The role of design for the competitiveness of the Italian Industrial System

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Abstract

The aim of the paper is to analyze the role of design in re-launching the competitiveness of Italian SMEs. The importance of design in product innovation has grown dramatically during the last few years. Traditionally, design was considered an exception reserved for luxury segments and sophisticated niche markets that could appreciate a product’s aesthetic and artistic values. Now, design is becoming the synthetic expression of a range of managerial processes, including product innovation, communication, distribution channels, and renewed customer relations, that are innovating products by adding communicative value. On the basis of the analysis of case studies and focus groups, the paper aims at pointing out competitive models based on design for upgrading in global value chains.

Keywords: product innovation, design, upgrading, globalization

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1. Introduction

The Italian economy is finding it increasingly difficult to keep pace with the challenges of globalization. The debate on the competitiveness of Italian manufacturing and, in particular, its ability to acquire the modern-day skills necessary for growth, is not a new one. The increased attention dedicated to this issue in recent months is mainly the result of the ever more acutely felt nature of a number of basic problems that, for the first time, are being seen as impossible to resolve within the context of the present economic model. The solution to these problems apparently requires to rethink the way in which we innovate in terms of technology and added value on international markets.

The worsening of downward trends has accelerated worryingly in recent years, and is now shaking the very foundations of Italian industry, and even casting doubt on aspects of our national manufacturing system previously considered axiomatic. The issue of industrial districts, for example, is at the top of the list. In the past, Italian Industrial Districts represented an original but effective way of manufacturing, even on an international level. They once demonstrated an impressive ability to innovate, but without investing in formal R&D laboratories. These networks of small and medium enterprises developed ideal conditions for improving knowledge and skills within their manufacturing processes, and generated various incremental innovations that consolidated the competitiveness of the entire manufacturing chains in industries like machinery, textile, clothing and furniture.

Today, however, the geography of manufacturing is undergoing a dramatic transformation. As the result of rapid industrialization, based on labor costs well below those of the developed countries, new nations and geographic areas have acquired the manufacturing skills once limited to specific industrial regions within Italy. Countries like China, and many central and east
European nations too, offer major cost advantages for manufacturers, and Italian companies are failing to justify the cost of their products. As a result, serious doubt is now being cast on Italy’s traditional manufacturing specializations.

Italy’s reputation in manufacturing is partly upheld by individual cases of excellence that have found ways of turning handcrafted products into international success stories. Most of these exceptions, however, aim at filling sophisticated market niches that are more than normally appreciative of a product’s aesthetic and artistic value. The rest of Italian industry, which targets the high volume markets, is today more than ever exposed to the effects of mass production and to growth in competition from the recently industrialized nations of the world.

The aim of this paper is to identify plausible new ways for re-launching the competitiveness of Italy’s small and medium enterprises on the basis of a new concept of design. Traditionally, design was considered an exception limited to luxury segments and sophisticated niche markets that could appreciate a product’s aesthetic and artistic value. Italian firms such as Bulgari, Ferrari, Frau, Tod’s, etc. are good examples of this aristocratic interpretation and application of design. Their products are stylish and aesthetically elaborated in line with the needs of a few happy customers. Design is now spreading in different industries far beyond the luxury market and low-tech industries (textile, furniture, fashion). From high-tech products to groceries, from automotive to home appliances, design is as relevant as ever and is an important strategy to differentiate the product in crowded segments characterized by fierce competition.

Moreover, design is rapidly redefining its nature and its role in the process of product innovation and in marketing practices. The traditional, narrow definition of design, as the artistic creation of luxury, stylish goods reserved for elite customers, is giving way, in the scientific and managerial literature, to a much broader definition which sees design as “a process of innovation that

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1 By Design we mean Industrial Design. During the text those two words will be used interchangeably.
requires products to incorporate aesthetic value” (Lojacono 2002). This new definition is not limited to luxury goods but “is gradually spreading even into sectors once hostile to any style content not dictated by purely technical or industrial demands” (Simonelli 1997). In this perspective, design is becoming the synthetic expression of a range of managerial processes, including product innovation, communication, distribution channels, and renewed customer relations, that are innovating products by adding *communicative value*. Instead of being considered an appendix to the process of innovation (an ex-post fix), design is acquiring a central role in rethinking the product and building *valuable meanings* for customers.

The methodology used for the research is *qualitative* and refers to both case studies analysis (Eisenhardt 1989; Yinn 1994) and focus groups. In particular, we have interviewed several leading Italian firms and we have conducted 6 focus groups with designers and managers.

