

Customer Energy

***International, Cross-Industry Research Study***

Introduction

July 2007

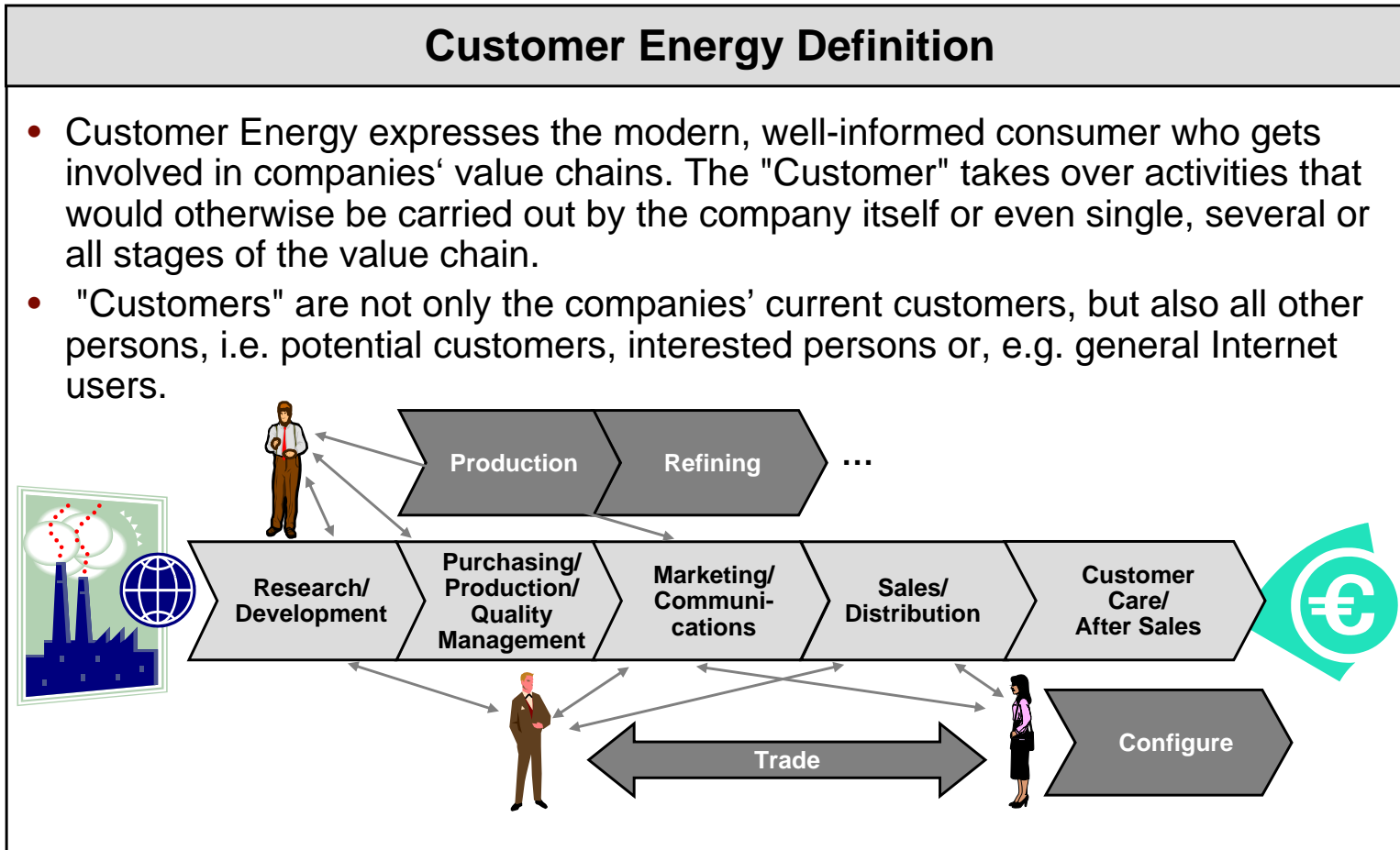
***ATKEARNEY***

# Executive Summary

- **Customer Energy is A.T. Kearney's term for a burning top-line issue in the light of two mega trends: digitization and democratization of value chains**
  - Customer Energy is defined as consumer activities that have a significant impact on companies' value chains
  - Customer Energy is an ever-existing, manifold phenomenon – now accelerated through digitization
  - The starting point of the Customer Energy concept is a new understanding of the "informed, digital" customer
  - Customer Energy will sooner or later impact every B2C industry – the music industry was just the beginning
  - Some companies already use Customer Energy successfully to their own as well as their customers' benefit
  - Company experts and executives confirm Customer Energy's high relevance for consumer industries
