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Dave Norton, *Principal, Stone Mantel*

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User-Focused Innovation

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Will Meaningful Brand Experiences Disrupt Your Market?

by David W. Norton

Industries as diverse as household products and travel destinations are undergoing dramatic change. Referencing fascinating examples, Dave Norton demonstrates how this shift is caused by “disruptive innovation” and driven by the market’s quest for meaningful experiential encounters. The impact is to transform businesses, as well as the design of the goods, services, and experiences associated with them.

About three years ago, I wrote an article for the *Design Management Journal* in which I argued that because of shifts in consumer demand, we were seeing an evolution in product design.¹ In the 1980s, consumers were satisfied with products and services that combined a compelling brand image with unique design features that created product personality. For example, the hottest IPO in the ’80s was offered by The Sharper Image.

In the ’90s, consumer demand shifted to experiences. We bought lots of goods, but we spent more money in themed restaurants, on cruise ships, and buying T-shirts that told everyone we had had a really good time somewhere



Dave W. Norton, PhD,
Principal, Stone Mantel

else. Soon, all kinds of companies began making the shift to more experiential customer encounters. The next step was demand for *meaningful* brand experiences, brought on by a dearth of cultural capital— that intangible benefit derived from our relationships with people, ideas, and things that matter to us. Consumers began to talk about simpler lifestyles, authentic living, and experiences like American Girl Place in Chicago, where values and commercial offerings combine.

You might remember that three

1. David W. Norton, “Toward Meaningful Brand Experiences,” *Design Management Journal*, vol. 14, no. 1 (Winter 2003).

years ago, September 11 was still fresh in our minds and so many people were talking about companies having a higher purpose than shareholder value and about doing the right thing. By the start of 2005, some of what we felt about the first part of this decade had dissipated. Many companies had begun to regress back to business as usual. It's too early to tell how Hurricanes Katrina and Rita will affect consumer behavior. Will people see the events as examples of how fragile the institutions (that is, government, church, family, and enterprise) that create cultural capital are? Will they respond with a redoubling of efforts to find the experiences that matter most in their lives? Who knows?

I argued that a shift was underway and that was well before Katrina or even September 11. You should ask, "So, Dave, did it happen? Did consumer demand and market forces combine to produce a new era of meaningful brand experiences?"

Disruptive Innovations

The shift is real. It is happening. And it's really not being driven by cataclysmic events. Just look a little closer at what is going on around you. People are, in fact, getting goods, services, and experiences that are more meaningful, that produce cultural capital. All kinds of industries are going through changes driven by innovations that are clearly tied to the creation of cultural capital.

Perhaps you, like so many marketers and designers, have read some of Clayton M. Christensen's books, which include *The Innovator's Dilemma*, *Seeing What's Next*, and *The Innovator's Solution*. They are standard reads for anyone interested in innovation as a business strategy. You can hardly walk into a company today without someone bringing up disruptive technologies.

First, a little about these technologies. In *The Innovator's Dilemma*, Christensen demonstrates why mature companies with large customer bases often get their socks knocked off by upstarts that have an idea customers say they won't adopt—and then customers do. Darn those customers. In fact, in most cases, the losing companies were doing everything they were supposed to do—and the people who worked for them were really, really smart. That's what makes disruptive technologies so scary. You do everything according to plan and the market still ends up dropping you and moving on to the new guy.

By *technology*, Christensen means "the processes by which an organization transforms labor, capital, materials, and information into products and services of greater value"²—a nice, wide-open definition that pretty much encompasses everything from marketing to shipping. So what we are really talking about is the whole innovation strategy of a company. Christensen shows how companies, listening to their customers, develop a product and continue to add on new things to the product. These add-ons are called sustaining technologies and improve product performance over time. As products improve over time, the performance demanded by customers goes up incrementally at both the high end and the low end of the market (figure 1). Pretty soon, the add-ons outperform the demands of the market. For example, pick any software program and think about all the features you don't use or need.

Meanwhile, while the big company is casting about for new sustaining technologies, some idea that has been proven to be "untenable" in the market gets better and better—and then, all of sudden, the market shifts.

