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The Corporate Innovator's Challenge – Creating a Winning Bundle of Customer Experiences

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Rethinking What it Means to "Satisfy Customer Needs"

It has become a business truism that the best route to corporate innovation success is to deeply understand customers' important and valued needs (both expressed and latent) and to have your innovations satisfy those needs better than they are being satisfied today. The original business community answer to what constituted "customer needs" was simply that they were the desirable product/service features and attributes that customers lacked and wanted – i.e. the product/service qualities and characteristics that customers were asking companies to provide. A more recent answer is that what customers really want are the desirable and useful outcomes associated with the "jobs" that the product/service would be "hired to do" – i.e. what the product/service can do for them. [(1), (2)]

We think both the "features and attributes" and the "jobs to be done" approaches, while valuable, are incomplete. In particular we believe that they can – and often do – miss a critical set of customer needs. To explain we begin with the following perspective:

Proposition – businesses sell products and services but people buy experiences.

While new products and services are what business innovators are selling, we believe it is the "experiences" provided by those new products/services that the customer is actually buying. And specifically it is a key array of "emotional," "psychological" and "cognitive" experiences that customers are looking for that we believe the "features and attributes" and the "jobs to be done" frames miss. If the focus during innovation development shifts to the potential adopter's (i.e. customer's) "experiences," then the goal of the corporate innovator becomes designing that valued new and unique "bundle of experiences" that goes beyond just satisfying the functional "jobs to be done."

To make this "experiences-based" construct useful for the corporate innovator we must develop frameworks and tools to analyze customer's desired experiences so that a "winning bundle" of them can be designed. To that end we have developed a taxonomy of customer experiences (see Table I) to classify and systematically identify those involved in a given customer/market situation. In the rest of this article we explore this taxonomy and its implications. As part of the discussion we use a familiar but still powerful innovation story – the Apple iPod – to illuminate our points and to ground our conversation in the reality of the marketplace. A key point is that while this example is from the B-to-C (business to consumer) world, the concepts are just as relevant in the B-to-B (business to business) setting since in the end both come down to the psychology of people making choices.

Taxonomy of Customer Experiences — **TABLE-1**

- "Utility and use" experience
  - *How did you find it performing in the job you hired it to do?*
- "Aesthetic" experience
  - *Did you find beauty, harmony and elegance in form & function?*
- "Content" experience
  - *How did you experience being informed, educated, enlightened or entertained?*
- "Social" experience
  - *What did you experience "person to person"?*
- "Emotional state of being" experience
  - *How did it make you feel?*

- Financial experience
  - *How did you experience the exchange of $'s, ¥'s, €'s, £'s, … ?*

The iPod Story

The Apple iPod is arguably the most successful new consumer product introduction of the last decade. There were several portable MP-3 music players in the market when the iPod was introduced but it quickly came to lead the market. Since its debut in 2001 the iPod has sold more than 140 MM units and should soon pass the Sony Walkman record of 180 MM units. Revenues from iPods and associated Apple offerings reached almost $11 B/yr in FY 07 (see Fig 1) and the iPod currently dominates the portable MP-3 market with about a 70% share world-wide.

This strong market performance has been credited to the combination of attributes and features that the iPod brought together: a massive music storage capacity, outstanding audio quality, a slick user interface, a compact form factor, the ability to legally download virtually any song desired from the i-Tunes Music Store and an elegant and aesthetically pleasing design. But what Apple really accomplished was to transform the way users could personally experience music by enabling them to create a person-

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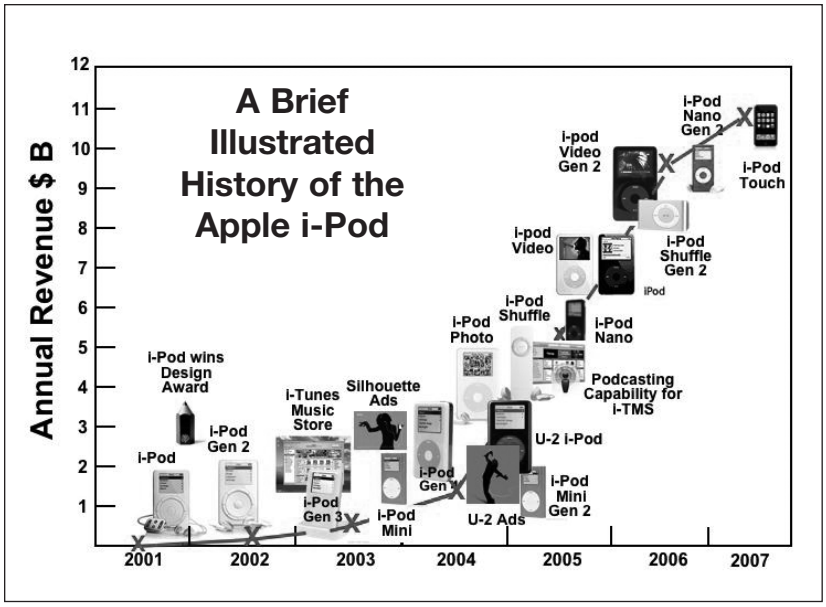

