The new experience for Cloud business: Why user experience is the differentiation strategy

Executive Summary

Cloud, in its various meanings, is a major global trend propelling the information and communications industry today, resulting in changes in technological and business environments. In essence, cloud means “on demand” access to information or services when needed. Today, a wide range of software or software intensive products has, or is developing, with features or services that support cloud. It is estimated that in the near future cloud will be the dominant method of computing in both the enterprise and consumer markets.

With an increasing number and variety of products and services appearing in the cloud, companies doing business in the cloud are being compelled to seek new ways to differentiate themselves from their competition. There is a growing trend amongst these companies to focus and learn from their customers’ experiences so they can enhance their competitiveness. With competition growing more and more companies compete for customers with the promise of unique experiences. Using the concept of user experience, as a differentiation strategy, provides an opportunity for companies to gain valuable insight from their customers and through the process provide added value to their cloud offering(s). But a unique challenge exists here for companies in the cloud particularly in the communication of the added value. Users should readily see and appreciate the additional value. If they cannot distinguish the value from aesthetics or usability, they will likely not be attracted by it or want to pay more for it. Effective communication of added value for businesses in the cloud starts with a solid understanding of how they can truly enhance or differentiate their user experience.

A company which seeks to differentiate its cloud offering by providing user experience must recognise that it cannot achieve the desired results by simply adding extra services to an existing product. A true experience business differentiates itself in the way it conceives designs and markets its offerings. Furthermore, experience companies are grounded in capabilities that create much more than just the design of aesthetics or usability. For many companies this means that should they wish to transition into the experience market they will need to consider new capabilities for supporting it. Whilst aesthetics and usability design are important, on their own they are unlikely to be sufficient for success in the cloud business. Failing to recognise the gap between current design processes and those required for developing experience will likely result in doing-more-of-the-same, and failure to differentiate.
Introduction

Cloud, in its various meanings, is a major global trend propelling the information and communications industry today, resulting in changes in technological and business environments. In essence, cloud means ‘on demand’ access to information or services when needed. Today, a wide range of software or software intensive products has, or is developing, with features or services that support cloud. It is estimated that in the near future cloud will be the dominant method of computing in both the enterprise and consumer markets.

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Although it may seem that an experience can be easily created around an existing product, companies that take this approach are rarely able to make considerable breakthroughs. Cloud enables business to pursue new markets and market segments faster than ever. Lack of significant revenue improvements is a signal of the inability to take advantage of opportunities. Inadequacy in carrying out this strategic intent primarily results from a lack of internal competence that drives challenges in market communication.

There are two fundamentals to acknowledge with respect to the cloud business. First, a cloud product or service is a distinct offering. It is a falsehood to imagine that a company can shift to the cloud market by re-labelling its current products and services. Second, the transition to the cloud (7) business demands new capabilities than that of a service or product developer. For many companies this means developing a step-by-step process for disseminating the cloud business throughout all organisational levels. The primary goal of such a transformation is the development of capabilities and processes that enable an organisation to compete at a new level. In the cloud building capabilities and processes for experience design and development are essential for success.

By definition experience is personal and unique, meaning the ability to stage a unique and memorable event is fundamental for experience creation. This is flexibility of a different kind and it hinges on competence development, i.e. providing enough flexibility in organisational processes to enable consumption by an audience of one. However, organisations are typically driven by the production of products and services that are created for mass consumption or for a specific market. This tension is creating a paradigm shift; one in which organisations have to balance between traditional approaches with the client’s desire for tailored and even personal product or service experience.

A distinct characteristic of the cloud business is the opportunity for the users to create their own experience. The product that a client gets is what they create in partnership with the company. This is different from customisation or user-centered design, which employs methods for producing a final product targeted at satisfying known needs. An experience product is a result of co-creation and is targeted at satisfying values. Although values are known to be universal, they are understood, expressed and attended to differently depending on context. Thus understanding values, contextualising them and designing for experience all become a pivotal principal of success.

Creating and delivering unique, value added offerings requires advanced understanding of individual customer behaviour as well as general patterns of preference. Cloud technology makes such comprehension possible. Cloud business benefits from access to a wide range of consumers, on the one hand; and an ability to accrue a deep sense of customer desire at an individual level on the other. This means, that a company can utilise its resource base to deliver a unique experience for every client or consumer. Tailoring experiences to the needs of one client provides a competitive advantage that can be enabled by cloud technology. In the cloud companies can appeal to values on a personal level, with great accuracy. Companies can leverage new internet-based technologies to align internal system architecture with the life events of individual customers and thereby opening up new prosperous business opportunities.
Designing experience

There are two generally held perspectives on user experience. The first one focuses on customers’ goals, needs, behaviours, and emotions when using a product. A company surveys various market segments and incorporates the feedback to improve its products. This is a traditional approach that perceives user experience as an incremental product or service improvement. The challenge with this view is that experience is only perceived at a product or service level.

Some interactive technology producers adopt the above view of user experience. A company may choose to evaluate user experience by measuring how an offering fulfils customers’ needs and wants. This perspective gives the ground for setting new targets and measuring the magnitude of user experience. As a result a product or service is being gradually improved as more observations of the product usage are collected. However such an approach is questionable. Henry Ford is known for saying, “If I’d asked my customers what they wanted, they would have said faster horses.” Hence a company that aims at satisfying only known expectations is unlikely to become a key influencer in a market. Moreover, in waiting for feedback the company risks always being one step behind the industry innovators. Market studies are still important; however, their interpretation should be adjusted to take into account that customers and clients may not know any better ways of satisfying their needs than in the current context. Additionally, they may not suggest methods for altering the context, either.

