

Prospering in a World Where the Consumer Is Truly the King

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We are on a Journey from a Provider Ruled Land to a Consumer Ruled Land

- The road to success with consumers is not a straight or smooth one.
- Dangerous innovations and lurking threats from expected and unexpected directions must be detected and managed.
- There will be starts, stops and direction changes to meet changing consumer demands.
- Technology can help in making the journey a successful one, but it must align to the needs of the consumer, not just the enterprise.

Flexibility, adaptability and rapid response are key to survival, not to mention success!

Key Issues

1. How do consumer attitudes and behaviors drive the difference between success and failure for businesses in the early 21st century?
2. What market and demographic trends must providers consider as they prepare their go-to-market plans, and how can they use technology to better address these?
3. How should providers leverage the Web, and especially the emerging aspects of Web 2.0, to more effectively meet consumer needs and behaviors?

The 21st Century Consumer — Not You — Is in Control



The way things were:

- Providers were in control of the relationship
- Providers made the rules
- Providers set the pace
- IT development was enterprise driven

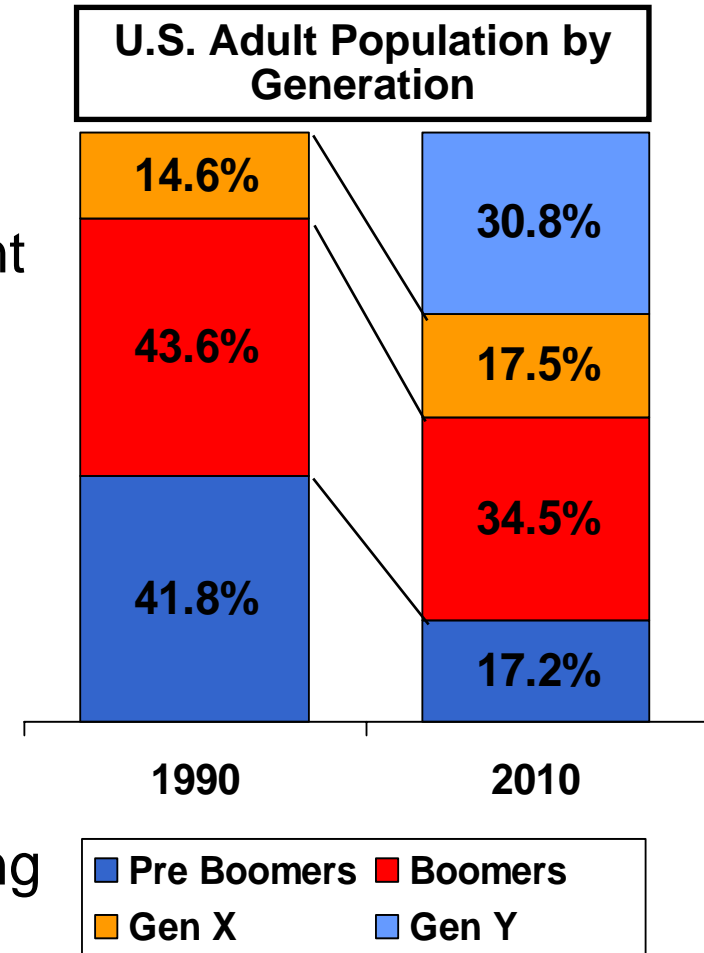
The way things are:

- Consumers control of the relationship
- Consumers make the rules
- Consumers set the pace (It's faster than you'd like)
- IT development must be consumer focused

Move as fast as you can, get out of the way or get trampled!

Shifting Generations Drive Changes to the Business Model, Terms of Trade and Control

- From: the "Greatest Generation" to the "Me Generation" to the "Us Generation"
 - 1990
 - Pre Boomers as senior management
 - Pre Boomers and Boomers as consumers
 - 2010
 - Boomers/Gen X as senior management
 - Boomers, Gen X and Gen Y as consumers
- From mass media to peer-to-peer
- Social networks and communities growing in influence



Bottom line: Society and markets are changing faster than businesses

Not Just Age, but Technologies, Divide the Generations

Over the past 100 years, generations have had defining "cradle" technologies

- Turn of the 20th Century
- World War II Generation
- Boomer Generation
- Generation X
- Generation Y

Telephone



Radio



Television



Half Steps (Cassettes & Cable)



PC, CD, Web,
Cell Phone



From: Less

One-to-One



Sound



Hard-Wired



Analog



Narrow Band



To: More

One-to-Many and Many-to-Many

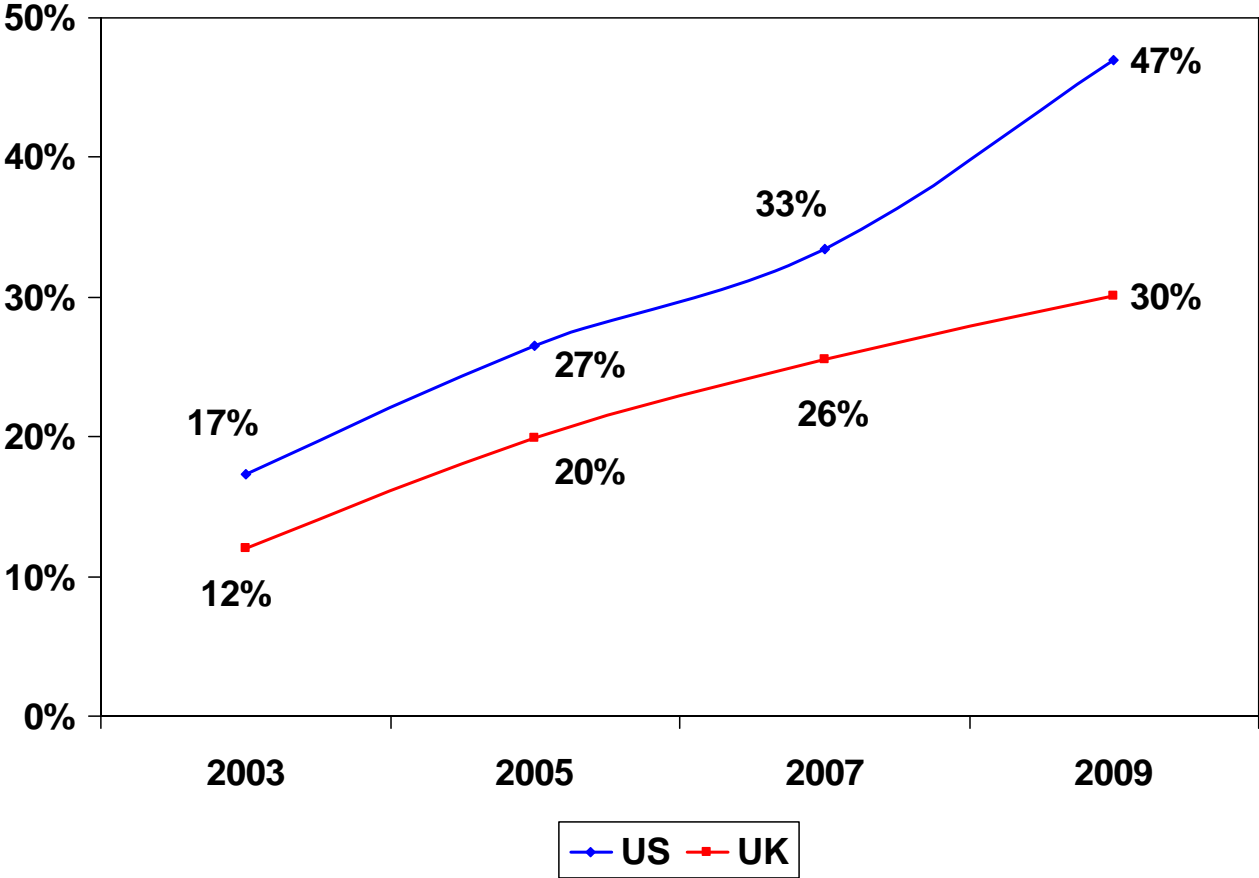
Sound and Sight

Broadcast (Even if Over Wires)

