Digital consumption: the race to meet customer expectations

Enterprises need to constantly reinvent their offerings to keep up with the rapidly evolving expectations of digital customers.

Businesses have always raced to keep up with changing customer expectations, but since the beginning of the 21st century, something remarkable has happened. A series of rapid technological advances have contributed to the transformation of customer expectations while simultaneously providing enterprises with the digital tools to create the beguiling experiences that are now needed to satisfy customers.

Today, companies are offering experiences that customers would not have imagined were possible five years ago, let alone become a part of their everyday lives. The race to deliver what ‘on-demand customers’ want has sped up dramatically. These expectations now transcend traditional industry barriers, with customers expecting similar quality of experiences across the products and services they consume.

Present and future generations have expectations that are markedly different than those of the past. Raised as digital natives, they not only adopt new technologies faster, but can also imagine for themselves how these technologies can be used to improve their lives, making them much harder to surprise.

All enterprises – whether in the B2C or B2B world, whether in developed or emerging markets – need to focus on meeting and exceeding customer expectations.

The Digital Transformation Initiative

The Digital Transformation Initiative (DTI) is a project launched by the World Economic Forum in 2015 as part of the Future of the Internet Global Challenge Initiative. It is an ongoing initiative that serves as the focal point for new opportunities and themes arising from the latest developments and trends from the digitalization of business and society. It supports the Forum’s broader activity around the theme of the Fourth Industrial Revolution.

We assess three areas that are emerging as new battlegrounds to attract and retain customers in a digital world:

1. Products and services to experiences
2. Hyper-personalization
3. Ownership to access
Customer expectations are evolving fast, in step with rapid technological innovation.

Over the past 20 years, a series of rapid technological advances have helped transform customer expectations while simultaneously providing enterprises with the digital tools to offer cutting-edge services. Wave after wave of innovation – mobile, social and, now, the Internet of Things – is dramatically altering our everyday lives. The rapidly increasing penetration of the internet and smartphones, and ever-decreasing costs of hardware, have meant that we are fast becoming used to a world in which we have access to products, services and experiences anytime and on demand.

Key drivers of the digital revolution

**Mobile and internet penetration**
Internet penetration has almost doubled over seven years, to about 40% in 2014. The number of smartphone subscriptions is predicted to almost double to 4 billion by 2025, with nearly all growth coming from emerging markets.

**Connected devices and sensors**
The number of connected devices globally is forecast to climb from 2.5 billion in 2009 to 30 billion in 2020. The market for sensors that translate information from physical environments is expected to grow by 36% a year to 2020.

**Data analytics and the cloud**
As sensors, apps, social networks and e-commerce platforms create more data, the need for advanced analytics will continue to grow. By 2019, cloud applications will account for 90% of all mobile data traffic.

**User interfaces**
Natural user interfaces, which allow humans to interact with machines in increasingly intuitive ways, are becoming common.

**Global accessibility**
The world’s middle class is set to grow from 1.8 billion in 2009 to 4.9 billion by 2030. Much of this growth will come from emerging markets, where higher incomes are driving increased access to digital technology.

**Urbanization**
It is estimated that 60% of the world’s population will live in urban areas by 2050, up from 54% in 2014. This is already contributing to the expansion of innovative distribution and delivery models in cities.
How companies can stay ahead of fast-moving customer expectations

Companies will need to reinvent their offerings to deliver what customers want.

As customer expectations become increasingly exacting, all enterprises – whether in the B2C or B2B world, whether in developed or emerging markets – need to focus on meeting and exceeding customer expectations.

Three examples of companies outpacing customer expectations

Pager
Pager is a mobile-based service that promises to arrange on-demand house calls by doctors within two hours. By allowing users to select which doctor they would like for their appointment, Pager offers greater control than might be the case with traditional healthcare services.

Source: pager.com

Amazon Business
Launched in April 2015, Amazon Business took over from Amazon Supply, increasing the range of merchandise it offers from 2.25 million to hundreds of millions of products. The new platform is taking on the challenge of extending its consumer-friendly service to B2B customers.

Source: amazon.com

IndusInd Bank
IndusInd’s Onthego social banking feature facilitates fund transfers through social media platforms such as Twitter and Facebook. For added convenience, the service does not require users to download an additional app and can also transfer money to users who are not on Facebook and Twitter.

Source: indusind.com

Four ways to keep ahead of customer expectations

1. Design thinking and design doing requires a fundamental shift from designing one product or service for many to designing many experiences for one, with the ability to constantly learn and adapt to the changing needs of customers.

2. Experiential pilots can help businesses observe human behaviour and draw insights about any new consumption experience. How are customers engaging with a new technology, product or service? How are customers interacting and influencing one another?

