

# Trade-Off



Kevin Maney

## Book Trade-Off

### Why Some Things Catch On, and Others Don't. The Ever-Present Tension Between Quality and Convenience

Kevin Maney  
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## Recommendation

Technology journalist Kevin Maney coined the term “fidelity swap” to describe the choice consumers make between “convenience” and “fidelity,” which is the quality of the experience that a product or service provides. People make such trade-offs many times every day. To illustrate, consider whether you would rather watch the Yankees play live at Yankee Stadium or see the game from the comfort of your home? Would you rather enjoy the experience of browsing the aisles of your local bookstore or have the convenience of ordering books online? Products or services that lie on either extreme of the fidelity versus convenience continuum are most successful, while those that offer neither high quality nor extreme ease of use fall into the “fidelity belly,” where they are doomed to mediocrity unless they can swim out. In his engaging book, Maney expertly uses numerous colorful case studies to explain the fidelity swap paradigm and lucidly demonstrates how to adopt it as a corporate strategy. *BooksInShort* recommends his work to businesspeople contemplating issues of price versus prestige, availability versus exclusivity, and what works in the market, what doesn’t and why.

## Take-Aways

- “The fidelity swap” is the buyer’s choice between “convenience” and “fidelity,” which encompasses the quality of the consumer’s experience with a product or service.
- This swap offers a new context for analyzing marketing strategy and brand positioning.
- Technological advances affect a product or service’s caliber or ease of use.
- When a product or service has neither high quality nor high convenience, it falls into the “fidelity belly,” and must distinguish itself in one of these areas to get out.
- Offering both high excellence and high convenience is not possible or desirable.
- Every market segment has products that own the quality and convenience slots.
- The social aspect of a product or service affects its popularity.
- Two intangible traits, “aura” and “identity,” contribute to the buyer’s perception of a product’s superiority.
- Occasionally, a “wrecking-ball moment” shakes up or redefines a market.
- The fidelity versus convenience trade-off can help you detect openings in the market.

## Summary

### The Hollywood Conundrum

When director James Cameron and his creative team released the 3-D film *Avatar*, it became a giant hit. Moviemakers immediately lined up to produce more 3-D features. Why? Theater attendance has been falling for the past several years as people have faced the “fidelity swap,” the trade-off between either watching a film at home (“convenience”) or the experiential quality of viewing it in a theater (“fidelity”). At home, you can take breaks for a phone call or a bathroom run, and watch a movie on your own schedule, whereas going to the theater calls for traveling, standing in line and paying for tickets. As attendance figures prove, people now tend to opt for convenience instead of a great experience. Theaters are trapped in the “fidelity belly” because they offer neither convenience nor a great experience. Since the industry can’t make theaters more convenient, it is trying to improve the quality of the theater experience – hence, 3-D.

“We constantly, in our everyday lives, make trade-offs between the fidelity of an experience and its convenience.”

A conflict between fidelity and convenience occurs in every kind of business, so using the fidelity swap as a framework for marketing strategy provides businesspeople with a new paradigm for analyzing problems and positioning. This frame contradicts the traditional business model, which pursues both quality and convenience. In fact, the fidelity swap construct says this combination is unattainable and, ultimately, not desirable.

## The Choice Between Convenience and a Quality Experience

People continually select between fidelity and convenience. Do you go to a ball game or watch it on TV? Do you pick up dinner from a fast food stand’s drive-up window or relax in a nice restaurant? People have always had to make such decisions, but the accelerating pace of technology pumps up the progression. Two other factors influence a product’s fidelity versus convenience position: “social accelerants” and “wrecking-ball moments.” Social accelerants capture the communal aspect of why someone buys an item. Some brands become extensions or expressions of social standing and, thus, are more desirable. Now and then, a “wrecking-ball moment” shakes up or resets a market. Digital cameras acted as a wrecking ball to the film-camera market; cellphone cameras whacked it again.

“This fidelity swap has been going on since humans invented commerce.”

The fidelity swap model has five elements:

1. **“Fidelity versus convenience”** – People constantly choose between these two factors. Their choices may vary based on their circumstances, income, time pressures or age.
2. **“The tech effect”** – Technological advances can alter a product’s quality and ease of use.
3. **“The fidelity belly”** – When a product or service offers an unimpressive experience and isn’t convenient, it falls into “no-man’s land” and must find a way out.
4. **“The fidelity mirage”** – Many companies strive to offer both fidelity and convenience, but that is a self-defeating goal. Convenience dilutes fidelity and vice versa.
5. **“Superfidelity or superconvenience”** – These “winners” own either the fidelity position (Apple’s iPhone) or the convenience slot (Wal-Mart) in their markets.

