

# Delighting Your Customer Through Smart Products

BY LINDSAY PEDERSEN

What is your business's most prized asset – is it your blockbuster products, your highest-performing employees, or your state-of-the-art facility?

While any of the above could be a competitive advantage, none is as valuable in the long term as your customer. Having a product without a

Your knowledge of your customer and your ability to process that information is your ultimate competitive tool.

customer is like trying to start a car without a key – your chances of success are markedly reduced. That is the situation facing businesses that keep offering the same product despite their customers' changing needs.

Customers are increasingly vocal about what they want from a product – largely thanks to the proliferation of Internet shopping and social media – and as they communicate more, their product expectations heighten. Successful businesses see this as an opportunity.

They respond to and deliver upon their customers' evolved expectations, delighting their customers and growing their businesses. Taking the idea of customer responsiveness a step further: companies are building intelligence into the products themselves, so that even after the customer has purchased a product, that very product changes along with the customer's usage.

## Products Have Evolved from Dumb to Smart

Smart products are products with this built-in intelligence. They respond to and change according to the customer's usage. As the product is used, information is changing the product itself. The smarter your product, the more benefit you stand to deliver, and the more you can delight, retain and expand your customer base.

Consider this: Henry Ford was the quintessential entrepreneur at the dawn of the Industrial Age, when products were static – “dumb.” Ford famously claimed that his Model-T was “built for the great multitude,” as it suited the needs of a broad range of customer types and income levels.

And yet, while he would sell a car to anyone, there was no room for customer choice or participation in the development process. The

Smart products have  
built-in intelligence.

Model-T was only available in black, because black paint dried faster than did other colors, thereby maximizing the efficiency of Ford's assembly line. If a customer had asked for a red

car, Ford would have had to reconfigure his whole factory in order to oblige that customer. His model was based on the company's convenience and needs. As an industry pioneer, Ford was wildly successful with this business model. He could get away with selling a dumb product then, because he did not have meaningful competition, or a customer base demanding participation.

In today's Information Age, if a customer wants her car to be red, she simply clicks a pull-down menu button on her screen and selects “red.” The manufacturing system senses and responds to the customer's desires. Today's car development and purchase processes are smart.

## THE EVOLUTION OF PRODUCT INTELLIGENCE

### That was THEN...

Ford Motors – Industrial Age  
 Boeing – “We make airplanes”  
 Taco Bell – Pre-made tacos  
 Hardware – Dumb Product  
 Knowledge embedded in things  
 Mass production  
 Focus on efficiency & predictability  
 Profit from margin & scale

### This is NOW...

Microsoft – Information Age  
 Toyota – “We make things”  
 Chipotle – Made-to-order tacos  
 Software – Smart Product  
 Knowledge embedded in process & people  
 Customization  
 Focus on flexibility & responsiveness  
 Profit from return & scope

I recently attended a lecture with Rashi Glazer, Professor of Marketing at UC Berkeley’s Haas School of Business, during which Glazer illustrated a “dumb” product – a public bus – contrasted with a “smart” product – a taxi. As he pointed out, a bus exists irrespective of riders; buses will stop at every scheduled stop along their routes, day in and day out, whether it picks up customers or not. In contrast, a taxi depends on the customer to determine where and when it drives. For the bus, the customer plays no role in determining the product. With the taxi, the product doesn’t even exist until a customer steps into it.

Flexible options via software and the Internet have led customers to expect taxis. They are accustomed to products tailored to their varied needs and desires, and therefore expect it broadly. They are able to click on “red” for their car, so they expect to be able to choose “red” for their shoes, pots, curtains and tennis racquets. And they want that taxi-level customization at the bus-level price.

As product marketers, are you going to meet your customer with a taxi or a bus? If your customer wants a taxi, are you prepared to give it to him? If you don’t figure out how to, a savvier competitor will.

Glazer also shared a story illustrating a smart business – i.e., a business set up to be responsive to evolving customers and markets.

Customers are accustomed to products tailored to their varied needs and desires, and therefore expect it broadly.

In his story, Boeing and Toyota executives met during the 1970s to discuss collaborating on airplane manufacturing. During the meeting, when the Boeing representatives came across as arrogant “airplane experts,” the Toyota executives stood up to leave. As the legend goes, the Toyota CEO stopped at the door, turned back and said to the Boeing team, “Someday we’ll make airplanes. We can make anything.”

Toyota’s core competency lies in the way its products are made, not the products themselves. It is a smart business. Witness Toyota’s current mission statement, still consistent with the idea of making “anything,” even 30 years after this story took place:

*To attract and attain customers with high-valued products and services and the most satisfying ownership experience in America.*

Cars are not even mentioned in Toyota’s mission statement!

