The Liberation of Design in Retail Markets:
Leveraging Innovation to Bring the Best Design Ideas to Market

Kalypso White Paper
by Steve Riordan and Mallory Engler
Executive Summary

In retail, the responsibility, authority and capability to design apparel, footwear and accessories has begun a rapid shift from a relatively small number of revered design gods and goddesses to the broader masses. Fueled by the creation of a more transparent, technology-enabled society, this trend has produced new and quite capable designers, including celebrities, upstart contest winners and social media-enabled teenagers. To compete, retailers can use the liberation of design as an opportunity to innovate and improve their merchandise and product development processes, and to ensure they are bringing the best design ideas to market.

The Liberation Of Design

Retailers can use the liberation of design as an opportunity to innovate and improve their merchandise and product development processes.

Design was once the exclusive domain of manufacturers, but in recent years that power has shifted into the hands of retailers who are increasingly choosing to develop their own store brand products. That control continues to expand as consumers vie for a more dominant role in the design of the products, brands and services they buy and use. The liberation of design trend gives consumers the opportunity to bring their own design ideas to the table, and represents the shift of power in the ownership of the design process.

The ability to design a product – and subsequently to sell it – is now readily accessible all, due to:

- The boom of readily available information
- The potential to quickly and cheaply reach the masses
- The ubiquity of seller platforms

Major retailers are now competing with individuals and revolutionary business models that are taking advantage of this liberation, and meeting consumers’ thirst for unique products that fit their personal style. As this shift of power continues, successful retailers will recognize, embrace and adapt to the change, and capitalize on the opportunity to innovate their merchandising and product development processes.
The Evidence: From The Few To The Masses

New “designers” are regularly entering the marketplace with and without the aid of major retail companies. Contests such as *Project Runway* (PR) (launched in 2004) present a popular forum that brings unknown designers to the public eye, elevating them to celebrity status. PR has had a far-reaching effect on the design industry as well, as the show has been credited with creating a surge in enrollment in US design schools. As host Tim Gunn noted, the show has made “fashion very, very accessible to the public at large.”¹

Celebrity designers are also becoming increasingly popular in the marketplace. Social commerce company, BeachMint, has created a powerhouse of sub-brands all led by celebrity designers including the Olsen twins, Rachel Bilson and Justin Timberlake. More than a simple endorsement, these celebrities are participating in the actual design process, making BeachMint an appealing model for consumers who feel they can identify with the products because they know who designed them.²

Consumers who are unable to find what they want in established retail outlets also have access to a growing number of options which allow them to become their own designers and craft items to meet their specific needs. Virtual company Milk & Honey allows consumers to customize and create their own shoe design through thousands of design options. Startup Blank Label aims to revolutionize men’s shirts by providing customers with the ability to create an affordable customized shirt that fits their specific body type based on six to nine unique measurements.

The business side of design has been equally liberated, and as such, major retailers are now facing competition from emerging designers and startup companies who have viable design skills and comparable access to tools – such as social media and seller platforms – to successfully market and sell their products.

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² “BeachMint Sales Helped by Celebrity Social Media.” *Bloomberg TV.* February 8, 2012.
The Drivers

A Bounty of Information

More than anything, the liberation of design has been fueled by an increasing abundance of information. The massive amount of information online gives anyone the ability to see what already exists in the design space, making it easier to learn from others’ failures and build on their successes.

The rise of user-generated content (UGC) has also had a tremendous impact on design. UGC is described as any content (blogs, comment posts, videos, etc.) created by consumers of an online system and publicly available to other consumers. According to eMarketer, nearly 52 percent of US internet users will be creating UGC by 2013. This growing content has left a trail of opinions and feedback on the internet that the savvy user can employ to look for needs and trends in the marketplace.

Major industry players and entrepreneurial individuals alike can use this valuable information to innovate. As Paul Grangaard, President and CEO of Edmonds Shoe Corporation, shared in the 2013 Apparel Outlook, “via the Internet, the world is now our focus group.”

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3 eMarketer, 2009.
Inexpensive Ways to Market and Acquire Clients

Beyond simplifying the ways people find information, internet and social media evolutions have also spurred a plethora of ways to share. As a result, emerging and established designers alike have an equal playing field in finding inexpensive ways to market and acquire clients.

