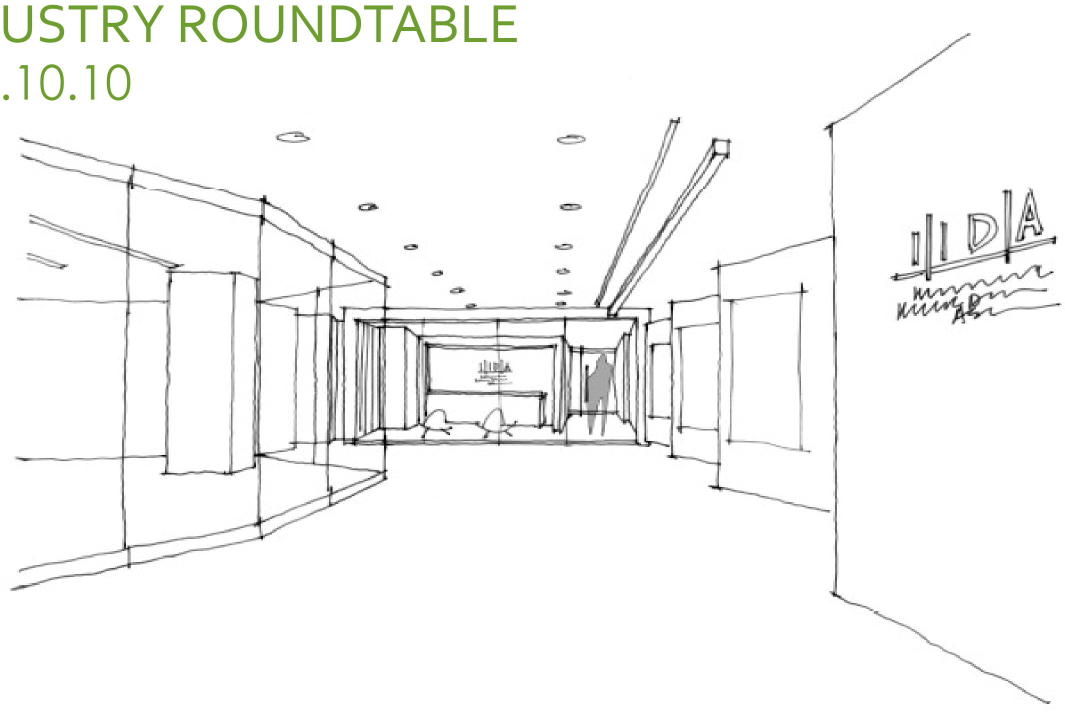
NO SUCH THING AS BUSINESS AS USUAL.

IIDA INDUSTRY ROUNDTABLE
1.8.10 - 1.10.10



by Jeanne Fisher

From January 8 – 10, 2010, IIDA convened a group of Industry Leaders for its 13^{th} annual Industry Roundtable at IIDA Headquarters in Chicago, Illinois. The objective of the Roundtable is always to strengthen the manufacturer/ practitioner relationship by offering strategic perspectives on the changing business practice (whether due to research access, economic indicators, or shifting roles) for all involved in the profession of Interior Design. The roundtable was composed of representatives of major manufacturers, the IIDA Board of Directors and some Members of the College of Fellows.

If there ever was "business as usual," it is no more.

The focus of this year's roundtable was the shift in business practice, with an underlying theme of "Change," as in the changing landscape of doing business with/for the design profession and the importance of exchanging knowledge between manufacturers and Interior Designers. If there ever was "business as usual," it is no more. The annual event, now in its 13^{th} successful iteration, provided a valuable opportunity for thought leaders to explore business enhancing topics such as the changes in business due to economics, social media, and client dynamics, and to exchange theories for the future of the Interior Design industry.

With this summary, IIDA hopes to ignite larger discussions within the design community regarding the state of the Interior Design profession. It represents the discussion of the group, which gathered to explore the future, and does not necessarily reflect the position of IIDA or any individual roundtable participants.

Facilitating the synergy between Interior Design practitioners and the manufacturing communities is an essential role of IIDA in order to enhance and shape the future of design. At its most basic level, the roundtable weekend event provides IIDA Corporate Members and leading Interior Design professionals with an opportunity to share experiences and engage in meaningful conversations about current issues concerning the design community as a whole.

