Customers a

In today's marketplace, companies are asking customers to do more. Home Depot offers self checkout, Southwest Airlines offers self check-in, Dell Inc. provides Web-enabled tools allowing customers to configure their systems, Bank of America encourages customers to manage their accounts online, and HealthCheckUSA supplies customers with special kits for performing their own genetic testing.

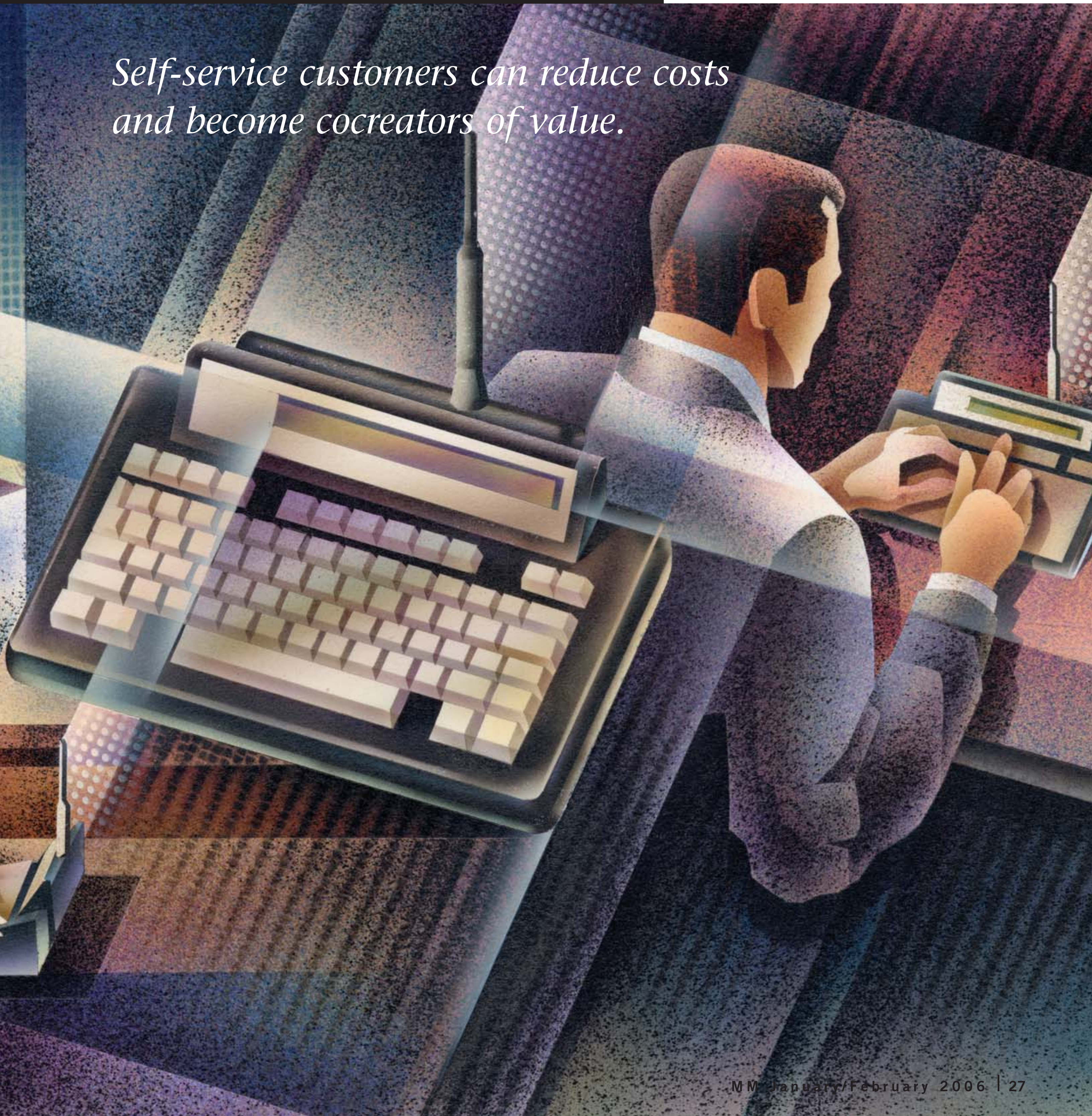
Although customers previously expected companies to complete a lot of the work for them, a paradigm shift in the economy means the reverse is true. And when companies effectively design the new brand experience, customers respond enthusiastically. They often find that performing tasks themselves is faster and more efficient, affords a larger sense of control, and in some cases presents greater customization of the results. In other words, customers are able to unlock more value from purchased goods and services when they can successfully complete tasks themselves.