- A.T. Kearney is launching an international cross-industry research study to analyze how companies can benefit from Customer Energy rather than being hard hit by it
  - A.T. Kearney has coined the term Customer Energy and now kicks off a global research on the underlying drivers
  - The research will reveal an understanding of the energetic customers as well as how to benefit from them
  - The survey feedback might trigger various initiatives to achieve competitive advantages through Customer Energy

# Customer Energy is defined as consumer activities that have a significant impact on companies' value chains

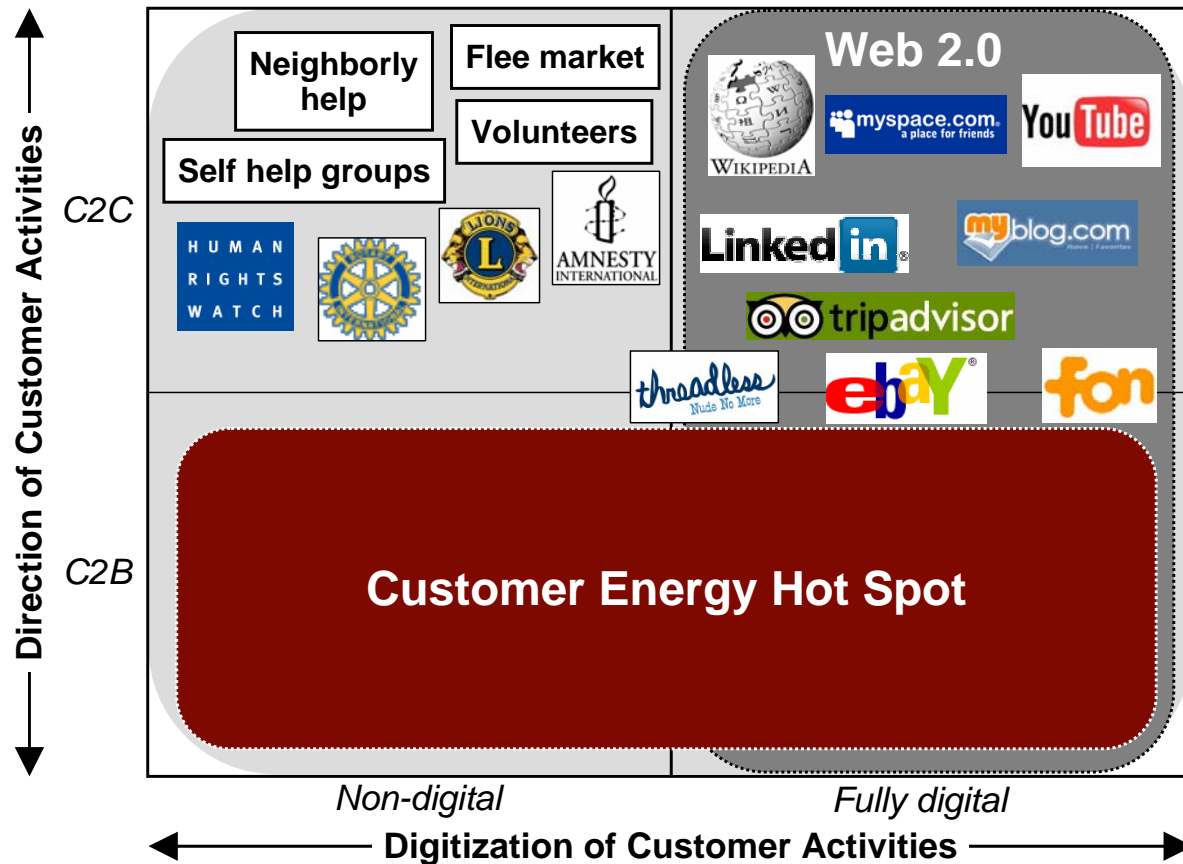
## Customer Energy Definition



**Well-informed consumers invest time and energy during their purchase decision – getting informed, choosing and contributing are becoming ever more stronger elements of their lifestyle**

