Customer Energy

Findings from A.T. Kearney's International Research Study

presented by Dr. Daniel F. Oriesek at

CASA E-Leaders Conference

Singapore, January 2010

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The Customer Energy research witnesses consumers' movement to step up from the end of the value chain

Executive Summary

Customer Energy Impact

- **Customer Energy is not the same as Web 2.0** – it is rather the underlying driver
- Companies estimate **16% of revenues are at risk in 2015** due to "hostile" consumer activities – or insufficient use of positive Customer Energy
- Significant **revenue increase** (average 4-7%) **and cost reduction potential** (average 5-7%) through effective use of Customer Energy along the entire value chain, strongly varying by industry
- Based on their own estimations, **companies only use about 55% of the Customer Energy** they could

Energetic Customers

- **Segmentation** must distinguish energy levels: **11% Creators – 36% Contributors – 53% Viewers**
- Most **industries underestimate** the share of **Contributors** with latent energy who turn Creators' activities (e.g. UGC)[1] into a mass phenomenon (e.g. through rating and recommending)
- **Creators** can be found across all social grades, 56% of them are **early adopters**, and they are more often highly **satisfied and loyal customers**
- About **5%** of consumers state they are **willing to invest more than 1 hour per day** into "their" brand, driven by **curiosity** and **fun** as their main motives

Customer Energy Realization

- Depending on the industry, **up to 80% of companies don't know their high-energy customers**
- About 50% of the companies do **neither offer a channel nor a process** to interact with Creators
- **60% of consumers do not know how to contribute** to a company's value chain
- Especially for low-involvement, non-emotional industries like utilities, **discounts or money** are the most important incentives to unleash Customer Energy
- **Unfamiliarity** and **difficulties in quantifying benefits** prevent companies from using Customer Energy
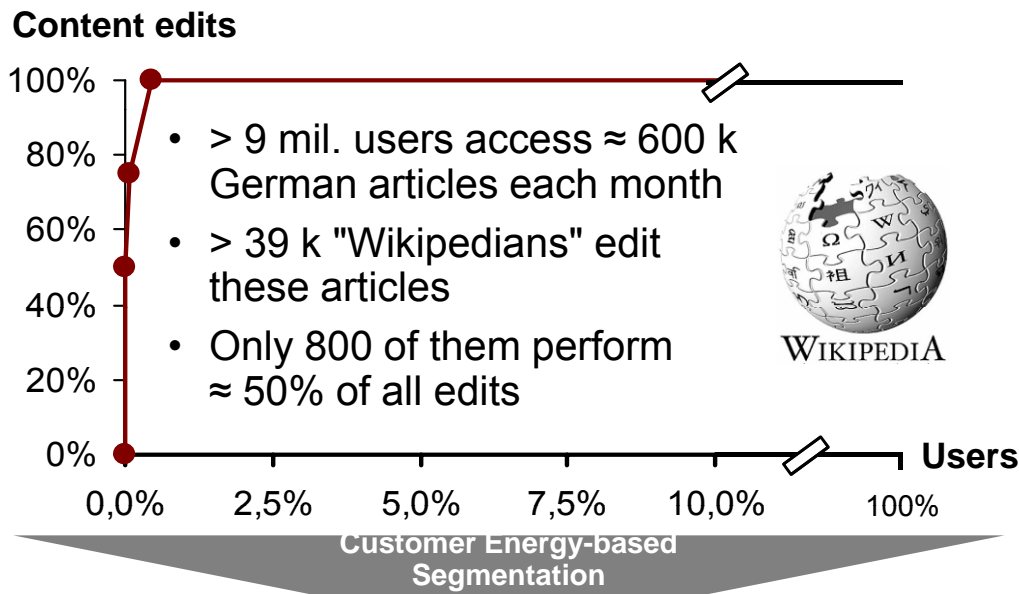
1) UGC = user-generated content
Source: A.T. Kearney Customer Energy Company and Consumer Survey

Content

- **The Customer Energy Phenomenon**

- Impact of Customer Energy

- Insights into Customers' Energy

- Realization of Customer Energy

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Customer Energy describes the phenomenon of the "educated, digitally empowered consumer"

Implications of Customer Energy-based User Behavior

Content edits

- > 9 mil. users access ≈ 600 k German articles each month
- > 39 k "Wikipedians" edit these articles
- Only 800 of them perform ≈ 50% of all edits

WIKIPEDIA

Users

Customer Energy-based Segmentation

| Creators	Contributors	Viewers
• Minimal cus-tomer share (0-5%) • Likes to cre-ate, seeks for change	• Lower share (1-20%) • Interested in company or brand • Wants close dialo-gue, gives feedback	• Majority of the customers (75 - 99%) • Low emotional relation to brand/product • Value for money clearly main interests • Considers intensive CRM as annoying • Likes watching others create or interact

Ever more consumers are no longer accepting a position at the end of the value chain but intervene or even substitute …

- ■ Who are the energetic customers?
  - What kind of profile do they have?
  - How to identify and approach them?
  - What motivates them?

- ■ How can companies benefit from Customer Energy?
  - Which use cases matter most to creators and viewers?
  - What is best for the company?

- ■ How to trigger Customer Energy?
  - Which Web 2.0 tools work best?
  - How to incentivize creators?

- ■ Which risks need to be managed to avoid negative Customer Energy?

Source: Wikipedia Germany (Status 01/2007), A.T. Kearney Analysis

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

Customer Energy Framework
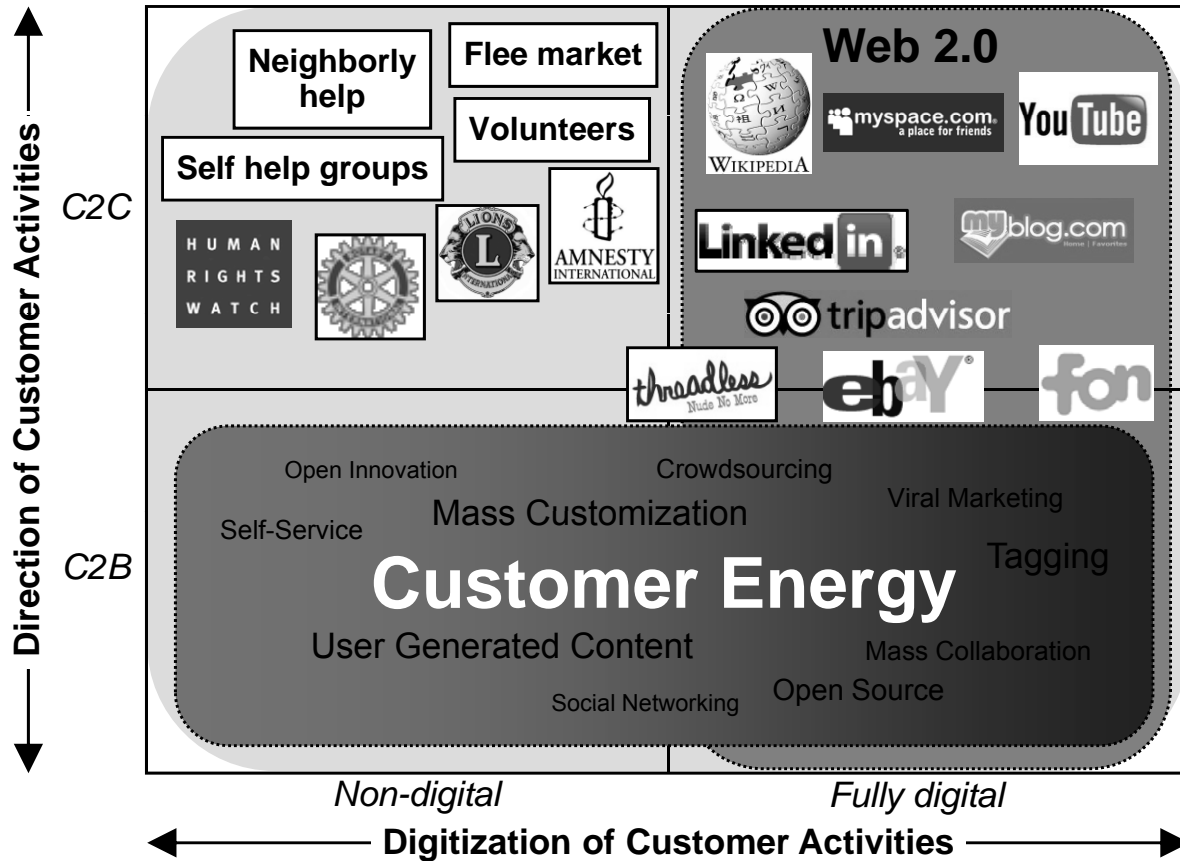
Customer Energy is …

- described as people's commercial activities impacting other people, organizations, companies or even industries

- an ever-existing phenomenon already prior to digitization, e.g. volunteers at sports clubs

- positive or negative depending on the activity and viewpoint

- often triggered through digitization

- the main driver behind Web 2.0

Customer Energy is about the relationship between consumers and companies (i.e. C2B) – inside but also outside the world wide web

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Some companies already use Customer Energy success-fully for their own as well as their customers' benefit

Customer Energy Best Practices – Cross-Industry

Examples

P&G
P&G makes use of external networks like NineSigma and InnoCentive, where **consumers develop and submit sugges-tions for technical and scientific problems**. R&D investments have been reduced and innovation success rate significantly increased.

DANONE
Consumers vote for the targeted flavor of a new pudding per SMS or on a website. 1.1 mln consumers voted within 3 1/2 months and in turn were already familiar with the product before it went to market.

D-Link Building Networks for People
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.

Research/ Development	Purchasing/ Production/ Quality Management	Marketing/ Communi-cations	Sales/ Distribution	Customer Care/ After Sales

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.

goldcorp
Goldcorp published **geological data** about an area of 200 km^2 on the Internet and offered awards for the best potential sources of gold. **(Hobby) scientists from around the world evaluated the data and identified 110 locations** out of which half were new for Goldcorp. At over 80% of the listed sources, Goldcorp discovered a total of 227 tons of gold.

ebaY
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.

Customer Energy can be triggered along the entire value chain

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"Customer Energy" is the real driver behind Web 2.0 – it explains why (only few) applications are successful

Examples of Web 2.0 Applications

Selective

Increasing use for the majority of the customers

Customer Energy

Origination

	Company	Customer
Customer	*User generated contents* *User generated advertising videos*	*User-help-user forums and FAQs* *Product votings and evaluations*
Company	*Company internal Wikis for innovation mgmt.* *CEO blog for internal communications*	*RSS feeds on new product launches* *Product configurator*

Benefits

Dimini-shing degree of control for the com-pany

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Especially in customer service, Web 2.0 mass applications need to be designed around high-energy customers

User Activity in User-Help-User Forums

D-Link
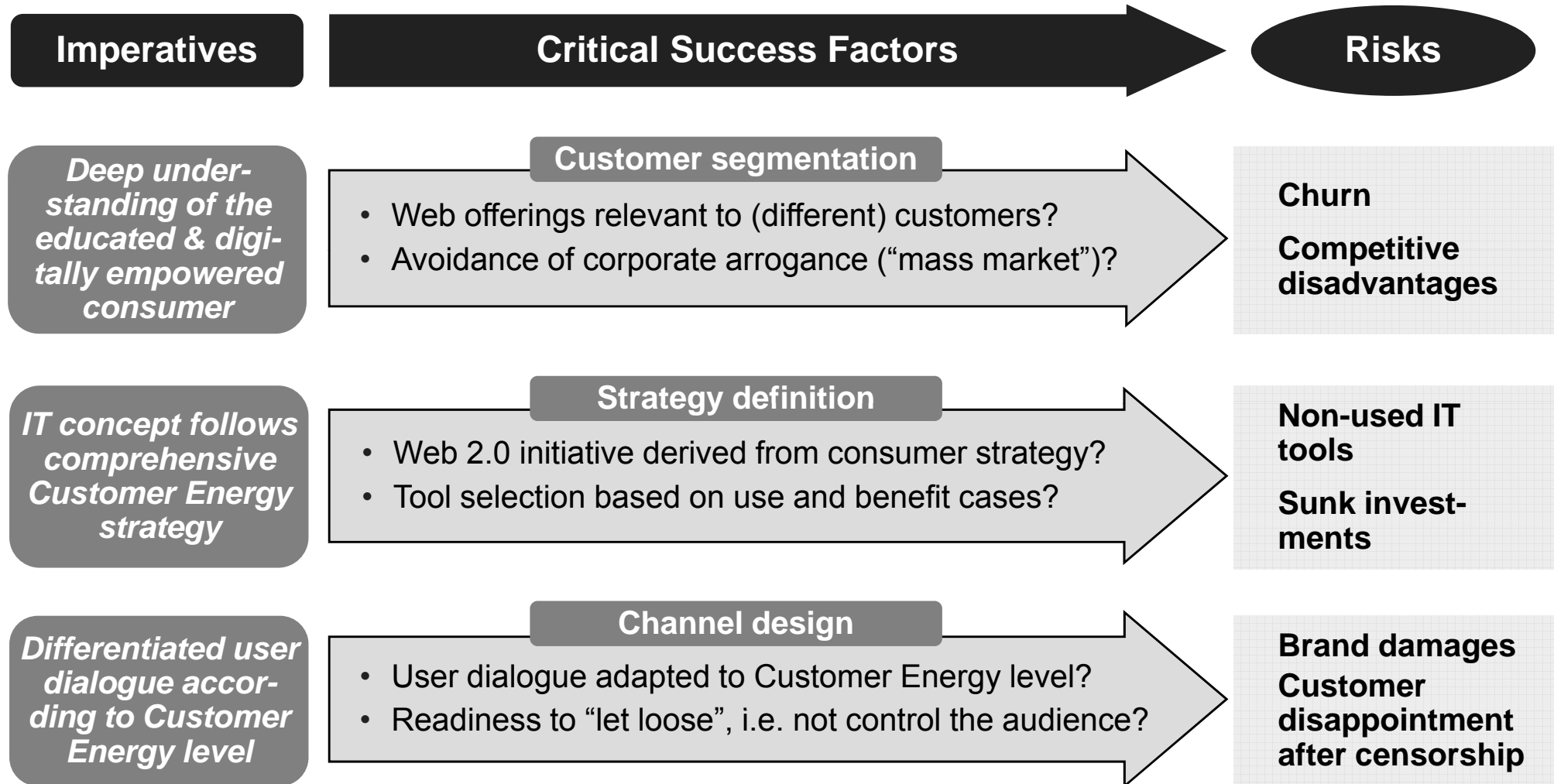Building Networks for People

- 480,000 viewers

- 10,000 registered members

- Only ≈15 members (0.15%) with more than 100 contributions

SAMSUNG

- 21,000 contributions

- 27,000 registered members

- Only ≈20 members (0.07%) with more than 100 contributions

Customer service forums will only be attractive for mass customers if a few Creators are willing to contribute their Customer Energy