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2. Clayton M. Christensen, *The Innovator's Dilemma: When New Technologies Cause Great Firms to Fail* (Boston: Harvard Business School Press, 1997), p. xiv.

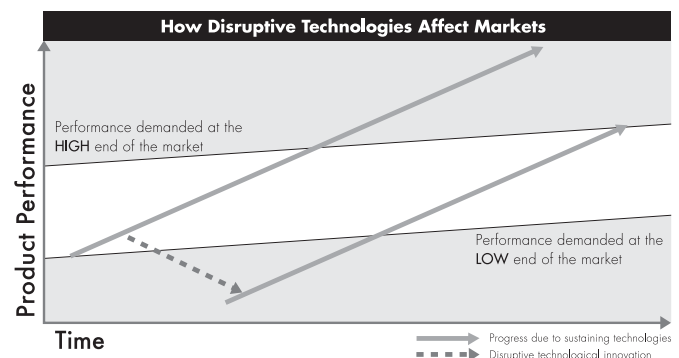


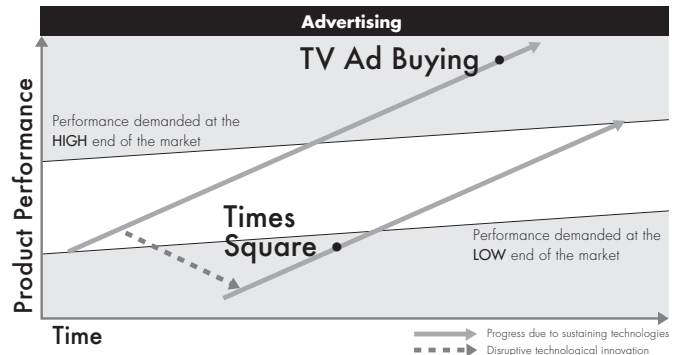
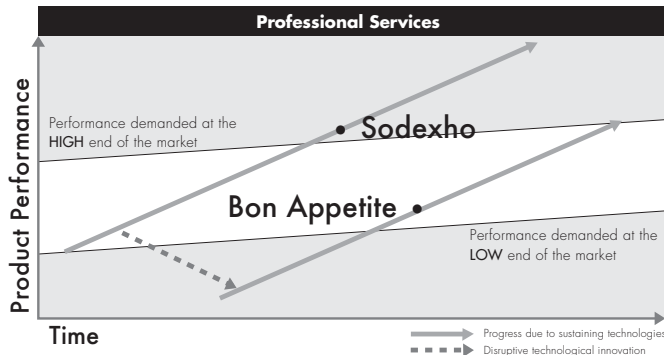
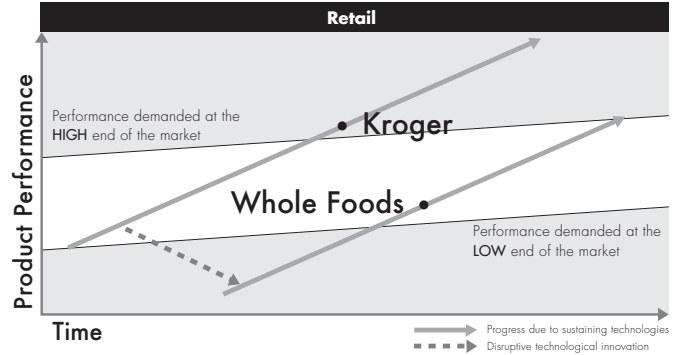
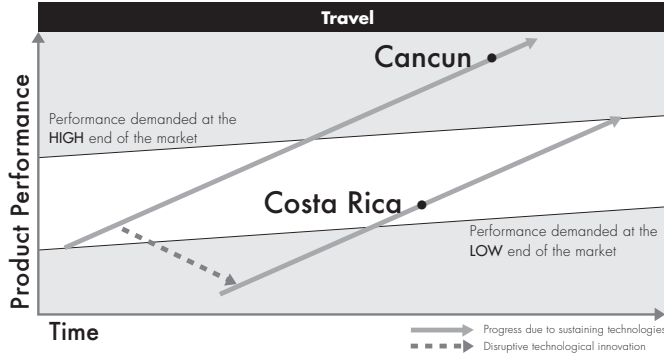
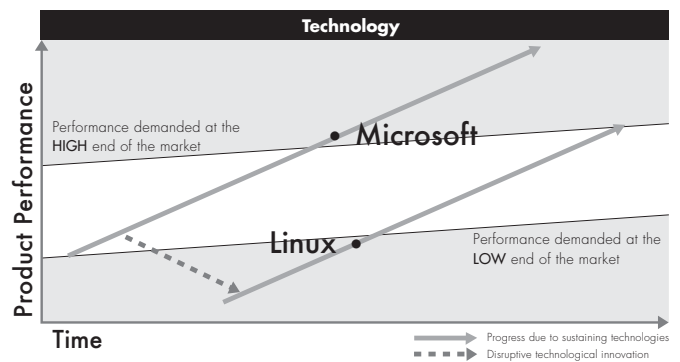
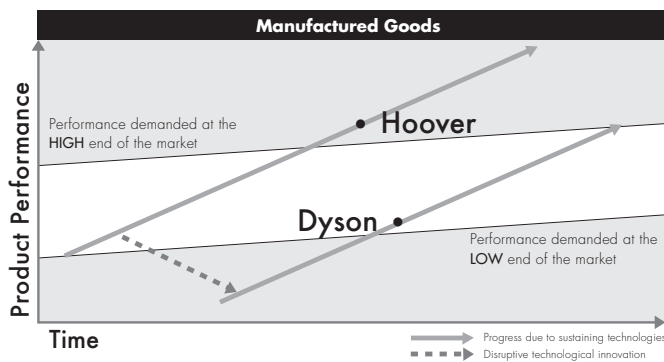
Figure 1. The problem for brands is that most of their innovations are value-sustaining innovations that eventually outpace what the market demands. As Clayton Christensen demonstrated in *The Innovator's Dilemma*, almost all industries can be disrupted by innovations that at first seem unlikely to be adopted—until demand shifts. Today, consumers are beginning to demand more-meaningful experiences. Chart from *The Innovator's Dilemma*, by Clayton Christensen (Boston: Harvard Business School Press, 1997, p. xix). Reprinted by permission of Harvard Business School Press. Copyright 1997, Harvard Business School Publishing Corp.; all rights reserved.

