

See discussions, stats, and author profiles for this publication at: <https://www.researchgate.net/publication/277907787>

# How B2B companies create economic value by designing experiences and transformations for their customers

Article in Strategy and Leadership · May 2015

DOI: 10.1108/SL-03-2015-0018

CITATIONS

5

READS

494

1 author:



B. Joseph Pine II  
Strategic Horizons

45 PUBLICATIONS 11,920 CITATIONS

[SEE PROFILE](#)

Some of the authors of this publication are also working on these related projects:



Regenerative Managing [View project](#)

# How B2B companies create economic value by designing experiences and transformations for their customers

B. Joseph Pine

B. Joseph Pine II is cofounder of Strategic Horizons LLP of Aurora, Ohio (bjp2@StrategicHorizons.com) and the author of *Mass Customization* (1992), *Authenticity* (2007), *Infinite Possibility: Creating Customer Value on the Digital Frontier* (2011) and *The Experience Economy* (2011).

**B**ecause the Internet has empowered buyers with so much information about sellers, business to business (B2B) companies face the threat of increasing commoditization, a market environment where their customers relentlessly seek to buy physical goods on the basis of price. To get out of the commoditization trap, B2B businesses need to continuously innovate how they attract, engage and excite customers by finding new possibilities for creating value. One of the benefits of digital technology is that B2B companies can mass customize offerings, efficiently serving customers uniquely, differentiating offerings from any competition and locking customers in. Leading industrial equipment suppliers, for instance, are learning that such innovations need to be based not just on the specifications required by their current customers but, more broadly, on their emerging needs and those of their customers' customers. These needs reflect how customers experience the job they need to do now or how they prepare to transform themselves to succeed in the future.

The big value creation insight is that industrial companies can create breakthrough innovations by understanding, responding to and transforming the experience of their customers and their customers' customers. This approach is especially promising for two reasons: it seeks to develop business where competition has yet to become established, and it also creates intrinsic economic value by helping customers achieve their own aspirations. One key to producing offerings to fulfill these aspirations: be creative about how to enable your customers to experience the world the way their customers do.

## How manufacturers can stage experiences

Environmental products producer Johnson Controls in Milwaukee, Wisconsin, for example, employs its Johnson Showcase to not only inform potential customers of its offerings, but to let them directly experience its products in action. The Showcase plunges them into a simulated power outage, and then shows how Johnson Controls' products could recover from such an outage or prevent it from happening.

The Showcase is an effective demonstration of how B2B goods and services are increasingly marketed in an Experience Economy, an arena where interactions are based on what experiences buyers value. Many consumer businesses – such as premier experience stagers LEGO, American Girl, Disney and Apple Stores have mastered the craft of wooing their customers with showmanship to produce delight. The artfulness of experience staging is now seen extensively in B2B industries. Other manufacturing companies that have effectively exploited this shift to the Experience Economy include:

**Lutron Electronics.** Lighting control manufacturer Lutron Electronics Co. created a number of Experience Centers around the USA, including in its Coopersburg, PA headquarters, to let its dealers and distributors experience firsthand how its highly customized controls

**“The big value creation insight is that industrial companies can create breakthrough innovations by understanding, responding to and transforming the experience of their customers and their customers customers.”**

affect the experience consumers can have by illuminating their own homes with state-of-the-art technology.

**GE.** General Electric runs a number of GE Innovation Centers around the world to showcase its brand. Each Center focuses on one aspect of GE innovation appropriate to the locale, such as its “Ecomagination” offerings at Masdar City, Abu Dhabi, and healthcare applications in Chengdu, China. In every case the company captures each individual visitor’s needs and preferences via smartcards so it can customize the experience and follow-up with tailored materials and conversations, in both physical and virtual environments. More than a showcase, though, the Innovation Centers are becoming a hub for GE’s open innovation efforts as well as co-creation spaces so customers can determine how GE’s offerings can best solve their problems.

**Case Construction.** Case Construction operates its Tomahawk Experience Center in northern Wisconsin so potential business customers can try out its excavators, loaders, forklifts, backhoes and other equipment in a multi-day experience. It lets construction company owners and managers who grew up in the business get back in touch with their inner operator again, provides the opportunity for Case’s experts to answer whatever questions they have and enables dealers to form close relationships with these customers. The result? Case finds that when a normal potential customer heads to a dealer it has about a 20 percent chance of getting the business, but when the dealer brings the customer to Tomahawk, the close rate goes up to 80 percent.

### **Creating economic value through experiences**

So in industry after industry, companies have learned to shift to staging experiences for their customers, creating more economic value than possible with goods and services alone by engaging them in places where they want to spend time and then spend money to purchase a company’s goods or services as well.

