The Age of the Customer

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What’s success in the age of the customer?
What’s digital got to do with it?
What’s key in the tech mgmt agenda today?
Empowered customers have given rise to a new era

1900 - Age of manufacturing
Mass manufacturing makes industrial powerhouses successful
- Ford
- Boeing
- GE
- RCA

1960 - Age of distribution
Global connections and transportation systems make distribution key
- Wal-Mart
- Toyota
- P&G
- UPS

1990 - Age of information
Connected PCs and supply chains mean those that control information flow dominate
- Amazon
- Google
- Comcast
- Capital One

2010 - Age of the customer
Empowered buyers demand a new level of customer obsession
- Macy’s
- Salesforce.com
- USAA
- Amazon

Beyond
The Three Generations Of Direct Banking

The first direct banks were telephone banks. When direct banking was pioneered by banks like First Direct in the UK and Banque Directe in France in the 1980s and 1990s, the only direct touchpoint was the telephone.

Online-only banks launched during and after the dot-com boom. During the late 1990s and early 2000s, a wave of dozens of online-only Internet banks like Egg, Fineco, ING Direct, mBank, and Skandiabanken launched around the world, often offering customers mouthwatering interest rates. Many were short-lived, and some of the survivors later struggled during the financial crisis as other banks sharply increased their deposit interest rates.

The past few years have seen a third wave of mobile-centric digital banks. The proliferation of smartphones and tablets has sparked the emergence of a third wave of direct banks. These new digital banks are distinguished from previous direct banks by their embrace of social and mobile technologies.
Empowered customers have given rise to a new era
European Consumers Increasingly Use Direct Channels To Research And Buy Insurance

“How did you find information about or research your most recent insurance purchase?”

- From my insurance agent: 24%
- Insurance comparison website: 23%
- Insurance companies' websites: 19%
- Friends/family/word of mouth: 16%
- I did no research: 8%
- From a bank branch employee: 7%
- From a telephone agent: 6%
- From my broker/financial advisor: 5%
- Product brochure/leaflet(s): 5%
- Advertising: 5%
- Other website(s): 5%
- Social media (e.g., Facebook, Twitter): 1%
- An app on a tablet or mobile phone: 1%

(multiple responses accepted; not all responses shown)

Source Forrester Technographics, as reported in “Trends 2014: European Digital Insurance”, April 2014
Online sales catching up to face-to-face sales across Europe

“What was the main way you bought/applied for your most recent insurance policy?”

- Don’t know/can’t remember: 1%
- At work/through my company: 2%
- By post: 3%
- By telephone: 18%
- On a website using my mobile phone: 1%
- On a website using my tablet: 1%
- Online using my desktop/laptop: 31%
- Face to face in an agency/branch: 32%
- Face to face at home: 7%

Base: 8,730 EU-7 online adults (18+) who have purchased insurance in the past three years (percentages do not total 100 because of rounding)

Source Forrester Technographics, as reported in “Trends 2014: European Digital Insurance”, April 2014
Four market imperatives driving change

- Transform the customer experience
- Embrace the mobile mind shift
- Turn big data into business insights
- Become a digital disruptor

Age of the Customer
Customer experience leads to profits… *if you treat it as a business discipline.*
6-year stock performance: CX Leaders vs CX Laggards vs the S&P 500

(2007-2012 cumulative total return)

Customer experience leaders 43.0%

S&P 500 index 14.5%

Customer experience laggards -33.9%

Source: Forrester Research, Inc.
What is customer experience?

How customers *perceive* their interactions with your company - especially along these three dimensions:

**Emotion**
Customers feel engaged by the experience

**Ease**
Customers get value without difficulty

**Effectiveness**
Customers get value from the experience

Source: June 2014 “Forrester’s Next Generation Customer Experience Index”
Digital disruptors threaten established firms by delivering a more compelling experience at a lower cost

To avoid being disrupted, digital banking teams at incumbents need to focus relentlessly on understanding the needs of their customers…

1. **Develop a new generation of digital banking that blends human and digital touchpoints.**

   Digital teams at established banks need to transform their digital presence with new generations of digital financial services that combine human and digital touchpoints.

