Dear Huihui,

Thank you for getting in contact with me in regards to your coffee company.

I’m honored that you have asked me to use my experience in management consulting to help find solutions for your coffee company in Shanghai.

For the most part, I will center this discussion around the concept of innovation as I see it.

You mentioned that you are looking for a means to expand your presence in Shanghai and improve your customers’ experiences in your branches overall.

The first thing that I would recommend you do is examine what the customers in your stores are doing and then reevaluate your expectations accordingly.

You mentioned that many of your customers seem to linger in your stores – while this may stink of inefficiency to you, perhaps it is also a clue to what they really want: a “third place” to be beyond the home and workplace. Starbucks, I know, is currently working on “. . .elevating [Starbucks] as the *third place”* for their customers.

I’m not suggesting that you should always listen to the most counterintuitive reaction to your observations. Rather, I am suggesting that you see you view your customers not only in the context of your expectations, but also in the context of what they seem to naturally gravitate to. For a moment, replace “customers should” with “customers do.” My guess is that what they “do” will show you what you “should” do.

To give you a more concrete example of what I am talking about, I’ll refer to my friend Brett’s recent research into Shanghainese coffee shops. What he and his classmates expected to find was that must customers value sustainable, ethically-sourced coffee. Instead, they found that their interviewees valued cheap, luxurious coffee in general.

Use empirical data to inform your strategy rather than the other way around. As I wrote in my article “The Discipline of Innovation,” “unexpected successes and failures are such productive sources of innovation opportunities because most businesses dismiss them, disregard them, and even resent them.” Don’t interpret data that contradicts your theories as dead-ends; interpret it as leaping off points for new theories and strategies.

I would also implore you to examine the rapidly changing demographics of your market, a topic I also touch on in “The Discipline of Innovation.” To borrow an (oft-overused) expression from Canadian Hockey player Wayne Gretzky, you want to, “. . .skate to where the puck is going.” Examine the upcoming demographic changes in China and prepare your business for those changes. It’s out of the scope of this letter to recommend particular policy changes in response to predicted demographic changes, but one demographic change to watch out for is China’s recent relaxation of the one-child policy. What can you do to become the market leader in the incoming “two-child” demographic?

Thank you for allowing me to speaking with you about your company. I would love to talk more about this topic in the future. Let’s get some coffee soon. My treat.

Sincerely,

Brett