2. **Innovation and design: the changed role of consumption**

Kotler and Rath (1984) pointed out how design was a “neglected tool” and how firms (especially American ones) rarely used it. While business is re-assessing the strategic power of design, economic and management literature barely touches on the issue of design-based innovation. The reason for the very marginal role assigned to design by the Scholars lies in the distinctive nature of the design concept, and in particular in the fact that design, as we normally define it, cannot be easily reconciled with the fundamental tenets of industrial economies, such as: scientific knowledge, mass markets, standardization and economies of scale. The traditional concept of design, understood as a purely artistic activity aimed at creating luxury goods for tiny niche

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2 Alessi, Asolo, Alpinestars, Chimento, Diesel, Ducati, Flos, Frau, Geox, Horm, Iguzzini, Intimissimi, Lago, Lotto, Luxottica, Pianegonda, Roces, Salomon-San Giorgio, Salviati, Teuco, Valcucine, Venini,
markets, has no place in models of added value and competitive advantage based on mass production.

The gap between design and innovation has gradually narrowed in recent years. The main reason for this lies in the changing nature of commercial competition. Today, technology and functionality alone are no longer sufficient to give a product a sustainable competitive advantage. Technical innovation and style were kept distinct in both theory and practice until the 1980s. Much progress has been made since then, however. In particular, consumption models have changed radically (Di Bernardo and Rullani, 1990; Micelli 1998), generating, in our opinion, a powerful force for change. Compared to the isolated, passive role played by consumers in previous mass production models, consumers today play an active role in generating value and in re-modeling communication and meaning. Consumption is being perceived in terms of communication, participation and experience. This newly acquired consumer power represents both a challenge and an opportunity for design. To understand these changes we need to examine three trends that are currently emerging in the world of consumption and are helping to re-define the entire concept of design.

### 3.1 Consumption as communication

Mass production played a fundamental role in satisfying the demands of consumers as they came into contact with industrial products for the first time. Nevertheless, increased yields and market saturation have now created a new demand for differentiation even from the average consumer. This change of emphasis means that the consumer is no longer willing to delegate all style choices to the firm (Micelli 1998); neither is he prepared to leave it up to that firm to define cultural meanings and social needs. On the contrary, today’s consumer demands recognition of
his specific requirements and personal preferences. This transformation has been brought about by a growth in the importance attributed to the symbolic significance of manufactured goods compared to their purely material value. Products are becoming “signs, symbols and message carriers” (Fabris 2003), and consumers are no longer purchasing goods simply to satisfy needs, but to communicate values, express personality and define their own identity.

Fabris (1997) shows how lifestyles and purchasing trends are changing, and describes the effect that these changes are having on modern society. By the last quarter of the 20th century, fading socio-political identities were leaving the individual with no firm anchorage in society. “The search for identity is an unfinished quest, a sort of existential objective that encourages the individual, on an emotional level, to seek a socially and personally gratifying self-image” (Fabris 1997). Goods were being seen as useful tools in this quest for renewed identity, and took on a new communicative function in the process. As a result, the ownership of specific products no longer defines class membership, or aspirations to social status, but expresses personal identity, the result of an individual’s attitudes, desires, passions, and values. Nowadays, as Fabris (2003) points out, goods communicate individual identity rather than class membership.

Brands and advertising, as well as the products themselves, generate and amplify messages and meanings that the consumer experiences and combines in various ways to construct a personal identity, which he then asserts to himself and others through his behavior and consumer habits.

### 3.2 Consumption as participation

Information and communication technologies represent a discontinuity. Though much has been written about these new technologies over the last decade, the accepted approach during much of this time was to apply traditional paradigms to analyzing their roles. Information and
communication technologies were initially viewed as tools that would bring about interactive communication between consumer and manufacturer, providing companies with new ways of gathering masses of detailed information on individual customers and enabling them to develop personally targeted products and messages. Where flexible production technology and lean, dynamic organizational solutions actually do permit the mass customization of products (Pine 1993), new technologies provide a channel for the manufacturer to listen to the customer and create personalized messages based on hyper-detailed profiling (Peppers and Rogers, 1997). These early illusions of one to one marketing and mass customization were soon shattered by the fact that very few customers actually have the technical skills or the time necessary to specify what type of car or computer corresponds to their precise preferences. Nevertheless, information and communication technologies have redefined the roles and the relative weighting of production and consumption, and have made new bi-directional communication flows possible, in contrast with the old unidirectional business-to-consumer flow. In these technologies, consumers have found useful tools for establishing a dialogue with firms and, more importantly, with other consumers, breaking the isolation imposed on them by old-style mass communication means.

