

Customer Sacrifices: Creating Customer Value through Innovation

By Christopher W. Hart, Ph.D.

Most marketing people talk about identifying “unmet customer needs.” I don’t. I talk about “finding and eliminating customer sacrifices.” What are customer sacrifices? Customer sacrifices are what your customers are forced to put up with to do business with your company. Here is an example of what I mean: I was working with a client who owns a large chain of movie theaters. The client was quite proud of its recent research effort to uncover customers’ unmet needs. The study resulted in several improvements, including:

- Comfortable seating. The company owners decided to install new theater-style seating, so if moviegoers sat behind Ms. or Mr. Baskethead, they didn’t have to bob and weave like a boxer every time the person moved.
- Cleanliness. They developed a solvent that didn’t leave the theater smelling like a hospital and was great for dissolving gum on seats and crud on floors between shows.
- Cheerful employees. They launched a new training program to teach their employees to smile and greet customers.
- Wider selection of food and drink. With new dispensers for candy, nuts, and other goodies, customers could fill bags to their hearts’—if not their stomachs’—content.

Question: What customer sacrifices did their research into customers’ unmet needs miss?

Answer: Think about it this way: It’s Friday, and although you usually look forward to an exciting weekend of activities, you often wind up the week with nothing planned. Now what to do? How about going to the movies? Yeah! Now what? Which movie? You get out the newspaper’s movie section to see what’s showing.

What do you see? An incredible array of ads, large and small, artistic and not so artistic. Going through your mind are thoughts such as, “Which of these movies have I heard of? Which ones are any good? This movie gets three stars, but this other one that I’ve heard good things about only gets two. Hmmm.”

And even if you can figure out which movie you want to see, you have to decide which theater, at which time. Will a particular showing be sold out? If so, when? How early should I get there to get a ticket that enables me to sit with another person, preferably not in the first ten rows—and not in a broken seat? Will there be a line to get seats? What about parking? How’s the traffic at this time of night?

These are all customer sacrifices—things the theater chains force you to put up with to do business with them. How many of you, after all this cognitive effort, have ever decided it’s too much trouble, put the movie section aside and said, “Where’s the *TV Guide*? Let’s see what’s on the tube tonight.”

When you do that, the movie-chain owners have just lost a sale, the volume of which will never be known. What could they have done to make those sacrifices less of a deterrent? What do you think would be the impact on their bottom line if they could get you to go to one more movie a year? Given the high, fixed-cost structure of my

client's operation, my analysis showed that if it could get its highest value segment—the "enthusiasts" who go to 10 or more movies per year—to go to just one more per year, their bottom line would jump 23% in the first year!

The management team of this major theater chain had become victims of "flea training." Flea muscles do not become fatigued. If fleas are put into a jar, they will jump and jump—never lower, never higher—until they finally roll over and expire. What happens if the cover is taken off the jar? The fleas do not jump out. They have been conditioned to jump only so high.

Like the fleas, management of this theater chain had become conditioned to jumping only so high. They had confined themselves within the walls of a theater jar of their own making. Limited by their self-imposed boundaries, they were unable to see customer sacrifices—opportunities to add customer value that could enable them to leapfrog their competitors and, at least as important, build leverage to use against production studios that charge them roughly 50% of ticket sales.

What could a movie chain do? Let's start with the obvious. It could help its customers figure out which movies they most would like to see. Just as Amazon.com provides its customers the opportunity to write book reviews, which Amazon publishes on its Web site, the theater chain could do so too. In addition to providing information that helps customers find movies they like, such a move would create a sense of collaborative involvement, resulting in the opportunity to build a user community.

Why would theatergoers want to write reviews? Seeing their thoughts in print quickly springs to mind. Think about it. When you leave a movie, what do you want to talk about? The movie, of course. A theater chain could provide customers with rating forms, either printed or online, and offer incentives for them to share their thoughts (and provide personal information the chain can use for special promotions, frequent-user awards and the like). For years, *Consumer Reports* published movie ratings based on information sent in by readers without offering them any incentives.

Once a customer-history database is created, the possibilities are limitless. Special offers could be sent by e-mail telling customers about coming attractions they are likely to enjoy based on past preferences; special theme nights could be created for low-traffic nights; and special screenings could be held for highest value customers. (Hello, data mining!)

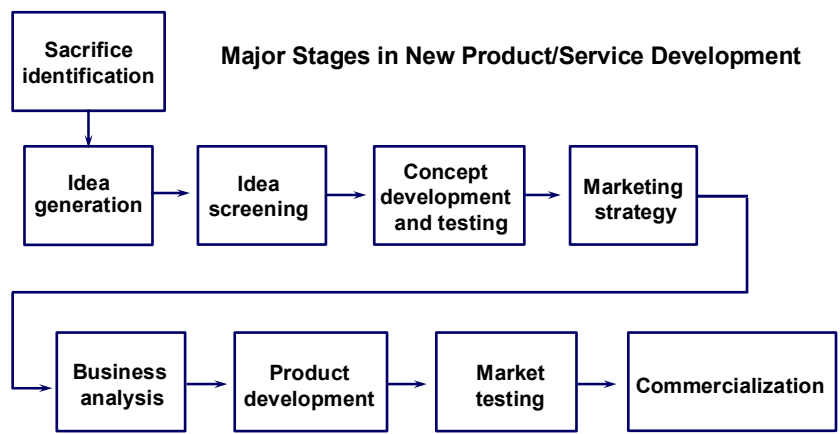
A Web site also offers the opportunity to give customers information on when they need to arrive to buy tickets for particular showings and to get good seats, based on individual movies' sales trajectories and historical data pertaining to day of the week and show time.

These are just a few of the ways a movie chain could eliminate customer sacrifices and gain a first-mover competitive advantage. Who knows: It might even be able to create a theater brand that stands for something more than being the equivalent of water-distribution pipelines for movie-production studios.

How can you put this concept to work in your organization? Start by throwing the theater-chain example at your people and challenging them to think of ways the customer sacrifices (that they all experience) could be eliminated and converted into customer value. Then, challenge them to list sacrifices your customers are forced to put up with as they do business with your organization—and sacrifices people within the organization are forced to put up with to work with each other.

The customer-sacrifice concept forces people to think in nontraditional, innovative ways. (See Exhibit A: Sacrifice's Role on Innovation.) Part of your job as a leader is to stir the pot, to help people's minds break out of their self-imposed jars. When your questions result in employees suddenly seeing meaning where before they saw unrelated, disjointed, and random occurrences, you open their eyes, generating the new insights and enthusiasm that are the feedstock of breakthrough thinking.

Exhibit A: Sacrifice's Role on Innovation



Source: Philip Kotler, *Principles of Marketing*

About the Author

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