Unique experiences: Disruptive innovations offer customers more "time well spent"

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Unique experiences: disruptive innovations offer customers more "time well spent"

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A number of years ago at a seminar, a vice-president of a global coffee manufacturer remarked, "There has been no innovation in the coffee industry in fifteen years." The session's leader quickly responded, "What about Starbucks?" Clearly the coffee company executive was accustomed to monitoring technological innovation, but not transformations in how customers want their experiences brewed.

Indeed, most company leaders fail to understand the critical importance of innovating experiences that increase the value of the time their customers choose to spend with them. If they think about such interactions at all, it's usually in terms of their firm's overhead. That is, lessening the time spent with a customer lowers costs – such as with call centers, teller lines at banks, or discussions with workers at any retail outlet. And if they think of it from the point of view of their customers, it's in terms of making transactions simple, quick and easy, convenient – and therefore less time-consuming. In an era when so many businesses focus primarily on convenience, the general assumption seems to be that extending the time customers invest in the transaction is counterproductive.

Contrary to such thinking, however, many of the successful innovations of the past several decades – like Starbucks – involve customers spending more time with the company, time that has special value. Think of it as competing on the basis of "time well spent." Across a wide variety of industries – food, entertainment, and travel destinations, to name a few – companies increasingly embrace the view that economic value can be generated in creating a meaningful experience for customers.

In experience innovation, it's especially important to get the job that customers want done right, because getting it wrong entails unique risks. The Walt Disney Company, perhaps the world's premier experience stager, has found itself on both sides of the disruptive innovation battle. It long ago disrupted the movie, amusement park, and vacation markets through innovative uses of technology, themes, and storytelling. It used these competencies to perform the emotional and social jobs associated with family togetherness that were not previously well met by other experiences. But after many decades of successful experience innovations, when Disney attempted to expand its audience by making movies that were rated off-limits to children younger than seventeen, the resulting complaints and boycotts jeopardized its family-friendly brand.

The long history of successful experience innovations all began eight decades ago, as Walt Disney liked to say, with a mouse, one drawn painstakingly for animated movie shorts aimed at children – the very low end of the market at the time. But Disney kept innovating, including being the first to synchronize sight with sound – with *Steamboat Willie* in 1928 – and then creating the world's first feature-length animation, *Sleeping Beauty*, in 1937. Animation had arrived as a technology within the movie industry, forcing all the traditional studios to respond, at least when targeting children and their families – either in terms of better storytelling in more fanciful situations or by copying Disney's technology.

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Disruptive experience stagers

Following Harvard professor Clayton Christensen's model of disruptive innovation that academics and consultants have primarily applied to goods manufacturers, experience innovations can effectively disrupt traditional competitors focused on the simple-cheap-convenient approach.[1] As Prof. Christensen and his co-author Michael Raynor have shown, most managers don't seek to address the unmet needs of their customers.[2] Instead, they innovate based on functionality, adding more and more features to acquire incrementally more customers and retain current ones with new and improved versions of their goods and services. Such incremental innovations – think of all the added features to your word processing software or digital camera – really do not meet the needs of the vast majority of customers. But keeping ahead in the functionality race lulls established companies into a false sense of superiority. This then puts their companies at risk of being disrupted by innovations that at first only a few, primarily low-end, customers find suitable. Over time, however, such new offerings by interlopers into a market gain sufficient functionality to meet previously unmet needs and perform jobs that more customers recognize they want done. As this happens, whole markets can shift as emerging businesses become the leaders, forcing the established players to play catch up at a game with which they are not familiar.

On June 17, 1955, The Walt Disney Company took its ''Imagineering'' techniques to a new level. Disneyland and its follow-on experience offerings – Walt Disney World and other theme parks, plus timeshares and cruises – disrupted the amusement park industry and the family vacation destination market. Disney innovations in technology included the experience of ''dark'' rides such as Space Mountain; theme attractions like Adventureland and Main Street USA and even individual rides such as It's a Small World. The amusement parks of Disney's competitors – from Coney Island and diverse other local parks to Six Flags on the national level – were once the mainstay of local day-long diversions, but have increasingly found themselves almost quaint leftovers in a world of multi-day and weeklong vacations drawing customers nationally and internationally.

