



The Changing Customer: How are 21st century consumers changing, and what is the opportunity for organisations to offer them a segmented, proactive service strategy?

A paper for CCA Industry Council



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Proactive Service for 21st Century Customers

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Key Headlines

- Consumers will welcome proactivity, providing rules of conduct are observed
- Services must be relevant, life enhancing and unobtrusive
- Propositions must be presented as choices, not prescribed courses of action
- A definition of proactivity: timely information, 'scaffolding' and 'proposals'
- Ability to provide proactive service depends on ability to capture, understand, analyse and predict customer behaviour

Executive Summary

21st century consumers expect service to be delivered on their terms; choice when they have time for it, direction when they don't, and their defining characteristic is a desire for privacy and respect. Recent large-scale customer disaffection with the outbound telemarketing industry has surely taught us one, over-riding lesson; that any assumption that today's consumers simply want 'more of everything' is both naïve and dangerous. Yet there is strong evidence to suggest that consumers will welcome and even applaud pro-activity, providing certain rules of conduct are observed. If we are to enter into proactive communication with our customers, that communication must be both demonstratively relevant to their personal circumstances and clearly designed to make their lives better.

This paper identifies three distinct areas of pro-active service provision:

- Timely information and helpful alerts
- 'Scaffolding' - the provision of helpful advice or warnings related to a customer's behaviour
- 'Proposals' - service or product proposals that extend variety and choice.

It provides effective guidelines for the deployment of each of these, allowing organisations to create greater customer lock-in through proactive service provision that's helpful, constructive and non-intrusive.

21st century consumers share two defining characteristics that any organisation considering the introduction of proactive service would do well to bear in mind. First, they have extremely high expectations of the companies they do business with; they expect service to be available, timely and efficient. Secondly, they expect to take control in all areas of their life. That means that they expect service to be delivered on their terms; choice when they have time for it, direction when they don't. But there's one more consumer characteristic that organisations ignore at their peril; their overwhelming desire for privacy and respect.

Recent large scale consumer disaffection with the outbound telemarketing has surely taught us one, over-riding lesson; that any assumption that today's consumers simply want 'more of everything' - more contact, more offers, more service - is both naïve and dangerous, says CM Insight's head of research and development, Guy Fielding. However, he concedes, there is some evidence to suggest that consumers will welcome and even applaud proactivity, providing certain rules of conduct are observed. If we are to enter into proactive communication with our customers, that communication must be both demonstrably relevant to their personal circumstances and clearly designed to make their life better. It will help, too, if it is delivered as unobtrusively as possible.

Perhaps the best example of proactive service pre-dates the advent of the contact centre and is found in the Bertie and Wooster novels of PG Wodehouse. Jeeves, time and time again, proves himself to be the perfect gentleman's valet by providing services that Wooster hasn't asked for, couldn't articulate and, frequently, doesn't realise he needs. His ability to do that depends upon four things; absolute knowledge of Bertie (client knowledge), an understanding of the situation or problem Wooster faces (the client need), access to the resources needed to solve the problem (service solutions) and - most vitally - Wooster's absolute confidence in Jeeves' good intentions (client trust).

The Bertie/Wooster relationship works because of the intimacy of the relationship between the two men, which is entirely dependent upon proximity. In today's mass customer environment, where proximity and intimacy are completely absent, proactive service is a much harder trick to pull.

Relevance based on knowledge

In the absence of a personal relationship with customers we never meet and rarely talk to, the ability to build customer knowledge or understanding through analysis of their behaviour is of paramount importance. There are a plethora of technologies and tools in today's customer management marketplace that offer help in this regard. By monitoring behaviours, such as reactions to service or sales propositions for example, they promise to improve our ability to predict client needs, expectations and responses, both on an individual basis (Guy responded well to offer A, therefore it is likely he will respond well to offer B, which is similar) and a group basis (people who are like Guy will also respond well to offer B).

The best of these technologies will integrate information from multiple channels, across diversified territories to provide insights to both individual and composite customer behaviour. But it would be a tragic mistake to assume that technology alone is able to solve the problem of understanding customers and anticipating their service requirements or desires.

Customers have an alarming way of flouting our expectations by behaving in ways we don't understand and would have difficulty predicting. Take the automatic car, for example. Automatic gearboxes are now in widespread use, yet take up of them across the world varies dramatically - from 90% in the US and Japan, to just 1% in Spain. The differences in take up rate are difficult to understand. Japan and the US have very different physical terrain and driving conditions, even more significantly, very different human cultures; the first collectivist, controlled and compliant, the second fiercely individualistic. Yet their take up of automatic cars is the same. At the same time, countries that are broadly similar in terms of driving conditions and culture - the US and France for example - have very different take up rates (90% vs less 3%).

