

# CREATING CUSTOMER EXPERIENCE AND PRODUCT INNOVATION AT “SHINZABURO HANPU” IN THE REGIONALITY OF KYOTO

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## ABSTRACT

There is the new company “Ichizawa Hanpu Kougyo” in Kyoto, which happened the house disturbance. As a result, a new brand called “Shinzaburo Hanpu” was born. Though it is the manufacturing maker having only a channel in Kyoto, the popularity is a national scale. So, we have thought that it makes for the elaborate fabrication of this company to create the customer value with “a sincere posture for the customer” and “a posture for manufacturing.”

This study aims to analyze the essential of “Shinzaburo Hanpu” brand from the perspective of the relation between its product innovation competence, customer experience and innovation, based on the viewpoint that there is the essence of manufacturing for Former Ichizawa Hanpu Kougyo and Ichizawa Shinzaburo Hanpu in Mr. Shinzaburo Ichizawa. In “Shinzaburo Hanpu” case, we have examined its relation to build customer experience using strategic experience modules, the five customer experiences management frameworks and the innovation analysis in the regionality of Kyoto.

Keywords: **Customer Experience, Elaborate Fabrication, Innovation, Kyoto**

## 1. INTRODUCTION

A new brand called “Shinzaburo Hanpu” was born as a result of family feuds within a long-established firm in Kyoto called “Ichizawa Hanpu Co., Ltd.” (hereinafter called “Ichizawa Hanpu”). Mr. Shinzaburo Ichizawa, who was the fourth president of the original Ichizawa Hanpu, established “Ichizawa Shinzaburo Hanpu Co., Ltd.” (hereinafter called “Shinzaburo Hanpu”) and has been manufacturing and selling bags under the brand names

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of “Shinzaburo Hanpu” and “Shinzaburo Kaban” (Fig. 1) since April 2006.[1] The firm is attracting new enthusiastic customers in addition to the loyal customers of the original Ichizawa Hanpu.



**Figure 1:** Bags Manufactured by Shinzaburo Hanpu

Based on the understanding that Mr. Shinzaburo Ichizawa is the key person who inherited and developed the manufacturing approach of the original Ichizawa Hanpu and Shinzaburo Hanpu, the present paper discusses and analyzes the following points while referring to the period when the original Ichizawa Hanpu was active: (1) the fact that the product development capabilities of Shinzaburo Hanpu, its sincere attitude towards its customers and its approach to manufacturing has led to the creation of value; (2) the differences between the value created by Shinzaburo Hanpu and the value created by the original Ichizawa Hanpu; and (3) the relationships between Shinzaburo Hanpu, the customer experience and the regional characteristics of Kyoto, etc. The discussions and analyses are based on interviews with Mr. Shinzaburo Ichizawa and site visits.

## **2. PREVIOUS RESEARCH ON THE ORIGINAL ICHIZAWA HANPU**

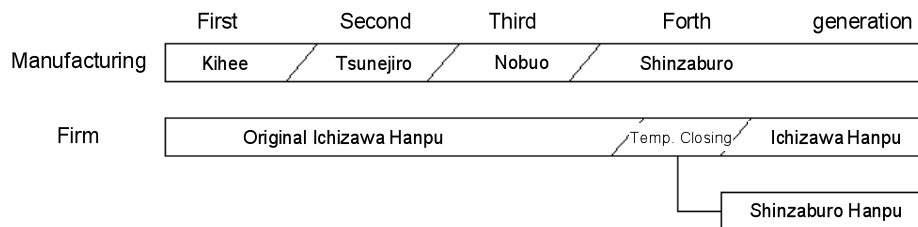
The original Ichizawa Hanpu was attracting attention as a unique firm in Kyoto which is home to many established firms. Previous research on the firm includes Nagasawa and Yamamoto (2005) and Nagasawa (2007). These studies reveal and discuss the idea that an important part of the added value created by established firms lies in the value derived from the users' senses and recognition that cannot be explained by physical attributes which provide functionality and convenience - a type of value called “customer experience” which has been receiving attention in recent years.

Family feuds broke out just after the established firm “Ichizawa Hanpu” had been studied, and a new brand “Shinzaburo Hanpu” was created by breaking away from Ichizawa Hanpu. Shinzaburo Hanpu is currently enjoying an excellent reputation. This created an unexpected and precious opportunity to verify whether the knowledge obtained through the analysis of the original firm applies to the new brand. The authors also considered that such verification is necessary.

The present paper refrains from mentioning the current state of Ichizawa Hanpu whose management rights are in the hands of Mr. Shintaro Ichizawa because the firm is currently subject to litigation. Therefore, the present paper only discusses the Ichizawa Hanpu in the past which was led by Shinzaburo, and the term “original Ichizawa Hanpu” is used to refer to the firm at that time. The paper compares and analyzes the changes between the original Ichizawa Hanpu and Shinzaburo Hanpu, based on the understanding that Mr. Shinzaburo Ichizawa is the key person who inherited and developed the “quality manufacturing” approach of the original Ichizawa Hanpu and Shinzaburo Hanpu.

