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Hack This Product, Please!

Dell's new IdeaStorm is just one example of how forward-thinking companies are making their customers co-creators

by [Don Tapscott](#) and [Anthony D. Williams](#)

Everyone knows about Dell's troubles of late. The hardware maker's once industry-leading "build-to-order" supply chain systems are now the norm, and it's fallen behind in design—areas where competitors such as Apple ([AAPL](#)) and Sony ([SNE](#)) excel. Customer service has deteriorated since it was outsourced to India so that customers can no longer rely on timely and informative service.

Yet visiting with CEO redux Michael Dell, he looks like a new man and is pumped about the challenge of building what he calls "Dell 2.0." And what was his first action? Asking his customers for advice on how to improve Dell ([DELL](#)) products in hopes that their collective wisdom will offer some unique insights that will help turn the company around.

Launched on Feb. 16, Dell's IdeaStorm (www.dellideastorm.com) looks and feels a lot like Digg.com, the popular tech news aggregator: Users post suggestions and the community votes, so that the most popular ideas rise to the top. Just five days after launch, the site boasted 1,384 ideas that have been voted on 122,388 times and generated 2,189 comments. Admittedly, not every idea is great. And some communities speak louder than others.

BEYOND CUSTOMER-CENTRICITY

A large open-source contingent, for example, is demanding preinstalled Linux and Open Office, among other things. As of Feb. 21, this was the most popular suggestion, with some 67,000 votes. Above all, the comments on the site reflect some real passion. As one contributor says, "This forum is a great idea to get Dell back to No. 1. What I'd like to see is new and innovative styling across the board on notebooks and desktops. Dell's product line looks 5 yrs old and needs a total refresh."

Michael Dell told us that he sees customer-driven innovation like this as the linchpin of his strategy for Dell 2.0. "We need to think differently about the market and engage our customers in almost everything we do," he says. "It's a key to us regaining momentum as a technology industry leader."

Initiatives like IdeaStorm are a starting point. Most companies still equate "prosumption"—the process of making consumers an active part of the creative process—with "customer-centricity," in which companies set the basic elements and let customers modify others, such as choosing options for a new car. In our view, customer-centricity is pretty much business as usual. In the new model, customers participate in the creation of products in an active and ongoing way. They do more than customize or personalize; they add value throughout the product life cycle, from ideation and design through aftermarket opportunities. Increasingly, customer-driven production is at the heart of some of the most innovative products and services around—from the user-generated content on MySpace, flickr, and YouTube to customer-created advertising campaigns to virtual communities such as Second Life, in which "players" create all of the game content, own their intellectual property, and even provide businessweek.com/.../id20070223_399...

as Second Life, in which "players" create all of the game content, own their intellectual property, and even provide volunteer customer support.

CAPITALIZE ON AMATEUR INNOVATION

The idea that the people who use products should have input into their design and production is not really new, as scholars such as Massachusetts Institute of Technology professor Eric von Hippel have shown. His research has proved the import of the role that hobbyists and "amateur" creators have played through the ages. A flip through the pages of a 1950s edition of *Popular Science*, for example, reveals myriad amateur innovations in fields ranging from electronics to scientific instruments to mechanics. Even the Model T (the car you could get in any color you wanted as long as it was black) was subject to intense customization by owners—a trend that continues in increasingly large communities of auto enthusiasts and aftermarket specialist shops, and of course, on TV shows such as *Pimp My Ride*.

Despite this rich history of customer innovation, most companies consider the innovation and amateur creativity that takes place in user communities a fringe phenomenon of little relevance to their core markets. Firms often resist or ignore customer innovations, and even when such innovations look promising, most corporate processes are too rigidly adapted to the manufacturer-centric paradigm to make use of them.

The aftermarket "tuner" car phenomenon provides an instructive example: Car enthusiasts—mostly males in their 20s—spend \$4.1 billion a year dressing up and boosting the performance of their vehicles, up from an estimated \$295 million in 1997. Reflecting that, the Specialty Equipment Market Assn.'s annual trade show has exploded in popularity, growing from around 50,000 attendees and 3,000 booths in 1990 to more than 100,000 attendees and 10,000 booths spread over 1 million square feet today. Yet most major automotive companies were slow to respond to this opportunity and only recently began offering more customization options.

