



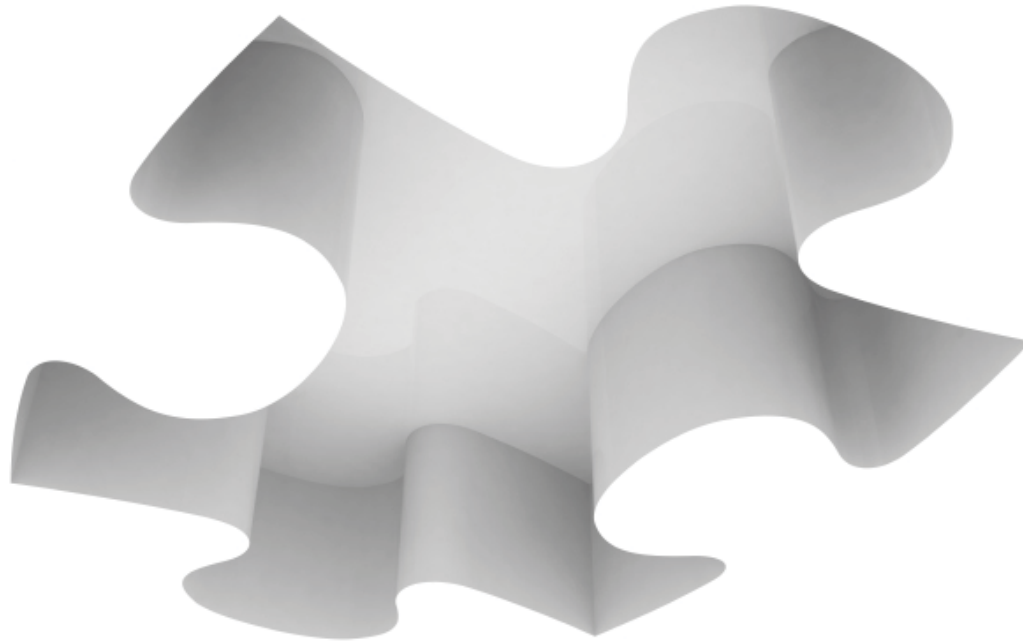
product development
technologies, inc.

PULSE

A bi-monthly publication by PDT

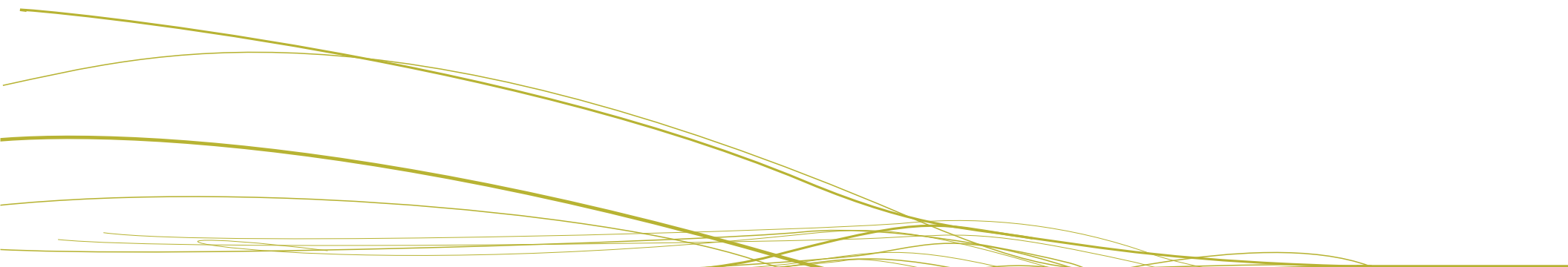
Issue 6

February 2009



In this issue:

Leveraging a Consultant While the Sky is Falling
2009 CES Commentary: Bridging Work and Play



Leveraging a Consultant While the Sky is Falling

2008 is behind us, and thank goodness the political season is over too. Now it's time to get back to work and deal with this "Recession of 2009."