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Customer Energy imposes critical success factors on companies when defining a viable Web 2.0 strategy

Web 2.0 Critical Success Factors and Risks

Imperatives	Critical Success Factors	Risks
Deep under-standing of the educated & digi-tally empowered consumer	**Customer segmentation** • Web offerings relevant to (different) customers? • Avoidance of corporate arrogance ("mass market")?	**Churn** **Competitive disadvantages**
IT concept follows comprehensive Customer Energy strategy	**Strategy definition** • Web 2.0 initiative derived from consumer strategy? • Tool selection based on use and benefit cases?	**Non-used IT tools** **Sunk invest-ments**
Differentiated user dialogue accor-ding to Customer Energy level	**Channel design** • User dialogue adapted to Customer Energy level? • Readiness to "let loose", i.e. not control the audience?	**Brand damages** **Customer disappointment after censorship**

A.T. Kearney conducted an international research study to examine how our clients can benefit from Customer Energy

Customer Energy Research Initiative

Company CAWI Survey[1)]

- **Cross-industry view** (Telco, Auto, FMCG, Retail, Travel, …)
- Self-assessment of Customer Energy readiness and SWOTs
- **Benchmarks & Best Practices**

Consumer CAWI Survey[1)]

- Performed by **research institute IPSOS**
- Research in **Germany, Italy, France**
- Consumer attitudes and brand perception
- N=3,000

Comprehensive Gap Analyses
- Company view vs. industry average
- Company performance vs. best practices
- Company view vs. consumer perspective

In-depth Customer Profiling
- Consumer habits and preferences
- Profile of highly energetic customers
- Motives and effective incentives
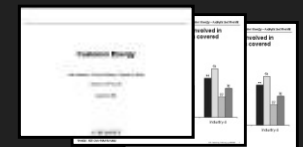
1) CAWI = computer-aided web interview; selected brands and industries

Content

- The Customer Energy Phenomenon

- **Impact of Customer Energy**

- Insights into Customers' Energy

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Companies have been grouped into eight different industry segments

Industry codes

Auto =
Automotive

CG =
Consumer Goods

Cons. Electr. =
Consumer Electronics

Fin. Inst. =
Financial Institutions

Media =
Media

Retail =
Retail

T&T =
Travel & Transportation

Telco =
Telecommunications

Util. =
Utilities

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All industries foresee a rising criticality of Customer Energy for their business – strongest in Retail, lowest in Utilities

Criticality of Customer Energy for business activities[1]
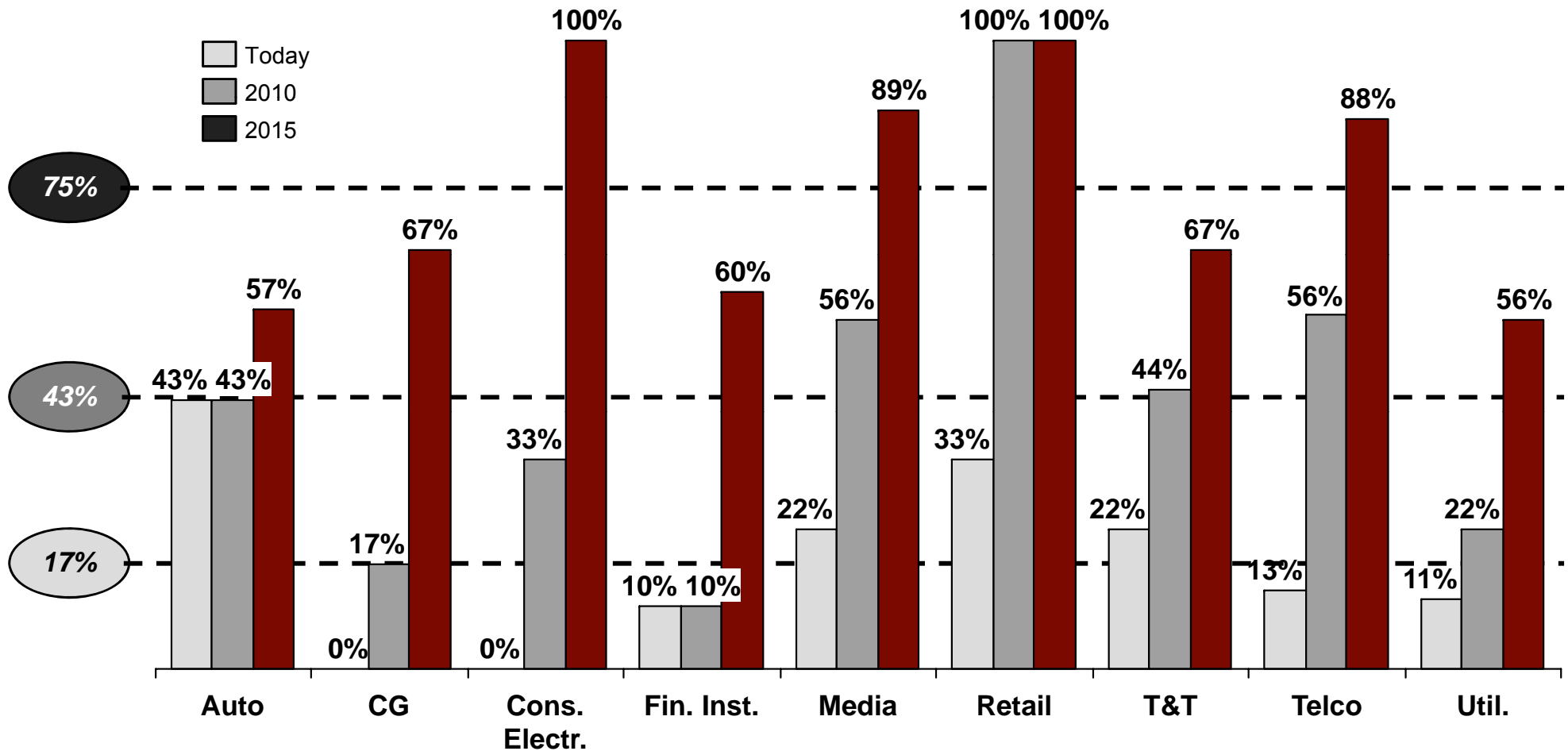
1) Percentage of companies assuming strong criticality (scoring >=4)
Question 3.13 to companies: How critical is Customer Energy for your company's business activities? Scale: 0 (low) – 6 (high)
Source: A.T. Kearney Customer Energy Survey

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Already, Customer Energy is being used along the value chain, e.g. for viral marketing or user-help-user platforms

Current usage of Customer Energy along value chain
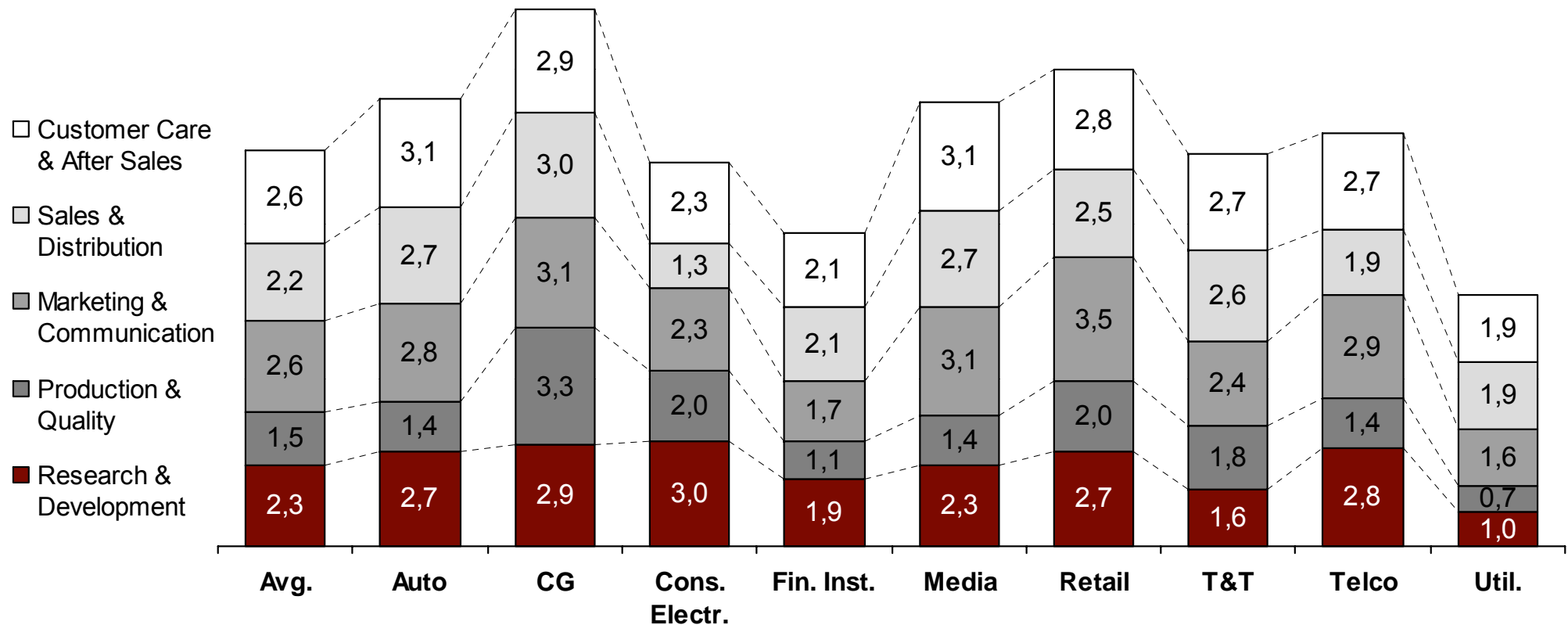
Real-life examples insufficient to prove CG's self-perception!

Question 3.2 to companies: Along which value-added stages does your company currently use Customer Energy? Scale: 0 (low) – 6 (high)
Source: A.T. Kearney Customer Energy Survey

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MarCom and Customer Care/After Sales will remain important functions where to benefit from Customer Energy

Potential usage of Customer Energy along value chain

Stacked bar chart with legend (top to bottom): □ Customer Care & After Sales; □ Sales & Distribution; ■ Marketing & Communication; ■ Production & Quality; ■ Research & Development. Scale 0 (low) – 6 (high).

	Avg.	Auto	CG	Cons. Electr.	Fin. Inst.	Media	Retail	T&T	Telco	Util.
Customer Care & After Sales	4,6	4,7	4,3	5,0	4,7	3,6	4,8	4,3	5,0	4,6
Sales & Distribution	4,2	4,5	4,4	3,7	4,5	3,8	4,8	4,2	4,2	3,3
Marketing & Communication	4,3	5,0	4,7	4,7	4,0	4,3	3,8	3,1	4,9	3,1
Production & Quality	3,2	3,1	3,9	3,7	3,4	2,6	3,0	4,0	3,4	1,8
Research & Development	4,0	4,3	5,5	4,7	4,5	3,8	2,2	3,3	4,6	1,8

Current use at only 55% of potential use!

Question 3.3 to companies: Along which value-added stages could your company potentially use Customer Energy? Scale: 0 (low) – 6 (high)
Source: A.T. Kearney Customer Energy Survey

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Most industries make not full use of their customers' willingness to get involved into the value chain

Customer willingness vs. feeling to be involved[1]

Chart: Customer willingness vs. feeling to be involved by industry

Industry	Willingness to get strongly involved	Feeling to be strongly involved
Avg.	46%	42%
Auto	43%	43%
CG	52%	44%
Cons. Electr.	44%	55%
Fin. Inst.	55%	56%
Media	41%	40%
Retail	50%	45%
T&T	47%	14%
Telco	41%	38%
Util.	32%	18%

☐ Willingness to get strongly involved
☐ Feeling to be strongly involved
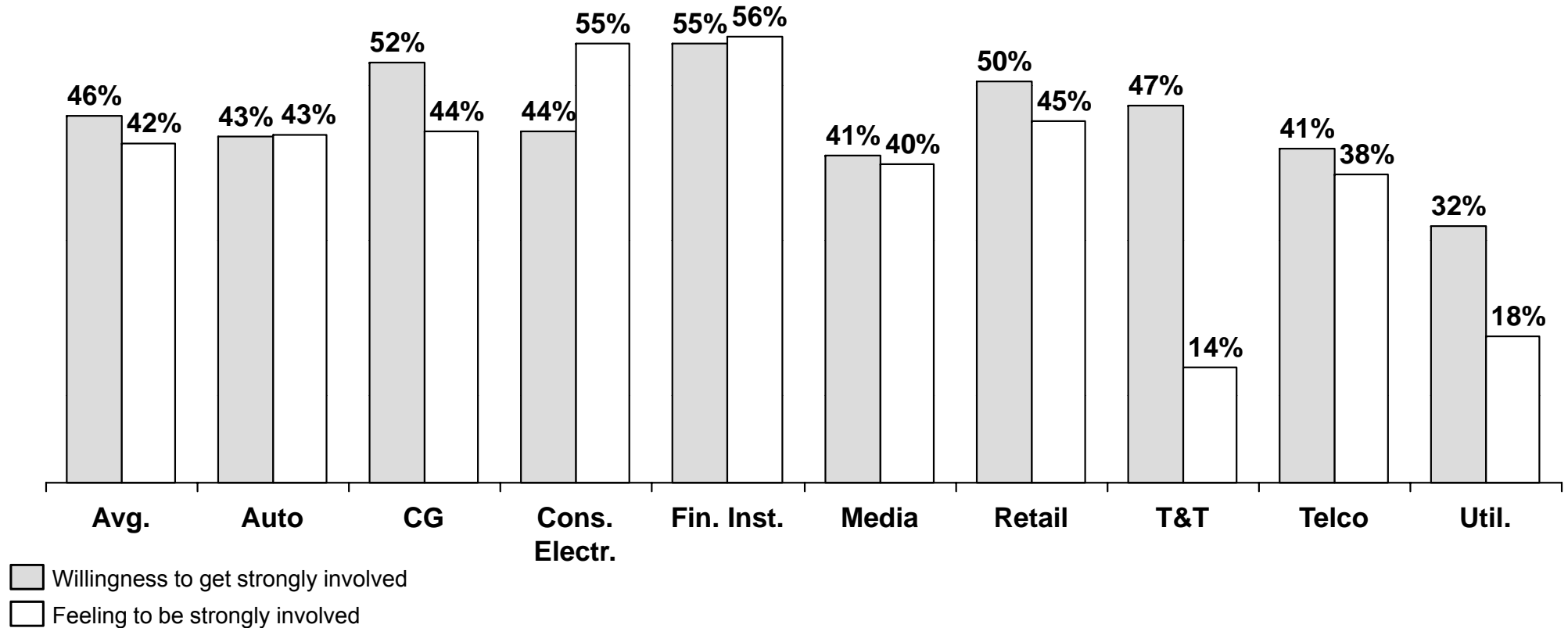
Some customers seem more involved (= bothered?) than they would like to!