The Walt Disney Company itself fell on hard times in the 1970s and 1980s when its grip on the market was challenged by companies using new special effects generated by computers. Initially these effects were featured only in isolated areas of action movies – the low-end of the market – but over time they became more ambitious. Who can forget the first time they saw *Star Wars*? Eventually entire movies that at one time could only be accomplished through hand-drawn animation – flights of fancy, sights of science fiction, and features of fantasy and fairy tales – were now rendered by computer programs.

Not until the era of CEO Michael Eisner did Disney fight back by enhancing what it already did well – storytelling using lush, hand-drawn animation for hits like *The Little Mermaid*, *Beauty and the Beast*, and *Aladdin* – while experimenting with the new technology (as seen in the less successful movie *Tron*).

But after a decade of successes, Disney was confronted by a formidable rival: Pixar, which excelled at family-focused animation. The competitor again started on the low-end, with shorts rather than full-length pictures, and in isolated story situations that could more easily be rendered with digital technology, such as shiny, inanimate objects and lively, animated toys. And as Pixar continually and methodically enhanced its RenderMan technology, it became more and more venturesome – and thanks to John Lasseter, ''heralded as a latter-day Walt Disney'',[3] over time it even learned to beat Disney at its traditional strength, storytelling. Fast forward to 2006, when Disney solved its disruptive innovation problem not only by buying Pixar, but by putting Lasseter in charge of all of its animation – after having totally eliminated its hand-drawn unit.

Note how in this example the formula so prevalent in manufactured goods and delivered services – simple-cheap-convenient – did not determine the outcome of the rivalry. Pixar developed better technology, which enabled it to tell better stories, which resulted in better movies. In sum, more people wanted to spend more time watching the Pixar movies. Certainly disruptions will continue to occur based on the simple-cheap-convenient triumvirate, but companies increasingly should look for innovation opportunities in staged

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experiences – whether in physical venues such as Starbucks or virtual realms such as Pixar movies – where customers seek to spend more time with such innovators, not less.

Disruptive experience behaviors

Innovators of disruptive experiences behave somewhat differently than their convenience-based counterparts. In particular, the latter tend to focus on getting functional jobs done for customers, while the former tend to focus on getting emotional and social jobs done for customers. For discerning coffee drinkers, for example, the emotional and social jobs that Starbucks does are just as important, if not more important than the functional job of giving them a caffeine jolt first thing in the morning. As sociologist Ray Oldenburg sees it, Starbucks offers a third place[4] – a social venue outside of home and work to which patrons gain an emotional attachment.

Much of Starbucks' current troubles, in fact, can be traced to management not fully understanding this competitive strength. Despite CEO Howard Schultz's adamant pronouncements that being a third place was a core of the business,[5] when the company went into full-tilt growth mode, it increasingly focused on functional jobs done more conveniently. It replaced handmade espressos (think of all their experiential sounds) with automatic machines; allowed United Airlines to brew its coffee in flight; replaced comfy chairs with hard seatbacks and added drive-thru windows at many locations.

After losing focus on the emotional and social jobs it was created to fulfill, Starbucks now finds itself threatened in the short term by the fast food coffee providers and vulnerable in the long term to some new market entrant that focuses on providing that third place many people crave. Whoever mounts that disruption, they likely will follow one of these three rules for experience innovators.