2. **Think differently about partnerships.**

   Digital banks have taken a different view of the value chain – less about vertical integration, they focus on customer experience and rely on partners both to provide basic services in areas that offer little competitive advantage and to provide new capabilities.

Source: Forrester, Disrupting Finance: Digital Banks, June 2014
Firms Need To Align The Customer Experience Ecosystem

Visible to customers
- Employees
  - Call center agents, retail staff, flight attendants, sales reps, waiters

Behind the scenes
- Employees
  - Operations, legal, finance, marketing, IT, procurement

- Partners
  - Suppliers, outsourced credit or risk services, logistics firms, interactive agencies, billing and invoicing vendors

- Partners
  - Outsourced call center reps or technicians, agents, dealerships, systems integrators, value-added resellers (VARs), distributors

Source: Forrester Research, Inc.
Nearly One Quarter Of Online Adults Use Digital Money Management

“Which of the following online/mobile money management tools or features have you used in the last 90 days, if any?”

- Viewed my financial accounts from different financial providers in one place: US 13%, Europe 9%
- Viewed information that automatically organized my spending into categories (e.g., groceries, dining out, rent/mortgage): US 12%, Europe 8%
- Created and tracked a budget: US 10%, Europe 8%
- Other*: US 3%

I don’t use money management tools or features: 78% US, 77% Europe

Base: 10,375 US and 13,513 European online adults (ages 18 and older)


*Not asked in United States

Source: Forrester Research, Inc.
The elephant in the room: Google?

- Google won't launch a bank because of the financial and regulatory burden this would entail.
- However, this isn't necessarily good news. Digital disruptors like Google are disruptive precisely because they don't play by the rules.
- Instead, they use digital technologies to deliver better or entirely new ways of meeting customer needs, often bypassing regulation and redefining a given industry in the process.

Source: Forrester, Why Google Bank Won’t Happen, But A Google-Powered Financial Services Hub Might, June 2014

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
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<tbody>
<tr>
<td>2006</td>
<td>Launches Google Checkout</td>
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<tr>
<td>2007</td>
<td>Acquires mobile payment company Zetawire</td>
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<tr>
<td>2008</td>
<td>Partners with coupons app Valpak</td>
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<tr>
<td>2009</td>
<td>Acquires loyalty card app Punchd</td>
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<tr>
<td>2010</td>
<td>Acquires comparison website BeatThatQuote.com</td>
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<tr>
<td>2011</td>
<td>Launches Google Wallet</td>
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<tr>
<td>2012</td>
<td>Acquires online payments firm TxVia</td>
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<tr>
<td>2013</td>
<td>Acquires coupon app Incentive Targeting</td>
</tr>
<tr>
<td>2014</td>
<td>Invests in virtual currency firm OpenCoin</td>
</tr>
</tbody>
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- Google adds capability
- Google removes capability

Source: Forrester Research, Inc.
The elephant in the room: Google?

The future of Google's financial services lies in the integration and leverage of the firm's other products to create new customer value that goes beyond payments.

It will be by integrating digital assets such as its search engine, Google Maps, Gmail, Google Play, and Google Now that Google could redefine financial services.

Source: Forrester, Why Google Bank Won't Happen, But A Google-Powered Financial Services Hub Might, June 2014
So, is the answer in the “technology”? 
No, the answer is in the “customer experience”!
Businesses must broaden their technology management agendas beyond infrastructure management and internal operations (IT) to include work centred on acquiring and retaining customers.

All technology management executives must manage two agendas:

• Information Technology (IT) - internal operations (perpetually critical to the business)
• Business technology (BT) - technology, systems, and processes to win, serve, and retain customers.

**BT agenda** focuses on providing superior customer experiences

**IT agenda** includes IT includes tools to support finance, supply chain, employee automation, resource planning, and human resources as well as a myriad of systems necessary for regulatory compliance.
The PAID Framework Helps Uncover The Ecosystem Supporting A Customer Journey
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