The dramatic spread of information technology has allowed consumers to gain influence over design and direction by joining on-line communities identified with distinctive and attractive consumption patterns (Franke and Shah 2001; Micelli and Prandelli 2000; Micelli 2000; von Hippel 2005). Communities of consumers form around common passions for determined products and practices, sharing experiences, knowledge, and information, and developing new collective interpretations. Within these communities, consumers exchange knowledge obtained through personal experience and contribute collectively to the improvement and development of
the products they use. Rather than gathering information on their consumers, the companies who learn to dialogue with these communities acquire the ability to gather and enhance the knowledge base of their consumers (Micelli and Prandelli, 2000).

This phenomenon of communities of consumers is now quite generalized and common in a wide range of topic: from electronic games to extreme sports. Roles in innovation are being redefined within the context of interactive communication. Where, under mass production, the manufacturing company and its Research and Development laboratory was once the only place where innovation and knowledge were generated, today the consumer herself is also an active innovator, relying on circuits of communication and co-creation of meaning, identity and understanding provided by the latest technology.

Ducati is a great example of an Italian manufacturer who has understood how to exploit this new dynamic and has used it to establish a close and intensely communicative relationship with the more sophisticated and aware sections of motorcycle consumers. Ducati uses the Web to organize meetings and discussions with the Ducati riding community (Ducati owners and fans alike) within which consumers can suggest improvements to the products based on their own experience. These suggestions are collected and passed on to the design team as an extremely valuable source for product innovation.

The delicate balance that is created in situations like these is based on the ability of the firm to become an effective member of the community, to participate in its network of relations and in the processes of innovation that start at consumer level, and to make the best possible use of them in product development. The company that decides to exploit consumer input in their product innovation process, however, also grants the consumer community access to in-house know-how (Von Hippel 2005).
This process is found in various sectors of industry, where consumption patterns and collective identities developed within consumer communities generate commitment and knowledge-creation that can be exploited in the market place. The snowboard, skateboard, windsurf, motorcycle and mountain bike industries are just some of the sectors characterized by these developments (Franke and Shah 2001).

3.3  Consumption as experience

The third trend in the changing relationship between manufacturer and consumer is the growing importance of the consumption experience. Consumers are increasingly seeking not only to purchase products and meanings, but to participate in unique, memorable consumption experiences. Pine and Gilmore (1999) predict the growth of an experience-based economy, in which consumers seek full immersion in unique contexts and experiences which confirm the meanings, cultures, symbols and identities behind their chosen brands.

Companies are being called on to invent complex, articulated worlds in which the consumption experience embodies values, identity and culture. The distribution chain is one of the environments chosen to exploit this dynamic by companies such as Nike, Sony and Starbucks. To the customer, these companies promise not only the product and value set announced by the brand and its advertising, but also places, spaces, and contexts within which the “potential world” (Semprini 1996) of the brand - a narrative centered on the brand’s deepest values and meanings - comes to life, and where the consumer can act out a part in creating its stories and experiences. Megastores, sponsored music events, and sportswear city tours are tools that manufacturers typically use to construct, in conjunction with their consumers, entire stages and story lines that allow the consumer to participate actively in new experiences.
The moment of purchase itself becomes an experience, and the sales chain has a fundamental role to play in providing the space for the narratives and experiences offered by the brand. This new way of perceiving points of sale is itself radically transforming distribution policies: shops are changing their historical roles as simple points of display and sale and becoming *stages* for experience and opportunities for contact between consumer and company. By making these encounters possible, shops are playing an increasingly fundamental role in the conception and development of complex experiences designed to add significance and value to the products they sell.

4. **Design in the new competitive context**

The change in the respective roles of consumption and production leads to reflect on the importance of design as a way of differentiating the product and as a means for industry to respond to consumers’ demands for communication, participation and experience. In this context, the United States is leading the field in re-thinking design and its strategic importance for value-adding processes. America was the first nation, back in the second half of the twentieth century, to view design as an activity oriented to qualifying a product’s style and communicative value (De Fusco 1985). The progressive reduction in component size of so many widespread products, from motor cars to electronic goods, provided a great opportunity to change the exterior style of products without interfering with consolidated mechanisms of recognition and repeatability. The miniaturization of internal technical components has allowed designers to be more flexible in the way they use space and shape, giving them the opportunity to play with the aesthetics of the external shell (De Fusco 1985).
Design is thus becoming a means of integrating a product’s functionality with a strong stylistic component (De Fusco 1985; Jarvinen and Koskinen 2001), and industrial designers are working more and more closely with marketing experts to achieve the levels of product differentiation that the market demands. Design, marketing, advertising and brand management are becoming fundamentally interdependent tools in reflecting and satisfying the *immaterial* needs of modern consumption.