Rule 1: If you promise to address an emotional need it's risky to fail to deliver

As markets become saturated with brands that serve functional purposes, companies increasingly look to differentiate their offerings based on emotional or social benefits. Doing so will prove rather difficult, however, if convenience remains the primary objective of the company. Many companies relegate emotional and social benefits to their advertising, packaging, and sometimes even customer support or their website, while the offering itself remains functionality-based. If you say, ''our printers help you create memories'' but produce a printer that merely prints faster with enhanced image quality, you have promised to do an emotional job but only delivered a functional innovation. The gap between promising an emotional or social job while merely delivering on function creates a believability gap for customers that will likely cause them to feel deceived by the offering and the company.[6]

Consider the ''Priceless'' campaign by MasterCard. Based on research conducted in the industry showing a progression away from demand for expensive lifestyles toward demand for rich lives, MasterCard launched a highly successful campaign to position itself as the company that furnishes priceless experiences, which is a social job. The promise perfectly aligned with consumer demand – but the offering didn't initially change to meet the new promise. It still delivered solely on the functional job of providing credit. While the campaign very effectively differentiated MasterCard within its category, helping it to catch up with its key rival, Visa (at least for a time), management took years to use the insight behind the campaign to innovate higher-order functions. Consequently, many consumers stopped believing the ads, and MasterCard never was able to disrupt the industry.

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Rule 2: Think sequence of events

Goods are made, services are delivered, but experiences are staged, involving the choreographing of a sequence of events that get emotional and social jobs done in a way that truly engages customers. This sequence should come together into a dramatic structure, following a storyline with a beginning, middle and end. It's understandable why companies can't imagine how to get emotional and social jobs done when they think of what they have to offer only in terms of transactions for goods or services. Staging experiences requires a new mindset for management. Instead of looking for ways to eliminate time on a task or streamline touch points with customers, they must seek to understand what series of events proves most meaningful to customers and how to design the time spent to maximize the value people get out of that time. Done properly, businesses focus less on the value created by any ''thing'' being sold and more on the value being created by their encounters with individual customers.

The Deluxe case. Deluxe Financial Services, a check manufacturer whose steadily declining market was long ago disrupted by online banking and debit cards, is attempting reinvent itself as an organization that helps banks produce more meaningful experiences for their own customers. In 2006, Deluxe developed an innovative process that has the potential to change the way small business owners see banks. This process, an element of the Deluxe Financial Collaborative, focused on how banks assess small business owners' needs.

For bankers, conventional wisdom was that the best way to assess a small business owner's financial needs was to minimize the process and make it as fast as possible. This aligns with the prevailing view in banking that spending time with customers is expensive. Deluxe found, however, that by choreographing a sequence of events designed to gather the small business owner's story, developing networks between owners, and providing subject matter expertise for owners' questions, banks could not only help those owners enhance their business, but also dramatically change the way they felt about the banks. In fact, every indicator of success (likelihood to continue as a customer, to recommend to associates, to purchase other offerings, to not get upset about not getting a loan, etc.) increased tremendously for the eleven banks that participated in the pilot program.

What had previously been a 15-minute survey between a bank representative and a small business owner now spread across four engaging and intense meetings. Moreover, the small business owners could not have been more willing or happier to do it. At the end of the process, they felt deep loyalty to the bank – many bringing all of their business to the bank without even being asked. At the same time, the banks, based on the financial results and retention numbers they saw, realized that they now had a process that completely transformed their relationships with small business clients, increased their profitability, and gave them a competitive advantage. The lesson: if you deliver on emotional and social jobs through such a staged experience that serves customer's higher-order purposes, people will want to spend more time with you, and when they spend more time, they'll spend more money.

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Rule 3: Be intentional in order to close the promise-making gap

Had Pixar simply developed the techniques and technologies of computer animation, it likely never would have been a threat to Disney. What really separated Pixar from Disney was the intent with which they approached the emotional job of storytelling. Under the direction of John Lasseter, Pixar uses a vigorous internal process to develop and guide storylines that compel audiences to laugh and cry with its computer-animated characters while aiming to appeal to both kids and their parents. The result has been an unbroken string of blockbusters.

Companies that want to innovate by doing emotional and social jobs for customers must understand how to produce this same level of intent. This is demonstrated in experience innovations through attention to details that signal to the customer that you really do want to spend time with them.