FIGURE 1

alized music library that they could enjoy anywhere they chose, in the sequence that they wanted to enjoy it, enveloped in a personal auditory "cocoon" and with an unmatched ease-of-use experience. And, all the while making them feel really cool.

Exploring the Taxonomy of Customer Experiences

There are six classes of customer experiences in our taxonomy (see Table I) with the top five intrinsically on the credit side of the customer's experience ledger and the last one intrinsically on the debit side.

"Utility and use" experience – How did the innovation perform in the job you hired it to do?

This class is all about functional "jobs to be done" and is what potential adopters (particularly those in the B-to-B world) usually think about upfront when engaging innovative products or services – i.e. they ask "will this innovation accomplish the task I need done (utility) and what will I experience when I put it to work to do that task (use)?" Adopters routinely look first for the functional results they want to experience. As marketing guru Theodore Levitt famously said – "People don't want to buy a quarter-inch drill. They want a quarter-inch hole!" And they look next at the full array of operational experiences associated with getting those functional results. Adopters want to know, "Will it be easy to use? Will I have a steep learning curve? Will I experience a failure? Etc."

The job music lovers hired a portable MP-3 player to do was to make their music listening experience fully mobile. What the iPod uniquely accomplished was to package a very high music storage capacity (1000 songs in the original version and 40,000 songs today) in an "ultra-portable" device that "fits in your pocket." [3] In addition the iPod had "Apple's legendary ease of use" [3] that included intuitive navigation through the operational software and "one-hand" operation. It also had a range of supporting capabilities – especially the FireWire high-speed downloading connection – that competitors did not match.

Following launch Apple enhanced the iPod's utility and ease-of-use experience by systematically upgrading the product line (see Fig 1), both improving the way current jobs were being done and satisfying new and different jobs. This included adding the experience of being able to legally access an extensive downloadable library of music (via iTunes Music Store), enhancing the portability experience (with the iPod Mini and the iPod Nano), adding the capability to store and view visual content (first photos then videos) and most recently enabling direct wireless access to the internet for on-the-go music downloads (with the iPod Touch). These enhancements kept the iPod continuously ahead of the competition and enabled Apple to both grow the market and increase market share.

"Aesthetic" experience - Did you find beauty, harmony and elegance in form & function?

This class of customer experience – which contains elements from the artistic sensibility like balance, symmetry, proportion, tension, contrast, simplicity, depth, style, etc. – is emerging as a major potential differentiator as companies become adept at meeting customer's functional needs as a matter of course. The author Virginia Postrel has said, [4] "Aesthetic pleasure itself has quality and substance. The look and feel of things tap deep human instincts… Whenever we have the chance we're adding sensory, emotional appeal to ordinary function." As an example, the aesthetic appeal of a quarter inch drill – and not the hole it produces – is often a deciding factor for purchase/adoption. As one tool owner commented in an interview by NPR, "Tools! I collect them like art objects."

In the past many corporate innovators avoided thinking about this class of customer values, either deeming it unimportant relative to functional performance or thinking it too individualistic to assess (i.e. "beauty is in the eye of the beholder"). But beginning in the 1930's an entire business discipline – industrial design – appeared that said the customer's aesthetic experience was both important and directly addressable. Over the last 30 years the profile of design as a critical business discipline/practice has steadily increased to the point that it is now fully mainstream (note BusinessWeek cover story May 17, 2004). In fact the term "elegance" (a key aesthetic experience) is now being used by firms in industries as diverse as software, orthopedic devices, consumer electronics and chemicals to describe their products/services/solutions.

