



Product Design Awards Increase Company Value

Do you place your products in design competitions?

This is an exciting new age for product developers and their companies, not just for all the new technologies that can be incorporated in designs, but also for the management science surrounding the creation and launch of products containing those new technologies. Big data and analytics, having reached critical mass a decade ago and now doubling in capability every year, are now available to a much wider global audience of business researchers. Management science is also beginning to blossom. We are far from a comprehensive understanding of any decision or technique, but several studies in roughly the same areas are emerging in many important R&D management areas. “The value of design” is one of those areas. Emerging science shows you get the best market value by communicating your design intent to the marketplace in advance, and then turning out a design that scores big in awards competitions. That said, no one has studied the combination of pre-launch announcements and winning design competitions. But there is an interesting study for each area and you’ll likely draw the same conclusion.

Announcement. The first study has been available to practitioners for a while (*Sood & Tellis, PDMA Visions, October 2009*). It makes a great example of the refinement of management science. As an early study, it was seeking to simply explore the market impact of public product announcements of product concepts through early commercializations. Products are “announced” several times in many ways by companies. How did the markets and stock price react to those various announcements as the product proceeded during development and launch? Which announcements generated the biggest market effect?

Announcement Value. It turns out that markets react positively to announcements of innovations at every instance. There is no such thing as a bad announcement, unless you exaggerate. Be careful not to over-promise. And don’t try to game the system. Markets can sense blatant advertising announcements from true product announcements. Announcements that generate the largest market value, which might be not be intuitive, are those made during development, not during commercialization.

Management Science. There are many different types of awards: social impact, invention, market success, technological

advancement, design attractiveness, and more. Our first study looked at the market effect across all categories, regardless of type. It found that winning an award of any type had even more impact than announcements made during development.

Our second awards study reinforces this finding but focused just on “design attractiveness” awards that are specific to industrial design, aesthetics, and usability. It involved only award-winning announcements and did not look at product announcements made during development and early commercialization.

Award. The second study examined standard deviations on stock returns of 264 companies that announced winning design awards for commercialized products from 1998 through 2011 (*S+B, PwC, Spring 2017*). It also cited journaled research (*Xia, POM, June 2016*). As a highly focused study, it more deeply quantified actual market reactions to award-winning designs. It looked at the two-day period after the announcement and chronicled the results. As you may have guessed, it was positive. The impact was greater for small and mid-size companies. Across all sizes, market impact was tangible.

Award Value. After removing the noise from the findings, stock price increases following announcements of winning a design award ranged from 0.95% to 1.02%. Yes, a 1% bump in stock price for publicizing a design win on a single product. It definitely impacts a project’s ROI. Consumer-style designs had greater increases than did industrial products. Consumer product design decisions are also likely to be further influenced by this finding.

Announcements + Awards. It is hard to argue that the two studies make a compelling case that performance-to-promise pays itself back. Companies that carefully manage product announcements during development, deliver on the promises of their product, then find their way to the top in awards competitions, will likely see their stock price climb higher. Walking the talk and then winning awards boosts companies and the value of the innovators and managers who make it possible. **md**

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