

On-demand is in demand

Experience lifestyle commerce

By Mark McDonald



High performance. Delivered.

On-demand companies have seized upon the proliferation of smartphones and always-on connectivity to change customer behaviors and expectations forever. These innovative, digital-first players offer more than the products and services people want. They provide closed-loop, human-to-human transactions, deliver experiences that are as seamless as they are satisfying and, most important, they offer the convenience, simplicity and immediate gratification that characterize the lifestyle that digital consumers want to live.

The growing numbers of on-demand players—along with the emergence of the “lifestyle commerce” in which they engage—poses a significant threat to traditional, incumbent businesses. But there’s also a tremendous opportunity. To seize it, established companies must be willing to use the on-demand disruption as a catalyst for change. Those that wish to thrive in the on-demand world will enhance their customer experiences with new lifestyle offerings, build loyalty by fulfilling their brand promises and differentiate themselves with new value propositions. In doing so, they will capture new sources of revenue and growth.

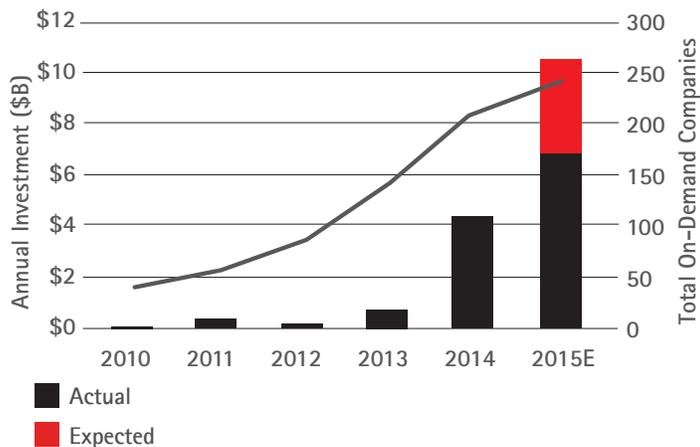


"On-demand" demands attention

To appreciate the significance of on-demand's disruptive potential, one needs only to follow the "smart money."

Venture capitalists invested \$12.5 billion in some 230 US-based on-demand companies between 2000 and 2015. The acceleration of investor demand for on-demand opportunities is impressive, growing annually by a factor of 265—from only \$39 million in 2010 to an estimated \$10.4 billion in 2015 (see Figure 1).

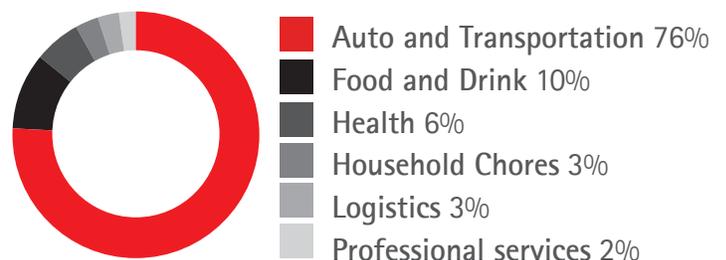
FIGURE 1 | Investor demand



Some of the more common features of companies gaining ground in the new economy include location-based services, seamless payments, and the utilization of contract or temporary workers. Another is the legion of fans they're attracting in virtually all industries. Today, the auto and transportation space attracts the most attention—and the most on-demand investment dollars. But other sectors such as food & drink, health, household chores, logistics and professional services are gaining ground (See Figure 2).

No sector of service is off-limits. Hairstyling (GLAMSQUAD), valet parking (Vatler), garbage pick-up (Rubicon) and at-home car repair (YourMechanic) are all just one tap away. So are laundering services (Washio), laptop repair (Techy), manicures (Pamper) and flower delivery (BloomThat). Enterprise buyers can also take advantage of on-demand's closed-loop, human-delivered offerings. And why shouldn't they? They are consumers looking for convenience and quick gratification, too. And, in a business context, on-demand services enable them to offload some of their more tedious and time-consuming tasks. Qualified freelance talent (Upwork) or reliable B2B delivery services (Sidecar) move them one step closer to the workplace lifestyle to which they aspire.

FIGURE 2 | On-demand investment, by categories



A fight for the lifestyle promise

Commerce used to be a battle for wallet share. Digital makes it a fight for delivering curated and tailored experiences that delight and surprise. This is where value now lies and this is where on-demand companies stake their claim.

On-demand's disruptive potential has grown under the radar. That makes on-demand companies even more threatening. History has shown that disruption starts small, traditionally from the "outside in and bottom up." It may begin slowly—at one store, one branch, one city—but it can spread quickly. Too fast, in fact, for many incumbents to mount an effective response. We see that today in the transport industry, which is struggling to shift its focus from owning assets to fulfilling transportation needs. The same disruptive forces are playing out in health and professional services. As digital innovations and customer expectations rise in every industry, on-demand will open the floodgates to offerings that we can't yet imagine. In this environment, no incumbent is safe.

