This time it’s personal: from consumer to co-creator

The COO perspective
The COO perspective – at a glance

Your time is precious. In order to get you the insights you need, as quickly as possible, we designed The COO perspective – a series of short executive briefing papers that provide a quick overview of the main findings of recent EY reports, with a particular emphasis on the relevance for you.

The role of the COO is hugely diverse, changing markedly from one company to another and across varying industries. Accordingly, in compiling The COO perspective, we’ve sought to highlight insights of relevance to one or more of the six fundamental components of the COO role, as illustrated by our wheel model that we believe collectively encompasses the full extent and potential of the COO role.

What is This time it’s personal: from consumer to co-creator about?

In a sentence: The emergence of a new breed of consumer is putting fresh demands on companies and their business models, from multi-channel experiences to increased two-way interaction, all of which has clear implications for COOs.

COOs are often one step removed from keeping tabs on shifting consumer trends, but the high-level issues remain important to understand for two key reasons. First, because COOs will often end up being asked to deliver on whatever has been promised, but second, and more importantly, because they will need to consider how the organization and business model can be structured best to profit from the shifts under way. And there is plenty to consider. In little more than a decade, the internet has transformed the way in which consumers both make and execute their spending decisions. As such, COOs who consider the job of embracing the digital world as something for their sales and marketing departments alone are likely making a serious error of judgment.

To help cast a light onto these issues, EY conducted a survey of almost 25,000 consumers, encompassing a broad profile across a spread of age, income levels and gender, and spanning 34 countries. The research, conducted in both rapid-growth and developed markets, looked at purchasing activities in 10 different product and service sectors, from food to electronics. The following extract focuses on the research results that are of greatest relevance for COOs.

1 This time it’s personal: from consumer to co-creator, EY, 2012.
The chameleon consumer and its implications for COOs

One of the key findings of this study is that of the emergence of “chameleon consumers” — those who constantly adapt their personas for various interactions and defy the confines of traditional market segmentation. These new consumers have conflicting preferences and facets: they shop online but demand a human touch too; they insist on individualized service but communicate in packs. Overall, they are tough to read, far more knowledgeable than in the past and much harder to please. While this presents formidable challenges for the marketing function, COOs also need to keep pace with such trends, given the implications they hold for how the business is configured to respond to these shifts. In particular, there are five broad issues that COOs either have to lead or support in response to these trends.

1. Prepare the business for greater personalization

With easy access to detailed online product or service reviews, price comparison apps and other digital tools that allow them to compare offerings at the point of purchase, today’s consumers are more informed than ever before. Given such price transparency, companies cannot always compete on price alone. At a philosophical level, the nature of consumption has changed, with a shift toward increased personalization. Customers want to have a greater say. They want products and services to be designed, sold, delivered and serviced in a way that suits them. In response, COOs have to help create a more personalized customer journey: from bespoke product and service variants and flexible delivery, to a more adaptable value chain, as part of the wider brand experience that a consumer encounters in dealing with the firm. In turn, this may also demand a shift in the firm’s core business model. A company may decide, for example, that it cannot compete on price, and therefore must offer something else that consumers value – far better service, perhaps, or new routes to market. In any such discussion, COOs have a unique perspective to offer, in relaying what the implications of any decision might be in terms of how the business actually delivers upon it, or how it properly adapts to it.

2. Act as the integrator for a multi-channel experience

In today’s market, firms need to ensure a consistency of experience across whatever channel a customer chooses to interact with. For example, many may browse the website for product information, before calling the support desk about customized options, and then expecting pickup within a local store. All this presents major multi-channel challenges. In a retail business, for example, it’s all too easy for marketing to deliver one experience via social media, while a digital team provides another online, and physical outlets yet another within stores. This won’t do.
Consumers demand consistency in pricing, quality and branding across the full service network, whether the components are virtual or physical. And as organizations develop their online capability, they must be wary of neglecting the face-to-face experience. Bricks and mortar outlets will remain core to consumers’ preferred retail experience, but organizations must reassess the role and format of these within their various routes to market. In all of this, COOs often act as integrators between the various channels, and also as the key link between them and the operations function. In doing so, they have to maintain consistency, while identifying any potential gaps between what is promised to customers and what is actually delivered from the supply chain, to ensure no failures.