1) Percentage of consumers scoring >=4
Question 10 to consumers: How willing are you to get involved with *<brand>* and to take over activities for *<brand>*? Scale: 0 (low) – 6 (high)
Question 12 to consumers: How strongly involved in *<brand>* do you currently feel? Scale: 0 (low) – 6 (high)
Source: A.T. Kearney Customer Energy Survey; N=3,000

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5-7% cost improvement potential through using Customer Energy is expected across the value chain

Customer Energy cost improvement potential along value chain[1]

Legend:
- □ Customer Care & After Sales
- □ Sales & Distribution
- ▣ Marketing & Communication
- ▣ Production & Quality
- ■ Research & Development

	Avg.	Auto	CG	Cons. Electr.	Fin. Inst.	Media	Retail	T&T	Telco	Util.
Customer Care & After Sales	5%	6%	1%		3%	2%	4%		8%	6%
Sales & Distribution	5%	5%	6%	Insufficient data	5%	4%	4%	Insufficient data	5%	6%
Marketing & Communication	5%	8%	5%		1%	7%	5%		6%	5%
Production & Quality	5%	5%	7%		4%	5%	4%		5%	4%
Research & Development	7%	12%	13%		6%	9%	17%		5%	3%

Strongest potential anticipated in the R&D function
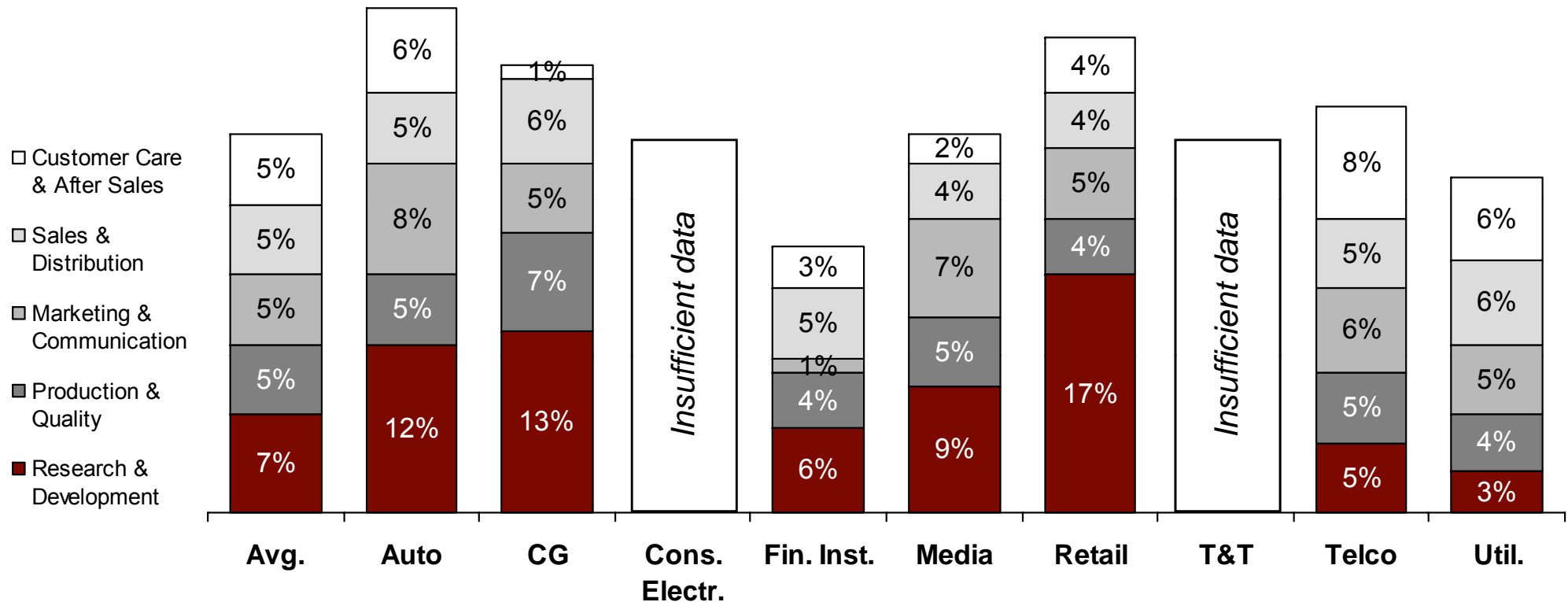
Question 3.8 to companies: Along which value-added stages could the greatest Customer Energy potential be tapped in your company by 2010 by taking appropriate measures? Please try to estimate the direct and indirect effects.
1) In % of costs of value-added stage
Source: A.T. Kearney Customer Energy Survey

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On average, companies aim at 4-7% revenue increase through Customer Energy driven sales and loyalty effects

Customer Energy revenue increase potential

■ Revenue Increase Sales & Distribution   ■ Revenue Increase Customer Care & After Sales

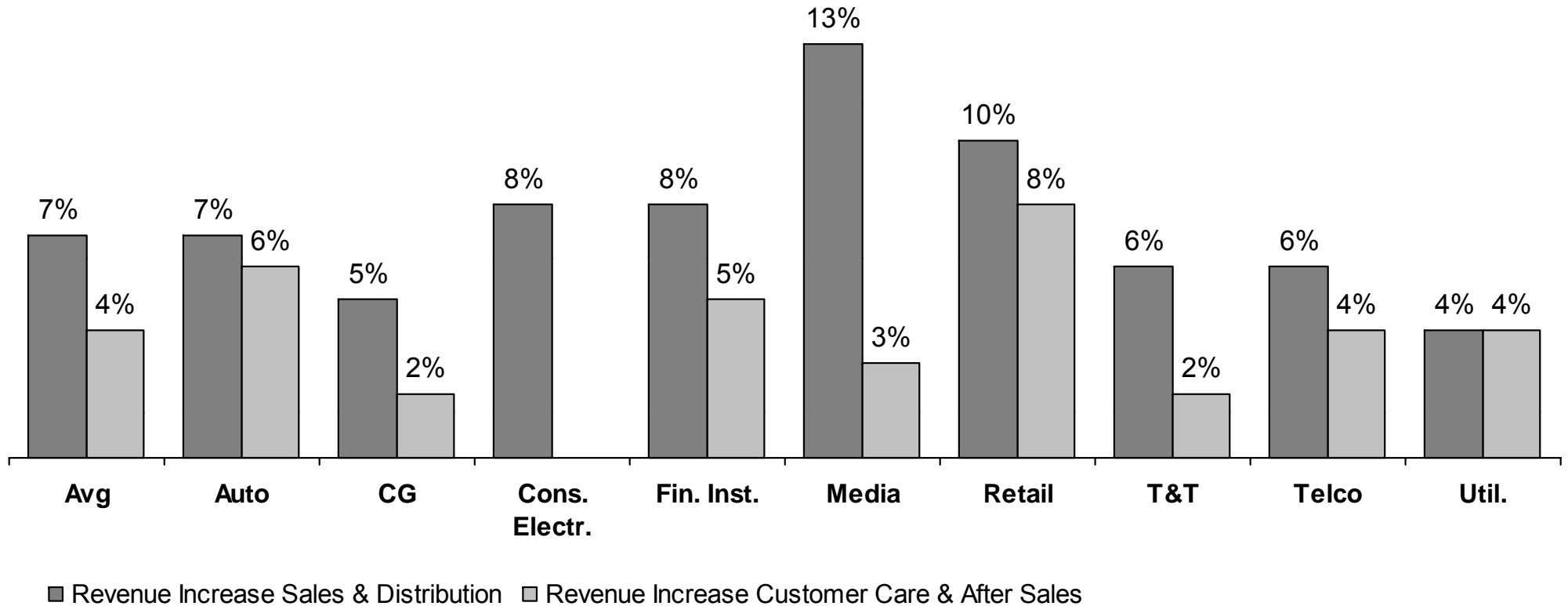## User based recommendations have a growing impact on revenues!

Question 3.8 to companies: Along which value-added stages could the greatest Customer Energy potential be tapped in your company by 2010 by taking appropriate measures? Please try to estimate the direct and indirect effects.
Source: A.T. Kearney Customer Energy Survey

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Do nothing is not an option: 16% of revenues will be at risk in year 2015 through Customer Energy effects

Revenue at risk through Customer Energy

Average 2015: **16%**

Average 2010: **11%**

Auto: 16%, 21%
CG: 5%, 8%
Cons. Electr.: 11%, 13%
Fin. Inst.: 11%, 17%
Media: 9%, 9%
Retail: 11%, 18%
T&T: 13%, 17%
Telco: 12%, 17%
Util.: 8%, 12%

□ Turnover at risk 2010
■ Turnover at risk 2015
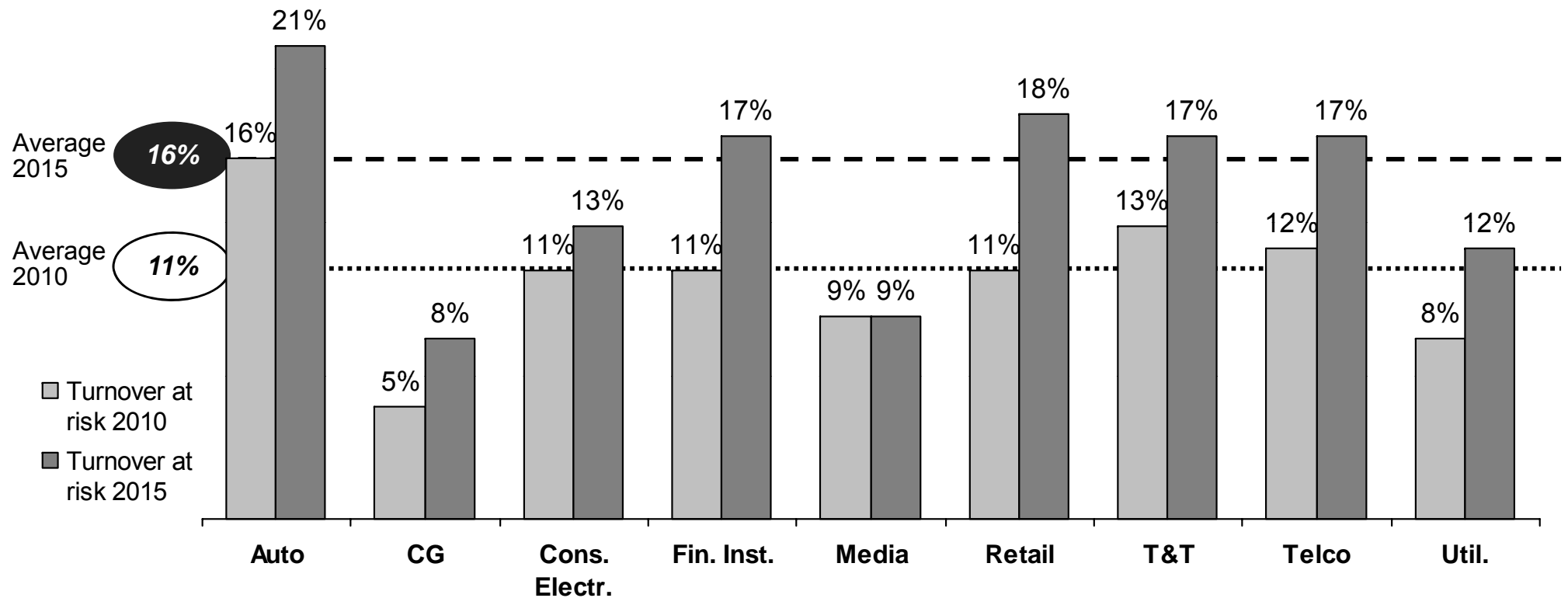
Which lessons can be learnt from the music industry where customers started using their energy to rip, mix, burn CDs (instead of buying these)?

Question 3.7 to companies: How high do you estimate the share of revenue at risk in your company by 2010/ 2015?
Source: A.T. Kearney Customer Energy Survey

Indirect Customer Energy effects are almost equally distributed with highest expectations on loyalty increase

Potential for indirect effects

Legend:
- ☐ Stronger customer retention
- ☐ Improved service
- ☐ Better image
- ■ Higher brand recognition
- ■ Enhanced products

	Avg.	Auto	CG	Cons. Electr.	Fin. Inst.	Media	Retail	T&T	Telco	Util.
Stronger customer retention	3,2	3,4	3,3	3,5	3,2	3,3	4,2	3,0	3,2	2,7
Improved service	3,1	2,9	2,9	3,0	3,3	2,8	4,2	3,1	3,3	2,5
Better image	3,1	3,3	2,6	3,2	3,2	2,9	4,0	3,1	3,3	2,5
Higher brand recognition	2,8	3,2	2,4	3,0	2,8	2,9	4,2	3,0	2,7	2,2
Enhanced products	2,8	3,0	2,8	2,8	2,5	3,1	4,3	2,9	2,8	2,2

High expectations in the retail industry – driven by shift to eCommerce?