Apple is known as one of the most "design capable" companies in the world and it exploited this capability in spades for the iPod. The devices ultra-thin form-factor and stark white color have become icons of design, it has won design awards and several iPod models are in the permanent collection of the Museum of Modern Art. The term "cool" has become a stand-in for aesthetically pleasing design and the assessment of the iPod is that it is the epitome of "cool" (In 2005 the iPod was identified by Dr. Carl Rohde – President, Signs of the Times, Cool Hunt Research, the Netherlands – as the coolest product in the world). The importance of this cool aesthetic to the iPod's market performance is a matter of debate but it is clearly a differentiating feature and some have argued may be at the heart of its success. [5]

"Content" experience – How were you informed, educated or entertained?

The rapid growth of computer-intermediated experiences – particularly those through the world-wide web – has given the concept of "content" wide currency and built sensitivity to how content is "delivered" and "engaged." But humankind has been involved with content and content delivery/engagement for a lot longer than the

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30+ years that the personal computer has been around – e.g. just think of experiences like stage performance, narrative, education and instruction, public oratory, book and newspaper publication, etc.

Content experiences (whether passive like watching a Cirque du Soleil performance or interactive like an on-line operator training program) can be viewed as a form of "utility and use" (since customers are looking to get the "job" done of being educated, informed or entertained). But experiences in this class have a unique characteristic that set them apart – namely that the "outcomes" (e.g. enjoying a pleasurable two hours under the Cirque du Soleil tent or learning how to operate a new process control system) are all mental experiences with no physical deliverables (such as a quarter inch hole). We believe that the "utility and use" experiences from offerings like the New York Times on-line or the Grand Theft Auto® video game are all so qualitatively different from those from something like a quarter inch drill that they warrant a separate classification.

When Apple launched the iPod it focused on providing an outstanding "content delivery" experience with the goal of CD-quality sound. While successful, this class of customer experiences was not initially a major winner for the product since sound quality – once at a "good enough" level – was not a differentiating experience for customers. It wasn't until Apple opened the iTunes Music Store (first to Apple users and shortly thereafter to Windows users) that sales took off because Apple then transformed the music "content delivery" experience of the user community by enabling them to easily – and legally – build whatever content library of songs they desired.

Note: Determining where in the taxonomy to slot a particular experience/capability is less important than ensuring that the potential customer value for that experience/capability is effectively explored. Listening to an NPR podcast is straightforwardly classified as "content" and "content delivery" experience, but deciding whether being able to access the full collection of NPR shows for download to your iPod is a "content/delivery" or a "utility" experience is not so obvious. We argue it doesn't matter so long as we fully assess/understand if that experience is valued by customers (which in this case it is as shown by iTunes Store download data).

"Social" experience – What did you experience "person to person" with the innovation?

The human animal is by nature a "social creature" and is inherently sensitive to "social experiences" whether these experiences are consciously created (e.g. mingling with fellow product development professionals at a PDMA conference) or simply encountered during the course of the day (e.g. connecting with a barista at your local Starbucks). The importance of the customer's person to person experience has long been recognized by service companies, particularly firms who have front-line retail staff that directly "touch" consumers (e.g. coffee shops) and firms who stage "social networking" events (e.g. business conference organizers). In addition there are many product-based companies who understand the value of "community" and have created/facilitated networking structures (e.g. Apple user groups) to support product use and enhance sales.

But we are now in a qualitatively different era. The growth and development of the world-wide web has added whole new dimensions (with tools/capabilities to go with them) to the way people can experience interacting with other people. There are now a multitude of sites whose main function is to enhance/exploit the social experience in unique ways including destination social networking sites (e.g. My Space.com), self-organized on-line communities (e.g. SeeMeGarden.com) or massively multiplayer on-line role-playing sites (e.g. Second Life). And the economic scale associated with this arena is rapidly growing. as evidenced by the price (almost $600MM) that Rupert Murdoch's News Corp paid to purchase MySpace's parent company.

This class is the least represented in the original iPod bundle of customer experiences, except in an inverse fashion. The iPod offered no direct social experiences when launched and in effect encouraged an "individual experience," since donning the earbud-style headphones essentially foreclosed the possibility of "socializing." But the "cocooning" that the iPod enabled turned out to be one of its attractions since it allowed the user to consciously exclude potential social interaction whenever they chose. The introduction of full internet connectivity to the iPod product line (via the iPod Touch) gives Apple the opportunity to alter this situation.