t work

BY PETER C. HONEBEIN

AND ROY F. CAMMARANO

Self-service customers can reduce costs and become cocreators of value.



EXECUTIVE briefing Companies are asking their customers to do more work. But if customers fail to perform tasks well, then satisfaction, trust, loyalty, and lifetime value are threatened. This article explores the jobs do-it-yourself customers execute, and the brand experiences companies wrap around goods and services. Through vision, access, incentive, and expertise, companies can create coproduction experiences that ensure customers are cocreators of value.

Customers aren't the only ones who benefit from this shift. Airlines estimate that they save $3.52 when a customer buys a ticket online and $2.70 when a customer conducts self check-in. Software companies, banks, and even local cable providers can save more than $9 when customers manage services and receive support with self-service Web sites, instead of by speaking with someone.

Companies also can benefit from increases in customer lifetime value. When do-it-yourself customers invest in learning company products, technology, and processes, the experience becomes "sticky": Usage of services increases, frequency of consumable purchasing is higher, acquisition of add-ons and accessories is more likely, and defecting to a competitor is less probable.

These advantages are moot, however, if customers can't perform. Jupiter Research estimates that 91% of customers with a bad experience on a self-service site won't return. Customers must be coached and trained for success, the same way that employees are at the best companies in the world. They need vision to know what they're expected to accomplish, access to tools enabling them to perform, incentive to motivate desired performances, and expertise to competently execute tasks. The orchestration of these strategies is a "coproduction experience," the cornerstone for developing customers who are cocreators of value.

Customer Work

Coproduction reflects different levels of customer involvement with companies (see Exhibit 1). Some experiences, such as those at full-service restaurants, find companies carrying the majority of the effort. As companies begin to ask customers to take on more work, experiences will be shared. (For example, at Build-A-Bear Workshops, children and store employees share tasks to create a personalized teddy bear. And Quickbooks software requires that customers complete quite a bit of work, but conveniently handles the messy part of payroll and taxes.) Other experiences involve labor that's solely conducted by customers, such as online banking and self checkout.

Another way of looking at coproduction experiences is by examining the roles customers play.

Transactionals. They like to execute everyday business themselves. They use self checkout at the grocery store, eat at buffets, and book travel online.

Traditionals. They favor do-it-yourself in terms of home improvement, gardening, financial management, auto repair, and so on. They frequent Home Depot, Smith & Hawken, Charles Schwab Corp., and Kragen Auto Parts.

Conventionals. They acquire tangible, self-contained products that enable them to perform tasks independently. For example, a Viking stove facilitates gourmet cooking, and a snow blower clears snow from a driveway.

Intentionals. They engage in coproduction experiences to customize goods and services (e.g., at Build-A-Bear, or at the Nike iD.com design center where customers can create their own pair of athletic shoes).

Radicals. They take coproduction experiences to new extremes. This is the man in California who modified his Toyota Prius' batteries to achieve 80 miles per gallon, and the Apple iPod aficionados who create podcasts (audio programs featuring comedy, music, and sports).

