

# Radical Basics

**H**ave you noticed that when you take Steve Jobs out of the equation there isn't all that much innovation going on? Or is it just that our definition of innovation is the problem, and we're seeing innovation disguised as other things? For example, would you say that creating a truly great hamburger is an innovation? Isn't it all in the definition of "truly great?"

About 20 years ago, a chef named Henry Meer and a butcher's son named Pat LaFrieda decided to create what they thought would be a truly great hamburger. Chef Meer was opening his now-successful City Hall restaurant in Lower Manhattan, and Mr. LaFrieda was taking over his father's struggling meat supply business. Together, they combined short-rib, chuck, and brisket in a secret mixture that delivers a truly great hamburger every time. Now, this helped establish Mr. Meer's restaurant while also reviving the LaFrieda's meat business.

Many years later, other chefs and restaurateurs have sought out Mr. LaFrieda to create their own version of the truly great hamburger—Danny Meyer's Shake Shack and the Minetta Tavern are just two examples. Are the great-tasting burgers that came afterwards innovations or improvements? Where was the innovation? In the first burger, the second burger, the third burger, or all three? One could argue that any one and all three were innovations, but hardly on the scale that we usually associate with the word.

Speaking of hamburgers and subtle innovations, Ray Kroc made clean restrooms a cornerstone of the McDonald's brand right from the beginning. The McDonald's brand mission and culture demand that each restaurant always has clean, accessible bathrooms.

At the time, back in the '50s, this was clearly an innovation. Clean bathrooms had a lot to do with McDonald's success as the safest place to go as a family, especially when traveling. To this day, it is still something that McDonald's requires of its franchisees. (Recently, *The New York Times* reported that Starbucks

is struggling with the problem of maintaining clean bathrooms in New York City. Howard Schultz was able to reimagine the entire coffee industry but didn't have an innovative bathroom plan ... at least for New York City.) The brand is about *everything*.

Is making a radical change in the status quo at one company an innovation, even if it's standard operating procedure at another company? How hamburgers taste, how coffee is consumed, and how customers can safely rely on quality facilities were all radical at the time, and still are.

Consider Duane Reade, a drugstore chain located in New York City. Its first innovation was naming the business after the two streets where the first store was located. Little in the way of innovation occurred for about the next 20 years. Due to an obvious lack of interest in the pharmaceutical business in New York City by any company other than CVS, Duane Reade managed to expand its business with stores that were mostly reviled for their surly customer service, congested, closely-fixture aisles, and a general lack of cleanliness.

If one created a spectrum going from smart innovation to abject disregard for a customer's experience, Duane Reade was a hands-down winner of the latter award more times than Meryl Streep gets Oscar nominations.

Here's an excerpt from a *Bloomberg Businessweek* article in September 2011: "For decades, the Duane Reade drugstore chain offered one of New York's rawest shopping experiences, with the ambiance of a DMV, with really narrow aisles, maybe located in Times Square circa 1973. The layouts were labyrinthine and the merchandise disorganized. The staff was so famously sullen that the blog 'I Hate Duane Reade: Service from Hell' used to come up first when Googling the company."

In 2007, *New York* magazine asked the actress Martha Plimpton, a lifelong resident of the city, what she hated most about living there. "The dead-eyed pharmacy people at Duane Reade," she said. "It's always a journey into the heart of darkness."

With a new century came some new thinking into Duane Reade, and now the retailer (acquired by Walgreens last year) is considered the most innovative drugstore chain in the country. Duane Reade recently

## One brand's innovation is another's price-of-entry.

opened one of its new, innovative stores on Wall Street, and here's what *Businessweek* had to say about it: "The store, which opened in July, also has a hair salon, a juice bar, two sushi chefs, and a holographic greeter. There's still aspirin and toothpaste, and now there's a doctor, too. Beauty consultants are available, along with two different machines that provide virtual makeovers. A 20-foot-long stock market ticker flashes above the front windows."

So, let's see: Duane Reade is now the most innovative drugstore chain in the country. How did it get that way? First they fixed the basics. They cleaned the store, widened the aisles so customers could actually get around the store and see the merchandise, got rid of the junky products, and told store associates to be nice to the customers. At Duane Reade, these were innovations that allowed it to jump to the head of the innovation line, while at many other retail brands these would be considered the price of opening the doors every day.

One thing to be said about innovations that are successful is that they all reflect an understanding of the customer — what makes the customer happy, what gives the customer a better experience with the brand, and what keeps the customer loyal. In every example listed here, innovation has led to a more compelling brand — a brand customers return to. In the high-speed world we all operate in, the number of innovations seems to get squeezed out by the next short-term gimmick or promotion.

Steve Jobs famously said that he didn't use customer research because it wasn't the job of the customer to tell him what they wanted. He knew what they wanted and would build it for them.

The rest of us Lilliputians are not right as often as was Steve Jobs, so having some data to guide the innovation plan is helpful. However, there is, in general, a lack of brand-level thinking and commitment to studying the data to find the nuggets of consumer behavior that will lead to innovations that last. In the retail world especially, it is very hard to find leadership committed to finding innovation that is borne from customer behavior.

Most retailers are two-thirds merchandising, one-third operations. That doesn't leave much room for brand innovation. It is often startling to work with retailers who

don't have any clue what it's like to be a customer. They have grown up in the world of inventory management and labor schedules, never shop themselves, and assume that because they have been in business for 20 years they have a firm grasp on the customer.

For example, most retailers do not think of the shopper's experience as a recurring event. If the original operators of Duane Reade thought that customers might actually come back more than once, then would they have let their stores resemble a house of horrors?

The ability to develop incremental innovation that leads to loyalty should be a goal of every brand. Almost every retail brand has customer behavior data from loyalty-card programs. Even those retailers without loyalty programs should have lots of ways to collect customer opt-in data from promotions — whether in-store, online, or from old-fashioned coupons. If all retail brands had a goal of creating one new innovation each year for one customer segment, then that could have an enormous impact on their businesses.

Let's say that we have a grocery store where customers who shop once per week and usually have meat in their basket represent 18 percent of shoppers (about 1,800 customers) and 22 percent of sales. Let's say that their average ticket is \$61. Let's say that we create a special meat club, which gives these shoppers access to a butcher who will select from prime cuts of beef. Let's say that generates one extra visit per year among only 50 percent of this group.

That totals about \$50,000 of incremental sales per store, just from that one group in one department. And it's likely that this customer group that loves their meat will not only visit more often but will also spend more on the high-quality meat.

It doesn't take much — just willingness and a commitment to consider everything, including the restroom as part of the customer experience. ■



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