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Customer focused growth

Rising expectations and
emerging opportunities





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Markets are evolving, the customer is more demanding, and innovations around social media, mobile technology and advanced data analytics are just some of the changes that have transformed customer behaviours and expectations. These are now some of the foundational enablers for service providers to adopt in order to win the future customer.





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We're seeing profound changes across all service sectors, both private industry and within government at all levels. Big Data is enabling service providers to take an incredibly detailed look at their customers. Micro-targeted messages and offers are replacing mass marketing and traditional sales techniques. R&D teams are collaborating with customers to identify and develop new and sometimes lucrative new products. Staff try to create brand experiences instead of just "making the sale." Mobile is turning "anytime, anywhere" into a reality.

These changes are creating great opportunities for companies and public sector service providers, but they're also creating unexpected new risks and challenges. Both companies and service providers are pushing the privacy envelope. They are drowning in customer data and struggling to separate the signal from the noise. And delivering the responsive, engaging and customized service that customers increasingly demand is often proving more difficult than expected.

In this report, our Deloitte Customer Practice looks at some of these changes and trends affecting any organization that serves customers. We also examine how some businesses have succeeded in this time of rapid, revolutionary change – and offer our suggestions on how your organization can navigate these same shifts. We're confident that you'll find it informative, useful reading.





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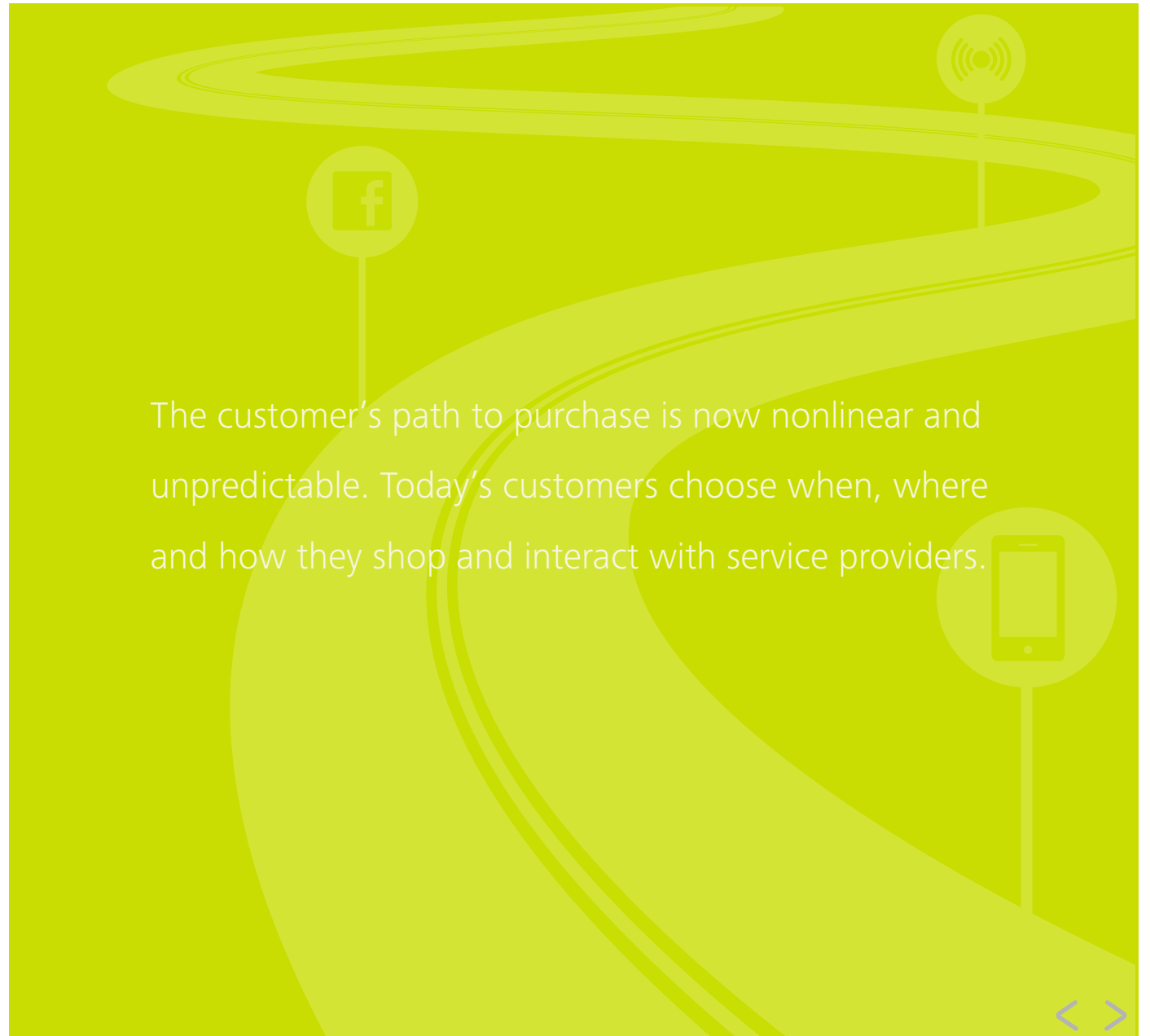
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Trend

The new, winding path to purchase

The customer's path to purchase is now nonlinear and unpredictable. Today's customers choose when, where and how they shop and interact with service providers.





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The old way

While e-commerce has existed for almost 20 years now, customers typically used retailers' e-commerce sites to conduct research. They'd still make the final purchase at a physical store.

Retailers have traditionally had little incentive to understand their customers' path to purchase, since it was predictable and mostly took place in the store itself. As a result, they focused on understanding the customers point of purchase instead.