Question 3.8 to companies: Along which value-added stages could the greatest Customer Energy potential be tapped in your company by 2010 by taking appropriate measures? Please try to estimate the direct and indirect effects. Scale: 0: no effect, 5: very strong effect
Source: A.T. Kearney Customer Energy Survey

Retailers anticipate strongest indirect effects of all companies in the survey

Backup

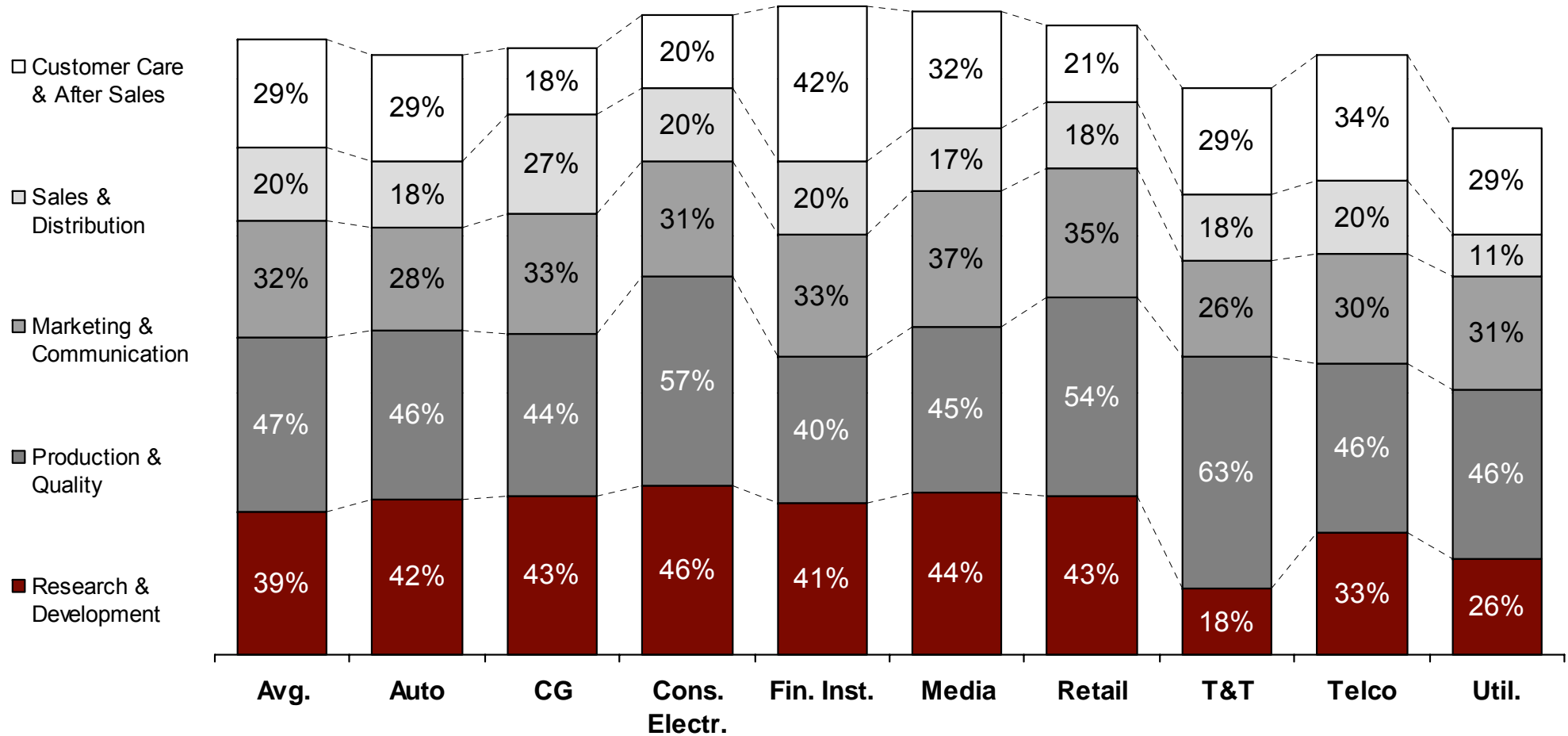|	Research & Development					Production & Quality Management					Marketing & Communications					Sales & Distribution					Customer Care & After Sales				
	EP	BR	BI	IS	CR	EP	BR	BI	IS	CR	EP	BR	BI	IS	CR	EP	BR	BI	IS	CR	EP	BR	BI	IS	CR
Auto	4,1	3,3	3,5	3,5	3,5	2,7	2,7	2,6	2,5	3,5	2,8	4,0	4,1	2,9	4,0	2,4	3,1	2,9	2,7	2,6	3,1	3,1	3,4	3,1	3,6
CG	4,0	3,0	2,8	3,3	3,0	2,9	2,0	2,6	2,6	3,0	2,4	3,3	3,2	2,3	3,5	2,2	2,5	2,0	2,8	3,6	2,6	1,4	2,6	3,6	3,2
Cons. Electr.	3,7	2,3	2,5	3,0	3,3	3,0	3,0	3,0	3,0	3,0	3,0	4,0	4,0	3,0	4,0	1,5	3,0	3,5	2,5	3,5	3,0	2,5	3,0	3,5	3,5
Fin. Inst.	3,8	3,1	3,5	3,4	3,8	2,5	2,0	2,3	3,3	2,7	1,7	2,7	2,8	2,5	2,3	2,3	3,1	3,3	3,1	3,1	2,3	2,8	3,8	4,3	4,0
Media	3,9	3,4	3,0	3,3	4,0	2,4	2,4	3,0	2,4	2,8	3,2	3,0	2,7	2,5	3,3	3,6	3,0	3,0	2,8	3,0	2,6	2,5	2,9	2,9	3,3
Retail	5,0	5,0	4,0	5,0	4,5	4,3	3,5	3,5	4,0	3,0	4,5	4,6	4,6	4,0	5,0	4,0	4,0	4,0	4,3	4,7	3,7	3,7	3,7	3,7	4,0
T&T	3,8	3,0	3,1	3,6	3,3	2,6	2,1	2,6	3,4	2,9	2,3	3,3	3,3	1,8	2,5	2,7	3,7	3,3	3,3	3,2	3,0	2,9	3,1	3,4	3,4
Telco	3,8	3,1	3,4	3,5	3,5	2,5	1,7	2,3	2,9	2,5	2,8	3,7	3,9	3,0	3,6	2,3	2,7	3,4	3,5	3,3	2,5	2,6	3,6	3,7	3,4
Util.	1,7	1,1	1,7	2,0	2,6	1,6	1,3	1,6	1,9	1,6	2,4	2,9	2,6	2,1	2,9	2,9	3,3	3,3	3,1	3,1	2,4	2,6	3,1	3,3	3,1

■ *4.1 – 5.0*   ■ *3.1 – 4.0*   ■ *2.1 – 3.0*   □ *0.0 – 2.0*

Abbreviations: EP: Enhanced products; BR: Higher <brand> recognition; BI: Better image; IS: Improved service; CR: Stronger customer retention
Question 3.8 to companies: Along which value-added stages could the greatest Customer Energy potential be tapped in your company by 2010 by taking appropriate measures? Please try to estimate the direct and indirect effects. Scale: 0: no effect, 5: very strong effect
Source: A.T. Kearney Customer Energy Survey

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Quality and Innovation are customers' preferred areas for involvement along the value chain

Consumer preferences for stages in the value chain

	Avg.	Auto	CG	Cons. Electr.	Fin. Inst.	Media	Retail	T&T	Telco	Util.
Customer Care & After Sales	29%	29%	18%	20%	42%	32%	21%	29%	34%	29%
Sales & Distribution	20%	18%	27%	20%	20%	17%	18%	18%	20%	11%
Marketing & Communication	32%	28%	33%	31%	33%	37%	35%	26%	30%	31%
Production & Quality	47%	46%	44%	57%	40%	45%	54%	63%	46%	46%
Research & Development	39%	42%	43%	46%	41%	44%	43%	18%	33%	26%

Question 11 to consumers: Along which value-added stages would you like to contribute to *<brand>*? (Multiple responses possible)
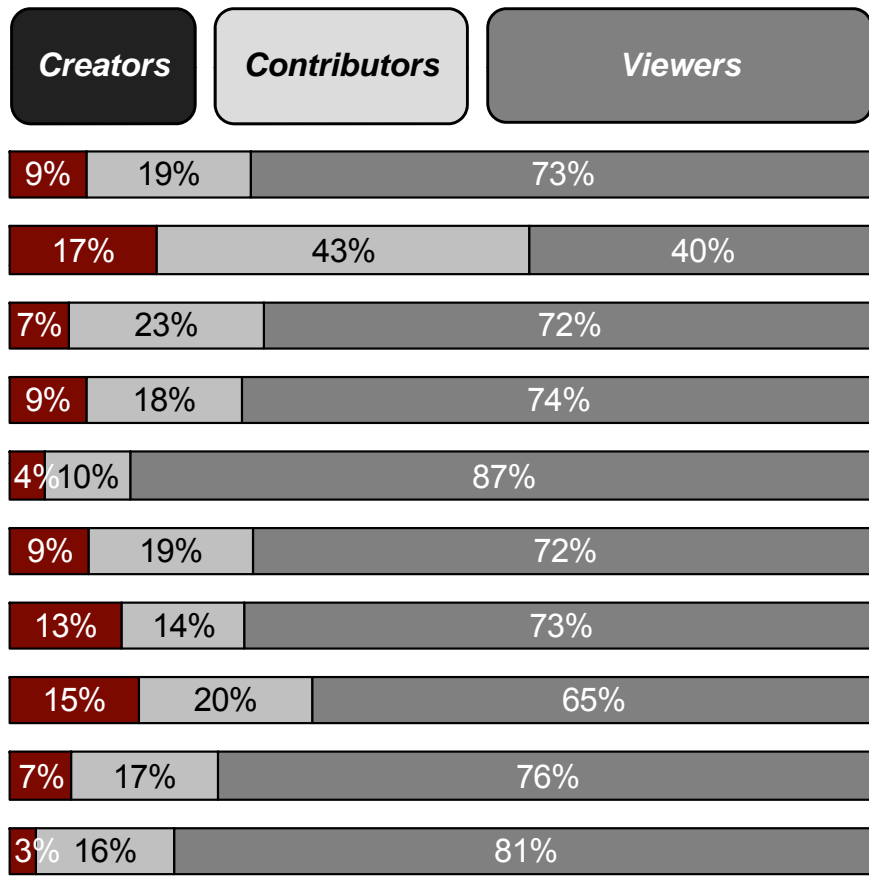Source: A.T. Kearney Customer Energy Survey; N=3,000

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- Impact of Customer Energy

- **Insights into Customers' Energy**

- Realization of Customer Energy

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Most industries underestimate the "contributors" segment with latent energy – but those make it a mass phenomenon!

Customer Energy segmentation

Company view

Creators	Contributors	Viewers

	Creators	Contributors	Viewers
Avg.	9%	19%	73%
Auto	17%	43%	40%
CG	7%	23%	72%
Cons. Electr.	9%	18%	74%
Fin. Inst.	4% 10%		87%
Media	9%	19%	72%
Retail	13%	14%	73%
T&T	15%	20%	65%
Telco	7%	17%	76%
Util.	3% 16%		81%

Consumer view

Creators	Contributors	Viewers

	Creators	Contributors	Viewers
Avg.	11%	36%	53%
Auto	12%	37%	51%
CG	12%	43%	45%
Cons. Electr.	11%	24%	65%
Fin. Inst.	20%	36%	43%
Media	12%	41%	47%
Retail	9%	50%	41%
T&T	15%	32%	53%
Telco	9%	35%	56%
Util.	8%	31%	60%

Question 2.6 to companies: How high do you estimate the share of your customers in the following segments?
Question 16 to consumers: In which of the following segments would you personally classify yourself with regard to <brand>?
Source: A.T. Kearney Customer Energy Survey; N=3,000

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Highly energetic customers are not elite people – they can be found across all social grades

Social grade and education of Customer Energy segments

Employment status

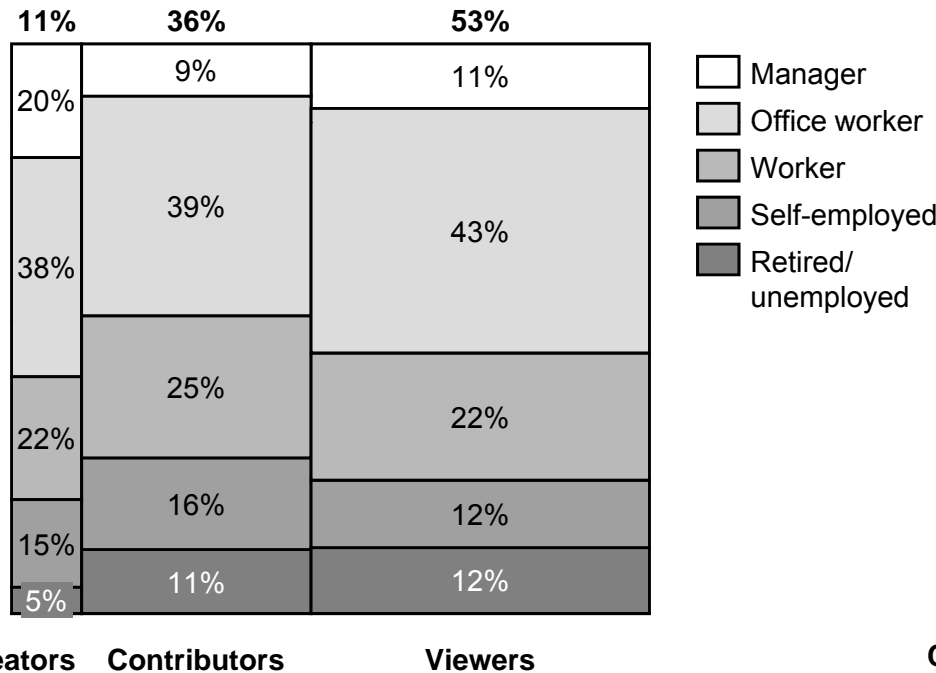|	11%	36%	53%

	Creators	Contributors	Viewers
Manager	20%	9%	11%
Office worker	38%	39%	43%
Worker	22%	25%	22%
Self-employed	15%	16%	12%
Retired/unemployed	5%	11%	12%