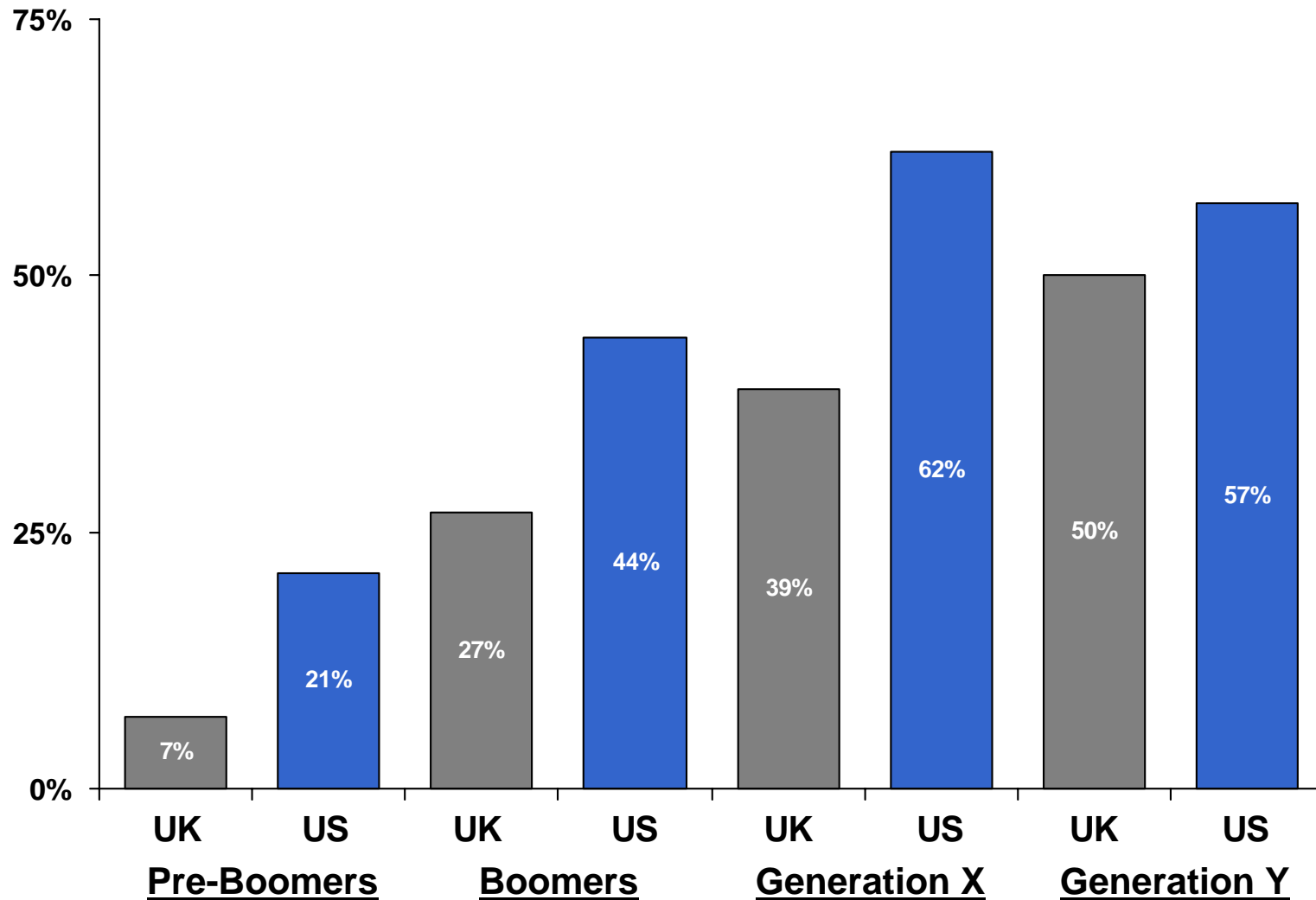
Digital

Broadband

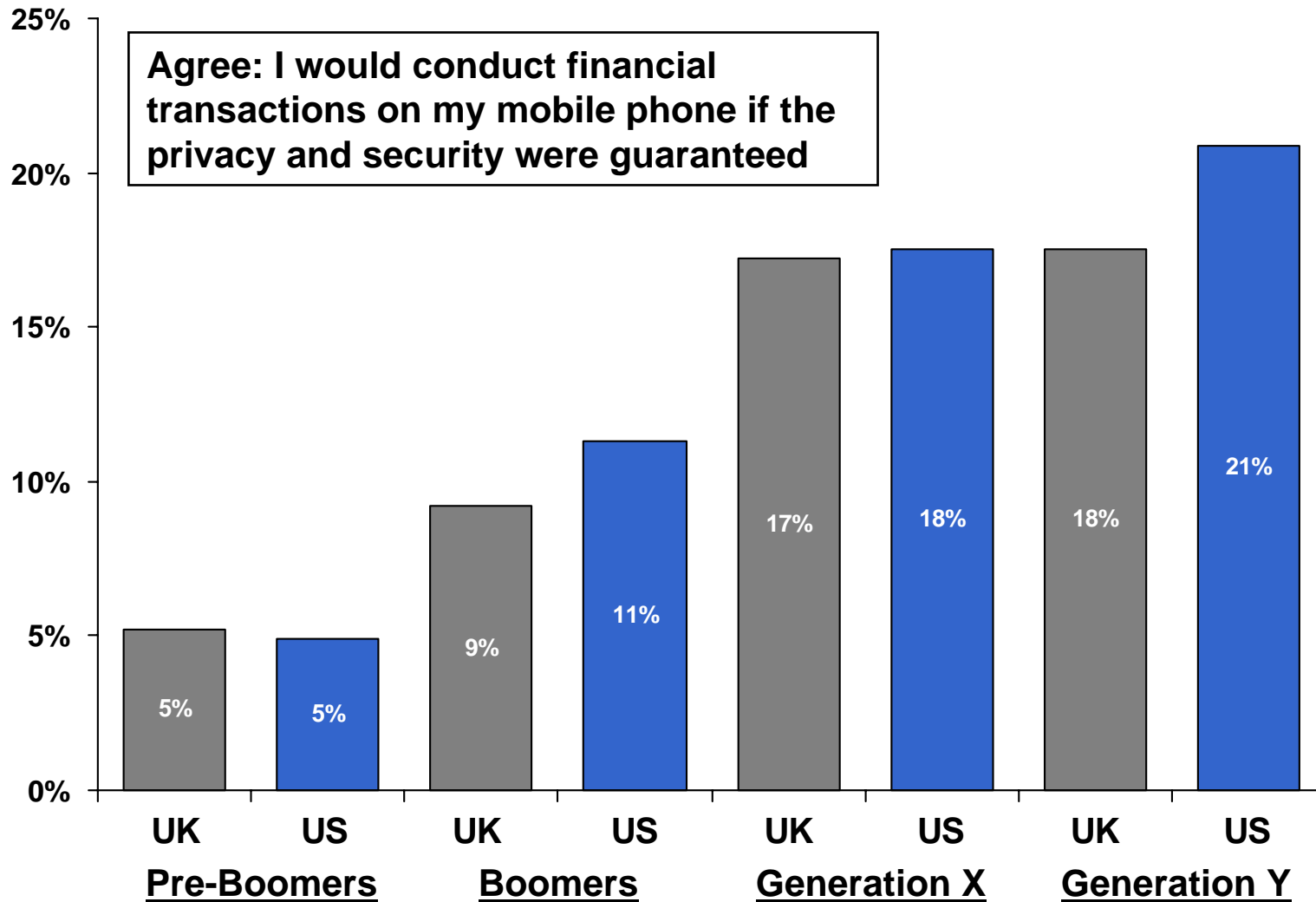
Online Banking Use in the U.S. and the U.K., 2003 to 2009



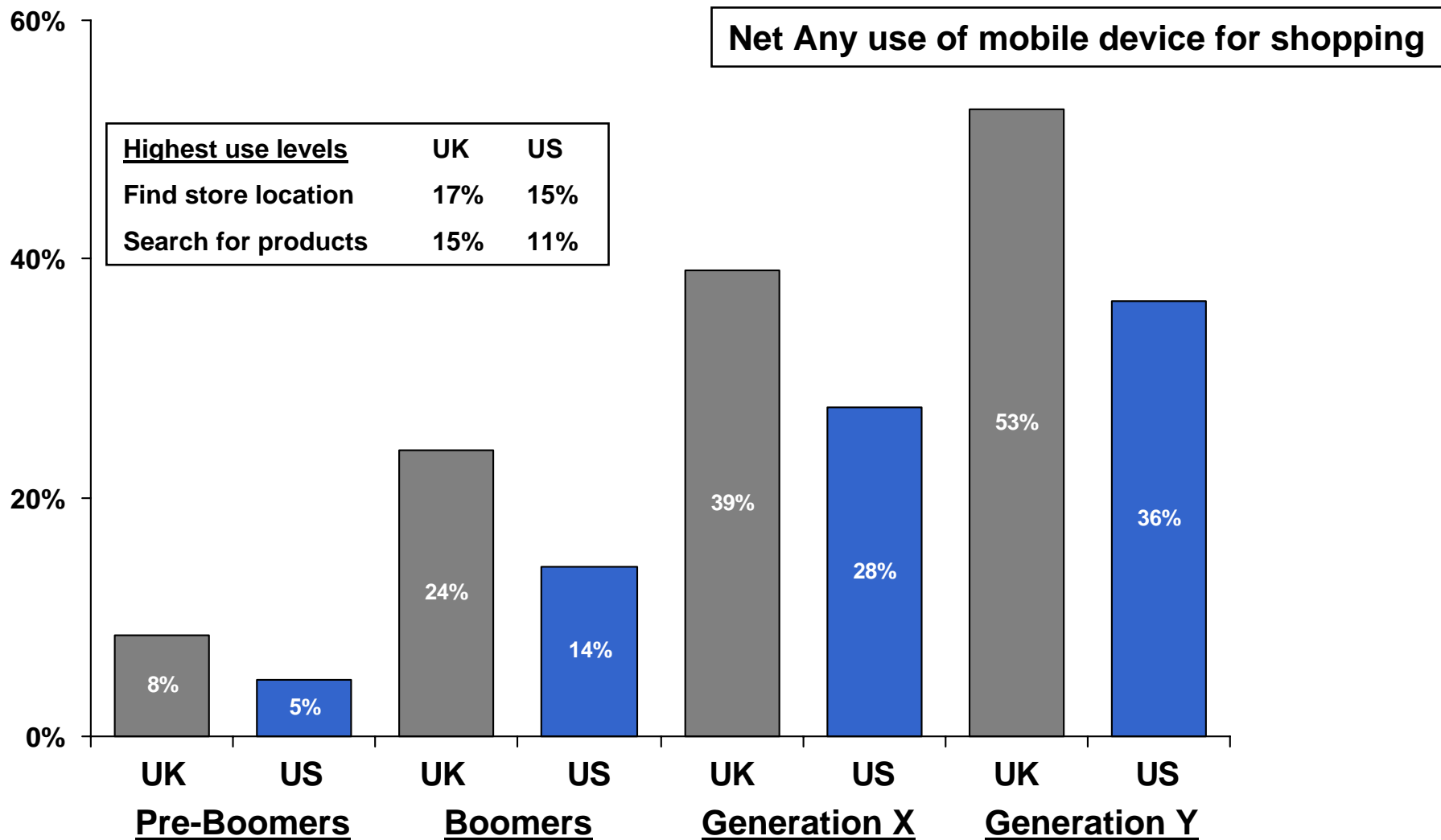
U.K./U.S. Use of Online Banking by Generation