### 3. OUTLINE OF SHINZABURO HANPU

This section briefly reviews the history of the firm (Fig. 2). The firm was founded when the founder Mr. Kihee Ichizawa purchased sewing machines, which were expensive items at the time, and started sewing shirts and canvas bags. It was under the second president Tsunejiro that full manufacturing operations of canvas bags started. The popularity of the bags took off under the third president Nobuo due to their easy-to-use designs and durability. It was recognized in the Kansai region that using mountaineering supplies made by Ichizawa Hanpu demonstrated that the person was a top-class mountaineer. Some 70 employees worked under the fourth president Shinzaburo and all including the young craftsmen, clerks and craftsmen in their mid-80s were permanent employees. Its products commanded loyalty among a wide range of customers, particularly young women. Its turnover continued to increase for 25 years until family feuds broke out.[2]



**Figure 2:** Brief History of Ichizawa Hanpu and Shinzaburo Hanpu

After a lawsuit, etc. over the inheritance and the management of Ichizawa Hanpu which followed the death of the retired third president Nobuo, Shinzaburo established a new firm Shinzaburo Hanpu. Not a single employee left and all 72 workers acted with Shinzaburo. The firm launched the new brand Shinzaburo Hanpu, opened its shop in April 2006 and has moved its shop to the current location three doors away from Ichizawa Hanpu. Both businesses are running, but the popularity of Shinzaburo Hanpu is obvious when comparing the customer traffic of the two shops.

### 4. ANALYZING SHINZABURO HANPU FROM THE TRADITIONAL MARKETING STANDPOINT

Shinzaburo Hanpu has enjoyed a high level of popularity since its launch which is evident from the fact that all the bags in the shop are sold out every day. This section summarizes its marketing characteristics using 4P analysis and analyzes what has changed when compared

to the original Ichizawa Hanpu by citing previous research conducted by Nagasawa and Yamamoto (2005) (Table 1).[3]

**Table 1: 4P Analysis and Comparison of the Original Ichizawa Hanpu and Shinzaburo Hanpu**

4P	Original Ichizawa Hanpu	Shinzaburo Hanpu	Main changes
Product	All the processes from cutting to sewing on sewing machines were conducted manually by craftsmen. There were more than 200 items with no patterned products.	There is no change in materials or manufacturing processes. Patterned products, etc. were added to the lineup.	Materials and craftsmen are maintained. Products were renewed.
Price	There were many products at around 10,000 yen. Prices were slightly more expensive.	There are products in a wide price range. Prices are slightly more expensive.	Expensive prices are maintained.
Place	There was only one shop in Kyoto which was a company store. Mail-order sales were a supplementary service to sales at the shop.	There is only one shop in Kyoto which is a company store. The firm restarted the mail-order service, but does not have an on-line store.	Sales under direct management are maintained.
Promotion	Active advertising was not conducted. The firm declined interviews by women's magazines as much as possible.	The firm participates in exhibitions in Isetan department stores and overseas. The firm is active in collaborations with Kyoto's established firms.	Activities at events are conducted. A collaborative approach is employed.

#### 4.1. Product Analysis

The firm's products are handmade bags made of natural fiber canvas. The products are manufactured 100% in-house and all the processes from cutting to sewing using sewing machines are manually conducted by craftsmen. Although the materials and the manufacturing methods have not changed from the original Ichizawa Hanpu, the product lineup offered by Shinzaburo Hanpu has been renewed with newly designed bags and patterned bags being added. The number of items offered is around 90, of which about 40% are patterned bags.

#### 4.2. Price Analysis

When compared to the original Ichizawa Hanpu, Shinzaburo Hanpu offers products with a somewhat wider range of prices (from several thousand yen to several tens of thousands of yen). They are slightly higher than average priced bags, but still in the affordable price range. As can be seen from his comment, "I have never been told by a user that he/she found the bag not worth the price after he/she used it," Shinzaburo has had a strong belief in providing products "which are worth the price" since he led the original Ichizawa Hanpu.

#### 4.3. Place (Distribution Channel) Analysis

The sales channel (place) is only a single company owned store in Kyoto with no product being wholesaled to department stores, etc. Although the original Ichizawa Hanpu sold products through an on-line store and catalogue sales, Shinzaburo Hanpu does not have an on-line store in order to place importance on customers who physically visit the shop. It started providing a mail-order service as a supplementary service in June 2008. Shinzaburo Hanpu has limited its sales channel to an extent which ensures closer contact between its staff and customers than before, so that they can directly observe their customers.

#### **4.4. Promotion Analysis**

They have not conducted advertising activities for the promotion of their products since the Ichizawa Hanpu time, but Shinzaburo Hanpu became active in gaining publicity. For example, it started participating in events and exhibitions in Isetan department stores and overseas (the UK). It is also active in collaborations with Kyoto's established firms such as Suetomi, Shoyeido and Karacho. The staff members including craftsmen post messages on the website of Shinzaburo Hanpu every month, which include information that may interest customers.

#### **4.5. Summary**

The marketing mix at Shinzaburo Hanpu is not a typical marketing mix where "products of sufficient quality are sold at inexpensive prices through distribution channels by advertising," but instead the company "sells products of excellent quality (beyond sufficient) at expensive prices only at the company store (using no other distribution channels) with little advertising."

Although there were some changes in 4P elements such as the addition of patterned and collaboration products as well as activities at events, the results of the 4P analysis for Shinzaburo Hanpu are essentially the same as the original Ichizawa Hanpu. Therefore, the popularity of Shinzaburo Hanpu cannot be explained with traditional marketing theory.

### **5. PRODUCT DEVELOPMENT AT SHINZABURO HANPU**

This section analyzes product development at Shinzaburo Hanpu from three standpoints while citing previous research conducted by Nagasawa and Yamamoto (2005).

