Say hello to Customer 3.0
Digitally connected, highly-informed, they are the power players banks need to capture
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While for some the shopping experience was a weekend religion, for others it was a recurring nightmare involving screaming children, scarce car parking and extreme stress, particularly during the holiday season.

So much has changed in the past 20 years. These days it is highly likely that you would have made an online purchase of some sort, whether to buy music on iTunes, books on Amazon, bargains on eBay or clothes on any one of a myriad of alternatives.

Just as the mechanisms we use to purchase and transact have changed, so too have our buying behaviors. We now compare products and prices whilst sitting on the couch, accept shipping delays in exchange for online discounts and publish our complaints on social media when the products we receive don’t reflect our perception of what we were sold. Where once we were guided by shop assistants and other perceived ‘experts’, today we rely on customer reviews and are willing to depend on these as though they are the opinions of trusted family members or long-standing friends.

We are in the midst of a significant shift in customer behavior, fueled by three important trends:

- The globalization of manufacturing that has resulted in an extraordinary array of product alternatives
- The emergence of digital-only operating models that are fundamentally changing the economics of distribution
- The rapid advances in mobile technology that provide customers with access to all the information they need to understand and select from those alternatives.

Armed with information and competitively priced alternatives, customers are flexing their muscles as never before. These customers cannot be defined by a specific age category or gender mix, but by their ability to adopt and apply new technologies to meet their individual needs.

Say “Hello” to Customer 3.0.

Customer 3.0 has evolved from a position of accepting the demands made by companies, to that of a power player reshaping the consumer landscape. They are a hyper-connected, highly informed, shared experience generation who businesses can’t afford to ignore. This generation no longer responds to mass marketing techniques. Instead they demand a highly personalized approach across all facets of business including communication, product development and customer service. Having evolved from the constraints of being told by businesses how, when and where they’ll interact and purchase, they now demand an altogether differentiated experience.

What does this mean for banks?

Accenture believe for banks the emergence of Customer 3.0 heralds the need to innovate like never before; to look beyond basic Gen X and Gen Y characteristics and the traditional ‘one size fits all’ approach. To find and engage Customer 3.0, banks need to fundamentally transform their digital operating models and start thinking like a customer.

Banks will also need to understand that when it comes to Customer 3.0 they are no longer competing amongst themselves. Rather, they are competing across all Customer 3.0 touch-points where experiences are shaped by the latest in retail, gaming, search and mobile technology.
The needs and expectations of digital customers have evolved in line with the development of the internet. From basic information seekers to voracious information consumers, we have witnessed three stages of digital customer evolution.

**Customer 1.0**
Customer 1.0 emerged in the formative years of the internet, when the web was accessed via dial-up modems with slow speeds and failing connections. At that time the internet was little more than an advertising medium, a new and innovative way to promote goods and services.

As the dot.com boom took shape, vast arrays of ‘brochure-ware’ web sites were created for promotional purposes each with a simple ‘call to action’ that involved either calling or visiting the physical store for service. Search engines were devised to help Customer 1.0 trawl through the growing pile of online brochures to find the desired product, service or content. But the prevailing belief at the time was that a web page was akin to an entry in the telephone directory with a sense that “Should customers require my product or services, they will find and come to me”, by picking up the phone or visiting the store.

**Customer 2.0**
Gradually the web evolved to become a channel and as it did, Customer 2.0 took shape. While businesses began to devise ways to leverage the internet as a way to generate sales and satisfy servicing requests, Customer 2.0 saw the opportunity to use information to their advantage. They began seeking out new avenues for choice and optionality. This encouraged the arrival of innovative ‘internet-only’ business models like Amazon and eBay that would challenge the economics of the traditional business model. Still however, as in the physical world, the Customer 2.0 model remained ‘one-size-fits-all’.

“Companies continued to demand that “Should a customer require my product or service, they will find and come to me”, although by now the list of options included visiting the website site URL.

**Customer 3.0**
Customer 3.0 turned the tables on businesses. Customers won’t simply go to businesses. Businesses have to find and effectively engage these new customers who are hyper-connected, spoilt for choice and have a “want it now” attitude. This puts Customer 3.0 in charge—shaping the digital eco-system and shaking up business.
The genetic makeup of Customer 3.0

Unlike previous generations, Customer 3.0 isn’t defined by a specific age, category or gender mix. Instead they’re defined by their ability to adopt and apply new technologies to meet their individual needs. Online all the time and socially connected, the generation as a whole has seven generally common attributes:

Highly informed

The internet signaled the start of the ‘information age’ and that information is being harnessed more effectively by Customer 3.0 than any previous generation. The comparison sites and associated apps that have emerged in recent years illustrate just one way in which Customer 3.0 objectively gathers and compares information about product features, benefits or prices.

