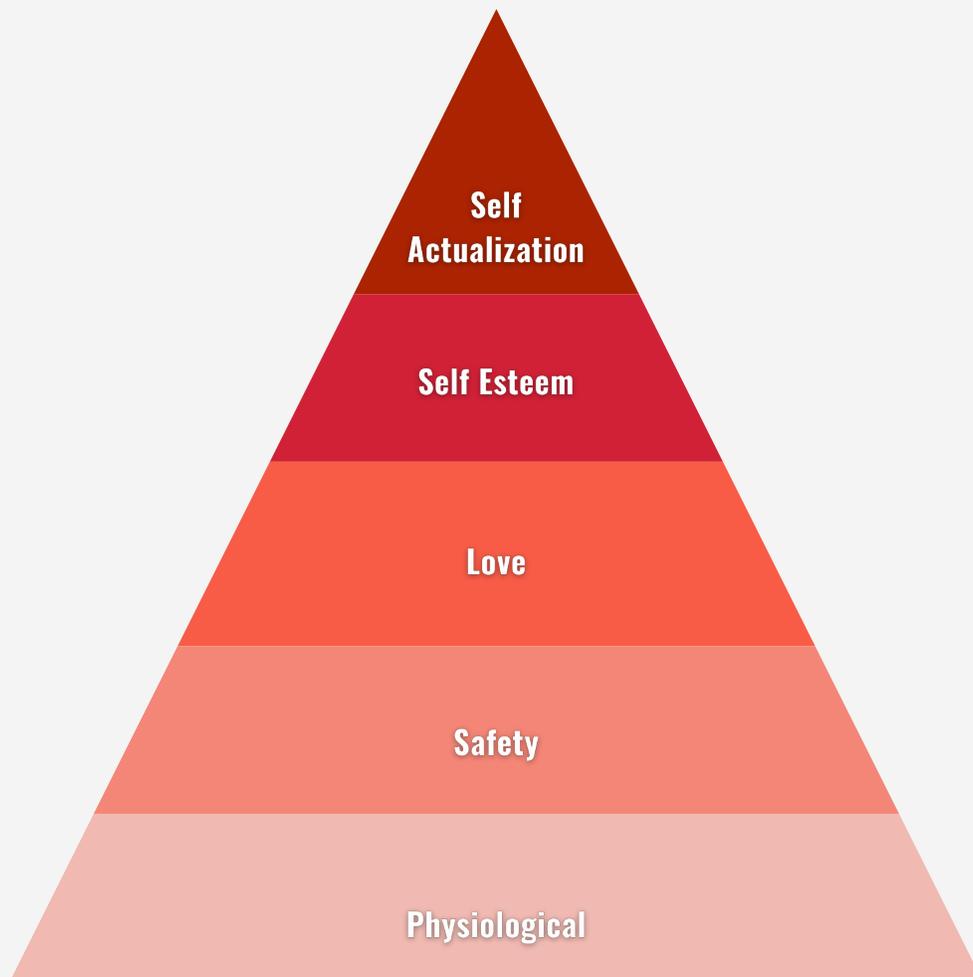




The Creative Technology Company

Adapting Maslow for Digital Transformation

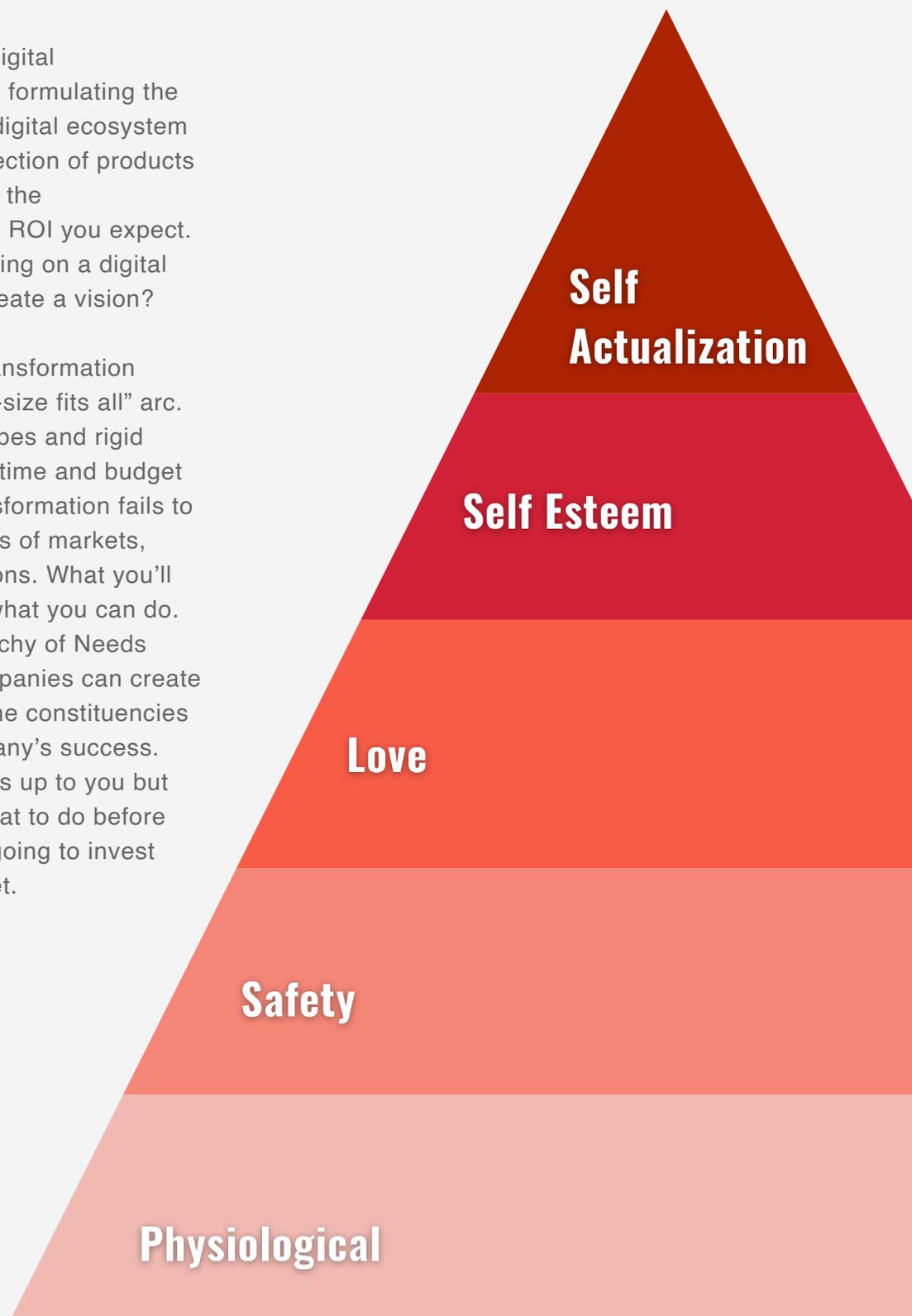
A whitepaper from EXSquared



The Idea in Brief

The most difficult part of digital transformation for many is formulating the vision. Without this, your digital ecosystem can end up a random collection of products that fall short of delivering the transformation results and ROI you expect. So how does one, embarking on a digital transformation journey, create a vision?

First, ignore any digital transformation advice that follows a “one-size fits all” arc. Digital transformation recipes and rigid roadmaps will waste your time and budget because prescriptive transformation fails to account for the uniqueness of markets, customers and organizations. What you’ll find here is an outline of what you can do. Borrowing from the Hierarchy of Needs format, we show how companies can create user engagement within the constituencies most important to a company’s success. The specific way forward is up to you but it’s worthwhile to know what to do before you decide where you’re going to invest your transformation budget.



WHAT'S UP



In this paper, we cover:

- Maslow's Hierarchy of Needs and Alderfer's update
- How Maslow can apply to organizations and users
- A vision/plan for developing your digital transformation
- The importance of understanding user expectations
- A Maslow/Alderfer-like digital transformation roadmap
- Digital transformation examples in the real world

Takeaways after reading everything:

1. How to get started building your digital transformation roadmap
2. A new perspective for understanding your users
3. How a needs-centered plan perfectly aligns with the Expectation Economy



Human beings are the same as they have always been. They have not changed—they want the same things they have always wanted. What has changed is consumers' ability to get what they want. This has led them to expect that their needs can and should be met—more often and more completely than ever before in human history

James McQuivey

Principal and VP, Forrester Research



When it comes to the behavioral motivation of humans, the first port of call for most is Abraham Maslow and his Hierarchy of Needs research that stratified human behavior based on choices and actions. Referenced and dissected for almost 80 years, it's continued to be a very useful framework to explain why humans do what they do. In this paper, we replace the individual with the organization, applying a Maslow-like approach to the topic of how companies can progressively and smartly invest in digital transformation. We discuss what companies should do to maximize the transformative power of digital technology for everyone who's a prospect, customer, employee or partner.