#### **5.1. The First Standpoint: Craftsmen's Devotion to Careful Work**

Since its foundation, the presidents of the firm have continued to devote themselves to "manufacturing strong and durable products" generation after generation. The firm's system of training craftsmen has enabled their careful work. One or two assistants called "shitashoku" work under one craftsman responsible for sewing the products on a sewing machine and one team is responsible for the whole process till the completion of the product. This enables assistants to learn skills quickly. Many young craftsmen in their 20s or 30s work among aged craftsmen and the percentage of workers who stay in the firm is high. The high percentage of craftsmen in a similar age range to the young customers who share similar tastes has led to the development of products which have gained popularity among customers. However, this characteristic of Shinzaburo Hanpu has not changed from the characteristics of the original Ichizawa Hanpu revealed in previous research.

#### **5.2. The Second Standpoint: Classic yet New Natural Fiber Canvas Products**

Shinzaburo Hanpu uses natural fiber canvas, namely cotton canvas and hemp canvas. Natural fiber canvas products are considered to be at the decline stage of the product lifecycle, with its disadvantages including its heavy weight, the alteration or fading of colors through long-term usage under sunlight, shrinkage and the distortion of shapes. The scarcity of natural fiber canvas products due to them being in the decline stage enables Shinzaburo Hanpu to create barriers to entry in terms of securing good quality materials and artisan

skills. However, this aspect of Shinzaburo Hanpu has not changed from the characteristics of the original Ichizawa Hanpu revealed in previous research.

### **5.3. The Third Standpoint: Feedback of Customers' Needs**

Despite more than 90 types of products, Shinzaburo Hanpu does not have a design department, which was also the case in the original Ichizawa Hanpu. The firm's products continue to evolve in accordance with changes in the times and lifestyles by actively reflecting feedback from customers. However, again, this aspect of Shinzaburo Hanpu has not changed from the characteristics of the original Ichizawa Hanpu revealed in previous research.

### **5.4. Summary**

When looking at the product development capabilities of Shinzaburo Hanpu as discussed above, it can be understood that the original Ichizawa Hanpu's product development capabilities supported by "craftsmanship, materials and feedback of customers' needs" are maintained by Shinzaburo Hanpu, and product development capabilities create a customer experience (this fact has already been analyzed in the previous research on the original Ichizawa Hanpu). However, the product development capabilities maintained from the original Ichizawa Hanpu cannot explain the innovations made by Shinzaburo Hanpu such as the introduction of patterned products and collaboration products. This has led to the realization that there is a need to examine Shinzaburo Hanpu from different angles from the standpoints used in the previous research.

## **6. CUSTOMER EXPERIENCE CREATED BY SHINZABURO HANPU**

This section compares and examines the customer experience created by Shinzaburo Hanpu and the customer experience created by the original Ichizawa Hanpu in accordance with Schmitt's five Strategic Experiential Modules (SEMs) (Table 2). [4]

**Table 2:** Comparison between the Customer Experience Created by the Original Ichizawa Hanpu

Modules	Customer experience created by the original Ichizawa Hanpu	Customer experience created by Shinzaburo Hanpu	
		Added experience	Lost experience
SENSE	Highly distinctive look provided by the unique label Characteristic texture of natural fiber canvas Careful manufacturing which makes the most of the distinctive feel of the material	A pretty look provided by patterns on canvas Highly distinctive look provided by the new brand	---
FEEL	Attachment to the products fostered during the long product life Nostalgia created by the label being written in Chinese characters	New taste provided by the new label which integrates tradition and innovation Enjoyment and fashionable feel provided by patterned products	Unique nostalgia created by the address “North of Chion-in, Higashi-yama, Kyoto City”
THINK	Careful craftsmanship which also takes care of hidden parts of the products	Artisan skills which realized patterned products and collaboration products Strong interest and curiosity about family feuds	---
ACT	As opposed to the values of the high economic growth period, customers have returned to the virtue of using one product for a long period of time.	There were changes in customers' behavior derived from their support and interest. Customers in different parts of Japan as well as Kyoto started using the products in their localities.	---
RELATE	Creation of continuous “customer touch points” through direct sales of products and the provision of repair services	Creation of cooperative relationships with Kyoto's established firms and the further expansion of customer touch points through the development of collaboration goods Behavior based on interest in genuine products derived from conflicts between brothers (social support which comes from sympathy for the underdog, etc.) Righteous indignation against an unfair court ruling, etc. and customers' solidarity with Shinzaburo Hanpu and Kyoto citizens	---

and the Shinzaburo Hanpu

### 6.1. SENSE (Sensory Experiences)

The label of Shinzaburo Hanpu is eye-catching although it is more unassuming than the label of the original Ichizawa Hanpu. In addition, a new brand of Shinzaburo Hanpu called “Shinzaburo Kaban” offers bags with small flower patterns and chintz patterns dyed on canvas using original techniques, which give a pretty look to the bags. Therefore, the products are distinct from the original Ichizawa Hanpu products.

### 6.2. FEEL (Emotional Experiences)

The label of Ichizawa Hanpu emphasizes the address of the firm which contains the name of the famous temple Chion-in (the address reads, “North of Chion-in, Higashi-yama, Kyoto City”). This address which emphasizes the characteristics of Kyoto has been removed from the label of Shinzaburo Hanpu. However, the products became more fashionable through the introduction of patterned bags with which customers can enjoy various patterns and designs. The Shinzaburo Hanpu label also represents the history and the culture of Kyoto through

integrating the traditional atmosphere of the original Ichizawa Hanpu and the innovative and radical atmosphere of Shinzaburo Hanpu.