The event was moderated by Jennifer Busch, Hon. IIDA, Editor in Chief, *Contract*.

Additional participants included:

Derrell Parker, FIIDA, Parker Scaggiari; President, IIDA

Viveca Bissonnette, IIDA, Assoc. AIA, CID, Carrier Johnson + Culture; President Elect, IIDA

Steven McCollom, IIDA, AIA; VP of Communications

Allen Parker, Industry IIDA, Kimball Office; VP of Industry Relations

Felice Silverman, IIDA, Silverman Trykowski Associates; VP of Professional Development

Laura Tribble, IIDA, Tribble Design Associates; VP of Government & Regulatory Affairs

Anita Barnett, FIIDA, Perkins & Will

Lewis Goetz, FIIDA, FAIA, Group Goetz Architects

Cary Johnson, FIIDA, Gensler

Jeff Fenwick, VP and General Manager, Kimball Office

Kaye Gosline, Director, Global A&D Market Development, Milliken

Renae Hawley, Territory Manager, The Mohawk Group

Jan Johnson, FIIDA, VP of Design & Workplace Resources, Allsteel

Natalie Jones, VP, Commercial Branding & Creative Product, Mannington Commercial

Raymond Kennedy, Director of North America Marketing, Haworth Inc.

Mark Shannon, VP of Sales, Crossville Inc.

Cheryl S. Durst, Hon. FIIDA, LEED AP, EVP and CEO, International Interior Design Association

Dennis Krause, Senior Vice President, International Interior Design Association

For more than ten years, the International Interior Design Association has convened leading manufacturers, design professionals and industry leaders to explore current trends in the Design Community, as well as identify areas of opportunity for IIDA Members and the Design Industry. To kick off the year 2010, 20 Interior Design industry leaders gathered to discuss and debate the top questions foremost on manufacturers' and suppliers' minds regarding the evolution of business as usual:

- What are the new Business Models and Business Practices?
- How is the Profile of the A&D Community Changing – and What Will Be Its Impact?
- How has Product Specification Changed?
- Has the Definition of Sustainability Changed, and What is in the Future?
- How have Trends in "Virtualness" Changed the Traditional Business?

IT'S THE ECONOMY, STUPID

Are recessions an opportunity to improve products, services and processes?

Are recessions the mother of innovation? Allen Parker, Industry IIDA, Kimball Office, launched the 2010 Industry Roundtable with facts about industry in light of economic change. Many of the world's enduring, multibillion-dollar corporations were founded during economic downturns. In general, operating costs are lower during a recession. Talent is easier to find due to widespread layoffs. And competition is usually less fierce due to players acting more cautiously or being taken out of the game. Are recessions an opportunity to improve products, services and processes? With creative, talented minds, innovation originates from challenges as a way to identify new markets and revenue streams. And really smart companies who use this time to innovate and work in a new way will change the landscape of business as we know it by curbing costs while taking risks with fresh ideas when the economy rebounds.

- The US has been in "recession" for 39% of its years
- 70% of the top 10 Fortune 500 were incorporated during a recession year (64% of the top 25, and 50% of the top 50)

If not now, when?

In times of economic change, companies of all sizes take the time to reevaluate their business. Options are to retreat and weather the change without acknowledgement, or innovate and reexamine individual business models. While the tendency in a strong economy is to "let it roll," a slow down forces a change of behavior and urges professionals to reevaluate, retrench, revamp and restructure.

NEW BUSINESS MODELS/BEST BUSINESS PRACTICES

Interiors professionals, as well as the manufacturers charged with supporting the design community, acknowledge that the scope of the practice has changed and continues to change. With compressed timeframes and talent pools at design firms, Design Principals are reexamining how they deliver design. The traditional five phases of design don't fit as well with corporations' need for better, faster, cheaper. In the phases of Programming, Schematic, Design Development, Contract Documents and Project Management, the actual process of understanding the client's needs through fact-finding, discovery sessions are cut short to "get to the end result." At the same time, firms who have diversified their business by segment (rather than by geography) prior to economic hardship are able to adjust to the changing client focus, while specialized firms may be left out. Furthermore, the delivery model has become a source of change as firms change – whereas law offices were typically standardized in the past, new firms are exploring different ways of working and creating their interior space. As the economy hits different business sectors, each business focuses on internal turmoil and it becomes less easy to solicit change management. The most successful firms are those who invest in people, technology and strategy during strong financial times, enabling them to more easily set up for changing business opportunities.