3. Overcome organizational silos to deliver a holistic view of the customer

Analytics has become a critical tool for understanding consumer behavior. Business intelligence and analytics technology are maturing rapidly and the amount of customer data available is growing exponentially. Gaining a far deeper understanding of consumer needs and expectations can, in turn, bolster the other initiatives that COOs will support, from better channel integration through to improved personalization. But getting this right requires a deep grasp of which data is most useful within the business and how it can best be merged with other information elsewhere to gather genuinely useful insights. Too often, such information is lost within organizational silos, which means the company misses opportunities to understand their customer better. Acting in tandem with the IT function, the COO has a clear role to play here in ensuring that any such silos are overcome in delivering on this and, in many instances, is a clear candidate to provide centralized oversight of such initiatives.

4. Provide new mechanisms for consumers to help co-create products and services

The new consumer has other demands too. Beyond personalization alone, they want to be active co-creators of products and services, not simply passive consumers. This is often a direct challenge for the COO, to help create or support mechanisms for such an engagement by looking for win-win opportunities to act in partnership with customers. This may involve uncovering effective and practical ways to open up the research and development funnel to consumers; for example, to tap them for new ideas, while also building consumer ownership and loyalty. Greater consumer engagement can also shake up other aspects of the business, such as customer support, where an active community of users can help to deliver answers as part of an active co-creation process. Given the potential for such shifts to get trapped between different functions within the organization, the COO
has a prime role to play in spotting such opportunities and implementing them. At the same time, however, they have to maintain a tight balance, to ensure that this openness doesn’t distract the business, or overly dilute and fragment its key offerings.

5. Rethink the value chain for this new breed of consumers

Delivering on all of the above – by creating a more personalized, truly multi-channel business that is open to closer two-way interactions with customers – will, in turn, demand a highly flexible and adaptable value chain. Perhaps more than anything else, COOs have a fundamental role to play in determining an optimal outcome here. The demands are significant: at a basic level, it means ensuring systems and processes are in place to provide bespoke product and service variations, flexible delivery options, adaptable payment mechanisms and a cross-channel sales proposition. A robust value chain that is capable of swift and seamless production, delivery and supply is crucial. And, in turn, this may require wholly new models – perhaps centralizing distribution within major hubs to support a change in focus, or exploring a hybrid distribution model that brings various strands of the business much closer together, and even to overlap with each other. Across all of these, COOs must help to build the rationale for such operational investments, before overseeing the relating implementation and change management process. But whatever changes are agreed upon, COOs have a leading role in ensuring that customers have an end-to-end brand experience, across the whole life cycle of intended or actual purchases and all aspects of the customer journey.
A COO checklist for the digital age’s chameleon consumer

Adapting your business for the modern age is not easy. But COOs who understand that every part of the value chain must be geared toward delivering on the firm’s overall brand promise to customers, will find it easier to make the shift. This checklist of questions is a good place to start:

☐ How does your company stay attuned to future trends, both within and outside your market and sector?

☐ How prepared is your business to deliver on increased personalization of any product or service offering? And what does this imply for your underlying business model?

☐ How do you assess the linkages and overlaps between your company’s various channels to market?

☐ How successful are you in nurturing both the face-to-face consumer experience and the online interface? How do you manage this multi-channel challenge?

☐ Are your channels consistent in look, feel, quality and pricing?

☐ Do all elements or departments within your value chain work toward the same customer goals, such as service levels, customer satisfaction and product and service availability? How do you ensure that all departments have the same customer data?

☐ Do you have regular stress tests in place that address all customer-facing functions and how, on diagnosing pain points, do you create robust road maps for transformation?

☐ To what extent do you make use of analytics to capture a more nuanced picture of the various patterns of consumer behavior?

☐ What mechanisms are in place for consumers to interact meaningfully with your business, and to integrate this with your product and service innovation efforts?

☐ How deeply have you thought about creating an end-to-end customer experience by aligning your whole value chain to the development of collaborative partnerships with customers?

☐ How well set up is your value chain to be adapted to shifts in your firm’s core brand promise to customers?

☐ How closely do you liaise with marketing to ensure alignment on this?

☐ Is your supply chain flexible enough to quickly react to changing customer demands and expectations?

Further reading


For a copy of the full report, please visit ey.com/from-consumer-to-co-creator.
Alignment to the COO agenda

This time it’s personal: from consumer to co-creator has a strong relevance for the COO’s role. The yellow wedges highlight those areas that are influenced most strongly.

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