

## **The Changing Consumer**

### **Executive Summary**

- There are five key trends driving customer behaviour; 1) falling trust, 2) consumerism, 3) decreasing loyalty, 4) time-poor society and 5) technology adaptation. Together these trends combine to drive customer's explicit demands for;
  - 24-7, convenient access
  - Anonymity and 'distance'
  - Control
- However, just as important is a rising implicit expectation that it is the organisation's responsibility to support the customer, when they need, through care, accountability and personalisation.
- The combined impact of all of the trends is an increasing importance of providing excellent customer experience, which combines the explicit expectations of providing 24-7, access which puts the customer in control but equally provides support and accountability. If service fails to deliver then background cynicism will change to 'corrosive cynicism', in turn actively destroying trust further.
- The challenge for business is to get onto the customer wavelength and meet both their explicit demands but also their implicit expectation. Proactive servicing would appear to fit this perfectly, but its success is dependent on how it is implemented. It comes with heavy risks in that organisational history indicates that management will demand a measurement framework to justify the high cost – such a measure is likely to be sales-led, thus turning the experience into an outbound sales-call.

### **Body of report**

Consumer behaviour is continuously changing and it is the challenge of business and customer service departments to not only note what these are but to fully understand what they mean for their businesses, changing structures and business models to accommodate. This paper discusses five explicit themes as well as highlighting the importance of the underlying implicit expectation of customer service – without which, businesses are in danger of coming to incorrect conclusions.

By fully understanding these themes, the paper discusses the impact for customer service and the challenges businesses face as a result.

The five most significant trends are:

- Falling trust
- Consumerism
- Decreasing loyalty
- Time poor society
- Increasing technology access/behaviours

1) Falling trust



Levels of trust have fallen significantly over the last decade. This is with one exception – level of trust in 'word of mouth' – i.e. the trust we have in recommendations from friends and family; this has actually increased over the same time.

Levels of trust for institutions, government, organisations, press etc have all fallen. It is interesting to note that amongst all countries in Eastern and Western Europe, levels of trust for these are lowest in the UK.

Falling trust paints a backdrop of growing cynicism, with customers no longer taking what they are told at face value. In itself, this is not necessarily damaging to brands – it only becomes such when this cynicism becomes 'corrosive'. Growing levels of cynicism leads to a greater desire for customers to 'put distance' between themselves and organisations. To some extent this sits behind customers wanting to remain anonymous.

Implications: This theme actually increases the importance of customer experience in promoting trust; if experiences are poor, cynicism will become 'corrosive' and actively destroy trust. Note that loyalty is contingent on previous experiences.

## 2) Consumerism

Modern consumers are preoccupied with purchasing. In 2006 the average UK consumer had £3,008 in unsecured debt – nearly double the average for Western Europe. We live in a society where shopping is considered a leisure experience, where goods serve purposes well beyond basic needs and fulfil emotional needs, helping create identity and prestige. With several decades of increasing competitiveness and an unquestioned drive towards free market economics we now face greater choice and demand for choice than at any previous time.

Choice leads to a need for coping mechanisms – ways of helping to sift and filter the vast amounts information and choice now available.

In turn this leads to a greater stated emphasis on price – both as a method of competing but also as a means of narrowing the customers search.

Implications: When combined with rising levels of technology access and an increased desire to 'distance' ourselves from brands, this need for filtering and coping mechanisms has led to the rapid rise of 'price comparison' websites. Again, there is a key opportunity for customer experience within this theme – with such choice comes a need to understand, a need for guidance and leadership. For those that can get to understand customer needs, there is an opportunity for companies that emphasise guidance and ordering in the experience.

## 3) Dissipating loyalty

Academics have noted since the 1990s that despite the majority of customers claiming to be satisfied, a vast majority, perhaps between 65% and 85% will have a tendency to defect. With the drive towards consumerism leading to such unprecedented choice and with an increasing emphasis from organisations on promoting price, consumers have responded with an increased willingness to switch. According to the NCC, consumer switching levels have risen by 52% since 2000. In the mortgage market alone the increase was 158%.



At the same time customers indicate that companies are seen as being unwilling to invest in achieving any commitment from their customers with two-thirds of customers reporting that customer service has not improved in the last 5 years (Accenture poll, 2005).

#### 4) Time Poor Society

Increasingly customers perceive themselves as being 'time poor' with 24% of customers describing themselves as 'always being rushed' (Intersperience, 2007). This perception of losing time is being exaggerated with increasing technology access, which increases the 'blurring' between our home, work and social spaces, which were once fixed areas with defined boundaries. Added to this our average commuting time and distance is increasing with home and work not necessarily local any more. The 'dead' travel time is more usable, with technology allow us to use this time more productively. The combined impact is a feeling of time pressure. In turn, this further increases the demand for filtering mechanisms to cut down our search times.