Currently, Interior Design firms are most challenged in their marketing efforts. People and resources are required to be more proactive in promoting their approach and defining their specialties.

The changes in the economy have enabled small design firms to get more involved with more business sectors.

The changes in the economy have enabled small design firms to get more involved with more business sectors. With less staff, these firms can shift more easily to partner with contractors, who need partners for business leads, and pursue more diverse areas of revenue such as set design, foreclosures, and "business they normally wouldn't touch." Successful firms also incorporate or partner with architects, as a way to benefit both professions.

More than ever, relationships are a determining factor for success. Relationships with past and current clients, suppliers and supporting manufacturers, associations and media are leading indicators of an individual firm's success. Designers who successfully merge their passion for art, business and science are best suited to weather the economic turns. Firms who are able to innovate – to create a fresh, new approach to clients and reengineer their approach to incorporate more ongoing interaction, to promote the value of real estate and the inherent link between the real estate and interior – will be well suited for business when things turn around.

NEVER FORGET

Design professionals participating in this Industry Roundtable, boasting a collective 200+ years of Interior Design practice experience, are emphatic about the importance of NOT forgetting the impact of the recession. There is opportunity in reflecting on the positives, such as what can be done with a smaller group, how diversified practice offers a strong approach to many different business sectors, and taking away new lessons learned (like technology investment in good times when finances support the effort). The relationships cemented during uneasy times form stronger working opportunities for the future and can present new opportunities.

INNOVATION – REAL OR OVERUSED CONCEPT?

As clients continually understand their own workforce and the new work processes, they experience firsthand how design impacts the business model.

At the core, design enables a client to reach its ultimate business goal. The perception is that a good design firm will create cool, edgy, beautiful space. The reality is that a strong design firm will partner with a client to understand ultimate business goals, and then demonstrate a value beyond just cool interiors by helping the client visualize the end product, see the process to getting there, and help the client change aspects of the process as needed. As clients continually understand their own workforce and the new work processes, they experience firsthand how design impacts the business model. When the space is seen as a strategy to the end result (product or service), it's more than just saving money. It is innovation. And design firms can drive this process. Most evident of this is the proliferation of Design Thinking books on the list released by Business Week.

HOW MUCH DOES DESIGN MATTER IN A COST-DRIVEN ECONOMY?

While both manufacturers and design professionals agree that design always matters, clients who pay for the design are a factor. Clients readily see Interior Design as one way they can differentiate themselves. At the beginning, many clients perceive the aesthetic, looking good, as 90% important (contrasted to 10% functionality important). Success depends on turning that ratio to the reverse, with function as 90% and aesthetic as 10%

importance. Evidence Based Design provides metrics for this concept and is making its way from healthcare to the broader business community.

DISPOSABLE DESIGN

The new business model has introduced pop-up retail, and now pop-up offices. New SWAT type offices or "bunkers," 6-month lease holders concepting new business models, don't care if their office will last, but rather that they can get workers in and do the job. Firms can help in these instances but in a new format; senior design principals are far less involved to keep costs low, and lower priced/functioning lines are incorporated. Manufacturers acknowledge developing products for disposable consumption.

THE NEW A&D PROFILE

Difficult decisions have ousted principals and higher salaries, while firms have worked diligently to save workers who bring value

Design firms and Manufacturers alike have experienced reductions in staff over the past two years. The changes have altered the profile of the typical design firm staffer. Difficult decisions have ousted principals and higher salaries, while firms have worked diligently to save workers who bring value, step up to new challenges and continue to educate themselves -- those with 10 -20 years of experience, categorized as "renaissance" workers, with significant experience in process and project management who are well versed in technology. At the same time, senior designers are not above project management and rolling up shirt sleeves to get involved in the design process. New terms have been created, including "Project Director," for projects that don't afford a full principal on the process. Large firms have created task forces to address the "bolt" factor; planning for ways to keep staffers invested in during down times. Design firms acknowledge they look to the class of 2011 when they will be ready to ramp up hiring of new recruits, boding well for new graduates.