Legend:
- ☐ Manager
- ☐ Office worker
- ☐ Worker
- ☐ Self-employed
- ■ Retired/unemployed

Degree of education

	11%	36%	53%

	Creators	Contributors	Viewers
University	39%	39%	39%
High-School	6%	18%	18%
Junior High-/Secondary School	44%	29%	30%
Main Graduation	11%	14%	13%

Legend:
- ☐ University
- ☐ High-School
- ☐ Junior High-/Secondary School
- ■ Main Graduation

Question D3 to consumers (onliners only!): What is the occupation of the principal earner in your household?
Question D10 to consumers (onliners only!): What school do you attend currently or have you attended last?
Source: A.T. Kearney Customer Energy Survey; N=3,000

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Creators use their high Customer Energy level to adopt new products early or be a smarter shopper

Consumer behavior of Customer Energy segments

Shopping behavior

| 11% | 36% | 53% |

- Early adopter
- Majority
- Laggards

Creators — 56%, 28%, 16%
Contributors — 44%, 35%, 21%
Viewers — 24%, 38%, 38%

Product preferences

| 11% | 36% | 53% |

- Discount product
- Average product
- Premium product

Creators — 16%, 55%, 29%
Contributors — 12%, 58%, 30%
Viewers — 10%, 63%, 27%
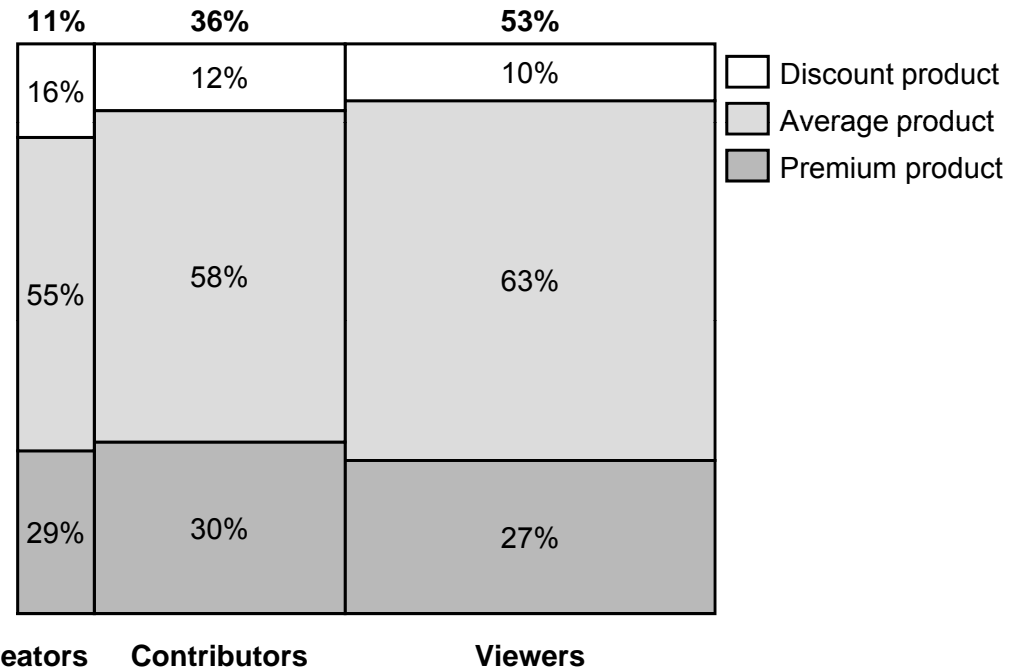
Question 1 to consumers (onliners only!): Into which of the following segments would you classify yourself?
Question 5 to consumers (onliners only!): To which segment would you allocate your product of <brand>?
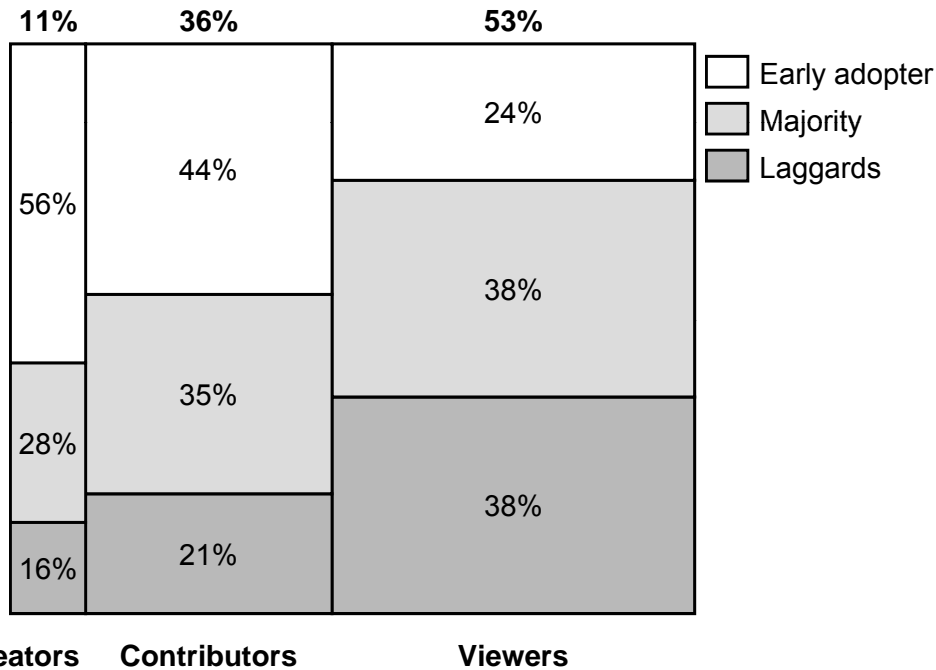Source: A.T. Kearney Customer Energy Survey; N=3,000

ATKEARNEY

Creators are in fact satisfied and loyal customers – using their Customer Energy should be less risky

Relationships with Customer Energy segments

Customer Satisfaction
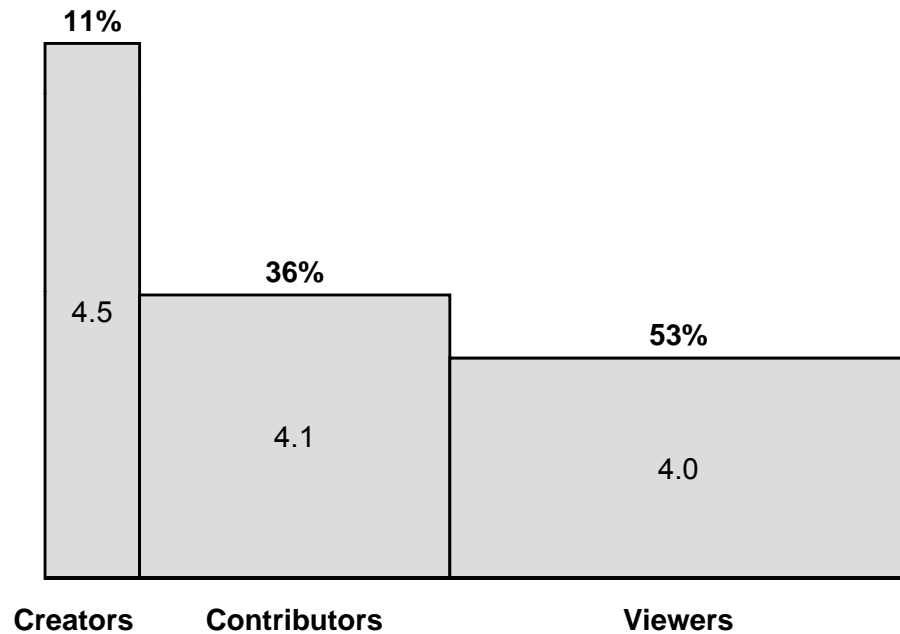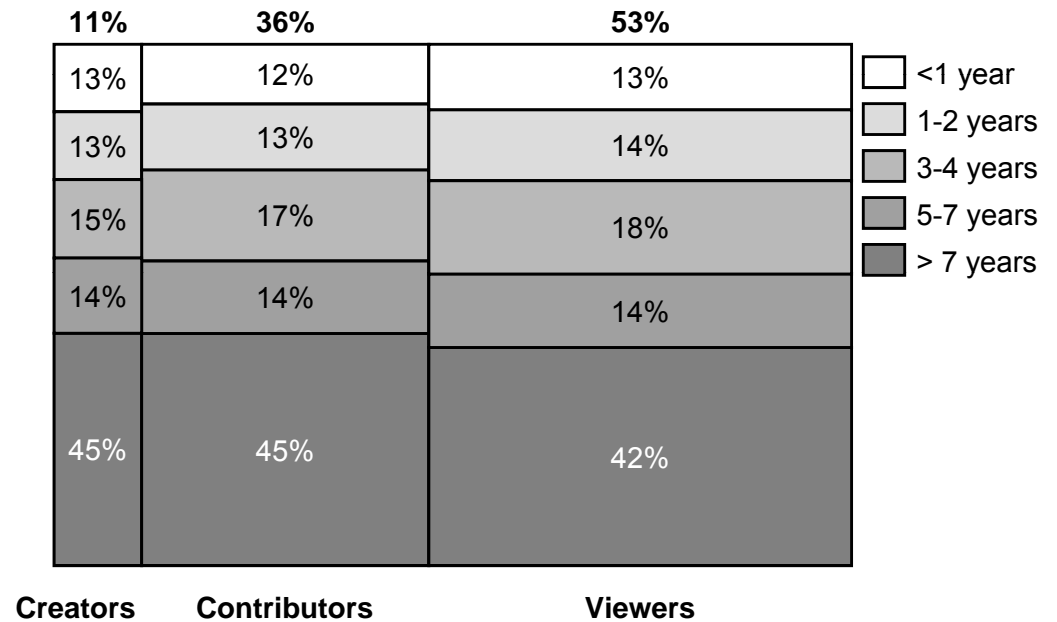
11%	36%	53%
4.5	4.1	4.0

Creators — Contributors — Viewers

Customer Lifetime

11%	36%	53%
13%	12%	13%
13%	13%	14%
15%	17%	18%
14%	14%	14%
45%	45%	42%

Creators — Contributors — Viewers

Legend:
- ☐ <1 year
- ☐ 1-2 years
- ☐ 3-4 years
- ☐ 5-7 years
- ☐ > 7 years

ATKEARNEY

Creators perform more advanced web activities like blogging to express themselves

Internet activities of Customer Energy segments

Time spent online/day (h)

11%	**36%**	**53%**
7,2	7,5	7,1
Creators	Contributors	Viewers
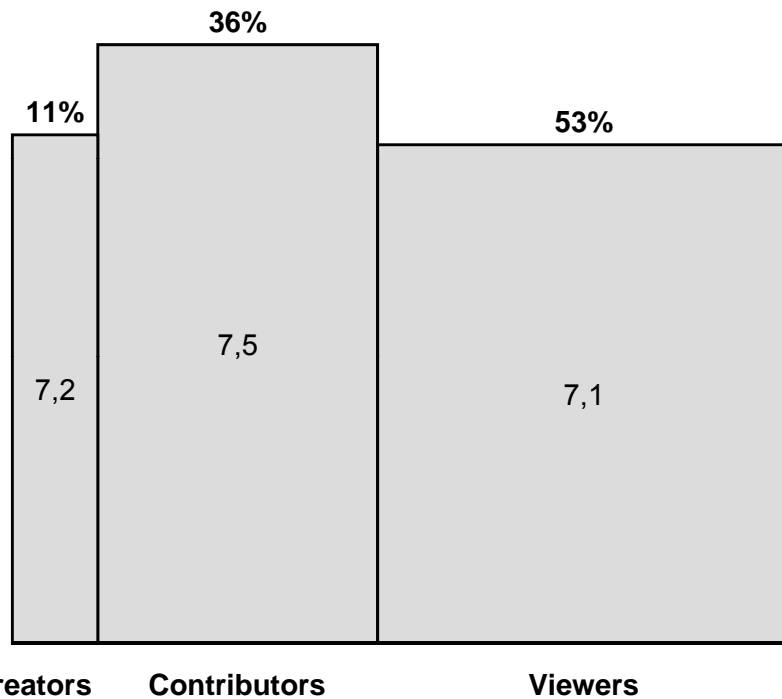
Relevant Internet activity (selection)

