How to copilot the multichannel journey
Welcome on board

Technology has empowered consumers. They have become smarter, better informed and more demanding than ever. Gone are the days when consumers were passive passengers with little choice other than to comply with the direction you set.

In 2012, EY’s first Consumers on Board report, *This time it’s personal: from consumer to co-creator*, highlighted the changing nature of commerce. It painted a picture of consumers who want products and services to be designed, sold, delivered, serviced and purchased in a way that suits them. Our new Consumers on Board research shows consumers have now moved even further down this path. Today, they are knowledgeable and self-confident, with the will and the means to take a share of the controls.

For Consumers on Board, we conducted an extensive international survey, interviewing almost 30,000 consumers across 34 countries. Broadly, the survey data showed that consumers are doing more research before buying than was the case two years ago. We’ve all become frequent flyers on “purchasing journeys” that often involve making careful comparisons before final decisions.

Change on this scale demands attention. Who would dream of piloting a commercial aircraft without a flight plan or access to the reliable real-time data provided by air traffic control? It would be madness to disregard the best information available. The same holds true for marketing. Analytics has become fundamental (see the glossary on page 39). Understanding consumer behavior and giving buyers what they want lies at the heart of business success today. In the age of the smart consumer, superior insight can make all the difference. It’s vital to realize that consumers consider themselves as “copilots” when setting off with the intention of buying.

Organizations face turbulent times but for those who anticipate and lead in the change, the prospect is an exciting one. The consumer purchasing journey is more interesting than ever before and full of opportunity for buyer and seller alike. I hope you find this report and its recommendations useful as you engage with your customers.

Woody Driggs
Global Customer Leader
Consumers are changing. It's time for new ideas to take flight.
The way customers behave is evolving rapidly. Innovation in the digital space is shrinking the world and accelerating the speed of change. The telephone needed 75 years to reach 50 million users, television only 13 years, the internet 4, and Facebook 3½. And as for Angry Birds Space, that flew — requiring little more than a month (35 days).¹

On Twitter, there are over 500 million tweets per day, which works out at 5,700 every second.² The smartphone and tablet boom has revolutionized how we communicate. In 2013, there were 897 million mobile email users worldwide, a number projected to surge to over 1.6 billion in 2016. Facebook, with over 1.3 billion users, has a “population” similar in size to China or India.³

Access to technology has realigned the balance of power. There’s a very real danger that consumers may soon be one step ahead and the businesses chasing them will be reduced to playing catch-up. Therefore, to be armed with knowledge is to be in a position of strength. True insight means transforming complex information into something clear and helpful — which is what this report aims to do.

EY’s second international survey of the new consumer is extensive in scope, generating nine million data points. Importantly, our sample reflects a broad range of ages and backgrounds. This research shines a light on both consumer attitudes and the purchasing journey across 10 categories:

- Telephone or mobile contracts
- Consumer loans
- Household insurance
- Food and beverages
- Consumer electronics
- Cars
- Clothes
- Commodities
- Health care
- Health insurance
Our report shows how consumer behavior is evolving. Vitally, our findings also highlight the size and nature of the task that lies ahead for businesses if they are to prosper.

**Meet the smart consumer:** cautious, connected and versatile

Consumers today are adept at filtering information and move effortlessly between channels. They expect value for money, quality and relevance, such as personalized offers. Our research has found that:

- Consumers have become more cautious, often researching carefully before making the decision to buy.
- Price has the greatest influence on whether to buy, but is certainly not the only factor. Quality is also of major importance.
- We see a marked shift toward buying online, and a corresponding decline of buying in-store, across most categories. The only categories to remain stable in-store are cars, telephone and mobile contracts, and consumer loans.
- Brand loyalty has edged up and, at the same time, brands are far more important to some groups of consumer than others.
- There is a desire for reassurance. When shopping in categories such as cars and consumer electronics, consumers expect to receive a warranty and helpful after-sale support if required.

**Following an omnichannel course:** the growth of the digital purchasing journey

The proliferation of smartphones and tablet devices has given consumers access to powerful technology whether they are in the workplace, at home or on the move. Wherever they are, information can be accessed in seconds. Our survey found that:

- Online is increasingly a factor in the purchasing journey, even when a sale is completed in-store. Sixty-two percent of people globally are now digital consumers.
- A preference for shopping in-store is more pronounced in mature markets. Emerging market online users are leading the way on the digital journey.
- Digital consumers may usefully be divided into three behavioral groups: digital informers, digital buyers and digital “hypertaskers.”
- The best-informed and most versatile consumers are digital hypertaskers. Businesses must prepare for the growth of this challenging group.
- Digital can enhance or even save traditional channels – often playing a vital role in a purchasing journey that may be completed in-store.
- Recommendation and word of mouth are significant and can have a major impact on brand.
- Consumers report increasing negatives associated with social media.

**Service that sticks in the mind:** engaging consumers with excellence

Whatever the sector, businesses face stiff competition. Advanced analytics and delivery of an outstanding customer experience hold the keys to success. Our report finds:

- Consumers take a broad, cross-channel view. As a result, delivering effective customer insight calls for organization-wide solutions.
- All too often, marketers neglect the 50+ baby-boomer generation.
- Consumers are an asset for innovation. We see evidence of active cooperation being offered in the development phase for new products in every category we looked at.
- There is a growing expectation of personalization. Companies need to investigate if and how they might improve on personalizing offers, product and consumer communication. Consumers are changing. It’s time for new ideas to take flight.
The imperative for change

If consumers are changing, businesses must change too. Old structures and inflexible cultures will fail to win over the well-informed shopper who hops easily from one channel to another.

Two complementary patterns of behavior are driving the need for reinvention. Both price and quality are of huge significance to consumers, and often, these are thoroughly researched online — even for purchases subsequently made via another channel. Consumers are making heavy use of price-comparison services, especially for commodity purchases. Moreover, positive or negative recommendation is becoming crucial to decisions on quality. Are you thinking how you might use these levers to your advantage? How could behavioral insight help you maximize conversion rates?

Businesses must match consumers’ nimbleness with agility of their own. Innovation is essential. New trends should be identified and acted on quickly. Fresh ideas, which increasingly emerge through collaboration — that, for example, may embrace new platforms for bringing parties together, such as crowd-funding sites — must be incorporated into processes and applied to developing solutions with genuine consumer appeal. Innovation extends to finding interesting ways of engaging with and stimulating consumers. If they are hungry for more, they are more likely to buy.

In order for new thinking to flourish, organizations have to dismantle outdated silo mentalities. Just as consumers are able to “hypertask” and take a broad view, so must the different functions within a company. Functions such as IT and marketing must work much more closely together. And it will be necessary to create new enterprise-wide roles to ensure this happens seamlessly and efficiently.

Moreover, as these new enterprise-wide roles emerge, businesses will need to develop cross-functional training. Given the speed of change, it is essential employees are able to align around corporate objectives and share a “common language” in tune with a multichannel, increasingly digital model.

In the future, dual action from government bodies and organizations is called for to ensure the ongoing availability of appropriate skills and capabilities. The most important pillar supporting innovation and opportunity is education. Traditional practices must be reshaped and new paths created for learning.

Staying ahead of the curve requires awareness of which new roles and skills are required now and in the future. How good is your organization at knowing what’s needed to make new thinking part of your day-to-day culture?

The rise of the chief analytics officer is unstoppable. In this era of big data (see the glossary on page 39), the ability to deliver true insight is far more than useful — it’s absolutely vital. As smartphone-wielding consumers spend ever more time using digital channels, analytics comes into its own. In order to really understand the complex behavior of today’s digital consumers, advanced analytics must be embedded across the company as a whole. This means new systems, new processes and new ways of working. Even though this may be costly, the positive impact will be huge and the investment worthwhile. To what extent have you started to factor change of this scale into your planning and budgets?

Consumers seek value for money, excellent service and quality together with memorable experiences. The challenge for businesses is to meet those needs. Yet, as our research shows, more than ever before, people want to get involved. This is a very different way of engaging with customers than businesses have ever known before. And with customer loyalty as the prize, can you afford to overlook it?

Social media has provided consumers with a platform for their views and their creativity. It has changed attitudes and opened doors. Passivity has been swept away by proactivity. This presents companies with both threats and opportunities. Organizations must address consumer concerns about the security of their personal data by prioritizing cybersecurity and ensuring they monitor consumer sentiment on social media to prevent damaging comment from gaining traction. At the same time, the opportunities for collaboration and co-creation are almost limitless. What’s your strategy for exploiting these opportunities?