GENERATION GAP

As times get better, Design Firms will be hiring at the entry level, and ramping up steadily. Cautious as business picks up, many firms are focused on "trying out" potential employees on a contract basis, having them do project work to determine if their styles mesh. Another dominant adjustment is that Principals are more involved with day-to-day work, mentoring staff directly and shifting the firm culture – with design leaders actively designing, "principal" has become a verb more than a noun. Large firms are reviving roles recently deemed unnecessary, with as much as 40 percent of a firm involved with new business. Design leaders are doing more design – more managing process than managing staff.

PRODUCT SPECIFICATION 2.0

As design has evolved, the specification process has evolved. Designers have more reps calling on them at firms, offering CEU courses in their offices, sending regular electronic and postal brochures; more online resources; more trade shows to source new products, and more information in general. At the same time, they have tighter time constraints, tighter budgets and less manpower to work through client requirements. Successful relationships equate to strong dealer relations, where firms can partner with dealer Design staff, as well as manufacturer spec'ing tools, lending to the ability to demonstrate more value to the client. The spec process is changing, and will continue to change and adjust to technology of awareness and selection opportunities.

THE "SPEC" PROCESS

The need for "different, better, more cost efficient" has forced collaboration between Designer and manufacturer

With more and more pressure from clients for best pricing, the best solution is encouraging the ideal, collaborative relationship between Design professionals and manufacturers. The question, "What are my best options?" opens a dialog and enhances a relationship of trust and shared knowledge. Manufacturers have been quick to adjust portfolios of products to provide varying solutions, economies of scale and aesthetic levels. The need for different, better, more cost efficient has "forced" collaboration between Designer and manufacturer, and led to more Designers involved in the process of product design and tweaking process. The open relationship enables Design professionals to arrive at the manufacturer's turf and get involved for their own product, but also enhance the original product design.

According to a floor covering leader, the outsourcing initiative (particularly to China) has backfired for many manufacturers. Outsourced manufacturing leaves too many variables for furniture and flooring, and one representative's belief is that the model is not working. Similar to some call center operations, these manufacturing options are being brought back to the U.S. The prediction is to watch the industry – and this return to US manufacturing – over the next three years, particularly in the hospitality industry.

INNOVATION OR DIALOG IGNITION?

What differentiates true innovation from a fad? On the topic of new products, manufacturers suggest that the investment they make in incorporating Designers' feedback into product premieres sometimes backfires – often "innovation" becomes a moniker for "extreme" design, which starts conversation but does not sell product. By partnering together and committing to a journey of discovery, manufacturers and

Designers can do a better job imagining and shaping future design. The example of products introduced at NeoCon® was sited as a way to better launch the journey to product innovation. Similar to a concept car, never-before-seen concept awards would launch "what if" dialog, enabling the industry to pursue revolutionary ideas.

WE'RE IN IT TOGETHER

In a discussion about key differentiators for product preference, Designers admit relationship trumps product.

The Manufacturer/A&D Professional relationship has shifted, relying more on trust and need and dependence on dealer/manufacturer design support in reaction to tighter client timelines. But these mutually dependent relationships are more difficult to solidify. Reduced staff and tighter design process makes the manufacturer's role more difficult when establishing a relationship with Designers (e.g. getting in the door with CEUs, lunches and special event invitations). While manufacturer representatives now have more time to call on the design community, the design community is less likely to be available to get to know them until they have an urgent need. And Designers acknowledge that they are more generous with their time for a rep who has established a relationship during good times, particularly when help is needed. On the converse, smaller design firms have more difficulty getting reps in to demonstrate products, evidence of the "long tail" concept.

