

View Point



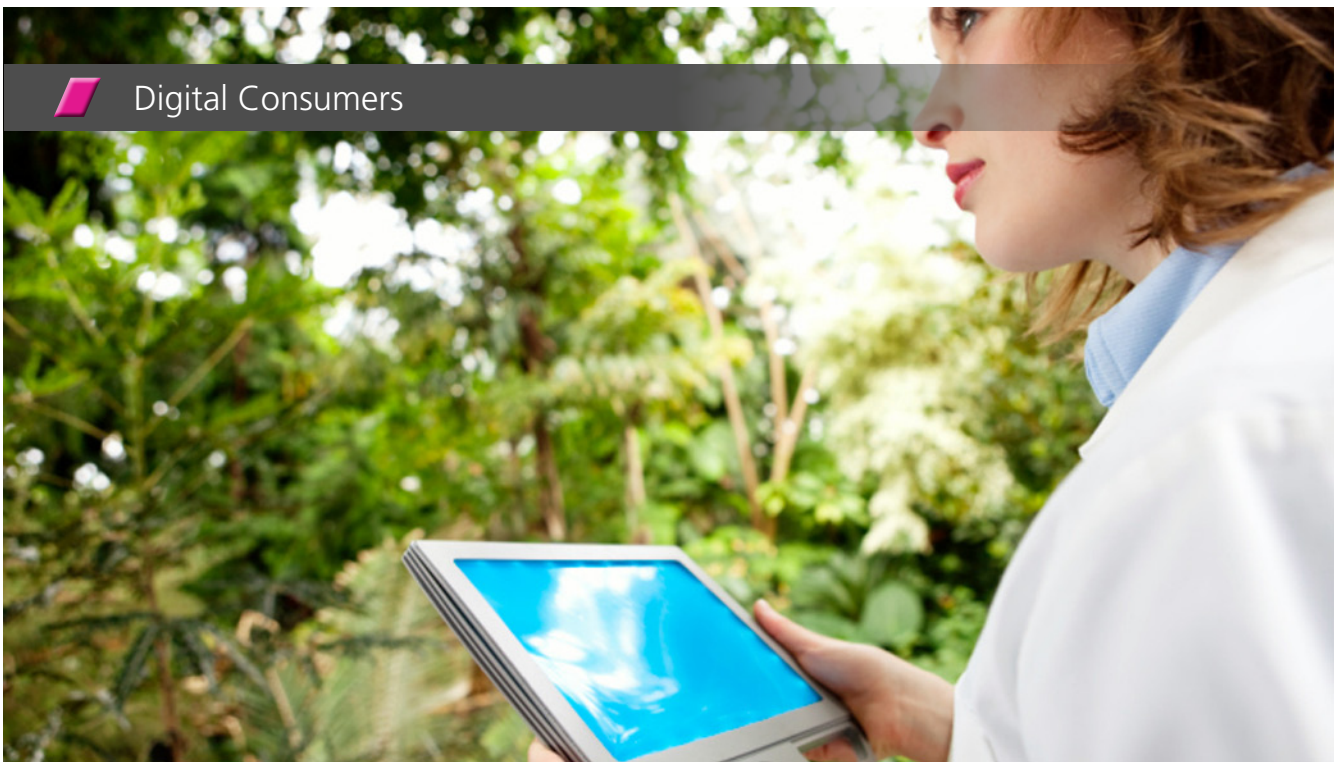
Digital Consumers

Introduction

A higher penetration of new technologies spanning the Internet, telecom, media and social space has created the Digital Consumer. Consider these numbers- The radio, TV and the Internet took 38, 13 and 4 years respectively to hit 50 million users; Facebook got twice that in less than 9 months!¹

It shows us how rapidly evolving technology has accelerated these changes in the digital landscape and how quickly these digitally active consumers embrace these technologies with ease. These consumers have created a significant change in traditional consumer behaviours. They have changed the way consumers communicate, transact and make purchase decisions.

As keen analysts of this trend and participants in the digital economy, we at Infosys fully realize the need to place the digital consumer at the core of our business. We believe that this trend will change the way enterprises of tomorrow will operate and connect with their consumers. The enterprises of tomorrow must therefore realise the potential of this trend.