Customer Experiences

All companies engage their customers as coproducers, codesigners, or cocreators in some way. Consider the story of Al Yeganeh, the soup purveyor immortalized as the "Soup Nazi" on *Seinfeld*. For more than 20 years, Yeganeh has created an extraordinarily successful business at a small storefront in New York. Because of his unrelenting focus on high quality, there is strong demand: A line stretches around the block. This yields a transaction process that is high on efficiency but low on accustomed social graces. To ensure that everyone who wants soup gets it, Yeganeh designed a rigid, militaristic coproduction experience.

Here is the established ordering procedure:

- When you walk in, immediately move to the right.
- Order your soup with no enthusiasm at all.
- Put your money on the counter and move to the left.
- Take your soup and don't make any comments.

Failure to follow these rules results in expulsion and the admonishment, "No soup for you!" (the catchphrase popularized by *Seinfeld*). Although this might not seem like much of an experience, the outcome is satisfactory for all involved; everyone who wants soup gets it. And customer compliance with the stringent policies is consistently reinforced: Current customers serve as trainers for new customers. The consequences for nonperformance, although extreme, ensure obedience.

Whether customers are ordering soup, getting a haircut, or managing personal investments, their ability to perform well has a significant bearing on their results. Obviously, customers don't want to fail (miss out on soup, receive a bad haircut, or lose money on investments). The experience companies wrap around customer goals substantially affects what customers achieve and what companies gain. Designed experiences are better than default experiences in attaining desired outcomes.

Default experiences. These reflect an absence of systematic design. Because of this, the likelihood that customers will fail in them is high. Default experiences are relatively easy to identify, meeting one or more of the following conditions:

- The experience isn't written as a script, plan, or process.
- The experience hasn't been tested.
- Employee tasks associated with the experience aren't covered in training.
- "Who decided it should work this way?" is answered with "he did," "she did," or "don't know, it just happened." (Designs typically are created by a stakeholder committee, not individuals.)

The result of default experiences is chaos—for customers and employees. One familiar fast-food restaurant, with a location in a large truck stop, employed a simple design for selling soda: The cashier would hand customers a cup and lid, and they'd fill the cup at a soda dispenser shared between the restaurant and truck stop. One day, the restaurant manager decided that it would be more efficient for customers to take their own cups. The idea was to save time in the transaction. However, customers would forget to take a cup; instead, they'd walk to the soda dispenser and use a cup from the truck stop. But this cup was a signal to the truck-stop cashier to charge for the soda, for which customers already had paid. Patrons were furious. Another common scenario was that customers would take the cup, but not the lid. After filling the cup, they'd grab a lid from the truck stop—a lid incompatible with the restaurant's cups. This resulted in not only angry customers, but also crumpled lids littering the floor by the soda dispenser.

Designed experiences. Here, leaders of coproduction experiences take a systematic, multidimensional view of the situation: They establish internal cross-functional teams, and integrate customer information and experiences into the design process. These teams truly must understand the customer perspective. Many employees don't have a clue what it's like to be customers of their company; they think they understand what customers go through, but they're usually wrong.

The Coproduction-Experience Model

You can understand the coproduction experiences of your customers, and improve their encounters by design, through the orchestration of four key tactics: vision, access, incentive, and expertise (see Exhibit 2). This coproduction-experience model provides a lens for not only assessing such experiences, but also designing them.

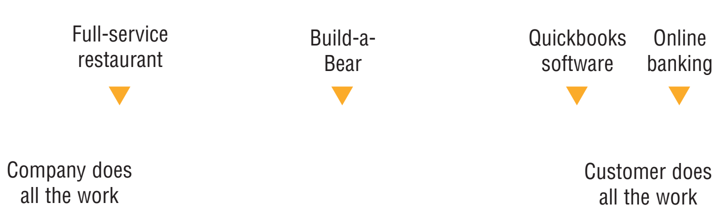
For example, when Southwest Airlines implemented its e-commerce strategy (southwest.com) in the 1990s, customers were set for success. Regarding vision, various promotional channels communicated an attractive, novel goal: Book your own tickets. For access, the Web site presented the tool and a simple interface for completing transactions. The incentive to perform was the double "rapid reward" credit, which enabled customers to earn free flights twice as fast. And expertise was supplied with step-by-step booking instructions on the Web site. In 2004, Southwest Airlines reported that southwest.com generated 59% of its revenue. Customer conditioning was so success-

Exhibit 2

Coproduction-experience model

Exhibit 1

Range of customer involvement in coproduction



ful that it was able to eliminate the incentive without negatively affecting the site's revenue percentage.

