



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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Executive Summary

21st century consumers have never had it so good: increasing affluence and a dazzling array of products and services from an ever-more competitive market place have put them in an unparalleled position of power. At the same time, technology has provided new forums for customer voices, and allowed customers to access the services they want, when they want to. Furthermore, expectations of how companies should behave are increasing - a key consumer trend of the past 20 years is the growing importance of honesty. Against this backdrop, could a more proactive service approach help organisations build stronger relationships with their customers?

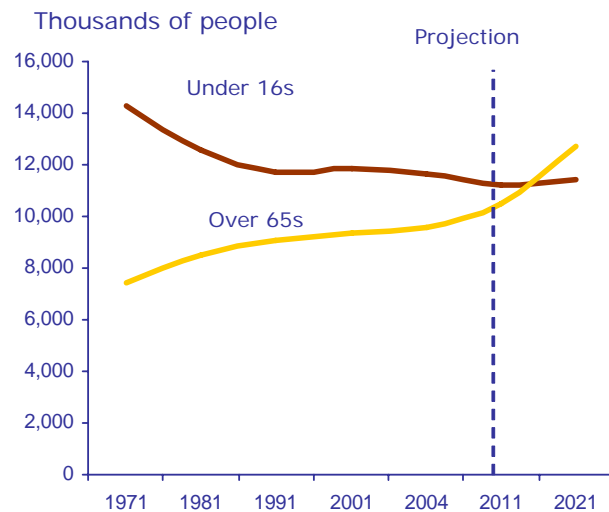
Changing Society: Changing Customer

Today's society is bearing witness to two key shifts: we are getting older, and we are getting richer. For the first time ever, the number of over 65s in Britain will exceed the number of under-16s in around 2011, and there will be 2.4 million more people over 65 in 2017 than 2007¹.

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Demographic change

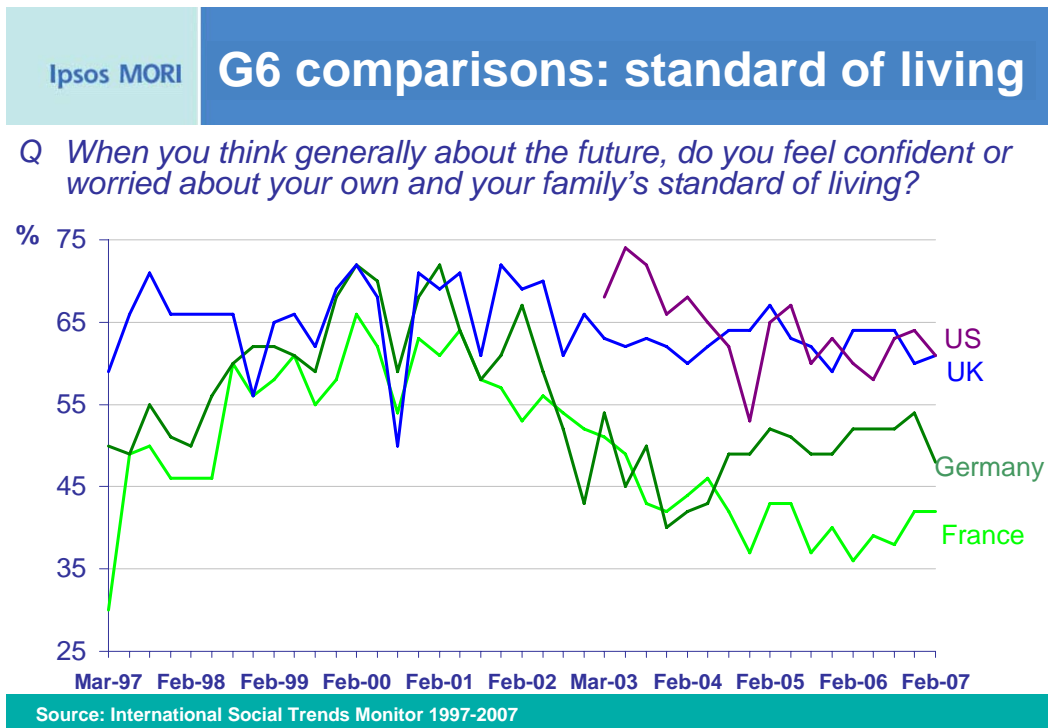
- Growing proportion of older people: There will be 2.4m more people over 65 in 2017 than in 2007.