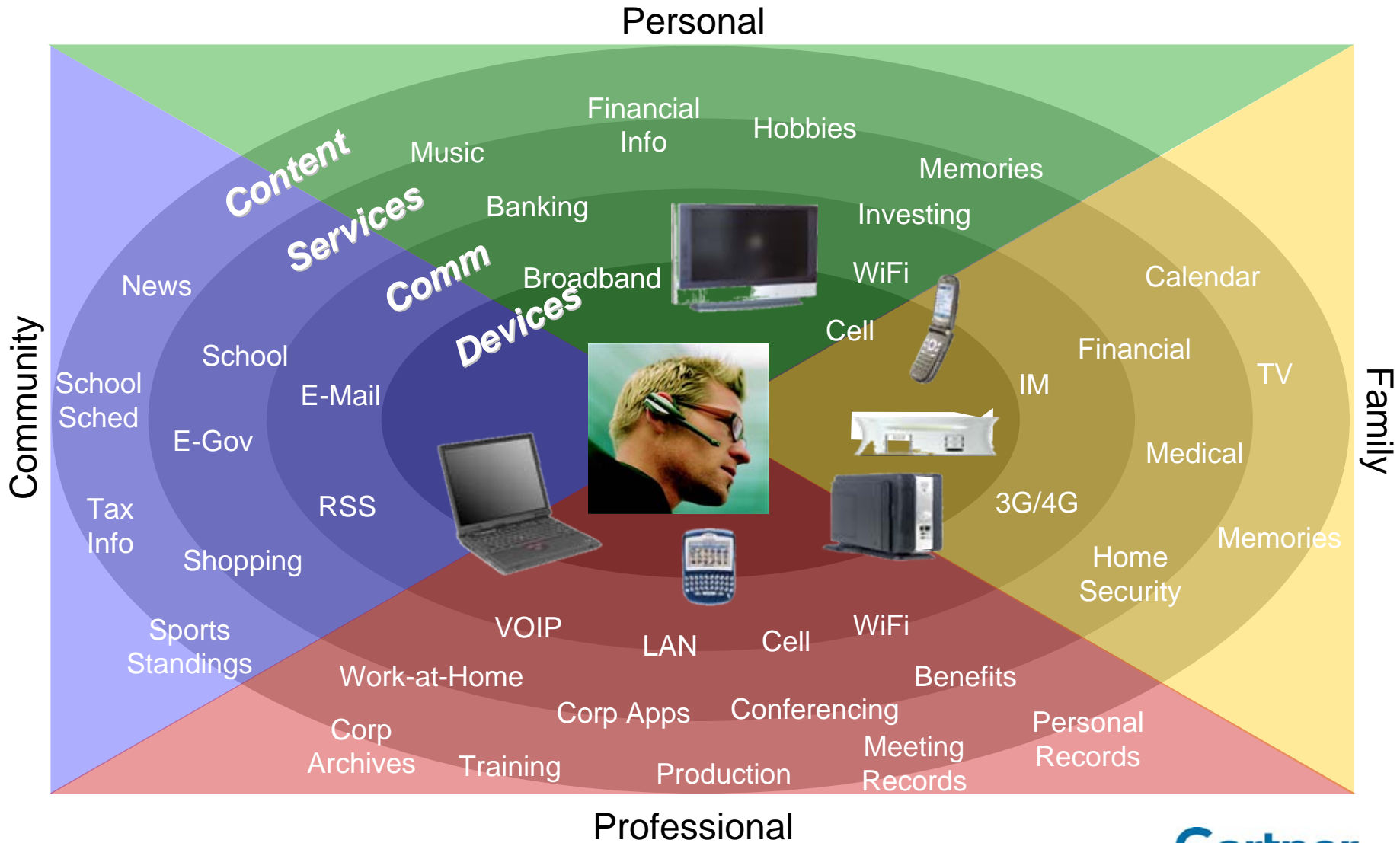
U.K./U.S. Would Use Mobile Device for Financial Services Transactions by Generation



U.K./U.S. Have Used Mobile Device for Shopping Activities by Generation



Personal, Social, Business Environments and Technologies are Merging and Blurring



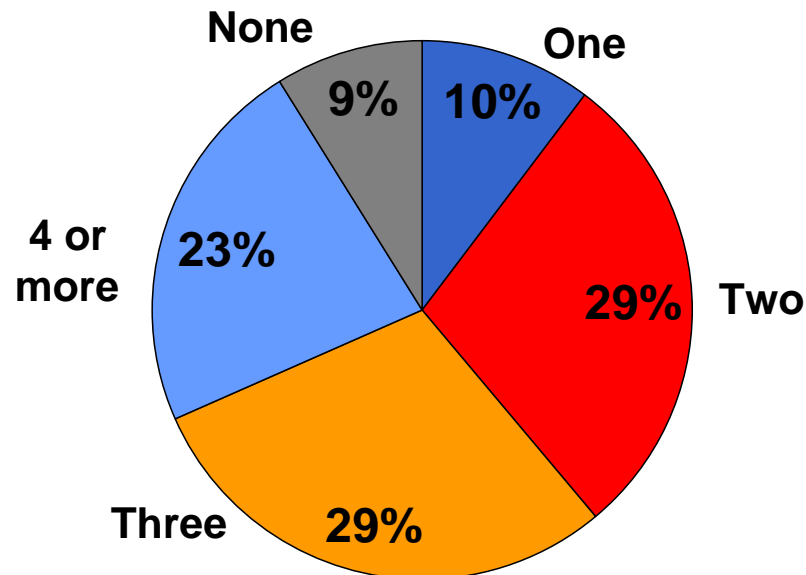
Channels, Touch Points and Access Tools are Blurring as Well

Multichannel retailing expectations

Channel Consistency	Important
Same sales/promotions	64%
Track orders	65%
Product pricing	60%
Product selection	54%

Channel Persistence	Important
Buy in one channel/ return in another	59%
Use Web to check store stock	65%

Banking expectations – Number of channels used past month



PCP is key:

- Pervasive — Across time and channels
- Consistent — Between channels
- Persistent — Over time and channels

Innovation Brings More Competition From Every Direction — But Mainly From the Web

- Established providers with new models:

- ING Direct
- HSBC Direct
- Emigrant Direct



- Evolutionary disintermediators

- LendingTree
- FolioFN/ShareBuilder*
- Insure.com

- Poachers

- Telecommunications providers
- Transit cards
- Automobile manufacturers

- Industry disrupters

- Paypal
- Lending Club/Prosper.com
- Mint/Wesabe/Covestor

*Now part of ING Direct

Consumers on the Web -- Ambient Findability and Long Tail Markets

From Mass Market Push

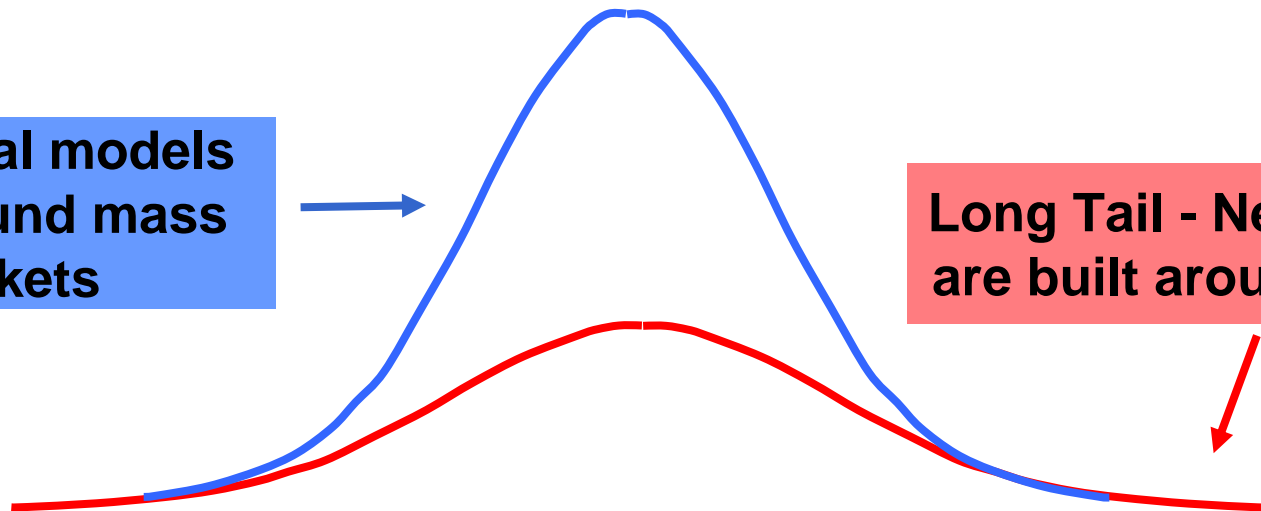
- Distribution drives availability
- Price competition is controlled
- Loyalty/relationship add value
- High barriers to change

To Niche Market Pull

- Ease of access defines availability
- Pricing competition is unbounded
- Smaller markets with distinct needs
- Low barriers to change