Major opportunities are opening up to manufacturers in both mature and emerging sectors. In areas like clothing, footwear and furnishing, which have reached a sort of plateau in terms of innovation, companies that fail to differentiate themselves from the mass are being forced to compete on the grounds of price alone. The process of commoditization of technologies and functionality, together with the impossibility of acquiring exclusive technological know-how, is leading to models of competition in which companies manufacture substantially similar products and can only gain an edge over their competitors in terms of market share by cutting their prices. For Italian manufacturing, this ability to differentiate represents the only feasible way to avoid having to compete with manufacturers from recently industrialized countries.

Design can help these companies, and provide them with an opportunity to innovate not only by developing the technology and functionality of their products, but by working on their intangible, communicative and stylistic values too. The personal computer industry presents us with one of the most interesting cases of how a company can combine innovative style and innovative technology: Apple.

The revolution triggered by Apple, based on the concept of the personal computer as an object of decor and fashion, has had a knock-on effect throughout the computer and IT accessory industry. PC keyboards, for example, have abandoned their traditional rectangular shape to assume other,
more rounded and sensuous, more ergonomic and stylish forms (Microsoft Optical Elite). Mass memories like LaCie’s hard disk drives are also emerging from the stylistic anonymity typical of many computer peripherals thanks to the innovative input of Porsche Design.

The design changes made to these and many other products are adapting them to match prevailing fashions and style preferences in interior decor, clothing, fashion, and personal accessories. The importance of fashion in a growing number of areas of manufacturing means that design is becoming a vehicle for change as well as a means of enhancing stylistic and sensorial values. Design is redefining the relative importance of such aspects as technology, functionality and style, and is using style to leverage the value of the first two. Design is also contributing to the cultural re-definition of products (Kotro and Pantzar 2002), and is learning to add components and functions that enhance their value to specific consumer cultures.

Innovation, in the technical sense of the word, is still a fundamental source of value in itself. It is no longer, however, enough on its own. As Codeluppi notes (2002), the capacity of modern manufacturing to introduce radical and incremental innovations greatly exceeds consumers’ capacity to assimilate them. In a context of hyperchoice (Fabris 1997) and in the absence of truly revolutionary innovation, the consumer becomes ever more selective and grants his favors to innovations that have significance and that interact with all the other products he uses to communicate identity and values. The consumer “does not manifest unconditional favor towards everything that is new; innovation must have a positive effect on his life before he sees it as truly innovative” (Codeluppi 2002). Innovation is first and foremost a question of social constructs, and formulae, machinery, textiles and materials come afterwards (Flichy 1996; Riccini 2001).

Meaning is attributed to innovation thanks to the tools the manufacturer uses to capture the favor of consumers seeking new experiences (Pine and Gilmore 1999), meanings and identity
(Codeluppi 2002; Fabris 1997, 2003; Semprini 1996). These tools are: branding, design and communication.

5. **Innovation, technology and design in Italian manufacturing: how the model is changing**

Italian industry has to adapt its traditional characteristics to match a rapidly changing scenario, characterized by contexts that are radically different to those in which Italian companies first achieved international success. As we have said, Italian manufacturers are perfectly able to excel in manufacturing itself, but all too often do not have the necessary skills, resources or ability to beat the competition in areas like marketing, branding, distribution, communication, design and consumer interaction. The manufacturing *know-how* is still important, but skill in production alone is no longer sufficient to maintain a position of advantage over multinational companies who have adopted new organizational and technical solutions to close the flexibility gap by which they once suffered (Corò, Micelli, 1999; Micelli, 2002; Camuffo, 2002). Italian manufacturing has to remodel its strategies and skills to respond to changes in the way value is created in a context of consumption that demands communication, participation and creation of meaning.

Despite the crisis, which has proven particularly painful in the case of workforce employed in manufacturing processes which are slowly but surely migrating to countries offering lower labor costs, and despite the alarm signals coming from various experts forecasting Italy’s inexorable deindustrialization, there are enough encouraging signals to develop new competitive models for adding value to the many specializations and skills we have in Italy. Italy’s reputation for style, though not so much in mass market products (De Fusco, 1985; Lojacono, 2002), is nevertheless a major source of investment in the new competitive scenario.
Many companies are already exploring new solutions and new, more adequate responses to global competition and to the requirements of today’s redefined consumption. Though these solutions vary widely, and are sometimes “not intentional”, design always plays a crucial role and grants the opportunity to renew the skills and traditions of Italian manufacturing.

