

Interview with Bernd Schmitt Professor, author, consultant



Bernd Schmitt, Ph.D., is a Robert D. Calkins Professor of International Business at Columbia Business School in New York, where he also directs the Center on Global Brand Leadership. He is CEO of The EX Group, a consulting firm focusing on innovation and customer experience. Schmitt has authored or co-authored seven books which have been translated into 16 languages, including Experiential Marketing (1999), Customer Experience Management (2003), and Big Think Strategy (2007).

He is a frequent keynote speaker at conferences worldwide. Schmitt has been profiled on CNNfn's "Business Unusual" and has appeared on BBC, CNBC, CNBC-Asia, CNN, NHK and on The Daily Show with Jon Stewart. He has contributed articles to The New York Times, the Asian Wall Street Journal, and the Financial Times. Schmitt can be reached at bhs1@columbia.edu

Interview conducted by Doug Berger, Managing Partner, INNOVATE doug@innovate1st.com

Doug: What do you see as the forces that are shaping the world of marketing and the world of new business creation?

Schmitt: There's been a shift over the last few years to more of a focus on the really new ideas, rather than doing the same old game over and over again. You can see it in the area of branding, where in the 90's companies were very interested in figuring out their brand values, their brand personality, their brand principles, their brand DNA. Now, that's old news.

The shift in branding has been in the direction of **customer experience marketing**, and focusing on the experiences the brand can provide. Experience refers to the interaction, feelings and sensations that a consumer is getting when they are actually encountering the product, interacting with salespeople and when they're going to a website. That is a dynamic interchange that you cannot plan as well as you can plan your brand values and your brand personality. You need to be innovative. You want to do something that really relates to the customer, that the customer really appreciates, but you also want to do something that is different from what the competition is doing.

When you are doing a customer experience project, you cannot do it in the same way that you're doing a branding project. When you do a branding project, you're trying to create an image in the mind of the customer. You can do this through advertising and in store images, without interacting with the customer.

When you do an experience project, it's different. I use the terms **sense, feel, think, act and relate** as the modules of experiential marketing. Sense Experiences make

the products beautiful and exciting. Feel Experiences touch people's feelings and emotions. Think Experiences get them to think in imaginary and creative ways. Act Experiences get them to act and behave and change their lifestyles. Relate experiences make them feel good because they're a part of a community.

We are talking about how the customer feels. What does the customer get from interaction? What is the customer thinking when they are entering the store, when they're interacting with a person? How does the customer really feel when they are sitting in front of the computer and they're going to the website? Customer experience is always about the customer and how the customer feels, and it is always dynamic, rather than the statically produced images that you have in your branding campaigns.

Once you have that as a starting point, you will also realize very quickly that you cannot plan it in the same way as a branding campaign. You cannot make it as static. You have to do something differently, and that results in what I call a breakthrough customer experience. How can I do something unusual, something new, something truly exciting for the customer? How can I create an unusual experience through great customer interaction?

Doug: Starbucks, Apple, P&G, have received a great deal of attention from their innovation. What companies do you think are doing some things that are noteworthy?

Schmitt: Let's take the consumer electronics category for a moment. In my new book, *Big Think Strategy*, I talk about Samsung. Samsung is a terrific success story. Just keep in mind that as recently as 10 years ago, we looked at Samsung as a low quality, low priced consumer electronics company. They were very much in the shadow of an Apple or of a Sony.

Then they fixed up their quality and they greatly fixed up the design. In fact, I would argue that many of the Samsung products now are better designed than Sony products. They focused on the customer experience, and now they have a company-wide initiative focused on what they call Creative Management. This is supposed to go way beyond normal product development and design and experience. It's supposed to create a culture where employees are constantly coming up with new ideas; where these new ideas are disseminated within the organization; where everybody in the organization is in touch with customer needs and customer lifestyles; how customers want to live their lives. When you look, for example, at the brand valuation studies, they have surpassed Sony by now, both in terms of how much the brand Samsung is worth, as well as their market capitalization. It's a great success story for a big company. They are doing this in both business-to-consumer and business-to-business.

Doug: What's another concept that is really taking root?

Schmitt: Another important concept taking root is that of lifetime value of the customer. I don't work in this particular area, but as a marketing professor teaching my students, I find it fascinating that these days we finally have concepts that can prove the return on investment of marketing. For a long, long time, it was just a matter of marketing managers telling the finance people, "Look, you know, marketing is not tough. It's really the investment in the brand; it's an investment in customers." But now we have those tools. And now there's this term - 'the concept of customer lifetime value,' which also fits with the concept of customer equity. So it's no longer just about the brand equity, but it is about the customer equity.

And there are quantifications of that approach. We can quantify, for example, how much it costs to acquire, service and retain the customer, and how much it costs to actually have a customer upgrade to higher priced products offered as part of the company. There is more and more pressure, and rightly so, for marketing to justify the spending. So, that's another big trend.

Doug: I know you're very excited about your new book, *Big Think Strategy*. What prompted you to write the book?

Schmitt: Well, I've done a lot of consulting work over the years with a lot of clients. Clients in the car business, in the mobile phone business, consumer electronics and all sorts of businesses, and I found that very often they are all trying the same sorts of approaches. They are doing the research in the same way and looking at the competition in the same way. They are not thinking out of the box. Then, occasionally you get a client who does so and is really excited by creative new approaches.

In my book, I compare this to the Trojan Horse story from Greek mythology. That was something wacky to give these Trojans this horse with the Greek warriors inside. I mean, it was very risky. It was also very successful, and overnight the war was over. I think we need more of that. We need business leaders to think out of the box and do new things, to question old assumptions. I have techniques and tools in the book, like killing the sacred cows. I'm referring to the things that we always take for granted; the assumptions that we always make, and sometimes for no good reason, just because it's something we've always done.