What is this recession thing about anyway? One of the systematic problems with responding is that we're dealing with something in the rear view mirror. By definition, we can't even call it a recession until we've had successive quarters of economic contraction or shrinking Gross Domestic Product (GDP). Anyone that has lost a job or has seen their own corporate revenue and net income go backward in the last several months is well aware of the real-time elements of the problem.

Meanwhile, we are left to wonder if something in between a 12-Figure economic spending package, which amounts to Keynesian 'stated as stimulus' economics on steroids, or the free market capitalist economy of supply, demand, and the Laffer curve – the rate of taxation at which maximal revenue is generated, not a standup routine – will get us all out of this mess. What we do know is not even the economists are certain which parts, if any, will provide the needed jump-start.

Aren't we better off not obsessing on the economy so much? Frankly, we should be more concerned about the ancient volcano under Yellow Stone National Park erupting and destroying all mankind.

Embrace the Cycle

Just because the economy is contracting does not mean that we should all stay home and wait for the sky to fall. Now is the best time to plan for the inevitable bounce back and revitalization of the global economy. A bad economy will reward those who help themselves by clarifying their focus and making informed adaptations to their marketing strategies and product mix.

Our capitalist economy runs in cycles, and we are now approaching the bottom of the curve and feeling the effects of overexpansion and over-extended credit.

The harshest and most cruel reality of our current economic condition is unemployment. Job loss is tough on individuals, their families, and on companies too. Yet the US Department of Labor recently reported that productivity per employee continues to rise, which basically means that we continue to rise to the occasion and do more with less.

The reactionary approach is to put the brakes on product planning, strategic marketing, and new product development in an effort to conserve. While we need to recognize the realities of staying afloat, to come to a full stop is misdirected if you want to remain competitive. The key is to make the most of the assets you have and every dollar you spend.

Now is the time to reframe your understanding of the opportunity space, to re-examine the priorities and allocations in your development process that will dictate your future product portfolio. Now is the time to rework the cost structure of your current products

and manufacturing practices so you can remain competitive. Now is the time to leverage your core competency and go after emerging market opportunities that represent new revenue sources.

The Consumer Economy

One thing is for sure - we are a consumption-driven economy. Perhaps we are now saturated with too many products whose only legitimate differentiation is price.

It is more important than ever to ensure your products are anchored in a meaningful user experience. It's why the iPhone is outpacing other smartphones with equal or even superior feature sets. Meaningful experience is what creates loyalty and buzz in the marketplace. It is the one lever you have that can still outstrip cost. It is the magnet that can attract scarce dollars.

Most product companies are at or beyond the point where no more fat can be trimmed. The next series of cuts may very well hit muscle or even bone. Relentless competition has forced many companies to abandon US manufacturing

...continued

operations. Then of course they are criticized for “exporting jobs” in an attempt to squeeze labor dollars out of their cost of goods to meet consumer demand.

The reality is that manufacturing jobs will stop flowing offshore when what we produce is so meaningful, desired and unique to our capabilities that it can hold up against the lowest-priced goods at the big box category killers like Wal-Mart, Home Depot, and Staples. Think about it. When is the last time you saw anyone pull off a successful ‘Made in the USA’ campaign? Fighting for US manufacturing jobs that support commoditized products is like fighting gravity. Take action, and start adjusting to what is driving demand in the world economy.

Ask yourself if the products or devices that you are marketing are on that slippery slope, or if they are rooted in a meaningful experience. Then ask yourself what you’re going to do about it. Failure is assured if you do nothing, so it’s time to select your fork in the road and plan your business and your product offering strategically. Asian manufacturing may be exactly what you need, and a strong sourcing partner can help you get there quickly. You certainly have reams of research and data on your marketing and operations. Take a step back, fill in any important gaps, and leverage strategy and planning techniques that can help you look at the horizon with fresh eyes and develop a shared understanding of the emerging opportunity. Get started on reinventing and

reinvigorating your product and go-to-market strategies.