Source: ONS

At the same time, consumers are getting richer, spending more (a record £1.09 trillion last year according to Mintel²) and are showing a greater interest in purchasing symbols of wealth. We have seen growth in demand for luxury items such as 4x4s, wine, champagne, as well as the proliferation of celebrity magazines showcasing the lifestyles of the rich and famous. However, the gap between rich and poor has widened, because whilst child poverty and poverty among single pensioners has gone down over the last decade, there has also been an increase in the number and the spending power of the 'super-rich'³.

Increasing affluence is not bringing greater happiness; in fact, we are less happy as a nation than we were in 1950, despite being three times richer⁴. The proportion of people saying they are "very happy" has fallen from 52% in 1957 to just 36% in 2005⁵. However, we generally remain confident about our personal standard of living. Britons, along with the Americans, are the most confident among citizens of the G6 countries about their own and their family's standard of living, with six in ten (61%) feeling confident about the future.



A shift from products to services...to experiences

Consumers are offered a greater array of choices than ever, and we have seen an explosion of marketing communications at the same time as a fragmentation of the media landscape. As it has become harder to connect with consumers, companies have shifted from offering products to services. This trend can be seen as services replace goods in the list or “shopping basket” of most commonly purchased consumer items used to calculate the country’s inflation rate⁶.

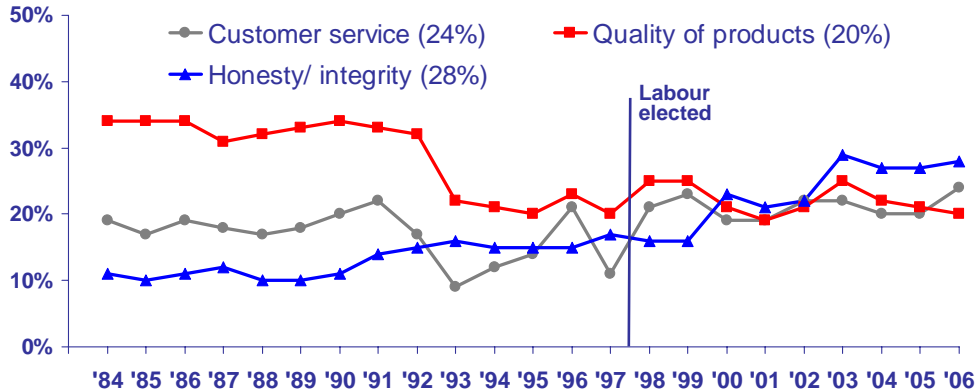
Due to technology and the increasing expectations of consumers, many services have now become “commoditised”. This has resulted in a further shift from services to “experiences” - where successful companies engage customers and connect with them in a personal and memorable way. Over the years, coffee, for example, has been transformed from a substitutable *commodity* (a coffee bean), to a tangible *product* (a cup of coffee), to an intangible *service* (a cup of coffee served in a café) to a memorable *experience* - where brands like Starbucks ensure that the ordering, creation and consumption of the coffee embodies a heightened ambience⁷. Today’s customers demand more from companies than simply high quality products and good service.

The growth of honesty and a consumer conscience

Changing expectations are underpinned by one of the key consumer trends over the past 20 years - a growing emphasis on honesty and transparency. As the chart below illustrates, honesty and integrity have now overtaken quality of products and customer service as one of the most important factors used to judge a company’s reputation.