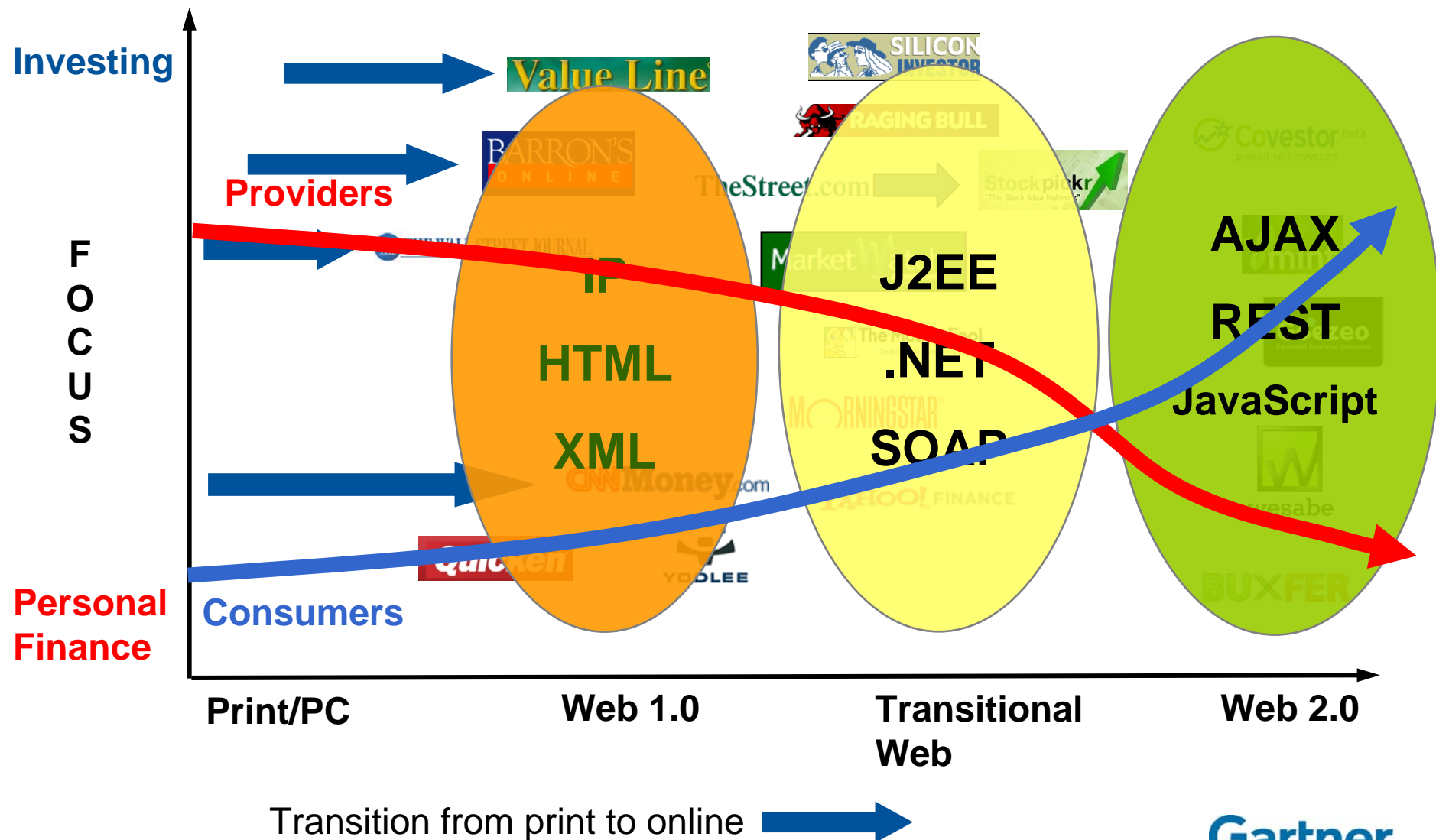
" **Findability**: The convergence of ubiquitous computing and Internet through which we can find anyone or anything from anywhere at any time" – **Peter Morville**

Traditional models built around mass markets



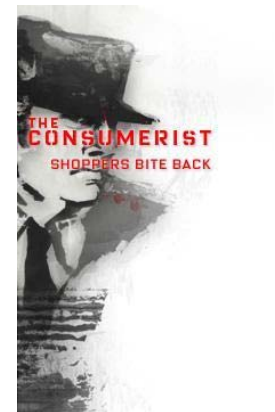
Long Tail - New models are built around niches

Access to and Control of Information is Transitioning and Transforming



Consumer Influence Spreads — Geographically, Along the Value Chain and Into the Design Process

- Consumer tip swapping.
- Reviews, commentaries and complaints
- Customer Driven Innovation
- Crowd sourcing -- Social networks and prediction markets – tapping into the wisdom of crowds
- Consumer input into design – But there are limits.
 - Evolutionary guidance
 - But not revolutionary insight



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The Evolution of the Web Promotes the Revolution in Retail Services Delivery