In this atmosphere of heightened consumer power and rapid digital transformation, no one can afford to stand still. In its time, the Boeing 707 was a wonderful plane. Yet no top airline today could survive by operating this museum piece. Passengers wouldn’t stand for it. Ultimately, consumers decide what will fly and what won’t. Smart companies thrive by figuring out what consumers want and delivering it to them the way they want it.
People are smart. We are, after all, homo sapiens “wise man.” Today, our intelligence is augmented by access to information at a speed and on a scale that would have been inconceivable to our ancestors.
We are more than users of IT: we thrive on the information that technology enables us to unearth and organize. To some extent, we’ve evolved into “homo informaticus.” And a key part of that evolution has been the development of an unprecedented skill for filtering information to find what we want. Just as air traffic control directs many flights at once, we can choose between different paths.

Although online remains dominant, according to our research, *homo informaticus* is adept at researching across all channels. The wide choice of channels available – websites, physical stores, coupons, auctions, etc. – has shifted the balance of power more in the customer’s favor. Consumers are no longer obliged to deal with vendors directly to access information. Aware of the many different options and offers on the market, they are keen to sniff out the deal that suits their goals and circumstances, as well as one that gives them good value for money.

They have the wisdom to make the most of an “omnichannel” world (see the glossary on page 39).

A new attitude means it doesn’t have to be new

A keen instinct for value may mean buying goods new. Equally, it could be renting, swapping or buying secondhand. Price has the greatest influence on consumer’s purchasing choices. There are, however, other motivating factors (see chart 1). Our research indicates that customers have become more cautious. They consider purchases rationally and think twice before buying.

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**Chart 1**

Extent to which the following factors influence the selection process

<table>
<thead>
<tr>
<th>Price, payment and delivery conditions</th>
<th>Quality, warranty and user ratings</th>
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<tbody>
<tr>
<td><strong>Telephone or mobile contracts</strong></td>
<td><strong>Telephone or mobile contracts</strong></td>
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<tr>
<td>Consumer loans</td>
<td>Consumer loans</td>
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<tr>
<td>Household insurance</td>
<td>Household insurance</td>
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<td>Food and beverages</td>
<td>Food and beverages</td>
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<tr>
<td>Consumer electronics</td>
<td>Consumer electronics</td>
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<tr>
<td>Cars</td>
<td>Cars</td>
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<tr>
<td>Clothes</td>
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<tr>
<td>Commodities</td>
<td>Commodities</td>
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<tr>
<td>Health care</td>
<td>Health care</td>
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<tr>
<td>Health insurance (new in 2014)</td>
<td>Health insurance (new in 2014)</td>
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<table>
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<tr>
<th>2014</th>
<th>2012</th>
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<tbody>
<tr>
<td>86%</td>
<td>99%</td>
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<tr>
<td>72%</td>
<td>81%</td>
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<tr>
<td>82%</td>
<td>84%</td>
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<td>78%</td>
<td>81%</td>
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<td>82%</td>
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<tr>
<td>74%</td>
<td>73%</td>
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<tr>
<td>80%</td>
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<table>
<thead>
<tr>
<th>2014</th>
<th>2012</th>
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<tbody>
<tr>
<td>56%</td>
<td>66%</td>
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<tr>
<td>76%</td>
<td>87%</td>
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<td>87%</td>
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<tr>
<td>73%</td>
<td>73%</td>
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<tr>
<td>84%</td>
<td>81%</td>
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</table>
Customers may decide to rent in the first instance because they have a desire to test and learn. Swapping goods with others is also sometimes conducted as a means of finding out more ahead of making a purchase or because it is seen as a more sustainable way of living.

Nevertheless, the rise of swapping and buying secondhand is mainly being driven by customers who want a good deal. There is widespread reluctance to pay the list price or manufacturer’s recommended retail price for goods and services. The success of auction sites such as eBay and other sites that offer an online discount, such as Amazon and Pixmania, has made it easier to get good quality for less.

Attitudes have changed – there is far less stigma associated with buying secondhand or borrowing than there once was. Moreover, we only have to look at the rise of the procurement professional in the corporate world to appreciate how much buying at a good price is admired.

Riding the wave of the sharing economy

In recent years, we have seen the emergence of companies seeking to tap into the growing “sharing economy.” Airbnb, the community marketplace for people to list and book unique accommodation around the world, has grown fast since its formation in California in 2008. With over 600,000 listings, spanning 192 countries, the company is indicative of a growing appetite for what is sometimes called “collaborative consumption.”

Another business riding the collaborative consumption wave is carpooling.com, which was established in Germany in 2011 and has grown into the world’s leading “ride-sharing” network. In 2012, the company attracted investment from Daimler AG and today has 1.3 million people carpooling each month. A desire among consumers to save money, concern for the environment and greater access to mobile technology have all been factors contributing to the growth of this business with collaboration at its heart. Other car-sharing businesses, such as Zipcar in the UK and the US and GoGet in Australia, are also scaling up.

Meanwhile, in Germany, beginning with the June 2012 opening of Leila in Berlin, “borrowing shops” have started springing up across the country. Their philosophy is that it often makes greater sense to share than to buy. That same philosophy is evident in the recent launch of WIR.DE, an online portal connecting neighbors so that they can share resources and help each other. Among the numerous other sharing-economy platforms to emerge in recent years are New York-based “online flea market” Krrb, San Francisco-headquartered digital thrift store thredUP, German exchanges Mylittlebigswap and Whynot, and Australian “giving network” TuShare.

Filling the basket cautiously: a marked shift to more online buying

A growing appreciation of the breadth of alternatives now available to them has made consumers reluctant to purchase without full consideration of their options first. As it is now very easy to make comparisons on the shopping journey, consumers are much more aware of the deals on offer and actively search for where they can get the best price. In other words, they have become more thorough and more cautious shoppers. Our research underlines this trend.

We see a marked shift toward buying online – and a concomitant decline in high-street shopping – for most of the categories we covered. The only categories to remain stable in-store were cars, telephone or mobile contracts, and consumer loans (see charts 2 and 3).
Chart 2
In the last 12 months, which of the following did you buy in-store?

<table>
<thead>
<tr>
<th>Category</th>
<th>2011-12</th>
<th>2013-14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Telephone or mobile contracts</td>
<td>19%</td>
<td>44%</td>
</tr>
<tr>
<td>Consumer loans</td>
<td>25%</td>
<td>27%</td>
</tr>
<tr>
<td>Household insurance</td>
<td>25%</td>
<td>82%</td>
</tr>
<tr>
<td>Food and beverages</td>
<td>27%</td>
<td>65%</td>
</tr>
<tr>
<td>Consumer electronics</td>
<td>31%</td>
<td>31%</td>
</tr>
<tr>
<td>Cars</td>
<td>31%</td>
<td>10%</td>
</tr>
<tr>
<td>Clothes</td>
<td>39%</td>
<td>95%</td>
</tr>
<tr>
<td>Commodities</td>
<td>39%</td>
<td>99%</td>
</tr>
<tr>
<td>Health care</td>
<td>39%</td>
<td>72%</td>
</tr>
<tr>
<td>Health insurance (new in 2014)</td>
<td>27%</td>
<td>65%</td>
</tr>
</tbody>
</table>

Online purchase is increasing across all categories

Three out of nine categories face significant declines in in-store purchases

39% of consumer electronics and clothes are tied up in first place with the highest share of online purchase

At 10% and 14%, cars and consumer loans have the lowest online purchase rates
In tough times, people seek the reassurance of quality and reliability. We can clearly see from our research that, after price, quality is the second most important factor influencing buying decisions (see chart 1).

One manifestation of this is the emergence of sharing-economy businesses that consumers feel they can depend on. Another is that they may gravitate toward trusted brands. The combined value of the 100 leading global brands in 2013 was put at US$1.5t — a record 8.4% increase on 2012.4

This is in line with our research. We see an increase in brand loyalty since 2012 in all markets (see chart 4). Even with price to the fore, the conditions exist for trusted, established brands to connect with their customers and deliver strong growth.

Many people associate reputable brands with quality. As we have already seen, quality is an important factor in the purchasing decision and one that gains in significance during periods of uncertainty. In general, therefore, conditions have been favorable for brands — particularly those that offer value and can connect with their audience by telling a compelling, coherent story.

Nevertheless, although strong brands can help to reassure consumers of quality, our research suggests that it is important not to overstate their attractiveness. The increase in loyalty we saw was a small one. And, as we will see, brands matter more to some categories of consumer than to others.

While brand loyalty has edged up across the different product categories covered by our research, many retailers have experienced difficulties in recent years. With price and service quality at the forefront of purchasers’ minds, some traditional retailers have found it hard to compete. Businesses such as Amazon have been able to capture market share by both offering lower pricing and also winning over consumers with quality of service. For example, a free 30-day returns policy on selected items gives the cautious consumer peace of mind.
Alongside the quest for quality, sometimes expressed as a preference for trusted brands, consumers want reassurance in other areas too. The expectation in categories such as cars and consumer electronics is that they will receive a warranty and helpful after-sale support if required.

