lewis, 33
- Castle* (television show), business model opportunities, 81
- channels
  - Discus Dental example, 116-119
  - identifying opportunities, 81
- collaboration, 159
  - consumer experience as basis of, 92
- collaboration in design process, 20-21, 29, 31
  - Amana example, 24-29
  - difficulties of, 21-22

KOR Water example, 142-143  
 requirements for, 22-23  
 collaboration tools, lack of, 12  
 competition, based on design,  
 10-11  
 complexity, reducing, 92  
 consumer analytics in persona  
 development, 56  
 consumer behavior, 141  
 consumer experience  
 as collaboration basis, 92  
 design based on  
*experience mapping*,  
 38-40, 47-48. See also  
*Psycho-Aesthetics maps*  
*Flip camcorder example*,  
 33-37  
*innovation freedom*, 39  
*market share-based design*  
*versus*, 37  
 consumer priorities, adhering to,  
 110-114  
 consumer testing, 26-27  
 Consumer's Hierarchy of Needs,  
 Desires, and Aspirations, 40, 62  
 consumers  
 connections with, 80  
 identifying opportunities, 80  
 personas. See personas  
 thought process of, 88  
 context, provided by personas, 54  
 Cooper, Alan, 53  
 core consumers, identifying, 85  
 corporate performance, design  
 and, 49  
 Cosby, Bill, 79  
 creative process, starting, 105-106

## D

Day, Clarence, 1  
 day-in-the-life scenarios, 59  
 demographics, in persona  
 development, 56

## design

aligning with strategy, 14  
 based on consumer experience  
*experience mapping*,  
 38-40, 47-48. See also  
*Psycho-Aesthetics maps*  
*Flip camcorder example*,  
 33-37  
*innovation freedom*, 39  
*market share-based design*  
*versus*, 37  
 challenges in, 12  
 collaboration in, 20-21, 29, 31  
*Amana example*, 24-29  
*difficulties of*, 21-22  
*KOR Water example*,  
 142-143  
*requirements for*, 22-23  
 convergence with brand, 49  
 corporate performance and, 49  
 as differentiator, 140  
 emotional connections to, 9-13.  
 See also *Psycho-Aesthetics*  
*Amana example*, 28-29  
*empowerment*, 15-18  
 for personas, JBL Professional  
 example, 64, 67  
 priorities, determining  
*in Artistic quadrant*, 108  
*in Basic quadrant*, 107  
*in Enriched quadrant*, 109  
*in Versatile quadrant*, 108  
 starting points, importance of, 91  
 sustainability and, 49  
 for value communications, 51-52  
 design process, 101-102  
 Discus Dental example, 116-119  
 guitar example, 102-103  
*aspirations, determining*,  
 104-105  
*consumer priorities*, 110-114  
*execution, importance of*,  
 114-115

- role of experts in*, 106, 110
    - starting creative process*, 105-106
    - war room*, 103-104
  - KOR Water example, 139-155
    - emotional engagement*, 150-153
    - experience mapping*, 143-144
    - identifying opportunities*, 146-148
    - personas*, 144-146
    - stakeholder alignment*, 142-143
  - priorities of, 92-93
  - Desire Code, 129
  - Deutsch, Bob, 88
  - development process,
    - focusing, 79
  - Discus Dental example (channels), 116-119
  - Dorfman, Robert, 116
  - Dowdy, Ben, 151
  - Dutch Boy, perspective provided
    - by personas example, 67
  - Dyson, James, 101
- E**
- emotional benefits,
    - identifying, 86
  - emotional connections
    - to design, 9-13. *See also* Psycho-Aesthetics
      - Amana example*, 28-29
      - empowerment*, 15-18
    - value of, 17-18
  - emotional engagement, 121-122
    - first connectors, 124-125
    - Hero's Journey, 125-126
      - in Artistic quadrant*, 134
      - in Basic quadrant*, 133-134
      - benefits of design*, enhancing, 128
      - in Enriched quadrant*, 135
    - motivation for behavior change*, 128
    - recall, increasing*, 128-129
    - stages of*, 130-133
    - stories, impact of*, 126-128
    - in Versatile quadrant*, 134-135
    - viral marketing and*, 136-137
  - KOR Water example, 150-153
  - MiniMed example, 122-124
  - emotions
    - mapping, 40-41
    - quantifying, 22
    - travel through social networks, 136
  - empathy, in personas, 54, 69-70
  - EMPOWER, 15-18
  - empowerment, 41
  - engagement stage (Hero's Journey), 131-132
  - engaging emotionally. *See* emotional engagement
  - engaging interactivity, 42-43
  - Enriched quadrant (Psycho-Aesthetics map), 45
    - design priorities, determining, 109
    - Hero's Journey in, 135
  - EONs. *See* JBL Professional ergonomics (guitar example), 112
  - ethnography, in persona
    - development, 57
  - execution, importance of, 114-115
  - experience. *See* consumer experience
  - experience mapping, 38-40. *See also* Psycho-Aesthetics maps
    - KOR Water example, 143-144
    - power of design and, 47-48
    - strategy based on, 47
    - value of, 48
  - experts, role in design process, 106, 110

