



TOGETHER
for a sustainable future

OCCASION

This publication has been made available to the public on the occasion of the 50th anniversary of the United Nations Industrial Development Organisation.



TOGETHER
for a sustainable future

DISCLAIMER

This document has been produced without formal United Nations editing. The designations employed and the presentation of the material in this document do not imply the expression of any opinion whatsoever on the part of the Secretariat of the United Nations Industrial Development Organization (UNIDO) concerning the legal status of any country, territory, city or area or of its authorities, or concerning the delimitation of its frontiers or boundaries, or its economic system or degree of development. Designations such as “developed”, “industrialized” and “developing” are intended for statistical convenience and do not necessarily express a judgment about the stage reached by a particular country or area in the development process. Mention of firm names or commercial products does not constitute an endorsement by UNIDO.

FAIR USE POLICY

Any part of this publication may be quoted and referenced for educational and research purposes without additional permission from UNIDO. However, those who make use of quoting and referencing this publication are requested to follow the Fair Use Policy of giving due credit to UNIDO.

CONTACT

Please contact publications@unido.org for further information concerning UNIDO publications.

For more information about UNIDO, please visit us at www.unido.org

RESTRICTED

16383

APRIL 1987

English

DP/ROK/82/025/11-53/J12104

KOREA

Industrial Design Centre

PHASE II - IMPLEMENTATION OF RECOMMENDATIONS FOR THE STRENGTHENING OF THE CREATIVE DESIGN AND MARKETING CONSULTING ACTIVITIES OF THE KOREA DESIGN & PACKAGING CENTER (KDPC), WITH EMPHASIS ON EXPORT OF PACKAGED PRODUCTS.

Final Report

prepared by

William Blau,
Senior Design and Marketing Consultant,

629

Prepared for the government of the Republic of Korea
by the United Nations Industrial Development Organization,
(Vienna), executing agency for the United Nations Development
Programme

TABLE OF CONTENTS

- I. Mission Objectives
- II. Abstract (Summary of Report)
- III. Recommendations - Comments
- IV. Annex - Working Contacts and Seminars

1. MISSION OBJECTIVES

"To Strengthen the (Industrial) sic, design function of KDPC" (from Project Document (DP/ROK/82/025/B/01/37)). This general objective was the umbrella under which this mission aimed at stimulating value-added, small package exports operated. As a split mission, the initial phase (I) had as its primary objective an assessment of the exact status of creative, innovative package design in KDPC and in the Korean economy. In addition an agreement on implementation of recommendations for attaining the goal during the second mission was reached with KDPC Design management.

The second part of the mission, conducted during the month of March, 1987, concentrated on projects in line with Phase I agreements which would clearly demonstrate to KDPC top management the methods of combining creative design with the marketing approach in order to stimulate KDPC and segments of the Korean manufacturing economy towards more innovative efforts for export product development.

II. ABSTRACT (Summary of Report)

The primary goal of this second mission was to implement with KDPC the recommendations discussed and agreed upon during the first analytical phase. To this end, two major activities were undertaken:

1. Revitalization of the creative design organization of KDPC through development of a new KDPC visual identity system and a new creative, marketing oriented brochure to communicate to Korea manufacturers the importance of the consulting services of KDPC.
2. A joint packaging project with designers from four leading food and non-food companies aimed at developing greater understanding of the integration of design and marketing creativity to solve problems of brand identity in export markets.

During the course of these activities it became increasingly apparent that KDPC and by implication, The Ministry of Trade, like their counterparts in industry, tend to look at creative activities in much of the same light as they would look at manufacturing, i.e. - the quantity of output is the indicator of success. Thus, factors such as cost containment and quantitative output tend to govern the management attitude towards design activities. During the course of this mission, the consultant (Mr. Blau) attempted to show KDPC as well as private sector managements that this attitude resulted in wasted creative resources. In macro-economic terms, this

(ABSTRACT - continued)

denigration of creativity tends to keep the Korean economy in the thrall of price competition rather than moving towards value-added products. Korea's competition would thus continue to come from lower (than Korea) labor rate Pacific Basin countries (China, Thailand, Taiwan, and Malaysia). In the consultants opinion, as a "N.I.C." (Newly Industrialized Country) Korea must focus more on creative marketing, where design becomes an important tool to achieving value-added products with a consequent shift to competing with more developed industrial nations (i.e. Japan, Germany, etc.).