While we borrowed from behavioral science, our 21st-century adaptation isn't a 1:1 alternative. Rather than a replica, ours is an illustrative roadmap to provide examples and an idea of where you can start and where you can end.

(JK: There is no end. Digital transformation is an endless journey that produces happier customers, more responsive partners, more engaged employees and larger top and bottom lines. But there's no "You've Arrived" finish line).



Revisiting Maslow: When You've Forgotten Psych 101

Long before Simon Sinek asked us to find our why, Abraham Maslow organized human motivation into one of the most seminal—and enduring—theories of human psychology and behavior. Maslow's Hierarchy of Needs, a social construct first introduced in his 1943 paper "A Theory of Human Motivation" (later expanded in his 1954 book *Motivation and Personality*) described a series of needs driving our choices and behaviors as humans.

A staple of college psychology and marketing curricula, sociology research and management theory, Maslow's hierarchy describes five interdependent levels of basic human needs. The needs at the bottom are fundamental to survival, evolving to become more social and psychological in nature as the individual progresses to the top of the model. With the needs at each level met or achieved, the desire to advance to the higher pursuit kicks in. Maslow originally presented it as a conditional sequence of stages in which each need must be completely fulfilled in a person before he/she can move up to the next level.

While Maslow didn't include any triangle or pyramid illustrations in the original layout to help readers understand what he was talking about, the theory is now almost always presented this way.

Self-Actualization

Self-fulfillment and achievement is the apex of the pyramid and the human experience. Its embodiment is doing what you were put on the planet to do. Maslow described it this way: “A musician must make music, an artist must paint, a poet must write, if he is to be ultimately happy. What a man can be, he must be.”

Esteem Needs

These needs relate to accomplishment, social recognition and gaining the respect of others. The end result is that we feel good about ourselves. For millennials, there’s nothing more esteem-building than a social media post that goes viral.

Love Needs

This is our sense of belonging to a tribe where we seek out individuals and groups for social engagement, sexual intimacy, relationships, affiliations and acceptance. These social needs drive us to find a romantic partner, start a family and join a religious group or Crossfit gym.

Safety Needs

Without feeling safe and secure, life is stressful. We habitually do what we can to avoid wild animals, extremes of temperature, criminalia, physical threats and tyranny. A man or woman who no longer feels endangered is much more productive, which explains why we also prefer employment with tenure, savings accounts and insurance of all kinds.

Physiological Needs

Fundamental to the survival of the individual and community, these needs fit into eating, drinking, shelter, sex and porta potty categories.

The stages of the hierarchy are consistent for all humans, irrespective of variables such as gender, ethnic identity, culture and location. What differs between individuals is the specific activities undertaken within each level to address the need.





Maslow and a Warm Bed

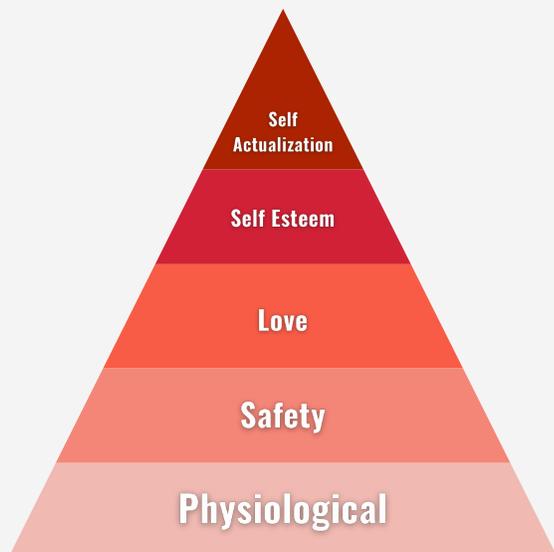
Chip Conley leaned on Maslow to build Joie de Vivre Hospitality into the second largest chain of boutique hotels in the US before joining AirBnB as Head of Global Hospitality and Strategy. He wrote *Peak: How Great Companies Get their Mojo from Maslow* to explain how to translate Maslow's theory into specific actions that can ultimately produce an enduring and profitable corporate culture.