On-demand disrupters pose a formidable threat because they deliver uniquely packaged offerings and digitally accessed experiences that resonate with customers for their immediacy and their contextual relevance. This is about more than winning the customer experience and it's about more than "last-mile" delivery. It's about new competitors injecting themselves into the value chain of established companies, securing consumer trust, and stealing valuable and visible parts of incumbents' businesses. It's about on-demand players using digital to make the lives of their customers better. It's about making enterprises more efficient. It's about offering new opportunities for freelance workers with excess capacity or those trying to get ahead. Ultimately, it's about new businesses offerings and the fulfillment of a lifestyle promise. This is lifestyle commerce, brought to you by the on-demand economy.

On-demand companies deliver new forms of value and revolutionize how consumers interact with providers, across all industries:



On-demand healthcare | Patricia is sick. It's Saturday, which means she will have to wait three hours at the Urgent Care facility downtown. Navigating Doctor-On-Demand, Patricia can get the care she needs immediately, from the comfort of her home. And it will cost just \$40.



On-demand household | Henry's wife just called. She's bringing coworkers home for dinner but the house is in shambles. Henry accesses Handy via his smartphone and a cleaning crew is at his door within two hours. Cost? \$45.



On-demand logistics | Laurie just sold her first painting. The online buyer wants it within three days. The problem? Laurie has neither the packing supplies she needs, nor the time to run to FedEx. With Shyp, Laurie's artwork is picked up, packed and shipped in 20 minutes. And she never has to leave her studio.

Seizing the on-demand opportunity

On-demand offerings emerge first in innovative, densely populated areas.

That makes sense, given the high numbers of digitally savvy consumers, entrepreneurs and potential on-demand workers who congregate there—all looking to gain the lifestyle advantage that on-demand affords them. Yet even in these on-demand hotbeds, established companies often fail to see both the threat and the broader impact of the on-demand economy. Focused on serving national accounts and multiple customer segments, many established companies ignore the reality that on-demand services are changing consumer expectations, altering social interactions and reimagining transactions in every industry.

Established companies

need to act now—before on-demand companies encroach on their brands and steal their opportunity to engage in lifestyle commerce. Some innovative organizations are doing just that.

- Whole Foods, Target, Petco and Costco have partnered with Instacart—an on-demand personal-shopping and fulfillment company now flourishing in more than a dozen US cities—to carry out and deliver customers' purchases to their front door in just an hour.
- Groupon acquired OrderUp, an on-demand online and mobile food ordering and delivery company operating in nearly 40 US markets.
- Anheuser-Busch InBev teamed with Klink to develop a branded app for customers looking to quench their Bud Light craving. In the Washington DC pilot market, customers can receive one to 100 cases of ice-cold brew with a single click.
- Amazon built its own one-hour delivery service for Amazon Prime customers in Seattle. Amazon Flex uses "on-demand" workers—normal folks with reliable vehicles, a few hours of time, and a desire to make \$18-25 per hour—to meet its one-hour delivery promise.
- Uber created UberRUSH, which enables merchants in Chicago, New York and San Francisco to get their products into the hands of their customers in just minutes.

While companies can use different approaches (i.e., build, buy or partner) to incorporate on-demand capabilities into their offerings, they have a common intention: growth. They don't just defend their existing business models by adding new features, but rather, pioneering organizations:

Identify weak spots.

Leaders seek to understand—and address—the negative experiences that erode existing customer loyalty. Accenture's 2014 Global Consumer Pulse Research indicates that long wait times, multiple handoffs, impolite service agents, false expectations and the misuse of personal information can all contribute to customer defection.

Develop differentiating value propositions.

Leaders orient themselves around the customer and have a deep understanding of their consumers' experience pathways. With this understanding, they can identify new lifestyle offerings that not only strengthen their existing businesses, but also facilitate expansion into new, lucrative profit pools.

Invest holistically in digital.

Leaders invest broadly in digital resources to improve the end-to-end commerce experience. Ideal investments in digital technologies include advanced rules engines, secure payments, last-mile fulfillment, and location-based services, to name a few.

Orchestrate digital ecosystems.

Leaders establish themselves as an integral team player and a destination partner for other stakeholders looking to create compelling offerings. This means they develop strong ecosystems of friendly relationships across the customer value chain and position themselves to be more open, more flexible and more collaborative.

Explore new models.

Leaders differentiate themselves by staying one step ahead of customers' expectations. Some companies may choose to test novel delivery mechanisms, for example, opting for last-mile fulfillment from freelance or contract brand extenders rather than full-time resources.



Be disruptive

On-demand competitors have set their sights on winning the lifestyle commerce market. But they aren't the only disruptors on the battlefield. The on-demand world has room for many players—including established companies that are willing to stretch their digital boundaries, reimagine their business models, and create the lifestyle experiences their consumers now demand. The choice is clear. Those looking to grow, will embrace lifestyle commerce and engage in the on-demand economy.



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Methodology

Accenture assessed the number of on-demand companies and investment funding from 2010 through September 2015. The analysis focused on early-stage, digital-first businesses that through connected devices offer closed-loop, human-delivered experiences to the consumer in near real time. Companies are identified and vetted by Accenture, with funding data is collated from a number of primary and secondary sources.

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