Full-Service
Broker

Discount
Broker

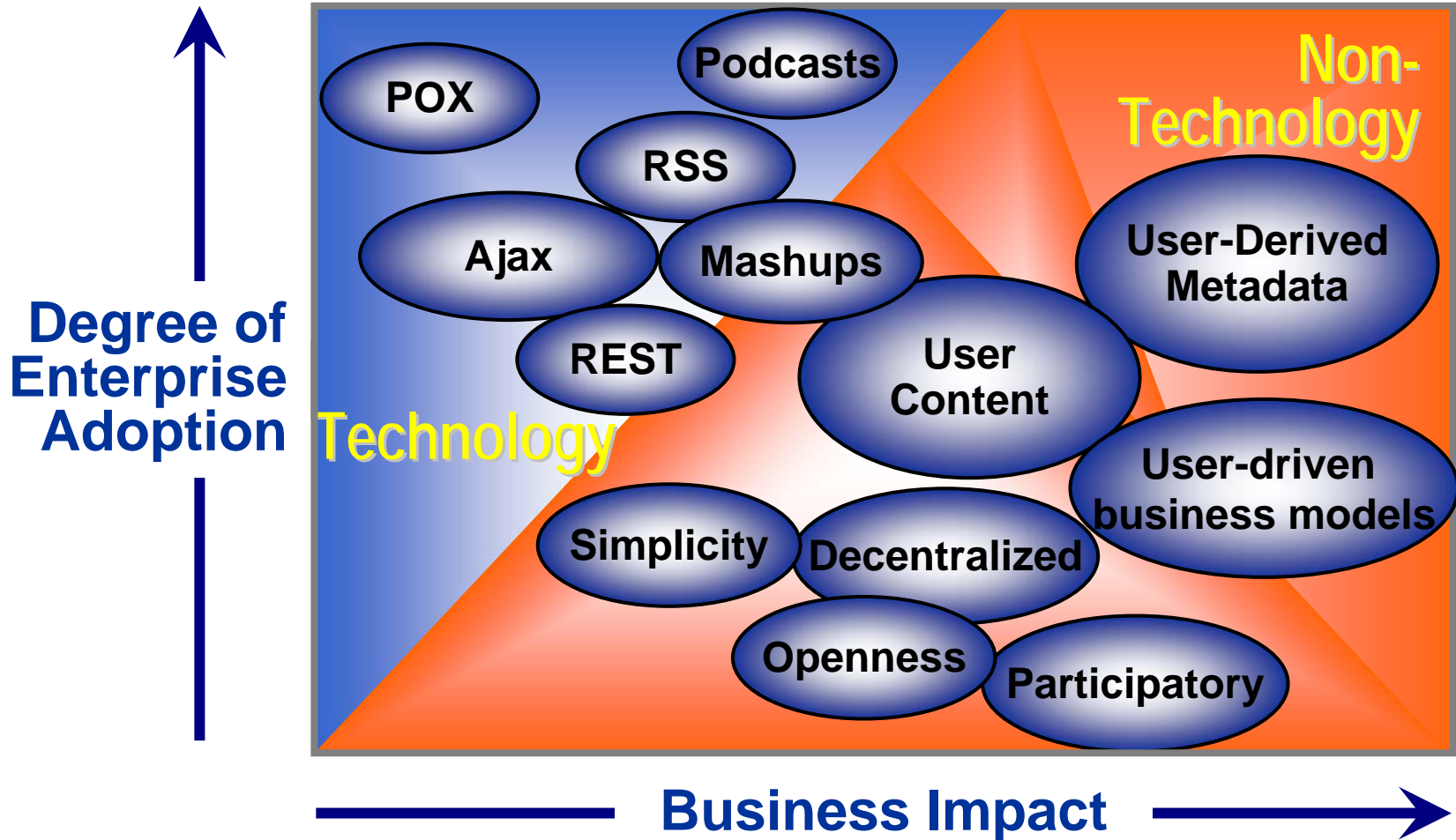
New-Era
Broker



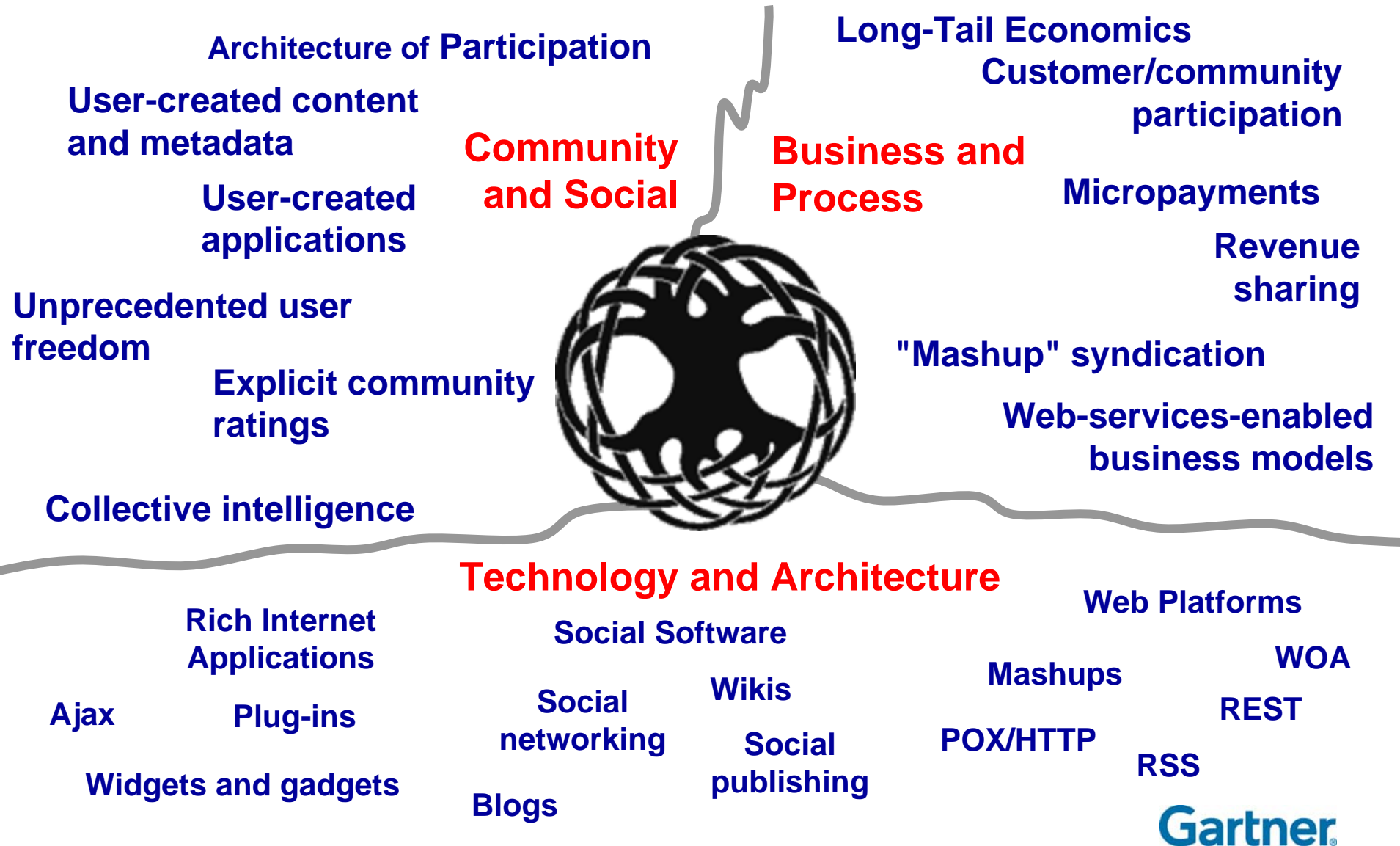
Strategy	Economies of Scale	Economies of Access	Niche
Core Market	Pre-Boomers	Baby Boomers	Gen X/Y
Relationship	Advice	Collaboration	Community
Channel	Web as Secondary	Web as Equivalent	Web as Primary
Technology	"Brochure-Ware"	Web 1.0	Web 2.0

Web 2.0 Wave Washes Over the Enterprise

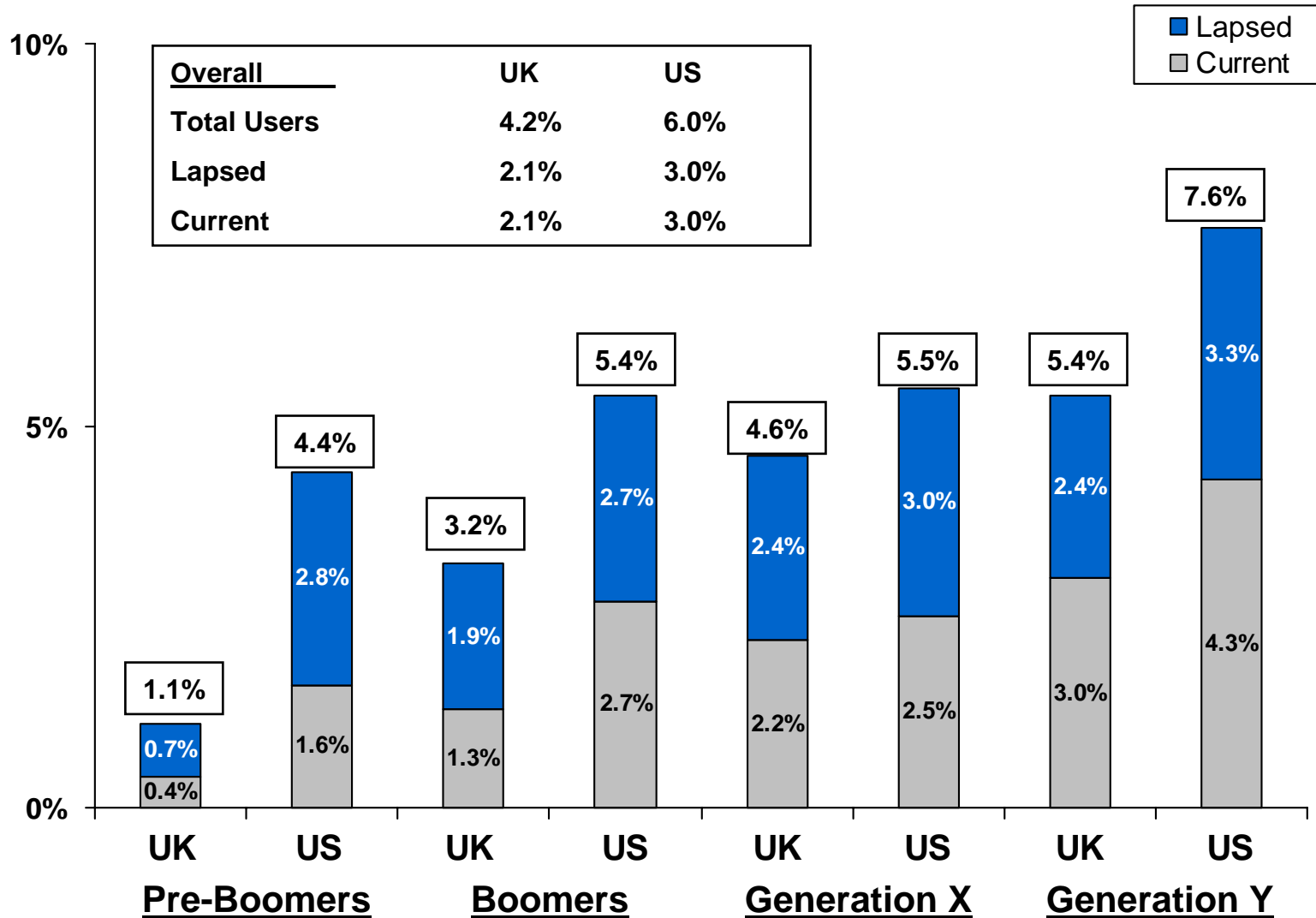
Enterprises Often Adopt the Least-Important Aspects First



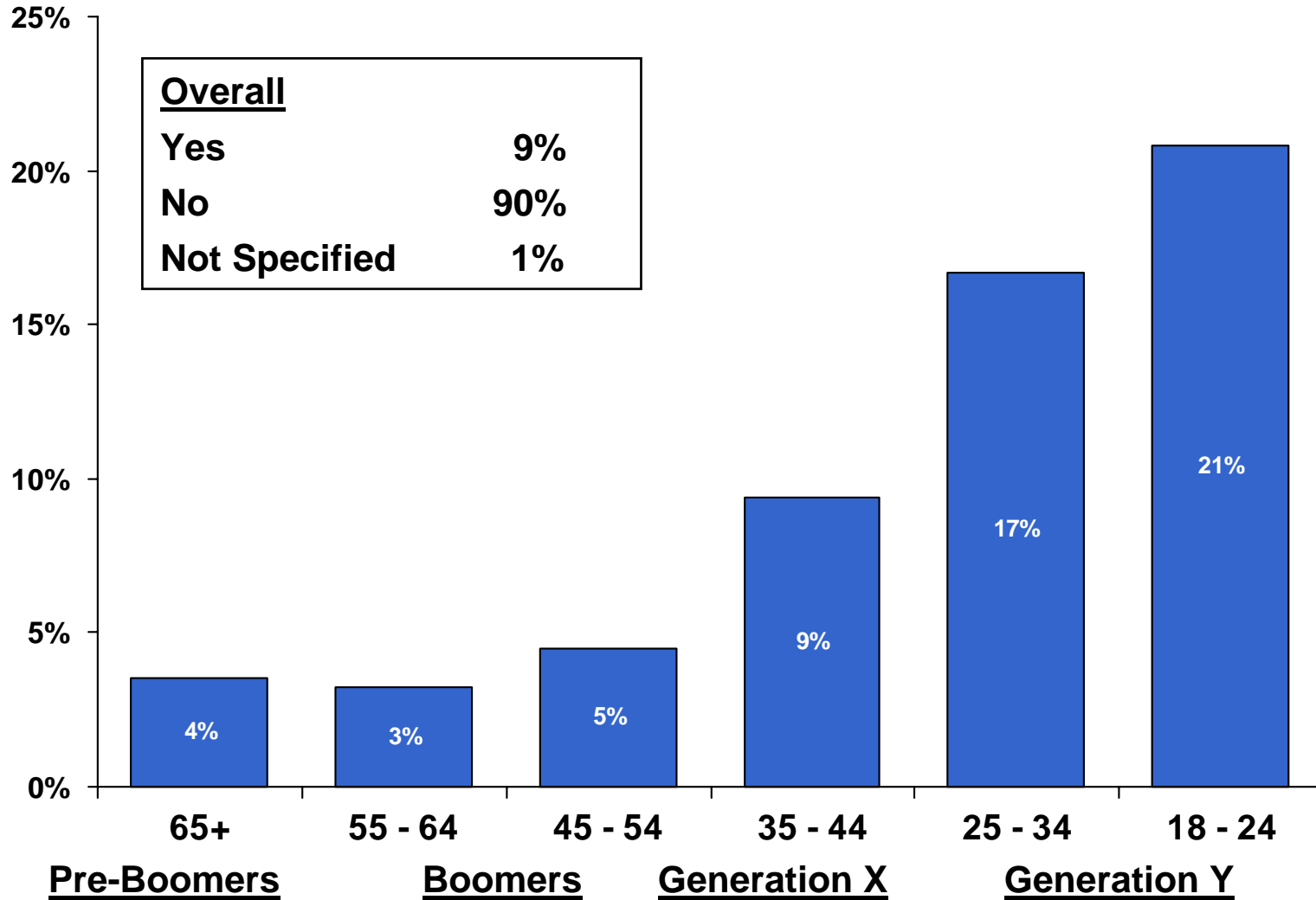
What Is Web 2.0?