The growth of 3D printing from a niche position into mainstream adoption has also in part been driven by demand for made-to-measure products. Putting cooperation with the consumer at the heart of an offer can help deliver differentiation in a crowded market and spark the creation of innovative new services. For instance, Belgian insurance company DVV offers its customers the chance to scan their important keys. The scans are then uploaded to a secure database. If the customer loses a key, the scan can be retrieved and a duplicate key is made using a 3D printer. The growth of 3D printing from a niche position into mainstream adoption has also in part been driven by demand for made-to-measure products. Putting cooperation with the consumer at the heart of an offer can help deliver differentiation in a crowded market and spark the creation of innovative new services. For instance, Belgian insurance company DVV offers its customers the chance to scan their important keys. The scans are then uploaded to a secure database. If the customer loses a key, the scan can be retrieved and a duplicate key is made using a 3D printer.

A major exhibition at the Science Museum in London, 3D: printing the future, features over 600 printed objects and explores the impact of this personalization technology on industry, medicine and the shopping experience. The breadth of what is now possible is astounding, from individualized consumer goods to lightweight aircraft components and prosthetic body parts.

Worldwide, the 3D printer market is experiencing strong growth. Unit and revenue growth in the sector is projected to rise at a compound annual rate of 59% and 29% respectively until 2017.

In the way that Johannes Gutenberg’s introduction of mechanical movable type printing to Europe in the 15th century helped bring about the Renaissance and Enlightenment, people today are changing the world by using new printing technology and other channels creatively to disrupt old models.

With the opportunities for co-creation and active involvement so abundant, organizations are rarely in a position to fly solo anymore.
Considerations for businesses

“How you reach the individual has evolved. You’re now able to reach them in a much more personal way by participating in the conversations that they’re having. You’re able to be a part of their lives wherever they are. That speaks to the technology and the devices that they use. We’re moving toward becoming a multiplatform, multidevice business that understands if we want to engage with consumers, we have to do it on their terms.”

Lisa Bacus, Executive Vice President and Global Chief Marketing Officer, Cigna.

How to approach and connect with the smart consumer

- Ensure seamless communication across all channels, engaging with consumers in real time when, for example, they are conducting online research.
- Look to provide options for rating and comparisons.

How to address consumers who are price and quality sensitive

- Establish when and where the consumer is sensitive to price and quality as this may vary dependent on category, country, customer segments and other factors.
- Determine how or where the value chain may be optimized to save costs or add further value, for example, by improving production, bundling services and changing packing.
- Develop automated price tools to predict cost and price variations in order to offer products at the most competitive prices.
- Constantly strive to develop and explore innovative ideas for product and service development and improvement, for example, monitor what’s happening on crowd-funding platforms to identify trends and tap into fresh thinking relevant to your target audience.

How to use analytics to heighten your appeal to homo informaticus

- Understand how and what data is relevant for your business goals and for serving your customer better; pinpointing useful data may take time and require expertise in statistical correlation.
- Differentiate your brand and company with better service, using analytics tools to ensure this high level of service is applied and sustained as in the eyes of the consumer, impeccable and personalized service is one aspect of quality. Consider how insight from data can help you implement e-reputation and online brand-awareness plans.
- Be clear on where you are in the customer life-cycle, using advanced analytics to help with upselling and retention.
New departures: the digital purchasing journey

We are all researchers now.

From the consumers’ standpoint, the rise of digital has turned their purchasing journey into a process of conscious and proactive decisions.
For companies, getting to grips with this new situation has become complex. In the past, consumers needed to go to sales and marketing to get information about products and services. Today, consumers often know a huge amount about a product or service—sometimes even before it hits the stores. They can access all the information they need to decide whether to buy. The digital explosion has put consumers firmly in control.

In this report, we have defined the digital purchasing journey as spanning the entire process, from gathering information and opinions at the pre-purchase stage, through making an actual transaction, to the post-purchase and after-sales services phase. However, it’s important to point out that the journey is not always a linear “A-B-C” progression.

**Turning pixels into flesh and blood**

Our research shows that almost two-thirds of people in the categories we looked at are now digital consumers. So what does this “digital consumer” label really mean?

In the previous chapter, we defined *homo informaticus*: the rational consumer adept at using technology to filter information. Yet lumping smart consumers together in this way might seem a little paradoxical. After all, with so much attention given to personalization and individuality, surely the whole point is that everyone is different?

Absolutely! However, closer scrutiny of the data inevitably reveals common patterns of purchasing behavior. Digital consumers may be divided into three sub-categories, each with their own distinct characteristics: digital informer, digital buyer and digital hypertasker.

Our research shows that **digital informers** currently comprise the largest category (63%). They have the highest brand focus and brand loyalty, are less open to co-creation and involvement than others, and spend the least amount of time online. **Digital buyers** represent the smallest category (13%). While they are most open to co-creation and involvement, they are strongly influenced by price and availability and are less interested in a company’s social and ethical policies and behavior.

The category with the greatest potential for companies is **digital hypertaskers** (24%). Although they spend the most time online for research, they are equally comfortable finding out information in-store. They are happy to change behavior dependent on category or circumstances, truly at ease taking an omnichannel course. Members of this group are the least sensitive to price, have the lowest level of brand loyalty, and are the most critical of social media. Both enquiring and demanding, they show the biggest interest in technical features and in companies’ social and ethical actions.

**How do we define the digital consumer?**

By our definition, digital consumers use the internet in their purchasing journey for at least 5 of the 10 categories covered by the research underpinning this report. This may mean they go online to find out information in preparation for buying—either online or offline—or that they simply go online to buy.

On this basis, for our report, we can define the digital consumer as someone who regularly or occasionally uses digital for all or part of the purchasing journey.

The French philosopher Gilles Lipovetsky argues that, in contemporary society, consumers are focused on both their individuality and their position in the community—and that they are constantly in search of something new that quickly becomes old. In what he calls “hypermodern” society, in the age of the internet and social media, this need for novelty grows and accelerates. According to Lipovetsky, consumers want access to mass-market products so that they can fit in with the trends of society, while at the same time desiring access to more unusual goods from specialist stores in order to feel unique. And this is certainly the attitude of the digital hypertaskers: they are passionately individual, yet very much in the online community.

These hypermodern, digital hypertaskers are representative of a hyperconnected world. And the world looks likely to become only more connected. The World Economic Forum forecasts that, by 2020, there will be an astonishing 50 billion networked devices.
Two-thirds of people in the categories we looked at are now digital consumers.

### The digital consumer

<table>
<thead>
<tr>
<th>Category</th>
<th>Online usage</th>
<th>In-store usage</th>
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<tbody>
<tr>
<td><strong>Digital informer</strong></td>
<td>63%</td>
<td>Lower income, more often in emerging markets</td>
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<tr>
<td></td>
<td></td>
<td>Highest brand focus and loyalty</td>
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<td></td>
<td></td>
<td>Lowest time spent online</td>
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<td></td>
<td></td>
<td>Lowest affinity toward new devices (tablets, smartphones, etc.)</td>
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<tr>
<td></td>
<td></td>
<td>Not very open to involvement in co-creation</td>
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<tr>
<td><strong>Digital buyer</strong></td>
<td>13%</td>
<td>Younger, less educated, more often in emerging markets</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Strongly influenced by price and availability</td>
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<td></td>
<td></td>
<td>Low influence through brand and the company’s social and ethical attitude</td>
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<td></td>
<td></td>
<td>Highest acceptance of credit card payment</td>
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<td></td>
<td></td>
<td>Most open for involvement in co-creation</td>
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<tr>
<td></td>
<td></td>
<td>Higher affinity toward new devices (tablets, smartphones, etc.)</td>
</tr>
<tr>
<td><strong>Digital hypertasker</strong></td>
<td>24%</td>
<td>Higher income, well-educated, more often in mature markets</td>
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<tr>
<td></td>
<td></td>
<td>Lowest brand loyalty</td>
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<td></td>
<td></td>
<td>Most time spent online for research</td>
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<td></td>
<td></td>
<td>Most critical to social media</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Less sensitive to pricing, quality or warranties</td>
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<tr>
<td></td>
<td></td>
<td>Highest interest in technical features as well as the company’s social and ethical attitude</td>
</tr>
</tbody>
</table>
The digital purchasing journey is significant to all markets

The degree to which the purchasing journey has become digital varies by market. Even so, digital is a significant factor in all the markets we looked at — and this will only grow. A watershed was reached last year. For the first time, sales of smartphones surpassed those of less sophisticated feature phones. There was a 42% rise in smartphone sales during 2013, to 968 million units.\(^\text{10}\) With mobiles and other technology at their fingertips, customers wield the power to apply pressure and make more informed choices. The world has 2.7 billion internet users.\(^\text{11}\) These people are your customers, they increasingly consider themselves adept at online research, and they have strong ideas about what they want.