Below we examine four potential ways of using design as a lever in product differentiation, as illustrated by a number of successful Italian companies.

5.1 **Renewing the appeal of design along traditional lines: exclusivity and style**

Companies such as Venini in glass, B&B in furnishings, Alessi in household goods, Artemide in lighting, and Ferrari in cars, are confirming their policy and continuing to offer “artistic” products, characterized by a relevant attention to the intangible elements making their offers “rare” and unique. The value that the consumer perceives in these products has more to do with their style content, exuberant and extreme form, and elegant, sophisticated design than with their functionality (Jarvinen, Koskinen, 2002; Lloyd, Snelders, 2003). Longstanding and traditional manufacturing skills are combined with input from famous artists and designers to inject an aura of artistry into these products and attract a loyal and sophisticated consumer base, which is willing to pay a remarkable premium price. This approach is related to a well-known path that has been followed by many Italian companies that have written important chapters in the history of design and have made major contributions to establishing the reputation of Italian manufacturing over the last forty years.

It is essential to understand, however, that even these companies have thoroughly renewed their strategies, especially from the point of view of communication and product distribution. Compared to the past, the Italian companies who have achieved success by these means are more
aware than ever of the importance of investing in brand management. They control their
distribution channels in a far more structured manner, even investing directly in prestigious
flagship stores, exclusive store designs and prestigious locations. They create structured, on-
going partnerships with external artists and designers and exploit the wealth of relationships
acquired over the years by organizing cultural events, in some cases inaugurating purpose-built
museums to maximize the cultural significance of their products.

Unlike design studios, these companies are genuinely design-based, i.e. they “have turned design
into their primary asset, and based all strategic decisions affecting their competitiveness,
production and organization on it” (Lojacono, 2000). These companies manufacture and sell
products with a powerful artistic content, and by acting as trend-setters in taste and consumption
patterns, maintain a high degree of autonomy in the process of creating and assigning meaning to
their products. The companies who can follow this route towards product differentiation are
presently few and far between, however, even though their number is likely to increase
dramatically.

This area of business innovation is an important test bench for Italian SMEs and the country’s
industrial regions. Success is not just a matter of reclaiming ownership of Italy’s reputation for
excellence and exclusivity, but of completely rethinking company communications and global
marketing strategies. This requires investment and a new understanding of communication
processes, including original methods of interaction with the most sophisticated strata of
consumers. Some company museums point effectively in the direction that others need to travel
to add value to expertise that has long been taken for granted within Italy’s industrial regions.
5.2 **Design as a means of combining ergonomics and style**

In Anglo-American industrial traditions a product’s ergonomics is the result of scientific research aimed at obtaining precise design indications as to the form and features that the product must have to be easier to use and more functional for the consumer (Norman, 1993). Ergonomics, a discipline in the field of cognitive sciences, studies the ways in which individuals interact with the artifacts they use. In recent years, ergonomics has developed rapidly and has extended its boundaries to cover the world of software and user interface design. American companies stand out for the attention they pay to ergonomics, and have invested massively in it as a source of innovation. Unfortunately, this new emphasis has frequently led to an uncomfortable partnership between ergonomics and style, the latter being perceived as purely ornamental. The old dualism between form and function has reared its head again, insisting that form must follow function.

In contrast with this narrow interpretation of ergonomics, some Italian manufacturers are demonstrating the feasibility of new roads to innovation, with a better balance between the elements dictated by practicality and user friendliness on one hand, and those associated with style and consumer lifestyle on the other. In these cases a product’s ergonomics and practicality do not derive directly from scientific research, but from an ongoing dialogue with the end consumer, and from the constant observation of the ways in which customers use the product in their daily lives. Without the necessary resources to fund scientific research into ergonomics, Italian companies have preferred the route of empirical observation of how their products are used, and have built close ties with users to collect feedback and to improve functionality.

Inglesina, for example, a company based in Vicenza, has become an international leader in prams and baby buggies thanks to its strategy based on this particular form of ergonomics. Their products stand out from those of the competition not only for their typically Italian styling but
also for a series of highly innovative solutions that allow busy mothers to open and fold them with just one hand.

Foppa Pedretti is another interesting case. Their products, designed for daily domestic activities like ironing, clothes lines, baby feeding, etc., are the result of careful study of the home and how household activities are commonly performed there. Attention to ergonomics, mobility and reduced overall size underlie Foppa Pedretti’s design choices, and permit their products to be folded away when not in use. In this case, design blends style and functionality: the design concept is based on the careful study of the actions performed by the user within the context of the home and aims to make those actions easier and less of a physical effort.