It also leads to an explicit demand for 24/7 access and a need for convenience.

#### 5) Increasing Technology

Our previous paper discussed changing technology in more detail, highlighting the increasing 'divergence' of different customer behaviours emerging as a result of very different technology experiences. As access increases, customers are not adapting at the same rate. Technology access is enabling us to communicate without a need for physical proximity, it provides instant gratification, allows us to change perceptions of time and space and allows us to be constantly contactable.

Increasing technology access increases the demand for 'instant' access – any time, any where.

Technology very much enables us to 1) 'distance' ourselves from brands, 2) filter and cope with choice, 3) expect 24/7 convenience, 4) put customers 'in control'.

The combination of these five themes leads to the following explicit demands.

Explicit demand for;

- 24-7, convenient access
- Anonymity and 'distance' – 'put me in control of relationship'
- Control
- Communication on my terms
- Ubiquity of access

Implicit expectation of 'support'

However, there is an equally significant, but more implicit expectation which many organisations are in danger of over-looking. Precisely because the themes discussed so far are very explicit and are relatively easy to quantify, the implicit expectation of support is frequently ignored.



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Customers increasingly expect organisations to understand them, to be able to 'get on their wavelength'.

"I just expect everybody to know what I want, I don't think I'm asking too much"  
(Female 45-54)

There is an implicit expectation that organisations are accountable and do not 'abrogate' the responsibility for supporting them - for organisations to 'be there when needed'.

Despite the explicit themes indicating customers wanting distance and anonymity, this is not expected to be at the expense of organisations taking responsibility and being accountable.

"...there's always bound to be something that goes wrong so you always need a backup" (Female, 33)

In this sense, customers expect organisations to take responsibility for providing support, care, and personalisation. But this is on their terms, in the manner they expect.

All of these themes are present across all customer segments. However they do become significantly more marked amongst younger customers. There is a clear difference between the young and the older customers; older customers still want a face to face relationship but will accept telephone as a replacement; younger groups expect telephone and want to be anonymous.

This leads to the 5 trends being more marked amongst the younger group, who with faster adaptation to technology will seek to remain anonymous by drawing on virtual channels. However, please note our earlier paper on 'Technology Futures', which identified sub-segments of behaviour dependent on their technology access and levels of experience. The themes will play out to different extents based on these behavioural differences.

### **Concluding remarks**

On themselves, the explicit demands would lead to an organisation 'stepping back' from the customer, reducing the role of customer experience and increasing the role of self-service. However, the likely impact of this will be to magnify and play into exaggerating 'distance' with customers and lead to greater switching. In a sense, this debate becomes a catch-22 situation, with organisations essentially 'giving up' control to the customer.

However, if an organisation is bold, and looks beneath the surface of these explicit trends, they will see that the reverse is actually the case. All of these explicit trends, combined with the implicit expectations of support and accountability, actually increases the importance of customer experience – in reality, customer experience is now significantly much more important than it was 15 years ago.

Customers repeatedly base purchase decisions on their prior experiences – their decisions are contingent on positive experiences. If negative experiences are had, cynicism turns to 'corrosive cynicism' and will fast spread via word of mouth, actively



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destroying a brand's reputation. Price is only the filtering mechanism, consumers repeatedly buy value, which is judged by experience.

### **Debate on proactive servicing**

The debate about proactive servicing largely rests on how it is carried out. The risk is that the organisation creates a measurement framework around it based on a 'sales' performance, as a way to assess its effectiveness (i.e. % cross-sell). Should this happen, then the risk is that it is highly likely to develop a reputation of being a cold call, and will create 'corrosive cynicism', actively damaging brand trust. Should the organisation be able to create a framework and culture that assesses its effectiveness based on brand perception rather than sales, then its chance of success are significantly greater.

Within the implicit needs of customers, there is a clear role for using proactive servicing to increase support and develop a role for guidance. However, its success will depend on its implementation.

### **Key questions**

- With an increasing drive for organisations to save money by increasing 'self-service', does this magnify the themes highlighted here, adding 'distance', increasing emphasis on price, encouraging switching?
- How can organisations 'get closer' to their customers by promoting the customer's need for guidance and support?
- Can 'proactive' service help to meet the needs of these questions? Critically, they cannot become 'sales' calls. How is the right culture for this created?
- Despite the weight of the evidence to suggest that customers expect ubiquity of access, why do organisations still try to 'segment' their customers by channel – i.e. 'Internet' customers or 'telephone' customers etc?