



ARE YOU READY FOR THE CUSTOMER 4.0 REVOLUTION?

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ARE YOU READY FOR THE CUSTOMER 4.0 REVOLUTION?

Why are so many organisations failing to live up to their customers' expectations? New research¹ reveals that, on average, every adult customer in the UK complained at least once in 2016 – that's 55 million complaints, resulting in 28% spending less or taking their business elsewhere. This failure to deliver the experience and satisfaction customers expect costs companies an eye-watering £37 billion a year in lost revenue – consistent with previous findings² that \$100 billion is lost in the US and \$400 billion worldwide.

As customers today – be that as consumers, citizens, business professionals or patients – we're more empowered than ever before. And this is enabled by proliferating choice and hyper-connectivity. Technology and generational dynamics have changed the way we connect and relate to what's around us, placing us at the centre of our own 'universe' – the ecosystem of people and organisations who inform, inspire and influence us. We're also increasingly focused on end-outcomes rather than just features, brand and even experiences. Organisations who fail to recognise this fundamental shift risk a rapid decline in relevance and value to their customers. Welcome to the world of Customer 4.0.

We believe the right response to such unprecedented change starts by fundamentally re-visioning around your customer. Who are they? And how will you help them navigate the complexity of their universe to better achieve the outcomes they're seeking? While you might be used to enticing the customer into your world through your brand and great customer experience, you now need to reverse the logic and decide how you're going to fit into their universe. For many, we believe this will involve redesigning your business model around the customer.

How did we arrive at Customer 4.0?

In most sectors we can see distinct epochs when it comes to how providers – the organisations who offer a product or service to help achieve an outcome – and customers relate to each other.

- **Customer 1.0:** the product world epitomised by Henry Ford's 'any colour as long as it's black' attitude. Where the power in the market sits with those that control production and distribution. Customers are just pleased to be offered the product.
- **Customer 2.0:** when branding and advertising start to create differentiation between products and tell customers what's 'true'. It's characterised by slogans and aspirations, such as 'Probably the best larger in the world'.
- **Customer 3.0:** the world most organisations live in today. Where products are augmented by an experience intended to draw them into the providers' world in the most compelling way possible. In turn, this 'delights' the customer and drives satisfaction and loyalty – 'The best coffee for the best you'.
- **Customer 4.0:** we're now in a world that's led by customers who are increasingly outcome-driven. Relevance and value are achieved by positioning yourself into the customer's universe, being there when they need you, and getting out of the way when they don't. As Amazon say, 'And you're done'.

¹ Ombudsman services "consumer action monitor" 2017

² Success Centre "The true cost of bad customer service" (www.desk.com)

Undoubtedly many of the driving characteristics of Customer 4.0 look rooted in the millennial generation. These 18 to 30-something year olds have grown up digital natives and consider personal devices that bundle services to educate, entertain, transact, and research as the norm. It's also part of their identity and has defined their expectations – technology just works. They're social in all they do, live life in groups (physical and virtual) and share and seek opinions. They tend to collaborate and cooperate, and don't readily recognise boundaries – including those between brands and customers. While as a demographic they're vital to many organisations today, research has shown their significance to be even more profound – they are influencing back 'up'³ the generational line to Gen X, Baby Boomers and even the Silents. As has been said before, 'We're all Millennials now!'

So here are some guiding principles to help you navigate the Customer 4.0 revolution.

It's all about goals and outcomes

We're currently working with a financial services company who are rethinking what's required to secure their long-term market position. Whereas they'd have previously looked at what products their customers are buying or whether they're regularly transacting, they've recognised the need to look at why people are in the market in the first place. Are they saving for their children's education, for retirement or for a house deposit? This means fundamentally changing their approach to creating insights around their customers. By seeking to enter the customer's universe, they can then ensure relevance through an experience that's truly valuable, working with partners and customers to help the latter achieve their goal easier.

This new way of thinking may need you to bust some myths about your customers and rethink how you engage with them. We helped an international airline to challenge some deeply held preconceptions about their customer base by integrating and analysing disparate data sets. These ranged from frequent flyer and booking data to complaints and satisfaction surveys. All this helped to paint a clearer picture of their segments, led them to fundamentally rethink the way they marketed to customers, and opened up a £35 million revenue opportunity.

Get to know your customers' universe

Apart from the organisations providing goods and services, there are three zones within a customer's universe that can inform, inspire and influence them in how they'll achieve their goals – they are 'authority', 'advisory' and 'advocacy'. But who are in these zones?