5.3 Design as a creative mix of technology, communication and style

Even in traditional sectors of industry, far more exposed to international competition, there is still room for renewal, if guided by the understanding that design can indeed combine innovative form, innovative technology and innovative commercial communications. In this scenario, design typifies a particularly Italian version of the smart product concept, involving the incorporation of advanced technology into consolidated products. This is the scenario in which Merloni domestic appliances excel, conveying as they do Italian style plus the latest information technology to inject intelligence into everyday products. Appliances that would otherwise be mere commodities, plain white domestic appliances, thus become highly differentiated by combining new functions, achieved by the latest technologies, plus innovative style to satisfy consumers’ style aspirations in kitchen and bathroom decor.

Neither is this approach the prerogative of traditional areas of industry. One significant case of how a company can combine style and technical innovation is Geox, the footwear manufacturer
from Montebelluna, the name behind the “shoe that breathes”. Geox is Italy’s number one footwear manufacturer in the lifestyle market segment, and that sector’s number eight worldwide. The company has achieved annual growth of over 50%, and in 2001 produced over 3 million pairs of shoes for a turnover of 150 million Euros.

Dainese, from Molvena in the province of Vicenza, manufactures protective clothing and accessories for motorcyclists, mountain bikers and skaters, and has always declared a mission “to provide head-to-toe protection in dynamic sports”. Since it was established in 1972, Dainese has stood out for its ability to design and sell protection in the form of clothing and accessories. Dainese’s R&D centre (D-Tec, Dainese Technology) has worked with the MIT (Massachusetts Institute of Technology) and Italy’s CNR (Consiglio Nazionale delle Ricerche, the National Research Council), to develop some of the most advanced solutions for the safety and comfort of exponents of dynamic sports, motocross, track and road motorcyclists first and foremost. Their products include plastic back protectors that combine a soft interior with a rigid shell to distribute shock over the widest possible area, and the D-Air protection system based on the innovative idea of incorporating airbags inside motorcycle clothing to increase the level of safety in the event of a fall. Dainese’s attention to style combined with their research into innovative and effective protection solutions has made the company a world market leader. Dainese’s commercial solidity is further guaranteed by direct control of export markets, from which a large proportion of turnover is derived, achieved by disbanding the old importer network, and by close association between the Dainese brand and top riders like Valentino Rossi and Max Biaggi.

### 5.4 Design as a new context for traditional Italian culture

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Italian manufacturing tradition is rich in ideas and products of humble origin that have acquired great value on an international level, once adequately enhanced. The case of Nonino grappa is a clear example of how a traditional product, in fact even one with negative original connotations, can become something of a cult. The grappa of the Friuli region of Italy has long been considered a second class citizen in the world of noble alcoholic spirits; yet Nonino, thanks to an impressive effort in communication, managed to completely renew its product’s image and compete for even the most exclusive niche markets. Various initiatives contributed to this success (including the establishment of a prize for literature, radically renewed packaging, and a selective reorganization of the distribution chain), all conceived to promote grappa as an expression of local culture. Design, which in Nonino’s case is concentrated mainly on the packaging (box and bottle), has played a fundamental role in renewing the form in which the product now reaches the consumer. This particular project is just part of a more general and far-reaching investment in communication, aimed at realigning and renewing an entire cultural patrimony, of which grappa is presented as the most authentic expression.

The problem of creating new contexts for products is not new to design and product development textbooks. Kotro and Pantzar (2002) point out that many manufacturers of high-tech products like mobile phones (Nokia), walkmans (Sony) and wrist computers (Suunto) are constantly engaged in cultural reinvention. In their work, Kotro and Pantzar discuss the cases of various companies producing smart objects, or items that incorporate advanced intelligence and technology, that are judged by consumers not so much for their technical and functional characteristics but more for their ability to fit in with selected consumer cultures and lifestyles.

In countries like Finland, Japan and the United States, the current approach to using design to re-contextualize products emphasizes the need for high-tech manufacturers to culturally reinvent
products particularly in fashion terms (Kotro, Pantzar, 2002). The case of Nonino in Italy, however, demonstrates that Italian industry does not necessarily fit in with this interpretation: Italian manufacturers must enhance values and traditions that have their roots in local contexts, and enrich the significance of their products via communications that emphasize existing cultural patrimony. The possibility of renewing manufacturing traditions through careful design is open to all sectors of Italian industry. The farm and food industry (with its wine and coffee traditions, for example) is perhaps the area most involved in this broader interpretation of innovation. The same opportunity is waiting to be seized by the furnishing accessory sector and by the textile, clothing and jewellery industries, where neglected objects can be re-presented to the market as part of a project to enhance the cultural values of the contexts in which those objects are made.

