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Capturing Hearts, One Upgrade at a Time

By **DAMON DARLIN**

PRODUCT designers have always tried to cram new features into their wares. They may finally be figuring out how to build in some brand loyalty, too.

Every time we have to replace a product, our loyalty is tested. It's not a painful test when the product is a box of cornflakes, but it is when it's a consumer electronics gadget costing several hundred dollars — and when it has grown obsolete before it has worn out.

Manufacturers can extend a product's life with software upgrades — a business practice that, on its face, may sound crazy because consumers may replace the product less often. But these upgrades may actually encourage people to stick with the brand when it's time to buy again.

Consider the cellphone. You buy it with a two-year contract from a network provider, an arrangement that encourages a regular and timely churn of customers. But **Apple** essentially gives its **iPhone** owners a new phone several times during that contract period.

When it introduced the iPhone 4, for example, it said the phone would have new operating system software, giving it more powers than earlier models. That might have been an incentive to dump the old phone and to buy the new one.

But Apple also downloaded the same software to the previous year's model, the iPhone 3 GS. Suddenly, that old phone could run an application in the background while another app was being used, apps could be organized into folders, and users gained access to Apple's new electronic bookstore. Without having to spend a dime, people got what was essentially a brand new phone, one that could do nearly everything the newer model could do.

Was this a stupid move by the company? To the contrary. Apple still offered incentives to buy a new phone, but those enticements were built into the hardware, like a front-facing camera so a user can make video phone calls. While Apple's existing customers were locked into contracts, they didn't need to spend the duration seething with envy and resentment. (Well, some people seethed because they thought it made their phones slower or buggier.)

“It's delightful for the consumer when they turn on a device and it has all this new functionality

that it didn't have before," says Sarah Rotman Epps, a consumer products strategy analyst at Forrester, the market research firm. Apple is expected to upgrade the cellphone software again this month.

Software upgrades are nothing new, of course. But they traditionally have been limited to, well, software. [Microsoft](#) still bombards PC users with announcements of update installations, usually to fix problems. Adobe won't let you forget that Flash needs refreshing.

Other companies are a little more discreet. [Symantec](#) updates its antivirus software in the background almost every day in order to fight the latest computer intruders. Upgrades for Web browsers like Firefox or Chrome arrive with little fanfare.

Now, the software really upgrades the hardware. [TiVo](#) has always done this for its digital video recorders. A full year after it began selling its Series 3 digital video recorder, it added access to entertainment from [Amazon.com](#). A year and a half later, it included [Netflix](#) and recently grafted the Pandora music service to the five-year-old platform, even though TiVo sells newer products — the TiVo Premier and Premier XL.

Does this make sense for TiVo? The company thinks so. "Certainly people value it. When we don't update it, we hear about it," said Jim Denney, vice president for product marketing. "They pay attention to the fact that service gets better."

Microsoft just gave its Xbox a major update. Owners of that video game console couldn't automatically get the new-fangled Kinect system that gives them the power to play games without a remote control — they'd need to buy new hardware for that. But they did receive enough new features that the five-year-old system feels new again.

Many of the updates improved Microsoft's Xbox Live service, which connects gamers so they can play virtual basketball or commit acts of virtual violence with others around the world. That kind of enhancement not only pleases customers but also helps companies like TiVo and Microsoft make more money — because the profits come not from selling the hardware, but from selling the services attached to it.

"It extends the life of the hardware so the company can profit from the software and the service," says Ms. Epps.

Amid ever-changing technology, no company can anticipate all future developments. But failing to provide a way to upgrade puts it at a disadvantage in the years before a consumer shells out for a new gadget — and a competitor could easily lure that customer away.

WITH computer chips now found in nearly everything that's inedible, a free software upgrade

could extend product life and engender brand loyalty in a host of categories. While other automakers talk about performance, styling or tradition in their commercials, [Ford Motor](#), from its luxury Lincoln MKX down through the Ford Edge, advertises the electronics in the dashboard — navigation systems that find the lowest gasoline prices, customized music playlists, a family photo album and “10,000 commands at your fingertips.” There is no reason that [Ford](#) couldn’t update the electronics every year to add a few hundred new commands, thus preventing customers from feeling that a new BMW or Toyota had better features.

Anything with a microchip could be refreshed and enhanced. A rice cooker could get applications that let it bake beans. A camera could receive upgrades that give the photographer more shooting modes or arty special effects.

Eventually, though, the chips do get old, and the hardware grows obsolete. When that happens, companies have to resort to an old-fashioned way to persuade their customers to move up: On Monday, [TiVo](#) announces holiday-season price cuts on its TiVo Premier products.