

synnovation

/// VOLUME 2 ISSUE 2

WE'RE IN THIS TOGETHER

From processes to products, business protocol continues to change. And everything that makes an enterprise grow ultimately affects the biggest resource—people.

XEROX A SYSTEMATIC APPROACH TO DIVERSITY

by Phil Harlow

TOWERS PERRIN THE THREE KEYS TO IT OUTSOURCING SUCCESS

by Gary Thompson and Mark Arian

MICROSOFT AT YOUR SERVICE

by Max Long

ORACLE WHY BUSINESS INTELLIGENCE IS SO SMART

by Rick Schultz

SUN MICROSYSTEMS SIGN OF THE TIMES

by Ian Gover

EMC MARKET OF ONE

by Gavin Ellzey

CISCO THE CUSTOMER IS KING

by Rob Lloyd

EDS TECTONIC PLATES

by Steve Heidt

SUN MICROSYSTEMS CONVERSATIONS

with Jonathan Schwartz

EDS UP CLOSE & PERSONAL

with Tina Sivinski

THE JOURNAL OF THE EDS AGILITY ALLIANCE



market



of one

Winning the battle for the new consumer in a converged world

The fundamental paradigms of work and lifestyle have changed dramatically. Globalization, facilitated by accelerating convergence across multiple dimensions, is giving rise to a new type of consumer who's continually mixing personal and professional responsibilities and interests. The result? A way of life that has become increasingly hectic and geographically diverse.

This new paradigm weaves both professional and private lives into a complex fabric characterized by continuous partial attention coupled with increasing requirements for independence, immediacy, and relevancy in the products and services they buy. What will it take for companies wanting their business to anticipate their needs and deliver products and services that fit their converged lifestyles? >>

By Gavin Ellzey, EMC

Key to this new life paradigm is the phenomenon of convergence. It's convergence that's providing the momentum for the rapid changes in workstyle, lifestyle, and playstyle and their subsequent integration into a single, highly multiplexed life paradigm.

Convergence is also driving major changes in business. New business models are emerging as old ones rapidly become obsolete. Former allies are now becoming fierce competitors, and new market entrants are forcing companies to develop a core competence at business model innovation—or risk extinction. These forces together are driving a rapid evolution of the complex ecosystems within which companies do business.

Consumers in these new multiplexed, converged ecosystems are seeking to differentiate themselves from the pack and define who they are. This is often accomplished through the goods and services they purchase. In lives that are increasingly hectic and geographically diverse, only those companies whose products and messaging are congruent with the interests and beliefs of these consumers will be able to successfully sell to them in a consistent and profitable manner.

This multidimensional convergence is accelerated by increasing globalization. Combined with technological innovation that affects all aspects of both personal and professional lives, the consumer of the 21st century can be characterized by the forces shaping this new ecosystem. These include:

- Convergence spanning all dimensions of life—personal, professional, and leisure
- Rapid proliferation of digital data and information
- Ubiquitous broadband access to information, anytime, anywhere
- Accelerating advances in existing technology and the introduction of disruptive technologies
- Mobility
- Economic uncertainty
- Increasing regulation and government oversight
- Accelerating propagation of “The Cult Of Speed”

These forces, among others, are driving a desire for some form of personal differentiation. This desire will be reflected in the goods and services consumers purchase or to which they subscribe.

As recently as a decade ago, enterprises could be successful in developing products for a mass market. Today, the mass market approach to product development and marketing is rapidly becoming extinct. Customers are constantly looking for ways to personalize the products and services they buy. Some good examples include interchangeable covers for mobile phones, videotones, and ringtones. Five years ago, would anyone have ever thought that adding musical tones that functioned as the ringer of a phone would be a multibillion-dollar market annually? As this market paradigm evolves, there are several distinct forces spanning multiple markets that are giving momentum to this new market of one:

- Individual isolation due to technological innovation
- Rise of ubiquitous, mobile communications and broadband access
- Disruptive technological innovation
- Increasing consumer demand for personalization

The net result is that the old adage of *think globally, act locally* is now evolving into one of **think globally, act locally, sell personally.**

This desire for uniqueness is leading consumers to adopt new and modified buying behaviors producers must take into account when marketing to them. With the advent of DVRs, the Internet, and satellite radio, traditional advertising approaches are rapidly declining in effectiveness. And the new approaches are not far behind. Consumers fast-forward through advertising on television by using a DVR or TiVo, they block or ignore pop-up and banner advertising on the Internet, and satellite radio provides commercial-free music at a reasonable cost. Given these examples, enterprises must develop a laser focus on the needs and desires of individual consumers in order to get their messages heard.