"Emotional state of being" experience – How did it make you feel?

The personal emotional experiences that are wrapped around products or services – i.e. how they make you "feel" – are an integral part of the value they offer potential buyers/adopters and can be at the heart of the purchase/adoption decision. (It is a truism in the sales community – in both the B-to-B and B-to-C worlds – that "while people make decisions intellectually they buy emotionally"). Even when purchase decisions appear to be based strictly on "utility and use" considerations, a deeper look often shows they are emotionally driven. A good example is again the proverbial quarter inch drill. A major driver in how many serious home do-it-yourselfers select one drill over another is how "professional" it makes them "look and feel."

The number of possible emotional states is very large (one list of emotions we found had over 500 entries) with both positive and negative states present. Looking at just a small sampling of some that are routinely exploited commercially – i.e. feeling "sophisticated" or "pampered" (luxury goods), feeling "threatened" (business data network security software), feeling "loved" (on-line matching services), feeling "exhilarated" (high tech roller coasters) and feeling "under control" (operational process monitoring systems) – shows how broadly this

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class can drive product/service innovation.

The emotional state-of-being opportunity that Apple has most effectively tapped with the iPod is the desire of people to feel "special" and in particular to feel "cool." Apple's advertising campaigns – particularly the classic "silhouette" ads – have been very successful at exploiting the iPod's cool aesthetic to convey the message that if you purchase an iPod you yourself will feel/be cool. And, in fact, Apple has been so successful here that is has sustained this customer emotion despite the large number of iPods now on the street. Apple has also exploited the need of people in specific communities or niche markets to feel "special" within their community by offering them tools to "compete." A case in point here is the Nike+ offering that combines a sporty Nike running shoe with a wireless pedometer (that fits in a special compartment in the shoe) that can be tracked by your iPod Nano. This has created a tool that members of the elite runners community now use to capture and document their performances to share and "showoff" to other members.

Financial experience – How did you experience the exchange of $'s, ¥'s, €'s, £'s, … ?

Thinking of the financial transactions/interactions around the adoption/acquisition of an innovation as an "experience" offers a unique way to approach it. This is the one class of experiences in our taxonomy that is almost universally thought to be on the debit side of the experience ledger, where the worst can be very bad (e.g. the cost of a number of exciting innovative new bio-based drug therapies can be over $100,000 per year) and the best is usually only neutrality (e.g. the zero cost for someone doing a Google search.) But this experience is always one high on the customer/adopters priority list and clearly needs to be addressed to optimize this "debit" experience for the customer.

The original price for an iPod was relatively steep (MSRP of $399) and did generate complaints from some reviewers. However the iPod delivered such an attractive bundle of experiences (which Apple continuously enhanced) that it kept customers willing to have a relatively expensive "financial experience" even as volume and competitive action grew (the average price for an iPod three years after introduction was still almost $300). Where Apple did create a new customer financial experience was around legally paying for songs that they wanted to load/play on their portable players. Before the advent of the iTunes Music Store, if a listener wanted to legally get the top 2 or 3 tracks from an album they had to purchase the whole CD. ITM enabled them to pay just 99¢ for each song they wanted individually.

The "Total Value Experience"

The aggregate of all the experiences an adopter has with an innovative product or service – whether in a B-to-B or B-to-C context – we call the "total value experience." This includes both the bright stars throughout the taxonomy that positively differentiate the innovation and all the "nuts and bolts" of use (and misuse) that go along with them. The total value experience encompasses all customer experiences along the full "consumption chain" (see Figure 2) associated with identifying, selecting, using, servicing and finally disposing of the innovation [6]. And it is the aggregate value that drives the adoption/purchase decision, with the negatives in the aggregate always having the potential to outweigh the positives.

It is here that the iPod was the clear winner. The fact that the iPod was relatively fragile – and that when introduced had to be recharged more frequently than competitors – were more than compensated for by the overwhelmingly positive customer experiences we outlined above. As the business columnist and writer Steven Levy said, the iPod is "the perfect storm. It's a device that solved a problem just at the right time where it could change our lives and it did it so well." [5]