Historically, only digital-savvy customers made purchases using pure-play online retailers such as Amazon. Online purchasing remained something of an early-adopter cult and retail executives saw it as a fad, rather than a trend that was here to stay. Even in 2011, U.S. retail executives reported that 91 percent of sales came from brick-and-mortar channels (though they saw that dropping to 63 percent in five years).⁶





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The new norm

The traditional, linear path to purchase (or service) is a thing of the past. It's been replaced by a new, non-linear path.¹ Customers now embrace an OmniChannel experience. They connect through several devices, platforms and channels, and switch from one to the other unpredictably. It's not uncommon for the OmniChannel customer to be on different channels at the same time – checking prices on their smartphone while asking their social network friends for reviews and recommendations.

Showrooming has emerged as a key step in the OmniChannel experience. Customers explore products at a physical store, and then buy them online and often at a discount. 29 percent of customers who use a smartphone to research a product while in a store end up buying the item from a pure-play online retailer.²

Digital-savvy customers are no longer a niche market. Today, they're the main customers – and they're demanding that retailers engage with them throughout the path to purchase.

However, online shoppers favour retailers that allow them to shop anytime, anywhere (via any channel) – how they want.³ OmniChannel customers are more profitable because we allow them to control the shopping experience. Those who research online before buying in-store have the potential to spend five times more than a single-channel shopper due to the ability to be cross sold ancillary goods and services in a highly customized way.⁴

Customers will follow companies and brands that are in tune with their community and deliver a seamless, personal experience across online and offline channels.



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Key takeaways

- ✔ **Enable your customers to connect and interact with your brand** – and make purchases – at any time, from anywhere. That’s the essence of the OmniChannel experience.
- ✔ **Develop a consistent, compelling customer experience across all channels** to minimize showrooming and maintain brand engagement and loyalty.
- ✔ **Listen to customers through all channels**, and look for ways to continuously improve your OmniChannel capabilities.
- ✔ **Understand the new and different paths to purchase** customers now typically take. Identify moments of truth and fallout points in order to maximize conversion.
- ✔ **Don’t analyze post-purchase data alone.** Instead, try to understand when where and how customers are acting in the pre-purchase phase in order to better influence them on their path to purchase.
- ✔ **Use data analytics to understand** how the new path to purchase, inflection points and moment of truth are evolving as devices, platforms, retail technology and market trends shift.





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Case studies



Sephora is using mobile technology to enhance its in-store experience. The company takes advantage of Apple's Passbook mobile wallet app – more than 70 percent of Sephora's mobile traffic comes from iOS devices. Most Sephora customers use their loyalty cards in-store, and the app makes it easier for them to check and redeem loyalty points while shopping. Recognizing that mobile will be an integral to creating a great shopping experience, Sephora aims to welcome its customers at all points of their path to purchase (no matter the channel) and to connect them with the company's beauty experts and brand at home or in-store.⁵

Rogers Retail undertook an analysis of its existing retail network based on what it had learned about its customers' path to purchase. As a result, the company redesigned its "one size fits all" retail format to a more strategic, "hub and spoke" network model.





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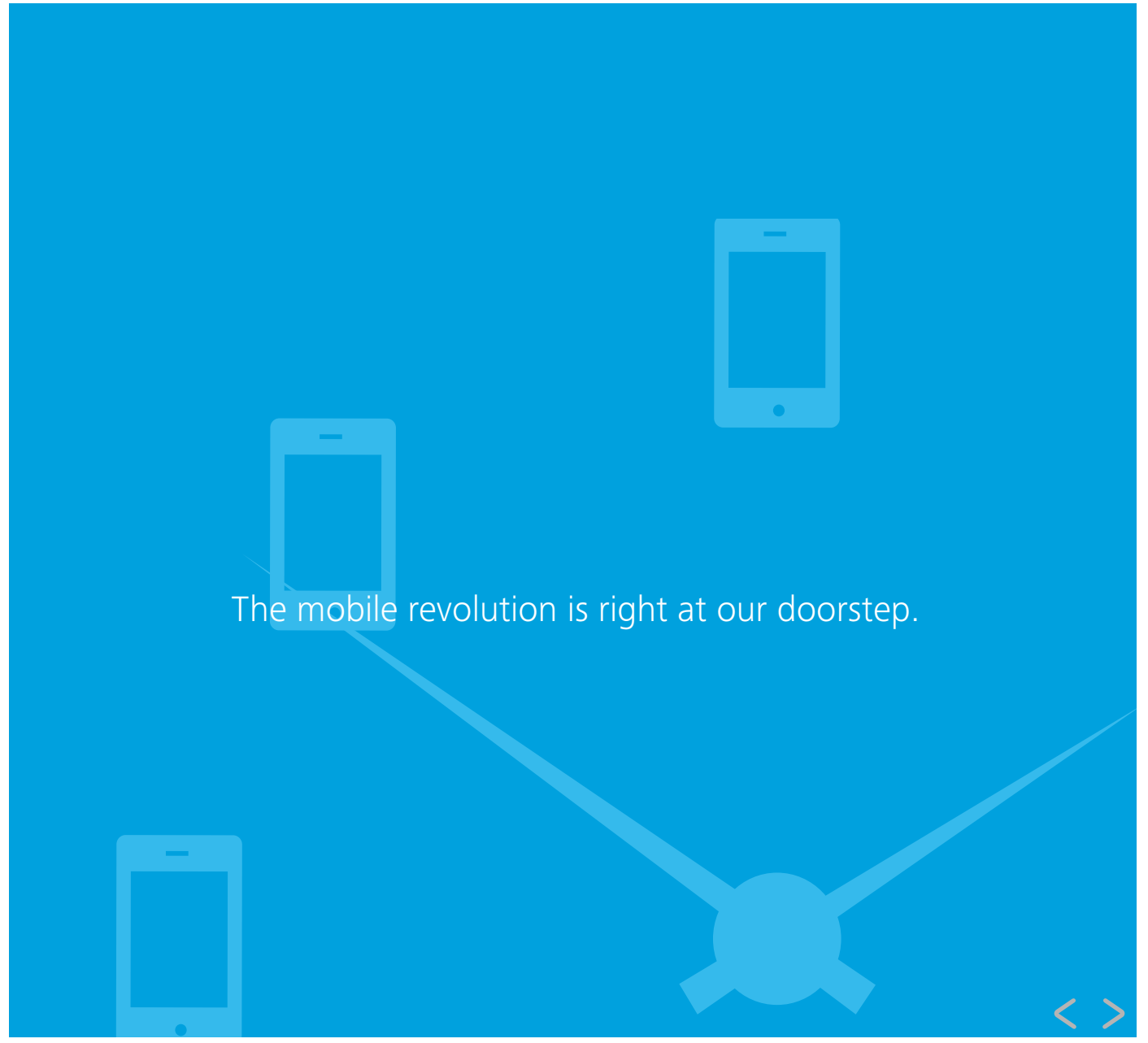
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Trend