The Vision

In Ken Blanchard and Sheldon Bowles' book *Raving Fans* (William Morrow, 1993), customers are encouraged to develop a vision of how they would use products. Through this vision, they articulate their goals and the tasks/actions they expect to execute for achieving them. In coproduction experiences, companies must help customers shape their goals in a way that balances customer needs and company capabilities.

Goals. The retirement planning advice that San Francisco-based Charles Schwab Corp. offers is a great example of how to help customers shape goals. For most customers, accumulating $1 million by the time they are 65 years old seems out of reach. Hence, the expectation is that customers won't perform. However, if Schwab makes the goal more reasonable, then it can stimulate appropriate customer performance. To accomplish this, it localizes investment goals to four age ranges: 20s, 30s, 40-45, and older than 45. For each, Schwab suggests suitable yearly savings goals, as a percentage of salary. For example, if you start saving when you are age 22, then you should put aside 10% of your yearly salary. If you are age 28, then the percentage jumps to 14%. If you are age 36, then you should sock away 23%. And if you are older than 45, then you fall into the "ouch" category: Your rate can be 58% or higher.

Feedback. Vision isn't just about goals; it's also about the feedback customers obtain as they attempt to achieve them. In a classic experiment by psychologists Albert Bandura and Daniel Cervone, subjects experienced different combinations of goals and feedback in relation to an exercise task. The researchers divided subjects into four groups and asked everyone to ride an exercise bike. This provided a baseline measure. The researchers then asked the subjects to ride the bike again. The first group received neither the goal nor feedback, the second group received only feedback, the third group received only the goal, and the fourth group received both the goal and feedback. Which group performed best? The first three groups had a performance increase of about 20%. The fourth group, however, had a performance increase of 60%.

A Dutch power company replicated Bandura and Cervone's results. The performance it wanted from customers was energy conservation. It set a goal for customers to reduce energy consumption by 10%. For feedback, customers assessed their performance using a real-time monitoring device, monthly report, or diary of their electrical meter. (A control group didn't receive feedback.) As expected, all groups receiving feedback performed better than the control group. But only one group, the customers with a real-time monitoring device, exceeded the 10% goal. The closer the feedback is to performance, the more likely the goal will be achieved.

The Access

Winston Churchill said in the early days of World War II, "We shall not fail or falter; we shall not weaken or tire. ... Give us the tools and we will finish the job." Many customers share this sentiment when trying to use goods and services. Access reflects the resources companies supply so that customers can perform. It consists of eight critical tactics: policies, processes, procedures, people, tools, interfaces, information, and nuances.

Policies provide the rules for the coproduction experience, and processes and procedures provide the script for how customers are expected to act (and how companies respond to their performance). Because coproduction involves people, companies retain some choice in who performs coproduction tasks. To make work simpler or more convenient, tools such as self-service technologies are used to supplement or enhance experiences. Interfaces, such as a store's floor plan or a product's ergonomic design, affect the ability of customers to complete tasks. And information, such as nutritional labeling on food, helps customers make better choices. Coproduction experiences are rounded out with nuances, which subtly influence performance through sights, sounds, smells, and tastes.

Think for a moment: Have you ever met someone who received a bad sandwich at a Subway restaurant? We asked hundreds of people this question and always were given the same response: "no." One of Subway's secrets is a specific procedure combined with a well-designed interface. Its customers play the role of director: They guide the sandwich maker through each step of the process (e.g., type of bread and sandwich, assortment and quantity of extras). Via the interface—a glass counter through which customers observe every action—customers receive feedback and make adjustments as needed, before approving the creation. It's difficult to complain about a sandwich, when you directed the design.