79% of smartphone owners use their phone to help with shopping and 70% use their phone in the store.1

An Accenture report entitled “Energizing Global Growth: Understanding the Changing Consumer”, identified a 73% increase over three years for those using the internet to research and purchase.2

Socially connected

Social media is a phenomenon. It is worth remembering that Facebook was only launched in February 2004, yet it has over 1 billion accounts and if it were a country, would be the third largest in the world. Meanwhile, Twitter launched in March 2006 and by 2012 had over 500 million registered users generating over 340 million tweets and handles over 1.6 billion search queries each day.

This of course is a double-edged sword. As English author Douglas Adams quipped, “Nothing travels faster than light, with the possible exception of bad news, which follows its own rules!”. In social media bad news, poor service and complaints have found a platform that allows them to reach more people more quickly than ever before.

Social media accounts for 20% of PC time and 30% of mobile time.4

More than 100 million people take a social action on YouTube (likes, shares, comments, etc.) every week.5

Smartphone users spend 25% of their browsing time on social networking sites.5

Trust the crowd

The digital age has provided a platform for customers to share personal experiences and recommendations across a plethora of subjects. The opinion of social peers has become increasingly important to Customer 3.0 who values the expertise within their social networks more than that spoken by a brand itself.

According to Nielsen’s Global Trust in Advertising report, which surveyed more than 28,000 internet respondents in 56 countries, 70% of global consumers surveyed indicated they trust messaging online – an increase of 15% in four years.7

TripAdvisor exemplifies how pervasive Customer 3.0 is: the online platform for travel-related reviews boasts more than 75 million user reviews and opinions and has 62 million monthly unique visitors.8

Shoppers prefer online ratings and reviews by a 4:1 margin to advice from store employees.9

Nearly 80% of people participate in online communities to help others.10

Only 14% of customers trust advertisements but 78% of customers trust peer recommendations.11

Price sensitive

The prominence of ‘daily deals’ and discount retailers has led to a trend towards price sensitivity. Benefiting from making a saving is intoxicating for Customer 3.0 who places emphasis on value for money as opposed to brand name alone.

The loyalty marketing association, (www.Loyalty360.org) notes that only 21% shop for brand over price and 64% of people will go 5-10 minutes out of their way to secure a better price.3

The genetic makeup of Customer 3.0

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Self-promoting
Customer 3.0 seeks validation through self promotion. You see this in status updates on Facebook and Twitter, as well as through photo or video sharing on Instagram and YouTube. Customer 3.0 will happily publish and promote themselves, their exploits, their decisions and their opinions.

Facebook has over one billion monthly active users and 2.5 billion content shares per day.12

Instant gratification
Customer 3.0 can accurately be described as the ‘now’ generation. They expect products and services to be delivered to a place, and at a time, that best suits them. Not offering customer service after business hours, for example, is unacceptable. The digitization of products – from airline tickets and boarding passes to music and books – caters to the need for immediate satisfaction.

Forrester (2010) has suggested up to 57% of US consumers are likely to abandon an online purchase if an answer to a question is not immediately forthcoming.13

Security unconscious
Perhaps it is a growing apathy as a result of over-promotion, but particularly at the younger end of the spectrum, Customer 3.0 would appear to be far less concerned about internet security than previous generations.

In spite of all the viruses, spam and phishing attacks, 3.0 customers are uploading an extraordinary volume of personal information of their own free will. In doing so they’re making more information about themselves, their work experiences and their personal preferences available for all to see.

This relaxed attitude extends to value exchanges where the exponential growth of online and mobile transactions indicates an increasing confidence in transaction security. This is certainly true when compared to the paranoia that accompanied early forays into internet payments during the Customer 1.0 and 2.0 years.
Quick facts about PayPal

- 123 million active accounts, (up 16% from 106 million the year before)
- Transacted $5,217 in Total Payment Volume every second in Q4 2012, (up 24% from $4,200 per second in Q4, 2011)
- PayPal customers made 692 million transactions in Q4 2012, or 7.5 million payments per day.

Quick facts about YouTube

- Over 800 million unique users visit YouTube each month
- Over 4 billion hours of video are watched each month on YouTube
- 72 hours of video are uploaded to YouTube every minute.

Quick facts about LinkedIn

- Over 200 million members (Dec 31, 2012), growing at 2 members per second and adding ~50 million members in the past year
- LinkedIn.com is visited by more than 50 million unique visitors each week via the web.

Quick facts about Facebook and Instagram

- Each day on Facebook 300 million photos are uploaded
- Instagram gains one new user every second and in August 2012 hit 80 million users
- More than 4 billion photos have been shared with Instagram since it launched in 2010
- More than 5 million photos are uploaded to Instagram every day.