Mobile technology becomes the “anytime, anywhere” enabler of customer loyalty



The mobile revolution is right at our doorstep.





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The old way

Prior to the mass adoption of smart phones, mobile web browsing was clumsy and had limited functionality. Customers were restricted in their usage due to mobile operator platforms and limited external browsing, resulting in very limited uptake.

Surging smartphone and tablet sales show no sign of slowing down. Everyone loves their mobile device, it seems – Gen Y and younger Gen Xs in particular can't leave home without them. As a result, mobile payments are hot. Banks, telecoms, payment providers and non-traditional players like Google are all developing tools that allow customers to use their smartphones to pay for goods and services either remotely or at the point-of-sale.

The mobile payment market remains a wild frontier, though. No clear winners have emerged and we have yet to see a mobile payment solution achieve mass adoption and broad commercial success.

While Apple remains a notable absence in the mobile payments arena, other smartphone makers are embedding payment technology in some new handset models. However, with the average Canadian customer only replacing handsets every 2-3 years on average, wide-scale adoption of this new technology will be several years away.

Savvy retailers and other organizations are starting to see that the value of the mobile device extends far beyond its ability to facilitate a purchase. The winning mobile paradigm will be one that provides the "anytime, anywhere" experience that customers want.





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The new norm

Retailers, in particular, will accelerate using mobile to create new customer experiences and new business opportunities. It remains to be seen who will lead the pack, but we expect to see alliances form among retailers and service providers, partnerships or joint ventures in order to share development costs and minimize execution risks. We'll see companies pay more attention to how mobile technology can add value in a connected customer environment, whether through product research, loyalty and marketing, or by using rich customer data to deliver more targeted, relevant offers. Retailers are uniquely positioned to develop highly effective means to engage their customers through mobile technology in this manner.

As customers and businesses grow increasingly connected through technology and social media, businesses are gaining far more detailed information about individual customers. This in turn is enabling businesses to deepen the customer relationship by linking marketing and offers to past customer behaviour. Organizations ranging from governments to retailers will explore exciting new mobile-driven opportunities.

We'll see enhanced mobile customer engagement, including loyalty programs and e-coupons. We'll see more product information made available to mobile users to allow them to search for and compare products prior to purchase. Mobile sales capabilities will allow customers to purchase goods and choose where to pick them up. Social media advertising and location-based promotions will be deployed to influence store traffic, while mobile point-of-sale solutions will make checkouts easier and improve the "last mile experience."

Companies will capitalize on smartphone capabilities such as cameras, gyroscopes and GPS to develop innovative offerings. They'll capture data about users' movements, purchasing behaviours and preferences, enabling them to learn more about customers and tailor ads and offers more effectively. As more and more data becomes available, customer privacy and standards will be a major priority. Outbound customer engagement will need to follow guidelines and logic to create demand and enhance the shopping experience.





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Key takeaways

- ✔ **Anticipate future developments** in mobile technology – don't just focus on what's available today.
- ✔ **Use mobile to enhance** the overall customer experience. Don't simply look at mobile's transactional capabilities.
- ✔ **Make small bets:** Mobile in 2013 is still very much a new frontier. No winners have been crowned – though they're likely to be the ones who put their customers first, understand their needs, and work with other stakeholders instead of going it alone.
- ✔ **Be flexible in planning** your mobile strategy effort. The mobile market is still in its infancy and there are many technological unknowns.
- ✔ **Be willing to invest, test and pilot** to stay ahead of the game.

Key takeaways

Starbucks' mobile app is one of the first to successfully combine loyalty points and a mobile wallet. Users can use the app to collect loyalty dollars, view balances and make payments with a barcode. The app strengthens customers' connection with Starbucks by speeding up the payment process and providing loyalty points rewards. As of April 2012, the app was the worldwide leader in app-processed payments, with 42 million transactions.

Lowe's' app enhances customers' in-store experience by providing tools to improve and speed up the shopping process. Customers can use the app to scan items, compare prices, read customer reviews and view sample room designs and recommended items in look-books. Lowe's also developed an internal app that enables employees to check inventory, order products and complete sales on the spot.





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Mobile technology becomes the “anytime, anywhere” enabler of customer loyalty

Social loyalty is emerging as a complement to traditional loyalty programs.