3. Prototyping is an approach that helps companies get to market fast – even if it’s only with an ‘80%-there’ product or service – and then try to understand customer reactions and how to improve the offering.

4. Brand atomization. Companies will have to rethink their design process, allowing their products to evolve by letting elements of their offering be widely distributed and shaped by other services.
1. Products and services to experiences

The experiences that win will be the ones that go beyond products and services to focus on customer outcomes.

A defining characteristic of leading companies in the future will be their ability to deliver experiences tailored to the needs of the individual and aimed at improving their life, in contrast to generic services offered to the mass market.

A focus on outcomes

Successful companies are employing the latest technologies not only to create captivating digital experiences, but also to harness their digital prowess to enhance their overall customer offering, spanning the digital and physical worlds.

Outcome-based services are becoming a reality across industries

- The connected car is enabling outcome-oriented experiences, such as personalized apps to help car drivers minimize their electricity bills.
- Key emerging themes in personal finance include self-checking, greater security and payment platforms.
- Managing energy, shopping, security, entertainment and budgeting are all becoming possible with new advances in the connected home.
- Personalized, automated learning services will help deliver a tailored individual approach with the ability to monitor more effectively how much a student has learnt.
- Digital is expected to have a profound impact on healthcare, enabling a shift from population-based diagnostics and prescriptions to those based on individuals.
- Personalized services and more interactive in-store digital experiences could help companies take a more integrated approach to managing customer journeys.

Source: The Era of Living Services; World Economic Forum / Accenture analysis

$6 trillion

Estimate of revenue at stake from increased customer switching as a result of poor customer service and experience

Source: Customer 2020: Are you Future Ready or Reliving the Past, Accenture Global Consumer Pulse Research 2014

Imperatives for companies

1. Identify the outcomes that matter. Competitive differentiation will be defined by the ability of companies to create value by delivering solutions to customers that lead, in turn, to quantifiable results.

To achieve this:
- Develop a ‘listening infrastructure’ to measure customer voice and sentiment.
- Catalogue the outcomes your customers are trying to achieve.
- Build outcome-based revenue streams.
- Create analytical feedback loops to constantly improve outcomes.

2. Leverage the power of ecosystems. One approach is to identify partners that help meet predetermined customer experience goals. An alternative strategy is to develop open innovation platforms and APIs. These enable a wide variety of service providers to develop unique combinations that deliver relevant customer experiences.

Source: climate.com

Case study: Monsanto’s Climate FieldView

Monsanto has expanded beyond its products portfolio to offer farmers field-level actionable intelligence to improve yields. By acquiring the Climate Corporation for approximately $1 billion in 2013, Monsanto gained the means to collect a wealth of hyperlocal data about field and weather conditions. It uses this information to offer targeted intelligence to farmers in real time, helping them lock in profits in the case of drought, heavy rain or otherwise adverse weather conditions. Farmers benefit from higher yields, a lower risk of crops failing and higher profitability. The offering helps Monsanto generate huge amounts of data that can be used to offer a more personalized experience to farmers.

Source: climate.com
2. Hyper-personalization

Identifying how much personalization to offer – and to whom – will separate winners from losers.

Spectacular advances in artificial intelligence (AI) and software intelligence are enabling companies to take personalization to the next level, making products and services highly relevant to a very large number of customers at the same time.

Customer data and hyper-personalization

As the possibilities for different types of personalization – and the specificity with which it can be delivered – increase, companies are facing a new challenge: deciding how much personalization to offer and to whom.

The first type of personalization (customers choosing how to customize their products) usually does not require businesses to access significant amounts of customer data and is largely uncontroversial. The second type of personalization (delivering hyper-personalized services, offers or recommendations) relies on regular access to customer data and advanced analytical abilities. Many customers, however, are reluctant to share personal data.

A framework for tailoring personalization to customers

Imperatives for companies

1. Establish the right incentives for customers to share data. Persuade users to share information by delivering a clear value proposition and establishing trust.
2. Draw insights from digital segmentation. Customer segmentation models will need to change from traditional approaches limited to standard demographics to more sophisticated ones incorporating digital behaviour.
3. Identify the right level of personalization to offer to individual customers. Understanding and delivering the right level of personalization to individual customers is where there is greater opportunity for business to differentiate themselves.

Case study: Ginger.io

Ginger.io is an AI-driven mobile application for mental health patients that safely and securely uses data from a patient’s everyday mobile usage to map behaviour over time and then track variations from patterns as potential risk triggers. The app in several cases can predict signs of depression for individual patients up to two days before outward symptoms manifest. By continuously monitoring the user, Ginger.io claims it is more effective at targeting care when the patient really needs it than regular visits to a clinic would be. In this way, the Ginger.io service has the potential to improve clinical outcomes while reducing healthcare costs.