Further, concentrating on intent closes the gap between what the brand promises and what the experience creates within each customer. Because what it promised aligned with what it delivered in every detail, Pixar sent the message that it was sincere, that it cared, and that it could be trusted.

Intent creates purpose, and purpose dramatically changes the way your brand is experienced. For example in the travel industry there was a time when going to Cancun, Mexico, was considered by many vacationers to be an exotic, premium experience. Cancun differentiated itself by delivering on some key jobs that consumers wanted done: relaxation, high-end amenities, home-like conveniences, safety, and so forth. Anyone could have a wonderful leisure experience at a very reasonable price. But, as Cancun expands and more and more people vacation there, additional amenities continue to be added. And Cancun has overshot what consumers want, with many now finding it too expensive for their tastes.

As this happened, the area's ability to maintain high margins was lost. At the same time, places like Costa Rica became booming tourist destinations – without offering nearly the same level of amenities as Cancun. While there are many more restaurants, stores, and hotels to choose from in Cancun, Costa Rica offers something different, something consumers perceive as more authentic: ecotourism. So instead of competing against Cancun based on price per day spent vacationing, Costa Rica disrupted it by competing through fulfilling needs that have intent. People feel they are going to a place where they can enjoy a good vacation, one that celebrates the natural world. It is likely that Costa Rica can continue to introduce additional amenities into its product portfolio until it is able to claim both intent and provide a highly catered experience.

The time-well-spent value proposition

One thing these cases have in common is catering to the increasing demand by people for more meaningful experiences. As customers have so many of their lower-order needs fulfilled in today's increasingly material-rich societies, they seek fulfillment in higher-order needs. The global recession that began in 2008 even exacerbates this, as many people today question what really matters to them. More and more, they come to the conclusion that the answer is not ''things.'' Instead of more stuff, they desire experiences that give their lives meaning.

Many companies recognize this, and increasingly use advertising to address the emotional and social needs of customers. Unless they innovate to actually deliver on emotional and social jobs, however, they do little more than provide manipulative marketing messages. This leaves them vulnerable to competitors that actually offer something new that is true to the job, more meaningful, and much more relevant to customers.

An indicator that an offering may be at risk of being disrupted by a more meaningful experience: its offering has become too convenient. Convenience, or reducing time on task for things people don't want to do, is an important attribute of functional innovation. But as companies continue to pare down the amount of time customers must spend with them in the name of making their offerings more convenient, they may one day wake up to discover that

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their customers no longer care about it in the same way they once did. It is at precisely these junctures that people often look for offerings that are not just more convenient but instead are more satisfying, ones that take not less time but more. In today’s market, greater opportunities for growth lie in brands innovating around the emotional and social jobs that people want done in a manner that creates experiences that provide time well spent.

Notes

1. James H. Gilmore and B. Joseph Pine II, ‘‘Beyond goods and services,’’ *Strategy & Leadership*, Vol. 25, No. 3, May/June 1997, pp. 10-18.
2. Clayton M. Christensen and Michael E. Raynor, *The Innovator’s Solution: Creating and Sustaining Successful Growth*, (Harvard Business School Press, 2003).
3. Laura M. Holson, ‘‘He runs that Mickey Mouse outfit,’’ *The New York Times*, March 4, 2007.
4. Ray Oldenburg, *The Great Good Place: Cafés, Coffee Shops, Community Centers, Beauty Parlors, General Stores, Bars, Hangouts and How They Get You through the Day* (New York: Marlowe & Company, 1997).
5. See Howard Schultz, *Pour Your Heart Into It: How Starbucks Built a Company One Cup at a Time* (New York: Hyperion, 1997), pp. 118-122.
6. See James H. Gilmore and B. Joseph Pine II, *Authenticity: What Consumers Really Want* (Boston: Harvard Business Press, 2007), chapters 6, 7, and 8 in particular. See also James H. Gilmore and B. Joseph Pine II, ‘‘Customer experience places: the new offering frontier,’’ *Strategy & Leadership*, July/August 2002, pp. 4-11, for the solution to advertising-generated phoniness: creating experience places.

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