The barebones expectation of a night in a hotel, what's necessary to satisfy Maslow's "physiological" level, is a bed and access to a bathroom. Moving up the pyramid, a hotel might offer wi-fi, telephone and cable TV. Next, we would expect room service, access to a bar, a pool and perhaps a spa. At the highest level, self-actualization, a luxury hotel can offer something intangible yet highly valued by guests, a changed self-perception. It's one thing to stay at Motel 6, but when you stay at a W, for example, the feeling is a refreshed identity; you become somebody else during your stay.

Introducing Alderfer

Do you know your Alderfer from your Maslow?

American psychologist Clayton Alderfer updated Maslow in 1969 by releasing a “condensed” version he called the ERG (Existence, Relatedness and Growth) theory. While it retains most of the elements of the Hierarchy of Needs, it grouped needs into fewer categories and accepted that humans are not as rigid as the original theory supposed. Alderfer’s update allowed for non-linear fluidity in what we value and how we make decisions.



Existence Needs

Includes material and physiological desires; from air, water and food, to clothing, love, affection and security.

Relatedness Needs

Includes social and external esteem, personal relationships and the need of recognition and belonging in groups and family structures.

Growth Needs

Includes self-esteem and self-actualization and the drive to be productive, creative while pursuing meaningful tasks and achieving one’s potential.

How three well-known brands have succeeded in these areas:

	Harley Davidson	W Hotels	Salesforce
E	Transportation	Safe place to lay your head at night	A warehouse for important customer data
R	American quality	Cool place to stay and socialize with trendy people	Tools to increase sales
G	Personal freedom	Be the cool person you always wanted to be	Discovering and retaining the essential relationship over customer lifetime

With its inherent flexibility, the ERG theory is more applicable to digital transformation than Maslow:

- Organizations beginning or in the middle of a digital transformation journey will find the ERG theory easier to understand and adapt when creating their vision and roadmap.
- Maslow’s theory was inflexible. There wasn’t a place for the starving artist who lives for her art in spite of unreliable shelter and an overreliance on ramen dinners. Alderfer’s acceptance of flexibility perfectly aligns with the digital transformation reality that differs from one company to another due to a host of factors, such as markets, industries, business models, sales, users and legal considerations.

The iPhone Effect (Digital Transformation Gets Real)

While these motivation theories took shape in the middle of the last century, how do they apply to businesses in a modern, always-on world in which so much human activity happens digitally? We need to travel to Cupertino, CA in the heart of the Silicon Valley, using a flux capacitor mounted in a DeLorean to return to the mid-oughts and Apple's iPhone project.

The iPhone was a complete bar-resetter. When Apple's unveiled it in early-2007 and tens of millions of consumers immediately bought an iPhone 3, they discovered a radically different customer experience unlike any available to the general public. The iPhone was a phone, a camera, a music player, an email device and web browsing machine in one. It connected to iTunes to provide access to music and media. It effortlessly configured all your communications. It discovered your wi-fi router without asking permission. Software upgrades were streamlined.
It. Just. Worked.

Instantly, the user experience threshold for companies selling anything to anyone soared.



The Expectation Economy

When it comes to customer expectations, there's pre-iPhone and post-iPhone. The iPhone ushered in a new era of digitally-driven expectation across a wide range of product and service preferences, options and choices.

We are now in an expectation economy where everyone—your prospects, customers, employees and partners—expects everything to not just work, but be incredibly simple and full of features they didn't know they needed. The customer experience that Apple created has become the experience that consumers now expect every company they consider doing business with to at least approximate. Zappos, Netflix and Amazon became category leaders because they know that consumers now expect their cars to sync with their phones, information to be instantly accessible across devices and purchases to appear within days at their doorstep.

Businesses must deliver for more than one audience. Their prospects want more pre-sales product information while customers expect almost immediate post-sales service. Employees prefer to work for companies that will provide them with tools and information to accomplish more in their roles. Partners and vendors want more seamless transactions, whether its purchasing or accessing sales collateral for field reps. From the moment an app is downloaded, a support ticket submitted, a report generated or a new improvement requested, the user experience must be seamless, flawless and fast. When it comes to purchasing, businesses have similar "It just works" expectations of their vendor experience, whether the purchase is a server, treadmill desk or coffee subscription.