It was the feeling of the consultant upon completion of this mission, that KDPC top management had begun to accept and understand the intimate relationship between creative design and marketing. It still remains an unfinished task, to gain acceptance, understanding, and most importantly, financial backing from the Ministry of Trade so that KDPC can shift its real emphasis from boxboard manufacturing and design "production" to high level creative design and marketing consulting services as outlined below. Only in this way can KDPC assume the role of leadership in helping to move the Korean economy to greater emphasis on value-added products.

III. RECOMMENDATIONS

In broad terms, if KDPC is to aid Korean manufacturers in their export drive and in protecting domestic markets on other than a (low) price basis, the Ministry of Trade and KDPC management must move the organization towards offering more marketing oriented, in-depth consulting services to industry.

Specifically this means:

1. In handling each assignment more time and talent must be provided by KDPC to the client (manufacturer) to help him move his thinking beyond the narrow confines of his own view of the project. From observations by the writer, most assignments brought into KDPC are conceptualized by the manufacturer (client) as "how to get the product out to the market in the fastest, cheapest, minimally acceptable form." Product quality is considered important, but there seems to be fear of product innovation. Seldom is the question raised as to whether the manufacturer might do better by entering the domestic or export market with an upscale, innovative product that is backed with a marketing budget. Some large Korean companies are backing their products in export markets with substantial marketing budgets. Samsung for example, allocated \$26,000,000 U.S. for television advertising alone in the U.S. market last year.

(RECOMMENDATIONS - continued)

2. The integration of creative design as part of the broader marketing effort is an accepted form of business organization in the industrialized nations. What is lacking in Korean industry is not the form of integrating design and marketing but the practice of this type of organization providing for greater creativity and innovation in both disciplines. It is precisely in this area of creative marketing and design that the Korean economy can move away from imitation and reliance on low labor rate competition with Pacific Basin, developing countries. The Ministry of Trade, with KDPC as its lead creative organization, can play crucial roles in making this move because of the unique way in which design has developed in Korea as a corporate, rather than as an independent enterprise (as it has in the Western industrialized nations).

3. In order to accomplish this integration of creative marketing and design in KDPC, it is recommended that a young, but experienced business marketing executive be added to the staff, probably as an "Assistant

(RECOMMENDATIONS - continued)

Business-Marketing Administrator" working directly under Director Park, Han-Yoo. This individual, in addition to aiding Director Park in the administrative area (freeing Director Park to provide more creative direction to the design groups), would be in charge of primary contacts with packaging and product clients referred to or solicited by KDPC. His main mission would be to sell the concept of design to Korean businessmen through presentations, letters and speeches, and to interface between KDPC clients and the design groups. This client contact is currently being done primarily by designers or design managers untrained in business, and with insufficient time to do both creative design and handle client contact. The "Assistant Business-Marketing Administrator" should, at a minimum, have the following qualifications:

- An outgoing sales personality with good verbal skills, English language capability.
- A creative outlook towards business planning.
- Some appreciation of design.
- Understanding of profit and loss in business.
- An ability to work with people in a modern management style. Strict authoritarianism does not encourage creative design.
- Training and experience in Domestic and/or Export Marketing.

(RECOMMENDATIONS - continued)

4. Under Mr. Blau's direction a new visual identity (typestyle, color, layout, and symbols) for KDPC was developed by the KDPC design staff. The program unified the package and product design functions of KDPC under the title "Creative Design Services." It also brought the "Good Design" program directly under the new identity system of KDPC and renamed it, more appropriately, "Design Excellence Award." Top management of KDPC, including President Lee and Director Park gave their approval for the entire program, with some reservations on the new symbol.

Implementing this program with first class printing and photography (for the brochure) is necessary. It was discovered that KDPC currently uses a printing source that appears not to have the will nor capacity to do a top quality printing job and as a consequence, all KDPC publications, letterheads, etc., generally tend to look second class. This new program should be printed in a first class shop after competitive bids have been solicited. The accepted printer must be held to the highest standards of performance. Quality first and price second, should be the standard of selection. If KDPC is to assume a leadership role and

(RECOMMENDATIONS - continued)

serve as a model in building understanding of the importance of creative design, all the visual communications of KDPC (letterheads, brochures, publications, etc.), must be top quality.