### **6.3. THINK (Intellectual Experiences)**

Shinzaburo Hanpu has produced a wide range of new patterned bags and collaboration products. It is no exaggeration to say that the firm succeeded in showing the craftsmen's high levels of skills to the people from all over the country, by producing these new products within a short period of time. The family feuds provided a chance for realization of the new product lineup and therefore people's strong interest and curiosity about the family feuds have been tapped into. The story behind the products of Shinzaburo Hanpu also provide customers with the satisfaction that, they know what genuine products are even after the brand name has changed.

### **6.4. ACT (Behavioral Experiences)**

Shinzaburo says, "I make much of to what extent I have achieved excellent work and how I have lived, regardless of how much money I have or what my position has been." Customers, perhaps being motivated by Shinzaburo's values, show strong interest in his shop, go to have a look at the shop rivaling Ichizawa Hanpu three doors away, visit the shop and support Shinzaburo Hanpu (by purchasing its products). This is in a sense the behavior of people who know what genuine products are. Customers in different parts of Japan as well as Kyoto started using Shinzaburo Hanpu products in their localities.

### **6.5. RELATE (Relational Experiences)**

Shinzaburo Hanpu is providing new relational experiences by creating cooperative relationships with Kyoto's established firms through the development of collaboration products. It can also be considered that Shinzaburo Hanpu helped the public to understand the meaning of "manufacturing of genuine products" through the conflicts between the brothers' family feuds and brought about a social campaign to support the firm. The conflicts also led to righteous indignation against an unfair court ruling, etc. and strengthened the solidarity of customers with Shinzaburo Hanpu and Kyoto citizens who supported the firm.

### **6.6. Summary**

As discussed above, both Shinzaburo Hanpu and the original Ichizawa Hanpu succeeded in creating a customer experience, but the customer experience at Shinzaburo Hanpu is different from the customer experience at the original Ichizawa Hanpu. However, as mentioned above, the firm's product development capabilities are the characteristic which have been maintained from the original Ichizawa Hanpu era and the 4P elements have not changed except for the addition of patterned bags and collaborations. Therefore, these elements do not explain the product innovation and the changes in customer experience at Shinzaburo Hanpu.



## 7. CUSTOMER EXPERIENCE AND INNOVATION AT SHINZABURO HANPU

Firstly, this section attempts to examine the firm using the five-step Customer Experience Management (CEM) framework, in order to discuss product innovation, etc. and changes in the customer experience at Shinzaburo Hanpu.

### 7.1. Analysis Using the CEM Framework

The CEM analysis results for Shinzaburo Hanpu are summarized in Table 3. [5]

**Table 3:** Results of the CEM Analysis for the Original Ichizawa Hanpu and Shinzaburo Hanpu and their Comparison

Management steps	Status at the original Ichizawa Hanpu	Status at Shinzaburo Hanpu	Main differences
Analyzing the experiential world of the customer	The firm developed products by focusing on customer psychology.	Similarly, the firm develops a wide range of products by focusing on customer psychology.	The scope of observing the customer psychology has expanded.
Building the experiential platform	The firm provided a “tool” for customers to “experience” canvas products in a different way using their five senses.	In addition to letting the customers “experience” its products, the firm provides a space for customers to meet people who seek genuine products.	The firm provides a space for customers who seek genuine products to meet each other.
Designing the brand experience	The products and its label constituted the brand. The brand could be recognized by just looking at the bag products themselves.	While inheriting the essence of the original Ichizawa Hanpu, the firm enabled people to recognize the Shinzaburo Hanpu brand by just looking at the bag products themselves.	The firm created a new brand which contains the essence of the old brand.
Structuring the customer interface	The firm continued to develop products which reflected the customers’ needs. It also created a long-term customer interface.	The firm developed products based on new customers’ needs and created a strong customer interface through collaborations with Kyoto’s established firms.	The firm expanded and strengthened the customer touch points with the theme of Kyoto.
Engaging in continuous innovation	The firm constantly conducted product development which satisfied the customers’ needs and provided continuous customer touch points. It also introduced innovations such as developing new products.	The firm carried out disruptive innovation through the family feuds. It achieved the development of new products including patterned bags.	When compared to the original Ichizawa Hanpu which engaged in sustaining innovations, Shinzaburo Hanpu carried out disruptive innovation which opened up a new market. The firm further improved its high level of skills in order to develop new products.

#### 7.1.1. Analyzing the Experiential World of the Customer

The firm does not consider customers as mere targets for product sales, but it develops products by focusing on customer psychology. Therefore, it excels in creating possibilities of developments in the relationship between the firm and the customers’ experiential world. This ability of the firm indicates that the firm fully understands the customer experience and closely analyzes customers’ experiential world.

#### 7.1.2. Building the Experiential Platform

The original Ichizawa Hanpu provided tent products, etc. as part of the canvas product category, as well as daily-use bag products which provided functionality and convenience. The main purpose of tent products, etc. was not to provide functionality and convenience but it was rather a “tool” for customers to “experience” canvas products in a different way using

their five senses. Shinzaburo Hanpu, on the other hand, succeeded in communicating with customers what the manufacturing of genuine products means. This had a great impact on customers' experiential world.

#### 7.1.3. Designing the Brand Experience

Shinzaburo Hanpu products and its label constitute the brand. The brand recognition is high as can be seen in the fact that Shinzaburo Hanpu products can be recognized by only looking at the bag products themselves. This recognition is inherited from the products of the original Ichizawa Hanpu, which had been supported by proud craftsmen who continued to use the "quality manufacturing" approach. The same manufacturing approach employed by Shinzaburo Hanpu and its craftsmen has led to the establishment of the new brand and is providing the brand experience to customers.