Businesses that want to remain competitive have no choice but to do a lot better than the bare minimum. In poker terms, that's the ante. They have to meet expectations, otherwise consumers will gravitate to companies better able to deliver the stress-free simplicity of the iPhone experience. People want this throughout their day, whether choosing a new dishwasher, ordering shoes, paying for highway tolls, buying ferry tickets or having a 3D tour of a prospective college dorm room. Friction or inconvenience of any kind stands out. Organizations unable to deliver ease and simplicity will find themselves running a Class 5 river to oblivion.



Motivation in Digital Design

Nowakowski's perspective is a two-sided coin; one's digital disruption (users) is another's digital transformation (companies). Wants may be paramount for users but companies seeking their patronage (prospects and customers) and support (employees and partners) have very specific needs.

This is how digital transformation looks at a high level when the interests and priorities of companies and users intersect digitally through tools and resources such as a marketing website, live chat, customer portal or channel sales dashboard.

Relatedness

Delivering at this level ensures you can remain competitively relevant in your industry and gain market share. It's digital that engages with users on multiple platforms and devices and across communication channels. It's comprehensive and truly omnichannel. It requires an organizational commitment to invest the money, time and people for planning, configuration, management and maintenance.

Growth

Get this right and you will grow and dominate. You'll be a category leader and almost guarantee world-of-mouth-driven growth and customer evangelism. At this level, you're delivering experiences that exemplify the brand, and create customer engagement and identify.

For many companies, this will require a serious and long-term investment in digital transformation. For others, the digital transformation threshold can be much lower and much less expensive due to factors such as industry competitiveness, sales cycle and type, customer purchase frequency, headcount, sourcing processes and of course overall business strategy.



Human beings are the same as they have always been. They have not changed—they want the same things they have always wanted. What has changed is consumers' ability to get what they want. This has led them to expect that their needs can & should be met—more often and more completely than ever before in human history.

James McQuivey
Principal and VP, Forrester Research

Existence

These will help you stay alive and in business. For most business categories and company sizes, this is the minimum. It is the totality of digital experiences that every organization must provide customers, prospects, employees and partners to remain in business. As digital transformation becomes more widespread, creating this foundation will be increasingly synonymous with survival.

A Model for Digital Transformation

Millions of digital transformation dollars are wasted and projects fail because technology is selected well before user needs have been thoroughly analyzed, mapped and ranked. Creating a digital transformation plan for your organization is a two-part exercise. Part one is mapping user expectations. This step should be done for prospects, customers, employees and partners (vendors and sales channels) to generate a 360-degree view. After creating this map, you can then begin to look at what technologies best align to meet those needs.

Understanding your users

The simplest explanation of this step is to study the experience users expect and figure out how to give them that and more. You need to go beyond focus groups and data analysis. You want to discover who they are, their demographics and preferences, what they want to accomplish and how savvy they are. Do they expect a mobile experience? What do they do in your retail stores? Do they prefer to shop by phone? Are they overseas? Users going into a digital experience have expectations about the experiences they want companies to deliver to them. These expectations may be surprising.

Returning to the lodging industry, imagine that you head digital transformation for a budget hotel chain like Motel6 whose business strategy is built on cost-cutting and savings.

Because you want to deliver value and reduce cost, your initial plan might be to deliver an online experience that falls short of the white glove treatment. The disconnect could be that your target market, now habituated to the expectation economy, may have different expectations and want something somewhat decent.

Motel6 may not necessarily need to deliver the same digital experience as the W hotel because they compete on two different levels. While a Motel6 customer is not a W prospect —and vice versa—Motel6's customers may still have certain expectations going into a digital experience that don't necessarily align to the company's strategy.

Imagine you also have a friend who is planning a cross-country road trip and will stop at Motel6 en route. She likely expects some kind of loyalty program that will flag her preferences. It might know her arrival times, provide a reserved parking space and retain her credit card on file so she doesn't have to spend time checking in. She just wants to pick up her key and go to the room without waiting. She expects to use a mobile app to help her with limited-clicks check-in and departure. Even though Motel6 is a budget brand, the expected customer experience is not. Given that Apple has shown is possible, it shouldn't be surprising that more and more consumers will expect this kind of limited friction experience, despite it differing from the brand profile.