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The old way

Loyalty programs were pioneered by the airline industry, and they've since exploded in popularity – according to Colloquy's, the average U.S. household holds 21.9 memberships in loyalty programs but is active in 9.5 of those. These programs include points-based reward programs, coalition loyalty programs (e.g., Aeroplan, Air Miles) and proprietary programs (e.g., Starwood Preferred Guest, Shoppers Optimum).

Traditional loyalty programs operated on the premise that they generate revenue for brands. Often, traditional loyalty programs were expensive to maintain and execute. While loyalty program members do seem to spend more overall, the direct correlation to loyalty is unclear. In the end, the programs are used to retain customers – and collect customer data.

Traditional loyalty programs tend to reward short-term behaviour and points manipulation. They also reward people who aren't loyal to a brand, but rather a brand's loyalty program.¹³ Customers join traditional programs to save money, not because they love a brand.



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The new norm

Social loyalty is a new and important trend – it involves providing customer incentives through social communities. Group buying, referrals and recommendations are examples of social loyalty.

Social loyalty matters because customers trust their peers more than advertising. Over 50 percent of customers trust friends and family, while less than 25 percent trust any form of marketing or advertising – even when they’ve signed up for it. Word-of-mouth customers – those influenced by friends, family and social networks – are also very brand loyal: 67 percent will stay with a brand they like, compared to less than 50 percent of non-word-of-mouth customers.⁷

Social loyalty can be won in a variety of ways. Companies can encourage word-of-mouth recommendations and create brand advocates. They can raise a user’s social status, or unexpectedly surprise and entertain customers. They can also take part in social communities to listen and respond to customer needs and suggestions.

Social loyalty programs succeed when they recognize the brand’s best customers – existing programs should be used to track, reward and recognize top customer and influencers.⁸ Successful programs also tie points and rewards to higher-order benefits, such as premium experiences, and provide non-monetary awards that are unique to the brand and generate word-of-mouth exposure.

Social loyalty programs have their challenges, however. It’s still a relatively new practice, and many brands are taking small steps, such as adding a social layer to established programs and using proven customer relationship management strategies. It’s important to remember that such programs are only as effective as the overall 24/7 customer experience. Finally, these programs provide an unprecedented amount of customer data – but extracting meaningful insights from that data can be difficult.⁹



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Key takeaways

- ✔ **Beware of “loyalty program fatigue.”**
Traditional loyalty programs are well entrenched.
- ✔ **Use social loyalty to build more authentic connections** with communities of customers. These customers can recommend products, refer others and create a sense of buzz and loyalty around the brand.

Case studies

Moments.com, an auction site created by Starwood Hotels, allows members to bid on unique experiences such as premium concert tickets, backstage tours and sports clinics with top professionals. This makes Starwood a brand that creates highly memorable – and shareable – experiences for its members, rather than one that just provides standard rewards like free hotel nights.^{10,11}

Virgin America used social loyalty at its grand opening at San Francisco International Airport’s new Terminal 2. Virgin’s “social scavenger hunt” encouraged guests to discover the terminal’s innovative features, checking in using Foursquare and connecting through Facebook and Twitter. These social activities earned guests badges, which were redeemable for prizes.¹²



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Memo to sales force:
It's not just about sales anymore

Customer behaviour is changing. Front-line staff need to focus on delivering a brand experience, not just completing a transaction.



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The old way

It used to be that most front-line employees' efforts were devoted to completing a sale or service transaction. Efficiency was the priority, and performance metrics focused on operations and rewarded transaction speed and volume. Exceptions were made for high-value customers, but in practice this was inconsistently applied.

This focus on transaction speed and efficiency had unintended consequences. One study found that nearly 40 percent of customers felt that company staff didn't listen to their question, generating frustration and a negative impression of the company.¹⁷





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The new norm

Customers are changing – and so is their purchasing behaviour. 80 percent of customers pre-shop before they enter a store. They're better informed, more demanding, and more aware of their options for goods and services. They're used to using the Web and other channels to identify, research and buy. And their experiences with exceptional customer experience with other companies and other industries have raised their service expectations overall.

As a result, today's customers know what they want when they enter the store, bank branch or government office. They often know more about a product than the customer service representative they're talking to, which puts the employee at a disadvantage.

Retailers and other organizations now understand that front-line employees are the critical link between the customer and the brand. Stores aren't being used to buy a product – they're being used to experience the product and brand. And that's compelling companies to focus on creating the right customer interaction for their brand.

In this new world, product expertise will be an increasingly vital element in delivering superior customer service. Technology will be used to help staff keep pace with customers, who will often arrive with their own well-researched views.

Front-line staff will need to find ways to develop an emotional connection with customers in order to determine needs and foster brand loyalty. An emotionally connected customer is likely to spend nearly 50 percent more than one who is simply satisfied – but not emotionally invested.¹⁴

Front-line staff will also require the freedom and entrepreneurial flexibility to make decisions needed to satisfy their customers. Sales scripts will be a thing of the past, replaced by more fluid, natural conversations.

Performance management will change as well. Metrics will become more balanced, blending operational metrics and customer outcomes. Advocacy metrics such as Net Promoter Score and other "voice of customer" programs will be used to measure relationship strength.





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Key takeaways

- ✓ **Hire people with the right attitude** to deliver sensational service. You can teach them the necessary skills.
- ✓ **Provide staff with technology** to deliver a superior customer experience. It can be an important differentiator.
- ✓ **Align performance** management processes and compensation structures with customer service goals, instead of sales or efficiency targets.
- ✓ **Empower staff to really engage and connect** with your customers. Give them the tools and authority to do on-the-spot checkouts, offer delivery alternatives or even lower prices. Provide them with guidelines to provide consistency as well as flexibility for both regular and high-value customers. And ensure cross-channel sales and service capabilities can support this shift.