In light of these attributes, it is not enough for banks to view the internet as just another channel. Instead, banks need to start leveraging the tools and innovations of the digital age and start thinking and behaving more like Customer 3.0.
Leveraging the digital ecosystem to engage Customer 3.0

Customer 3.0 does not view a bank as a ‘destination’. Rather they see them in their natural role as that of ‘financial facilitator’.

To better engage Customer 3.0, banks need to become ubiquitous. Becoming a part of the ecosystem where Customer 3.0 interacts, will open up opportunities for engagement rather than trying to persuade the customer to come to them. This is a game-changer.

The expectations of Customer 3.0 are being set by other industries. The retail industry has set the bar high in terms of developing a single customer view, real-time transactions and using analytics for intelligent location and conversion of leads. Banks embracing digital and social channels have delivered new service, product and value propositions now considered hygiene factors by Customer 3.0. New Customer 3.0 needs and intentions need to be addressed by focusing on new entrants, developing new business models and creating ecosystems to maintain relevance in the market place.

Having a presence across multiple channels and more crucially, listening to and interacting with customers within their own environment needs to become the norm. As Customer 3.0 is an avid user of community-based online tools, there is a growing need to distribute products through digital channels in such a way as to enhance presence, relevance and accessibility.

Social media presents banks with the chance to broadly engage with everyone to offer advice and benefits. This is fundamental in shifting customers’ perception of banks from having a product sales focus to adding value and enhancing people’s lives (e.g. through a personal financial trainer; offering an ecosystem of products and services to match a multitude of Customer 3.0 needs and intentions). In turn, this will go a long way in cementing relationships with loyal customers.

In action

Eurail is an example of an organization that has successfully evolved its communication strategy to align itself to the needs of Customer 3.0. A 50-year-old travel company, Eurail transformed itself from a bricks and mortar train travel business to an entity on the cutting edge of social media. Far from expecting customers to come to them, Eurail built a social media team who took the time to find and interact with customers on a one-to-one basis, every day. Known as one of the most social media friendly travel companies in the world, and presented an award by Mashable, their revolutionary approach has propelled them to the forefront of their industry.18
Overcoming the barriers to digital transformation

Banks need a multi-channel, highly social approach to attract and retain Customer 3.0’s attention. That means banks need to reshape their business approach and tackle seven barriers inextricably linked to their current operating models.

Barrier 1 – Trust
In the minds of Customer 3.0 the Global Financial Crisis resulted from reckless behaviors in the financial services industry. While global markets have been impacted by quantitative easing with several European countries needing to be bailed out, in geographies such as Australia the major banks have been generating record profits. Highly sceptical of the motives of their financial institution, Customer 3.0 is turning to those they perceive as more reliable; namely friends, family and their extended, ‘virtual’ community. Banks need to re-take the high ground by finding a way to balance the wisdom of the expert with the wisdom of the crowd.

Barrier 2 – Advice
Brokers, independent advisors and ‘the crowd’ appeal to Customer 3.0 since they offer a personalized service that takes in the full breadth of the market and is brand agnostic. In comparison, the advice from banks is biased in favor of the Institution’s own suite of products and services. This immediately places them in a conflicting and uncompetitive position.

Barrier 3 – Location
Technologically savvy and more self-directed, Customer 3.0 prefer the convenience of digital channels to do business. These ‘high net worth’ customers will reluctantly visit branches but only for complex advisory purposes once all other options have been exhausted.

Barrier 4 – Loyalty
Customer 3.0 view Banking products and services as commodities and are open to switching loyalties when faced with a better ‘value for money’ deal. Exclusivity has been undermined as a result of aggregation models such as mint.com and yodlee.com which allow the multi-banked customers to collate and manage their financial accounts in one place.

Barrier 5 – Price
Customer 3.0 value convenience so the ability to conduct business on a 24x7 basis is immediately appealing. However, they also recognize that their self-service behavior delivers cost benefits to the business they are interacting with. Customer 3.0 expects to share in the benefit. Counter intuitive is the realization that when it comes to Banking, digital channels can be more expensive than the Branch where discounts can be negotiated.

Barrier 6 – Time
Since digital channels are always on, time poor Customer 3.0 wants to engage at a time that suits them. While many interactions can be automated, where personal advice and interaction is needed, banks need to facilitate these online at times that suit Customer 3.0.

Barrier 7 – Relevance
Banks need to develop products, services and incentives that are not only related to Financial Services but generate relevant offers and experiences in non-traditional areas. This will require banks to collaborate with non-financial service providers.