#### 7.1.4. Structuring the Customer Interface

Many customers including customers of the original Ichizawa Hanpu visit the Shinzaburo Hanpu shop and Shinzaburo Hanpu continues to develop products which reflect the customers' needs. The firm created a place for interaction between customers and the Shinzaburo Hanpu brand through only selling its products at the company store. It also created a long-term customer interface by encouraging customers to use the products over a long period of time. In addition, it developed products based on new customers' needs and created a customer interface through collaborations with Kyoto's established firms.

#### 7.1.5. Engaging in Continuous Innovation

The firm constantly conducts product development which satisfies customers' needs and provides continuous customer touch points. It provides products and services which do not let customers down. While protecting the tradition of the original Ichizawa Hanpu, it continues to try to innovate by developing and selling new products as the times change.

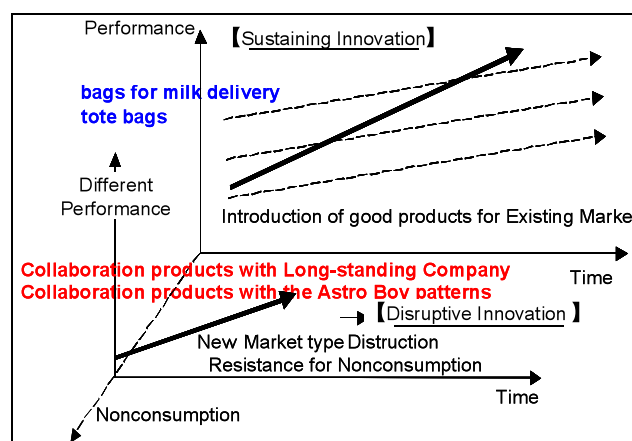
As discussed above, when looking at Shinzaburo Hanpu from the CEM standpoint, it can be understood that the firm has inherited many CEM elements from the original Ichizawa Hanpu. However, there is a large difference between the two firms particularly regarding "engaging in continuous innovation." The next section is dedicated to the engagement in innovation because it is a very important element when examining Shinzaburo Hanpu.

## 7.2. Innovation at Shinzaburo Hanpu

What made it possible for Shinzaburo Hanpu which is only a few years old to create a similar level of customer experience as the original Ichizawa Hanpu which was a long-established firm? The following discusses this question from the innovation standpoint. The original Ichizawa Hanpu had improved their products, etc. over 50 years and had engaged in continuous innovation in accordance with the current of the times. Therefore, it can be considered that the firm was engaged in "sustaining innovations" explained by Christensen (2001).[6][7] Through the sustaining innovations, Ichizawa Hanpu's bags had been transformed from bags for milk delivery to tote bags over a long period of time and this had created a customer experience. It can also be considered that the customer experience and sustaining innovations could not easily be separated from each other because the firm had been providing the customer experience over a long period of time.

On the other hand, Shinzaburo Hanpu dramatically changed the product lineup and how it sells the products by taking advantage of the family feuds. Therefore, it can be considered that Shinzaburo Hanpu carried out “disruptive innovation” which created a new market. Through the disruptive innovation, the firm created innovative products within a short period of time, unlike the original Ichizawa Hanpu. This “disruptive innovation” itself did not create a customer experience, but the “disruptive innovation” was derived from the “quality manufacturing” approach which was passed on to Shinzaburo Hanpu. Its innovative products then created a new customer experience, despite the fact that Shinzaburo Hanpu does not have a history and tradition typically held by an established firm such as the original Ichizawa Hanpu.

The next part looks at the disruptive innovation which took place at Shinzaburo Hanpu in detail.[8] Figure 3 illustrates the disruptive innovation as well as the sustaining innovations carried out by the original Ichizawa Hanpu.



**Figure 3:** The “Sustaining Innovations” by the Original Ichizawa Hanpu and the “Disruptive Innovation” by Shinzaburo Hanpu

There are three important elements in sustaining innovations: (1) “performance improvement in attributes most valued by the most demanding customers”; (2) “the most attractive (i.e., profitable) customers in the mainstream markets who are willing to pay for improved performance”; and (3) “improving or maintaining profit margins by exploiting the existing processes and cost structure, and making better use of current competitive advantages.” The following examines the original Ichizawa Hanpu regarding the above mentioned three elements.

(1) “Performance improvement in attributes most valued by the most demanding customers”

Its traditional products had attributes of being “practical and durable” and had the properties of being “simple and easy-to-use.” The firm continued to evolve its products around these attributes and properties by reflecting the feedback from customers.

(2) “The most attractive (i.e., profitable) customers in the mainstream markets who are willing to pay for improved performance”

It is considered that the target customers in the case of the original Ichizawa Hanpu were the individual consumers who valued “strong and durable bags which do not easily break.”

- (3) “Improving or maintaining profit margins by exploiting the existing processes and cost structure, and making better use of current competitive advantages”

It seems that the firm achieved improvements in profit margins through careful work which continued to aim at “manufacturing strong and durable products” since its foundation.

As shown above, the original Ichizawa Hanpu had the elements of sustaining innovations and it achieved continuous innovations.

There are three important elements in disruptive innovations: (1) “lower performance in “traditional” attributes, but improved performance in new attributes (typically simplicity and convenience)”; (2) targeting nonconsumption, i.e. customers who historically lacked the money or skill to buy and use the product”; and (3) a business model which makes money at lower price per unit sold, and at unit production volumes that initially will be small emerging market (gross margin per unit sold will be significantly lower). The following examines Shinzaburo Hanpu regarding the above mentioned three elements.

