

The Fight to Own the Consumer



February 2012:

With more consumers globally with more affluence, choice and desire to get involved in co-creation through the business system, the race is on to own the consumer. Businesses are leveraging their extended networks along with technology and the exploding number of channels available to connect with the consumer to build reputations, trust, loyalty, returns, market position and ultimately the license to compete. The competitive advantage of companies on the frontline of consumer interactions is being challenged by those one or more steps removed, as they seek to leapfrog retail channels, e.g. through direct online sales, or to build reputations that mean consumers demand their product or service as part of the solution, e.g. Intel Inside. As consumers increasingly demand experiences and solutions and become more socially aware, the notion of value is shifting, potentially demanding new forms of cooperation between firms and consumers.

In this briefing, we look at how this fight to own the consumer is playing out in practice, through the eyes of the consumer and the networks to which they are increasingly connected. On the other side of the equation we look at how businesses are becoming more networked and social – mirroring in many ways their target markets.

The demanding consumer

The digital interface helps us communicate in real time and connect us to sources of information in a world where we are time poor. It is natural to turn to peers and extended, often social networks for advice, knowledge, values, identity and meaning. The “influenced” are becoming shapers and influencers in their own right. Today local, social, photo and mobile seems to be driving much of the conversation about online opportunities and behaviors. But at the end of the day, there is only one common denominator across the web: The power of the consumer. Ever increasing choices leave consumers with more power than ever to get what they want, when they want it. Mass consumption belongs to the past while customization and uniqueness are today’s new “musts”. As resulting consumption patterns change, it leaves businesses no choice than to try to keep up with ever more demanding consumers. Here’s just a few of the demands...

In Action!

Listen to “ME”! With information comes choice and with choice comes power. Consumers are increasingly demanding and they know exactly what they want – and what they want is to be *heard, personally!* Today communications between consumers and businesses can no longer be one-way; the

broadcast model is outdated and ineffective. In a connected world communication needs to be interactive. So to forge deeper consumer brand loyalty, businesses should start really listening to their consumers because, according to this short [YouTube video](#), consumers and advertisers do not always speak the same language!

Be more social! If brands and businesses want consumer loyalty, they need to focus on getting more social. A study from the CMO Council reveals that what consumers want from brands are better experiences, deeper engagement and more value through social media. But brands are nowhere near delivering on the high expectations of the consumer who makes the effort to like a brand in the hopes of unique experiences, savings, promotions, and even games, as well as “meeting” other brand fans and receiving online support. The study highlights the vast social divide at present, for example: 60% of consumers like brands on Facebook to connect with other brand fans, but only 9% of businesses think fans want to connect with each other. What about rewards for loyalty? 46% of consumers expect incentives and rewards when they connect with brands online – but only 7% of brands offer these on social platforms. Getting the picture? 50% of consumers expect to find service and support on Facebook but only 10% of brands provide it. And yet another missed opportunity: 41% of social customers expect to share product ideas on Facebook but only 9% of brands ask consumers to help them innovate on Facebook (Source: [Lithium](#)). Time to rethink the social strategy.

Look Out For...

Keep it simple! We are living in a world that is getting increasingly complex and opaque. Constant demands, too many choices, information overload and other unnecessary “noise” weigh us down in all aspect of our lives. The result: Consumers are increasingly demanding less complicated products, more straightforward guidance, and things that work quickly and simply the first time, without lots of extra effort. According to 2011 Global Brand Simplicity Index consumers are so serious about simplicity they’re willing to pay for it — depending on the industry, between 7% and 19% of people are willing to pay more for simpler experiences and interactions. The amount they are willing to pay varies by industry, but is significant. This year’s top 3 winners of the Simplicity Index are: Google, Amazon and Ikea and the losers are Enterprise, Ryanair and, in last place, GE. For brands in need of motivation, it doesn’t get any simpler than that! (Source: [siegel+gale](#), also on [slideshare](#))

Make “ME” personal! In today’s world ordinary goods and services are no longer the key to attracting and retaining consumers. Nor is it only about receiving a tangible product or service. Individualism, personalized experience and uniqueness are the key. In age of information overload, mass communication and advertising is tiresome – consumers demand personalized and relevant content and experiences from brand and information providers, which is increasingly possible with location-based technology. A recent survey of 2000 adults in the US reveals that feature phone users ranked personalized offers at 59% over those focused on timing (18%), lifestyle (16%) or location (8%). Smartphone users responded in similar fashion, with 60% preferring personalized offers over promotions based on timing (17%), lifestyle (10%) or location (14%) (Source: [Upstream](#)).

The networked consumer

Today more than 30% of the world’s 7 billion people are connected to the internet. Worldwide, there are 5.9 billion mobile-cellular subscriptions while mobile-broadband subscriptions have grown 45% annually over the last four years. Technological advances and lower costs, plus more network, cloud and off-the-grid options have made it possible to reach out to every corner of the Earth – and the home – via wireless and mobile web connections. As internet penetration grows, along with new types of devices and solutions including the cloud, tablets and apps so too does the range of services which can be provided to this interconnected world – anywhere and anytime. Put in the context of the fight for the consumer, what this means is that businesses need to be increasingly aware not only of the demanding consumer, but also of the networks to which these consumers are connected. Because an individual experience, good or bad, can quickly be amplified across a range of local and global networks – faster than you could think possible!