Case studies

American Express transformed its call centres in 2006, hiring staff from non-traditional sectors such as hotels and cruise lines – people who could empathize with customers, develop relationships over the phone, and also enjoyed delivering excellent service. As well, the company aligned performance metrics to customer service objectives: Customer reviews make up 70 percent of front-line staff's balanced scorecard. Since the 2006 change, the firm has seen cardmember spending rise 20–25 percent and its attrition rate drop substantially.¹⁵

Apple has achieved retail store success by encouraging store employees to focus on developing customer relationships and promoting the Apple brand, not simply selling products. Staff training focuses on teaching people how to understand customers' explicit and implicit needs. Staff are taught to create a casual customer experience and given language training to increase their effectiveness. It seems to be working: In 2012 alone, 370 million people visited Apple's 326 stores.¹⁶





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Innovation is customer driven

More and more, companies are asking customers to help them design new products and services.





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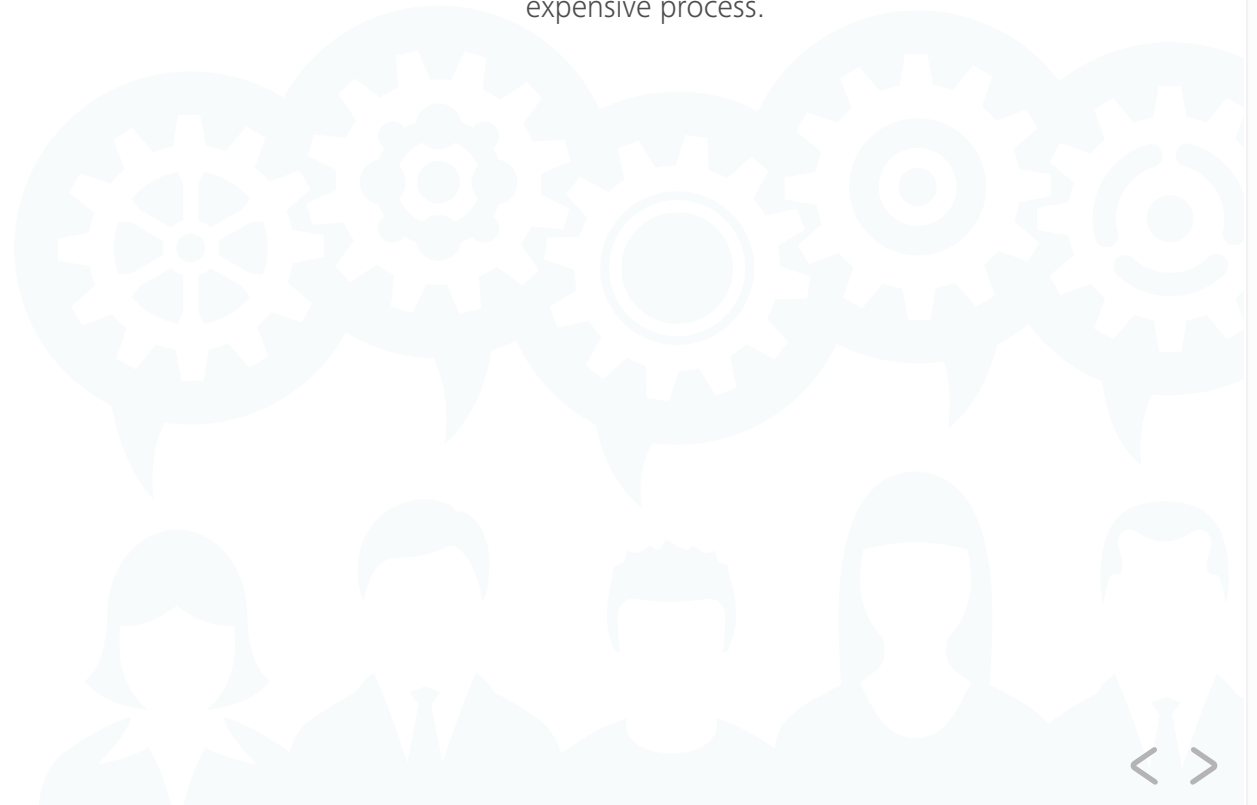
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The old way

For years, innovation was something companies did in-house. The process was sequential: Employees developed new ideas, and then focus groups and customer research were rolled out to determine value drivers and understand customer perception.

Pilots and proof-of-concept tests were used to test feasibility and market potential. Until these tests took place, organizations still faced many unknowns about their new product or service – what would customers think? Would they embrace the concept? It made for a slow, expensive process.





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The new norm

Customers are becoming the primary driver of innovation. Innovation is becoming more and more important, as product lifecycles shrink and speed to market has become a critical competitive factor. Brands face growing pressure to innovate continuously and introduce new products and services even faster.

Traditional customer research continues to be an important source of ideas and insights. But it's generally acknowledged that customers don't respond well to these artificial methods – which means their emerging needs and desires can potentially remain unidentified and unmet. We're witnessing a major downstream shift in customer input. More and more, customer input takes place at the initial ideation or design stages, instead of the product testing or market entry stages.

As a result, many companies are involving their customers at an earlier stage of the product development lifecycle. These companies are collaborating with their customers to generate new products and services more quickly and more cost-effectively – and to minimize risk.

“Test and learn” has become the new test method of choice, enabling organizations to get customer feedback quickly and respond.