- (1) “Lower performance in “traditional” attributes, but improved performance in new attributes (typically simplicity and convenience)”

The traditional products were “practical and durable,” “simple and easy-to-use.” The Shinzaburo Hanpu products are “distinctive and strong” bags which “come in various designs and have a wide range of usages.” Therefore, the attributes and properties of the new products are clearly different from the traditional products. This was achieved by, for example, the craftsmen who started thinking that they wanted to create different products from the original Ichizawa Hanpu products and started having the ambition to develop original products for Shinzaburo Hanpu rather than copying the previous products. This ambition led to new product development which created novel products different from the traditional products. Excellent artisan skills can be seen in the new products and this has proven that Shinzaburo Hanpu has the technical capabilities to achieve performance improvement in new attributes.

- (2) “Targeting nonconsumption, i.e. customers who historically lacked the money or skill to buy and use the product”

Customers who bought the traditional products think that there is no significant difference between products as long as they are “strong, durable bags which do not easily break” and that they do not find suitable bags for them which come in various designs and have a wide range of usages. In this sense, the traditional customers can be defined as “nonconsumption” customers. Shinzaburo Hanpu is exploiting “nonconsumption” customers who are not interested in purchasing plain bags from Shinzaburo Hanpu, by offering the product lineup which includes a wide variety of bags such as collaboration bags developed based on the needs of Kyoto’s established firms, new products with the patterns of flowers and vine chintz dyed on canvas and collaboration products with the Astro Boy patterns produced with the Tezuka Productions. In addition, the firm succeeded in exploiting “nonconsumption”

customers who were not interested in canvas bags, who became interested in Shinzaburo Hanpu through watching TV gossip shows which covered the family feuds.

- (3) A business model which makes money at lower price per unit sold, and at unit production volumes that initially will be small emerging market (gross margin per unit sold will be significantly lower)

Even after losing the old brand, products under the new brand are selling well and the firm is making money. It is assumed that the gross margin is small due to the rent for the shop and factory buildings and the investments in technical developments for patterned products and collaboration products. For example, natural fiber materials shrink as they are used and it is very difficult to print a pattern in a way so that it will not be affected by the shrinkage. There was the problem where the simple printing of a pattern would not give depth to the pattern and it would not bring out the canvas texture, but the methods which bring out the canvas texture would distort the pattern when the canvas shrinks. However, the material manufacturer and the textile printing company cooperated with Shinzaburo Hanpu in disregard of their profits, with their sympathy and support for Shinzaburo Hanpu. It is thought that this resulted in a business model in which money can be made even with small production volumes.

As shown above, Shinzaburo Hanpu had the elements of disruptive innovations and it achieved radical innovation.

### 7.3. Capabilities of Shinzaburo Hanpu for Disruptive Growth

It was understood that Shinzaburo Hanpu has achieved a disruptive innovation. However, does the company have the organizational capabilities for disruptive innovation? In this regard, this section analyzes Shinzaburo Hanpu using the “resources-processes-values (RPV) framework” described by Christensen (2001). [8]

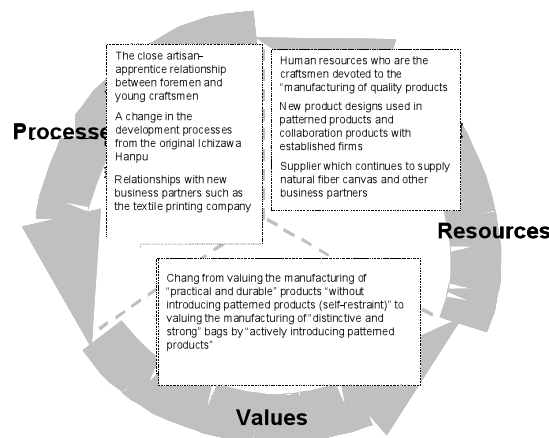


Figure 4: Analysis of Shinzaburo Hanpu Using the RPV Framework

#### (1) Analysis on “Resources”

The resources of Shinzaburo Hanpu include human resources who are the craftsmen devoted to the “manufacturing of quality products.” In addition, the craftsmen have artisan

skills and abilities to adapt to new environments with which they can develop original products. Regarding the product designs, the firm has new product designs used in patterned products and collaboration products with established firms. It has also improved the artisan skills obtained through developing new products within a short period of time. Its resources also include the supplier which continues to supply natural fiber canvas and other business partners. The firm needed to promptly establish new product brands and financial burdens such as capital investment were inevitable. However, this situation provided an opportunity for the firm to establish cooperative relationships with a textile printing company, etc.

## (2) Analysis on “Processes”

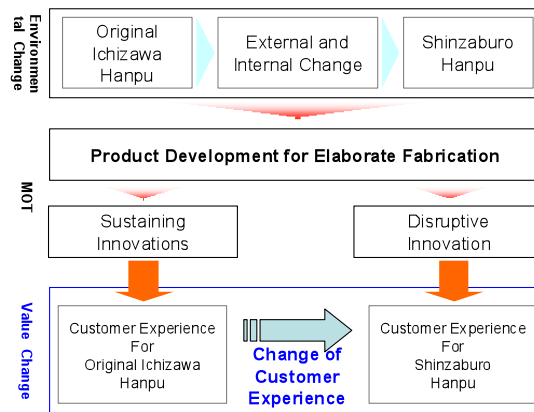
Processes at Shinzaburo Hanpu include the close artisan-apprentice relationship between foremen and young craftsmen where young craftsmen obtain skills through working under skilled foremen. This relationship enables the skills to be passed down to young craftsmen without any of the skills being lost. There was also a change in the development processes from the original Ichizawa Hanpu, i.e. from “slow and careful processes” to “hyper-fast processes” in order to achieve the development of new products. Young craftsmen proactively propose new products at Shinzaburo Hanpu, although there were also some proposals from young craftsmen on colors, pockets, etc. and products reflecting these proposals were sometimes commercialized at the original Ichizawa Hanpu. The firm also created relationships with new business partners such as the textile printing company, which could not happen when producing only plain products, and it succeeded in commercializing products with colors and designs based on the partners’ proposals. These communication capabilities are also used in collaboration products which increased the value of all companies involved in collaborations.

