

Interview with David Rogers

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David Rogers is the Executive Director of Columbia Business School's Center on Global Brand Leadership. He is the host of the center's BRITE conference on branding, innovation, and technology (March 4-5, 2009 in NY).

He and Bernd Schmitt co-authored the book, *There's No Business That's Not Show Business: Marketing in an Experience Culture*. He is co-editor of the *Handbook on Brand and Experience Management*. David has appeared on CNN, CNBC, national radio, and in various international business magazines. He is a composer and musician whose music is heard from venues such as jazz clubs to Carnegie Hall. David blogs at www.BRITEblog.net and can be reached dlr42@columbia.edu

Interview conducted by Doug Berger, INNOVATE, doug@innovate1st.com

Doug: In the last year, you launched a series of BRITE conferences with the Center on Global Brand Leadership. Your next event is March 4-5 in New York City. What are the trends, insights and interesting ideas that people are discussing?

David: There is a lot of excitement around how new media and innovation are changing the ways in which companies build and sustain great brands. We have been looking at social networks and online communities and their role in everything from innovation to communications to customer service to marketing.

The primary trend is **the growing power and evolving shape of the voice of the customer**. New media is giving customers a platform, and the ways in which companies understand and respond to the customer conversation is becoming critical. A recurring theme is the power of digital networks, for both customers and companies. The network gives more power to a customer. It also creates great opportunities for innovation and new practices. We are presenting a lot of cases of new products, services and business models that are taking advantage of digital and web tools.

Doug: Do you see any new network trends coming to the Internet that companies need to be aware of?

David: A really interesting early-stage trend is **web content not being tied to a particular website**. The website as we know it is an old idea that is declining in importance. In the near future, most customers won't come to your

website. You need your information to be able to live in different spaces, the spaces where your customers already are. For example, you need a FaceBook profile if you've got a customer base that lives there. This is what the new web tools such as widgets are about. This is why Columbia Business School has a YouTube channel. It is going to be critical for all types of companies in any industry to shift from communicating information through their website, to making it more spreadable.

Doug: In our preliminary conversation you talked about this idea of customer networks. To what were you referring?

David: Businesses are faced with **a radical transformation, as their customers shift from acting as single nodes or individuals, to customers behaving as a network or community.** For business, this is a challenge, but also a potential source of growth and revenue.

Doug: Can you give some examples of companies that are profiting from customer networks?

David: The *Amazon* or *Apple iTunes* sites give their customers a voice to talk about what they buy, what they like, even make playlists and booklists to share with other members of their community. This stimulates discovery and sales.

The business software firm *SAP*, has a very robust network of suppliers, partners, and customers. Customers and developers in a small niche area, such as natural gas delivery, are getting together online. They develop a version of an SAP product customized for that business market. The market is too small for SAP global marketing to go after, but they are now allowing customers to build a modified version of their product, and then sell it themselves through these SAP hosted communities. SAP gets revenue sharing.

Doug: What are some of the other customer networks you've seen used effectively by businesses?

David: Let me give you a few more examples from companies whom we've had speak at our BRITE conferences. One case we looked at was *Nike Plus*, linking the shoe to the iPod to the Web. To do this, Nike reached outside of their industry to partner with Apple and create something that was part product, part web application, part online community. You start with this little gadget that you buy and put inside your shoe, which sends signals to your iPod. While you're jogging, your iPod now lets you experience the music, keep track of your running performance, and get feedback on goals you've set for yourself. Then you get home, you plug in your iPod and when it syncs to your computer, it connects to an online community of runners, already built by Nike. Now, you are sharing your routes and interacting with your online buddies. So here is a product that is taking advantage of digital communities and weaving that into the value offering itself.

A B2B example would be *Salesforce.com*, which is building on the trends towards cloud computing and mobility. In the past, if your company wanted a database it was necessary to host the application and data on your computer. Now *Salesforce.com* is making it available through any web browser, at a fraction of the cost. This also makes it easily available to employees in the

field, with Web-enabled smartphones. This is a radical change in business model for selling database software.

There is an online community for “digital nomads” sponsored by *Dell*. It’s for people who live an on-the-go lifestyle and need to be able to work from their laptop or mobile device wherever they are. By sponsoring this site, Dell is getting first hand customer insights into the needs, preferences and experiences of this customer population.

We had a speaker at BRITE from *Edmunds.com*, the leading U.S. automotive info website. They are becoming a broad-based media company, not just an information provider. She talked about their shift to more user-generated content and how they are sustaining their user communities to maintain their edge.

Hulu is the new online television platform, launched this year by NBC Universal and News Corp, Fox. They not only built a website where you can watch their programming, they are also beginning to capture advertising revenue. They know that they can’t expect everybody to come to their own site. So they are sticking out their neck to create a widget where users can embed Hulu content (just like a YouTube video), in their FaceBook page, blog, or anywhere else they spend time as a user.

Doug: Let’s talk further about the power of digital communities. How are they impacting innovation?

David: The *Cisco I-Prize* is a good example. They launched a 3 stage contest called the I-Prize or innovation prize. Anybody can submit an idea for a new Cisco business or a new business model. They have an internet platform where people log in and submit an idea. Then they can collaborate with other people on developing their business plan, the pitch and sketching it out. Cisco is getting ideas from all around the world. They have had much more response than they expected and are seeing some really promising ideas. They are planning to provide 4-5 teams with seed capital. It is a bold and creative way for Cisco to expand their ecology of innovation.

At BRITE, we talked about empowering everybody within the company to innovate, and making everybody feel like they’re part of contributing to new ideas for processes, products, customers, so forth. Idea markets have arisen as a way that employees can put up an idea on the intranet at a user-generated site. Everybody puts in their ideas and then they mingle, collaborate, vote. This can be an effective way to engage people who now know that their idea will be seen and not just disappear into the idea funnel. Secondly, it allows ideas to bubble up beyond the filters of a hierarchical structure. It allows senior managers to notice, “Hey, we’re getting a lot of support for this idea from our engineers. Let’s find out why.” Google uses idea markets as well.