6. The convergence of design and communication

Traditionally, design was about the object: aesthetics, style, ergonomics and technology. Communication and narration were elaborated only afterwards based on the success of the product. In this perspective, the product itself and its design were the origin of the communication process. Many of the iconic products of the mass market production have this characteristic: Coca-Cola, Levis 501, Chanel n.5, etc, are just a few examples of how starting from successfully design product can lead to develop a story, a never-ending myth. The analysis of the results of both case studies and focus groups points to a dramatic shift in the way design is interpreted within the modern firm. Firms are now focusing on the elaboration of meaningful stories and narrations and only afterwards on the product. In the post-fordist era, the sustainable competitive advantage is not based on a company’s ability to conceive and develop successful products first, but on the ability to define a communication strategy capable of
establishing the guidelines within which coherent and integrated design can take place. In this perspective, the design of the product encloses values and meanings developed firstly at the narration level. The aesthetics, the style and the technology used are defined on the basis of the story produced. Consumers are seduced by meanings that the product delivers rather than by the physical object itself.

This change in the role of design can be analyzed in three different areas: the brand management and development, the distribution channels and the interaction with customers.

6.1 The brand as a means of communicating design

In line with our new approach towards the activities of communication and design, the role of branding also needs to be interpreted in a completely different way. The classical approach to branding was basically product-oriented (Aaker, 1997). The brand was, for many years, just a name, a symbol or slogan associated with one or more of a company’s products: its function was primarily to guide the consumer selection process in a world of largely similar alternative products. The product itself, however, was pivotal in the branding process. The brand had to synthesize that product’s features, at least the most important ones as perceived by the consumer, amplify them and make them more easily recognizable.

Over recent years, this relationship between brand and product has changed. Brands are increasingly seen as autonomous semiotic constructs, capable of synthesizing complex and differentiated meanings and references that are increasingly less traceable to any one particular product. The values and identities of a brand have become abstract concepts, frequently not even deducible from the exterior manifestation of the brand itself. On this subject, Andrea Semprini (1996) tells us that “a brand never declares its values overtly, but conveys them in more or less
structured narratives, within which those values are free to express and develop all manner of significance”. When a brand succeeds, the values and references it conveys and expresses form a set of cultural elements that form a potential world, in which the consumer can find a coherent set of cultural references to reflect on and interact with.

In Italy, Diesel is one of the most evolved cases of brand-building. The Diesel brand works well as a device for constantly generating meanings, values, and situations not dictated by the product as such. Diesel has created a brand based on the values of anti-conformism, rebellion, and irreverence, and has promoted them through powerful advertising campaigns: “For a successful living”, “Working (with) class”. They have sponsored events and created narratives in which their clothing conveys meaning rather than merely acting as a product in the strict sense of the word. Diesel has not invented anti-conformism, but has merely detected the importance attributed to it by a growing number of consumers, and has adopted it as part of their own narrative. This ability to recognize social change and embody it in a brand with powerful, evocative connotations is something only the most creative and innovative (in the sense we have used so far) companies can aspire to. Diesel has developed its ability to design and communicate a brand on a global scale hand in hand with the necessary skills to design jeans and T-shirts for young, anti-conformist consumers.

The gold and jewellery sector offers us another interesting success story: Pianegonda. Motivated by the aim of moving modern jewellery away from the traditional connotations of luxury and ostentation, the Pianegonda brand stands out for its ability to identify the preferences of new market segments, and to attract younger consumers who are less fascinated by the appeal of traditional luxury jewellery, through innovative design, original materials like plastic and silver, and a promotional communication strategy that is far more original than those of the
competition. The brand is supported by a network of single brand shops and single brand corners in which Pianegonda values are given a high profile. In the case of Pianegonda too, the value of the product (i.e. jewellery) cannot be traced to its intrinsic qualities (raw materials, manufacturing quality, style), but is created by the product’s positioning within the general context of the brand, of which the jewellery itself is but a mainstay.

6.2 Using distribution as an opportunity for interaction

The distribution channel is increasing its relevance for determining the success of the product and the firm as well. Large scale distributors play an important intermediation role towards consumption and they have re-configured the relationships in the industry. The problem is that today the consumer has too many choices: a company’s failure to get their products into the shops can easily render any efforts made in product innovation pointless. Intelligent investment in distribution channels allows companies to achieve consolidated control of the end market and win a larger proportion of the consumer’s total expenditure.