I'd like to use the idea of disruptive technologies to prove that the cultural shift I've described is real. I could probably describe the progression to meaningful experiences using other forms of evidence, but since Christensen is so readily accepted, he'll do.

The market prefers the start-up, which has the advantage of being the first mover—an advantage the big company can never really counter. Christensen provides numerous examples of this phenomenon in his book. I'd like to provide some examples of my own. Each one indicates that, indeed, we are moving toward meaningful brand experiences.

From Functional Innovation to Cultural Innovation

In heading down this path, we shouldn't lose sight of what an experience actually is. According to Joseph Pine and James Gilmore, authors of *The Experience Economy*, an experience is a distinct economic offering—as distinct from a service as a service is from a product. Services deliver benefits. In contrast, experiences are staged to be memorable, personal, and sensorial. Each of the examples below fits these criteria. But in each case, the disruptive technology that has upset the industry has a cultural function associated with it. Each of these offerings



In business category after category, smart brands have watched their market be overtaken by meaningful experiences that no one ever thought would work. See figure one for an explanation of disruptive innovation.

allowed people to share, feel deeply, and accomplish something that matters to them or to others they care about. Likewise, each example also illustrates a design principle for companies considering designing experiences that matter. Let's get started.

Dyson: Design with Intent

Less than two years since their entry into the US, Dyson vacuums now command 20 percent of the American market. Indeed, according to a number of reports, Dyson is now the number-one vacuum cleaner in the US—and Hoover's stock has suffered greatly because of this UK upstart. Dyson is a phenomenal story about design with intent, or designing for a higher purpose than simple business goals. James Dyson likes to tell his story—much to the chagrin of all the major vacuum brands. In 1978, he buys a vacuum cleaner. After three or four uses, he notices that it's losing suction. He spends the next five years and 5,127 prototypes building the ideal vacuum, one that never loses suction, only to be turned down for years by the big companies because it didn't fit their paradigm. They sold low-cost, planned-obsolescence vacuums and made their money on vacuum bags.