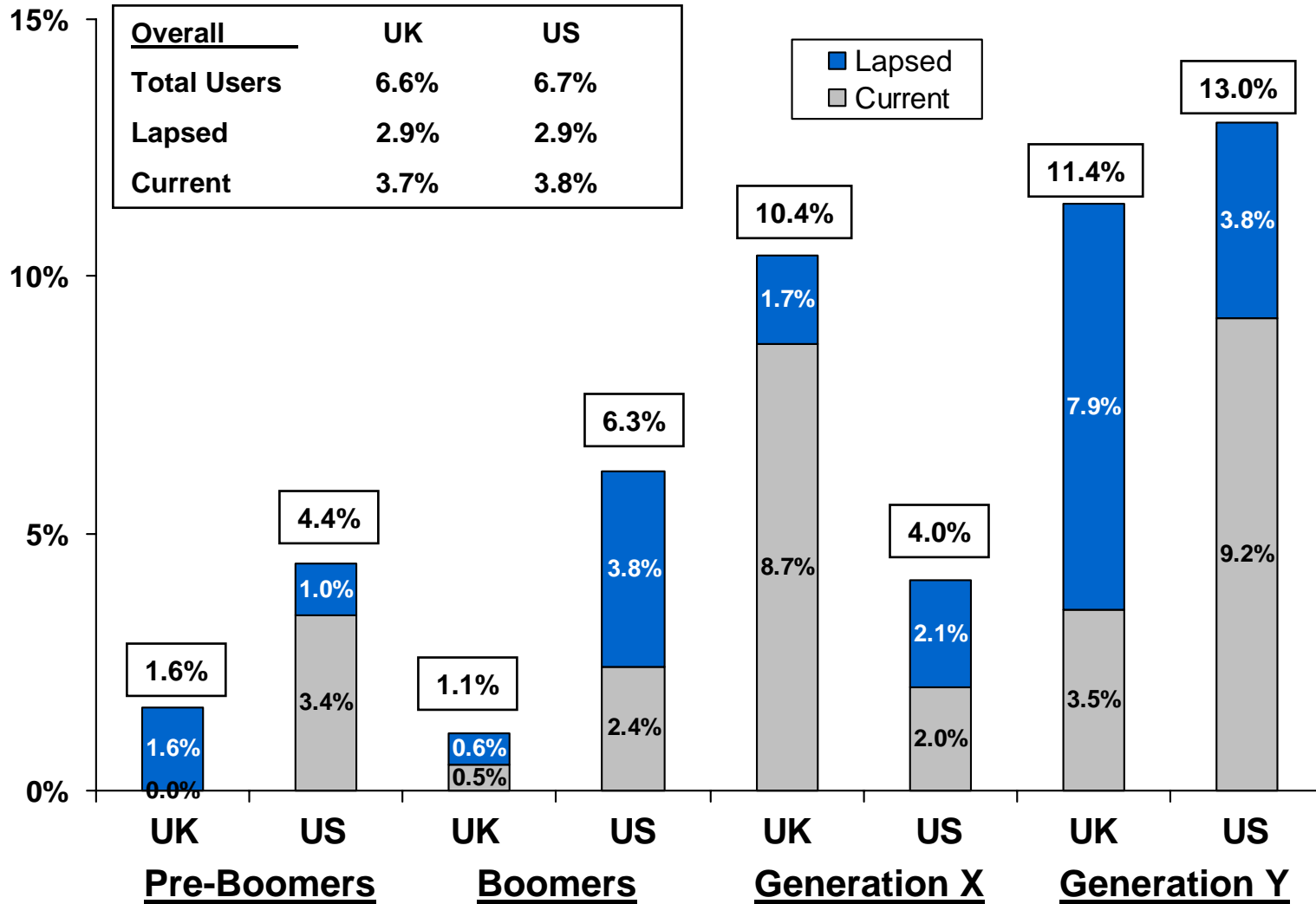
U.K./U.S. Use of Banking FSN Sites by Generation



U.S. Use of Social Networks for Shopping



U.K./U.S. Use of Investing Forum Sites by Generation



Social Networks Take Many Forms

Social Networks and Communities Are Expanding in the Investment Realm



Closed

Open









Portfolio oriented



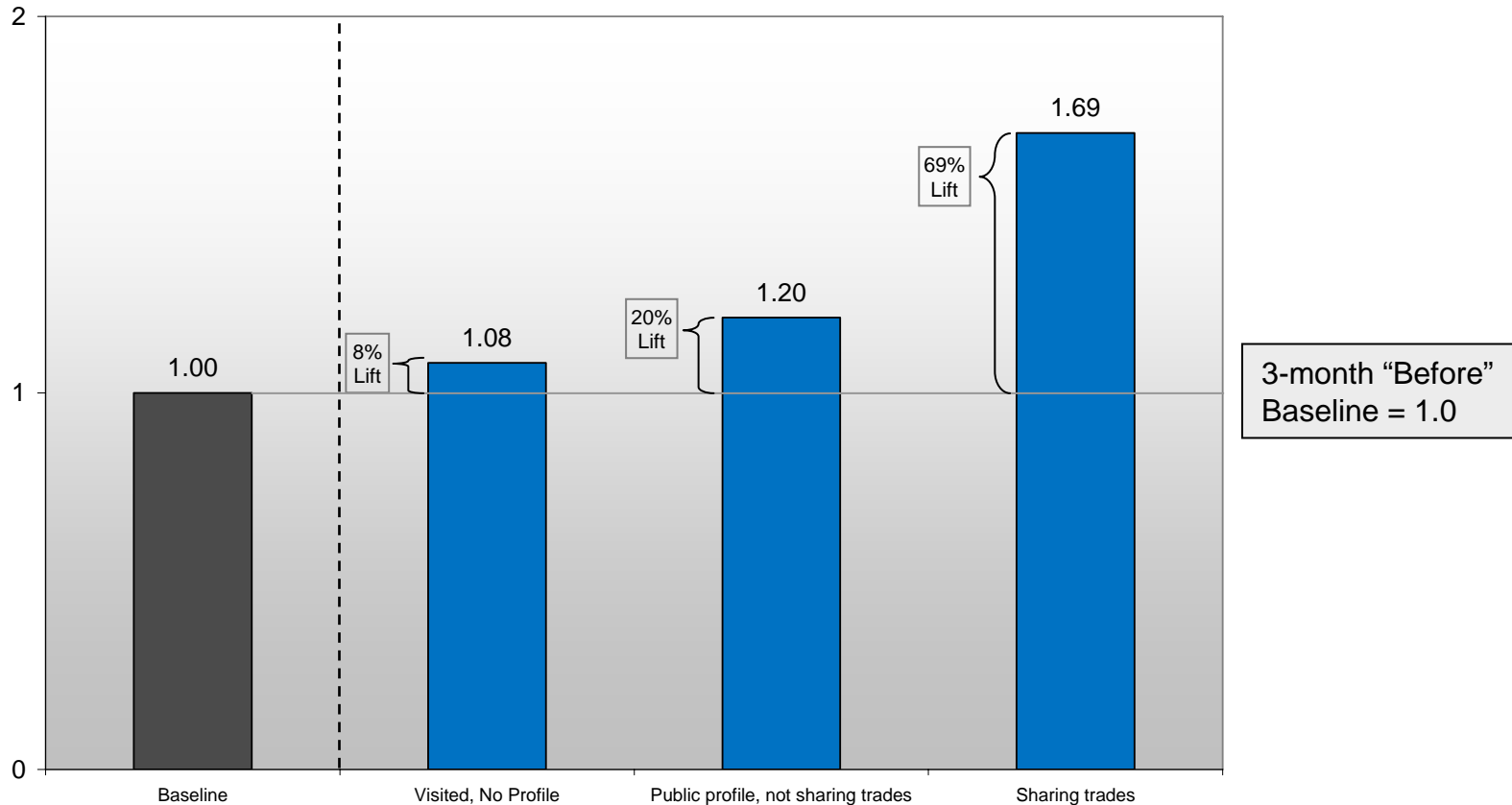
Plus other disruptive offerings:

