

CHAPTER ONE

Time for a Revolution

"We're going to put a ding in the universe."

- Steve Jobs

The crowd at the MacWorld Expo in San Francisco on Jan. 9, 2007 could barely contain its excitement.

For months, rumors had been circulating that Apple Computer was going to roll out a blockbuster product, a product as significant as the 2001 introduction of the iPod. A confident Steve Jobs entered the stage, peered out at the suddenly hushed crowd, and confidently announced, "Today, we are going to reinvent the phone." It was a brand new phone from a company new to the phone market.

Apple launched the iPhone. And in a few short months the phone industry was changed forever.

It was a bold step for Apple. Apple was entering a field crowded with tough and experienced competitors. Where exactly was the opportunity for a new entrant to compete with all those successful companies making phones? Some companies, already in the market, manufactured phones with great value. And others were adept at consistently introducing new technologies, styles, and advanced features.

Before 2007, there were already many successful companies making smartphones, which combine computing, Internet connectivity, and other capabilities into a wireless phone. Before Apple entered the market, these smartphone companies included formidable competitors such as Nokia, Research in Motion's BlackBerry, Palm, and Motorola. These telecommunication giants leapfrogged each other every three months, constantly adding innovative features and functions.

Suddenly, one day with one announcement, Apple changed the playing field by changing customers' expectations of what a smartphone should do for them. In the first year of production, Apple sold 3.7 million iPhones, with one million sales in the two months following its introduction.

Before the iPhone, Apple was primarily a computer company, not a phone manufacturing company. And its entry into the phone market was in many ways a competitive failure. The iPhone was expensive, with a poor camera, no 3G capabilities (a standard at that time), no keypad, and no memory card. In addition, it could only be obtained from one wireless service provider, AT&T, and required a two-year contractual commitment to be linked to its wireless network. But this technologically weak and feature-poor product transformed customers to enthusiastic advocates at a rate unseen in the smartphone market.

As Apple saw it, success in this market wasn't about the technology, features, the calling plan, or the price. While all those are important ingredients, Apple iPhone delivered exactly what it promised—an extraordinary *experience*. From the time people heard about the iPhone until they became customers and then enthusiastic advocates, the iPhone offered, by far, the best smartphone experience.

Customers flocked en masse to phone stores to replace their old phones with the new iPhones. Even though their old phones were quite adequate, they wanted the charm, buzz, coolness, fun, aesthetics, and prestige of Apple's new product. Most of all, they wanted what they heard so much about from iPhone owners, the pleasurable experience of using it. This was something unavailable from any other phone in 2007.

Best of all for Apple shareholders, the iPhone was extremely profitable. Apple grossed fifty percent on each sale. Apple gained fourteen percent of the cell phone market in a year and its stock rose forty-four percent. The industry and its customers were so changed that four years would pass before another company, just as new to the phone industry as Apple was in 2007, would directly challenge the iPhone.

That company was Google, which introduced its Android phone in January 2011. And the people at Google are every bit as passionate and committed to anticipating, creating, and coming through with remarkable customer experiences as Apple. Like Apple, Google has superior brand and technical staff that continue to innovate faster and better than most of the competition.

It is no accident that in the experience revolution, these two players, new to the phone industry, are battling for smartphone supremacy. They are both masters of customer experience—changing industries and customers lives forever.

Creating the iPhone Customer Experience

The iPhone offered an innovative experience by intimately understanding and anticipating what people wanted to do with their smartphones and what experience they wanted doing it. Apple carefully combined technology from other products into a hand-held device to purposely create a pleasurable experience for the smartphone user. The iPhone promised and delivered that pleasurable experience as a phone, an Internet communicator, and a music player.

Apple began studying the market and their competitors at least three years before they introduced the iPhone. The best customer experiences had come from easy-to-use *QWERTY* keyboards, phones that were smaller and lighter than average phones, built-in cameras, Bluetooth compatibility, and screens that made it easier to make and receive calls.

The phone makers often included a stylus to poke and type on the tiny keys of their phones. The stylus was generally unpopular. It was an enlarged toothpick-like pointer, a potentially dangerous poker that was precarious to use. People would worry about where the stylus was or even lose it. The real job of the stylus was to help people adapt to the phone maker's hardware. The stylus got in the way. When smartphone owners were focusing on poking their device, the stylus ultimately disconnected most of them from the world around them.

Phone makers promised ease of use. But customers' actual experiences were hampered by phones that had cramped keyboards and tiny hardware pieces that many reviewers and users experienced as feeling "unsure, toy-like or plastic." Some people lamented the lack of a scroll wheel for navigating. Broken promises, hardware-centered experiences, and a decline in consumer confidence in existing smartphones created an opportunity for Apple to create a better product.

The smartphone experience Apple created started with the elegance of the phone itself. During the iPhone introduction in January 2007, Steve Jobs confidently asserted that Apple designed something that fits beautifully in the palm of your hand. Most people agreed. The iPhone was thin— at 11.6 mm in depth, thinner than any smartphone ever before. It had a 3.5-inch high-resolution screen designed to occupy most of the iPhone's front. This touch screen was accompanied by only one button in the center below it. That button took you *HOME*. Having only one button made it difficult to get lost.