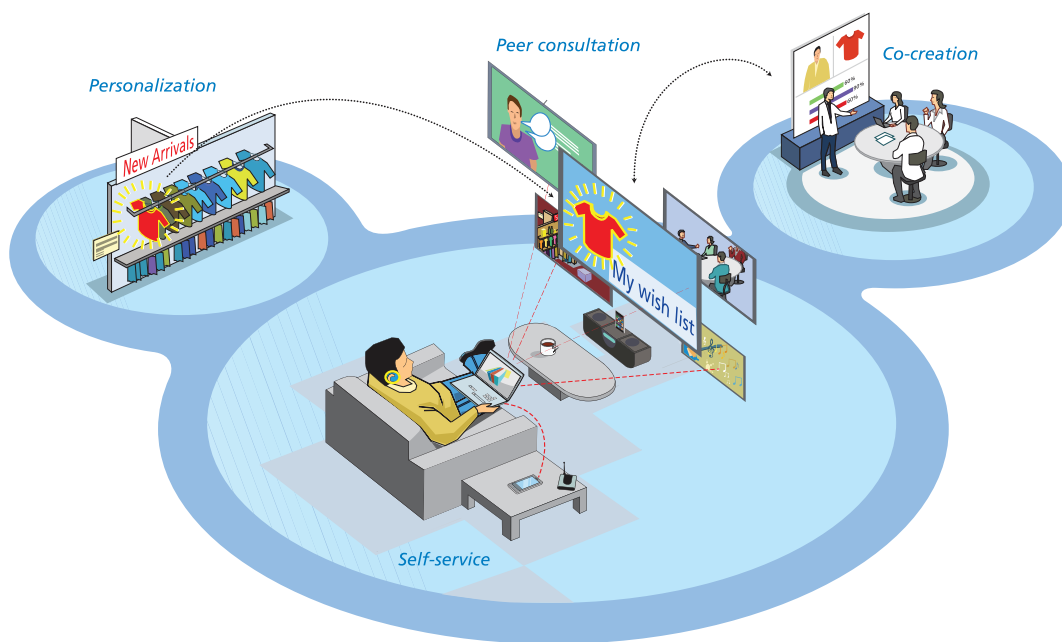
The Digital Consumer: higher demands for value, transparency and engagement

The digital consumers differ significantly from their traditional predecessor in their use of digital devices. Gadgets such as computers, mobile phones, handhelds and PDAs have become the chosen medium for almost every transaction, from social networking and sharing information to shopping and entertainment. Demographically, digital consumers span every generation with each user seeking learning, utility or entertainment. Digital consumers are also changing the traditional consumer mindset in their approach to decision making. These consumers rely on internet research, friends and online peer reviews as opposed to 'sponsored' communication, to make their decisions. A recent study shows that a staggering 78% of consumers trust peer recommendations and only 14% believe advertisements.²

The pervasive use of digital devices has also created other social trends. For instance, digital consumers come with high expectations and a clear idea of what they want out of every purchase. They voice their demands and like to speak up and be heard. This is a new breed of active, informed and assertive members identified by their need for independence, uniqueness and participation. In our view, the behaviour of digital consumers is motivated by several factors such as -

- **Personalization and convenience:** these consumers demand highly customized products and personalized services.
- **Experiences and entertainment:** digital consumers seek to be engaged in new and exciting way and so they value innovative experiences.
- **Peer influence:** one of the most defining characteristics of digital consumers who now rely heavily on peer reviews.
- **Easy and secure purchasing:** customers would like to make purchases anywhere and at anytime so in a digital scenario, security, speed and access are paramount.
- **Transparency & accountability:** consumers are demanding honesty, integrity and accountability from companies.
- **Ubiquitous connectivity:** consumers expect uninterrupted access to connectivity, information and commerce.

It is evident that the emergence of the digital consumer has staggering implications for businesses. The new trends in consumer behaviour require organizations to re-look at company processes, product design, quality of experience, pricing configuration, delivery mechanism and medium of marketing communication. Since traditional forms and modes of communication are unable to catch up with the new reality of how customers think, decide and act, they must be augmented with more 'in sync' new media. However, this is still unfamiliar territory for many, and these organizations will have to deal with the challenges of the digital ecosystem before they can reap its opportunities. Clearly, companies need to change fundamentally to thrive in this new paradigm. The way forward lies in customer-centricity and reorienting every business function around their needs. Only those organizations which place the digital consumer at the core of their enterprise will emerge successful.



Self service, extreme personalization, and co-creation – the core of a successful digital consumer strategy

At Infosys, we have introspected on how businesses can align their operating models, strategies and processes, indeed their very thinking, to the needs of digital consumers. We believe that companies must tap into the potential of their consumers by catering to their most important needs of independence, uniqueness and participation. Therefore the three significant trends that will define digital consumers that organizations will have to leverage are - Self-service, N=1 and Co-creation.

Self-Service

Self-service is a trend that is redefining how organizations engage with customers. As mentioned, digitally active consumers are now reducing their dependence on organizations and relying on themselves and peer reviews. Consider for instance online shopping - people go through reviews, discuss on online forums, and use social networking for their friend's opinions on products before they make a purchase. Self-service aims at creating a new level of customer service by creating better experiences and increasing levels of consumer satisfaction. Take for instance, Blue Nile, the website on which customers can create own jewellery by choosing the right diamond and setting it in an earring, pendant or ring design. Services like Finance Options, Ring Sizing, Gift Packaging, Education and Guidance, Personal Shopping Consultants, Special Orders, and Custom Jewellery make the overall experience highly personalized for the shoppers. This model has made Blue Nile, the largest online retailer of certified diamonds and fine jewellery.³

Organizations can also therefore leverage self-service to create other benefits as well. Information on common customer requests or grievances captured by a self-service automated system can be analyzed to understand preferences and subsequently factored into the company's product development and innovation processes. Self-service channels can be used to improve companies' awareness of customers and trends and customers' awareness of products and services. When used within the organization, self-service affords employees better access to information and empowers them to resolve several issues themselves. Deployed in the partner ecosystem, it enables third parties to gather knowledge and take action faster.