**Social Media:** Social media provides retailers and designers of any size instant access to their fans. Companies like BeachMint are thriving not only because of their celebrity designers, but because those celebrities are able to easily and rapidly connect with their consumers about the products they design. Celebrity Kate Bosworth, the face and co-designer behind BeachMint’s jewelry line **JewelMint**, connects with her fans via regular social media posts, which play into consumers’ desire to identify with the design and designer, and help to fuel JewelMint’s customer acquisition and retention.5

**Innovative Business Models:** Flash sale sites such as **Gilt**, and related models like **Fab**, expose consumers to new brands, and brands to new audiences. While many flash sale sites originally focused on selling overstocked items of well-known brands, many newer and niche models differentiate their business by highlighting lesser-known emerging designers, which helps to set them apart in an ever-crowding flash sale market.

**Sampling:** Subscription sample models continue to emerge; major player **Birchbox** (launched in 2010 and now seeing sales of over $12 million and growing) was cited by *Time Magazine* as a “low-cost way for smaller brands to get consumers overwhelmed by choice to try their stuff.”6 While Birchbox sources primarily free product samples to fill their subscription boxes, their focus is on converting subscribers to buyers of the full-size products, for which Birchbox serves as an internet retailer. Half of subscribers have done so, meaning big revenues for both Birchbox and the brands they sample.7 Similar models like startup **Bombfell**, which sends a monthly item of men’s clothing to members, also seek to promote items from up-and-coming designers. By lowering consumer hurdles to trial, subscription models serve as viable outlets for a breadth of designers to market – and sell – their products.

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5 “BeachMint Sales Helped by Celebrity Social Media.” Bloomberg TV. February 8, 2012.
The Ubiquity of Seller Platforms

With the rise of omni-channel, consumers are increasingly searching across retailers and channels to find the products they desire, and as such, new seller platforms are continuously emerging to make this process more efficient for both the consumer and designer.

**Major E-commerce Players:** Amazon.com has been a catalyst of the global e-commerce marketplace, allowing big and small brands alike to sell directly to the consumer. Online auctioneer eBay is also moving into this space, announcing in 2012 its plans to partner with major retailers to serve as their technology enabler. CEO John Donahoe sees this as a necessary move at a time when the line between e-commerce and retail is, “not just blurring, it’s falling down like the Berlin Wall.”

Traditional brick and mortar retailers are working to keep up by boosting their e-commerce capabilities, while many emerging e-retailers are focusing on ways to expand their consumer reach.

**Individual Markets on a Big Scale:** The liberation of design has also been fueled by a rise in online markets that cater to the individual seller. Etsy, launched in 2005 as a way for small business owners to sell their handmade and vintage goods, now lists over 17 million items in more than 200 countries; in 2011 Etsy saw sales of $525.6 million. Etsy allows the individual designer to sell their products to a greater audience in a cost-effective manner and creates a platform for consumers to bring their own designs to life through customization options. Sites like Shoptiques, an online marketplace launched in 2011 for a handful of exclusive global boutiques, also cater to consumer demand for choice and remove the barrier once created by lack of physical proximity to a retailer.

**Innovative E-commerce Platforms:** An increasing number of curation platforms, such as e-bulletin board site Pinterest, have fueled a surge of online “window shopping.” While still small compared to Facebook and Twitter, Pinterest is growing at an unprecedented rate, and retailers are scrambling to determine how best to use it to market and sell their brands. Beauty retailer Sephora has found that “Pinterest referrals spend 70 percent more than products without an e-commerce channel, including search, and are 10 percent more likely to purchase when compared to other social channels.”

Because the popularity of the pin is dependent on user promotion, it is up to the designer or retailer to create and curate relevant and interesting content that users find “pinworthy.” This potentially viral marketing and selling technique is a readily accessible – and growingly useful – tool to all.

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8 “eBay Wants to Partner with Large Retailers, Not Compete with Them.” [ZDNet](http://www.zdnet.com), February 15, 2012.