THE NET GENERATION IS KNOCKING

Expect the resistance to prosumption to weaken as three forces converge to upset the status quo: Arguably most important is the emerging influence of the Net Generation, the first to come of age in the digital era. N-Geners are distinguished from previous generations by "norms" such as the heightened demand for freedom of choice, the tendency to scrutinize everything closely, and the expectation that the world around them will operate at the same speed as an IM (instant-messenger) conversation. Above all, this "collaboration generation" wants a two-way relationship with the brands they select. Our research reveals that 68% of young people surveyed in the U.S. and Canada are eager to help companies design their products and services.

The second change is that customers use the Web to create vast online prosumer communities, in which they share product-related information, collaborate on customized projects, engage in commerce, and swap tools, tips, and product hacks. What were once fringe activities—the preserve of the amateur electronics club—are increasingly conducted in open, public, easily accessible forums.

Finally, companies are discovering that "lead users"—people who push the limits of existing technology and often create their own product prototypes in the process—often develop modifications and extensions to products that will appeal to mainstream markets. In other words, lead users serve as a beacon for where the mainstream market is headed. Companies that learn how to tap the insights of lead users can gain competitive advantage.

OPENING UP FOR PROSUMPTION

Prosumption offers vast potential for the companies that learn to harness the latent energy, ideas, and talent of their customer communities. But prosumption comes with new rules of engagement and, in some cases, challenges to existing business models. Following are a few rules of thumb for those seeking to harness the businessweek.com/.../id20070223_399...

challenges to existing business models. Following are a few rules of thumb for those seeking to harness the power of customer co-creation.

First, never discount your customer's ingenuity and willingness to pitch in. Adobe Systems' ([ADBE](#)) new Photoshop Lightroom product was developed with the participation of some 500,000 photographers, who took part in a year-long beta program. "It's an unlikely scenario that professional photographers would moonlight as software developers," said John Loiacono, a senior vice-president at Adobe. "Fortunately for us, they were willing to give it a shot. Everything, from image viewing and evaluation tools to time-saving editing features, was developed with their help."

Second, customers will treat your product as a platform for their own innovations, whether you grant them permission or not. Whether hacking iPods or remixing music tracks, prosumers invent new ways to add value by collaborating and sharing information. If you don't stay current with customers, they invent around you, creating opportunities for competitors. Inevitably, it is preferable to share control with users than it is to cede the game to a more adept, prosumer-friendly competitor.

GIVE CUSTOMERS SOME OWNERSHIP

The corollary is that if your customers are going to hack your products anyway then you may as well get ahead of the game. Make your products modular, reconfigurable, and editable. Set the context for customer innovation and collaboration. Provide venues. Build user-friendly tool kits. Supply the raw materials that customers need to add value to your product. Make it easy to remix and share.

Finally, don't expect a free ride. Customers increasingly expect to share in the ownership and fruits of their creations. If you make it profitable for customers to get involved, you will always be able to count on a dynamic and fertile ecosystem for growth and innovation. It only seems right, for example, that Second Life's residents should own the IP rights to their creations and have the opportunity to make real money by selling in-game assets. IP rights spur prolific rates of customer co-creation and make Second Life's virtual economy a potential source of real-world income for customers. We think many more products and services could support similar kinds of value-added activities.

The bottom line is that the opportunity to bring customers into the enterprise as co-creators of value presents one of the most exciting, long-term engines of change and innovation that the business world has seen. But innovation processes will need to be fundamentally reconfigured if businesses are to seize the opportunity. Just as you can twist and scramble a Rubik's Cube, prosumers will reconfigure products to their own ends. Static, immovable, uneditable items will be anathema—ripe for the dustbins of history.

Don Tapscott is chief executive of New Paradigm, a technology and business think tank, and the author of 11 books about information technology in business and society, including Paradigm Shift, The Digital Economy, and Growing Up Digital. His recent book Wikinomics: How Mass Collaboration Changes Everything is a New York Times bestseller. Anthony D. Williams is an author, researcher and former lecturer at the London School of Economics. He is vice-president and executive editor at New Paradigm and co-author of Wikinomics.

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