Balancing your business strategy against user experience is really important.

Identifying the baseline

With a clear idea of what users expect, you can proceed to planning what your digital experience will look like. The easiest place to start is studying competitors in the industry and seeing that functionality and features that have clearly become standard. What are others delivering? What's expected? Find the base layer by looking at who they are and how they're meeting expectations you identified in step one above.

Don't assume or overlook the digital savviness of your market. If you're dealing with a younger audience, you might need a larger social media component. If your audience skews older, maybe it's a lot less functionality, with some analog features such as a click-to-call option to speak with a support rep who can usher them through the experience. If you're in a B2B market, you may have to work across departments and therefore deliver separate functionality and different features for different audience members.

As you continue your research and analysis, try and figure out how to rise to baseline plus one where you're aligning more with the related-ness level of the pyramid. It could be some kind of hyper personalized experience such as a real-time connection option to someone who can provide one-to-one care.

Baseline +1 enables you to build a relationship that is more than the sum of features

Identifying unrecognized needs

Henry Ford famously observed that customer research had its shortcomings: "If I'd asked my customers what they wanted, they would have said a faster horse." Investing in digital transformation creates an opportunity to deliver something your users didn't know they needed. How about offering a customer portal in which you provide access to your supply chain data so they will have more information about the availability and arrival of materials or goods?

Nike's running app syncs with its sports watch to track the recommended lifespan of shoes. Nike recognized that this was something runners needed. What makes this tracking stand out is that the tracking works for non-Nike shoes as well. Even if you run in Adidas, Nike will notify you when your shoe mileage has reached the target distance. It's a feature all runners definitely appreciate and a clever way to collect user data. It's also a potential way to cross-sell and cross-promote Nike models that are similar to the Adidas shoes you currently prefer.

Digital transformation at the highest level doesn't always have to meet an unrecognized need. However, it's a worthwhile exercise to start with user expectations at the base level, identify a true transformative experience, then go a little further and offer them something completely unexpected.

Meeting an unrecognized need with something truly unique in your category will create huge goodwill and brand affinity

Aligning corporate strategy with your brand

The digital experiences you deliver to your users (prospects, customers, employees and partners) should align with your corporate strategy. Are your brand attributes consistent in these interactions?

Consider companies like SoulCycle, Peloton and Trader Joe's where customer affection borders on rabid. One reason is that their customer experiences are almost robotically consistent. (Trader Joe's continually introduces new food products, making it a fantastic "meeting an unrecognized need" case study).

Luxury brands like Gucci and Chanel carefully deliver luxury across every interaction. Perhaps your brand is founded on "membership has its privileges" exclusivity. You prevent people freely joining and most of the good information is guarded or gated and you have to be a member of the community to belong. In this case, you don't just get to belong, you have to be qualified.

It's really aligning your brand and brand experience to the customers and making sure that that strategy is coming through. That is really understanding how you want your buyers to feel. In the case of Harley-Davidson, Harley buyers don't necessarily enter showrooms shouting "I want to buy freedom" but the company wants them to feel that sentiment while riding the open roads. If you're the W hotel, no one says "I'd like a room for the weekend because I want to pretend to be a hip, cool person." This, however, is what the hotel wants guests to feel like. In other words, you need to really understand and define your brand's transformative experience.

All companies, budget, luxury or in between, can deliver transformative experiences.





A Digital Transformation Progression

What does digital transformation look like when it's translated from flow-charts and wish lists into systems, tools and processes for users? Defining and implementing your roadmap will depend on priorities, needs, budgets and other factors, many of which you will learn from studying and truly understanding your audience.

This is how transformation can look and be progressively implemented as discrete projects for prospects, customers, employees and partners across the Existence, Relatedness and Growth levels. Over time, you could start with a website and end-up with a sophisticated self-service ecommerce site powered by AI.

