

Innovation: Go Fast or Go Home

How removing friction can improve the customer experience

BY PROFESSOR JAY RAO

Consumers' increasing impatience and need for instant gratification has made "speed" a key strategic weapon for firms to innovate around, differentiate, and gain a competitive advantage.

Firms like Uber, Airbnb, Luxe, Hotel Tonight, Instacart, Zeel, Postmates, Netflix and others are driving us toward an on-demand, open-access, swift and easy, sharing economy. Several firms that are selling traditional goods and services do not believe they will be affected by these trends. But surely, customers' brains are slowly getting rewired by these new-age trendsetters. Society will expect and demand the same sense of urgency, transparency, "do-it-now" experience from every business in every industry. If they don't get it at your business, they will go elsewhere.¹

FastCompany magazine last year celebrated its 20th birthday. In the anniversary editorial, Robert Safian was looking toward the next 20 years and listing the probable key drivers of innovation and change.² First on the list was "speed will triumph!" In the same edition, David Lidsky reminded us of how speed had prevailed in the past. Microsoft's Internet Explorer killed pioneer Netscape, not because of the often-attributed Microsoft's anti-competitive practices. The Explorer was a much faster browser; period. Several years later, Facebook beat Myspace because it loaded pictures faster and easier on to the website. iPod beat dozens of mp3 players because its FireWire

cable was able to transfer hundreds of music files from the PC much faster than any other player in the market. In the year 2010, there were scores of photo sharing services. Instagram won because it uploaded and sent pictures faster than the others. Intel has been fervently making faster and faster microprocessors for the last 45 years.

Today, Uber is obsessed about getting a car as quickly as possible to the rider. Spotify will perhaps beat Apple Music because it loads the stations faster. Apple's A9 chip for iPhone 6S and iPad Pro is faster than any other chip on the market. Google and Amazon's innovations are solely driven around beating the clock. Amazon's 1-Click is the model for Uber, Instacart, GrubHub, and Starbucks.³ Even Apple licenses the 1-Click from Amazon. In 2014, 50 percent of a survey's respondents told Akamai, a Web performance firm, that if websites are too slow to load they will leave before finishing their task. And 22 percent would never come back.⁴ High frequency trading is wreaking havoc on Wall Street. A single investor can execute more than 1,000 trades a second and firms are investing millions to shave off a millionth of a second.

It is very easy to dismiss all this speed mania. I often hear executives give me the same list of excuses: (1) It is a Silicon Valley thing; (2) Our industry is different; (3) We are in a high-touch business; (4) The stakes are too high, we can't be in a hurry; (5) Our customers aren't asking for it and won't pay for it; (6) Our competitors are not doing it any faster; (7) Our suppliers are holding us



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back; (8) It is too expensive to be faster, etc., etc. Most managers and leaders always have 101 reasons for in-action and for preserving the status quo.

Let us look at two firms that would not be immediately associated with speed.

Domino's & Disney: Fast and Frictionless

Domino's has been passionate about speed for more than 30 years. In 1979 they started giving customers a service guarantee for pizza delivery – "30-minutes or its free." It was dropped in 1993 after a couple of unfortunate accidents. Today, their digital strategy is again built around speed. They have reduced the pizza ordering process to less than 30-seconds; from 15 clicks to 5 clicks.⁵ Franchisees will soon be able to deliver up to 80 pizzas by driving the Domino's DXP car that is fitted with an oven. Apparently they are also testing pizza deliveries via drones. Also, Domino's hosts "The World's Fastest Pizza Maker" competition. The winner gets \$3,000.

Last year, Disney introduced the MagicBand – a stylish rubber wristband – for those visiting the Magic Kingdom. The MagicBand replaces virtually every transaction, removes all paperwork and reduces all waiting times once you touch down in Orlando. With the MagicBand, one can skip the luggage pickup at the airport carousel, board the park-bound shuttle at the airport, go directly to your room without checking-in at the hotel, enter the park, swipe to get on rides without waiting and pay for purchases.

In short, the MagicBand makes the entire customer experience “fast and frictionless.”⁶

Is your dealership fast and frictionless? Can car dealerships use speed as a strategic innovation weapon? How do you make speed a corner-stone of your strategy? How can you get your employees to embrace speed? How can you generate great innovative ideas around speed? How do you implement these ideas? What is the leader’s role in setting strategy and innovating around speed?

Two stories will probably provide some answers to many of these questions.

Southwest Airlines and Cleveland Clinic

In 1972, lack of funds was pushing fledgling Southwest Airlines toward bankruptcy. To survive, Southwest sold one of its four planes. Instead of cutting service, leaders figured out that three planes could do the work of four if they could get in-n-out of the gates in 10 minutes. That meant, unloading the passengers and bags, cleaning the plane, fueling the plane, and loading the new passengers and bags, all within 10 minutes. Magically, employees figured out quickly how to work together. Operations agents started multi-tasking – loading/unloading baggage, emptying garbage. Flight attendants, pilots, fuelers and baggage handlers all chipped in by going beyond their normal duties. Employees felt that they were fighting for their jobs. While Southwest did not always make the 10-minute turn-around, it did save the company. While security procedures and more hand-baggage has slowed this process today, at an average of 25 minutes, Southwest still has the fastest gate-turn in the industry.⁷ Even to this day, Southwest carries the maximum number of passengers per plane (i.e. the highest asset utilization in the industry).