# Customer Energy is an ever-existing, manifold phenomenon – now accelerated through digitization

## Customer Energy Framework



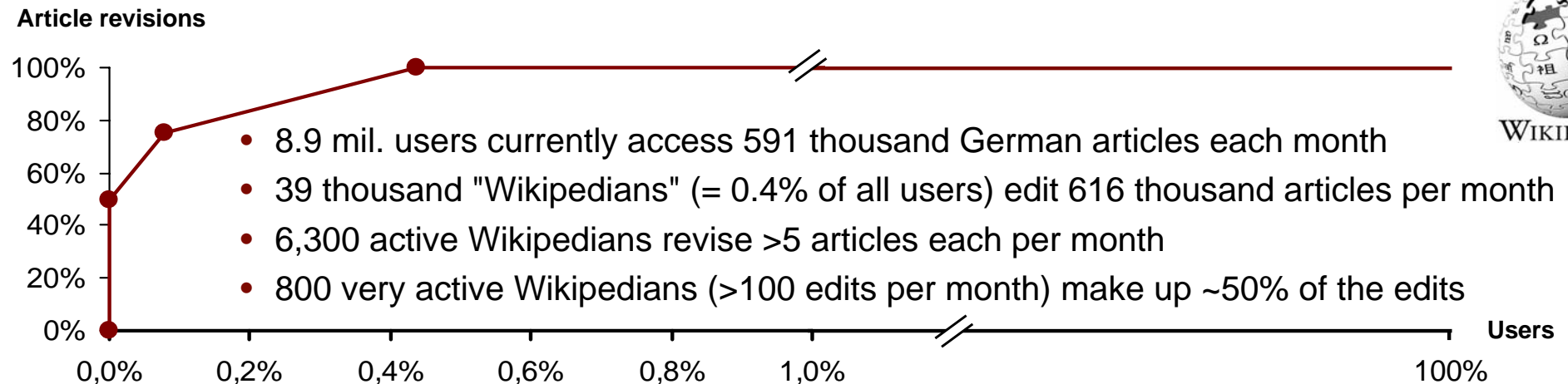
### Customer Energy...

- ... is described as people’s commercial activities impacting other people, organizations, companies or even industries
- ... is an ever-existing phenomenon already prior to digitization, e.g. volunteers at sports clubs
- ... can be positive or negative depending on the activity and viewpoint
- ... is often triggered through digitization
- ... is the main driver behind "Web 2.0" which describes Internet developments that focus on the User-to-User level (i.e. C2C)

**A.T. Kearney’s spotlight is the relationship between consumers and companies (i.e. C2B) – inside and outside the world wide web**