Consumers today and in the future are significantly more discerning than in past decades. Because of the convergence of telecom, media, >>



and entertainment, they're constantly bombarded with messages. This has led to an innate ability to tune out those messages not directly addressing their specific interests. Messaging via electronic media fares little better. With pop-up blockers and anti-spam tools, many advertising messages never reach the consumer. Those that do are often ignored as the ability to filter irrelevant messages is extended to electronic media as well.

The good news is that all is not lost. If a company understands these new consumers and actively pursues them with a combination of innovative business models and focused messaging, then significant revenue can be gained. As a foundation to success, companies must take into account the trends shaping these new buying behaviors and develop innovative business models to take advantage of them. Top among them are:

- Preeminence of the market of one
- Willingness to trade personal information for value
- Impatience—see it, buy it, get it—NOW!
- Yearning for differentiation via personalization

In analyzing these trends, it's obvious to see that to be effective, companies must now get to know their customers on a more intimate level. *Customer intimacy* in the true sense of the phrase is becoming the new paradigm for *customer interaction*.

For too long, the only time a customer heard from a company was during a product recall or in trying to deal with some form of product or service defect. Often, this interaction was less than positive for both parties involved. The end result was a customer with no product loyalty and often no desire to purchase additional products. This must change.

Benchmark companies are used to analyzing *competitors* and the competitive environments of the markets in which they compete. As we progress through this new millennium, that is no longer sufficient to maintain a competitive position. Today, it's the knowledge of the *customer* that will deliver significant competitive advantage.

According to a recent **PricewaterhouseCoopers** report, "... consumer activity information is the key to unlocking future value in convergence."²

This couldn't be more true. Companies that aspire to be successful in this ecosystem must begin to develop a deep understanding of their customers, plus engage in a two-way dialog with them that can be leveraged not only to improve service, but also to generate ideas for new product offerings.

Privacy issues aside, companies must aggressively gather and analyze customer information. At a recent IP communications conference (VON Boston), **Congressman Edward Markey** of Massachusetts characterized the telecommunications industry as one of "vigorous Darwinian marketplace competition." Though he was talking in the context of the telecom industry, the same characterization is true of virtually all industries. To effectively compete, companies must develop the core competence of gathering and effectively analyzing customer information. Making the transition to this new level of customer intimacy will not be easy. It will be, for those who succeed, highly profitable. But where to start? Executives often ask for examples of information that needs to be collected and analyzed. The following list provides a starting point:

PURCHASING HISTORY—What products and services have customers bought in the past? What has been their experience with those purchased products? Did they send in the registration cards?

PURCHASING PATTERNS—When does the customer typically buy? What venue does the customer use—online, catalog, or retail?

CUSTOMER DEMOGRAPHICS—Personal, financial, geographical, and political. The impact of "householding" on buying decisions, or the level of influence family members have on an individual's purchasing behavior. This is a derivative of demographics and personal information specific to an individual family unit.

PROFITABILITY—Is this a profitable customer or one we prefer spend money elsewhere? >>





If approached properly, customers will provide detailed personal information once it's perceived that supplying that information delivers additional value in the goods and services they're getting.

By no means exhaustive, the previous list shows that sophisticated analysis applied to larger amounts of data will be needed to achieve success. But this is only one piece of the puzzle. Successful companies will engage customers in a two-way dialog to continually elicit feedback and improve the customer's ongoing relationship with the company. If approached properly, customers will provide detailed personal information once it's perceived that supplying that information delivers additional value in the goods and services they're getting.

Having done this analysis, how does a company now take advantage of it to gain and maintain a mutually beneficial relationship with customers? Some recommendations include:

- Continually track and analyze customer buying behavior and other demographic and personal information to determine when personal interaction with the customer is needed.
- Provide ubiquitous, seamless access to products and services.
- Provide immediate gratification, such as downloads or express shipping.
- Make it easy!
- Support customer access in a device-agnostic manner.
- Develop and fine-tune proactive offerings to a market of one.
- Engage the customer and leverage that relationship as an information conduit for new product R&D.

The customer of tomorrow exists in a highly multiplexed ecosystem. With more disposable income and a willingness to spend it, those companies that master the core competence of customer intimacy will become the benchmark companies in their industries. From the customer perspective, success in gaining and maintaining a profitable relationship can be summed up by the following *Manifesto of the New Generation Consumer*:

- Make mine personal.
- Speed me up.
- Give me value.
- Give me reliability.
- Make it easy.
- Make it stylish.
- Communicate with me. |s|

About the Author: Gavin Ellzey is chief architect, Digital Media Solutions for EMC Corporation.

FOOTNOTES:

1."CENTRIFUGAL FORCES," *THE ECONOMIST*, JULY 14, 2005.

2."THE RISE OF LIFESTYLE MEDIA: ACHIEVING SUCCESS IN THE DIGITAL CONVERGENCE ERA", PRICEWATERHOUSECOOPERS LLP, 2006, P. 2.