A preference for shopping in store is more pronounced in mature markets. On the one hand, this may be because there is less choice of easily accessible, sufficiently attractive physical stores in certain developing markets. On the other hand, it may be that organizations in emerging markets are prioritizing investment in technology, giving the digital environment tremendous appeal.

It’s certainly interesting to note that in the BRIC powerhouses, Indian and Chinese internet users are leading the way in digital consumer share across markets, with a 75% and 70% digital consumer share. However, more mature markets — Switzerland, Belgium, Austria and the USA — are to be found propping up the table with shares below the global average (see chart 5). Cultural preferences, such as North America’s fondness for the shopping mall experience, also have a bearing. So too does the excellence of certain retailers. It is easy enough, for example, to buy Apple products online, yet consumers still flock to Apple stores. Taken together, the quality of the retail environment, high standard of advice, the opportunity for consumers to “try before they buy” and the delivery of an enjoyable and consistent brand experience are an attractive proposition. Even businesses built around digital products can exploit multichannel to their advantage.

\[\frac{172,000 \text{ blogs are created every day.}}{12\text{\%}}\]

\[34\% \text{ of bloggers post opinions about products and brands.}\]

\[90\% \text{ of consumers trust peer recommendations, while only 14\% trust advertisement.}\]
It’s important to qualify some of our findings. In emerging markets a significant part of the population currently still has no access to the internet, but online penetration is increasing rapidly, for example, in terms of numbers of users, China already has more internet users than the whole of Europe. The majority of survey respondents from emerging markets live in large metropolitan areas – and consumer technology use tends to be more advanced in cities than in rural areas. In India and China, for instance, away from the big cities, shopping in stores remains very popular. Reasons for this include concerns about the security of online transactions, cultural preferences for physically seeing and touching products before buying, and consumer desire to haggle over price. That said, paying utility bills and buying plane and rail tickets online is very popular in India. Regional population differences must also be factored in. North America has internet penetration of around 80%, far higher than Asia with around 30%. Yet given the greater size of Asia’s population, when we look at the number of internet users by region, a different picture emerges: Asia accounts for 45%, North America just 11%.

These regional differences, in both consumer behavior online and internet penetration, mean that what constitutes best practice in one market may be inappropriate for another. Capturing and accurately interpreting data on local consumer preferences and behavior is therefore essential.

Word of mouth in the age of conversation

The importance of word of mouth cannot be overstated. Buyers are influenced by online and offline recommendation. They take the opinions of friends, family and colleagues very seriously and will turn to reputable review websites, such as TripAdvisor and Epinions, when seeking objective opinions.

Serious consideration should be given to the importance of such online recommendation – and its unwelcome flip side, criticism. Investment in analytics is necessary to prevent reputational issues quickly snowballing out of control. For example, a bug on a webpage can be rapidly detected from patterns of consumer behavior.

Companies should put in place automated technology that enables swift analysis. This analytical technology must be integrated into the business in a way that allows for a proactive response to limit the potential for lost sales and reputational damage.

Choosing an automobile requires more thought than selecting a jar of mayonnaise

Buying a car is very different from deciding which brand of mayonnaise to add to your weekly grocery shopping basket. The cost and significance of the former far outweighs the latter. Obviously, customers will give much more thought to purchasing a car than buying groceries. People still prefer to take cars for a test drive and may have strong relationships with a local dealership. It’s to be expected, therefore, that the great majority of consumers say they still prefer purchasing cars offline.

However, our research shows that consumers spend more time online looking for information about cars than for any other category. The purchase itself generally occurs offline, although a large element of the purchasing journey is digital in nature. The decision by Mercedes-Benz to launch online purchasing of its cars in Germany and Poland in 2013 reflects growing multichannel sales opportunities in the automotive industry.

This pattern of behavior reveals something interesting about consumers today – and we see this reflected to a greater or lesser extent across several other categories. We see that the purchase of a telephone or mobile contract or a consumer electronics product is far more carefully researched online than is the case for health care or food and beverages (see chart 6). It’s also apparent that consumers have become more proficient and precise with the search terminology they use; for example, clearly defining a range of product attributes as they zero in on a purchase.
“Through a social media channel, in comes anything from inquiry to complaint, to sales or after sales support or, even, an application for a job.”

Adlai Goldberg, Leader of EY’s Global Social Media Analytics Hub

Social media: building or destroying relationships?

Social media is making it much easier for companies and consumers to get in touch with each other. Consumers see social media as a window, open for talking to their favorite brands about anything – from positive, engaging experiences to complaints, employment opportunities, investor requests and much more.

Clearly, this presents both opportunities and threats. Customers enjoying a positive interaction with a company through social media will likely become more loyal. Conversely, a negative experience risks turning an advocate into a critic, and may lead to damaging repercussions for brand reputation. The speed at which ideas emerge – and disappear – on social media has also significantly shortened the life span of cultural trends.

Consumer perception of social media is sometimes far from clear-cut or consistent, reflecting the fact that it is still in a dynamic phase. Although consumers consider social media to be a good source of information, they are also aware that it can sometimes spread inaccurate content. Additionally, they have concerns regarding the potential for data abuse. Skepticism is at its greatest in mature markets. The ease with which it is possible to buy bogus followers at a low cost from “click farms” has also contributed to consumer fears of being duped.

Compared with our findings from 2012, our latest research shows a rise in the number of people who see social media as a new way of communicating dissatisfaction (it moved from 5.7 on our scale of 1 to 10 in 2012 to 6.0 on the same scale in 2014) and also a rise in those considering social media to be a waste of time (increasing from 4.9 on our scale of 1 to 10 in 2012 to 5.4 on the same scale in 2014) (see chart 7). Although word-of-mouth recommendation remains hugely important, the upswing in negativity toward social media can be explained by the growth of the digital hypertaskers.

These smart, versatile, digitally accomplished consumers question the quality and reliability of much of the information to be found on social media.

“Social media has now crossed traditional organizational structures,” says Adlai Goldberg, an EY Advisory Partner and Leader of EY’s Global Social Media Analytics Hub. “Through a social media channel, in comes anything from inquiry to complaint, to sales or after sales support or, even, an application for a job. And organizations now need to start focusing on how do you rewire the inside of your company and workflow these interactions in the right way? This will be a big piece of work for organizations in the coming years, because it's cutting across everything and companies will really need to get this right.”
What the Oscars “selfie” tells us

One of the things that makes social media so beguiling is the speed at which it allows ideas to travel. Memes (see the glossary on page 39) spread virally, “likes” are shared, tweets retweeted – all in an instant. Co-creation is celebrated, opinions are offered. While this is wonderful, it’s a headache for those hoping to deliver consistent marketing messages.

If the public relates to a call to action, content can spread like wildfire. When Ellen DeGeneres hosted the Academy Awards in March 2014, she called on the public to retweet a “selfie” featuring a clutch of Hollywood celebrities. Social media users rose to the challenge. In less than an hour, the picture was retweeted over 1.3 million times and topped 2.4 million retweets by the following day – becoming the most retweeted image ever and earning lots of coverage in traditional media. People are in the habit of sharing pictures of their friendship groups, interesting personal news and things they find extraordinary, significant or amusing.

Celebrities behaving like a group of “ordinary” people by getting together for a selfie was a “wow” moment for the public. It struck a chord because this is how many people behave with their friends. There are lessons here for companies looking to connect with consumers. Get the message right, and people will share it.

We have seen continued growth in social media uptake across all age groups. The success of WhatsApp and Vine show consumer appetite for innovative, efficient and often rich ways of communicating. The emergence of photo messaging app Snapchat, which deletes messages from recipients’ phones and servers mere seconds after they have been received, shows that even younger consumers may at times prefer to be cautious in their digital exploits.

The value of viral: playing pranks on the copilot

With consumers eager to share stories and swap information, the potential to spread messages virally should not be underestimated. Make sure you use hashtags appropriately and to their full advantage when posting material, and consider product placement opportunities that will appeal to your audience.

In the battle to secure views, likes and shares, some chief marketing officers (CMOs) have been willing to permit the creation of content that goes to dramatic lengths to capture consumer attention. We have seen a trend toward “prankvertising,” in which brands play elaborate hoaxes on members of the public and edit their startled reactions into branded content (see the glossary on page 39). The thinking at work here is that the “authenticity” of the reaction helps the content seem real and natural – making it much more likely to be viewed and shared online.