Manufacturers remark on the proliferation of product currently flooding the market. Examples of Italy and Spain, countries with vast capacity for manufacturing, have reduced production and closed kilns for stone production. Inventory and manufacturing capacity around the globe is driving down the price of products. Less opportunity for product sales have forced manufacturers to embrace contractors for project work, creating a competitive discomfort for Designers. When contractors rely on manufacturers for product specification, it eliminates the Designers role, and the design community perceives a competitive situation with their product/service "partners." Manufacturers acknowledge this discomfort, as they work to create performance criteria or other opportunities to link contractors and Designers together. Participating manufacturers nod to more collaborative relations over the past 5 – 7 years, working together to create product design and marketing, and advanced product solutions.

In a discussion about key differentiators for product preference, Designers admit the relationship trumps the product. If the relationship exists and is valued, Designers will find a product solution from the Rep's line. If a product is cool, the Designer can be talked out of it into a different product based on the rep relationship. And where the individual goes, the relationship follows from manufacturer to manufacturer.

Design professionals' advice to manufacturers interested in strengthening firm relationships? Get to the young employees, the librarians, the interns, the newbies. Start at the entry level and provide outstanding customer service and "rescue" them with solutions and a nice lunch, and the appreciation results in ongoing, lasting relationships when backed with integrity. Rep relationships erode when the rep approaches the client decision maker directly. Designers caution that as reps cover many bases, they must keep in mind where continuous business commences and respect the different roles different jobs entail.

THE IDEAL REP PROFILE: 2010 MODEL

Start at the entry-level professional and provide outstanding customer service

Designers participating in the roundtable did not shy from identifying key characteristics of their ideal rep in the future. Mutually, they describe the ideal rep as one who knows the Designer's business before ever calling on the firm, one who is a good listener, is attractive and has integrity, who approaches the Designer as a solution partner, offering support, but not too "peddler-esque." Designers suggest the following characteristics are important when developing and retaining manufacturer reps:

Know the Design firm's market sector – don't bring irrelevant product lines

Let the Designer describe what they want, let the Designer lead

Be a concierge of information and solutions, not just push specific products

Contact Designers for general information, with project leads, with client information (creating a partnership)

- Above all, know the product

By balancing the designers' and the clients' agenda (listening to both as a client), and incorporating the Designer at all times, Designers ultimately respect and respond to representatives.

Designers suggest that manufacturers can help by providing a neutral furniture symbols library (dummy symbols that fit any software), online spec tools and LEED calculators for discreet products.

SUSTAINABILITY

On the question of sustainability and its role as economic pressure increases, Designers have adapted sustainable products and solutions as part of their best practices. Clients, who drive the design process, approach projects with different levels of education and interest in green initiatives. Overwhelmingly, the first client question is, "Will LEED certification cost me more?" resulting in a conversation about the real cost of green. While some clients demand sustainable solutions, some are not interested at all. And without exception, projects driven by budget or project management firms consider sustainability an unnecessary expense.

The common belief is that five years from now green design will be common practice

Participants agreed that to them, sustainability matters. Other associations have adopted a carbon neutral goal for the year 2030 and have bound their Members to notify clients of sustainability issues. While building owner and corporate perception is that sustainability is a very costly and time consuming option, more and more firms are adapting green standardizations as good citizens of the Design Industry. Though it appears that some client discussions are difficult currently, the common belief is that five years from now green design will be common practice and the discussion will advance significantly to incorporate very different concerns.

For carpet specifically, sustainable design has been a leading objective and carpet manufacturers have led the way for sustainable production solutions. Companies who boast a better environment at the workplace enhance their employees' pride, which results in lifting the spirit and sense of belonging to an organization. LEED has created more conversation about sustainability and created curiosity for clients. As more companies make repurposing and recycling easier, there exists more opportunity to create mechanisms to standardize practices. Designers as well as manufacturers are the best vehicle for getting information into the marketplace about sustainability initiatives and options. As the new employee – the current generation of workers – looks for less guilty consumption, opportunities increase to discuss what the Industry is already accomplishing.