Creators — **11%**
- 29%
- 46%
- 64%
- 34%
- 18%

Contributors — **36%**
- 29%
- 40%
- 57%
- 33%
- 10%

Viewers — **53%**
- 22%
- 28%
- 53%
- 24%
- 7%

Legend:
- Active member of forum
- Evaluation & commenting of products
- Ebay/ online actions
- Reading of blogs
- Own blog
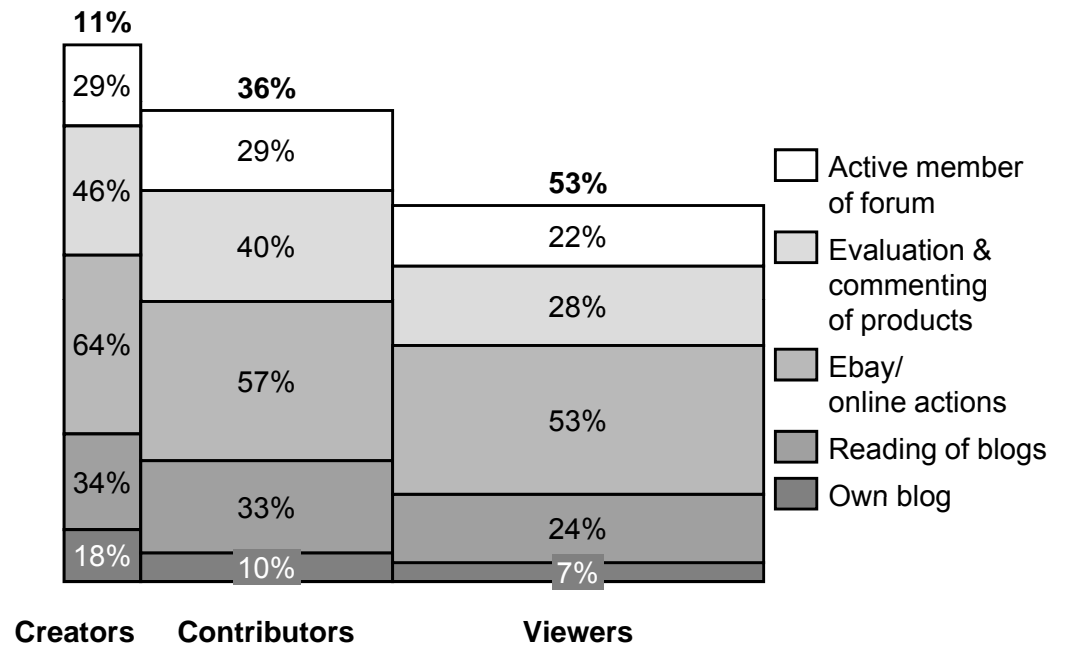
Question 2 to consumers (onliners only): How much time do you spend on the Internet per day?
Question 3 to consumers (onliners only): What type of activities do you conduct on the Internet?
Source: A.T. Kearney Customer Energy Survey; N=3,000

ATKEARNEY

Many consumers state to be willing to contribute a large share of their time to a brand – several hours a week

Stated intended customer effort per week without incentives

Legend:
- >12 h/week
- 6-12 hours per week
- 3-6 hours per week
- 1-3 hours per week
- <1 hour per week
- No time at all

Category	>12 h/week	6-12 hours	3-6 hours	1-3 hours	<1 hour	No time
Avg.	2%	3%	6%	18%	26%	45%
Auto	3%	1%	9%	21%	23%	43%
CG	4%	3%	7%	20%	29%	38%
Cons. Electr.	6%	2%	11%	26%	-	53%
Fin. Inst.	2%	4%	2%	18%	30%	44%
Media	2%	5%	3%	18%	23%	48%
Retail	3%	3%	7%	23%	27%	38%
T&T	3%	1%	8%	19%	33%	38%
Telco	0%	2%	6%	14%	25%	50%
Util.	2%	0%	4%	15%	20%	59%
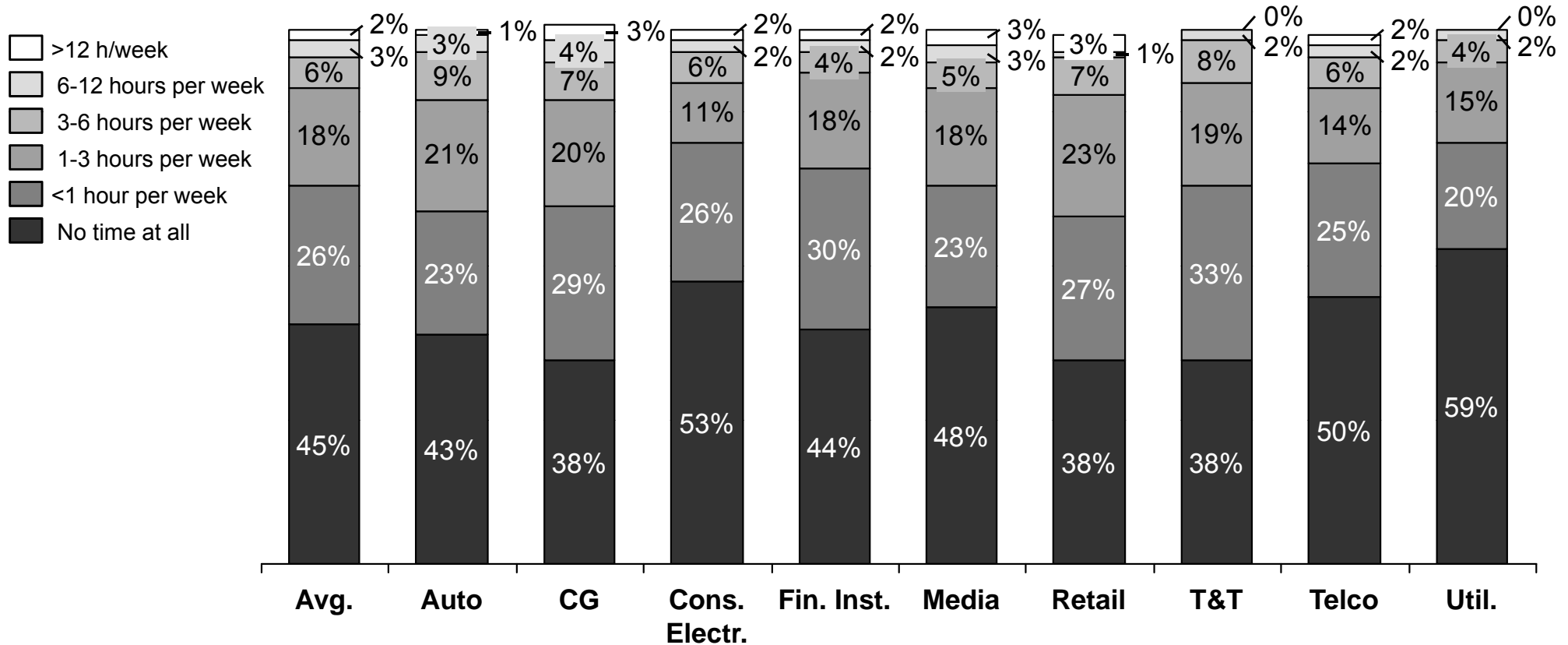
On average, about 5% of consumers are indicating (or: pretending?) to be willing to spend at least an hour per day for "their" brand

Question 20 to consumers: How much time would you be willing to spend without any monetary compensation or other incentives to take over activities for *<brand>*?
Source: A.T. Kearney Customer Energy Survey; N=3,000

AT KEARNEY

Creators (and Contributors) show a significantly higher willingness to contribute personal time to a brand

Stated intended customer effort per week without incentives

11%   **36%**   **53%**

Legend:
- ☐ >12 hours/ week
- ☐ 6-12 hours/ week
- ☐ 3-6 hours/ week
- ☐ 1-3 hours/ week
- ☐ <1 hour/ week
- ■ No time at all

Creators:
- 5%
- 6%
- 23%
- 31%
- 13%
- 23%

Contributors:
- 3%
- 5%
- 11%
- 28%
- 34%
- 20%

Viewers:
- 1%
- 1%
- 3%
- 10%
- 25%
- 60%

Categories (x-axis): Creators   Contributors   Viewers
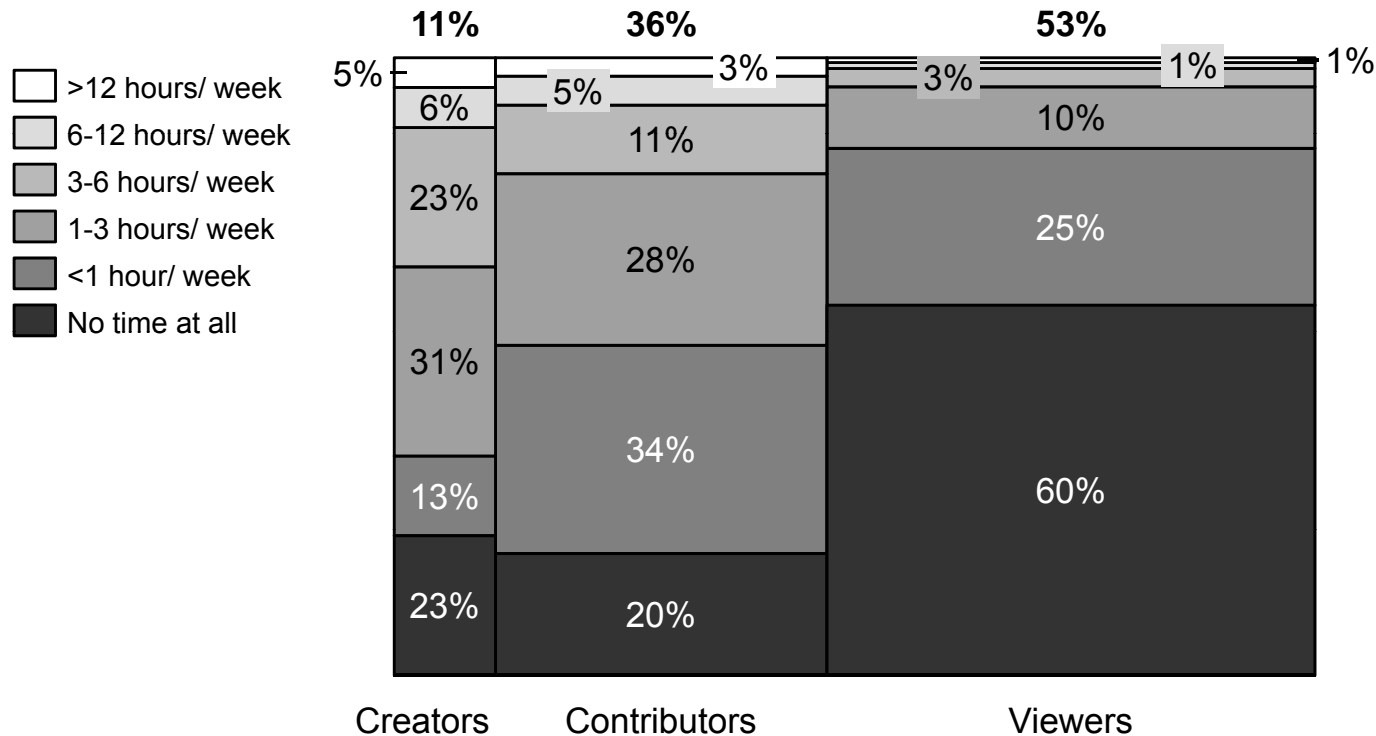
Every third (!) Creator is willing to invest more than half an hour per day

Question 20 to consumers: How much time would you be willing to spend without any monetary compensation or other incentives to take over activities for *<brand>*?
Source: A.T. Kearney Customer Energy Survey; N=3,000

ATKEARNEY

"Curiosity" and "fun" are stated to be consumers' main motives – however, companies' view differs

Motives for Customer Energy

Company view

0 1 2 3 4 5

Consumer view

0% 20% 40% 60% 80%

Curiosity	Auto
Fun	Auto
Identification with brand	Auto
Social relationship	Media
Social Status	Auto
Financial motive	Cons. Electr.
Convenience	CG.
Good citizenship	Util.
Self-fulfillment	Auto
Revenge	Telco
Must involve	CG

Consumer view labels: Cons. Electr., Cons. Electr., Cons. Electr., Cons. Electr., Cons. Electr., Retail, T&T, Retail, Cons. Electr., Cons. Electr., Util.

◇— Min   △— Max   ✕— Cross-Industry Avg.

Question 2.5 to companies: How is Customer Energy motivated with regard to your company? Scale: 0 (low) – 6 (high), (Multiple responses possible)
Question 15 to consumers: What motivates your willingness to get involved with <brand>? (Multiple responses possible)
Source: A.T. Kearney Customer Energy Survey; N=3,000

A.T. Kearney 29/02.2008/13378b   35

Content

- The Customer Energy Phenomenon

- Impact of Customer Energy

- Insights into Customers' Energy

- **Realization of Customer Energy**

ATKEARNEY

More than half of all companies does not know their highly energetic customers and hence cannot approach them

Identification of highly energetic customers

Legend:
- □ Highly energetic customers known
- ▨ Highly energic customers unknown

	Avg.	Auto	CG	Cons. Electr.	Fin. Inst.	Media	Retail	T&T	Telco	Util.
Known	46%	67%	60%	33%	20%	67%	67%	60%	30%	50%
Unknown	54%	33%	40%	67%	80%	33%	33%	40%	70%	50%
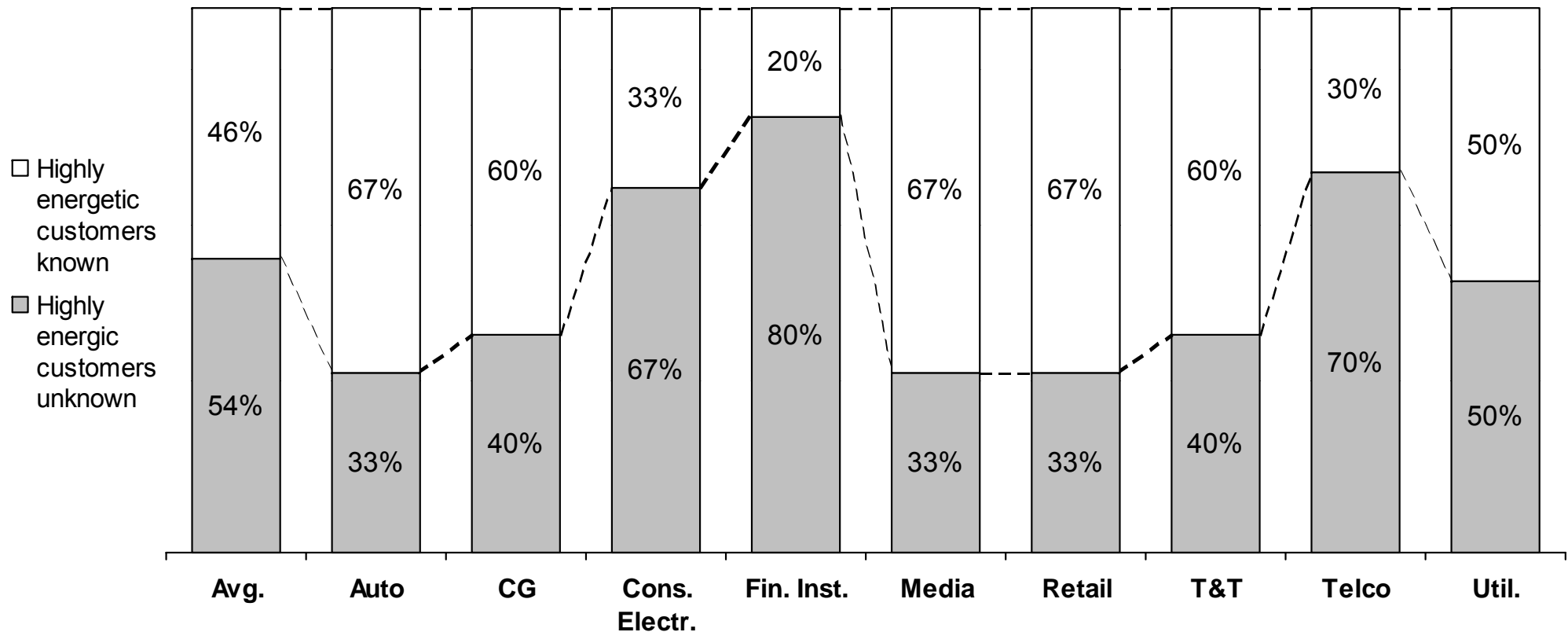
Industries with contractual relationships (Fin. Inst. Telco, T&T, Util.) have natural advantages in CRM – but seem not to make use of it!