Horror movie releases such as Devil’s Due and the remake of Carrie have been promoted by filming public reaction to elaborately staged, seemingly paranormal events on the street and in other public places. Prankvertising techniques have also been applied by mainstream brands such as McDonald’s and LG – which duped people into believing the floor was falling out of the elevator they were riding. In central London in March 2014, as part of its Unbelievable campaign, soft drinks brand Pepsi brought augmented reality technology to a typical bus stop. Commuters were startled by realistic moving images of meteors and tigers coming toward them – and once again their natural responses were spread virally.

All of this fits neatly with the growing participation culture we have noted. “The consumer as copilot” is sometimes even integral to a company’s marketing communication campaigns.
Unsustainable models crumble in the face of e-commerce

Inevitably, as pure-play e-commerce businesses such as Amazon have thrived and other organizations have managed to strike a healthy multichannel balance, there have been casualties among businesses unable to adapt their models to the new reality. A number of once-prominent retailers have collapsed and disappeared from the high street. In the UK, these include consumer electronics chain Comet, Virgin Megastore (which was briefly rebranded to Zavvi following an MBO, before going under) and the iconic Woolworths (although Woolworths’ name was revived and is in use as the Woolworths.co.uk website). And of course, this is a global phenomenon. In Germany, leading bookseller Weltbild filed for insolvency in January 2014, while leading Dutch music and home video chain Free Record Holding BV collapsed in May 2013.

There is growth in online shopping even in categories such as footwear and furniture — goods that have traditionally been associated with a “try before you buy” mentality among consumers. However, building a business in which online is the primary touch point is challenging. Retailers pulling out of the high street to prioritize online have found that there are considerable costs to building digital business, from developing robust e-commerce platforms to marketing expenditure. Indeed, 55% of leading organizations plan greater investment in e-commerce.18

Recruiting new consumers on the internet is expensive and often involves paying intermediaries (such as search engines) to boost the online share of voice. And this fact is underscored by the rapid revenue growth enjoyed by Google. The search giant’s financial results for Q1 2014 saw standalone revenue rise 17% year on year to US$15.4b.19

Undoubtedly, retailers pursuing a multichannel strategy face major challenges. One of the greatest is competing successfully against discounters or disintermediating product brand owners selling direct to consumers. Across categories, the momentum toward multichannel is strong. Even so, in some markets, opportunities remain for retailers with a clearly focused, narrow channel strategy.

The right answers, at the right time, in the right way

Although highly rational when making a purchase, homo informaticus also responds very well to the personal touch (see chart 9 page 27) – whether that is a discussion with a knowledgeable sales assistant on the shop floor, online chat or a swift, tailored response to a tweet. As the social media explosion testifies, we live in the age of conversation. Engaging consumers with the personal touch is the most persuasive selling technique of all – as long as companies can demonstrate that they are trustworthy. Cars (6.9 out of 10) is the category in which consumers rate the personal touch most highly, with commodities (6.1) scoring lowest. In terms of geography, consumers in Eastern Europe, Turkey, Brazil, India and China value the personal touch most highly.

Consumers want companies to deliver information to them in a manner of their choosing. And they expect that information to be accurate and appealing.

While people can be promiscuous when searching for the best deal, they can also be creatures of habit. If they believe a certain store offers value for money, they will return time after time. Moreover, if they have a good relationship with a particular sales person or sales team – for instance, because they are confident they will receive useful information, valuable advice or great deals – this will of course motivate them to keep coming back.

A banquet for the senses: bringing different touch points to life

To differentiate themselves in a crowded market and boost customer engagement, organizations are increasingly exploring different ways to offer a more personalized and convenient service. For some, the answer lies in bringing different touch points to life for smart consumers seeking out quality.

Nike found that introducing scents into its stores increased intention to purchase by 80%.20 Other retailers have sought to stimulate customer excitement through a mixture of technology and event marketing. As part of London Fashion Week in February 2014, UK retailer Topshop live-streamed a virtual reality version of its catwalk show to its Oxford Circus store.21 Thus, digital can add a further, engaging dimension to a traditional bricks and mortar store.
The consumer as copilot is sometimes even integral to a company’s marketing communication campaigns.

Picking up on a trend: the rise of click and collect

To make life easier for the multichannel shopper, some organizations have introduced “click and collect” services, allowing customers to pick up purchases made online at offline locations including lockers at shopping centers, warehouses and partner stores. This phenomenon extends beyond the likes of major online-only firms such as Amazon and eBay to include traditional retailers such as Carrefour, Leclerc and Colruyt. In France, there were 2,551 click and collect locations in June 2013, up by 455 locations in six months.22

In the UK, Halfords, a cycling and motoring accessories retailer, puts click and collect at the heart of its multichannel strategy and considers it central to enticing customers into its physical stores. Almost 90% of its online sales are collected in store.23

With consumers increasingly comfortable navigating multichannel shopping, the frontier between online and offline is vanishing. A seamless mentality is taking hold among pilots and copilots alike.

The rise of mobile payment will further sweep away the distinction between digital and the physical world. Many organizations are unprepared, however. Recent research by Forbes and EY focusing on improving customer experience found a disparity between marketers and non-marketers regarding the importance of investing in mobile-optimized sites (47% versus 30% (see chart 8)).24

A new phase of multichannel purchasing is taking off.

Investment areas: current and planned

Chart 8
In which areas are you planning to invest – or do you plan to invest – most heavily?

<table>
<thead>
<tr>
<th>Mobile-friendly sites</th>
<th>Social networks</th>
<th>E-commerce</th>
<th>Mobile apps</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marketing executives</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-marketing executives</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Leading organizations*</td>
<td>47%</td>
<td>50%</td>
<td>33%</td>
</tr>
<tr>
<td>Average or below-average organizations**</td>
<td>66%</td>
<td>55%</td>
<td>39%</td>
</tr>
</tbody>
</table>

*The terms “leading” and “average or below-average organizations” are taken from the recent Forbes and EY research and are defined in the glossary on page 39.
Considerations for businesses

“Now we’re in a world where things are instant ... People expect answers immediately. I think that things have fundamentally changed and IT and marketing must come closer together to address these challenges.”

Michael Golz, CIO Americas, SAP.

How to consider more than one kind of digital consumer

- Invest in building a strong brand, although be mindful that brand is less important to some consumer groups than others.
- Ensure your strategy is multichannel; this is vital even in sectors that are still to deliver a high proportion of online sales.
- Develop positioning and offers in tune with the change in consumer attitudes brought about by the massive usage of social media and emergence of the sharing economy.
- Bear in mind that many consumers are skeptical about the quality and reliability of information found on social media.

How to influence the multichannel consumer in multiple ways

- Put in place cross-channel customer relationship management (CRM) solutions that allow you to follow consumers as they move from one channel to another. Bring different touch points to life in a way that appears logical and seamless.
- Identify social influencers relevant to your company or industry and engage with them. Motivate them to endorse your organization or its objectives and your campaigns stand a greater chance of success.
- Use social analytics to measure and analyze results from previous social media efforts to discover relevant information and patterns.
- Create a differentiated customer experience by embedding social media into a digital strategy embracing all stakeholders: IT, marketing, sales, finance and the supply chain. Keep in mind that a clear majority of leading organizations (66%) believes enterprise-wide collaboration and coordination is the key to addressing this challenge.  
- Provide consumers with the convenience they crave, either by improving the in-store or online experience or by offering services such as click and collect or useful mobile apps.
- Invest in high-quality online branded content to boost brand awareness without being overtly focused on selling – which might fuel skepticism and put consumers off.
How social media is a game changer

- A different mindset is needed for social media marketing. The direct sales approach of traditional print and TV advertising is less effective in a social media context, where the emphasis is more on establishing two-way, unique conversations.

- Social media crosses traditional organizational structures. Anything from sales inquiries to complaints to job applications can now arrive via social media channels. Organizations must rewire internally to ensure they can deal with this workflow advantageously.

- As a lot of information on social media is unreliable, all company official accounts and pages should be verified. This makes life easier for consumers and builds trust.

- Companies (such as manufacturers) that previously had little direct contact with consumers must build new competencies to handle consumer relationships.

- There are opportunities for companies that have struggled to differentiate on product quality to secure valuable endorsements and recommendations via social media.

How to identify digital opportunities and mitigate threats

- Account for security concerns when using new digital technologies and platforms, and measure their performance in the digital sphere

- Ensure that new digital facilities are compliant with the legal and tax implications of moving activity into the digital domain

- Address and optimize the merger and acquisition processes as they apply to digital businesses

- Consider the operational implications of working in different countries and jurisdictions

- Optimize the value of digital to your business

- Build agile innovation processes that allow you to bring new products swiftly to market

- Put innovation at the center of your business

- Address analytics to enable innovation
We all remember excellent customer service – the occasions when an individual or organization delivered far beyond our expectations. We feel a warm glow of satisfaction when what we get turns out to be better than what we thought we’d get.
Everyone would like to receive first-class service all the time, even if they only have an economy-class budget. So, how can businesses engage consumers in positive, memorable experiences? How can they deliver service superior enough to engage and build loyalty?