## Quality of Experience Against Ease of Use

The easier a product or service is to obtain and use, the more convenient it is. Convenient products may not receive fans’ love and admiration, but they satisfy buyers’ needs easily and affordably. For instance, automated teller machines (ATMs) are so handy they permanently changed how people bank. Price affects convenience in that cheaper items are easier to buy.

“All in all, the company that makes it the easiest for consumers to get what they want is hard to beat.”

In each market, some product holds the quality position. Only the most fundamental commodities, such as electricity, defy this rule. Two internal, intangible elements – “aura” and “identity” – contribute to the buyer’s perception of quality or high fidelity. “Aura” refers to the feeling of awe and privilege people link to a product. Walter Benjamin used the term “aura” to describe the difference between seeing a painting reprinted in a magazine and the elevated experience of viewing the original. The original evokes “a sense of awe and reverence for the work, the artist and the painting’s cultural significance,” while the reprint does not. Aura, a “perceived fidelity,” can be fickle. Today a certain restaurant is fashionable; tomorrow it’s passé. Using aura to capture the high-fidelity niche is a popular strategy. Beer companies use it all the time. Crocs, the brightly colored plastic gardening shoes, sold like crazy until they became so commonplace people no longer considered them hip. They lost their aura.

“It’s very hard to be both loved and needed, to be both high-fidelity and high-convenience.”

People tend to express their identities through their product choices, such as wearing fashionable clothing. That’s why people want to own distinctive assets, from an Ivy League education to an iPhone (at least before they became generally available).

## The Fidelity Belly

Many new technologies live in the fidelity belly until consumers become aware of their superior quality or convenience. Products that started in the fidelity belly before they carved out a niche on one end of the spectrum include “digital cameras, HDTV, personal computers, cell phones, microwave ovens and home air conditioners.” “Technology and innovation” often change the fidelity versus convenience equation, so dominant firms should not risk complacency. Blockbuster held the convenience slot in film rental. Netflix movies-by-mail replaced it.

“When there’s a tie on fidelity, the most convenient version of that fidelity wins.”

Viewing your business through the lens of the fidelity swap offers an enlightening perspective. For example, consider the ways you can buy a book. You can browse a funky, independent bookstore, which most booklovers see as a high-quality experience. Or you can find the latest bestsellers at your nearest, big chain bookstore, such as Barnes & Noble or Borders. Or you can visit Amazon.com to buy the latest book from your favorite author. Amazon wins the convenience position for bookselling. Many local bookstores are closing as a result. They fell into the fidelity belly because the experience they offered didn’t beat Amazon’s ease of use.

“Adding the right touch of fidelity to a high-convenience product or service, or the right touch of convenience to fidelity, can make for a powerful, competitor-beating concoction.”

Because high fidelity and high convenience are both so desirable, you might think that a product with both would be an instant success. A closer look at fidelity proves this theory wrong. For example, Coach handbags enjoyed huge success as a high-fidelity brand. Then the firm tried to make its product more affordable by creating the “accessible luxury” category. By becoming more available to the mass market, Coach sacrificed its aura of exclusivity and panache. Coach bags were no longer a status symbol, and the brand sunk into the fidelity belly. Similarly, fidelity diminishes convenience. McDonald’s tried several times to introduce table service, but it always

failed. People come to McDonald's for convenience; they don't want to wait for their food.

“The fidelity belly [is] a place where neither the fidelity nor the convenience is good enough to attract a mass-market audience.”

Corning was known for high-quality fiber optics, but when the telecom industry hit hard times the demand for fiber plummeted. CEO Wendell Weeks decided to keep focusing on fidelity for glass-based products through research, commitment and long-range planning. By 2008, Corning once again owned the top-quality niche. Other firms that hold the high-fidelity position in their markets include Apple in smart phones, Louis Vuitton in handbags, Whole Foods Market in grocery stores and Cirque du Soleil in live entertainment. Bose's clunky, expensive headphones captured the high-fidelity slot and became an identity and status symbol for travelers who love the “noise-canceling” feature. MTV hit the convenience jackpot in the early '80s when it offered music fans a simple way to hear and see their favorite bands. Disney owns the quality niche in amusement parks, but Six Flags wins on convenience. Six Flags built its parks in very accessible places and it sells tickets for lower prices. Their tagline sums it up: “Bigger than Disneyland; closer to home.”