Best Practices: Using The Liberation Of Design For Your Business

For retailers that design and develop their own products, it is imperative to understand the role the liberation of design has played in shifting ownership of the design process. Bruce Nussbaum, contributing editor to *BusinessWeek*, describes this challenge as: “The process of design, the management of the design process, is changing radically. Egos and silos are coming down, participation is expanding, tools are widespread and everyone wants to play. People want to be in the design sandbox so you have to figure out how to get them in and do design with them.”\(^\text{11}\) As such, retailers can use the liberation of design as an opportunity to innovate and improve their merchandise and product development processes.

1. **Find the best design: whether inside, or outside, your company.**

The liberation of design should not be viewed as a threat but rather an opportunity – as long as your organization is poised to accept and embrace it. US retailer, Nordstrom, a long-time supporter of the Council of Fashion Designers of America/Vogue Fashion Fund (a contest focused on finding “emerging American design talent”) is using its sponsorship of the fund in a more innovative way this year by capitalizing on the appeal of the emerging designer. In early 2013, Nordstrom will launch several pop-up stores throughout the country that highlight the designs of the fund’s contestants.\(^\text{12}\) Established retailers can use emerging designers to develop a new voice in the design of their brand; bring a more personal, less mass-produced image to their retail operations; and to create a sense of identification with consumers. Embrace these outside ideas as potential sources of innovation for your organization. It doesn’t have to be big retailers versus the small guy – try partnering instead. Be open to the possibility that your best design may not be in-house.

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2. Use the information your consumers are already sharing with you (and the world).

To find the best design, start by listening to your consumers and taking advantage of all of the information they are already sharing – on your network and others. Search through UGC and social media to find out what consumers are saying about your brand and design in general. Don’t just follow the analytics, be transparent in your design process and let consumers know that you are listening to their thoughts and ideas. Luxury designer and retailer Tory Burch uses Twitter as her personal outlet to connect with fans and does most of the tweeting herself. She also uses social media to analyze what fans are saying about her brand and other design ideas. In 2011 she listened to fan suggestions to create a shirt benefitting victims of the Japanese Tsunami, and she found support for one of her own design ideas – travel socks to avoid bare feet at airport security.

3. Let your consumers in on the design process.

Better yet – don’t just listen to them, empower them. Take consumer input further by facilitating their participation in the innovation and design process; they’ll be more invested in a product they feel ownership of. While companies like Levis, Nike and Burberry are adding personalization to the design process with customization, others are truly innovating their collaboration by crowdsourcing directly from their core consumer. In a revolutionary break from tradition, Fiat Brazil enlisted an open design crowdsourcing process to design the Fiat Mio. Using an online submission hub to engage its fans, Fiat received over 11,000 design ideas for the crowdsourced car, and made the entire design process open and available to the public, giving consumers a strong sense of ownership in the process. For companies unable to take that large of an open-process leap, hosting more simplified forums like contests can be a valuable way to engage your consumer in the design process. Consumers today know what they want better than anyone; let them help you meet their needs by bringing them in early on in your innovation process and keeping them involved throughout.

4. Use consumers to enhance your business processes too, not just your designs.

Use the voice of your consumers to improve your business processes as well. The rapidly growing online retailer Modcloth used their “Be The Buyer” program to engage fans and forecast demand. The contest allowed fans to vote via Facebook on their top designs, and the company then analyzed the results to create demand planning specific to each design, circumventing the usual need for large production.\(^\text{16}\) Similarly, David’s Bridal introduced an online game, “What Would They Pay?” to test merchandising assortments through online consumer input versus in-store testing. The process shortened the testing cycle from eight months to just weeks, decreased the overall cost of testing by 20–30 percent and increased forecast accuracy by 20 percent.\(^\text{17}\) It also helped the company better understand consumer pricing expectations, meaning more accurate pricing and less costly markdowns. Listening to your consumers can add flexibility to your business model and improve your merchandising process as well.