It is evident from these instances that self-service mechanisms reduce running costs and manual effort, and increase overall satisfaction. Organizations must push the boundaries of their self-service strategy to redefine the rules of customer engagement.

N=1

Digital consumers are asserting their individualistic nature and are expecting the companies they deal with to understand their uniqueness. This understanding will have to manifest itself in the products, services and experiences by personalizing each of these to cater to individual customers. Therefore, it is imperative that organizations transition from a macro-segmentation outlook to micro-segmentation or what we at Infosys are referring to as, 'N=1'.

A higher penetration of technology which has created ubiquitous connectivity is now enabling organizations to interact with their large consumer base and offer personalisation of products. This degree of personalization has several advantages for organizations, the foremost being the ability to tap all markets, however niche. Traditional macro-segments largely ignored the long tail comprising those customers whose demands were out of the mainstream and hence unviable to fulfil. Now, with the emergence of digital consumers, companies can tap into these previously ignored segments. Companies can also reduce costs and operate on-demand. A company that provides products one at a time as they are being personalized by each customer is freed of the complexities of inventory management.

Personalization also reduces the time to market for new products and accelerates innovation by providing direct knowledge of customer preferences and habits. It is interesting to note that while self-service platforms also gather customer data, they do not provide it in as much detail as systems facilitating N=1 personalization which are geared to capture nuances of individual consumers.

Despite the reach afforded by technology, realizing the N=1 state requires huge and transformational effort, starting with the shifting of core objectives. This initiative may have widespread impact on all business functions. Since companies might need to modify their policies and processes across the organization, they must acquire a holistic view of the consequences before making changes to their business model. Besides budgeting for the cost of such transformative effort, they must be prepared for unforeseen developments arising from a change in their culture and core values.

Co-creation

Co-creation harnesses the collective intelligence of customers and partners, to accelerate innovation and shape products and services, and their employees to redefine both strategy and the organization. But even as organizations leverage this technique to create new products, services and experiences, they must accept that they cannot manage the co-creation ecosystem without the support of external stakeholders; nor can they foster innovation without a supportive environment with the right culture, systems and processes.

Several organizations are now beginning to realise the benefits of co-creation and are incorporating it into various aspects of product development. Co-Creation Example: Take for instance, 'More', Bauer Media's lifestyle weekly for young women which published an issue co-created by its Facebook fans. The magazine's Facebook fanbase, dubbed "Moreos", recently passed 100,000 users. Fans were consulted on picking the cover star, contributing to regular features, deciding on fashion shoots and creating the beauty pages. Five "superfans" were recruited to come into the office and work directly on pages with the More team.⁴

This example illustrates that co-creation is a powerful concept. However its implementation comes with challenges. In our view, the outcome of co-creation hinges on several success factors:

- **Clarity of purpose:** A company should take a holistic view of its channels of communication, understanding the gaps, before adopting a model for co-creation.
- **Harmony with intellectual property:** By throwing open its doors to sharing and ideation, a company risks losing control over its own intellectual property (IP) as well as violating another's. On the flip side, a cautious approach to co-creation defeats its very purpose. It is therefore necessary to balance open innovation and IP concerns.
- **Vibrant community:** The community which is the core of co-creation, must be adequately motivated in order to sustain its interest and effort.

Conclusion

Digital consumers are redefining consumer mindsets, patterns of purchase and decision making and organizations that wish to succeed in the future will have to adapt to this new wave of consumers.

Companies must re-examine their businesses and place the digital consumer at the core of their existence. With the emergence of digital consumers, companies have the unique opportunity to capture the imagination of customers and ensure their loyalty by enabling meaningful self-service, providing personalized products, services and experiences and engaging them in their innovation process through co-creation. Organizations must broaden their outlook and institute the necessary cultural and organizational changes that will make them truly digital consumer-centric.

While these concepts are not unfamiliar, we believe that organizations have not yet harnessed their full potential. We at Infosys are partnering with our clients to help them get the best out of this new scenario by leveraging structured and unstructured analytics, facilitating an active interface between enterprises and their consumers and by formulating new innovation platforms. We are co-creating with our clients to help them achieve their true innovation potential through our innovation accelerators. These Innovation accelerators are pre-constructed pre-configured or partly configured products which can accelerate the innovation journey. Flypp for instance which is a white labeled, ready-to-launch application platform for mobile operators that enables monetization through ready-to-use experiential applications across devices. Another successful innovation accelerator with a focus on digital consumers is the Infosys iEngage Digital Consumer Platform which provides a comprehensive way to engage with consumers across the marketing, sales and service lifecycle. It spans multiple channels and provides a seamless experience even on hand-held smart devices.

In order to compete in this new age of consumers, we are co-creating with our clients to provide the most appropriate and personalized solution for their organizations of tomorrow.

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