Goldense on R&D-Product Development

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Product Design Awards Increase Company Value

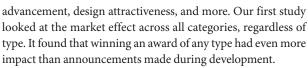
Do you place your products in design competitions?



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

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

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



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

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

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

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

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