There's a simple lesson here; be cautious in the reliance you place on technologically generated assumptions based on composite customer trends. They are certainly valuable and can tell us much, but they are not infallible. All the more important then that any proactive service offering made on the basis of customer understanding gained through analytics must still be made with deference and respect. Our propositions must be presented as choices, not prescribed courses of action.

Life enhancement based on choice

If the first stepping stone towards proactive service is understanding - to the point of being able to anticipate - customers' need and desires, the second is to understand and appreciate their likely level of acceptance for proactive intervention. The way that any individual will respond to a proactively offered service or sales proposition is determined by two things; the situation or area of activity involved, and a dimension of personality referred to among psychologists as the 'locus of control'.

For the purpose of explanation people can be loosely divided into two personality types, those with an external locus of control - who believe that what happens to them is largely determined by external forces beyond their control - and those with an internal locus of control, who believe they can determine their own future.

Those with an internal locus of control value choice most highly and will most strenuously resist any proactive service that seeks to drive them down a particular course of action, which they believe limits their ability to make independent decisions. However, they will value services which allow them to take action that will enhance their own sense of control over their lives. Let's look at an example of how this might work. Many high street banks are actively developing proactive services that help customers manage their finances more efficiently. One of these involves the transference of funds from, say, a savings account to a cheque account if the later appears to be about to go overdrawn. Individuals with an internal locus of control are likely to object to a service which automatically transfers the funds and informs them of it after the event. They will see it as a violation of their right to choose. However, if they are promptly offered the opportunity to make the transfer they are likely to respond well, since they will recognise that they are in the driving seat and can choose to accept the transfer or resolve the overdraft issue in another way.

Though there are some socio-demographic correlations for the locus of control - generally working class individuals tend towards the external while the middle classes and upper tend towards the internal - these are dangerous generalisations. Therefore, since it is impossible to know or predict whether an individual has an internal or external locus of control without close personal knowledge of them, organisations planning proactive service propositions will do well to err on the side of caution, always presenting choices, not pre-determined courses of action.

But personality type is only one influence upon an individual's likely response to proactive service. The area of activity involved is also key. Psychological research suggests that the more important the area of activity is to the individual the more likely they are to value choice and self-determination. And, in this instance, 'importance' doesn't translate into 'economic value', but to its significance for the individual's self image. In these cases the presentation of choice and options within the service will be particularly prized - even if that means the customer must actively expend time making their decision. There is an important rule of thumb to be recognised here; if the area of activity is of little importance to an individual's self image - the payment of utility bills, for example - they will most value proactive service that delivers convenience, the reduction of time and effort they must spend. If, however, the activity is important to their self-image customers will most value proactive service that engages them actively, presents them with helpful options and solicits their involvement.

Proactive service - towards a definition

The aim of proactive service is to 'make the customers' life better', by delivering either convenience or enhanced and supported choice. Behind this apparently altruistic objective, of course, lies a pragmatic motivation. Organisations deploy proactive service as a means of achieving two objectives; either to increase loyalty - if the additional service element is seen as valuable the customer will be less likely to abscond to a competitor that doesn't provide it - or to increase take up - if the customer values the service associated with the product they will be likely to buy more of the product.

At this stage it is valuable to make a distinction between the types of proactive service currently being deployed. We have identified three: timely information and helpful alerts; 'scaffolding' or the provision of helpful advice or warnings related to a customer's behaviour; and 'proposals' service or product proposals that extend variety and choice.

Let's look at each in turn and consider some of the principles that should govern their use.

Timely information and alerts

The provision of timely information, frequently referred to as pro-active notification, is, perhaps the most straightforward example of pro-active service. It translates, quite simply, into the delivery of helpful information that supports an interaction or service experience that's already underway.

For example, companies may send reminders when a payment charge is to be made, for example; 'we will take a direct debit payment from your account in seven days', 'we will take a direct debit payment from your account tomorrow' or 'we have taken a direct debit payment from your account today'. In simple terms such reminders don't tell the customer anything they don't already know, therefore, the question that must be asked is; when will the customer stop seeing the reminder as 'useful' and start seeing it as 'intrusive'?

Our advice would be to consider both the frequency of the reminder and the mode through which it is delivered. A polite letter a week or so in advance of the transaction is more likely to be seen as helpful than a series of daily emails, which will more likely be seen as nagging and invasive. And, even here, an element of choice can easily be introduced by asking the customer at the outset whether they would like to be reminded of the payment date and how they would like that reminder to be delivered - by white mail, text or email.