The companies that take this approach put a product or service in the centre of their design process and view user experience as an incremental improvement of the existing product. Figure 1 illustrates the conventional business view of product augmentation. At the core, the product or service appeals to a known need and the actual product is designed to satisfy it. Services are then added to the actual product or service to provide some level of differentiation. User experience is viewed as adding another augmentation layer for achieving more differentiation. Corporate management treats experience product in much the same way as it does the other layers.

The challenge with this approach is that current processes may fall short of designing for fun, enjoyment or pleasure. The problem is compounded when trying to add other experience qualities such as hedonics. Though such qualities are not inherent of a product or service, they are attributed to it during the experience of it. Because actual and augmented layers are both a part of user experience, all blur together in the minds of both designers and users. Thus, it becomes very difficult to communicate any added value proposition.

There is a noticeable difference between an organisation that sells actual products and its competitor who provides augmentation, i.e. customer support and a warranty in its offering. The two companies compete at a different level, enabling one to differentiate itself from the other. However, in order to provide this differentiation and move from an actual to augmented product offering, an organisation must develop certain corporate capabilities. This is similar to the transition an organisation must make to provide an experience offering for the cloud.

The second perspective and a different view of user experience is when an organisation emphasises the competencies that enable design for experience in the first place. In other words, a company aims at certain kind of experience and designs an offering that supports it. This perspective creates a need for business change, which begins with the transformation of the company’s viewpoint and focuses on the development of capabilities. The challenge is to combine diverse resources and deliver personalised experiences in all business areas that a customer comes in contact with.

The experience business model differs from the traditional one. It is grounded in the principle of staging an experience. A companies’ production process brings together talents, resources, goods and services in a coherent whole that engages individual customers. Consumption becomes a co-creation of experience, in

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which both customers and a company are involved. The resulting take-away product is a memorable event. This is a competition imperative. This means that a company should view all the outputs, processes and resources as means for making a platform where customers can create their personal experiences in partnership with the organisation. In the business of experience there is a great need for this new mindset. Re-evaluation of the business viewpoint and realignment of the capabilities and strategies are the prerequisites of offering user experience as a product.

The focus of design shifts from an attempt to make a hedonic product to staging an experience. The goal of market research also moves from surveying needs to understanding the value of experiences also. When values are contextualised they can be expressed as needs. Knowledge of values enables a company to shape the context around them and empower the customers to have their diverse needs met as they engage with a product on a personal level.

Contrary to the conventional product development view the step that follows value analysis is not actual product but experience design. Since needs are subjective and context dependent it is sensible to understand how the company will shape the experience. Therefore, any organisational offering should start with answering the question, “what kind of experience should this product or service be designed to deliver”. Experience becomes a central concern and the product is designed around it. The value of the product is attributed to it by the customer either during an experience or a series of experiences. It is an attribution process that makes the product highly valuable to the customer.

As a result of the changed business viewpoint a company makes not product or service, but experience central to its development process. Figure 2 summarises the paradigm shift of product or service augmentation. Experience becomes central to the design offering with actual product and additional services supporting the experience design. The value is cocreated by customers as they use a product or service in various situations. The support for such a perspective requires an organisation to develop a strategy for investing in corporate capabilities. These new capabilities support the transition to the next level of differentiation, which is an essential ingredient for gaining competitive advantage.

Conclusion and recommendations

While large scale adoption of cloud products and services has yet to be seen, cloud uptake is under way and it will be the dominant method for software and software intensive companies in the near future. In this environment user experience will be the key method to achieve competitive advantage. While the user experience may seem like an incremental step for software and software intensive businesses it is important to recognise the extent of change required to embrace the opportunity in the cloud. A good software developer is not necessarily a user experience creator. The hasty development of an experience around an existing product or service leads to confusion between experience and elegant design. As a result a company’s ability to take advantage of the cloud market is at best limited. However, if clear distinction between experience and usability or aesthetics is made, a company has the ability to produce sustainable added benefits and communicate them well.

Conventionally organisations focus their efforts on actual product or service design. At VTT, we suggest that the foremost task is to focus on the experience for which the product or service is being designed. This can be achieved by studying customer values and contextualising them for a particular market or context. Understanding the experience allows the company to develop a strategy for building user experience competence. In the new cloud business landscape user experience provides the differentiation that enables companies to compete, tolerate uncertainty and gain competitive advantage.

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About the Authors

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GLOSSARY

Augmented product is a three-level business perspective on product offering. The central level is a core product, which represents an intangible benefit that customers receive. Actual product is design to provide the intended benefit. Augmented level is the additional services and offerings sold or given any for the purposes of product differentiation and revenue enhancement.

Corporate core competency is a fundamental factor that reflects organizational collective knowledge in coordinating resources, communicating and delivering value across various business units and organisational boundaries for customers' benefit.
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Making the Transformation to Cloud?
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About VTT
VTT Technical Research Centre of Finland is a globally networked multi- technological contract research organization. VTT provides high-end technology solutions and innovation services in several research areas; one of those is ICT (Information and communication technologies). The business worldwide in the ICT sector is experiencing a cloud phenomenon.

VTT considers the capability of an organisation to benefit from cloud is dependent on its ability to adapt the entire organisation to the change. In the cloud, the production of amazing experiences is an imperative for business success.