Ipsos MORI **Honesty increasingly important as factor for judging companies**

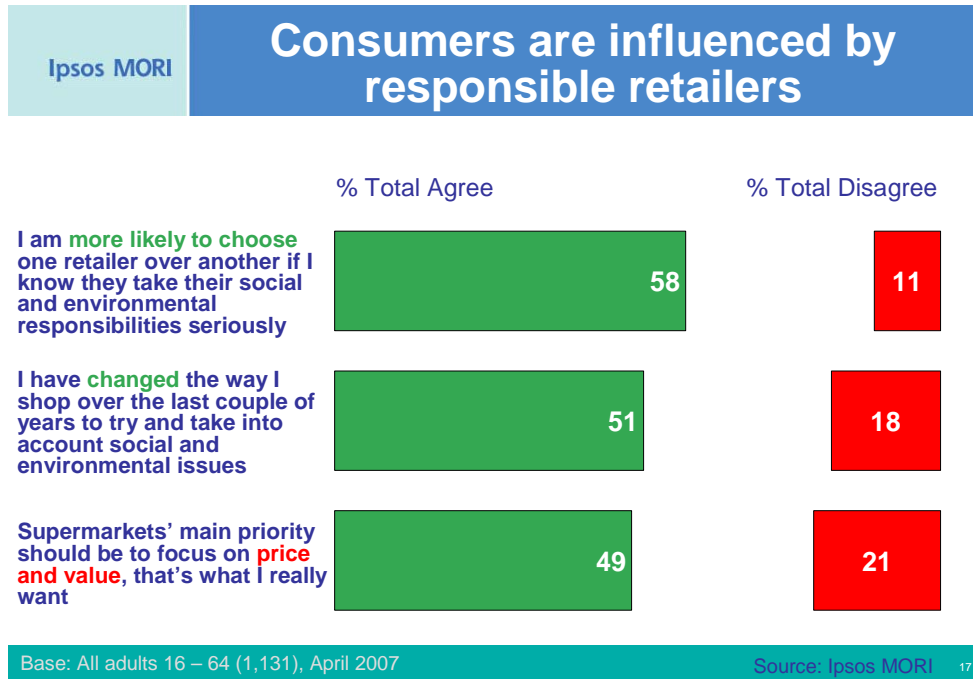
Q What do you think are the two or three most important things to know about a company in order to judge its reputation ? (Spontaneous)



Base: British adults (c1,000 each survey) Source: Ipsos MORI

This trend is manifested in a number of other ways such as the way we work and live -ideas of 'work/life balance' and 'downshifting' really hit the national consciousness in the mid to late 1990s, as well as the way we shop, particularly apparent in the rise of a new form of conscious, ethical consumption.

Recent years have seen a growth in interest in the origin of products, with the proportion of consumers boycotting goods for ethical reasons up from 4% in 1985 to 31% in 2002⁸. Further, well over half of us say we would choose a more environmentally or socially responsible retailer over one that does not take its responsibilities as seriously (58%)⁹.



At the same time as consumers are looking for more honesty from companies, the forums that new technologies have provided for consumer voices have intensified consumer power. Websites and blogs can make, or more likely break, a company's reputation¹⁰ allowing one dissatisfied customer to provide the evidence of a company's mismatched service to hundreds of waiting sceptics at the click of a button. It is surely no coincidence that the growth of importance in honesty has happened at the same time as internet access really took off in the UK.

As well as transferring power to the consumer in informational terms, the internet has also opened up access; compare bank branch opening times to 24/7 online banking. Customers want what they want, when they want it.

Communicating with today's customer

It is against this challenging backdrop that more proactive service offerings need to be considered. Examples of proactive service include sending a text message to passengers to inform them of delays to their flight before they arrive at the airport, emailing shoppers to confirm a precise delivery time for

purchases, or calling bank customers to warn them that they are about to exceed their overdraft limit.

In the qualitative research we conduct, we generally find that individual customers have clear channel preferences (although this can depend on the context, for example, whether the company is trying to sell something or simply provide the customer with useful information). At the same time, we hear repeatedly in focus groups that customers generally do not want to be made to think too much by the companies they do business with. Service offerings and innovations which on paper should benefit customers can fall at the first hurdle if they are perceived to make things more complicated for customers.

Moreover, with the increasingly complicated legislative landscape, companies also need to consider whether or not their customers are happy, and in some cases have expressly given permission to be contacted in a particular way regarding a particular situation.