THE VIRTUAL FUTURE

On every manufacturer's mind, the question of how to get the right product samples to the right people at the right time is top of mind. And the tip of this question is will virtual textile samples save time. The quick answer, no. Designers did not hold back their preferences. Designers admit that a form of design library will never go away. Firms need a central "place" for starting product research. But as these physical library spaces shrink, Designers find a contradiction of binders that have items pulled, rendering the books useless. Binder updating is a timely and costly endeavor for manufacturers, but having a rep update binders takes time and space and mailing updates require firm staff time. So for basic furniture specs, Designers prefer online options for comparison. Color resolution makes it difficult to specify textiles online, so print materials are preferred for matching when compared to online sources, which rely on monitors to convey resolution. For wood samples, textiles, carpet tiles and wall covering, it is beneficial to have physical finish and color samples available.

Designers suggest that early in one's career, it is important to learn the product solutions. Online sources help introduce different options (TODL and SWEETS, among others were mentioned, but discussed as starting points, not total solutions), but resources like magazines, blogs, trade shows and mentorship, which address more about the design/solution relationship, are the strongest options. And to date, the internet doesn't offer something that close. Readdressing the partner relationship, Designers suggest it would be beneficial to invest manufacturer money currently going to binder literature to be redirected to rendering support for Design firms, or to split costs and leverage project installation photography.

ONLINE vs. DIRECT CONTACT

The younger generation has adapted online resources as their "consumer reports" of product reviews

As online resources have increasingly become "first response" for many industries, the Design community maintains its connection to people based relationships. When in need of technical information, Designers admit to searching first via their rep, and then searching on Manufacturer websites. Designers suggest they rarely visit showrooms or catalogs for technical information, the hierarchy is 1)representative, 2)website, 3)showroom. Designers appreciate manufacturers' sites that offer thought leadership, solution ideas and inspiration. The experience level and years of service skewed higher for Design participants in this year's Industry Roundtable, but all gave a nod to their younger, emerging professionals whose use of online sources differs; suggesting that they do follow sources they perceive as most reliable; magazines and their online components, blogs, design websites and social networking sites. The younger generation has adapted online resources as their "consumer reports" of product reviews, accessing virtual mentorship (e.g. viewing examples of what established designers are doing), following peers via FaceBook and Twitter, and finding a sense of knowledge and culture in real time, online. According to Designers, they anticipate the next big break for product visibility will be targeting special interests, terming it "psychoscience." What started with Amazon for suggesting additional products for consideration based on past purchase, which now Google Analytics offers, will be next for Industry manufacturers as software applications increasingly enable them to track purchasing trends ("You may also be interested in…").

SOCIAL MEDIA AS A CONDUIT

The future of social networking offers more immediate feedback for manufacturers and Designers. It also seems to provide some of the mentoring/feedback/interaction young Designers crave. More and more design project competitions targeting emerging professionals, age 20 – 30, are promoting, processing applications and awarding winners via online initiatives. Most recently, the Council for Interior Design Accreditation (CIDA) hosted a student design program consisting of online project entries for a consistent challenge. The response from students was overwhelmingly successful. Students comment on the strength of receiving feedback immediately this way, and that the process is less inhibiting to them. The future for manufacturers who can work to demonstrate interactive communication via the Web and create immediate interactive communications will provide what young Designers desire. As Designers and manufacturers work together to understand future opportunity, communication and awareness will be helpful initiatives.

Designers look to manufacturers for thought leadership at specific times, and that includes specific client presentations and content/research analysis of trends. But Designers with more professional experience stress they follow the individual (rep), more than the company. Their alliance is with the person, further suggesting the importance of the relationship and reputation of the individuals.

SUMMARY

"Wisdom begins with Wonder."

- Anita Barnett, FIIDA, Perkins+Will

At the end of 2 days and 2 nights of diverse dialog, Designers conceded that the most important element that manufacturers could provide to them includes extraordinary reps, strong thought leadership content, and online catalogs. As participant Anita Barnett, FIIDA, concluded at the end of Industry Roundtable #13, "Wisdom begins with Wonder." This dialog among Design professionals and leading manufacturers will continue outside of sponsored interaction to determine where values intersect for mutual interest.

For more information, contact Dennis Krause, Senior Vice President, IIDA, at 561 637 7566 or Jeanne Fisher, Senior Director, Communications and Marketing, IIDA, at 312 379 5140.