In Action!

Time together: Our life is becoming an increasing race against time. Today, many people think time is a valuable gift that should be used well. At the same time, the urge for immediate gratification and feedback as well as constantly seeking out what is new is leading us to spend ever more time on the internet, time that is coming at the expense of other activities including time spent with family, watching television and work. Social media websites are the biggest time-consumer of all. According to [Nielsen's Social Media Report Q3, 2011](#) social networks and blog sites take up 23% of Americans' Internet time with Facebook the number one winner by far. Time spent on 75 "other" online categories combined accounted only for 35% of total internet time. The impact of this time "together" at least in the virtual realm: More sharing of experiences, with ever-broadening networks. For the 53% of active adult social networkers who follow a brand (only 32% follow a celebrity), this means sharing brand experiences too – what are they saying about your brand?

Word of mouth – and word of mouse: There seem to be some misperceptions between brands and consumers about the importance of connecting with others and associated network effects. As noted above only 9% of brands think their Facebook fans want to connect with each other while actually 60% of consumers say they "Like" brands on Facebook in order to connect with other brand fans (Source: [Lithium](#)). If the fans do succeed in connecting there are important word of mouth, or word of mouse effects (with thanks to [Jorge Yui](#) for the term). [Forrester](#) introduced in 2010 a Peer Influence Analysis tool building on the idea that there are two distinct groups of influential consumers online. It found that in the US, only 13.8% of online consumers create 80% of influence posts (use blogs, forums, and review sites to share complete opinions about brands and products online), and just 6.2% of online consumers create 80% of all influence impressions (use sites like Facebook and Twitter to connect their friends to influential content from companies and consumers). Across Western Europe 11.1% of online users create 80% of all influence posts – and only 4% of online users are responsible for 80% of all influence impressions. Do you know who these critical influencers are?

Look Out For...

The wisdom of friends: There is nothing new about using our friends as source of best advice. What is relatively new is the way more and more people do it. According to Sheryl Sandberg, COO of [Facebook](#) and co-chair of the [World Economic Forum's Annual Meeting in Davos](#), social media is changing everything from political protest to buying baby shoes. It has impacted the way we share and connect as people and communities and it has given people a more powerful individual voice. And now, due to social technologies and the way people are connected, we are moving away from "wisdom of crowds" to the "wisdom of friends". We are, for instance, more likely to go to restaurants, buy brands or book hotels that friends are recommending than places or brands that "just" get high ratings. (Source: [WEF blog forum](#))

Visual info-gratification: Immediacy is king because it is compelling, engaging and highly addictive. We want instant gratification, we want to live in real-time and a mixture of new advanced technologies is making it possible. The next frontier is visual info-gratification. By pointing a smartphone at anything interesting it is now possible to access information about the object encountered in the real world while on-the-go. The pioneer here was [Shazam](#) enabling users to identify any track they heard wherever they were. In September 2011 its users were tagging over one billion songs a year! [WordLens](#) is an app that enables users to translate printed text (such as menus or signs) from French or Spanish to English (and vice versa) via the iPhone's camera. [eBay's](#) CEO John Donahoe has announced that image recognition would be a key feature of eBay's future mobile applications. Users will be able to take photos of real world objects and find similar items for sale on eBay. (Source: [Trendwatching](#))

The networked and social business

Expanding consumer demands and networks, along with increased competition means businesses need to find new business models and strategies to engage the consumer and to motivate them to purchase. In particular,

the need to deliver seamless, integrated experiences based around a consumer need – rather than a product or service – means companies are finding it harder than ever to do everything themselves. Networks and partnerships are becoming imperative – with the consumer rather than the business at the centre of defining value. This requires a huge shift in mindset for companies who are used to holding the reins of power in both the consumer relationship and in relationships with their value chain. It also requires much greater flexibility and agility than ever before to configure and reconfigure business networks and relationships to keep up with rapidly changing consumer demands. But meeting the demands of individual consumers is only one part of the picture. As highlighted above, the consumer is increasingly influenced by their own, powerful ecosystem of connections and networks – so companies need to broaden their consumer insight activities to understand how the web of relationships around the consumer has an impact on value definition, engagement and motivation to purchase. Success will require building not just a more customized, one-to-one relationship with consumers, but also a one-to-many customized approach to the consumer’s extended network. Businesses, like their target consumers, will need to become increasingly social. According to Forrester research, the market for social enterprise apps and related services will grow at a compound annual growth rate of 61% to become a US\$6.4 billion market in 2016.

In Action!

