



**Jeffrey Bean**  
Author, speaker and expert at building value with marketing, product development and customer experience development San Diego, California

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## The Customer Experience Advantage – Pragmatic Differentiation and Increased Revenues in a Tough Economy

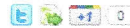
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Pure Digital Technologies sorted out the wants of customers in the video camcorder market, mastered the new voice of the customer and the market. Now Sony is copying them and Cisco owns them. How did they do that?

Written Oct 02, 2009, read 728 times since then.



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The economy is difficult, but there are some companies that

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are cutting through the noise of the broadcast and media press and bewildering their competitors by being better, different and profitable, now.

Certainly the handy example is the iPhone and Apple Macintosh (don't worry, other examples are on the way). I've heard people say is – that's Macintosh and that's proprietary... What is most striking is how unique and proprietary the customer experience is. I think early on, they discovered that the user experience was incredibly important and they took into consideration needs and wants of potential customers very early in the development process.

There is a very dangerous spiral that customer experience can help many companies avoid or delay. You can keep putting more technology or features in your product or service and lowering your price, but that really is a very slippery slope.

Now, what's happening is, certainly the iPhone is an example of, a highly rated product by their users, even though some of the functions that it does actually take longer than a wireless device that has a less great user experience. More importantly though, is the willingness to pay for and engage with the iPhone is much higher than its smart phone rivals.

Netflix is another one where I really admire how they've provided a great customer experience with a product- service hybrid. They understood the wants, and they understood the needs of customers through the whole process in the context of the market environment. They've got a special agreement with the post office, right? They've got the DVDs they deliver quickly and soon they'll be uploading and downloading video streams.

Their web site is part of the pre and post purchase process. Netflix provide that unique customer experience. They altered the game board, redefined value and forced competitors to change or down the spiral and away. It's easy to drop the price, it's easy to throw in more features, it is not easy to create, execute or compete with a well honed customer experience.

One of my favorite examples, because I personally like it is the Flip Ultra video camera, by Pure Digital Technologies. It is a small hand held device. Easy to learn and use, all the software the user needs is inside it, nothing to install. A simple USB arm flips out the side and plugs into your PC. It becomes another drive. I think it's really wonderful. They have created a new market segment and new revenues, in Sony's market (for 25 or 30 years?), catching the legacy player off guard.

A company called Pure Digital Technologies went and sorted out the wants and needs of the customers (prospects actually). They mastered the voice of the prospect and intelligence about the market environment. The main value drivers were record, connect and share, quickly and easily. Not a lot of tools. Not extra software. Customers want to upload to YouTube and share family.

"The ease of use is incredibly seductive," says Amazon.com vice-president of electronics – Money/CNN January 27, 2009

Pure Digital Technologies, the makers of the Flip Ultra, probably do have a toolbox of technology they could put against Sony. But, they didn't. What they did was they came in at industry price, well below \$200, it fits in the palm of your hand.

Let's look at some of the results that support the user experience and how wonderful and important it is right now. Between May 2007 and December 2008, and Pure Digital Technologies generated \$300 million in revenues from the sale of 2 million units garnering 17% market share and on the rise. This is market share and revenue that didn't exist before and it caused Sony's existing market share, 21%, was flat and declined in value.

What about the value creation with customer experience? Last March, Cisco announced that it would pay approximately \$590 million in stock and \$15 million in retention-based equity incentives for continuing employees, in exchange for all the shares of Pure Digital.

In April, Sony launched a press campaign explaining why they missed the market and announcing their fix for it as the Webbie HD. A key point was made that the introduction of the Webbie "Symbolizes an important shift in Sony's culture." But that shift was not reflected in the rest of Sony's story about the Webbie. While price-conscious Americans are mentioned as the target market, no mention of the customer experience was included in how the Webbie came to be. Now Cisco and Sony are competitors. This is too interesting to ignore!

Do you or will you define and create customer experiences that will make your offers better, different and more profitable, even in a tough economy?

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