Apple changed everything by drawing on insight about what makes successful interactions between people and computers. They replaced the user-resistant fixed-in-plastic buttons and tiny keyboards with a daring interface. The stylus was replaced with the human finger—what Jobs called, "The best pointing device in the world. One we are born with." To assure that the screen and finger were a gratifying and efficient combination, Apple developed what it calls "Multi-Touch" for the screen. Multi-Touch fine-tunes the screen to interact with people's fingers by ignoring unintended touches and hover motions. Kiosks had used touch-screen technology for years, but Apple was the first to bring a refined version of touch-screen technology to the phone. In addition, the iPhone let you "pinch" the screen with your thumb and forefinger to zoom in and out on a Web page, map, or photo.

This intuitive touching of the screen, or gesture-based interface, allowed users to "flick" through a menu, between photos, or from one screen to the next. This is very much like the experience of turning the pages of a book in real life. It is natural, engaging, and for many, fun. Gesture-based interfaces are not new, but Apple made them new on a phone. In a blog post by the *New York Times* columnist David Pogue, he quoted a customer who said, "It's fast, beautiful, menu-free, and dead simple to operate." Another customer commented in an online iPhone review, "I honestly can't describe to you how much of a pleasure the iPhone is to use, and compared to pretty much any other mobile device, it's in a completely different league."

Jobs spoke out passionately during the iPhone's introduction, saying, "most phones have software that is crippled." He promised that the iPhone would now give us "real desktop class applications at least five years ahead of the software that is now on any phone." It did. And it did it with software that supported most everything that people wanted to do with phones and computers in 2007, including high quality sound, animation, networking abilities, power management, and security.

E-mail was fully formatted, including graphics. You could open Word, Excel, and PDF documents. Within only three years of its introduction, the iPhone offered a selection of over 300,000 applications including games, lifestyle, social networking, and education apps.

The lure of the iPhone confounded many competitors. Some of them had trouble understanding the customer experience advantage of the iPhone. In an interview with Bloomberg Businessweek, former Nokia manager Dave Grannan describes how Nokia management viewed the new competition. "Nokia's initial reaction to the iPhone is the most embarrassing example of what went wrong. When Steve Jobs unveiled the device in January 2007, it was widely disregarded. The attitude was that we'd tried touch screens before, and people didn't like them. [The iPhone] had no multimedia messaging capability. The reception and sound quality were poor. It couldn't be used with one hand. There was nothing to fear."

Inside Nokia, there was no curiosity about why the iPhone was suddenly so successful. There was no meaningful review of what changed the context of the market and created new customer expectations. Nokia's legacy company mind-set was still evident three years later. In 2010, Stephen Elop became Nokia's new President and CEO. His mission: to turn the company around. "In one of his first meetings with employees, Elop recalls, he complained that there were different keystrokes required to mark an e-mail unread on the various Nokia phones he used. When an engineer in the crowd stood up and said Elop was wrong, the CEO invited him on stage to prove it. After some tapping, the engineer sheepishly backed off. 'You're right,' he admitted." Elop's assessment: "Almost everything that Nokia had done since 2007 was wrong."

The introduction of the iPhone is just one of an unprecedented series of product successes Apple has had in the last decade. The iPod, iPad, and operating system and computer hardware improvements have all made Apple a company that customers care about. Apple's ability to give customers a great "Apple experience" has made that company a formidable competitor.

Apple is a company committed to being in the business of delivering extraordinary experiences and generates sustainable value from its investment in that area. Morningstar, Inc. points out in its analysis of Apple in the smartphone market in early 2010, "We believe Apple's soup-to-nuts model of integrated hardware, software, and application distribution is the key to the iPhone's success because it allows Apple complete control over the user experience. The elegance of the

iPhone's user experience has attracted a multitude of users with more than 33 million units shipped to date. The growth in users has in turn brought software developers to the platform, and most importantly, developers are making money selling applications in the App Store."

The same can be said of Apple's success creating the market for the tablet with the iPad. With an average selling price of \$595 to \$645, the iPad sold almost 15 million units worldwide in 2010 since its introduction in April of that year. Apple purposely created the tablet market by developing and delivering positive customer experiences for mobile customers. With the release of Apple's operating system Lion, the customer experience on the computer now matches the mobile experience, with touch-screen capabilities that customers have come to expect across all Apple's products.

The iPhone is a great example of how a company can create a complete customer experience that results in major success. Apple did its homework before it entered the smartphone market, and then designed the product from the ground up to reflect how customers would want to use it. The iPhone included the features that were important to customers—Internet connectivity, phone and texting, a music player, strong graphics for games—and paired them with an ease-of-use sensibility that no other smartphone offered. Apple has been a leader in design aesthetics since its inception, and the iPhone continues that tradition with its minimalist look that is driven by the way the product looks.

All of these factors taken together make the customer experience of the iPhone one that is exemplary, and one that keeps customers buying every time a new iPhone is introduced.

Customer experience is key to success today. A thoughtful, well-designed customer experience will take a product from good to great, and will make a company a market leader. Apple has used customer experience to capture new markets that have turned the company from a quirky computer manufacturer to a technology powerhouse.