It’s crucial these challenges are addressed as, by ignoring or underestimating their importance, banks will fail to engage Customer 3.0. Only by resolving these barriers will a truly sustainable transformation take place.
What banks must do to stay in the game

Customer 3.0 knows what they want and their expectations are high. They expect personalized products, experiences and interactions on their terms.

The retail industry, often a precursor to what happens within financial services, is already adapting to the needs of this new generation. The demise of high street book and music retailers illustrates the impact Customer 3.0 can have on readily commoditized products and services that don’t adapt to their needs.

For banks to stave off the threat of the new entrants determined to steal Customer 3.0’s share of wallet they need to undergo fundamental change, starting now. The competitive landscape has grown and seen a rise in non-traditional banking players such as PayPal, Walmart (who recently gained approval to launch a banking initiative in Canada), Apple, Visa and MasterCard.

To compete, banks need to engage Customer 3.0 on their terms:

• Re-define their business model
• Engage whenever, wherever Customer 3.0 decides
• Change the way products are created
• Utilize technology to gain greater insight in customer behaviors
• Deliver innovative experiences
• Reward loyalty.

In essence, banks will have to collaborate authentically in a socially connected, digital and mobile enabled world in a way that informs new product development, service and experience.

By way of example, imagine a scenario where you were going into hospital to undergo major, open-heart surgery.

How would you feel if the hospital selected the surgeon for you? “Don’t worry”, they might say, “doctor X may only be 25 and new to the hospital, but I have it on good authority that s/he did a course in open heart surgery three years ago at College and we recently ran a buddy program to help the doctor come up to speed on how the hospital systems work.”

Would you feel confident or would you feel terrified?

If you had the chance would you want to do your own due diligence, perhaps meet the surgeon first, ask friends and family for their advice and ultimately find a surgeon you feel you can trust?

Now let’s switch the scenario and imagine that it is someone’s life savings we’re talking about; every last penny they have saved and invested for the past 50 years. Whilst it may not be ‘life-or-death’, for many deciding who to trust with their financial future and well being is nonetheless a very significant decision and one their financial services provider should not take lightly.

Customer 3.0 is now armed with a plethora of tools and information that could be used to participate in such decision-making. The key is to put the decision in the hands of the customer so that, when it comes to selecting a relationship manager, they can consider factors such as:

• Recommendations from other customers
• Historical individual performance
• Industry experience and credentials
• Location
• Business contacts and affiliated industry groups
• Personal interests and hobbies
• Preferred working hours.

If customers could choose their own relationship manager, based on the factors most important to them, the implications for the trust equation could be profound. Customers would be much more likely to buy-in to their relationship.

In action

Macy’s Department Store is firing on all cylinders in its mission to transform itself into a true omni-channel enterprise. Research shows the $26 billion retailer is moving in the right direction as it works to gain market share through a smart combination of its physical, virtual and brand assets. Whether starting in the store and moving online or vice versa, Macy’s customers are engaging in a flurry of activity going back and forth between online and stores — from checking item availability and seeking product information to making the purchase. Among other initiatives, the retailer is bringing digital assets into its stores, equipping sales associates with mobile devices to allow them to service customers better, opening a new warehouse, optimizing inventory with Radio-Frequency Identification (RFID), bringing direct-to-consumer fulfillment into stores and remodeling its flagship Herald Square location.
In action

La Caixa has pioneered the use of web 2.0 communication tools to provide personalized consulting services to high value customers, targeting 20% growth in funds managed and customer numbers by 2015. The bank will use new technologies to provide increasingly customized Private Banking and Personal Banking services, based on a multi-channel format that includes ground-breaking services in the industry, such as the bank’s own social networks, video calling, full remote product and service contracting. The main new tool developed for La Caixa customers is a new means of interacting with asset managers, which is accessible via the la Caixa online platform, Linea Abierta. Users can configure their preferences for receiving information, while also accessing exclusive services, such as financial planning tools and viewing investment tracking reports and investment suggestions. These new services also mean that customers do not have to go to their branch in person to sign forms.
Adapting to a new world

This is Customer 3.0’s world, a world where their outward appearance belies the power they exert within the digital ecosystem. Banks must facilitate and respond to this new norm. The challenge is to stop thinking like a traditional financial services provider and start to think like Customer 3.0.

To provide a customer-centric value proposition, it is crucial to get into the hearts and minds of the customer. Those savvy enough to invest in understanding Customer 3.0 (as relates to them), and agile enough to implement their findings, will be best positioned to attain maximum engagement and ensure future growth.

Banks must embrace the need to innovate and undergo a complete overhaul of how they do business. Customer 3.0 expects to interact with their financial services provider(s) in the way they wish, whenever and wherever they want.

Customer 3.0 are the future, in the here and now. Don’t expect or demand them to adapt to you. Adapt to them.
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