In all the hype about new technologies, it can be easy to forget that many consumers do not have access to certain channels at all. Internet and mobile phone usage is much lower among older people and lower social classes. In fact, only 42% of DEs use the Internet at home or work (falling to just 10% of DEs aged over 65) and almost two fifths (38%) of those aged over 65 do not use a mobile phone¹¹. Text messaging is seen as a key communication channel for proactively servicing customers, as it is immediate and personal, but as the table below shows a significant proportion of customers - again particular those who are older - do not use text messaging.

Group	% who use text messaging (SMS) on mobile phone
ALL	67%
AGE	
16-24	93%
25-34	90%
35-44	84%
45-54	74%
55-64	54%
65 +	17%

SOCIAL CLASS	
AB	74%
C1	72%
C2	66%
DE	57%
EMPLOYMENT STATUS	
Working	83%
Not working	49%
<i>Ipsos MORI Tech Tracker, August 2007</i>	

Conclusion

As well as respecting individual channel preferences where possible, proactive servicing must also be seen in the context of increasing levels of untargeted advertising and unsolicited communication. To connect with today's customers, it is imperative that proactive services are not perceived as an unwelcome intrusion from the provider, but rather as useful, individualised information in the customer's interest. If customers are bombarded with seemingly irrelevant communications from the different organisations they do business with, the danger is that proactive service may become the new 'cold call.'

Simplicity is key. Proactive servicing should make customers' lives easier, not make them have to think more than they want to.

It is also important that communication is two-way: if you text your customers, allow them to text you back! Encouraging rather than stifling dialogue will strengthen customer relationships.

While the operational benefits to the organisation of proactive service (e.g. reducing the number of inbound calls, ensuring appointments aren't missed) may be clear, it is essential that the service be considered from a customer perspective.

If the service is designed to benefit the organisation rather than the customer, any short-term operational gain could well be offset by longer-term damage to

customer loyalty. Proactive services should offer a fair exchange of value between organisations and customers. Or, put another way, a win-win situation.

Key questions

What impact will demographic and societal changes have on your organisation?

To what extent, and how, should organisations respect individual channel preferences?

If you are planning on offering your customers a proactive service, is this mutually beneficial and considered from both the customer and operational perspective?

Footnotes

1. Blair's Britain: the Cultural Legacy - publication by Ben Marshall, Bobby Duffy et al of Ipsos MORI, 2007
2. 'Spend, spend, spend: Britons lap up the high life' The Guardian, 16.05.07
3. The Centre for Economics and Business Research estimated the number of millionaires in 2005 at 425,000, an 80% increase since 2001.
4. Research for BBC television programme The Happiness Formula found that in almost every developed country, happiness levels have remained largely static over the past 50 years despite huge increases in income. The data suggested a £10,000 income threshold above which increases in average income do not have a positive effect on happiness. See:
http://news.bbc.co.uk/1/hi/programmes/happiness_formula/4771908.stm
5. Blair's Britain: the Cultural Legacy - publication by Ben Marshall, Bobby Duffy et al of Ipsos MORI, 2007
6. CPI and RPI: the 2007 basket of goods and services, Damon Wingfield, Office for National Statistics, Economic & Labour Market Review | Vol 1 | No 4 | April 2007
7. The Experience Economy, Work is Theatre and Every Business a Stage, Joseph Pine & James Gilmore
8. Economic and Social Research Council.

9. Ipsos MORI interviewed 1,131 GB adults aged 16-64 on-line between 13-17 March 2007. Data has been weighted to the GB population aged 16-64.
10. The Business Impact of Blogs - article by Gareth Deere of Ipsos MORI, www.ipsos-mori.com, 21 November 2006
11. Ipsos MORI Technology Tracker, August 2007 (1,994 GB adults 16+, 23-29th August 2007)

Contact details

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Ipsos MORI Loyalty specialises in helping organisations understand, grow and nurture customer loyalty. Ipsos MORI research helps its clients enhance their business performance by creating strong relationships with their customers and employees.

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