**F**

- Farber, Sam, 55
- feature creep, 108
- Felder, Don, 113
- financial modeling, vulnerability of, 17
- first connectors, 124-125
- first movers, 124-125
- Fleming-Wood, Simon, 35, 86
- Flip camcorder
  - design based on consumer experience, 33-37
  - Psycho-Aesthetics mapping, 48, 95
- FloH Club, 86
- Freud, Sigmund, 126

**G**

- gap mining, benefits of, 79-82
- Glee* (television show), business model opportunities, 81
- green movement, 140
- guitar example (design process), 102-103
  - aspirations, determining, 104-105
  - consumer priorities, 110-114
  - execution, importance of, 115-116
  - role of experts in, 106, 110
  - starting creative process, 105-106
  - war room, 103-104
- Guitar Hero example (engaging interactivity), 43

**H**

- Hackett, James, 55
- Haeckel, Steve, 33
- Hayman, Robert, 116
- Henderson, Florence, 86

- Hero's Journey, 125-126
  - in Artistic quadrant, 134
  - in Basic quadrant, 133-134
  - benefits of design, enhancing, 128
  - in Enriched quadrant, 135
  - KOR Water example, 153-154
  - motivation for behavior change, 128
  - recall, increasing, 128-129
  - stages of, 130-133
  - stories, impact of, 126-128
  - in Versatile quadrant, 134-135
  - viral marketing and, 136-137
- heroic evangelist stage (Hero's Journey), 132
- Herrington, John, 19, 23, 29
- Horwitz, Jeremy, 72

**I-J**

- inclusion, 23
- information overload, 12
- innovation freedom, 39
- insulin pump example (emotional engagement), 122-124
- intangible assets, 17
- interactivity, engaging, 42-43
- iTunes/iPod example (engaging interactivity), 43
- Jagger, Mick, 113
- Janowski, Paul, 102
- JBL Professional
  - design for value communications example, 51-52
  - designing for personas example, 64, 67
  - perspective provided by personas example, 68
  - Psycho-Aesthetics maps, 96
  - usage scenarios for personas, 60-61
- Jones, Rickie Lee, 113
- Jones, Simon, 52, 68
- Jung, Carl, 126

**K–L**

- key attractors, 59
- KOR Water example (design process), 139-155
  - emotional engagement, 150-153
  - experience mapping, 143-144
  - identifying opportunities, 146-148
  - personas, 144-146
  - stakeholder alignment, 142-143
- Lafley, A. G., 69
- Laliberté, Guy, 153
- language barriers, in collaboration, 22

**M**

- manufacturing, importance of execution, 114-115
- mapping. *See also* experience mapping; Psycho-Aesthetics maps
  - emotions, 40-41
  - personas, 61-64
  - role in design process, 92
- market research, in persona development, 56
- market share–based design, 37
- Martin, Roger, 4
- Maslow’s Hierarchy of Needs, 40
- Mason, Dave, 106, 110, 157
- Matano, Tom, 30
- Minimed
  - emotional engagement, 122-124
  - empowerment, 16
- mining the gaps, benefits of, 79-82
- Moment of Truth stage (Hero’s Journey), 132
- motivation for behavior change, 128

**N–O**

- Net Promoter Score, 137
- Olson, Carla, 151
- opportunities
  - identifying
    - benefits of*, 79-82
    - KOR Water example*, 146-148
    - matching personas and products*, 82-85
    - Vestalife example*, 71-75, 78
  - power of Opportunity Zone, 87-88
  - selecting, 85-87
- Opportunity Zone, 79-80, 93
  - matching products and personas, 82-85
  - power of, 87-88