	EXISTENCE	RELATEDNESS	GROWTH
PROSPECTS	<ul style="list-style-type: none">• Website• Where to buy search• Sales information	<ul style="list-style-type: none">• Customer reviews• Content portal• Regional sale information	<ul style="list-style-type: none">• Free trial• Selection guides• ROI calculator
CUSTOMERS	<ul style="list-style-type: none">• Customer portal• Membership site• Mobile app	<ul style="list-style-type: none">• Account information• Customer community	<ul style="list-style-type: none">• Pre-launch sales exclusives• Tiered partner access
PARTNERS	<ul style="list-style-type: none">• Partner portal• Marketing/sales• Information	<ul style="list-style-type: none">• Tiered partner access• Language and country support	<ul style="list-style-type: none">• Customizable marketing collateral• Personalized account information
EMPLOYEES	<ul style="list-style-type: none">• Corporate intranet• Corporate policies• How to/ support info	<ul style="list-style-type: none">• Personalized benefits• Department information	<ul style="list-style-type: none">• Brand ambassador mobile app• Corporate giving portal• Carpooling/rideshare info

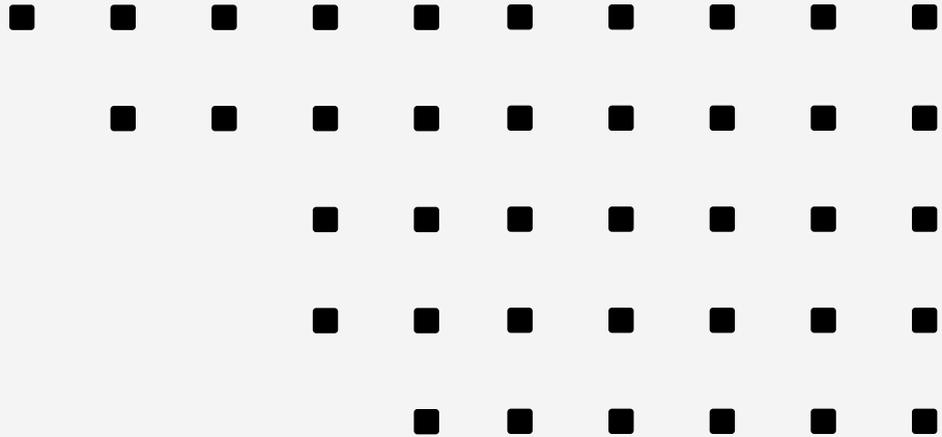
Digital Transformation in the Real World

As we've shown, digital transformation is not a recipe or endpoint. For many companies, it's a winding journey filled with iteration and trial. Here are some observations and opportunities we've seen at Ex Squared while helping companies digitally transform for 20+ years:

One of the best ways to increase sales online is to get your prospect to imagine themselves with your product. It's baffling that so many online stores overlook this. "With" means standing with, wearing, holding and using the product exactly as intended. If you're selling exercise clothing with hydrophobic wicking properties, show someone at the beginning and sweaty end of the workout, rather than just the arrival at the gym.

- If you sell clothes, put them on different shaped models. And include the model's size, weight, height, other relevant measurements, as well as the size of the items of clothing they're wearing so visitors can judge sizing.
- Home sellers are offering 360-degree home tours that allow the buyer to see the entire environment.
- On some furniture retailing sites, shoppers can input room dimensions so that they can see how a sofa or table might fit in the space. Shoppers can also upload room photos, select the items they're considering and see how they work together through the magic of Augmented Reality.
- B2B sellers might offer reports that include pieces of the prospects' data so they can have some analysis they can actually use.
- Coca-Cola wanted to improve how employees acted as brand ambassadors, even unofficially. The company developed a mobile app that employees can download onto their phones to help them.
- When wearing company-branded apparel, Symantec employees were often stopped in stores by people seeking answers to their support questions. Symantec printed business cards with a special support telephone number for employees to hand out in these situations.
- Online communities have long featured as a place for customers to congregate. Nike and Peloton's online communities allow members to compete against one another. More usage like this typically produces more brand engagement.
- On Spam's Facebook page, members can trade recipes.

These may not equate to grandiose digital transformation visions, but transformation doesn't have to be grand or expensive to be effective. It has to be relevant to the audience. Here are some more real-world examples from our staff about their experiences. It's not hard to see which are positive and which experiences could use some digital assistance.



Corporate Mergers and Acquisitions

AT&T is a giant company. While it invests billions of dollars annually in marketing, customer service and operations, it can't figure out how to deliver a unified customer interface for its many brands. An anecdote from from one our staffers:

"I am a four-service AT&T customer: home security, Internet, mobile phone and DirectTV. I was a DirectTV subscriber before AT&T bought them in 2015. After the deal was finalized, I had an expectation that within weeks my DirectTV account would be added to my AT&T account so all my account information would be in one account dashboard. I expected this because this is my experience at other companies such as Apple. It's 2021 and an integration that seems fairly simple never happened. And now that AT&T is spinning DirectTV (scheduled for the second half of 2021), I'll still have to log into two sites."