The eyewear sector is a good example. Faced with the increasing presence of products from recently industrialized nations and the impressive contractual power of the large stores, two factors that could easily exclude Italian eyewear from the market, Luxottica has reacted with speed and intelligence. The company has applied an intelligent policy of differentiation between the portfolio of brands that it manufactures under license, and has purchased a number of famous eyewear names including Ray Ban. In recent years Luxottica has also begun acquiring stores, especially in the United States, to ensure that its products have a secure outlet on the market and to cash in on their investments in marketing and branding (Camuffo 2002). There are various
strategies for playing the distribution game: proprietary solutions, the acquisition or creation of direct shop chains, franchising, and commercial agreements with major stores.

Control of distribution is essential not only to ensure ready access to the market, but for various other reasons too. One fundamental function of sale points is to provide instant and direct contact with the world of the consumer, through which the manufacturer can observe changes in tastes and keep pace with the latest trends. The sales point represents an opportunity for companies to capture even weak signals and monitor fashions and trends as they appear. Intimissimi, for example, has invested in a network of single brand shops throughout Italy. This network does not just deliver the product to the consumer, but gives the company a channel for monitoring changing tastes and customer requests. Stores provide the design process with input and stimuli from real customers.

6.3 **Innovating at consumer level**

The diffusion of information and communication technologies has made a major contribution to the appearance of new consumption phenomena, encouraging the development of a collective approach, and virtual consumer communities capable of attracting numerous individuals with converging interests and passions. These communities are not simply demand segments that use the web to declare their wishes. Rather, they are social groupings that exercise a design function of their own and who, in many cases, are perfectly able to instigate research and communicate messages of tremendous relevance for the companies that operate in their areas of interest. Economic research has already started to focus on this phenomenon, and is pointing out the main implications of developments in this direction. The capacity for learning and innovation of these virtual communities depends mainly on their ability to mobilize participation, passion and
intelligence on themes of real relevance. Their economic value, on the other hand, is a function of the manufacturers’ ability to interpret and incorporate the knowledge acquired through them into new generations of products that actually solve problems and satisfy more and more specific needs (von Hippel 2005).

In the software sector, the phenomenon of open source operating systems and applications, written and distributed by communities of consumers, is based on concentrated consumption patterns and strongly felt identities. The developer communities behind these applications are made up mainly of programmers, professionals and IT enthusiasts, who apply their skills and ideas to creating independently the most suitable programs for their needs. These emerging practices, however, are certainly not confined to high tech sectors. A number of sports, including surfing, skateboarding, and mountain biking, have built up consumer communities able to make continuous improvements to the equipment they use (Franke and Shah 2000). For example, the Velcro strings now applied to all windsurf boards are the industrialized version of an innovation introduced by communities of Hawaiian windsurfers in the 1970s. Hawaii’s peculiar climatic conditions, with its strong winds, enabled local windsurfers to make independent innovations in the sport, and to introduce acrobatic maneuvers for the first time. To perform these securely, the windsurfers invented various solutions to improve grip and achieve greater stability, applying strips of whatever materials they found suitable to the standing area of their surfboards (Franke and Shah 2000).

Italy also boasts a number of similar cases. Many of the companies from the Montebelluna area who specialize in equipment for rollerblading, snowboarding and climbing, support extremely active consumer communities and involve them in all stages of product design and development, obtaining many ideas for innovation from them. Roces, for example, uses successful inline
skating teams to help design new roller blades. Whether or not a company can exploit consumers’ creativity depends on its ability to adhere to the values of their community, and to become an effective member of that community through sponsorship, events, and dialogue with the most sophisticated users. Roces won the co-operation of its lead users in the product innovation process by supporting the user community in various ways: they helped build skate parks in various Italian cities and sponsored numerous events, including evening skate-abouts in tourist resorts around the Veneto Region.

In the face of this multiplication of the number of actors in the innovation process, manufacturers are seeing their roles being radically transformed: innovation appears far less as a *deus ex machina*, and far more often as the result of capitalizing on the intelligence and creativity of a whole number of contributors. The design function is being forced to rethink its role and learn to translate and integrate heterogeneous and frequently contrasting forces. The traditional, exclusively creative acceptance of design is fading, and a new generation of designers is learning to dialogue with consumers and integrate with many other figures in product innovation, not only other designers but engineers and marketing experts too, to find the best possible synthesis for their combined knowledge (Bertola and Teixeira, 2002).
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