**P**

- pain points, identifying, 86
- Paul, Les, 104
- Penn, Mark, 73
- performance. *See* corporate performance, 49
- persona dashboards, 58
- personalization (guitar example), 113-114
- personas, 53
  - benefits of, 54-56
  - designing for, JBL Professional example, 64, 67
  - elements of, 56-57
  - empathy and, 69-70
  - KOR Water example, 144-146
  - mapping, 61-64
  - matching products to
    - in Opportunity Zone*, 82-85
    - Vestalife example*, 71-75, 78
  - outcomes of, 58-59
  - perspective provided by, 67-68

stories created around, 126-128  
 usage scenarios for, 60-61  
 perspective, provided by  
 personas, 67-68  
 Plato, 91  
 positioning, role in first  
 connectors, 125  
 products, matching to personas  
 in Opportunity Zone, 82-85  
 Vestalife example, 71-75, 78  
 Psycho-Aesthetics, 10, 13-14  
 consumer thought processes, 88  
 maximizing investment in,  
 157-159  
 Psycho-Aesthetics maps  
 Amana example, 94  
 emotion mapping, 40-41  
 Flip camcorder example, 95  
 interactivity, 42-43  
 JBL Professional example, 96  
 persona mapping, 61-64  
 quadrants in, 44-47  
 role in design process, 92  
 Vestalife example, 71-75, 78, 97  
 purchase stage (Hero's  
 Journey), 132  
 Pure Digital Technologies  
 design based on consumer  
 experience example, 34  
 Psycho-Aesthetics mapping  
 example, 48

## Q-R

quadrants (Psycho-Aesthetics  
 maps), 44-47  
 recall, increasing, 128-129  
 Rhea, Darrel, 85  
 Richards, Keith, 113  
 risk mitigation, with personas, 55  
 RKS. *See* guitar example (design  
 process)

## S

selecting opportunities, 85-87  
 Shustak, Paul, 139-155  
 Sinegal, Jim, 56  
 social media, magnitude of, 137  
 social networks  
 emotions traveling through, 136  
 impact of, 18  
 sound quality (guitar  
 example), 111  
 speakers example. *See* JBL  
 Professional  
 stakeholder alignment. *See*  
 collaboration in design process  
 Starbucks, survivability  
 example, 17  
 starting creative process, 105-106  
 statistics, technology consumer  
 trends, 73  
 stories  
 benefits of design,  
 enhancing, 128  
 impact of, 126-128  
 motivation for behavior  
 change, 128  
 recall, increasing, 128-129  
 strategy  
 aligning with design, 14  
 selecting opportunities, 85, 87  
 survivability of companies, 17  
 sustainability, 140  
 design and, 49

## T

Target, first connectors, 125  
 Tech Fatales, 73  
 technology consumer trends, 73  
 Teddy Ruxpin example (engaging  
 interactivity), 42  
 teeth whitening example  
 (channels), 116-119

Tenite, 111  
Tesco, personas and empathy  
  example, 69  
thought process of consumers, 88  
tone wood alternatives (guitar  
  example), 111  
touch points, 129  
triggers, 59  
Twain, Mark, 159  
Tyneski, Frank, 39

## U–V

usage scenarios for personas,  
  60-61  
user-centric design with personas,  
  54-56  
value communication, design for,  
  51-52  
Versatile quadrant (Psycho-  
  Aesthetics map), 44  
  design priorities, determining,  
  108  
  Hero's Journey in, 134-135  
Vestallife example  
  identifying opportunities,  
  71-75, 78  
  Psycho-Aesthetics maps, 97  
viral marketing, Hero's Journey  
  and, 136-137  
visualization, 23-24  
Volkswagen, 131

## W–Z

Walker, Rob, 129, 135  
war room, 103-104  
water bottle example (design  
  process), 139-155  
  emotional engagement, 150-153  
  experience mapping, 143-144  
  identifying opportunities,  
  146-148

  personas, 144-146  
  stakeholder alignment, 142-143  
Wood, Ron, 113  
word of mouth marketing, 137  
Zalesne, E. Kinney, 73  
Zoom! Tooth Whitening system  
  channels, 118  
  empowerment example, 16