As a subscript to this point, the writer recommends that all domestic correspondence by KDPC be done on printed KDPC letterheads, report forms, etc. This should supplant the current practice of only using the printed KDPC letterhead on foreign correspondence and using plain paper for internal and domestic communications. The additional cost is small, compared to the gain in building internal staff morale and external awareness of KDPC that would be gained by the use of official stationary on all communications.

Concurrent with developing the new KDPC identity system and the conceptual reorganization of the "Creative Design Services" group layouts for a new KDPC brochure were developed. In the present KDPC brochure there is a Korean language and a separate English language printing. Since the export drive is the strategic underpinning of this entire program, it was recommended that the new brochure

(RECOMMENDATIONS - continued)

emphasize English on the cover (for its international implications) but be bilingual in the inside copy areas. This should save substantial money in printing and inventorying. The layouts, and these recommendations were presented to KDPC's top management and approval given to proceed with creative development of the brochure. The writer stressed these points during the management presentation:

- A first class photographer be hired for all photography that goes into the brochure.
- There be a minimum amount of copy, particularly because it will be bilingual.
- Printing must be absolutely first class with photographs reproduced in strong, definite resolution.
- The poses, layout, and all copy carry a connotation of creativity, professionalism, and a consultative atmosphere at KDPC.

5. It is also recommended that budgeting and bureaucratic controls at KDPC be reviewed and streamlined for the "Creative Design Services" groups. The writer found that an extremely slow and ponderous process had to be followed to get approvals for minor expenditures or

(RECOMMENDATIONS - continued)

simple letters. This is not only wasteful of people's time (which translates into money) but puts a dampening effect on individual initiative. Part of the reason for this problem may be that budget control for the "Creative Design Services" groups is centered in the same administrative office as the "Boxboard Manufacturing" operation. Budgeting control principles for service operations should be quite different than for manufacturing.

6. In the writers opinion, the financial relationship that is established between the KDPC Creative Design Services groups (packaging and product) and their clients, is part of the educational process that small and medium sized Korean manufacturers must be exposed to. For both short term tactical reasons (limitations on government funding) and long term strategic reasons (manufacturers must learn to spend on intangibles such as marketing-design), shifting more of the cost of KDPC's operation to their clients should be considered. At a minimum, the following costs should be borne by the manufacturing clients.

(RECOMMENDATIONS - continued)

- a) The cost of acquisition of competitive products and competitive market data in order to give the designers a greater depth of understanding of the projects true scope. Thus the design group will not rely solely on the manufacturer's (client's) view of the problem.
- b) Travel expenses to do background research and to visit the clients facilities in order to develop an independent view of capabilities and opportunities for product development.

In addition, as KDPC's boxboard manufacturing operations continue to slip in profitability, consideration should be given to having creative services clients bear more of the real costs of operating this service. A small 10% increase in fees appears to have been instituted since the writer's first mission, but a full review of current practice by the Ministry of Trade and KDPC management is recommended. As previously mentioned, a sliding fee based on company size could be rationalized. If KDPC adds a sales marketing oriented "Account Executive" (Recommendations #3 above) who makes the primary client contact this could help to overcome much of the resistance to higher user fees. The new brochure will also help to "pre-sell" clients on the importance and value of the work KDPC does.

(RECOMMENDATIONS - continued)

7. KDPC's seminars currently seem to focus more on design as an "end" rather than as a "means to an end." The current seminars also seem to target designers as the audience rather than top management. It is recommended that emphasis shift at KDPC to putting on seminars aimed at top management in the private sector and framing the design topics in a broader context. The aim of these seminars should be to educate top management on how design, like advertising, distribution, production, etc., is an integral and important part of the successful marketing of products. The reason for targeting a top management audience is that they are the ones who make the decisions as to the role design will play in the economy. At this stage, top management of small and medium sized companies, (and indeed many big companies) do not appreciate nor know how to use to its fullest this important creative resource. These seminars should generally be small "panel" type informal discussions between the panelists and the attendees. There should be a fee for participation that covers the cost of renting first class meeting rooms, providing coffee, and a lunch, plus speakers expenses. Study should be put into how to run a first class seminar!