# The starting point of the Customer Energy concept is a new understanding of the "informed, digital customer"

## Customer Energy Segmentation



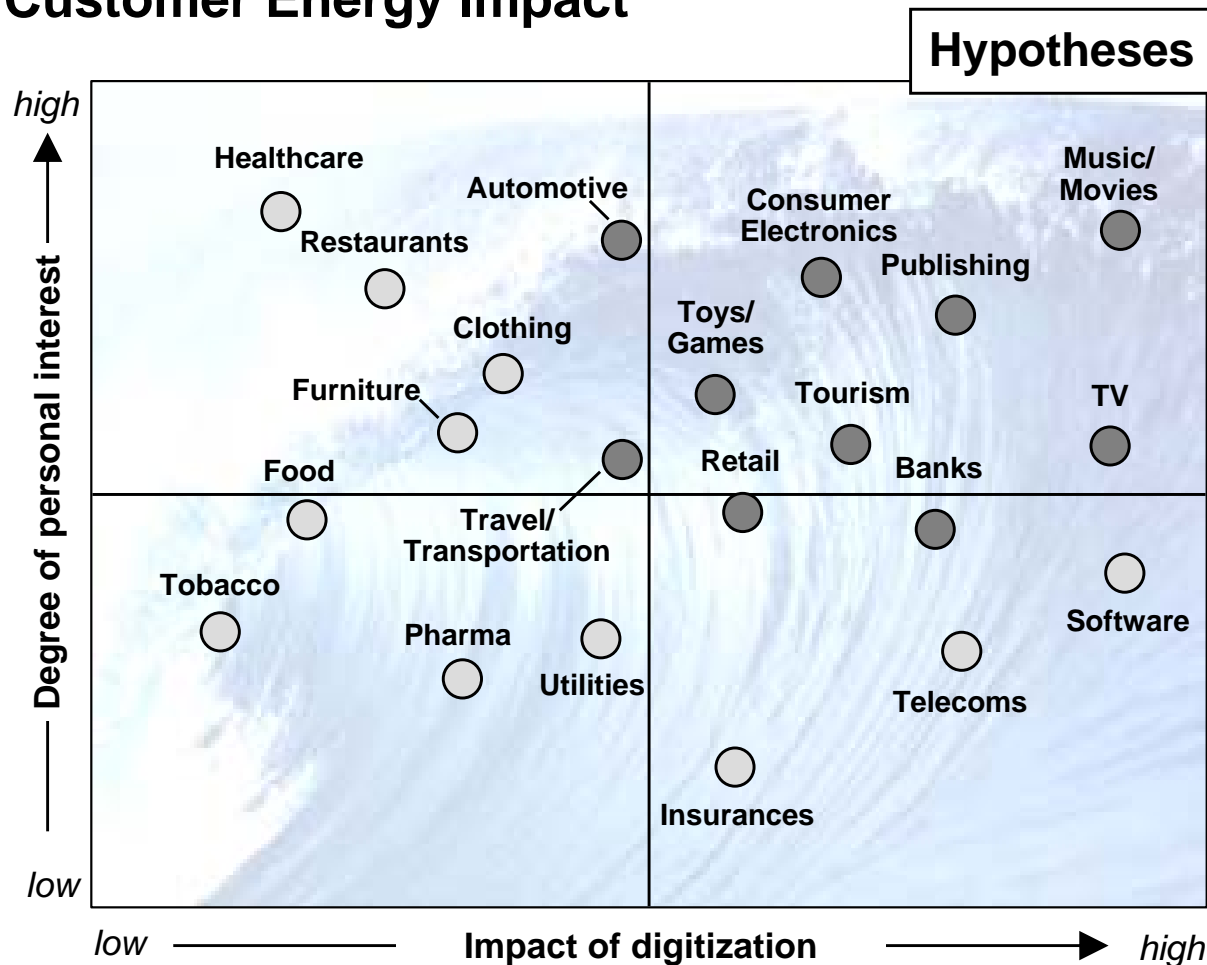
### Customer Energy-based Segmentation

**Hypotheses**

Creators	Contributors	Viewers
<ul style="list-style-type: none"> <li>• Minimal customer share (0-5%)</li> <li>• Likes to create, wants change</li> <li>• Looks for/misses the dialogue</li> </ul>	<ul style="list-style-type: none"> <li>• Lower share (1-20%)</li> <li>• Interested in company/brand</li> <li>• Wants close dialogue, provides feedback, but doesn't want to create own messages/inputs</li> </ul>	<ul style="list-style-type: none"> <li>• Majority of the customers (75 - 99%)</li> <li>• Low emotional relation to brand &amp; product group</li> <li>• Customer benefits like value for money are clearly the main interests</li> <li>• Considers intensive CRM as more of a nuisance</li> <li>• Likes watching others create, contribute or interact</li> </ul>

# Customer Energy will sooner or later impact every B2C industry – the music industry was just the beginning

## Customer Energy Impact






- Customer Energy is splashing like a wave over every industry depending on the impact of digitization and degree of the customer's personal interest
- Companies ignoring Customer Energy may suffer the same fate as the music industry
- Companies that effectively focus on Customer Energy at an early stage can create sustainable competitive advantages
- However, tools are not the solution here (Wikis, Blogs, Communities, Avatars, etc.), but rather the strategic understanding of Customer Energy
- On this basis, the entire value chain must be analyzed to reap maximum benefits from Customer Energy