Question 2.8 to companies: Do you personally know your customers with a high energy level, i.e. are you able to contact them directly?

s

ATKEARNEY

More than 80% of customers question whether "their" brands understand their energy level

Company's awareness of customers' energy level

Legend:
- □ Never
- □ I don't think so
- ■ Not so sure
- ■ Sure

	Avg.	Auto	CG	Cons. Electr.	Fin. Inst.	Media	Retail	T&T	Telco	Util.
Never	43%	46%	47%	61%	31%	42%	41%	47%	43%	43%
I don't think so	38%	36%	32%	29%	44%	38%	41%	35%	40%	33%
Not so sure	14%	13%	14%	8%	15%	17%	14%	10%	13%	17%
Sure	5%	5%	6%	2%	9%	3%	3%	8%	4%	7%
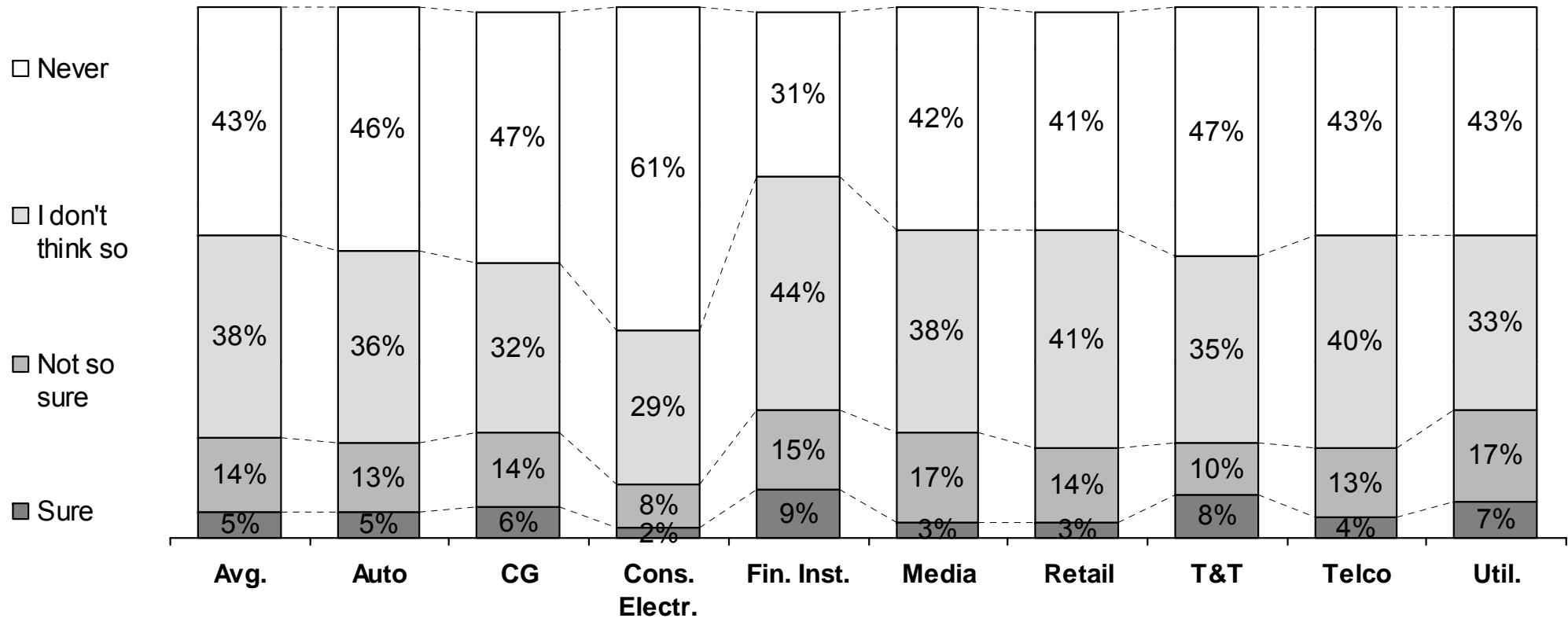
How to make use of Customer Energy if energy levels are unknown and Creators are not flagged in the CRM system?

Question 17 to consumers: Does *<brand>* know what your personal energy level is with regard to *<brand>*?
Source: A.T. Kearney Customer Energy Survey; N=3,000

ATKEARNEY

More than 50% of companies state they neither provide a process nor or a channel for interaction with their Creators

Interaction with high-energy customers

Legend:
- ☐ No channel and no process
- ▨ Defined channel but no process for interaction
- ■ Defined channel and process for interaction

	Avg.	Auto	CG	Cons. Electr.	Fin. Inst.	Media	Retail	T&T	Telco	Util.
No channel and no process	56%	22%	80%	33%	80%	22%	50%	80%	56%	67%
Defined channel but no process	26%	44%	20%	67%	10%	33%	17%	20%	26%	22%
Defined channel and process	18%	33%	0%	0%	10%	44%	33%	0%	19%	11%
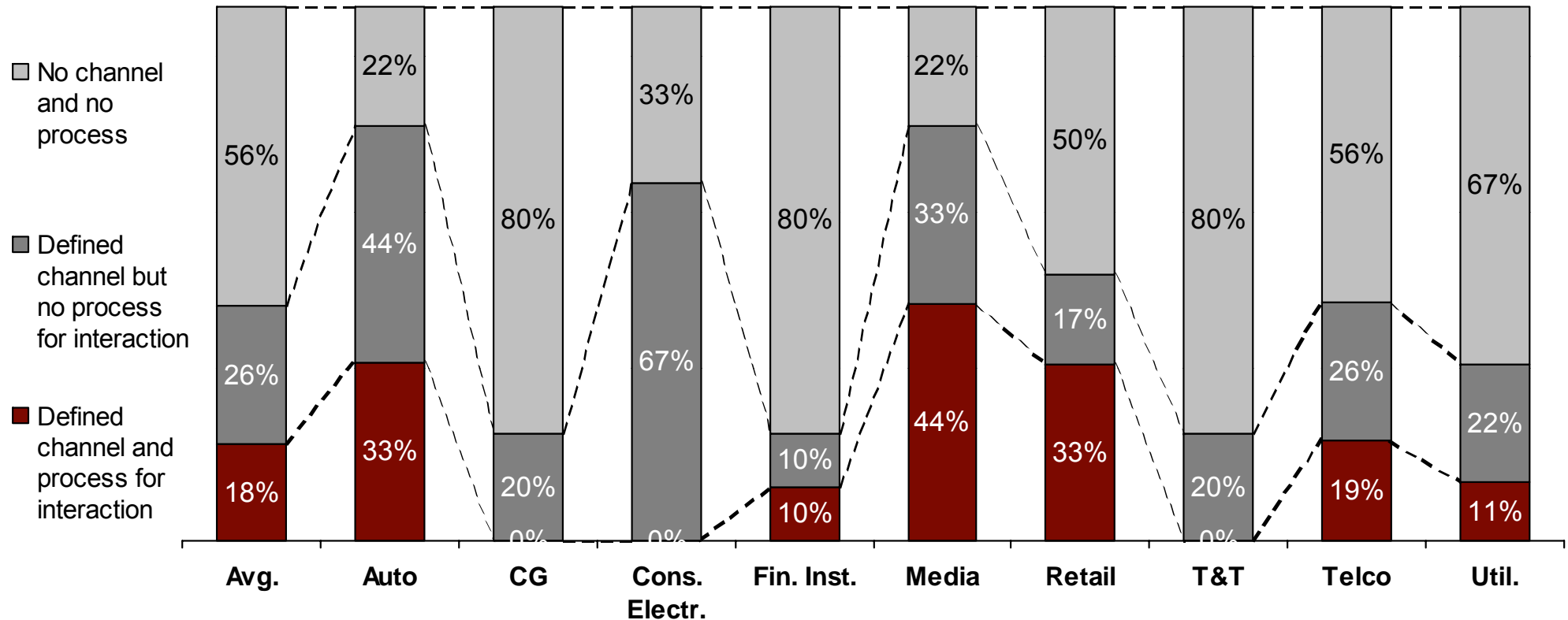
18% of the companies believe to be "prepared" for their Creators

Question 2.7 to companies: What happens, when a high energy customer approaches your company and wants to get involved?
Are defined processes implemented to identify and interact with high energy customers?
Source: A.T. Kearney Customer Energy Survey

AT KEARNEY

60% of the customers cannot unfold their energy since they just do not know how which channel to use

Customer experience when trying to involve

Legend:
- □ Contribution received and considered
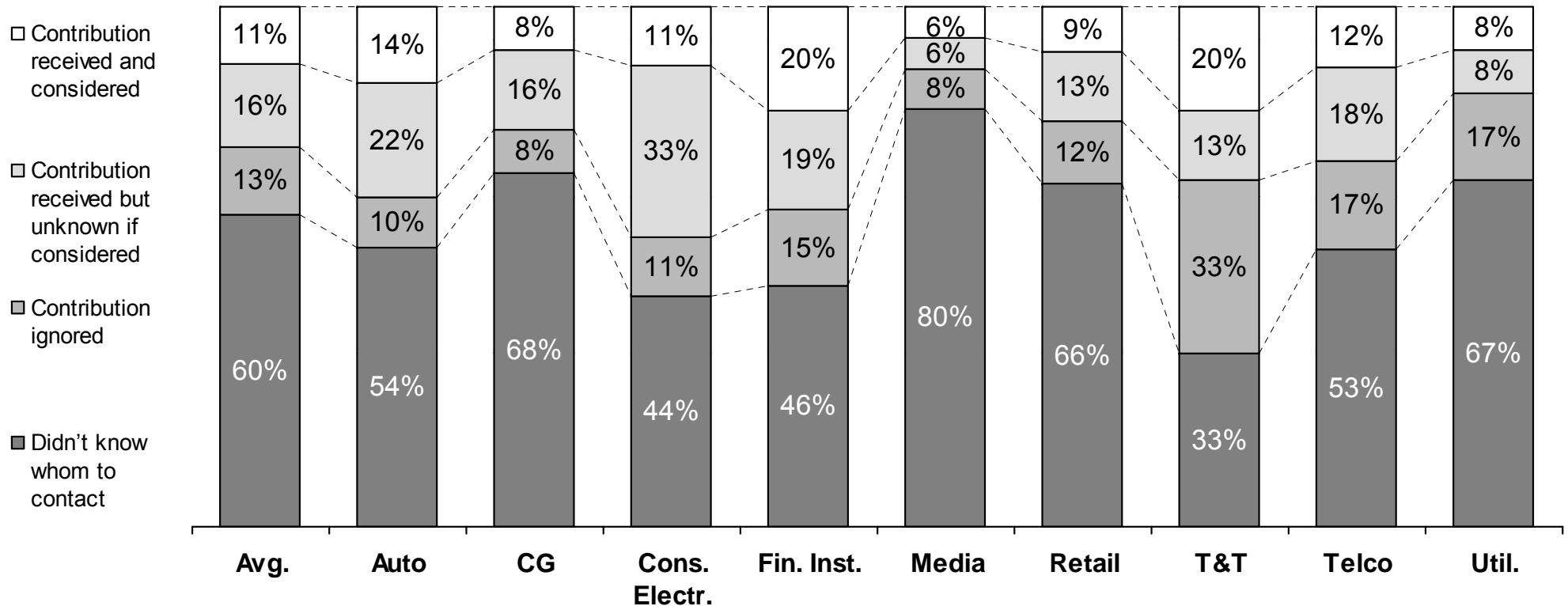- □ Contribution received but unknown if considered
- □ Contribution ignored
- ■ Didn't know whom to contact