(RECOMMENDATIONS - continued)

Some suggested topics are:

- "Strategic Marketing - The Role of Design"
- "Design and Marketing for Export Markets"
- "Stimulating Creativity in Design & Marketing for Greater Corporate Profitability"
- "Long Range Marketing Planning for Product Design & Development"

8. It is recommended that facility and equipment upgrading be undertaken for the creative package design group. In developing a budget for this upgrading KDPC management should consider the "money-value of time." Currently, with a staff of 4-5 package designers, this writer estimates that inadequate equipment and facilities reduce efficiency and quality by a factor of 35-45%. Capital expenditures for equipment and facilities are a one time cost, while labor inefficiency is a continual drain of money resources.

(RECOMMENDATIONS - continued)

As an example let us analyze one particular task that a package and graphic designer does frequently and see how inadequate equipment escalates KDPC's cost of operation in labor and materials week after week. Making enlargements or reductions of artwork is a task that every package and graphic designer might do 10-20 times or more in an average working day. Currently, except for a copy machine on the first floor (which takes a designer on the second or third floor 12-15 minutes to use) the package designers must use a photostat machine. A photostat machine is a "wet chemistry" operation that takes 10-15 minutes, and in which the paper and chemistry cost approximately 15 times more than plain paper. We have recommended a Minolta (or equivalent) zoom lens copier be installed in the package design department to supplement (not replace) the photostat machine. Cost of this Minolta may be \$3,500-\$4,500 U.S. as a one time cost. Since it is a dry process (no cleanup) and the inks are relatively cheap, we estimate that KDPC would recover this capital cost for the copier through savings in wet chemistry, photostat paper, and labor within six to eight months.

(RECOMMENDATIONS - continued)

We also recommend the following:

- A color transfer system with inks and full chemistry
- 3M type color film processing system
- Store type gondolas (shelving) to display competitive packages acquired for each new product
- Pin-up boards on the wall, and by each designers desk so that work in progress can be displayed and discussed by the group
- Color corrected light box for viewing transparencies
- A well furnished and lighted small conference room with pin-up and display areas
- More provisions, by each designers desk, for storing supplies and filing research materials
- An enlarged library of art and typography books

ADDITIONAL COMMENTS

In the writers opinion one of the greatest impediments to creative design assuming a more important role in the economy is the Korean cultural heritage which establishes a rather formal, inflexible, and very traditional relationship between levels of corporate management. Design, being generally on a "lower" level of management than marketing, sales or finance, is thus expected to defer to top management not just in form but in function. Since creativity always involves a new way of looking at an old problem, if it is felt inappropriate for the creative designer to offer a new idea once management has stated their opinion, then there is no evaluation of the ideas. This condemns the enterprise to copying others or only concentrating on hard technology areas, such as machine efficiency, etc., where there are clear-cut economic or tangible reasons backing decision making.

It is the writers opinion that the best minds in Korea are aware of this problem, but see few ways of changing the attitudes in business. Thus overcoming this problem, because it involves long standing social and cultural attitudes will be difficult and possibly cannot be accomplished internally. We think that for a period of time Korean industry should get more

(ADDITIONAL COMMENTS - continued)

involved with international consultants, who have a more informal style of operation, and who will help to break down the barriers that exist between levels of management. This does not mean that the consultants should do the actual work, that could be counter-productive. The consultants should work with Korean designers and management, letting the Korean designers do the work but showing both how to interact together in a more informal atmosphere where ideas are freely exchanged and acted upon.

(ANNEX - continued)

INDEPENDENT DESIGN FIRMS

Seoul Design - Chang, Yoon-Ho - President
Sun Design Institute - Sun, Jeoung-Geun - President

PRESENTATIONS & SMALL SEMINARS

March 14, 1987 - Nhung Shim Noodle Co. - Design & Mktg Staff
March 20, 1987 - KDPC - Final Presentation Design Group
Reorganization and new KDPC Visual Identity
System, President Lee and entire KDPC
Executive Group
March 23, 1987 - Seoul Package Design Council - Leading
Corporate and Independent Package Design Heads
March 25, 1987 - Joint Project Presentation - Nhung Shim Noodle
and Crown Beer Design Projects - Design and
Marketing Executives from four large
participating companies.