Social media has dramatically improved how companies share information across their organization – and with customers. This can foster collaboration among a representative customer base and enhance innovation's network effect.

This shift towards obtaining customer input earlier is showing up in other areas as well, including sales, service and marketing.

The risk at the moment is that some companies may focus too much on customer-driven innovation at the expense of more traditional approaches. A balanced approach is a better option. Over time, customer-driven innovation will likely become simply one of many channels that companies use to develop new products and services.





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Key takeaways

- ✓ **Take advantage of the latest technology and social media platforms** to allow real-time information sharing among networks.
- ✓ **Set clear limits and boundaries around innovation.** Actions speak louder than words.
- ✓ **Ensure customer insights represent your broad customer base** – not just a connected and vocal minority.
- ✓ **Balance the new and the old.** Combine new sources of innovation input with more traditional approaches to product and service development. Don't be afraid to test and learn.
- ✓ **Define the business case for customer-driven innovation.** Consider how these initiatives can foster stronger loyalty by making customers feel more empowered and emotionally connected to the brand.

Case studies

P&G launched P&G Connection as a platform for customers to post and review ideas for new products. The program has evolved since its launch: A new website – pgconnectdevelop. – details current business needs by region and topic. P&G's externally driven innovation has been very successful, and now accounts for half of the company's innovation overall – creating hundreds of new partnerships and generating a number of billion-dollar brands, including Febreze.

Dell launched its IdeaStorm website to identify which ideas are most important and relevant to its customers. An online collaboration community allows existing and potential customers to share ideas to enhance current products or create new ones. As ideas are promoted, their "score" increases, which enables Dell to rank which suggestions and ideas customers feel are most important. Dell's customer and employee communities have generated over 16,000 ideas – at a very low cost – and nearly 500 have already been implemented.





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Social
responsibility
is here
to stay

Social responsibility is becoming an important element of any brand strategy. Customers are increasingly concerned about companies' social and environmental impact and how products are sourced and sold.





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The old way

Price and quality used to be the standard 'value proposition'.

Increased transparency has led to a new added attribute being valued by customers. A 2009 Deloitte study found that 54 percent of shoppers consider sustainability to be a factor in decision making.²²

While retailers and customer product manufacturers employ codes of conduct and audits to ensure their direct suppliers abide by socially responsible standards, supply chain risks persist – especially at earlier stages in the supply chain.

The controversy over Nike's reported use of sweatshop suppliers is a well-known example of how poor oversight of supply chain social responsibility can lead to negative publicity and customer backlash. The October 2012 textile factory fire and April 2013 factory collapse in Bangladesh are other reminders of how supply chain risks on the other side of the world can suddenly damage a popular brand.



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The new norm

A sizeable segment of the customer market is influenced by the social or environmental impact of the products they buy. Moreover, they're willing to pay a premium – 10 percent more, some studies have shown¹⁸ – for products with a better track record in these areas. Fair trade products and companies focused on socially responsible products alone have started to emerge to appeal to this market segment.

An even larger segment of customers value the social and environmental impact of products, but aren't willing to pay more for them.

Today's customers are hyper-connected and socially aware and demand transparency. In response, corporate social responsibility (CSR) programs have developed into an important means to influence brand perceptions.

Market leaders will drive the creation of industry standards that companies can measure themselves against – and customers can trust. Such a generally accepted and trusted certification can enable companies to more easily and credibly communicate their socially responsible actions to customers.¹⁹

The apparel industry's recently formed Standard Apparel Coalition (SAC), which accounts for more than one third of the global apparel industry,²⁰ offers an example of this trend. SAC members will eventually use the Higg Index – an index often used in the apparel and footwear sectors to measure environmental and social sustainability throughout the supply chain – to share social and environmental performance information with the public.



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Key takeaways

- ✓ **Look for the business potential.** It may still be a niche market, but there are customers out there who want to purchase socially or environmentally responsible products. And some are even willing to pay more for them.
- ✓ **Make social responsibility benefit your brand – and bottom line.** At the moment, social responsibility is simply a cost of doing business for many organizations. The new challenge is figuring out how to monetize a company's social responsibility efforts.

Case studies

TOMS Shoes has emerged as an early market leader in social responsibility. TOMS launched in 2006 with an innovative “One for One” approach: For every pair of shoes sold, another pair is given to a child in need. This created a compelling story for media, creating publicity for TOMS’ social goals and stylish products and effectively removing the need for marketing. TOMS quickly established itself as a “socially good” brand, and by 2012 the company had sold over 2 million pairs of shoes worldwide.²¹ It’s a great example of how social responsibility can drive business results.

Ethicalocean.com is an online retailer that sources only socially responsible products, from fair trade coffee to organic-fibre designer fashions. The company differentiates itself in the market by harnessing the power of crowdsourcing to evaluate the ethical claims of its sellers, through public reviews and community product rankings.





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Welcome to the era of micro-targeting

Finding the signal among Big Data's noise is the key challenge. But once discovered, that signal can drive finely targeted, highly effective marketing.





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The old way

Leading practices are constantly evolving. Twenty years ago, the idea of targeting based on postal codes was considered revolutionary. Ten years ago, targeting households while knowing the likely response was thought to be leading edge.

Typically, targeted marketing efforts were the domain of companies who had invested in building a marketing database from enterprise data sources. These systems usually supported customer loyalty and retention, but not acquisition. Companies rarely invested in outside data sources to supplement their internal data.

Quantitative research was used to segment the market and understand segment needs. This segmentation effort was designed mainly to support products and positioning for mass marketing activities.