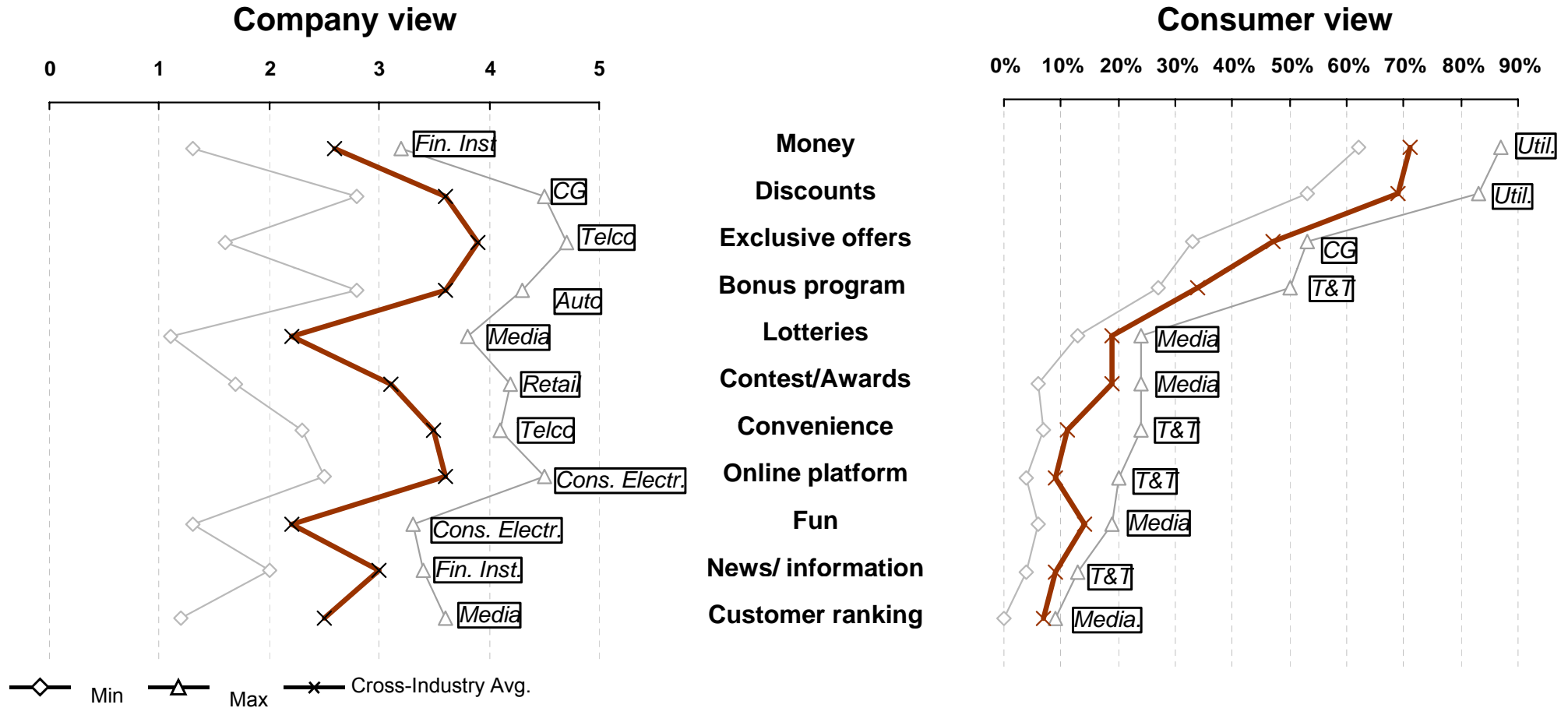|	Avg.	Auto	CG	Cons. Electr.	Fin. Inst.	Media	Retail	T&T	Telco	Util.
Contribution received and considered	11%	14%	8%	11%	20%	6%	9%	20%	12%	8%
Contribution received but unknown if considered	16%	22%	16%	33%	19%	6%	13%	13%	18%	8%
Contribution ignored	13%	10%	8%	11%	15%	8%	12%	33%	17%	17%
Didn't know whom to contact	60%	54%	68%	44%	46%	80%	66%	33%	53%	67%

Especially the media industry seems not yet prepared for a peer-level dialogue with its energetic customers

Question 13 to consumers: If you wanted to contribute to *<brand>* in the past, what experience did you have?
Source: A.T. Kearney Customer Energy Survey; N=3,000

ATKEARNEY

Low-involvement, non-emotional industries like utilities need to attract their customers through financial incentives

Incentives to stimulate Customer Energy

Company view

Consumer view

| | Money |
| Discounts |
| Exclusive offers |
| Bonus program |
| Lotteries |
| Contest/Awards |
| Convenience |
| Online platform |
| Fun |
| News/ information |
| Customer ranking |

Company view labels (left chart): Fin. Inst, CG, Telco, Auto, Media, Retail, Telco, Cons. Electr., Cons. Electr., Fin. Inst., Media

Consumer view labels (right chart): Util., Util., CG, T&T, Media, Media, T&T, T&T, Media, T&T, Media.

◇ Min   △ Max   ✕ Cross-Industry Avg.
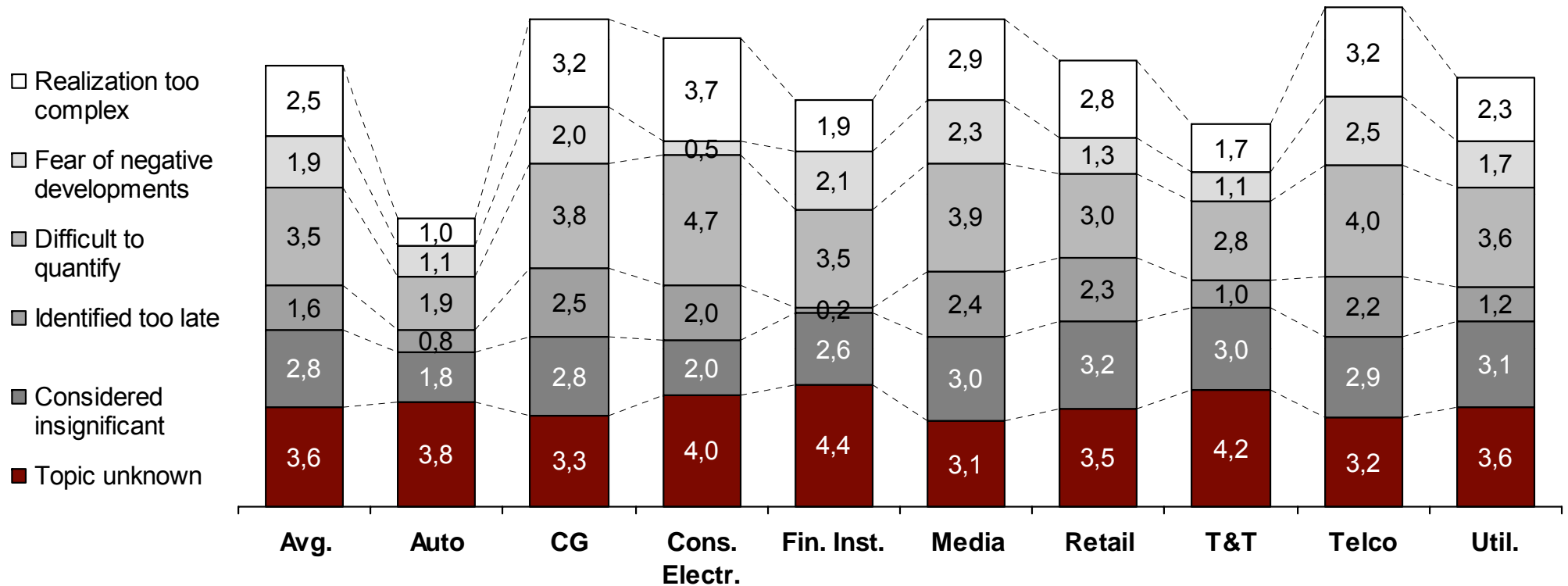
Question 3.10 to companies: Which incentives do you consider efficient to unleash Customer Energy for your company? (Multiple responses possible)
Question 22 to consumers: Which incentives do you consider attractive in order to motivate you to participate in <brand> or to boost the energy you've contributed? (Multiple responses possible)
Source: A.T. Kearney Customer Energy Survey; N=3,000

ATKEARNEY

Unfamiliarity and difficulties in quantifying benefits seem to prevent most companies from realizing Customer Energy

Reasons for non-optimal realization of potential

Legend:
- ☐ Realization too complex
- ☐ Fear of negative developments
- ☐ Difficult to quantify
- ☐ Identified too late
- ▨ Considered insignificant
- ▩ Topic unknown

|	Avg.	Auto	CG	Cons. Electr.	Fin. Inst.	Media	Retail	T&T	Telco	Util.
Realization too complex	2,5	1,0	3,2	3,7	1,9	2,9	2,8	1,7	3,2	2,3
Fear of negative developments	1,9	1,1	2,0	0,5	2,1	2,3	1,3	1,1	2,5	1,7
Difficult to quantify	3,5	1,9	3,8	4,7	3,5	3,9	3,0	2,8	4,0	3,6
Identified too late	1,6	0,8	2,5	2,0	0,2	2,4	2,3	1,0	2,2	1,2
Considered insignificant	2,8	1,8	2,8	2,0	2,6	3,0	3,2	3,0	2,9	3,1
Topic unknown	3,6	3,8	3,3	4,0	4,4	3,1	3,5	4,2	3,2	3,6

With growing (dissatisfying?) experiences from Web 2.0 pilots, more companies will need to develop their own view on Customer Energy

Question 3.5 to companies: What are the reasons for an eventual non-optimal realization of Customer Energy potential in your company?
Source: A.T. Kearney Customer Energy Survey

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ATKEARNEY

Companies might use the insights into Customer Energy to trigger various initiatives aiming at competitive advantages

Potential initiatives to benefit from Customer Energy

Illustrative
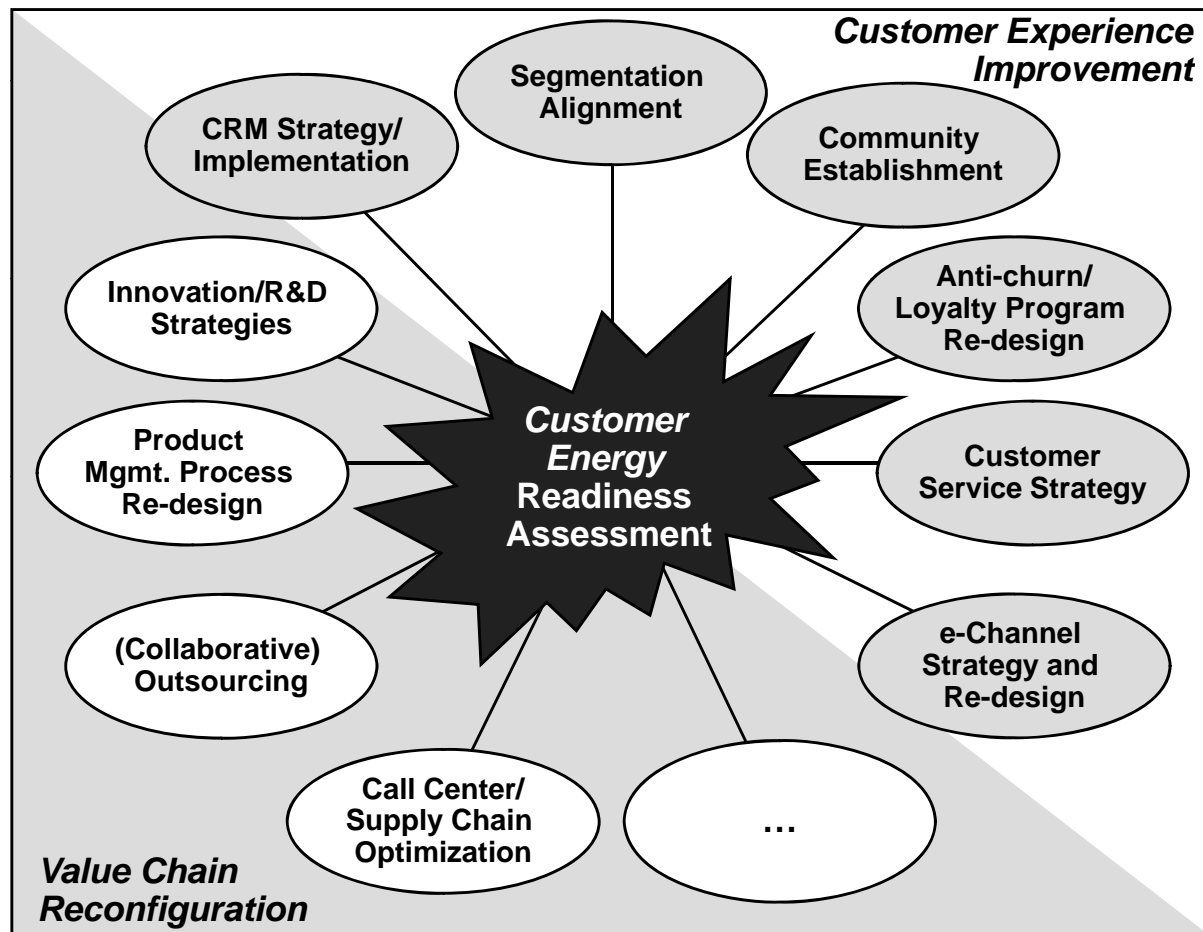
- Assess the company's Customer Energy **readiness** as well as potential **risks** and **benefits** along the value chain

- Define Customer Energy based **strategy** evaluating opportunities across customer **segments** and stages in the **value chain** to prioritize implementation

- Review the company's **inter-net strategy** to integrate customers through targeted Web 2.0 applications

Source: A.T. Kearney

ATKEARNEY

To harvest the benefits from Customer Energy, select modules can be applied out of a comprehensive approach

Customer Energy strategy development and implementation

1 Lead user identification	**2** Cultural risk assessment & vision definition	**3** Identification of opportuni-ties along the value chain	**4** Prioritization & evaluation	**5** Piloting & Roll-out

• Customer Energy segmentation
 	
• High-energy customer identification
 	
• Motivations and modes for collaboration
 	
• Selection and approach
	• Readiness for shifting control to customers
	
	• Cross-industry best practices
	
	• Vision for specific Customer Energy utilization
		• Customer Energy uses cases along entire value chain
		
		• Map web tools and other levers against use cases
		
		• Profile of customer benefits, critical success factors, and company risks
			• Benefit case per Customer Energy application incl.
			  – Adoption rate
			  – Impact (cost reduction, loyalty, …)
			  – Investments
			  – internal hurdles
			• Target setting
			• Priorities along impact and ease of implementation
				• Implementation plan
				• Pilot monitoring
				• Lessons learned
				• Concept and target adjustments
				• Roll-out

Source: A.T. Kearney