I see a lot of potential in companies that are questioning their assumptions; that are looking outside of their own business to new ideas, not just doing benchmarking, but what I call ultra industry benchmarking. They are more critical of themselves, and are looking for alternative approaches. The book provides readers with tools and techniques that they can use in order to come up with creative new ideas.

As I mentioned, one of my principles is **killing the sacred cow**. For Dove, the Unilever brand, their new marketing approach "*The campaign for real beauty*," argues that the beauty industry has been distorting our concept of beauty for as long as we can remember. For at least 30 or 40 years, and for pretty much any beauty product anywhere in the world, the communication approach was to put a beautiful woman with perfect skin, a perfect figure, and youth, into the ad. That's how we've communicated in this industry. In the campaign for real beauty by Dove, it's very different. You feature "real women;" women that are not perfect by traditional beauty standards. Why don't we try to inspire women by saying, "Look, you are beautiful as you are" rather than by sending them these beautiful models.

Doug: What are other sources of making that creative leap?

Schmitt: Managers need tools to encourage people to make unusual connections in the brain. One tool is **combining the seemingly incompatible**. Using this tool you take a conventional aspect of your business, for example your brand, and combine it with a seemingly unconnected social or lifestyle trend. For example, combine Starbucks and the internet and you can get in-store music downloads.

Another tool is **stepping out of time**. MODO & MODO, a company in Milan, Italy, brought back the legendary Moleskine leather-bound notebook. Consider all of the designs inspired by a retro perspective in products, such as automobiles, furniture, watches and movies.

Another tool is to **go way overboard and then scale is back a little**. Abercrombie & Fitch illustrates how this approach can be used year after year to generate bold ideas.

Doug: These are quite bold ideas. It seems that very few companies can move them into execution. What is required for execution?

Well, I think it requires three things from the leader. It requires **guts, passion and perseverance**. I'm referring not only to the CEO and the top level management team when I talk about leaders, but to a marketing director, for example, as well. I spoke to the person who was the new brand marketing director for Dove about this. Was it easy? She said, "No, not at all. When I first came up with the idea, everybody thought I was crazy." So you have to persuade others. You have to have the guts to really stick out your neck first.

Then in a passionate way you have to persuade others believe in your own idea. It's also a matter of perseverance, because it will take time. When you're doing something new, you may not be successful immediately. In my book, I have this quote by Mike Tyson the boxer, who said, "Everybody has a plan until they get hit in the face, right?" In the Big Think innovative project, very often you get hit in the face. Internally, people will try to sabotage you and customers may not be immediately responsive.

So I reiterate, you really need these three leadership characteristics . . . guts, passion and perseverance.

Doug: You and I both assert that the characteristics of the leader are of central importance. Yet, there seems to be this overwhelming bias towards innovation as a process. How do you respond to that?

Schmitt: You need both. I do believe that a leader makes a big difference. I was just in Korea and did a business case on the Seoul Philharmonic Orchestra, one of the very good orchestras in the world. They have big plans for what they want to do in the future, and they have these big plans because of their new CEO.

In my book I outline a six step process that can be used to manage innovative projects.

1. Sourcing big ideas
2. Evaluating
3. Strategizing
4. Executing
5. Leading
6. Sustaining

Doug: You are qualified to offer a unique set of insights which lay at the intersection point of your earlier work in consumer experience marketing, and your newer work on the Big Think Strategy. In my experience, in order to implement big ideas you need to alter the experiential world of employees.

Schmitt: Yes. There is the aspect of **shaping the experiential world of the employees** by motivating them in a certain way, providing a certain environment for them, and so on. Leaders are also creating a new employee experience through a company-wide process which facilitates personal interactions with customers, such as at Samsung. I

think the employee and the customer experience are really coming together in the best projects.

Doug: What are the few key ideas that a leader should have in mind if they want to be translating big ideas into bold action? What should they be thinking about in terms of creating the employee experience that's going to make that translation happen?

Schmitt: Some people talk about engineering the experience. In my writing I've actually been critical of any engineering approach because of the notion that you can make it work like a machine. So foremost, I believe very much in involving customers and employees early on and continuously.

Secondly, employees need to look at this not just as a project, but as what they can make it for themselves. Let me go back one more time to the Dove campaign. You could say that at one level it is a very modest communication campaign. There are no new products behind it. The big deal is that they have entirely rethought about how you can interact with women, and not just by communication. So if you're part of something like this, that can be exciting. You need to make it a concept that gets people behind it.

Then you need to pick the right people to be part of the project. These are the people who you want to have on your projects because they will convince others.

Doug: Are there any concluding remarks you would like to make?

Schmitt: I'm very concerned about business education. I'm an educator myself - a professor at Columbia Business School, and I feel that educational systems often set the agenda and approach which creates a certain broader business environment. What they do in business schools is basically teach our students analytical knowledge. 90 percent of the education skill is focused on getting across the concepts, the tools, the spreadsheets, the formulas, etc.

I believe there is another side of business as well, which has to do with creativity, with innovation, with doing things differently. Concepts like emotional and social intelligence are going in the right direction. People need to know how to handle emotions and how to manage them, both their own and others'. I think we need much more sensitivity to new situations, and how to explore the world and think about it in new ways. In fact, it's not only a matter of business education, it's a matter of early education.

We need leaders who are constantly interested in new things beyond their business, as well. That's a sensory skill as well as an action skill, in terms of getting things done. It's also a relational skill. My thinking is now going in the direction of expanding these original experience concepts into the whole realm of skills that leaders need in order to do their jobs well.