**Customer Energy is most relevant to high involvement industries facing strong impact of digitization**




# Some companies already use Customer Energy successfully for their own as well as their customers' benefit

## Customer Energy Best Practices

### Examples

 <p>P&amp;G makes use of external networks like NineSigma and InnoCentive, where consumers develop and submit suggestions for technical and scientific problems. R&amp;D investments have been reduced and innovation success rate significantly increased.</p>	 <p>Consumers were asked to vote for the targeted flavor of a new pudding per SMS or on a website. 1.1 million consumers voted within 3 1/2 months and in turn were already familiar with the product before it went to market.</p>	 <p>D-Link improves after-sales support for customers by providing a forum for mutual support among D-Link customers and experts to D-Link products. The platform is operated by users and reduces call center costs.</p>
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 <p>Consumers buy tickets online, print boarding cards themselves, check-in luggage themselves and board without interacting with LH personnel. Staff and counter space in airports can be reduced.</p>	 <p>FON distributes a special WLAN router that converts the private broadband connection into an access point that can be used by other "Foneros". Currently the worldwide WLAN network consists of 150,000 hotspots and is growing daily by about 900.</p>	 <p>eBay set up an online community which is a free of charge, optional offer with discussion forums, news, tips for all eBay members. Users of the eBay community bid twice as much in auctions, pay up to 24% higher prices, and spend 54% more than eBay members who are not part of the community.</p>
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**Customer Energy can be triggered along the entire value chain**

# Company experts and executives confirm Customer Energy's high relevance for consumer industries

## Expert Interview Quotes

Selective

*"We're not sure how we should handle current developments on the Web."*

*"Customer Energy can definitely be leveraged to pursue better targeted marketing and to increase customer loyalty."*

*"The Wikipedia example provides an entirely new way of looking at customer segmentation."*

*"Sales can look totally different in 5-10 years. I can imagine customers putting their preferences on platforms and companies will have to respond to that."*

*"I think savings in customer service costs of 5% by 2010 are absolutely possible due to user-help-user functions."*

*"For our industry, it is essential to involve customers more intensively to strengthen loyalty."*

*"Customer Energy has its greatest potential in the product innovation segment."*

**Initial expert interviews revealed great interest in this study: Most companies seem to be aware of a big wave approaching, yet don't know how to surf it (or avoid becoming overwhelmed)**

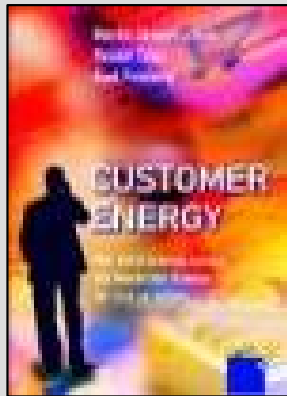
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# A.T. Kearney has coined the term Customer Energy and now kicks off a global research on the underlying drivers

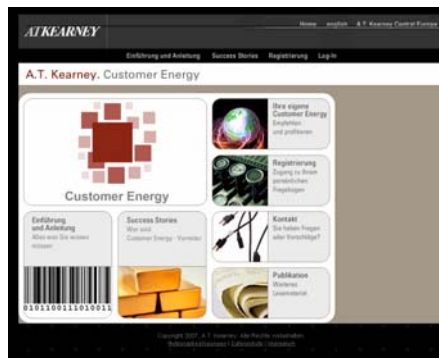
## Study Design

Publication of book and white paper (2006/07)



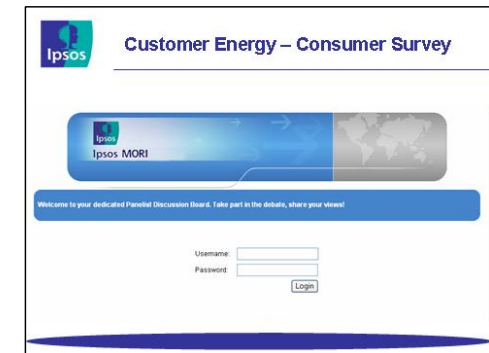
### Company Survey (July-Sept.)