Monetizing New Approaches – Analytics are Key

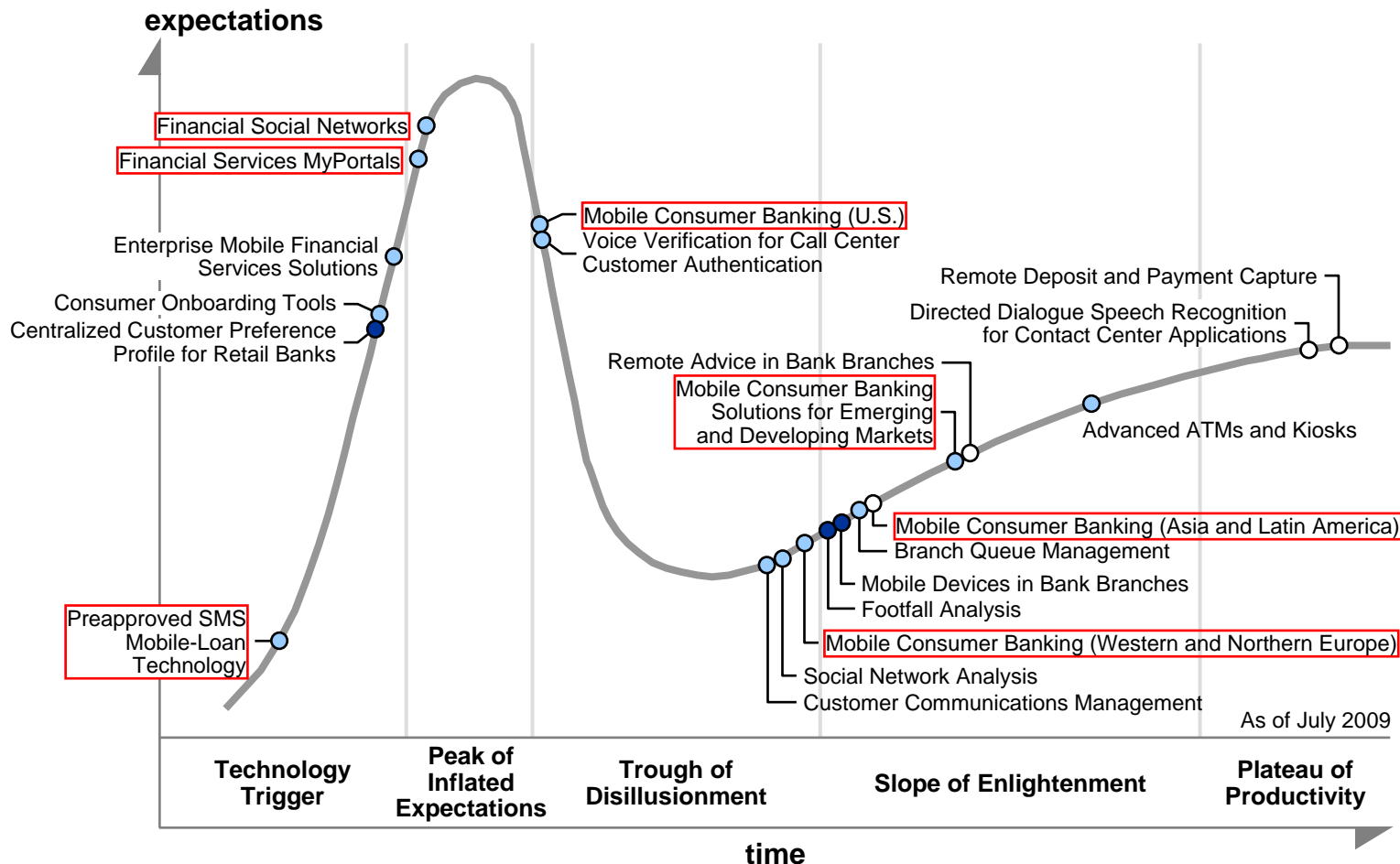
- SAFE Credit Union (California) launched an internal personal financial management site in September 2008 using FinanceWorks from Quicken.
- Just under 13% of the credit union's active online banking customers have signed up for the service since the rollout.
- After nine months, analysis demonstrates that getting clients to use this more robust and personal form of online banking has made a difference:
 - At SAFE, the average user of FinanceWorks generates a profit three times that of customers who use only Internet banking.
 - Account balances of FinanceWorks users averaged \$14,523, compared with \$10,249 for those who only use online banking and \$8,329 for other households.
 - FinanceWorks users averaged 3.7 services, vs. 3.2 for Internet banking and 2.8 for all households.
 - Similarly, these users held an average of 5.7 accounts, compared with 4.4 for online banking and 3.6 for all households.

Impact of Engagement with Trader Network

Average Change in Annualized Trades per Client within 3 months of “engaging” at various levels



2009 Hype Cycle Financial Services Customer Technologies – Geography Matters



Years to mainstream adoption:

○ less than 2 years

● 2 to 5 years

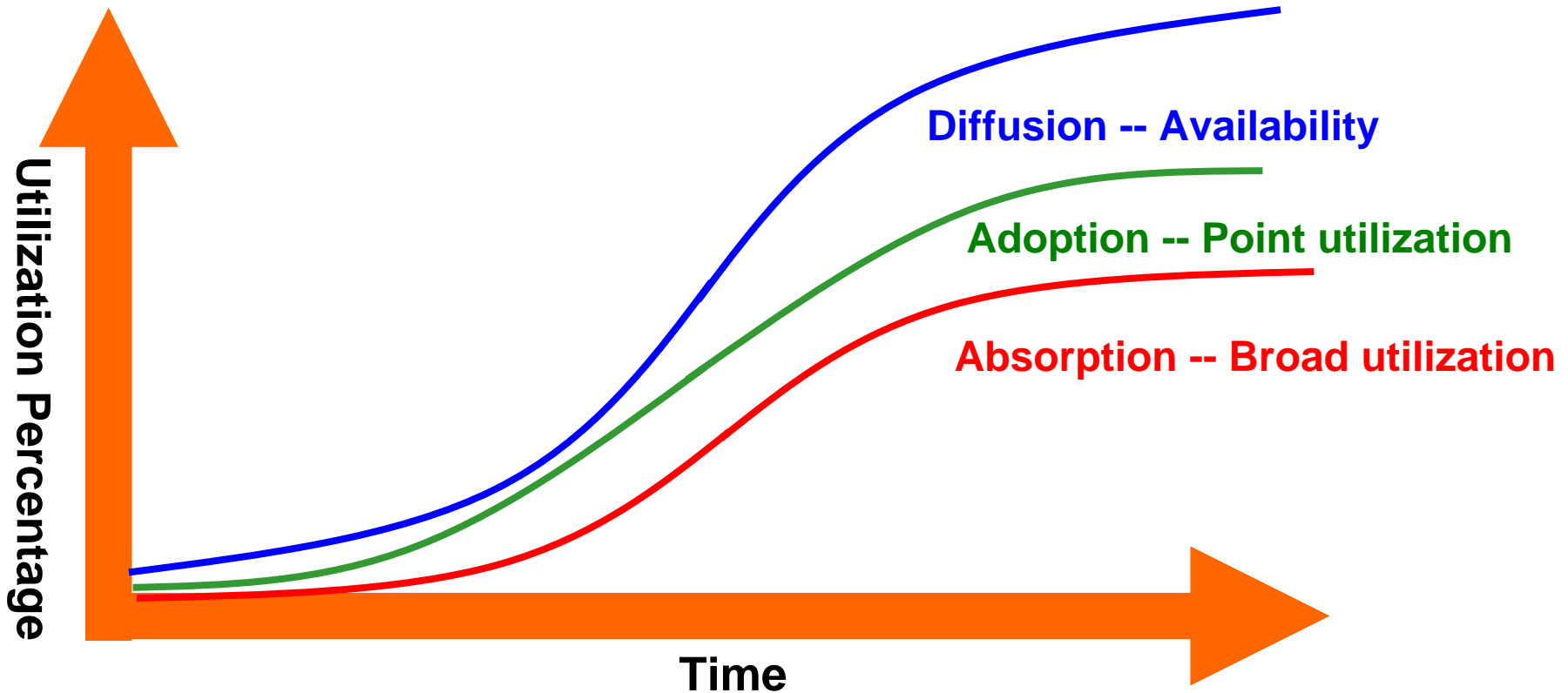
● 5 to 10 years

▲ more than 10 years

○ obsolete

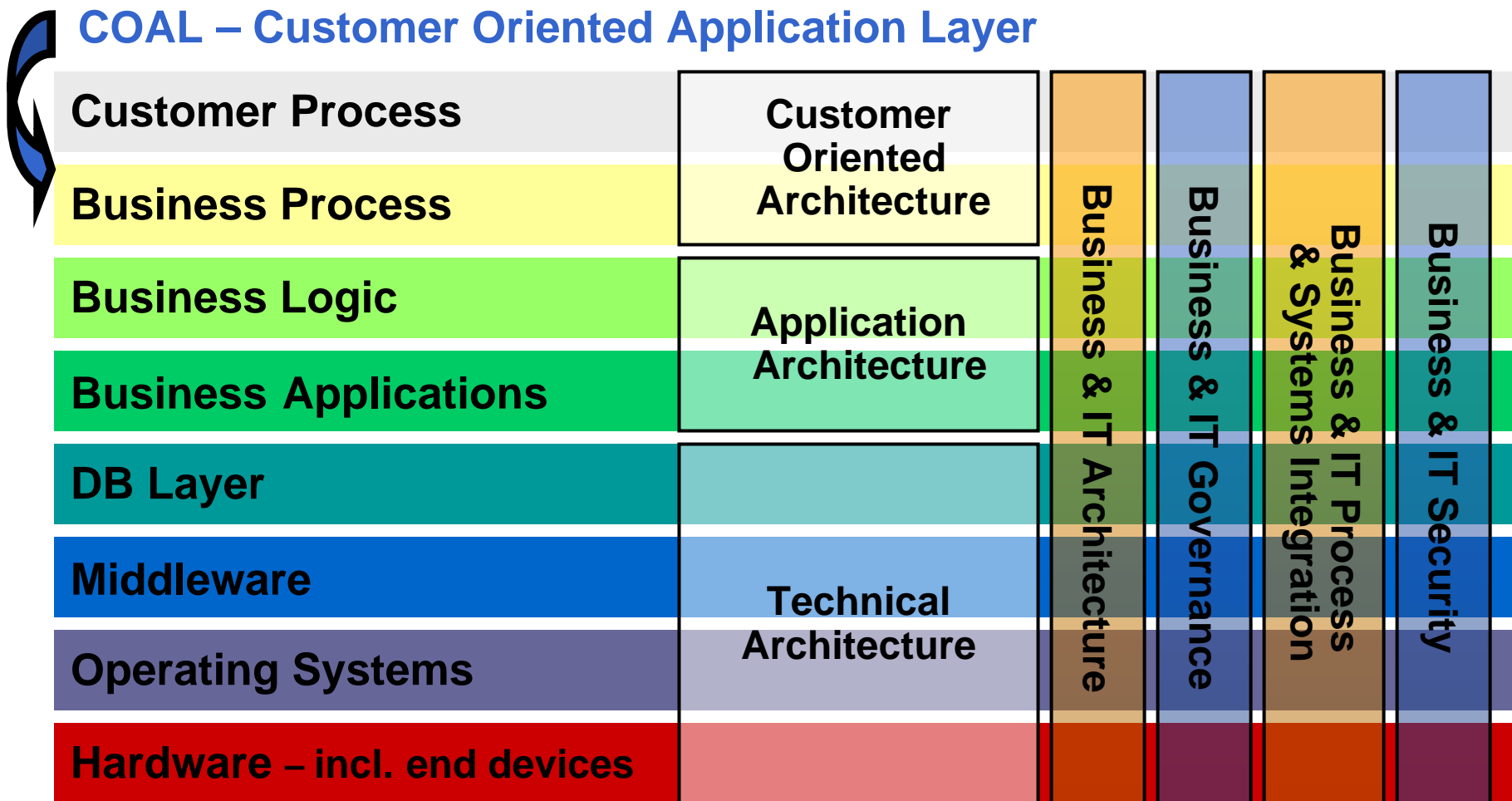
⊗ before plateau

Adoption Curves and Inflection Points



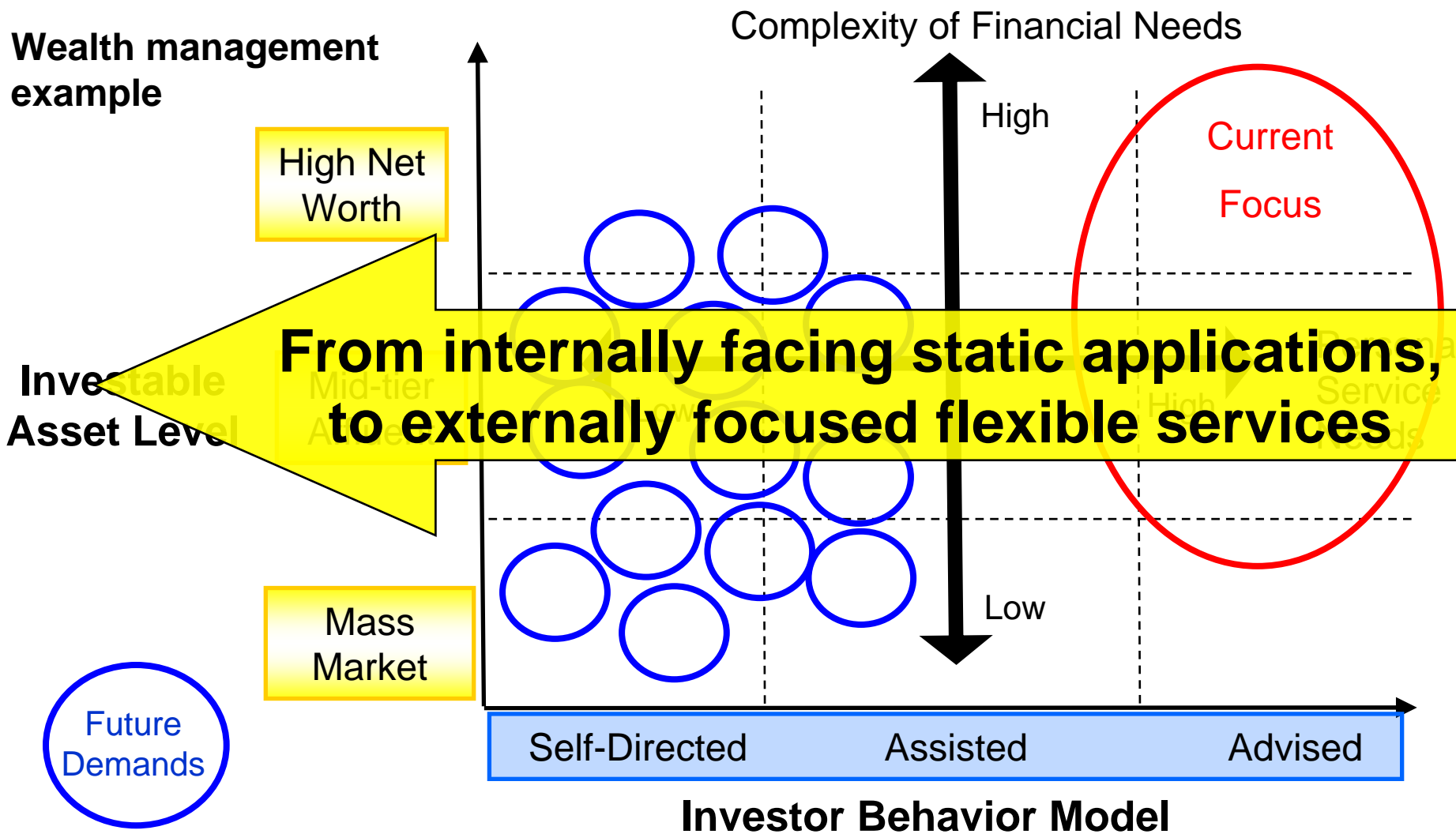
- Technology adoption and use are not straight line functions.
- Determining where the inflection point occurs is critical to getting the timing right and making the best choices.

Aligning the Enterprise to the Customer — Formalize the Customer Oriented Architecture Layer



- *Traditional Business and IT focus – From the inside out.*
- *New paradigm – "Outside in" viewpoint becomes more critical.*

Changing Consumer Needs and Competition Will Drive a Business and Technology Shift



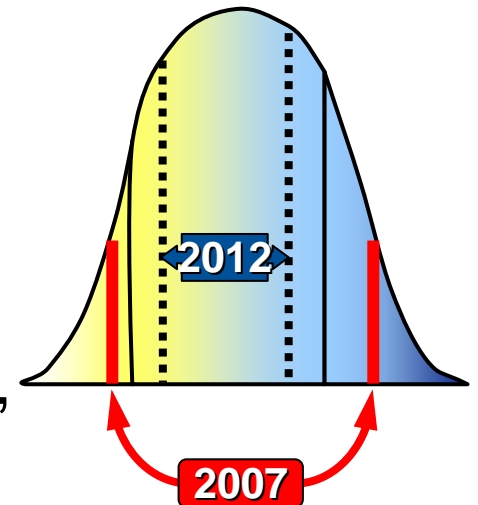
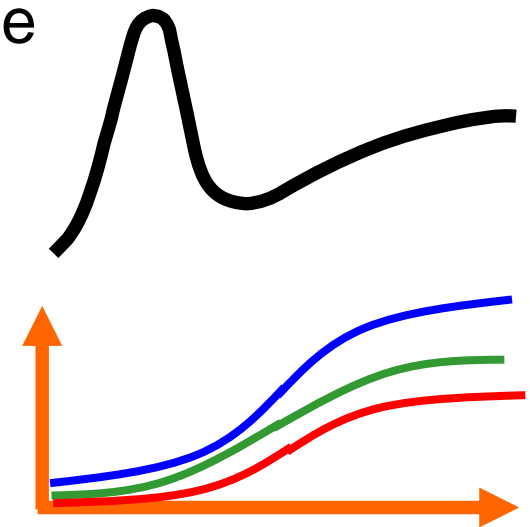
Shotguns won't work any more — sharp shooting is needed

Stop Thinking like Engineers, Gear Heads and Employees

- "No one bothered to ask the consumers what they wanted. It's a classic case of the engineers leading the charge." - Roland Van der Meer, a partner of venture capital firm ComVentures, discussing reasons for low adoption of wireless Web services. (Interactive Week, Aug. 6, 2001) – **TIMING MATTERS!**
- Most people don't want to do more things easily – most people want to do the things they already do MORE easily. **WHERE ARE YOU ON THE ADOPTION CURVE!**
- Ajax and Rich Internet Application based functionality is “cool,” especially for the technically oriented individuals involved in IT organizations. As a result, implementation can get too focused on the “wow” factor, and forget that the goal is to improve the user experience. **THE CLIENT EXPERIENCE IS CRITICAL!**
- We have seen IT organizations become laser focused on Java versus .NET, or which particular vendor to choose. But these should be of less concern than meeting the business goals of the enterprise, and serving the needs of the end client. **VENDOR AND TECHNOLOGY DECISIONS COME LATER IN USER FOCUSED DEVELOPMENT!**

Keeping Up with Consumers Means Tightening Development and Implementation

- The goal isn't to have the most cutting-edge technology.
 - The Hype Cycle is often "front loaded."
 - Rapid adaptation to enable shifting business models and targets becomes more critical.
- Meeting changing needs and competition alters risk and reward dynamics.
 - It alters the pace of innovation and the value of being "ahead of the curve."
 - A B+ in three months is better than an A+ in three years.
 - Failing fast is sometimes better than succeeding slowly.
- IT organizations must drive higher efficiency, greater flexibility and lower cost.



Action Plan

- When you off the call – Start learning what you don't know:
 - Is your company monitoring the Web to see what others are saying about you. If not, get started.
 - Propose a cross unit team (marketing, IT, finance, sales) to find better ways to get consumer feed back via the Web.
- Over the next 12 months – Remember to put the consumer at the center of development activities
 - Implement the cross functional team's learnings.
 - Incorporate the Customer Oriented Architecture Layer (COAL) into your IT planning efforts.
 - Work with marketing and finance to leverage business intelligence tools. Build analytics that focus on the customer and enable fine grained segmentation.
- For the Long Term – Focus on IT agility and adaptability
 - Determine your core customer segments, and focus on building solutions – products, services and IT support – that are attuned to their needs and drivers.
 - Implement systems and architectures to enhance these capabilities, including "light" Web development tools.
 - Re-architect your IT systems and business operations around an "outside-in", niche oriented marketplace.