## (3) Analysis on “Values”

The values at Shinzaburo Hanpu changed from the original Ichizawa Hanpu, i.e. from valuing the manufacturing of “practical and durable” products “without introducing patterned products (self-restraint)” to valuing the manufacturing of “distinctive and strong” bags by “actively introducing patterned products” based on the idea that “it is not sufficient to continue making the same products.” These values led to a wide variety of products including various designs. Shinzaburo Hanpu abandoned the values esteemed by the original Ichizawa Hanpu and established its own “new values.”

Therefore, it is considered that Shinzaburo Hanpu had the capability for disruptive growth which enabled disruptive innovation, by establishing new values while inheriting the advantages of the original Ichizawa Hanpu, by taking advantage of the family feuds.

## 7.4. Customer Experience and Innovation



**Figure 5:** Relationships between the Technical Management, Innovations and Customer Experience at Shinzaburo Hanpu

Based on the above discussions, Figure 5 summarizes the relationship between the customer experience and the technical management which includes innovations and product development capabilities which support the “quality manufacturing” at Shinzaburo Hanpu. Previous research identified a simple cause-and-effect relationship in which a customer experience was created by the “quality manufacturing” supported by product development capabilities. However, as shown in this diagram, the present study revealed that sustaining innovations took place at the original Ichizawa Hanpu based on its “quality manufacturing” approach, and the sustaining innovations created a type of customer experience which is often seen with established firms. On the other hand, Shinzaburo Hanpu experienced changes in its technical management within the “quality manufacturing,” which were originated from the family feuds. The firm went through these changes based on its “capability for disruptive growth” explained above, including the changes in the management resources, the management and manufacturing processes and the values concerning product developments. These changes then led to disruptive innovation which created a new market. It is considered that this disruptive innovation also created a new customer experience and caused changes in the customer experience.

The above observations enabled us to understand that the creation of a customer experience and changes to the customer experience can take place through innovation. Therefore, we would now like to examine “quality manufacturing” and innovation, in order to further understand the essence of the innovations which took place in both companies. Table 4 summarized how changes in the content of the “quality manufacturing” led to different types of innovation.

**Table 4: The Change in the Type of Innovation Led by Changes in the Content of “Quality Manufacturing”**

Content of the “quality manufacturing” which led to sustaining innovations	Content of the “quality manufacturing” which led to disruptive innovation
<p>Changes mainly caused by external factors (passively created changes) lead to the innovations.                      &lt;Example at the original Ichizawa Hanpu&gt;                      Product development which reflects customer needs                      Slow and careful management and manufacturing processes                      Bonds with its tradition</p>	<p>Changes mainly caused by internal factors (actively created changes) lead to the innovation.                      &lt;Example at Shinzaburo Hanpu&gt;                      Change-oriented product development such as the development of patterned products and collaboration products                      Hyper-fast management and manufacturing processes while maintaining the quality levels                      New values which enable radical innovations</p>

The basic policy of “quality manufacturing” which sticks to the production of high quality and strong products made of quality materials is shared by both the original Ichizawa Hanpu and Shinzaburo Hanpu. However, one can see clear differences in their specific ideas and processes. The elements of “quality manufacturing” at the original Ichizawa Hanpu included “product developments which reflect customers’ needs,” “slow and careful management and manufacturing processes” and “bonds with its tradition.” On the other hand, the elements of “quality manufacturing” at Shinzaburo Hanpu include, “change-oriented product developments such as the development of patterned products and collaboration products,” “hyper-fast management and manufacturing processes while maintaining quality levels” and “new values which enable radical innovations.”

The following analyzes their “quality manufacturing” approaches from a different angle. The study on innovation conducted by Yamaguchi (2006) points out that there are three main types of innovations, namely “technical innovations,” “managerial innovations” and “aisthesis innovations.”[9] Technical innovations mainly include product innovations such as new product development and quality improvement and process innovations such as the development of new production processes. Managerial innovations include the development of new markets, supply chain management and organizational innovation. With regard to aisthesis innovations, the word “aisthesis” is a Greek word which is the origin of the English word “esthetic.” Aisthesis innovations refer to sensory aspects of the product such as its esthetic taste and convenience. Therefore, aisthesis innovations often seem to be innovation in design.

When looking at innovations at Shinzaburo Hanpu from the above-mentioned standpoints, new product development such as the patterned products and the collaboration products indeed correspond to aisthesis innovations. Aisthesis innovations can also include changes in the values held by Shinzaburo and his craftsmen which were needed to develop the new products.

From the above discussions, it can be concluded that qualitative changes have occurred in the content of the “quality manufacturing” at Shinzaburo Hanpu, in comparison with the original Ichizawa Hanpu. It can also be considered that these differences led to different



innovations, i.e. sustaining innovations at the original Ichizawa Hanpu and disruptive innovation at Shinzaburo Hanpu, and the change in the type of innovation led to changes in the customer experience, which could be called “customer experience innovation.”