### **Mass customization**

One of the best ways to engage customers and create that experience is to mass customize goods and services for them. This is because mass customizing a product automatically turns it into a service. An integrated part of the mass customization process is the intangible service of helping customers figure out exactly what it is they want. So when B2B companies mass customize a product, they compete in the service business of helping their individual business customers define their needs, and then make and deliver customized products to meet those needs for each of their customers.

And further, mass customizing a service turns it into an experience, because when businesses design a custom service that is just right for a particular customer at a particular point in time, the result is an inherently personal, and memorable, interaction.

### **Cultivating learning relationships with each individual customer**

Mass customization also affords B2B companies the opportunity to form deep learning relationships with customers. Pneumatic-valve producer Ross Controls of Troy, Michigan,

developed a service it calls ROSS/FLEX to unify its product development, manufacturing and marketing functions into one integrated team. This team then works directly with individual customers on their unique requirements, solving many issues via simulations run directly with customer engineers. Ross then builds a physical prototype to ensure that it works exactly as simulated. Often, however, customer specifications do not perform as desired in the real world, so should any problems arise Ross offers to build a second prototype, and then maybe even a third – however many it takes to get the valve to exactly match the customer's needs on its own production line. Once that need is met, the valve can be replicated across all the customer's production lines.

Through this 1:1 program Ross gains a singularly powerful competitive advantage by locking its customers in to the iterative innovation process. As one customer put it, "Why would I ever go anywhere else? Ross is already five product generations ahead of its competition!" Not generically for all customers, of course, but specifically for this customer, based on its unique needs. Because of its customized ROSS/FLEX service surrounding its mass customized valves, Ross Controls' industrial customers perceive development, manufacturing and marketing as one integrated experience.

### Real and virtual places

Digital technology enables companies to construct customized offerings in both real places and virtual places. The ability to interact with customers virtually has revolutionized commerce – via websites, with social media, in virtual worlds and even by fostering customers' own imagination on whatever device best meets their individual needs. Consider what the online service Shareables bills as "The World's Most Futuristic Online Sales Experience" from Intaktus in Sweden. When interacting with one of its "LiveShop" sellers such as T-Mobile's Hungary unit and Sberbank in Russia, customers come face-to-face with a salesperson, live and in real time, who then virtually demonstrates the company's offerings on the screen, answering whatever questions arise. It achieves the simple shifting of the sales experience from a real place to a virtual one.

Product development experiences can similarly be shifted, enabling far-flung engineers to collaborate together in a shared virtual place. French software provider Dassault Systèmes, for example, has packaged all of its offerings on as "the 3DEXperience Platform," where its clients can design their offerings digitally in a virtual environment, a process that can be extended into its marketing and sales endeavors and even to its clients' customers. Tradeshow experiences can also be shifted from the material to the digital; scientific instruments maker Varian (now merged with Agilent Technologies) created the virtual "Varian Experience" to enable prospective customers to try out its offerings using a game-like interface.

### Going beyond experiences to transformations

It is by learning from experiences – as individuals and collectively as organizations and businesses – that we start the transformation to whom or what we desire to be. It is only through mastering career- and business-transforming experiences that we ever realize our dreams, attain long-held goals and achieve our aspirations.

**"The Showcase is an effective demonstration of how B2B goods and services are increasingly marketed in an Experience Economy, an arena where interactions are based on what experiences buyers value."**

Everyone is familiar with the transformation business model in consumer service markets – for instance, fitness centers, universities and hospitals. Familiar examples of B2B transformational businesses include management consultants, design firms and companies that invest in and foster startups. What all these businesses have in common is that they charge not just for experiences but for the demonstrated outcomes based on those experiences. Employing this model, almost any B2B business can be transformative if it aims its innovation efforts at satisfying its customers emerging needs and those of its customers' customers. These are the aspirational outcomes that transformative companies provide. Businesses seek out such transformers because they have particular aspirations that they need help in achieving (see "Case: Transformation at MeadWestvaco Corporation").

### Helping customers achieve their aspirations

Corporations more and more seek out suppliers that want to become partners in their customers' success, that help customers help their customers and that think beyond the

#### Case: Transformation at MeadWestvaco Corporation

More so than most industrial equipment suppliers, MeadWestvaco Corporation (MWV), which recently announced a merger with Rock-Tenn Co., embraces these ideas, as indicated by its vision of "Turning Ideas into Impact" to offer life-enhancing and potentially -transforming experiences. The company's website states: "A good idea has the potential to change the world. At MWV, our ideas have a way of becoming innovative solutions, services or experiences that enhance people's lives." [1]

To competitors and outsiders, the 160-year-old, USA\$5 billion company seems like a traditional manufacturer of industrial packaging equipment. Based in Richmond, Virginia, the company focuses relentlessly on not only its customers' individual needs, but its customers' customers' needs through its "Insight to In-Market" program. Its analysts scour the world to discern the constantly changing needs of, for example, beverage consumers, and then it works directly with its beverage manufacturers to translate these insights into manufacturing advances. Its designers simultaneously explore various packaging concepts and the equipment innovations that would be required to manufacture them.