## How Smart Are Your Products?

So when you think about the products you market, find ways to make them smart. Even traditionally static products can respond to and grow with customers. Consider these examples of smart products:

### TANGIBLE PRODUCTS

- Michelin Tires that respond to variable road conditions by self-adjusting their air pressure.
- Donkey and Goat Winery’s “Sniff, Swirl and Taste” product, a gift sampler box that includes four one-ounce vials of different wines to taste, plus a promotional code for the customer to use for ordering her favorite two (of the four) varieties.
- Orthotic walking shoes, which sense and respond to the individual user’s foot shape and walking style.
- Roomba Vacuum, a hands-free robotic vacuum that senses furniture and walls so that it cleans floors automatically.

- Memory foam mattresses, which mold to the unique contours of the user's body shape and size, in order to minimize pressure points for better sleep.
- Build-A-Bear Workshops, where users themselves record a message for the bear's voice, select the bear's fur, stuff it, stitch it, fluff it, name it and dress it.

## ONLINE PRODUCTS

- DreamBox Learning software, which changes as a child interacts with it, generating more difficult content as the child supplies correct answers.
- Online retailer Amazon, whose product experience is customized according to each user's prior searches and purchases.

## SERVICES

- By definition, services need to be used. So all services should be smart products. A few that are particularly "smart" are:
- Ritz-Carlton Hotels, which optimize each repeat guest's experience based on that guest's past usage of hotel services.
- Starbucks Coffee, which encourages customers to "make your drink your own" by selecting that customer's favorite milk, number of espresso shots, whether to add flavor and if so, how much, extra foamy or no foam, etc. (The ultimate smart Starbucks experience is when the barista remembers a repeat customer's favorite beverage each visit.)
- CVS Pharmacy's automatic prescription refill reminders.
- Chipotle's online ordering system for made-to-order Mexican food.
- Sears Portrait Studio, which enables customers to tinker with their photos by experimenting with different color tones (sepia, black & white and color), sizes, borders and frames.
- 1-800-Contacts calls customers when their prescriptions are soon to expire.

## Three Steps to Smarter Products

### 1: KNOW YOUR CUSTOMER

Smart markets demand smarter businesses. What does that mean? Know your customer, know what drives her. Make it easy for customers to talk to you. And then – this is even more difficult – you need to be willing to hear them. They are going to tell you to change. If you are a bus and they want you to be a taxi, you are going to have to change to retain those customers. For example, openly and humbly read what the customer is candidly saying about your product on social media sites, and improve your product according to these insights.

### 2: RESPOND

Build your business to be nimble enough to respond and evolve with your customers. Design your business so that you seamlessly amass knowledge, and then use that knowledge to drive your product strategy. Work toward using the insights to build intelligence into your products, so that they continue to interact with the user and change as he uses it.

Use your customer knowledge in a way that increases the benefit to the customer. Purely self-serving changes won't cut it here. In order to resonate with the customer, this innovation has to come from a place of generosity and empathy. For example, Safeway's coupon system amasses customers' purchase behavior data, and then uses that data to create customized coupons for each customer.

### 3: EMBRACE UNCERTAINTY

One thing that is certain is that customers accustomed to participating in product development and evolution will not soon revert back to the passive model of consuming. Learn to embrace the uncertainty that this poses, so that it works to your advantage.

How do you do this? Make the culture of your company embrace flexibility and uncertainty. Foster, reward and model a celebration of uncertainty, continuous learning, and tolerance for mistakes. Welcome

new ideas and new approaches, so that employees feel safe proposing them. For example, create an employee reward for someone who turns a customer complaint into a product improvement or some other competitive advantage.

## Conclusion

Customers want and are getting taxi-level customization, often at bus-level prices. We can have the red car, customized to our preference online, for the price of the static, one-size-fits-all black Ford. That is the reality that we marketers must see as an opportunity to embrace. The question you should ask yourself is not, “Should my products be smart?” but “How can I deliver the most value through smart products?”



POSITIONING YOU  
FOR GROWTH™

Ironclad principal Lindsay Pedersen is a brand strategist with a scientific, growth-oriented approach to brand building. She has advised companies from burgeoning startups to national corporations, including Zulily, Starbucks, T-Mobile, Coinstar and IMDb. Lindsay’s brand strategies are tested in the crucible of her proprietary Ironclad Method. She arms leaders with a powerful, ironclad brand positioning, so they can grow their business with intention, clarity and focus.

Find additional white papers, client case studies, service packages, and our Ask Lindsay column which answers big questions about brand positioning, at:

[www.ironcladbrandstrategy.com](http://www.ironcladbrandstrategy.com)