## **8. REGIONAL CHARACTERISTICS OF KYOTO AND INNOVATION**

The above section analyzed the creation of a customer experience by Shinzaburo Hanpu from the innovation standpoint. There is the possibility that the regional characteristics of Kyoto, where Shinzaburo Hanpu is based, may have influenced the innovation which took place at the firm. Therefore, this section examines the relationship between the regional characteristics of Kyoto and the innovations at Shinzaburo Hanpu.

Past studies on the regional characteristics of Kyoto and their influence on businesses include a study conducted by Kazuo Hinatsu and Tadamasa Imaguchi (2000).[10] The study argues that Kyoto does not necessarily have the right conditions in terms of location or economic advantages which enable excellent industries to grow, when compared to large metropolitan areas such as Tokyo and Osaka. It also points out that, despite such inferior conditions, the accumulation of diverse resources, know-how and capabilities has created Kyoto’s distinctive characteristics which cannot be seen in other cities. Therefore, Kyoto is associated with various images when considering its regional characteristics, including the accumulation of various kinds of knowledge, advanced techniques, the right conditions for established firms to grow, a city of education, art and culture, etc.

Regarding its advanced techniques and the right conditions for established firms to grow, Kyoto has developed as a home to high value-added industries such as precision machines, textiles and dyed products, therefore it can be said that the region was established by functioning as an industrial city supported by urban-type handicraft manufacturing. Various designs, techniques, management know-how and brands have accumulated in Kyoto, particularly within the diverse local industries, through a long historical process. Therefore, the availability of Kyoto’s unique and abundant management resources can be considered as one of the regional characteristics of Kyoto and an advantage of the region.

The above-mentioned study conducted by Hinatsu and Imaguchi (2000) considers that firms influenced by the regional characteristics of Kyoto have the following features.

- (1) It has the head office in Kyoto City and taps into the regional characteristics of Kyoto.
- (2) It has its principles and the focus of management does not deviate from its main business.
- (3) It develops unique and advanced techniques and know-how rather than expanding its size.
- (4) It produces and provides high value-added products.
- (5) It seeks to do business with specific partners. It actively engages in cooperation with government and universities and also understands the risks involved in such cooperation.

(6) It keeps its tradition while being innovative. It achieves sound management and exhibits creativity at the same time.

It can be considered that Shinzaburo Hanpu has all the features described in (1)-(6) above. The same is true for the original Ichizawa Hanpu.

Let us look at innovation by focusing on (5) and (6) above. Regarding (5), the original Ichizawa Hanpu did business principally with specific suppliers. However, Shinzaburo Hanpu expanded the number of its business partners to include the textile dyeing company, the Japanese-style confectionery manufacturer, etc. and new products were developed. Regarding (6), the original Ichizawa Hanpu valued tradition and conducted product developments based on sound management, but Shinzaburo Hanpu achieved innovation through the development of collaboration products, etc. and therefore it exhibited creativity to a greater extent.

The above discussion shows that the sustaining innovations which took place at the original Ichizawa Hanpu is different from the disruptive innovation which took place at Shinzaburo Hanpu. It is also considered that, although the two companies share some of the features peculiar to firms influenced by the regional characteristics of Kyoto, there are also different characteristics of Kyoto which affected each company and these differences led to different types of innovations taking place in the two companies.

Tradition is a strong force which protects the systems created and improved by Kyoto and continues in Kyoto. Innovation is a force which destroys tradition and creates novelty. It can be considered that tradition is maintained through companies' sustaining innovations and an innovation is achieved through disruptive innovation, and a good example of the latter is seen in Shinzaburo Hanpu.

## 9. CONCLUSION

As a result of analyzing the creation of a customer experience at Shinzaburo Hanpu, it was understood that Shinzaburo Hanpu shared the "quality manufacturing" including product development capabilities with the original Ichizawa Hanpu, but there were changes in the customer experience created by Shinzaburo Hanpu. In previous research, the understanding was that there was a simple cause-and-effect relationship where "quality manufacturing" created a customer experience. However, the present study suggests that there are two different processes in the creation of a customer experience, as discussed above. More specifically, different kinds of customer experience result from sustaining innovations and from disruptive innovation, although both types of innovations are derived from "quality manufacturing." It is considered that this difference enabled the "Shinzaburo Hanpu" brand to create a new customer experience.

This suggests that a customer experience is not only created by established firms and tradition, but also it is possible for new companies to create a customer experience. The creation of a customer experience through sustaining innovations requires a long period of time and therefore established firms with a long history can achieve such customer experience. In other words, such an achievement is difficult unless the company is a long-

established one. In contrast, the creation of a customer experience through disruptive innovation can be achieved by new companies. As can be seen at Shinzaburo Hanpu which succeeded in creating a customer experience within a short period of time despite it being a new company, the creation of a customer experience through disruptive innovation is considered to be highly suitable for the start-up of a new brand. The prerequisite for success is “quality manufacturing” including advanced product development capabilities achieved by technical management.

When considering the regional characteristics of Kyoto, it can be considered that Kyoto has the conditions which induce innovation, and these conditions foster established firms with long traditions such as the original Ichizawa Hanpu and create innovative firms such as Shinzaburo Hanpu.

As has been discussed above, the present study provided new insights into “quality manufacturing” and customer experience. This offers new suggestions to future studies on technical management and customer experience, customer experience at established firms and companies influenced by regional characteristics.

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