From NIH to partnering: More businesses are starting to realize that today’s consumers are shopping for excitement and experience, not necessarily a specific product or service. Delivering on complex, seamless experiences is not always possible for one company alone – leading to the blurring of boundaries between industries, between organizations, between geographies and regions. Understanding that future market spaces will be defined not by industry labels but by the needs of different communities and consumer/customer groups is increasingly driving businesses to partner, consigning the “not invented here” attitude to history. [Old Navy](#) has partnered with music recognition app [Shazam](#) to launch a series of interactive TV ads. In Tokyo, Hello Kitty has launched the "Swarovski Hello Kitty Collection," created in collaboration with Austrian crystal company Swarovski at the '[House of Hello Kitty](#)' in Tokyo. It includes jewelry, accessories and home wares encrusted with Swarovski crystals. (Source: [Trendwatching](#)). Italian fashion house Dolce & Gabbana is asking fans to design a T-shirt for Kylie Minogue’s latest nationwide tour to grow the relationship between the brand and consumers by letting them associate with the musician. (Source: [Luxury Daily](#))

The consumer-driven value chain/network: More customer demand variability and increasing customer expectations are making it necessary for companies to change focus from a business-centered to a customer-centered value chain. [IBM](#) has recently launched a [Smarter Commerce](#) initiative to help enterprises optimize their value chain networks and respond to constant demand variances with escalating customer expectations. [Air Canada](#), for instance, broke ground with the delivery of a mobile self-service solution, first as an Apple iPhone®/iPod touch application (“App”), then as a BlackBerry® App – in both cases a first among North American airlines. (Source: [IBM](#)). How can your business rethink your value chain/network to make it more customer-driven?

Social and mobile advertising: Technology and social media are changing the face of the whole advertising industry. As consumers become more connected online, so do marketers. Internet advertising has grown every year except one since its inception. According to a survey of 450 brand marketers media agencies and media sellers in USA, sponsored by [Vizu](#), 60% of marketers responding indicated that they will be shifting dollars away from direct-response (rich media advertising, standard display and connected TV/IPTV) to online brand-advertising initiatives in 2012. Some channels will grow faster than others; 69% (up from 26%) of brand marketers are increasing spending in mobile channels, 63% in social channels (up from 34%), and 57% (up from 34%) in video channels (Source: [eMarketer](#)). Highlighting these trends, Juniper Research suggests that the value of mobile retail marketing will reach US\$15 billion globally in 2012 as digital adspend moves to mobile and mobile coupons gain acceptance, a growth of 50% over 2011 (Source: [Juniper Research](#)).

Look Out For...

“Real life” experiences online: Just as physical stores add value to your shopping experience, online retailers can add value to their customers by bringing real life experiences online. For example, the

Swedish telecoms operator 3 has taken e-commerce to a new level, introducing their [3LiveShop](#), which offers the same personalized service as in a normal store. Live salespeople, no doubt from the ne(x)t generation, demonstrate products online giving the Swedish customers a physical store experience in cyberspace. U.K.-based online clothing retailer [Banana Flame](#) offers a virtual dressing room which lets online shoppers "try on" the clothes featured on the retailer's website. Using the computer's webcam and [Zugara's](#) AR e-commerce software dubbed "[Webcam Social Shopper](#)," shoppers can immediately see what clothes look like on them and can ask friends for an opinion via Facebook and Twitter. (Source: [ReadWriteWeb](#))

Social customer relationship management: In earlier briefs and reports we have frequently highlighted the rise of open innovation, co-creation and crowdsourcing. UK based mobile phone service Giffgaff takes these words to a whole new dimension. [GiffGaff](#) differs from conventional mobile phone operators by letting users participate in certain aspects of the company's operations, customer service and proposition development, while sourcing ideas on all aspects of company development, marketing, technology and testing. In return for their contributions, users receive remuneration through a system called "Payback" (Source: [TheSocialCustomer](#)). [Comcast](#) and [Best Buy](#), amongst many others, also have forums where customers solve their own problems with the help of other customers.

The era of big data: We are no longer talking about "giga" or "tera" bytes in the world of digital data. It is time to get ready for the "peta", "exa" and "zetta" bytes. The world is exploding with digital data going from 130 exabytes in 2005, to 1227 exabytes in 2010, to an estimated 7910 exabytes in 2015 (Source: [EMC](#)). Many businesses have already discovered the importance of collecting and owning consumer digital data created through social media and other places on the web. The use of digital data will become the key to win consumers and growth. As digital data goes from: "Big" to "Huge", the challenges increase: Tools for analyzing these vast amounts of data are still not good enough and there is a lack of skilled people to analyze and put the data to effective use. By 2018, the United States alone faces a shortage of 140,000 to 190,000 people with analytical expertise and 1.5 million managers and analysts with the skills to understand and make decisions based on the analysis of big data. (Source: [McKinsey Global Institute](#))

Social personalization: As the world becomes more social, marketers have begun to interact with consumer across all available channels, including tracking our whereabouts, friends and preferences. Brian Goffman, CEO of Optify, refers to these developing tactics as Social Personalization 3.0, or SoPo. According to Goffman, the power of Facebook "likes" and your friends' preferences will increasingly lead to networked recommendations, resulting in the targeted advertisements that appear on your sidebar. Geo-enabled marketing campaigns are also a growing concept as companies begin to explore the benefits of knowing precisely where their customers are, thanks to smartphones and location-based technologies. With your location, marketers can then use this information to detect nearby stores and suggest attractive offers or discounts. (Source: [1to1 media](#))

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