For a start, delivery of service to exacting standards should be an organizational mantra. Marketing executives rank customer experience as the most important priority for their marketing department to drive growth strategy as well as marketing strategy. Within 70% of organizations, the increasing emphasis on customer experience is driving business-growth strategies. This percentage increases to 93% for companies that are best prepared to face the changing customer landscape.

Leading organizations see the customer experience as a strategic differentiator – from product design and development, to sales and marketing, to purchase, activation and retention. Similarly, 70% of leading organizations are focused on redesigning areas of the customer experience, and 66% consider collaboration with any aspect of the business that touches the brand as crucial to their success.

“IT’s just as important to engineer the experience as it is to engineer the product.”

Woody Driggs, EY Global Customer Leader
We are still in the relatively early stages of companies truly leveraging the power of big data and advanced analytics to shape their interactions with customers.

Chris Mazzei, EY Global Chief Analytics Officer

“Uber-disruption” – connecting drivers and riders

Formed in 2009 and now serving more than 70 cities worldwide, Uber connects consumers with limousines and taxicabs using smartphone apps. The company works with existing, licensed drivers, but has disrupted the market by prioritizing the customer experience.

Riders can track the location of the cars they have ordered with GPS and pay their fare using their phones. Critically, riders are also able to rate drivers. This acts as a strong incentive for drivers to deliver an excellent service.

“Uber completely reinvented the experience,” says EY Global Customer Leader Woody Driggs. “It’s a mobile application, it’s on demand. You choose your location, and then all the different cars that are on the display disappear and the only one that’s left is the one that’s taken your ride. Immediately, at the bottom of the screen, the driver’s name comes up, the driver’s picture, their license plate number for safety and security; it’s all there. And you have a rating that other passengers have given the driver. Then the really cool thing is that you get to track the car on its way to your location.”

“It’s just as important to engineer the experience as it is to engineer the product,” says EY Global Customer Leader Woody Driggs. “Think about how much money companies spend on R&D. If a company is spending as much as 10% or more of sales revenue on R&D, but only a small fraction of that on ensuring end-to-end execution of the customer experience, it is unlikely to get the desired outcomes.”

As there is growing recognition among businesses of the importance of customer experience, some forward-thinking companies are creating specific senior roles dedicated to this area. The impetus is to drive greater marketing insight from customer data.

Yet there is evidently still a long way to go. Recent CMO Council research among marketers across 16 Asia-Pacific countries found that only 26% of senior marketers surveyed believe their back-office systems and operational structures enable their companies to live up to brand promises and marketing claims.

Studying the instruments: making sense of data

Just like a jet aircraft leaves a vapor trail in the sky, today, we all leave a digital data trail behind us as we go about our lives. Vast amounts of structured and unstructured data are picked up via online channels or digital devices. The challenge, of course, when faced with this “big data” in all its intimidating scale is working out how to make sense of it.

For all businesses, there is a lot of learning to be done. Developing models that can handle big data to deliver a heightened customer experience is challenging.

“We are still in the relatively early stages of companies truly leveraging the power of big data and advanced analytics to shape their interactions with customers,” says Chris Mazzei, EY Global Chief Analytics Officer. “Individuals today leave a trail of digital information with every online experience they have, with every call or text, and increasingly every time they drive their car – their ‘digital exhaust.’ With all this information comes the challenge and opportunity to turn it into insights that improve customer experiences.”
Our research shows us that, more than ever, there is a need for joined-up thinking. Achieving effective customer insight calls for an organization-wide solution. Consumers take a broad, cross-channel view rather than have their outlook constrained within silos. Experience of one brand’s touch point can influence attitudes to another. It should be borne in mind that digital consumption can renew customer engagement in traditional marketing channels. The purchasing journey is often much more complex than going from A to B.

According to our research, both online and classic channels have grown in importance to consumers over the last two years. Both have increased their relevance in the purchasing decision (online moved from 5.3 on our scale of 1 to 10 in 2012 to 6.1 on the same scale in 2014, and classic moved from 4.9 to 5.7).

Chart 9
What information and media channels are relevant to your purchase decisions?

<table>
<thead>
<tr>
<th>Channel Type</th>
<th>2012</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Online</td>
<td>3.0</td>
<td>6.0</td>
</tr>
<tr>
<td>Classic</td>
<td>4.0</td>
<td>5.7</td>
</tr>
<tr>
<td>Personal</td>
<td>5.0</td>
<td>6.0</td>
</tr>
</tbody>
</table>

Classic channels
Print (test reports in magazines, trade journals, printed advertisements, mailings and circulars, etc.) and electronic media (TV advertisements, features radio advertisements)

Online channels
Digital online and digital mobile

Personal channels
Recommendations by friends, word of mouth and consulting with a sales person in the store

From a 1 to 10 scale 1= not important at all and 10= extremely important

Most organizations are still a long way from making the most of their data. Only 12% of executives strongly agree that they are taking full advantage of analytics to better understand customers and to rapidly act on that information. EY research also shows that less than half of these executives are able to collect and analyze data from CRM systems, social networks, e-commerce sites, email systems and mobile apps. The number one reason cited is inadequate resources, followed by a lack of advanced analytics capabilities.

As consumers come to expect greater personalization and often a role in co-creation, it is those organizations with the analytical capability to gain true insight into their customers that will be best placed to build strong personal relationships. Technology should be a means of bringing you closer to your customers, rather than a substitute for it.

Personal data becomes a consumer asset

Astute consumers are fully aware of the value of their personal data. A separate EY online survey found that 78% of consumers believe their personal data helps companies to make more money.

As a result, many have become more wary and selective about sharing their data. Almost half (49%) of the consumers surveyed in a recent EY study on big data said they would be less likely to share their personal data by 2018. Companies looking to access consumer data in the future will face challenges. Businesses should therefore build relationships and explore how to optimize services with the use of analytics. Incentivizing consumers to share their personal data is an emerging trend that could possibly become an option for companies. We see this increasingly in sectors such as pharmaceuticals.

Consumers expect a tightening up of standards and want reassurance that cybersecurity and their privacy are being taken seriously. With this in mind, companies should develop offers that fit into consumers’ everyday lives and avoid triggering privacy-related concerns. Consumers are more likely to share their data if they feel at ease and believe they will gain some kind of advantage – either financial or through improved service – by doing so.
“Organizations are investing in cybersecurity, but we do think that an awful lot more needs to be done and organizations are in different places. Some organizations are agitated enough to do something about it, but others are still in denial. Businesses have to anticipate the kind of technologies that they are likely to be using two to three years from now and, rather than wait for their information security to catch up, they almost have to leapfrog to stay ahead of the curve,” says Ken Allan, EY Global Information Security Leader.

Good practices on data protection and proactive steps toward cybersecurity represent a competitive advantage for any business that makes its behavior visible to consumers.

The Edward Snowden affair put data security in the spotlight and has undoubtedly hardened public attitudes in relation to safeguarding personal information. It’s revealing to note Facebook’s enthusiasm in stating that a priority on completing the acquisition of messaging service Whatsapp was to conduct “an intense security audit.”

Collaboration is about more than the consumer

A separate research shows marketers are less likely to say they collaborate than non-marketing executives within the organization. In large part, this is because marketers need to see the value in collaborating with other parts of the organization before agreeing to it.

Clearly, if customer-experience aspirations are to be realized, marketing must sit at the heart of an enterprise-wide approach. The arguments in favor of appointing a chief commercial officer with a brief that includes overseeing customer experience are becoming ever more persuasive. Organizations must evolve to meet the needs of today’s empowered customers.

Identifying who’s hungry to buy

There are times when analytics can shift the balance of power firmly in favor of the vendor. We see this in, for example, the online travel sector. An e-commerce platform may be configured to recognize a returning prospect’s IP address. If they are researching a flight and have come back after looking elsewhere in the hope of finding a fare reduction, it may be possible to exploit their obvious interest in the purchase by selling them a ticket at a higher price.

Advanced analytics enable an organization to identify and focus on those consumers that are potentially the most profitable. More than 6 in 10 businesses (62%) say they use customer insight programs in which they collect, deploy and interpret customer information. This is done to acquire, develop or retain customers. Of the businesses that run customer insight programs of this kind, 79% believe it boosts revenue.

With just you in mind

Safeway is among a growing band of retailers committing resources to personalization. Its Just for U loyalty program uses algorithms to sift through shopping data and produce individualized offers based on predictions of customers’ requirements.