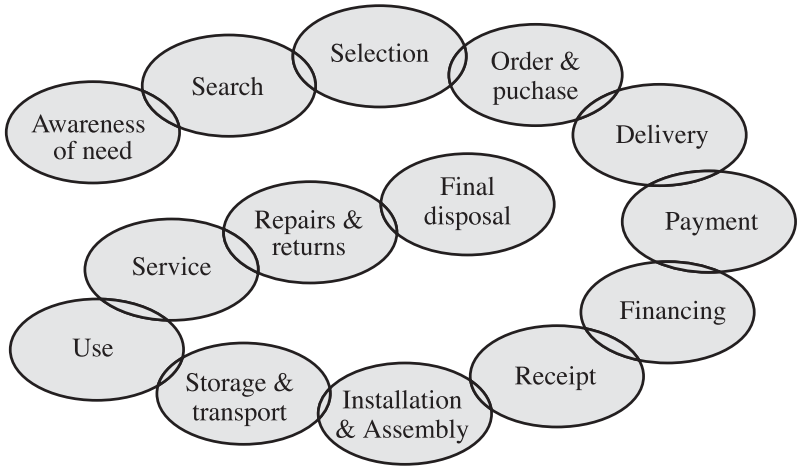

FIGURE 2. Typical Consumption Chain (From Ref. 6)

Defining "Customer Requirements"

A key question is how to systematically spot potential customer experiences – like the bundle that characterized the iPod – that will drive innovation adoption? In the last 15-20 years a powerful voice-of-the-customer (VOC) framework has emerged for identifying "customer requirements" that has proven extremely effective at capturing the functional "utility and use" experiences customers are looking for be they in the B-to-C or B-to-B setting. This framework/process (delivered under a variety of names including Concept Engineering®, Outcome-Driven-Innovation® and Market Driven Product Definition® among others) begins by engaging/interviewing multiple customers (preferably in their "home" environment) to understand the problems they face, the objectives they are trying to achieve and the difficulties they are experiencing with current products and solutions in the arena of interest – i.e. what is getting in the way of successfully doing the jobs they want done.

With this information it is possible to create an extensive list of "requirement statements" – phrased in user experience terminology – that describe possible functionalities that could be built into innovative products and services to address these problems, meet these objectives and resolve these difficulties. (An example of what one requirement statement might have looked like for portable MP-3 players is: "User can load a full CD into their player in minimum time"). This list can be systematically pared and prioritized via team convergence and quantitative customer survey techniques to provide a guide for development of innovative solutions. Market winning innova-

tive products and services across multiple industries been developed using this approach.[7]

Designing for Experience

At present the VOC/"customer requirements" tool set is challenged to identify everything customers are looking for in the other classes of experiences in our taxonomy. Many elements of these types of experiential needs will be uncovered in the customer engagements/interviews (and the interview process can be shaped to elicit as many as possible) but some may still be missed.

An exciting new conceptual approach is emerging from the design community that may point to a way to address this challenge. This new approach – known variously as "design for experience" (typically applied to the design of physical products and direct services) or "user experience design" (typically applied to software or web-site design) – aims at getting beyond just functionality, usability and convenience to include experiences like pleasure and meaning. New approaches to understanding desired customer experiences including participatory projective/empathic techniques (e.g. asking people to create and share collages or personal narratives in the area of interest) and direct customer experience modeling by the development team (e.g. through staged role-playing) are being tried that get at a range of emotional experiences.[8] All of this opens a path to fully build out a framework to define "customer requirements" for aesthetic experiences, social experiences, content and content delivery experiences and emotional experiences.

Putting These Concepts into Practice

Given these perspectives, what can the corporate innovator do to put this "customer experience" framework to use? Possible actions include:

- Start by first ensuring that the potential adopter/customer and their values and needs are at the heart of the innovation process.
- Begin to use the language of customer experiences and customer experience design in the internal innovation effort.
- Because the "utility and use" class of experiences is typically the most important one, consider applying the structured VOC/"customer requirements" framework to get at the desired utility and use experiences.
- Consider enhancing your internal "design" capability to get at the other customer experiences in the taxonomy.
- Systematically explore the full consumption chain for positive and negative customer experiences – both experiences they now have and the ones that your innovation can and will produce.

The overall opportunity is to use the framework to invigorate the innovation conversation and practices in your firm.

Concluding Thought

Approaching the assessment of customer needs and values based on the broad "bundles of experiences" they are looking for enables the innovation team to connect more directly and personally with customers. In addition it ensures a more holistic view of what they should be delivering. Finally it enables the team to explore the rich complexity of customer needs in a more systematic way. All in all, it provides a new way to frame the innovation conversation that will open up new opportunities for differentiation. ■

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