This is an example where companies that actively anticipate customer expectations and needs won't suffer from falling short of them. AT&T could have easily integrated DirectTV billing and customer support into its portal to provide a seamless experience, not to mention the obvious cross-marketing opportunities.

Global Shipping and Customer Service

The "Track My Package" functionality offered by package delivery brands is one of the best examples of how to use digital transformation to provide a superb customer experience. It doesn't have the accuracy of GPS but a tracking number from FedEx or USPS is all it takes to obtain a sufficiently precise location of an inbound or outbound package. Combined with text message notification options, customers are never in the dark about deliveries.

Towing Companies

"When's the tow truck coming?" Enabling companies to answer simple customer questions like these are one of the simplest ways to use digital technology to make customers really, really happy. Fortunately for towing company customers, apps now exist to automatically notify them of the pending arrival of drivers. It's a specific use case easily solved by the ubiquity of smartphones and may not fit the digital transformation definition (large multi-product, multi-platform implementations) of many, but it is tangibly transformative for a driver parked on the edge of an Interstate.

Towing Companies

“When’s the tow truck coming?” Enabling companies to answer simple customer questions like these are one of the simplest ways to use digital technology to make customers really, really happy. Fortunately for towing company customers, apps now exist to automatically notify them of the pending arrival of drivers. It’s a specific use case easily solved by the ubiquity of smartphones and may not fit the digital transformation definition (large multi-product, multi-platform implementations) of many, but it is tangibly transformative for a driver parked on the edge of an Interstate.

Quick Lube and Smog Checks

Your local smog shop (if you live in a state that requires regular emissions certification) is likely a long way from digitally transforming its operations. If it were to invest however—even a little—it would immediately distinguish itself within its local market. The typical process to book an appointment in 2021 at a small Mom & Pop smog shop in California is to search online, find the shop’s business page on Google and click-to-call or dial manually. From there, you have to speak to someone and choose a date. You drop off the car, wait 15-20 minutes, pay the fee and leave. The waiting room may offer wi-fi, but there’s nothing else memorable about the visit or the overall customer experience. The shop is also unlikely to request your email address for a future reminder sequence or have any referral program. With the exception perhaps of a website and Google business profile, the shop could be operating in 1975. This is a business category ripe for digital transformation.

The waiting room may offer wi-fi, but there’s nothing else memorable about the visit or the overall customer experience. What if the quick lube asked your average monthly mileage so it could email you an “It’s time for your next oil change” reminder? The shop is also unlikely to request your email address for a future reminder sequence or have any new customer referral program. With the exception perhaps of a website and Google business profile, the shop could be operating in 1975. These are two business categories ripe for digital transformation. Instead of waiting for customers, they could easily use digital to drive demand.

Transforming Tomorrow

As Maslow and Alderfer capably pointed out, humans have specific levels and types of motivation. Similarly, customers have expectations about how companies can stand out and make them feel wanted, appreciated and well served (what they're already getting from a rising number of companies). The great opportunity in front of millions of businesses around the world is to use digital technology to transform and progressively mirror the transformative genius of companies like Apple and others.

There are several ways to create a vision for your digital transformation. Taking an Maslow/Alderfer-like approach may be the right way to start yours. But remember that transformation is not simply cobbling together a group of products, it should begin with an in-depth look at your users after which you develop your functionality roadmap. After you go live with some of these projects and start to see the ROI data arrive, your tomorrows will be much more digitally focused.

For more information on how we at EX Squared see the opportunities that digital transformation can deliver, visit www.exsquared.com/digital-transformation.



The Creative Technology Company

we **imagine, build, & evolve** digital products that people love

We are a bunch of rockstar developers, designers, marketers, geeks, innovators, technologists and futurists. We know that digital engagement starts in the gut so we use empathy as a strategic tool. We apply creativity to technical solutions and use technical thinking for creative challenges.

We shun bureaucracy and act swiftly. Embrace curiosity. Challenge assumptions and pivot quickly. Client success is serious business but we have a great time doing it.

www.exsquared.com