Doug: What other interactions were stimulated about digital communities?

David: We heard from *Lilly*, a pharmaceutical company moving into the cancer drug area. They created an art project for cancer survivors. They asked for people who were living with cancer to create artwork that somehow conveyed their experience of living with cancer. This was hosted on their website. They were trying to get in touch with this community of customers who are new to them.

They realized some strong benefits from what was not a particularly difficult or expensive undertaking for them. One was customer insight. When you're dealing with products such as drugs, it's easy to think of it from a scientific, clinical point of view. When you're communicating to the people who are affected, it's not about showing them lab results. You need to understand their experience and let that influence the therapies you may have. Lilly also gained credibility from this project. This is a new audience for them. They haven't really been in that space and they received tremendous interest and attention. It was such a neat idea for the people who actually participated, as well as for a lot of other people who were visiting cancer survivors.

An audience member with a small business joined one of our discussions. His company provides basic legal services for setting up a small business. He said, "I've got all of these former customers and I want to give them add-on services, rather than just have an email list or say, 'Thanks, good luck and send us your friends.'" He realized that he's sitting with a community of people whom he helped to start their businesses. Beyond selling services for issues that develop in later stages of a new company, he could create a forum where the members themselves share their own ideas. This, then, is fertile ground for discovering unmet needs and originating new services.

Customer forums are also a source of new product and service ideas. Dell computer, for example, realized the bigness of the opportunity to offer Linux through the conversations in their user forums.

Doug: How have some established brands missed the power of this new voice of the customer?

David: The game Scrabble and the independently developed widget, Scrabulous, is an interesting example of a major brand gone awry. FaceBook opened up its platform to developers last year so that it could expand its ecology of innovation. A lot of innovations were web-based social communication tools. It turns out that the number one FaceBook widget, which became a huge breakaway success, was called Scrabulous. Basically it's a scrabble board on your FaceBook page that you play with your other scrabble friends. It was well designed with a simple interface - a perfect game. Only, it wasn't developed by Hasbro who owns the Scrabble brand. It was developed by two brothers in India. Hasbro took the old school legal response and sent a cease and desist order to FaceBook. FaceBook responded and removed the game, to which the brothers then responded by coming up with another product. They gave it a dorky new name, made some modifications and changed a few rules. Customers are now annoyed at Hasbro and are still going with the Indian brother's new product, although they preferred the old Scrabulous.

The missed opportunity was *Hasbro* thinking, "Why aren't these people part of our innovation team? Why don't we just hire these two guys as the FaceBook development team for Hasbro?"

Doug: How does having online Scrabble build and sustain my brand, and how does that build and support my business if I'm within Hasbro?

David: Marketing is about the customer. Hasbro is not in the business of building pieces of cardboard with little pieces of wood on top. They're in the business of creating a pleasurable social experience, what we think of as "gaming." There's the old marketing question, "What business are you in?" Companies

shouldn't get confused in thinking that it's about a certain kind of product. If your business is gaming, it's about creating a social, playful, entertaining, interactive experience. Well, where are your customers having those experiences now? I'll tell you where - online, and they are starting with Club Penguin when they are four years old!

Doug: What are sources of online revenue, other than advertising?

David: One new model is the paid applications on iPhones. For gaming you do have monthly subscriptions. With virtual worlds such as Second Life, there is a free entry-level experience, and then there's a premium experience. Once you've played a little bit and you want to have more fun and do the things that are more interesting, you have to pay a monthly fee.

With Webkinz you don't pay a monthly fee, you simply pay for a physical product, which gives you access to an online game. You buy a stuffed animal, and what you're really paying for is the little code that comes on its tag. When you enter that code, you can go online and you create a virtual avatar of that same animal, and it goes around and plays games in this virtual world. That's where the kids spend most of their time with those animals.

Doug: A traditional company makes its money from product sales. If you are a company like Hasbro, how do you take advantage of the web if you are afraid of cannibalizing your revenue stream?

David: When I am speaking on customer networks, I often show a slide of Edvard Munch's painting "The Scream," with its ghost-like face staring out from the screen in horror. I use this slide to illustrate the reaction of large established companies to the current environment and the power of customers. Very often, there is this fear response related to loss of control and greater power to the customer.

Industries that see a digital version of their value offering eroding their traditional business model need to stop hiding, and get into that digital arena. There's no question that the future is tough for many industries, like media and advertising, and the companies within them. There is no magic formula that is going to sustain the same size and structure of an organization that they've had.

Wherever you're at, whatever your industry, whatever your category, whether you're managing the brand perception or managing the product and revenue stream, you've got to understand the risks of not getting into the game.

The TV networks are getting into the game with Hulu, for example. Hulu doesn't show as many ads, though, and the networks realize that they're not going to capture as much revenue from viewers who are watching TV shows online as they are from viewers who watch traditional television. But take a guess at what the average age now is for a U.S television viewer. It's fifty years old! You have to jump in and start creating your new revenue even if it provides less of a stream. If you don't, somebody else will on even more unfavorable terms.

Doug: What would you like to say in conclusion?

David: Every business has to put the customer front and center; all of our customers, of all ages, whatever our business, are now living online. Customers are now acting in networks.

There has been a lot of false growth fueled by fake innovation in some sectors of the economy. In the future, the way companies are going to sustainably grow is by going back to the basics, the basics of innovation. Improve your productivity and innovate new products and services, which improve things for people, and for which people will pay. This is going to be even more critical to growth over the next several years.