## Belly Up or Belly Out?

While not every product or service can dominate its market's quality or convenience position, even products that are not absolute leaders can still succeed. For example, not every band can put on a show on the scale of a U2 spectacle, but people will still buy tickets to hear a live band in a small venue to gain a quality experience rather than listening to the same band's CD at home.

“Most of the time, a new product or service starts off inside the fidelity belly and gradually migrates out to become successful.”

While most new products begin in the fidelity belly, some emerge and some do not. Joost, a technologically driven, forward-thinking company, set out to deliver network TV programs via the Internet. However, when Joost launched, its program quality was poor and it required complex, downloaded software, so it was inconvenient. Hulu took Joost's niche because it focused on convenience and didn't require downloaded software. People could watch TV shows easily. Joost did not ask, “Is our product on a clear path toward either convenience or fidelity?” Hulu did. A company must answer this question to find its way out of the fidelity belly.

## Winners and Losers

For years, newspapers were the easiest, cheapest and best way to get the daily news. But once the Internet became free and more accessible than print media, newspapers found themselves deep in the fidelity belly. Moreover, as Web news improved, newspapers began cutting staff and closing bureaus, thus sacrificing their fidelity. How can newspapers crawl out of the fidelity belly? One strategy might be to focus on older readers who still read newspapers and to produce a high-fidelity product for them. Or newspapers could eliminate their print products altogether and reinvent themselves on the Web.

“When anything – a brand, a rock band, a style of clothing – becomes popular with a huge mass market, the cool people increasingly find it uncool and look for something new.”

Apple once sank into the fidelity belly, but it fought its way out. In 1984 its computers had a reputation as hip machines for creative people. However, when management forced Steve Jobs to leave in the mid-'80s, Apple lost its fidelity focus. By the '90s, it was losing money. When Jobs returned in 1996, he refocused Apple on quality. Today, it owns the high-fidelity slot again. Now Starbucks faces the same transition. Its founder, Howard Schultz, revolutionized U.S. coffee drinking when he decided to create a high-fidelity experience. Treating yourself to a Starbucks half-caf skinny latté had enough panache to make people willing to pay a premium price for the experience. However, the chain then built on its success with a huge expansion. Soon every corner had a Starbucks. As it became common, its convenience undermined its aura. Schultz is once again trying to refocus on fidelity, closing many locations and improving product quality.

## Game Changers

Most businesses make small product or service innovations to move up the fidelity scale or to become more convenient. However, once in a great while, a new product comes along that changes everything. These big innovations that transform a market are rare, but they happen more often in static, complacent industries that are ripe for shaking up or in fast-paced markets that rely on new technology. The Roomba robotic vacuum cleaner, from inventor Colin Angle's company, iRobot, was a game-changing innovation in 2002. It cleans as it scoots around a room by itself, but it sells at a price that competes with other vacuum cleaners; iRobot sold more than two million Roombas in its first two years in business.

“Although achieving the highest fidelity is a great niche to occupy in a category, maintaining that position can be difficult.”

In the '70s, People Express challenged the airline industry by offering dirt-cheap fares. It sacrificed fidelity and didn't offer meals, first-class seats or movies. Because its tickets were so inexpensive, it grew quickly into the fifth largest airline in the U.S. Then, American Airlines started using a yield management program to lower its fares and began to compete with People Express on price while beating it on fidelity. Having lost its advantage, People Express declared bankruptcy in 1996.

“Early disasters aren't necessarily disasters forever, and early victories don't guarantee long-term success.”

When considering a new opportunity, try to determine where it fits on the fidelity versus convenience continuum. This trade-off can help you identify market openings. First, look for a product's domination of a cost or fidelity niche, then see where you can insert your innovation. Fred Smith, who founded Federal Express, spotted the gap in overnight delivery service that the U.S. Post Office didn't fill. He launched FedEx in 1971. In 2007, its revenues topped \$35 billion.

## About the Author

**Kevin Maney** is the author of two books and a contributor to *Fortune*, *The Atlantic* and *Wired* magazines. He was the technology writer for *USA Today* for 20 years.