*... will eventually be turned into an online Customer Energy self-assessment tool available after completion of the study*



### End Consumer Survey (Sept.) <sup>(1)</sup>

*... will cover selected brands and regions but can be extended together with clients individually at a later stage*



[www.customer-energy.com](http://www.customer-energy.com)

### Individual feedback to participants based on gap analyses of

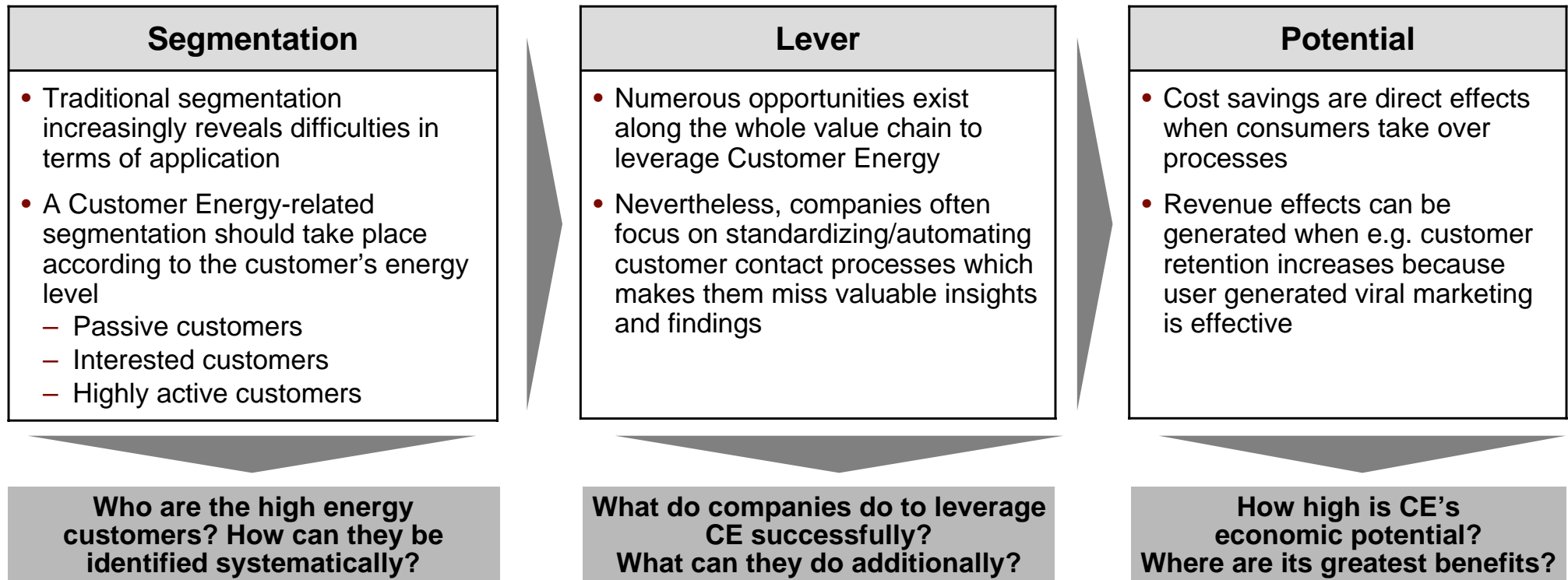
- company responses vs. industry average
- company status vs. best practices
- company view vs. consumer perspective <sup>(1)</sup>



1) Covering selected brands, industries and geographies

# The research will reveal an understanding of the energetic customers as well as how to benefit from them

## Customer Energy Dimensions



**How and where do high energy customers interact?**

**How can the energy be measured? What are strongest levers?**

**How can customers with different energy levels be integrated into a company's value chain in order to optimize costs and benefits from top-line effects?**

# The survey feedback might trigger various initiatives to achieve competitive advantages through Customer Energy

## Potential Initiatives Triggered by Customer Energy

Examples