The Incentive

Customers sometimes need a kick in the pants to conduct more work. Incentives can be powerful motivators for convincing them to try new items or stop bad behavior. Rewards are the typical incentive of choice in coproduction experiences, and they range from simple recognition to cold, hard cash.

Recognition rewards. Alpine Home Air Products in Rockford, Ill. (a manufacturer and distributor of heating, air-conditioning, and air cleaning products), uses a recognition reward for customer jobs well-done. It keeps a Web page that is titled, "Help us celebrate our customers' success!" Do-it-yourself customers are invited to submit a photograph of their product installation and a short story of their experience. Customer Don Neslon wrote: "The instructions and video made installation very easy. The entire job took about two hours. The added humidity has made winters almost enjoyable in New England."

It's difficult to complain about a sandwich, when you directed the design.

Cash rewards. Banks such as Citibank, Wells Fargo, and Bank of America use a cash reward to get customers paying bills online. For the most part, these online services are free; the problem is getting customers to shift their work from paper to cyberspace. Citibank offers the richest purse, up to $200, depending on how many bills customers pay. And U.S. Bancorp entered online bankers into a contest with a $10,000 prize. Those who use online banking are better customers: They maintain more accounts and higher balances, and make fewer calls to support lines and branches.

Disincentives. Companies aren't limited to rewards in shaping customer performance. Disincentives, in the form of punishments, can prevent customer behaviors that are incompatible with the coproduction experience expected by companies and other customers. An overdrawn checking account might trigger a $30 charge; an overdue video might cost another day's rental fee. And for six years, the Carnival cruise line punished no-smoking policy violators with a $250 fine and disembarkation at the next port (such guests would need to find their own way home).

The Expertise

Although customers might possess vision to perform, access to necessary resources, and an incentive, performance won't be forthcoming if they lack expertise. This is the knowledge/skills customers must retain to execute work required by the coproduction experience.

No one knows this better than Atlanta-based Home Depot. As the leader in the craze of do-it-yourself home improvement, it provides customers many ways to develop expertise. Weekend in-store clinics teach them how to lay ceramic tile or install hardwood floors, point-of-sale job aids help with product selection, and orange-aproned associates mentor customers one-on-one. Also, a Web site—with tutorials, videos, and step-by-step instructions—presents the just-in-time knowledge that customers need in the middle of a job.

As Home Depot illustrates, companies can choose from a variety of customer-education solutions to build customer expertise. Customers typically start with basic tools, such as an instruction manual. Tools embedded in the product, such as user assistance or voice-driven prompts, provide on-the-spot knowledge. And if customers run into difficulties during execution, then problem tools (e.g., a telephone customer-service representative) help them navigate these areas. Together, these three solutions help customers develop the minimum expertise necessary for initial success with goods and services.

For longer-term development and expertise enhancement, two other education solutions come into play. Premium tools usually involve formal training, and are included in the system if product tasks are complex or require physical skill. And support tools are items such as Web-based information and tutorials.

Age of Sophistication

Do-it-yourself customers are steadily increasing. Because customers determine the value of goods and services through usage, sophisticated customers can hold a significant advantage over unsophisticated customers: They can perform more effectively as cocreators of value. Companies that adopt the coproduction-experience model's principles create conditions for customers to flourish. This forms a value chain resulting in maximized customer satisfaction, trust, loyalty, and lifetime value. ■

About the Authors

Peter C. Honebein and **Roy F. Cammarano** are principals of the Customer Performance Group, a strategy consultancy in Reno, Nev. They are also authors of *Creating Do-It-Yourself Customers: How Great Customer Experiences Build Great Companies* (Thomson Texere, 2005). Both may be reached at peter@doityourselfcustomers.com.