Is Anything Recession-Proof?

A powerful tool for understanding seemingly unsolvable problems is to decompose the issue into a set of forces that are playing out – and look to other places where these occur. This simple step of taking the problem out of its “box” allows us to gain understanding about what’s happening – and what we might do about it – free of the unconscious filters we use (with good reason) while trying to solve problems in the

Health Care:

People will always get sick and doctors, nurses, hospital products and surgical instruments will always be in demand.

Computers & IT:

Information Technology and computer products that help firms improve efficiency remain in high demand.

Energy:

Systems and devices that deliver energy more efficiently will have great value and ‘Green’ technologies are the rage.

Education:

Smarter is better. There is no better personal investment. Human capital is our most valuable asset.

Public Safety:

Bad economies spawn desperation and breed criminals. Two of the leading ‘industries’ during the Great Depression were bank robbing and kidnapping. We need strong law enforcement.

immediate context of our business.

Volumes of information have been published over the past several months that talk about “Recession-Proof Industries”, “Top Careers to Pursue in a Recession”, recession-proof products, and marketing strategies in a down economy. Some interesting observations have come out of a study of these various points of view. Some of the careers that are believed to be unaffected in a down economy are shown below.

Funerals:

No shortage of work here. Say no more.

Accounting:

Death and Taxes were lower on the list than we thought.

Government:

Politics aside, government always seems to grow and thrive. Unfortunately, government is where operational efficiencies go to die.

Military:

Uncle Sam is always looking for a few good men and women. Our best in US engineering and manufacturing needs to stay home and serve these great people with the best equipment, armaments and protective gear on the planet.

Consulting:

Everyone needs a smart guy to call upon for advice. In a top 25 ranking of recession-proof careers, we came in after ‘alcohol’ and before ‘food’. Not sure what to make of that.



...continued

According to *Kiplinger's* newsletter, certain recession-proof industries -- including Health Care, Pharmaceuticals, Basic Necessities, Cosmetics and Security Products -- will do well this year. By their definition, recession-proof industries are those that "produce and sell products that consumers use regardless of their economic status or level of income."

While the mind numbing economic statistics are being thrown about and a new economic theory seems to be proposed almost daily, so far all we seem to have to show for it is a bunch of Sunday morning talking head show buzz words, drama, controversy, worry, and uncertainty.

It's time to listen to what you know and believe, not the guessing that surrounds us. Ask yourself - and your leadership team - what are the root issues you are facing? What can you learn from the roles and the industries that are struggling with those same issues, in a different context? From those that are not affected? From those who faced them in the past and emerged successful?

A Call to Action

In the midst of all this economic turmoil, the best advice to you and to your business regarding this recession is DON'T PARTICIPATE.

Businesses have a greater chance of failing, not for lack of good decision making, but for not making decisions at all. Sticking your head

in the sand, blaming it all on the economy, and not taking action will guarantee failure. In fact, a British study of 1000 businesses during the last three decades found that companies that spent more on innovation during a downturn witnessed a 23.8% increase in the return on capital employed (ROCE) during the recovery, compared with 0.6% for those that slashed spending.

Look for where you are performing, and find ways to lever up these strengths. Look for shortfalls, and take smart steps to close the gap or cut the losses. Look for user-driven revenue opportunities that weren't on your radar previously.

There is no better time than now to invest in new ideas and creative means to bring attractive, useful and differentiated products to market as quickly as possible. Take active steps to navigate through the noise and proliferation of undifferentiated products, and increase your probability of hitting the big one through disciplined research, analysis, and strategic planning.

By the time the economic pendulum inevitably swings the other way, you need to be positioned in or around the markets and industries mentioned above, or you need to bring the highest value to the markets you currently serve with clever solutions centered on meaningful experiences. Avoid the urge to pushing an initiative just for the sake of being new and improved. Forget fads, look for quantifiable market trends, and meet the growing needs.