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The new norm

Big Data presents opportunities and challenges for companies. Nate Silver, a U.S. statistician renowned for successfully predicting the 2008 U.S. presidential election in 49 of 50 states, suggests that Big data generates far more noise than signal – it's up to us to recover the signal.²³

Social media, open databases and new technology have contributed to a revolution in household and individual profiling. Big Data, advanced machine learning and data-mining statistical methodologies can now be used to create customer micro-clusters. These micro-clusters can be used to drive targeting of marketing messages and offers – delivering the right message with the right offer to the right customer at the right time.

Micro-targeting has emerged as the basis for aligning messages, offers and the customer experience itself to individual customers. Micro-targeting insights now not only influence downstream activities (e.g., communications), but also upstream activities (e.g., product development) and operations (e.g. call centres).

Micro-targeting is sometimes called “silent marketing.” Done well, it remains stealthily under customers’ radar – creating a favourable view of an offer or product without an obvious, big ad, announcement or message.

Companies are recognizing the value of integrating unique internal and external data sources into their marketing toolkit. These new data sources are highly varied, including weather data, census data, credit bureau information, and social media and web activity.

Geographic Information System (GIS) mapping has helped renew interest in tactical messaging and highly targeted marketing. New social media technologies such as Radian6 and Adobe’s Omniture are dramatically improving how organizations share information and integrate it into their own data intelligence efforts.

Best-in-class companies are investing in the technology to build Big Data platforms that can handle the sheer volume and variety of structured and unstructured (i.e., text-based) data.



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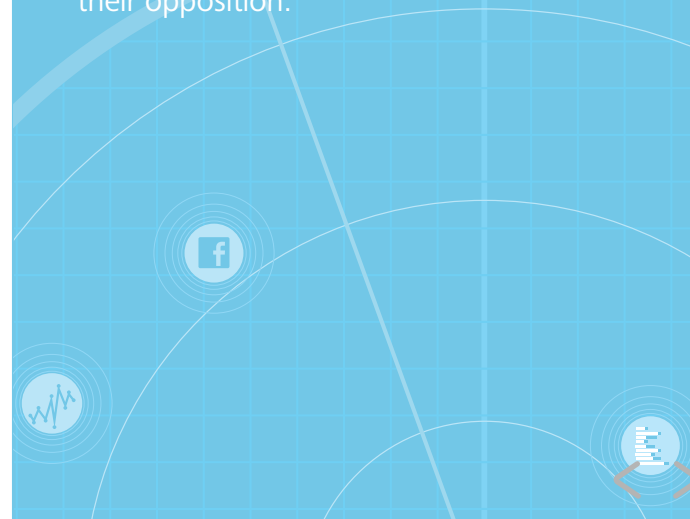


Key takeaways

- ✔ **Use a variety of customer data.** Effective micro-targeting depends on data variety – it's vital to developing a unique view of the customer. Finding and integrating those data sources remains a challenge for many organizations.
- ✔ **Create influencer models** to identify which people, organizations and media that sway decision makers, and then develop a marketing communications strategy that uses those influencers.
- ✔ **Field micro-targeted campaigns** by delivering the optimal message, proof points and offers to specific individuals, using a range of techniques: direct mail, event invitations, PR, online advertising and call centre scripts.
- ✔ **Use "test and learn" environments** to fine-tune campaigns and test responses before proceeding to full production.

Case studies

The 2012 Obama U.S. presidential campaign used data analysis and micro-targeting to help win the election. Campaign organizers employed a large analytics group and built an extensive, highly detailed voter profile database that allowed them to better understand the electorate and more importantly, identify persuadable voters to target. The campaign used sophisticated micro-targeting to tailor messages to voters in key battleground states – drilling down to individuals within households, in some cases – and execute a tactical plan than wiped out their opposition.²⁴





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Walking the privacy tightrope with Big Data

Many feel that the explosion of customer data heralds a new era in targeted marketing. But Big Data can create big privacy issues, too.





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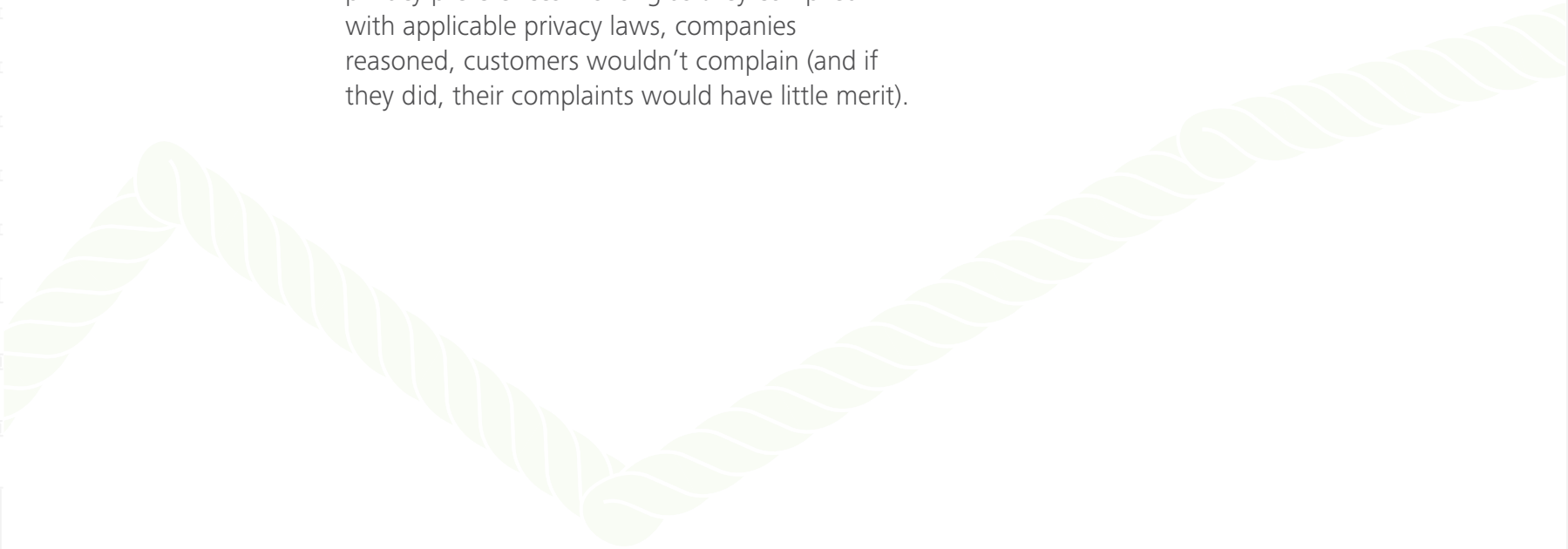