More recently, the executives of the world famous Cleveland Clinic, employed a very similar tactic.⁸ With more than 5 million clinical visits, 150,000+ hospital admissions, 43,000 employees and 3,000+ physicians and scientists, Cleveland Clinic is regarded as one of the best hospitals in the world for medical excellence and keeping costs down. But in a 2008 U.S. government survey, the clinic ranked only in the 55th percentile for overall patient satisfaction among nearly 4,600 hospitals surveyed. The executives at the clinic then embarked on many initiatives to dramatically improve patient experience and satisfaction. One such initiative was to attack a common complaint among potential patients who had opted to go elsewhere, citing that the hospital was too big, too difficult to access and get an appointment

unless connected to someone within. So, the CEO, Toby Cosgrove, mandated that all patients have the option of getting an appointment the same day they call. A single phone number was created and a centralized scheduling was instituted across the enterprise. An advertisement promoting the new service level sent a clear message to potential patients and employees alike. The “Be Seen Today” campaign was an overnight success when divisions, functions and employees all adjusted accordingly and stepped up to accommodate 20 percent more new patients. Within a few years, same-day appointments accounted for more than a million patient visits yearly.

Change Management: Fix the Outcome & Free the Process

In the Southwest Airlines and Cleveland Clinic examples, the leaders and executives identified and articulated the problem with great clarity. They made speed the primary purpose. In both these situations, the leaders did not have all the answers ex-ante to achieve the purpose or solutions to reach the goals. In fact, in most change management situations, the variety of underlying reasons for the lack of speed are mostly hidden and unknown to the leaders. While the outcome (need for speed) was known, the underlying causes for the lack of speed, the solutions to address the underlying causes and the process to implement the solutions were all unknown. All the unknowns were uncovered and solved only through the knowledge and the creativity of the employees. I call this the “Fix the Outcome & Free the Process” method of change.

So, the starting point for leaders is to articulate an outcome, such as halving the speed; a goal that is meaningful to the customers. Then, let the process go free. The employees will usually know all the fine and nuanced reasons that slow things down. They will identify the root causes of problems. They will find the best methods and solutions to get to the chosen outcome.

Within each of your dealerships, your employees will help you find ways to:

- To cut the time needed to assign a sales person
- Cut back on pointless questions your new customers have to answer
- Get customers to start a test-drive faster
- Cut or delete many useless forms to be filled
- Cut the number of dramatic interactions between the sales person and the manager
- Cut or delete annoying customer and manager interactions

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Dr. Rao teaches extensively in the Babson Executive Education programs. His executive teaching and consulting is in the areas of innovation, implementation of innovation initiatives within firms, corporate entrepreneurship and customer experience innovation. His research has appeared in The Sloan Management Review, The European Financial Review, IESE Insight, Journal of Innovative Management, and many others. He has written several business cases that range in topics from Innovation, Innovation Strategy, Customer Experience, Customer Service, Operations Strategy, Strategic Alignment, Supply Chain Management, and Quality Management.

- Delete the wait for managers to come say “goodbyes” and thank customers for their visit
- Delete stalling techniques, even if customers have clearly stated they will not buy today
- Have more customer interactions before they come into the dealership

Similarly, you can leverage your employees’ knowledge and creativity to speed everything up in the service and body-shop sides of the dealership as well.

In addition to improved customer satisfaction and higher NPS scores, there are a few very gratifying benefits to this “Fix the Outcome & Free the Process,” method of instituting change within the enterprise: (1) Collaboration – challenging problems brings people together; (2) Creativity – tapping into the natural creativity that resides inside each one of your employees; (3) Engagement – cutting bureaucracy improves employee initiative and morale; and most importantly (4) Innovative Culture – the more leaders adopt this process, the more it gets embedded into the values, behaviors and climate of the enterprise.

Some Caution

There are a few caveats the leaders need to recognize before going into this change journey.

Customers do not always explicitly express the need for speed. They only know it when they experience the lack of it. They experience friction. They get overwhelmed and anxious. They may never express those either. Even to this day, the car buying process is still laden with a lot of friction and anxiety that diminishes the overall customer experience considerably.

Great customer experience is an outcome of the leaders’ maniacal obsession – intense and relentless focus on the customer. A business or dealership cannot get fanatical about the customer unless one has extreme

empathy and urgency toward the customer’s pain and experience. The biggest challenge lies in orienting enterprise-wide this empathy and urgency. As the leader, if you are not obsessed with the customer experience and the need for speed, then please don’t start the journey of change. Customers will see through gimmicks quickly and easily. It only infuriates them even more. In addition, you will lose your employees’ trust as well.

Finally, it is not easy to dream, design and deliver great experiences for customers who are being programmed for heightened expectations. This is especially difficult for businesses in industries that have traditionally never been customer focused or speed driven. Don’t keep customers waiting. The big does not eat the small. The fast will kill the slow. The good news is that, as the leader, you do not have to have all the creative ideas and solutions for greater speed. “Fix the Outcome & Free the Process” change management will help your dealership to innovate and thrive.

Good Luck and Godspeed! 🍀

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