Pro-active notification is, perhaps, more valuable when it is able to provide progressively more precise information. We've all wasted time waiting for delivery men to call. A valuable service would tell us that our new sofa will be delivered next Thursday, and, as the time approaches and delivery routes become more fixed, that it will be delivered between 10 and 11 in the morning and, on the day, that the driver will be with you in 30 minutes.

The logistics industry has adopted an interesting variation, referred to as 'exception reporting'. It works on the assumption that, if a customer has been promised that the package they have sent will be delivered on a given day, they don't need to hear anything more about it providing the delivery goes as planned. They only need to hear if, for some reason, the delivery won't be made on time. The customer is then informed in advance and is able to take action accordingly. Increasingly, for example,

mail order companies are drawing this information directly from their logistics provider's systems into their own CRM systems to trigger a phone call, email or text.

'Scaffolding'

Scaffolding is a natural step up from proactive notification and is, perhaps, most easily understood as a support system that advises customers of possible consequences of their actions. For example, in the banking industry it may take the form of an alert sent to a customer to advise them that they are likely to go overdrawn, for example; 'if you transfer that money from this account or undertake this transaction, given the direct debits you have scheduled before your next pay day, you will go overdrawn - are you sure you want to proceed?' It doesn't stop the transaction taking place but supports or 'scaffolds' the customer's decision.

Some providers have gone so far as to initiate preventative action, for example, automatically transferring money from a savings account to a current account to cover the overdraft risk. At this point we get into dangerous territory given that, as we discussed earlier, customers crave control. Let me share a helpful analogy. The automatic pilot on the current generation of Airbus aircraft is capable of managing the whole flight from take off to landing, reducing the pilot to the role of a 'machine minder' who is there only to protect against the million to one chance that something will go wrong. It is, in fact, never used this way, since research has shown that pilots and passengers alike find the idea of such over-riding mechanical support both unnerving and unacceptable. Instead the pilot is allowed to fly the plane, while the automated system 'minds the pilot', issuing warnings and alerts only if pilot performance oversteps pre-established parameters and puts the flight at risk.

It may be that automatically transferring funds from one account to another - unless permission to do so has already been granted by the customer - is a service step too far. Especially for those whose internal locus of control makes them resistant to pre-emptive interference!

As a general rule of thumb, good proactive service supports customers in their decision making; it does not remove decision making power from them.

Proposals

This is the next step up from scaffolding, in which the organisation makes a proposal to the customer about action they may want to take to better manage or use the product or service the organisation has provided to them. Unlike scaffolding, the proposal may be about something new or beyond the customer's current use of the product.

There is an important distinction to be made here - one which many organisations ignore - between proactive service and cross or upselling. True proactive service in this regard will simply offer the customer information or assistance in using their product or service more efficiently, for example; 'did you know that the software solution you are currently using to manage your day to day book keeping can also automate your VAT reconciliation'. Or 'did you know that your current broadband broadcast package gives you access to the following channels that, we've noted, you haven't accessed yet?' Given that it is obviously in the best interests of both parties that the customer is able to derive the maximum value, benefit and use from the product or service they've bought this kind of intervention can only be seen as helpful. The ability to provide it depends upon being able to capture information about how the customer is using a particular product or service.

Where we must be more cautious - but where there is intense potential for business value - is when such information is used to support pro-active cross and upselling.

Quite simply, based on information we know about an individual customer, and suppositions we can draw from the behaviours of other customers like them, we can present propositions that are likely to be highly relevant and attractive. For example, the customer who, we can see, has bought travel insurance for himself and his family three times in the course of a year may benefit from being offered an annual travel policy. A commuter who pays a frequent road toll or parking fee will appreciate an opportunity to buy a season ticket. Either case presents a win-win situation; the consumer benefits from a lower price deal, while the company secures greater customer lock in.

In this sense the cross or upsell can be viewed as a 'service' to the customer, since it is life enhancing and delivers real, relevant benefits. Even here, however, it is important to remember that the right to pitch a cross or upsell opportunity depends not only upon

relevance and the value of the offer to the customer, but the customer's favourable disposition to the organisation. However good the upsell proposition is, the customer will only view it positively if, through consistent good service the organisation has, in their eyes, 'earned' the right to make it.

If proactive service is the route to securing that favourable disposition it must surely be worth investigating.

Intelligence

In conclusion it is, perhaps, useful to turn full circle and remind ourselves of the point made at the outset of this paper; that our ability to provide proactive service depends upon our ability to capture, understand, analyse and predict customer behaviour. This means that, in essence, the move towards proactivity isn't fuelled, as many would suggest, by the proliferation of communication channels such as email or text, but by the increased availability of 'intelligence' provided by customer analytics technologies.

Those technologies are available in the marketplace today and will - when informed by sound sociological and psychological principles - help us to recreate individualism and personal service in today's mass-market business environment.

Contact details

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