So Dyson decided to go it on his own. Every detail, from the colors to the ergonomics to the call center you can contact for help and replacements, was thought through and designed with intent. And consumers can tell. Dyson quickly took over the UK market and became one of the richest men in the country.

The lesson for marketers and designers here was best captured by Google founders Larry Page and Sergey Brin, who said, "You can make money without doing evil."³ Planned obsolescence was evil. Vacuum companies assumed no one really cared. Along comes someone who does, and you see the entire market shift. If you go to Hoover's website now, you'll see claims that their vacuums suck better than Dyson's. But it's too late: If your product philosophy is planned obsolescence or some other form of buyer-beware thinking, then you lack intent and come across as deceptive to consumers. You *can't* be deceptive in today's market.

Linux: Be a Social Entrepreneur

If Dyson's story doesn't scare you, consider entrepreneurs who give their work away. Linus

Torvald, creator of Linux, a free, highly evolved operating system, gives his intellectual capital away free. Read the headlines of almost any technology report today and you'll see "Oracle says Linux adoption faster than expected," or "Sun says Linux adoption stronger than expected." Now how is Microsoft to compete with *free*? Luckily, it is in a very strong position in the market.

The lesson for innovators is not simply to give your product away. The lesson is what Michael Porter and Mark Kramer call strategic philanthropy. That is, in today's competitive marketplace, "There is no inherent contradiction between improving competitive context and making a sincere commitment to bettering society."⁴ If you think that all you have to do is get up in the morning and create shareholder value, then you're missing a major part of your competitive advantage. And you're putting your company at risk. Some social entrepreneur may come along and commoditize the market for a higher purpose. The way to hedge against such a disruptive force (and maybe even create your own disruptive force) is to think like a social entrepreneur. How can you realize the most value for consumers in a way that improves their ability to share, learn, be transformed, and care? How can you be the channel by which things that matter happen?

Costa Rica: People Enjoy Feeling that They've Helped

People seek after their own self-interest—that's a basic tenet of capitalism. It's what makes markets work. Nowhere is that more true than in the places people choose to vacation. Why do they go on vacation? To relax, to have a good time,

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3. See <http://www.google.com/intl/en/corporate/tenthings.html>.

4. Michael Porter and Mark Kramer, "The Competitive Advantage of Corporate Philanthropy," *Harvard Business Review*, December 2002, p. 14.

and to see something new and exciting—to not do anything that looks like work. Cancun was built around just such a paradigm. So how do you explain the phenomenal success of Costa Rica?

In 2000, Costa Rica did over \$1.1 billion in business; the country is pulling in well over one million tourists each year. Costa Rica's resorts are not nearly as big or extravagant as Cancun's. Both destinations have beaches and scuba diving—that's not a competitive advantage. Cancun's brand image is "fun in the sun," which fits nicely with the whole idea of self-interest. Cancun is also more convenient. But Costa Rica offers geotourism.

According to research conducted by the Travel Industry Association of America (TIA)—one of the hottest new trends in travel is geotourism, an evolved form of ecotourism. Ecotourism was about primitive settings and rich encounters with nature. You had to be pretty hardy to enjoy it. But it's what got Costa Rica started. TIA estimates that there are 55.1 million American geotourists. These are people who want a comfortable experience—amenities, showers, massages. But they also want their stay to have a positive effect on the local people and the places. They want to help while they enjoy themselves.

Costa Rica offers the perfect setting for geotourism: a preserved environment, a reputation for balance between local goals and tourism, and a brand that evokes empathy and intent. One example of how fast geotourism is catching on is Cross-Cultural Solutions, a nonprofit organization that offers volunteer vacations to Costa Rica

and other places in the world. Started in 1997, this little organization offers two-week engagements that have attracted more than 10,000 people and helped to spark numerous other volunteer vacations. And people love it. It's the type of travel experience that matters.