Source: ginger.io

70%
Percentage of customers who now expect more personalized interactions with the brands they interact with
Source: Survey for AgilOne, “Marketing Personalization Preferences” report

90%
Percentage of customers who would limit access to certain types of personal data and would stop retailers from selling their information to third parties
Source: Accenture, Retail Personalization Survey, March 2015

Source: World Economic Forum / Accenture analysis
3. Ownership to access

The growth of the sharing and on-demand economy is prompting incumbents to reassess business and revenue models.

Today, an economic model built around ideas of peer-to-peer collaboration and on-demand access has become big business. A fundamental shift from buying to sharing stands to have a very significant impact on traditional revenue models. Automotive manufacturers are looking at a future where a large part of their customer base may forgo ownership of a car in exchange for real-time access to mobility provided by disruptors such as Lyft.

Where will access-based models emerge?
So far, much of the disruption from access-based models has focused on two sectors: space and transport. We are, however, seeing access-based models spreading to other sectors in both the B2C and B2B worlds, including luxury consumer goods, and even the B2B construction and medical equipment markets. The scale and speed of change across sectors, however, is likely to be driven by a series of factors including:
• The value of the asset
• The level of underutilized asset capacity
• The ‘shareability quotient’ (user willingness to share)
• Regulatory environment

Imperatives for companies
1. Identify and adopt the features that drive access-based models in your industry. Locality and convenience – two closely related factors – are almost as significant as price in prompting customers to share rather than buy. It should be noted that while these factors are driving customers towards sharing models, they are also relevant factors in customer decisions to switch back to buying.

2. Choose the most relevant form of participation in the collaborative economy. Access-based models currently exist in one of two forms: peer-to-peer platforms and direct-lending marketplaces. Companies can play different roles in access-based models, either by engaging in strategic partnerships with existing players or by actively launching a platform or marketplace of their own.

$335 billion
Estimated size of the global market for shared goods and services across five key sectors by 2025
Source: PWC, The Sharing Economy

Sectors most likely to be disrupted by access-based models

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<th>Sector</th>
<th>Early Entrants</th>
<th>Potential for Disruption</th>
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<td>Accommodation</td>
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Source: World Economic Forum / Accenture analysis

Case study: Cohealo
Cohealo, a US-based technology company, has created an innovative platform offering on-demand access to medical equipment. It’s a pioneering example of an access-based model being used in the B2B world. Cohealo allows health systems to share equipment across hospitals, reducing the need to buy unnecessary equipment and boosting profit and utilization rates. With one study finding the average utilization rate of hospital equipment at 42%, Cohealo aims to boost this to 75 to 80%. Cohealo is now being used by healthcare providers serving around 15% of the US population. Cohealo says that its service has saved hospitals $1 million to $2 million each and claims that this could rise to $7 million if they use the service longer.

Source: cohealo.com
Key questions every business must address

Customer expectations never stand still. To meet – or exceed – customer expectations, incumbents need to act now.

Outpacing customer expectations
• How can businesses best combine digital tools with techniques such as design thinking and experiential pilots to assess customer expectations and needs?
• How can companies build agility into revenue models to meet rapidly changing needs in the digital age?

Developing compelling customer experiences
• How can companies identify and assess the customer experience strategies that will drive differentiation for their business?
• Which digital tools and techniques can help deliver outcome-driven experiences to customers?

Bringing hyper-personalization to life
• Are traditional customer segmentation approaches effective in identifying and delivering the right level of personalization to the right customers?
• What incentives can individual businesses offer customers to share data in exchange for personalized products and services?

Defining a role in the access economy
• How can companies and industries determine their susceptibility to disruption from access-based models?
• What business model options do companies have as customer preferences shift from ownership- to access-based models in their industries?

Key questions for governments and regulators
Digitalization of the customer environment also poses some important questions for governments and regulators, particularly in emerging areas where the implications of digitalization on consumer interests do not have clear precedent:
• As customer data is increasingly used to drive digitally enabled revenue models, how should data ownership and monetization be governed across businesses and sectors?
• As an increasing number of partnerships emerge to drive new customer experiences, how can regulators identify and ascertain ultimate responsibility for ensuring that customer interests are met?
• What role can policy-makers and regulators play in enabling business models that promise to drive significant gains for customers? (e.g. sharing-based models that democratize access to goods and services)

For our full recommendations, please read our in-depth report on digital consumption, available at digital.weforum.org.
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References

For a full list of sources and references, please refer to our in-depth report on digital consumption, available at digital.weforum.org.

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