Together, MWV and customers – not just engineers but industrial designers, brand strategists, production personnel and even salespeople – simulate everything in 3D digital technology, from conception through supply and manufacturing through the customer's own distribution network all the way to the shelf of a grocery store. Once the simulation – executed on Dassault Systèmes' 3DExperience Platform – proves successful, MWV then supplies mass customized packaging equipment and assigns engineers to collaborate with customers on their manufacturing lines, providing ongoing support and ensuring that the new design works all the way through the chain to being "in-market." The end result: a successful packaging innovation that potentially helps its customer transform its own business. As Zack Smith, President, MWV Beverage, notes, "From key consumer insights to efficient automation, MWV is there every step of the way, helping our customers connect with consumers, build brands and drive growth." [2]

One recent innovation that does exactly that is the "Hero Pack," which opens up in the middle of the package to highlight one of the bottles, letting consumers see exactly what they are buying. As the company says, "Beverage companies invest heavily in bottles and labels to create an emotional connection with their consumers, but that investment is ultimately hidden behind secondary packaging on the shelf." So the Hero Pack brings the bottle – and that affecting connection with the consumer – front and center. Of course, this "sneak peek" would not make much of a connection if the bottle label weren't visible, so MWV Beverage's equipment ensures that the middle bottle of the six-pack is always aligned with its label facing out.

The end result of the Insights to In-Market experience is that its business customers become hooked on MWV, not wanting to go elsewhere because of the degree of insight, collaboration, customized offerings and results. As Smith explained, "In today's rapidly changing marketplace, our customers require value and efficiencies throughout their supply chain, and we can provide it all through one seamless partnership." [3]

### Transforming your own business

What customers want today are the experiences that occur when a transaction delivers exactly what they want, and produces the transformations that they need. So think about how you should transform your own business to create ever-greater levels of economic value:

- If you innovated in experiences, what value-creating offerings would actually get your industrial customers to want to partner with your firm? Think digital! As manufacturing goes digital, companies can now design products in 3D, embed intelligence inside them, make them automatically and customize them efficiently.
- What marketing experience could you stage that would generate more demand for your industrial equipment? Think big! Telepresence and other communication advances enable global collaboration.
- If you modularized your offerings, could you give your customers exactly the equipment and the industrial services they wanted and do so with low costs, high volume and efficient operations? Think synergy! Mass customization enables customers to also easily modify and play with your equipment in an open innovation environment, effectively co-creating their own customer-unique value.
- If you viewed your company as being in the business of transformations, how could you guide your customers in achieving their aspirations? Think alignment! One way is to synchronize all of your design processes and all operations with those of your customer.

value of the equipment they sell to the far greater value that accrues from helping customers use that equipment effectively.

B2B business need to realize that customers don't really want just products, systems or even solutions. They want a better business. Recognize this: customers that are growing and adapting to their markets don't just buy industrial equipment today because they want the equipment; it is always a means to an end. But companies that sell the end, rather than just the means, will create much more business value for their customers and more economic value for their enterprise.

### Notes

1. [www.mwv.com/en-us/about/insight-to-in-market](http://www.mwv.com/en-us/about/insight-to-in-market)
2. *Market Watch*, "MWV Showcases 'Insight to In-Market' at drinktec 2013," September 11, 2013, [www.marketwatch.com/story/mwv-showcases-insight-to-in-market-at-drinktec-2013-2013-09-11](http://www.marketwatch.com/story/mwv-showcases-insight-to-in-market-at-drinktec-2013-2013-09-11)
3. "MWV Showcases 'Insight to In-Market' at drinktec 2013," MeadWestvaco Corporation Press Release.

### Corresponding author

B. Joseph Pine can be contacted at: [bjp2@StrategicHorizons.com](mailto:bjp2@StrategicHorizons.com)

---

For instructions on how to order reprints of this article, please visit our website:  
[www.emeraldgroupublishing.com/licensing/reprints.htm](http://www.emeraldgroupublishing.com/licensing/reprints.htm)  
Or contact us for further details: [permissions@emeraldinsight.com](mailto:permissions@emeraldinsight.com)