Whole Foods: Market Through Your Experience

Kroger is a very big company. Historically, its stock trades at somewhere between \$15 and \$20 per share. Price, convenience, product selection, and a comfortable shopping setting are the hallmarks of Kroger's and other top grocery chains in the country. Grocery executives work tirelessly to get the balance just right: Don't spend too much on the store environment or you'll have to raise your prices; get those Sunday mailers out so that people know where to get the best deal on staples. That's the paradigm within which major grocery chains work. But not Whole Foods. Whole Foods is hardly the size of Kroger's, but its stock historically trades at between \$110 and \$140 per share.

For Whole Foods, grocery shopping is about contributing to a higher quality of life. The company is literally trying to transform the diet of Americans. That's very different from what Kroger's is trying to do. What's interesting about the growth of Whole Foods is that you don't see any ads. Like Starbucks and Dyson, Whole Food's disruptive marketing strategy was to create such a compelling shopping experience that it doesn't need to advertise. The company puts its marketing dollars into its product design, and the result has been incredible word-of-mouth



More than 55 million people in the US fit the description of geotourists. Consequently, Costa Rica is zipping past its undifferentiated fun-in-the-sun competitors.

and reputation. A recent article in Whole Foods' hometown newspaper explains that Whole Foods' name shows up on all kinds of shows and movies, for which the company pays nothing. Because the design of the experience is so compelling, because the product is transformative, and because it stands for something, the Whole Foods brand gets placed for free.

Whole Foods does what Gilmore and Pine call "making marketing superfluous." But Whole Foods is not resting on its laurels. In October 2005, Whole Foods will set up its first lifestyle store, dedicated to everything holistic about life—except food! You will be able to buy apparel, handbags, paint, and much more. What the company is doing is not product extension. It's meaningful brand marketing through retail experiences.

Bon Appétit: Give Customers what They Really Want

Unless you are in the food industry, you might not be familiar with Sodexo, Aramark, or Compass. Each is a provider of professional food management services—which means that if you eat in a hospital, a university, a corporate cafeteria, or lots of other places, you are probably being fed by employees of one these companies.

It used to be that food service management companies determined the effectiveness of their operations by price per serving. Every potato,

every piece of prime rib, was scrutinized to get the lowest price for their clients. Often the fastest way to reduce price was to reduce the skill set of the food preparers. Instead of a trained chef preparing the recipes and overseeing skilled laborers, you got people with minimal food

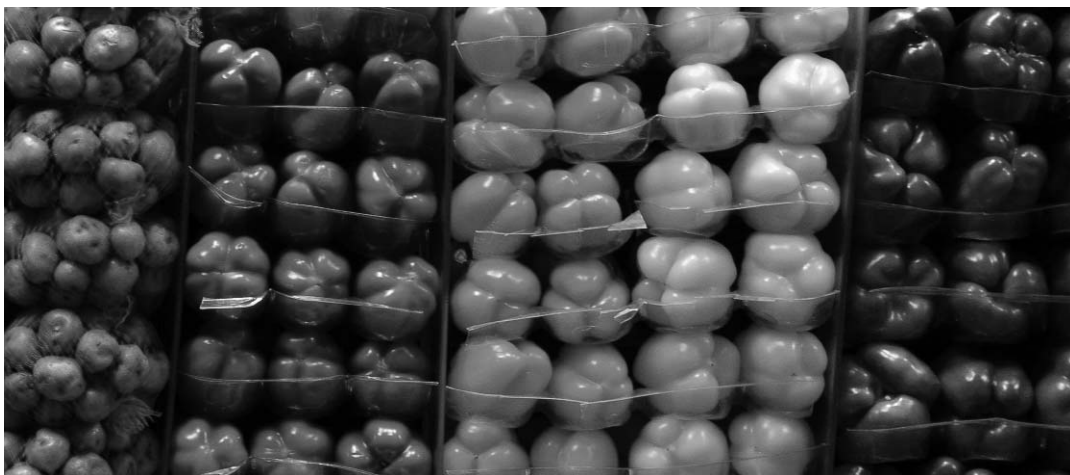
preparation training. When you go down to your corporate cafeteria and remark that your food tastes like it came out of a box, that's probably because it did—to keep the price per serving down.