A personalized approach of this kind is potentially very powerful as a retention tool. Customers who feel looked after are less likely to take their money elsewhere. We share the belief that such individualized pricing will progressively become more the norm.

“Maybe, over time, shelf prices become less relevant to a subset of shoppers,” said Safeway’s President of Marketing Mike Minasi in a recent interview.

Another US retailer, Kroger, has created an app that offers a store locator and also allows shoppers to access personal loyalty information and promotions that are exclusive to mobile.
The individualized offers, aimed at smartphone-wielding mothers, have proved successful at boosting visits from this target group to Kroger stores.36

In the UK, Tesco sent its first personalized email offers based on data from its Clubcard loyalty scheme as long ago as 2009, and has used its data to target shoppers with tailored offers on its website and via printed coupons. In Paris, French supermarket chain Groupe Casino has introduced a test store that features near-field communication (NFC) (see the glossary on page 39) enabled tags on shelf labels. Consumers can use their smartphones to access information and personalized offers using NFC technology.

Organizations must gain a clear picture of what their customers are prepared to pay and how this sits in relation to other factors such as product quality, service and after-sales support.

In certain circumstances, a dynamic pricing strategy may be called for – particularly in those sectors where customers now expect to see offers relating to their degree of loyalty and purchasing habits. More personalized pricing will occur as adoption of the technology to deliver such offers becomes more widespread.

A powerful supply of ideas: harnessing “prosumer” energy

Today’s active consumers are an asset for innovation. Encouraging them to participate in co-creation has the potential to deliver far better solutions than businesses can achieve when going it alone.

There would be little point in the pilot and copilot of an airliner sharing the cockpit but not listening to one another: the same sentiment holds true for businesses and their customers. Listening really matters; however, listening is just the start.

“In order to harness the full power of collaboration, it must go beyond just collaboration with a few select business partners. It must include the consumer,” says David Jensen, EY Global Innovation and Digital Strategy Leader. “The consumer has more input and influence over brands than ever before. Companies need to respond very quickly to the power a consumer now wields over their brands. Consumers are demanding new or different kinds of products, services and experiences, and are leveraging social media outlets and other collaboration tools to communicate those demands.” Our feeling is you need to respond using an agile approach to get new products to market faster, developing more compelling experiences or looking at how you transform your profit model or your business model.

Innovation – which historically was centered on product and service innovation – has become much more. There’s a whole set of brand, experience and channel innovation that you need to do in order to meet this new kind of consumer control. It’s the same for your business model, your profit model, or your network model. And there’s more. What we are advocating is that, if companies have very established innovation processes, they need to create a new overlay – an agile process that is similar to what a start-up would do. And if you don’t have any processes, you need to leapfrog and leverage a new and agile approach in order to remain competitive and engaged with where your consumers are taking the conversation about your brand, your company, your products.

Consumers want more than ever to play an active role by evaluating goods and services, via comments, sharing and “likes.” They consider themselves co-creators and influencers, sometimes throughout an entire product life cycle: from inception, through development and beta testing, to post-launch feedback. As they are your actual or prospective customers, their views are important.

An example of this sort of thinking in action is a partnership between fast-moving consumer goods company Unilever and crowdsourcing platform eYeka. The partnership, which began in June 2013, covers Unilever’s entire product range across Asia-Pacific, the Middle East, Russia and South Africa. Unilever says that inviting creative consumers to give their best ideas enables it to reinvent and challenge itself as a business.37

Social collaboration is another approach to harnessing “prosumer” energy. This is exemplified by the partnership between Japanese social network Mixi and Nike. Mixi users could customize Nike trainers, name them and post their designs as banners on friends’ pages. Customized shoes were available to buy from the NIKEiD website, and some participants also won Nike gifts. Over 500,000 banners were posted and 2.1 million people visited NIKEiD Friend Studio as a result of the campaign. And sales increased by 500%.38

The emergence of global location tools, such as Factual, increasingly allow marketers to apply analytics to geotargeting so as to deliver personalized and relevant app experiences, content and advertisements to mobile users. Based on information about the nature of the neighborhood where a phone “lives” – for instance whether it’s in an exclusive area with high property values or a less prosperous part of town – basic demographic profiles can be inferred.
Our research shows consumers actively cooperating in the development phase of new products in every category we looked at (see chart 10). Telephone or mobile contracts, household insurance and consumer electronics saw the most “prosumer” involvement (see the glossary on page 39). However, the levels of cooperation were broadly similar across all categories.

Yes, it’s possible to fly solo. That said, if you want to be in charge of something big, collaboration is called for.

Watch out for any generation gaps

One thing that stands out in our research is the sharp difference in involvement between the age groups. Consumers aged 15–29 are the most active. They are over three times more likely to participate in product and service development (20%) than the 50+ age group (6%) and almost twice (27% against 15%) as likely to evaluate products and services they have tested. This disparity between the ages is a factor that marketers must consider.

Younger adults mainly, tend to be more active digital purchasers than those over 50. It stands to reason that members of the Millennials (see the glossary on page 39) generation, who have grown up with the internet, are more likely to be heavy users of online shopping than baby boomers (see the glossary on page 39).

Yet a closer look at our research points up the danger of sweeping generalizations. In some categories, the gap between the age groups is relatively small, whereas in others, it is highly significant. Take clothes, for example. Here, younger buyers who tend to be much more concerned about fashion and personal image are far more active digitally than an older audience. However, in categories such as household insurance and commodities, there is little to choose between the age groups. We can therefore conclude that digitalization has had a more positive impact on the relationship between consumers and companies in certain categories (see chart 11).
“In order to harness the full power of collaboration, it must go beyond just collaboration with a few select business partners. It must include the consumer.”

David Jensen, EY Global Innovation and Digital Strategy Leader

Marketers are neglecting baby boomers

Despite its considerable spending power, the baby-boomer generation is frequently overlooked. As the headline to a 2012 report in Forbes magazine asked pointedly: “Are baby boomers an invisible goldmine for marketers?” The answer, all too often, is “yes.”

Consumers in the 50+ bracket are a highly diverse group. Some are techno-savvy, others less so. It’s fair to say that the majority of baby boomers are less comfortable with digital than “generation X” or “the Millennials,” sometimes referred to as generation Y (see the glossary on page 39). Privacy is an overriding concern, and they are cautious about giving out their personal data.

Because they form a complex segment, baby boomers are often neglected. Although heavy users of financial services products, research has found they feel far less positive about financial services brands than Millennials. However, there are signs that marketers in some categories are getting to grips with the issue. Our research shows that, in the household insurance category, baby boomers use online channels as much as younger consumers and actually even have a deeper relationship with providers (6.1 versus 5.5 on a scale from 1 to 10, with 1 as the lowest – see chart 11).

In general, marketers need to do more to engage with consumers over the age of 50. Through traditional media, companies need to address engagement better by making sure marketing communications steer clear of patronizing this demographic.

Online, companies should reassure on safety and transparency. Loyalty programs are important, as older consumers have well-established habits and tend to log on to sites with which they are familiar. However, many are also very much at home using social media. The 55–64 age group is said to be the fastest-growing demographic on Twitter, whereas the 45–54 bracket is expanding fast on Facebook and Google+.

Offers should be shaped using modern online audience targeting techniques. Different life events and transformations can be screened as pillars of interest, allowing for the delivery of personalized products and services.

It should be remembered that, particularly at the older end of the over-50 spectrum, there are still many consumers who are uncomfortable with and even fearful of technology. When targeting these consumers, other ways of building loyalty must be found.

Yet despite these challenges, there are immense opportunities. Baby boomers have often been labeled the richest generation in history.
Considerations for businesses

“We collect a lot of data. It’s incredibly valuable but it also challenges us. Because this is so new, the question we ask is “Can this be a key to defining a really meaningful customer experience metric?” One that can help us to understand and build momentum around the experience from the customer’s perspective. When we have well-defined data we can align management and employees around this common goal. Great strategies must be understood by and connected to our employees throughout the organization. Data can help us do that in new ways. We want to be able to explain our goals, inspire action and engage our employees throughout the organization – otherwise the good things just won’t happen. So, like many companies, we’re working really hard. For us that means mining data everywhere around the world while defining how to turn that data into meaningful insights that can be applied, to customers and employees, on an individual level.”

Donna Peeples, AIG, Chief Customer Experience Officer.

How to drive value from data

- Evaluate the maturity of the business’s big data and analytics capability.
- Decide and set the goals for using analytics and understand what insights will help drive actions.
- Develop and ensure that the right analytics skills are in the organization to take full advantage of the data and the insights.
- Transform and embed advanced analytics across the organization. Ensure all your strategic and legal functions work closely together.