Remember Psychology 101 in college? We learned

about Maslow's "Hierarchy of Needs" not 'Wants'. When developing new products in a bad economy, the value propositions that address physiological and safety needs will trump the myriad fancy toys, trinkets and accessories that litter our homes and collect dust on retail shelves everywhere. At the end of the day, useful products with lasting value will thrive in any economy.

The key is to develop sound strategies, design and engineer the right kinds of products with viable cost structures, and execute a plan that taps into the needs of consumers looking for lasting value. We all know that the weather is going to get a little rougher before it gets better. As a result, our priorities will most likely shift from gluttonous consumption to more utilitarian and discerning tastes where lasting value and fulfillment of a genuine need will be in demand.

Now is the time to act and prepare for the economic recovery.

-Joe Brennan



2009 CES Commentary: Bridging Work and Play

The cool weather in Las Vegas during this year's CES show was in many ways a good indicator of the over all pulse of the show. Early signs pointed toward a less flashy show than previous years and that was pretty much the case. As my colleague and I walked the first day of CES we noticed that we were not waddling down the aisles like penguins from exhibitor to exhibitor. The attendance was noticeably smaller and it was actually nice not to have to fight for a position to see the thinnest TV or smartest phone. The smaller crowd also allowed us the opportunity to speak with many of the exhibitors and gain a bit more insight into what's coming up this year.

Planning and dissecting this show is tough because it seems to be more spread out every

year. This year many of the big names, like Dell, did not have a spot on the main floor, but were in private rooms in one of the participating hotels, while many other companies who had partnerships with giants like Microsoft were set up to share space on the floor with them – evidence, I think, of the cross pollination going on among high tech companies.

Technically speaking, there is a great continuing effort in the advancement of visual communication and the bridging of emerging technologies. Televisions are still becoming thinner and boasting higher resolutions. Organic light-emitting diodes (OLED) are at the forefront of the new technologies giving TV manufactures the ability to produce slimmer, higher resolution displays- and for the first time- physical flexibility. This gives designers like myself extraordinary possibilities as we begin to design products that

can be more adaptable to “on the go.” I can begin to imagine smart phones being more compact and flexible as they get taken in and out of clothing, etc.

Another emerging trend in visual communication to note is 3D technology. Sony, Samsung and LG were among the big names that had 3D prototypes on display for the attendees to try out. What is also interesting is that there are two main approaches to viewing 3D- one is to wear the goofy glasses. The other method is for the image itself to be projected from the display without the need for eyewear. I'll warn you- if you are prone to motion sickness, this is not for you.

With the way the economy is headed, I can begin to see entertainment possibilities that might be



...continued

marketed to people that are staying at home more. As the industry creates better imaging effects, this can take on a whole new realm of entertainment and could also lead to exploiting our other senses, for example smell, and the way companies can advertise their products and services.

Television is also becoming the primary bridge between information providers and entertainment providers. As TV goes digital and the internet becomes more accessible with wider bandwidth, companies like Microsoft are launching next generation operating systems that cater to the infusion of the two medias. User interface design is becoming the hero in helping to make sense of what can easily become information overload.

Because this is so new, there is no recipe to balance the information that streams from the web and the TV broadcasters. Many of the user interface examples we saw seemed to lack the sensitivity needed to convince consumers to easily embrace this new format; most lacked logical architecture and basic graphic design creativity. There almost seems to be too much freedom in resolution and some manufacturers are exploiting that freedom to the point that there is information overload. This seems like an opportunity area in which the early players can invest and become the brand associated with a positive user experience in this arena.

Digital imaging devices like cameras and

camcorders have pretty much flat lined. Digital imaging devices seem to have become commoditized and have lost much of their initial cache. I believe this industry is suffering from having their technology co-opted by other more mobile formats like the smart phone. Companies like Kodak which rely heavily on image capturing and printing are responding by focusing on the broader scope of the image capturing business, looking at the entire process of capturing and preserving your life as it happens, which was the main theme of their booth.