Then along come Bon Appétit, a food management company that charges extra but makes most of its entrées from scratch, doesn't follow menu

cycles, buys pricey organic foods whenever possible, and ties every decision it makes to its higher objective—"to be the premier on-site restaurant company known for its culinary expertise and commitment to socially responsible practices." And Bon Appétit's clients can't get enough. What started as a catering company in 1987 is now one of the fastest-growing disruptive forces in food services. Compass, the largest food service company in the world, recently bought Bon Appétit, showing that this is a technology that will not be quitting soon.

Obviously, Bon Appétit does not focus its strategy on price per serving. Instead, it focuses on responding to the new menu demands of today's patrons. The company knows that people want fresh, wholesome, great tasting meals. It

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In October 2005, Whole Foods will open a store with no peppers, no soy milk, and no deli. But you will be able to buy the lifestyle that is Whole Foods.

has shown that you can charge a premium when you create good things.

Times Square: Places Tell Stories Best

TV ad buyers used to be the potentates behind the advertising industry. They are still very powerful—much more powerful than yours truly. But the chips that began showing in the advertising windshield when cable came along have turned into full-blown, web-like cracks, now that Tivo is a staple of household viewing. Consequently, most advertisers have turned their attention and resources to the Internet and to product placement. The problem for advertisers is that you can't tell a very compelling story in a Google ad, and when you product-place, it's not *your* story you're telling.

As Gilmore and Pine wrote in *The Experience Is the Marketing*: "People have become relatively immune to messages targeted at them. The way to reach your customer is to create an experience within them."⁵ No wonder that companies like Ogilvy One are turning their attention to Times Square, Chicago's Miracle Mile, and other experience venues.

Take American Girl Place in Chicago—the most popular tourist destination in Chicago. It beats out the museums, the waterfront, and the Sears Tower. New York's SoHo district is so important to marketers that in 2002, when Levi's decided to stop the hemorrhaging of its 501 jeans, they went to Tony Arcabascio, Rob Cristofaro, and Arnaud Delecolle, co-founders of *alife*, a boutique design/retail firm in the SoHo district, for help. For three months, *alife* sold



Times Square is a place full of stories. No wonder Madison Avenue is looking closer to home for new ways of marketing products.

5. James Gilmore and Joseph Pine, *The Experience Is the Marketing—A Special Report* (an e-document).

6. Bruce Nussbaum, "The Empathy Economy," *BusinessWeek*, March 8, 2005.

designer 501s exclusively at their store—nowhere else. But the stories and the word-of-mouth that the experience generated outstripped anything Levi's could have done with a traditional television commercial. No wonder that almost every major brand in the country has a place-based presence in New York, Chicago, or L.A. People love to hear stories about places almost as much as they love going to places to be told stories. And when you tell stories, you create cultural capital.

Design Must Evolve Past Convenience

Sundance (vs. Hollywood), Newman's Own (vs. Kraft), Celebration Health (vs. your typical hospital)—the list goes on and on. In every category, there's a story about an organization or technology that is causing very smart people with big brands to say, "How did they do that?" In each of those cases, the market did not seem to exist for the good, service, or experience that was developed. Even though brand strategists, designers, marketers, researchers, and executives often thought about creating meaningful experiences for their customers, they often focused on the wrong issues and missed the opportunity.

What's missing from all these stories is an experience strategy based on making things convenient: simple to use, easy to understand, or user-friendly. Unfortunately, in today's world *convenience* is often a code word for *sustainable innovation*—not *disruptive innovation*. The opportunity for design today is to go beyond making things convenient for people and start making experiences that people care about. Of course, products should be convenient—but everybody gets that. That was a competitive advantage 10 years ago. You are not going to differentiate your product on convenience today. In most cases, what you will create is an incrementally better product or a marketing strategy for a market that needs fewer and fewer additional conveniences.

It makes sense that after the demand for convenience has been satisfied, the next big thing is demand for experiences that matter. It's telling that a recent *BusinessWeek* article on design was called "The Empathy Economy."⁶ We have progressed from design being about making things simple and easy to design being about making people care. If you want to create tremendous value in today's marketplace, you should consider designing a meaningful brand experience. ■

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