How to generate insights from consumers who want to be understood

- Focus on a relatively small amount of data to identify current and anticipated problems, this will give you a clearer idea of which issues you need to tackle and, therefore, how to capture the data you need.
- Use advanced analytics to help segment, measure, track and predict customer behavior with greater precision, thereby allowing you to offer optimized and personalized experiences.
- Establish a customer-centric approach by stress testing consumer-facing functions.
- Where feasible and practicable, implement an online chat service to give you the opportunity to engage, reassure and maintain customer relationships.
- Take a holistic approach to your digital strategy. Make sure it embraces all age groups, including the over 50s.
- Stay in touch with customer sentiment by making frequent use of “social listening” to scan, observe and learn about your company, your competitors, your products and services, and other general topics of interest being discussed.
- Establish a new operational mindset and effective planning for various platforms, including risk mapping, scenario mapping and “fire drill”-type exercises.
- Integrate or create roles such as chief analytics officer or chief data officer, driving centers of excellence in this way can provide a single point of focus and a platform for information exchange and the sharing of insights.
How to protect data and reward the consumer

- Make cybersecurity a priority – good governance and effective monitoring mechanisms are vital and cybersecurity must be prioritized when implementing new internal and external platforms. Keep privacy issues and data protection concerns front of mind as to overcome consumer reluctance to share personal data, you need to do more to win their trust.
- Embed the legal risks and issues related to data and analytics on an enterprise-wide level.
- Treat compliance as a business enabler and ultimately the key to consumer confidence and reputation building.
- Actively seek out consumer input to help fine tune product development as, in the age of innovation, it’s critical for companies to use digital platforms to engage consumers and to use agile innovation processes to meet the demand created through those platforms. Use agile innovation to learn from consumers via crowdsourcing, social collaboration and analytics.
- There are numerous additional ways to facilitate valuable contributions, from “hackathons” (an intensive, collaborative innovation session) to digital and innovation boot camps; and from pitching entrepreneurial ideas in the manner of the Dragons’ Den or Shark Tank TV format, to staging internal innovation competitions. Reward loyal, collaborative consumers with personalized offers (see the glossary on page 39).
- Integrate roles such as chief privacy officer and chief information strategy officer in the organization. Be rigorous in handling and protecting consumers.
Time to go: make that vital connection

With customers conducting considerably more online research now than was the case even two years ago, organizations cannot afford to miss any opportunities with the information they provide. It is imperative to ensure straightforward accessibility to that information and to prioritize both customer interaction and data analysis.
The objective should be to assist your customers on what is very often a multichannel journey. Although this presents huge challenges for any organization, customer expectation is that this journey should be seamless and easy. Keeping consumers engaged is vital and so too is having the agility to capture and harness their ideas.

“You constantly have a new set of partners and suppliers in the digital world in order to meet demand,” says David Jensen, EY Global Innovation and Digital Strategy Leader. “Historically, companies have had very clear supply chain and, in the digital world, that’s getting turned upside down. For starters, you need to augment your physical supply with digital insights. As a set of digital partners enter the picture, the need to be ‘agile’ with your supply chain becomes paramount. The ability to capture, understand and be proactive with opportunities is key.”

Companies struggle to align the “outside in” and “inside out” views people have of an organization. All too often, the operational side of the business is disconnected from sales and marketing. Better integration, more collaboration and greater agility point the way forward.

Success hinges on more than the ability to deliver a good consumer experience. To entice, excite and persuade, the experience has to be truly engaging. It must offer compelling reasons to proceed with a transaction and tempt the consumer to return in future. You should be confident you can answer the all-important question: why should consumers choose us?

Trust is a fundamental part of that answer. You build trust by meeting or, better still, exceeding customer expectations every time. Relationships are cumulative: they are built painstakingly – one insight, one interaction, one carefully crafted experience at a time.

Price promotions and other deals are easily replicated and undercut. While they have their place, it’s a relationship built on trust that delivers both consumer engagement and competitive advantage.

In today’s complicated multichannel world, genuine trust and actionable insight will separate the winners from the losers. The consumer is a discerning copilot – and is becoming ever more so. Why delay? Get ready to make that vital connection.
Methodology

The data for our research was collected in an online survey, conducted between August and September 2013. We surveyed 29,943 participants in 34 countries, across the Americas, Asia-Pacific, Europe, the Middle East, India and Africa.

The sample represented a diverse and comprehensive snapshot of the world’s consumers: 55% of respondents were male; ages ranged from the 15–20 age band to over 60; and annual incomes ranged from less than €10,000 to over €100,000. We asked respondents detailed questions about their brand loyalties, shopping preferences, preferred media channels, purchasing history, buying influencers, preferred shopping channels and time spent online.

Questions covered 10 product and service areas: telephone or mobile contracts, consumer loans, household insurance, food and beverages, consumer electronics, cars, clothes, commodities, health care and health insurance.

Respondents were asked to rate their preferences on a scale of 1 to 10, with 10 being the highest possible grade. Certain questions were percentage based.

In addition, we conducted in-depth interviews with clients and EY subject matter experts.
Services and products included in the survey

- Telephone or mobile contracts
- Cars
- Consumer loans
- Clothes
- Household insurance
- Commodities
- Food and beverages
- Health care
- Consumer electronics
- Health insurance
Glossary

Analytics
Analyzing, modeling and interpreting digital data to assist with decision-making.

Average or below-average organizations
These are defined in the recent Forbes and EY report as those organizations that have marketing initiatives which address change in a neutral way or fall short when addressing change.

Big data
Massive and complex data sets; large volumes of structured and unstructured data that are challenging to process and analyze.

Baby boomer
A person born in the “baby boom” period following World War II, generally accepted as covering the years 1946–64.

Digital consumer
For the purposes of this report, we have defined digital consumers as those who use the internet in their purchasing journey for at least 5 of the 10 categories covered by the research underpinning this report. This may mean they go online to find out information in preparation for buying – either online or offline – or that they simply go online to buy. On this basis, for our report, we can define the digital consumer as someone who regularly or occasionally uses digital for all or part of the purchasing journey.

Dragons’ Den or Shark Tank
Refers to a television show format (called Dragons’ Den in the UK and Shark Tank in the US) in which entrepreneurs pitch business ideas to a panel of wealthy investors in the hope of securing funding in exchange for an equity stake in their venture.

Generation X
The generation sandwiched between baby boomers and Millennials, born from the early or mid 1960s through to the early or mid 1980s.

Generation Y
A synonym for Millennials.

Hackathon
An intensive, collaborative innovation session.

Leading organizations
These are defined in the recent Forbes and EY report as those organizations that have marketing initiatives which address change exceedingly well.

Meme
An image, video or other form of content, often humorous in nature, that is copied and spread rapidly across the internet, sometimes with slight adaptations.

Millennials
Consumers born in the years around 2000. This demographic group is also sometimes referred to as generation Y.

Near field communication (NFC)
A set of standards that allow smartphones to communicate with each other or with other devices when touching or in close proximity. NFC devices can also read information from unpowered microchip “tags” in posters, on shelf stickers, etc.

Omnichannel
Far more than another word for multichannel. Omnichannel consumers switch easily between various offline and online channels. They expect consistency from companies and brands, irrespective of the channel.

Prankvertising
Advertising videos that use hidden cameras to capture pranks played on the public.

Prosumer
A proactive consumer; someone involved in designing or customizing products to suit their own preferences.


18. The customer experience: priority one for CMOs, Forbes and EY, April 2014.


26. The customer experience: priority one for CMOs, Forbes and EY, April 2014.

27. The customer experience: priority one for CMOs, Forbes Insights in association with EY, April 2014.

28. The customer experience: priority one for CMOs, Forbes and EY, April 2014.


30. The customer experience: priority one for CMOs, Forbes and EY, April 2014.


32. Ready for takeoff: Overcoming the practical and legal difficulties to identifying and realizing the value of data, EY, 2014.


34. The Big Data Backlash, EY, 2013.


Want to learn more?

Read our series of thought leadership reports focused on the challenges and opportunities companies face when dealing with consumers.

- **Under cyber attack: EY’s Global Information Security Survey 2013**
  www.ey.com/giss2013

- **Privacy trends 2013: the uphill climb continues**
  www.ey.com/privacy2013

- **Big risks require big data thinking: Global Forensic Data Analytics Survey 2014**
  www.ey.com/fids

- **The customer experience: Priority one for CMOs**
  www.forbes.com/forbesinsights/ey_cmo/index.html

- **Ready for takeoff: Overcoming the practical and legal difficulties in identifying and realizing the value of data**
  www.ey.com/big-data

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To find out more about EY’s consumer insight capabilities, our web-based tool allows companies to create a personalized “consumer profile” by selecting the location, product, age, gender and income group that matches your target audience. A number of customer profiles can be viewed at any one time for direct comparisons.
EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

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