As day one turned into day two, our focus shifted to the accessories and carrying solutions that make it easier for the mobile-techy-nomad to conduct his daily business. This is a market that continues to expand and become a bigger presence at the show, a sign of the way we all now work and communicate from anywhere, anytime. Carrying solutions for laptops and cell phones, as well as organization solutions for home technology, were heavily geared to females. The colors, patterns, fabrics and styles on display showed a continuing trend to merge technology and fashion, transforming devices that are increasingly indistinguishable from brand to brand into expressive and personalized accessories. Products that assist in individuality are going to once again be in demand as many products share the black or silver rectangle with no Industrial Design thought.

More and more, the smart phone seems to be evolving as the primary link between individual technologies and devices. We found an example of this in a company called Control 4, which offers a wireless system designed to control lights, doors and



...continued

appliances through a central server within the home linked to the homeowner's cell phone.

As usual, the show had a strong international flavor, however this year it seemed to be a little bit different. I noticed more exhibitors having Latin and Middle-Eastern representatives speaking in Spanish and Arabic. This could be nothing out of the ordinary, or it could be an indicator that these particular markets might be poised to perform better in the coming recession riddled year. Looking further into this theory, I came across some data that showed cultural advantages that might help these regions weather the recession a little better than North America, Asia, and Europe. These regions, which are either petroleum rich or manufacturing strong, have cultures that

traditionally place a higher priority on saving rather than spending. As goods become more abundant and less expensive, this becomes an opportunity for buying power- and possibly a new market opportunity for manufacturers.

While there was a relatively subdued presence of American marketers reeling from this year's economic recession, I still believe there are opportunities for smart companies to build brands and even profit during these times if they put their more limited funds and best talent to work in strategic ways.

-Gilberto Cavada and George Guffey





product development technologies, inc.

About PDT

At PDT we believe the success of a project relies on our team members' insight into today's product development issues, advances, technologies and trends. We actively seek out the information needed to stay savvy to the issues and opportunities facing our clients, continually building a foundation of knowledge and inspiration that helps our team design products which spark desire, devotion and success in the global marketplace. We are happy to share just a few of our team members' insights, observations and opinions with you in this publication. For more information, please visit us at www.pdt.com or contact us.



PDT Lake Zurich

p 847 821 3033

PDT Minneapolis

p 763 694 8851

PDT Austin

p 512 244 1795

PDT Oxford, UK

p +44 (0) 1844 278 000

PDT Chicago

p 312 440 9404

PDT Fort Lauderdale

p 954 428 3404

PDT Los Angeles

p 310 601 7167

PDT Lviv, Ukraine

PDT Shenzhen, China

This Issue's Contributors

Joe Brennan has been on board with PDT for just a few years but has worked on and off with the PDT family since the beginning as a friend, business associate, and consultant. After holding titles at other firms like VP of Sales & Marketing, Director of Business Development, and even President of a pizza franchise, Joe's perfectly happy being the PDT sales guy that supports the Coconut Creek, FL and Austin, TX offices. He has an undergraduate degree in Economics and an MBA in Marketing along with a patent or two. His real passion is his wonderful wife Cara, their 3 year old daughter Carolina, and his 'adult' kids Mary (21) and Michael (18).

Gilberto Cavada has been designing for 10 years and has been involved in all types of industries; both commercial and consumer. 'My passion is my family; my strengths are delivering what I promised and what was desired; my ambition is to constantly reinvent myself without losing the lessons learned; and my weakness is fast cars.'

George Guffey is PDT's lead User Experience Design consultant with over twelve years of experience in visual communication and product design. He has worked for PDT for the past five years and also lectures about User Interface Design at the School of the Art Institute of Chicago. George is known as a walking Wikipedia for trivial knowledge and lives by the motto 'If a cluttered desk is a sign of a cluttered mind, then what are we to think of an empty desk?' (Einstein)



Joe Brennan, Gilberto Cavada, George Guffey

askpdt@pdt.com
www.pdt.com