- **Authority:** organisations that set the 'rules' in each industry, such as regulators. For example, the UK's Financial Conduct Authority is influencing customer choice as it seeks to level the playing field in the banking industry and encourage challenger banks and Fintech start-ups.
- **Advisory:** organisations that provide free or paid-for impartial advice. Independent financial advisors or citizen advice services offer information, guidance and recommendations based on an individual's circumstances.
- **Advocacy:** formal or informal contacts who promote or detract from offers in the market. They could be bloggers, celebrities, business associates, friends or strangers. Sites such as Tripadvisor and Trustpilot have become the go-to aggregators of these opinions. In the UK, Martin Lewis⁴ and his MoneySavingExpert website are seen as a trusted source that can drive people towards particular organisations, services and products.

So it's important to work out what forces are at work in your customers' universe, beyond the forces you control, like brand and promotion. Having identified these, you can start to explore ways to collaborate or contend with them to make yourself relevant to the customer. While helping a public

³ The Drum "Millennial behavior influences older generations, according to study" 2016

⁴ <http://blogs.spectator.co.uk/2015/11/who-will-influence-the-eu-referendum-martin-lewis-not-june-sarpong/>

sector client redesign their business model, we used Systems Thinking⁵ to develop a ‘universe map’ which showed all the sources of influence and how those forces moved a citizen to find, use and recommend them. The map highlighted a number of unexpected levers including better awareness of the target customer’s peers, cutting time between sign-up and the first, personalised engagement and having a broad partner network to keep alumni engaged. These insights, combined with a refined proposition and delivery capability, helped to drive a three-fold increase in uptake of a new service.

Continuously create value for your customer

Once you’re clear on who your customer is and what their goal is, ask yourself three questions. The first: how can I best help them to achieve their goal? It’s important to reshape your value proposition, working with others in the customer’s universe, and potentially thinking about alternative ways to monetise your offer.

The second: how is my offering different from others in their universe? Customers now have a vast range of providers to choose from so your offer needs to be authentic and compelling – and not just to your customer, but to those in their universe. Most importantly, your offer needs to make advocates out of your best customers. Today, this advocacy or ‘badvocacy’ is often the loudest voice out there – 83%⁶ of global respondents say they completely or somewhat trust the recommendations of friends and family. And 66% say they trust the opinion of strangers posted online.

The third: how do I keep evolving my value proposition to stay relevant in their universe? Customers are constantly changing their habits, bringing new players into their universe and casting others out. We only have to look at the likes of Myspace and Yahoo Search who didn’t keep up with customer’s preferences and were removed from their universe. Perhaps one of the best examples here is how Amazon reshaped from being an online bookseller to a facilitator of the entire reading ecosystem – bringing writers, publishers and readers together with an array of content, services, devices and technologies that make it easy for everyone. But they also improved their behind-the-scenes capabilities to launch their marketplace and web services – enabling others to offer products and services they choose not to.

Think big, start small and scale fast

Responding to the Customer 4.0 revolution requires a significant shift for most organisations. You’ll need to transform many aspects of the organisation – people, processes, systems and partnerships. It can seem daunting, but taking the first steps to get started are critical in building the momentum for change. In working with a number of organisations as they tackle the Customer 4.0 challenge, we’ve found it helpful to think about three steps:

- **Think big:** start by defining your customer-led vision and recognise the extent of change required.
- **Start small:** consider segmenting your customers with an ‘outcomes lens’ and choose the ones you want to help. Take one segment and test the Customer 4.0 concept by mapping the universe. Then design the value proposition and experience, and validate the proposition to prove it works. You can then iterate to build out your portfolio of propositions for other segments.
- **Scale fast:** informed by the propositions you’re going to deliver, redesign your operating model as a ‘fit for purpose’ set of capabilities able to respond to a customer-led environment. Refocusing what and how you measure towards customer outcomes will allow you to continue to adjust your proposition accordingly.

The holistic nature of this approach is challenging – but it’s vital to success. Only focusing on specific aspects of the traditional customer journey view is unlikely to create the fundamental shift in value that customers expect. You need to think about everything. From the first contact with the customer to the

⁵ <http://www.paconsulting.com/insights/making-better-strategic-decisions-using-system-dynamics/>

⁶ Neilson “Global trust in advertising” 2015

backend system that ensures customers get what they need at the right time. We've been helping a global recruitment business to redefine how they engage and hire jobseekers in a Customer 4.0 world. We've looked in depth at what each type of jobseeker wants to achieve and defined data-driven ways to deliver this. For professionals, we've used Growthhacking to find new sources to the most scarce talents. Offering these insights to job applicants helps to guide their skills development and makes our client more relevant in their universe. For temporary workers, we've identified their goal is to get placed quickly so we've built an algorithm to match people with jobs in the database – vastly reducing the lead time

The organisations who will thrive in a Customer 4.0 world will be those who help their customers achieve their ultimate goals. They will be clear on their purpose and be led by people who understand that customer value is a core driver of future growth.

To find out more about how to prepare for the Customer 4.0 revolution, get in touch with one of our experts today.

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