The old way

Traditionally, companies' approach to privacy focused on legal compliance. Generic privacy policies in impenetrable legal language were the norm.

Companies made little, if any, attempt to understand or measure their customers' actual privacy preferences. As long as they complied with applicable privacy laws, companies reasoned, customers wouldn't complain (and if they did, their complaints would have little merit).

Until recently, technological limitations made privacy a minor concern. Point-of-sale systems and guest registrations provided companies with some customer information – but that didn't give sales and marketing teams much to work with.





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The new norm

We'll likely look back on Facebook's 2004 launch as a turning point in customer privacy. Suddenly users had a new, social incentive to voluntarily share all kinds of personal data online. Today, what people used to keep private – friends, vacation plans, favourite restaurants and brands – has become very public.

At the same time, the Big Brother-like ability to track, store and analyze this data and other web activity has grown exponentially, leading to the Big Data era that is transforming media and marketing.

Customers' growing demands for personalized offers and experiences are challenging companies' privacy policies and practices. Customers now want to receive targeted ads and other benefits based on the information they've disclosed (or think they've disclosed) – though privacy rules may not allow this.

Companies themselves are pushing the privacy envelope too – asking users for permission to access friends' status updates and photos, or offering additional benefits to those who provide additional personal information such as personal income.

We expect to see companies revise and update their privacy policies and customer consents to reflect changes in customer behaviour and expectations and new practices in data collection, disclosure and use.



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Key takeaways

- ✔ **Update your privacy policies.** Most of the laws and regulations safeguarding privacy in Canada were passed before social media, smartphones, mobile apps, GPS and similar technologies existed. Not surprisingly, this means that most privacy policies are out of date.
- ✔ **Be transparent.** Companies that want to harness Big Data will need to be transparent about their intentions and practices – and ensure that their value proposition for doing so encourages customers to give the required consents.
- ✔ **Obtain customer consents – but use them with care.** Customer consents make targeted advertising permissible – but companies need to be careful with how they target. Customers must be aware they're being targeted and that their choice to opt out, if made, will be respected.
- ✔ **Tread very carefully when minors are concerned.** Marketers should take highly stringent approach to consent and other requirements under Canada's general privacy and advertising statutes, and they should abide by best practices in disclosure, transparency, consent, data collection limits and data safeguards.
- ✔ **Don't be creepy.** Organizations must strike a balance between customers' willingness to provide data and their privacy concerns and needs. Customers may overlook how unusually well you know them if it means they get superior offers or services.





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Air Miles (Alliance Data/Loyalty One) implemented a permission-based rewards program prior to the passage of most privacy laws in Canada. The company, one of Canada's oldest and most recognized customer rewards programs, has developed channel-specific and product-specific consent language. It has also never faced a privacy complaint.

Telus created an online prescription management system to enable patients, pharmacists and physicians to share medication and other personal health information. The system, which requires patients' express consent, has been introduced in major retail pharmacies in Ontario, Alberta and Quebec.





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The new frontier



Big Data, mobile and social media are some of the ways we have fundamentally changed how service organizations and customers interact. We find ourselves at an exciting frontier – one that offers both immense opportunities and substantial risks.



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There is no single, straight-line route to success in this new frontier. But there are some guideposts and milestones on the journey:

- **The customer experience is paramount.** Organizations must strive to provide customers with the service they expect, when they expect it. As the path to purchase continues to evolve, so too will expectations and the experience you will need to offer. Your channels, especially front line, will need to deliver that consistent and compelling experience. If you can surprise and delight them in doing so, that's even better.
- **Embrace innovation,** and ask your customers to help. Collaborate with the people who buy your products to develop and deliver what they want.
- **Exploit the wealth of customer data** available to you – but do so transparently and ethically. Invest in uncovering the signal from the noise of Big Data, but always stay on the right side of privacy.
- **Redefine 'social' within the context of your organization** and build upon your existing capabilities with new ones aimed at enhancing customer loyalty by rethinking the traditional program model, as well as gaining a clear understanding of the way your customers feel about your social and environmental footprint to understand the impacts to your brand and business model.
- **Go mobile.** More and more customers interact with each other and their favourite brands over mobile devices. It's vital that they can reach your brand over their tablets and smartphones – and it's equally important that you can reach them over those same devices.
- **Explore the capabilities and opportunities of new technologies.** A few years ago, delivering a tailored service or sales offer to an individual customer as they interacted with you was the stuff of science fiction. Not anymore.





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Contact us

It's an exciting new frontier – and at times a daunting one. Deloitte can help you plot your journey, working with you to develop a strategy that makes sense for your business and your industry. To learn more, contact your Deloitte executive.

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