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Turn Your Company into a Customer Platform

by Bill Lee

The idea that customers can't or shouldn't participate much in the innovation process is one barrier to creativity that companies are rapidly knocking down. Many firms are rethinking their businesses, envisioning themselves less as providers of internally-created products and services, and more as platforms that allow customers to create their own experience and value. This new view and way of operating actually helps companies come closer to achieving the ideal of giving customers what they want, when, where and how they want it. Social media and the Internet, of course, are rapidly creating many of the tools to facilitate this. Let's look at four key steps that organizations can take to move toward this ideal.

1. Let customers create their own experience. Even Apple, known for its culture under Steve Jobs that famously resisted allowing customers or outside developers to alter any of its platforms, finally bowed to a growing reality. The company simply doesn't have the resources to satisfy, or even understand, all the significant customer needs that will arise for iPod and iPad users. However, a lot of people outside the firm — including the customers with those needs — are willing to modify their product or service to meet them. So Apple created an App Store (with the number of apps now numbering in the hundreds of thousands) and is enjoying a 30% cut of the sales, while its customers enjoy an increasingly rich and customized experience on their iPhone and iPad platforms.

The ability to make it easy for customers to alter products to better meet their needs is not confined to technology firms. Mid-tech, low-tech and no-tech firms have been doing the same thing for a long time with enablers such as toolkits or modular products that allow add-on's and customization. Discount furniture maker IKEA engages customers in assembling their own furniture, a process that allows them to customize as well. Research has shown that by doing so, some customers develop a particularly strong connection with the company. Some are even moved to write songs praising the company and to volunteer to live in the store. In one study, researchers asked college students to assemble an IKEA storage box, and then report how much they would pay to take it home. Those who assembled the box were, surprisingly, willing to pay more for the boxes and were happier with them, than those who didn't assemble.

2. Customers that build together, buy together.

Building communities for the purpose of marketing to them is a hot subject, but inherently dubious. Building communities that help customers improve their experience — much more appealing. A few years ago, toy maker Lego worked with engineers at MIT to develop software and motor inserts that would allow customers to propel the toys they built with the firm's building blocks. In effect, they could now build robots. When launched, the product was a solid hit but something quite unexpected happened. Within weeks, some 1,000 outsiders had hacked into the software, and further, were forming communities on their own to exchange code. To many firms this would represent a product and intellectual property nightmare. (Sony encountered a similar response to its new line of robots, and immediately began filing lawsuits.)

But executives at Lego realized that the changes the “hackers” were making represented major improvements. As did other customers. So the firm decided to support their efforts and today the community of users numbers in the tens of thousands and has developed an amazing array of robots — far beyond anything that the firm's seven internal developers could have come up with (and that's no criticism of the developers). As MIT engineer Eric von Hippel wryly commented, “I'm from MIT so I can do the math. A thousand is a lot more than seven.”

As a result, Lego has repositioned itself. Somewhat like Salesforce.com's transition from a software company to a platform company, Lego now regards itself not as a toy maker, but a toy publisher. Its entire product line and software are a toolkit, or platform, allowing the most creative customers to create the toys they really want rather than having to make do with what corporate product developers decide they should have.

3. Rethink your innovation competencies. The Lego example makes clear that if your company serves a rapidly-growing market with a large, heterogeneous customer base, it makes little sense to depend on a few internal product development specialists to understand such a market. In fact, not only product developers, but marketing and sales professionals, too, will increasingly be judged by how well they bring customers into their daily processes in ways that support innovation. This will not only create a much more robust customer experience, it will also allow companies to divert resources into areas where internal process experts can add value that outsiders can't — such as production and distribution.

Indeed, insurance firm Aflac has designed a dozen apps for its 70,000 sales employees to upload to their mobile phones. The apps help its salespeople access Aflac's customer database, policy information, claims information and the like while on the road, freeing them from being tethered to the computer or a call center. Aflac is realizing substantial benefits in the form of improved sales productivity as well as cost savings, as it reduces the calls made into the call center and frees up those employees to spend more time with customers or in processing insurance claims.

4. Pay close attention to customer-created apps.

And by “apps” I don't mean just software. I mean any modification to a product or service made by an outside entity, including customers themselves. For example, Ford developed the pickup truck when farmers began taking off the back end of their Model Ts and retrofitting them with wooden flatbed carriages in order to haul equipment. Ford began by introducing a one-ton conversion Model T chassis to accommodate the farmers, and when sales took off, Ford introduced the Model T Runabout in 1925. Henry Ford may not have asked customers what they wanted and was notorious for rejecting improvement ideas from his staff, but he was quite willing to accept the verdict of his customers and the marketplace.

Salesforce.com has so thoroughly embraced the concept of having its customers as well as outside developers create apps that they've refashioned their offering from “software as a service” (SaaS) to “platform as a service” (or PaaS). This grew out of the firm's recognition that their developers can't possibly keep up with the needs of its varied customers, but they can make it easy for customers and outside developers to do so. The value to SFDC is so considerable in terms of making its platform “sticky” to existing customers, as well as adding new ones, that it takes no royalty from apps it offers on the firm's AppExchange.

Apps developed by customers (as opposed to non-customer developers) have huge business potential. That's why Apple, despite its closed innovation culture and initial reluctance to open up its platforms to apps developers, now proactively sends its engineers out to college campuses to train students on how to develop apps. Clearly the firm has begun to recognize that powerful innovations can come from a savvy group of passionate and sophisticated customers.