5. Don’t leave your vendors out of the sandbox either.

Vendors are a tremendous source of design inspiration and collaboration. Whether a branded vendor or a private label manufacturer, vendors can provide valuable insight into what is possible and practical in all aspects of design. Retailers who have moved beyond an arms-length, combative relationship with their vendors have been able to leverage vendor brand and design expertise to develop exclusive lines and products. One such example is Macy’s Designer Capsule Collection Series, which includes a range of exclusive collections developed collaboratively with the help of celebrated global designers such as Karl Lagerfeld, Nicole Richie and Doo-Ri Chung.

Innovating collaboratively with private label manufacturers can also benefit retailers in the design and development of unique combinations of fabrications, silhouettes and trim, and allow retailers access to insights across their customer base.

Listening to your consumers can add flexibility to your business model and improve your merchandising process as well.

\(^{16}\) “Modcloth: Getting Customers to Design Their Own Clothes.” \textit{Inc.} May 3, 2012.

6. Make sure you have the best tools to enable you.

To effectively include your consumers and vendors in the design process, you’ll need the right tools. Technology, whether used directly or through a partnership, is necessary to facilitate innovation and collaboration in your product design and merchandising. Technology should allow you to “listen” to your consumers in all channels including UGC, social media and mobile activity, and to keep up with the increasing pace of their activity.

The tools you choose should also allow you to open up your innovation process, to the extent that you are willing to do so. Are you looking to crowdsourced ideas directly from your consumers, or partner with an innovative company who already understands this process? This past year, Gap partnered with crowdsourcing experts Threadless to bring consumer-based innovation to life through t-shirt design. Threadless, started in 2000 and now rumored to have revenues of $30 million, bases its design process entirely on crowdsourcing; the company takes user-submitted designs and produces them based on user voting.18 By partnering with Threadless, the Gap is developing products that consumers have already said they want – and to what extent they want them.

Your tools should also allow you to innovatively market and sell the best designs. Leverage the innovative business models that are continuously emerging – these are not just for startup designers. Nordstrom entered into the flash sale site model with their acquisition of HauteLook in 2011; the retailer views the site as a way to experiment with products that they would otherwise be leery of introducing to the conservative Nordstrom brand.19 The acquisition has also been cited as a signal that Nordstrom openly welcomes innovation and is poised to adapt to change. In this light, view the liberation of design as an opportunity to free your organization from the conventional norms of doing business and add flexibility to your business model. The traditional model of reaching consumers is not enough; to stay competitive you need the best products and the best way to interact with your consumers, who have increasing choices of what and how they buy. Don’t let your products lose relevancy because your model for getting them to market is outdated.

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7. Create a culture that accepts change and embraces what the liberation of design has to offer.

Finally, ensure you have the right people on your team who are willing to accept that the liberation of design is occurring and are prepared to proactively embrace it. Make sure your organizational culture is not too internally focused to recognize the benefits of this shift in ownership. Failure to accept its existence or to capitalize on its opportunities could prevent your organization from remaining competitive. In the same way, you'll need to be open to ideas and opinions that come from outside your organization, you'll need people who are ready to adapt to the ongoing change, and have your company’s innovation success – not their own egos – driving their decision making. Allow your people to experiment with new ways of interacting with consumers and bringing them into the innovation process, and reward them for doing so. Everyone is trying to play catch-up in a fast-paced market. Help your organization get ahead by allowing it to be flexible, creative and innovative in how it embraces the liberation of design.

Conclusion

Ownership of the design process may be shifting away from your organization, but rather than chase it, look for ways to move with it and adapt. Understand what emerging designers and small innovators are doing in the market and identify ways to use those same tactics to improve your own merchandising and product development processes. While we’ve focused primarily on the fashion industry, these principles are applicable to the retail industry at large, including food and drug, and should be considered by all retailers as a way to avoid obsolescence and innovate to thrive.
About the Authors

Steve Riordan, Partner has dedicated his entire 30-year career to serving retailers and their suppliers, first as a retail executive and more recently as a partner and practice leader for several prominent consulting firms, including Kalypso. steve.riordan@kalypso.com

Mallory Engler, Senior Consultant works with retail and apparel clients to implement innovation strategy and product lifecycle management (PLM). She has experience with a variety of clients, from entrepreneurial fashion designers to major apparel companies. mallory.engler@kalypso.com

About Kalypso

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