



Digital Consumers
Anytime, anywhere – just a click away

Digital Consumers are those who have embraced new digital devices and service models to have immediate access to personal and business information, stay in touch with social networks and make their lives more efficient and fun. Highly informed, demanding and impatient - Digital Consumers are rapidly redefining value propositions in every industry.





The Digital Marketplace

- Technology enabled touch points

Technology driven innovations spanning the Internet, telecommunications, media and the social space have created a force of tremendous potential - the **Digital Consumer**. Defying established norms of behavior while communicating, consuming, transacting or learning, the Digital Consumer's expectations can no longer be fulfilled by conventional means. Digital devices such as computers, mobile phones, handhelds and PDAs are the chosen mediums for social networking, information sharing, transaction and entertainment. The Digital Consumer transcends age barriers and spans every generation. The reliance on internet research and the significance accorded to the opinion of online community members, as opposed to traditional 'sponsored' communication in decision making is what makes Digital Consumers special.

Every enterprise can ready itself for the new age economy by:

- Using data analytics to identify new consumer bases and trends
- Facilitating interactions between enterprises and their next-generation consumers
- Selecting consumers for profit maximization

Tomorrow's enterprise will have to deliver personalized and compelling services to its customers. Connecting with smarter and informed resources outside the enterprise is crucial and enterprises need to find effective ways to achieve this.

// Consumerization of Communications & Information Technology is enabling **You - the Individual** to be engaged in value creation in ways, and on a scale, as never before... //

Time magazine- Person of the year //



Immense Possibilities

- Are you logged in?

The question that enterprises must ask:

Do you touch your consumer occasionally or is your brand an integral part of the consumers' day-to-day life?

Finding answers should begin by

- Enhancing social media presence for brands
- Actively transcending from consumer feedback to consumer participation
- Listening, learning and leveraging interactions to nurture, sustain and enhance engagement

For a leading shoe brand, consumer engagement was not just about selling footwear or increasing store footfalls, it was all about delivering a unique experience.

The brand adopted the latest in technology and created an online platform to offer a wide range of services and enable social networking opportunities. The outcome was an innovative "Experience kit" which included a wireless device for transmitting speed and distance information from sensor-equipped running shoes to a special wrist band. Runners could track their progress, set personal goals, organize contests or simply enjoy running with their friends.

This resulted in several million miles being uploaded, over a million runners and a perceptible increase in market share. This example illustrates the three important trends that characterize Digital Consumers - self-service, personalization and co-creation.



Consumer Connect

- New expectations, fresh opportunities

Digitization is a reality that tomorrow's enterprise has to factor into every strategy, plan and action. Enterprises will need to adapt with alacrity, re-orient processes and re-align businesses to cater to the Digital Consumer. Enterprises must harness power by addressing the need for independence, uniqueness and participation by leveraging any or a combination of three principles – self-service, personalization and co-creation.

Consumer behavior in the digital marketplace is governed by the following dynamics:

- **Personalization and convenience:** Digital Consumers expect to be acknowledged as unique entities, demanding customized products and personalized services. Digital media has ushered in the era of micro-purchase and micro-payments, thereby enabling consumers to maximize value from every transaction.
- **Experiences and entertainment:** It's not just about the purchase and consumption of a product or a service – it's all about the experience. Digital Consumers appreciate innovative experiences and seek to be engaged in new and exciting ways.
- **Peer influence:** A prominent characteristic of Digital Consumers is that they discount the value of company campaigns and other forms of push communication, and depend extensively on peer recommendation.
- **Easy and secure purchase:** Over the counter transactions are passé. With information becoming ubiquitous, consumers are unwilling to defer fulfillment and can make purchase decisions anytime, anywhere. Besides ensuring speed and ease to the buyer experience, enterprises will have to ensure invincible security for every transaction.
- **Transparency & accountability:** The advent of digital media and contingent ease of information sharing have raised consumer expectations regarding integrity, transparency and accountability. Enterprises that do not factor these in will soon garner negative opinion and receive outright boycott.
- **Ubiquitous connectivity:** Consumers expect uninterrupted connectivity and unfettered access to information and commerce.



Digital Dynamism - Redefining consumer interaction

No longer 'business as usual'

This global leader in silicon and silicon-based technology created a revolutionary low cost trading model - the sector's largest online portal - to provide exemplary flexibility for consumers. Today, 30% of sales originate online, nearly three times the industry average.

As you like it

Consumers of this leading online retailer of certified diamonds create their own jewelry. They can select the appropriate diamond, set it in their favorite earring, pendant or ring design and pick from options for Finance,

Ring Sizing, Gift Packaging, Personal Shopping Consultants and Custom Jewelry - ensuring a highly personalized shopping experience.

Collaborative innovation

This global food and beverage major ran a very successful program where consumers were invited for an open dialogue to help roll out a new collection of flavors. The initiative included voting at each stage along with the right blend of offline activities propelled by an increased social media presence. The result was a large fan following and immense pre-launch publicity for the winning flavors.



Consumer Engagement

- Three defining trends

Self Service

Self-service or the ability to help oneself is now a familiar concept and an essential feature of many industries. Besides addressing the consumers' desire for disintermediation and the need for control over transactions, self-service increases transparency, optimizes resources and reduces transaction time.

Personalization

Enterprises must appreciate the uniqueness of every consumer and use this knowledge to customize their

offerings. Personalization enables enterprises to create unique business value by crafting personalized experiences, products and services to meet the needs of micro-segments or even individual customers.

Co-creation

Co-creation enables enterprises solicit the active participation of the ecosystem and harness collective intelligence to design new products, services and experiences. Co-creation helps enterprises leverage consumer engagement to facilitate collaboration and accelerate the innovation journey.



Self Service - a case in point

Scenario:

This leading specialty baby products retailer started out by delivering consumables, such as diapers and wipes to parents with free 1-2 day shipping and a focus on customer service. In late 2008, the brand expanded its portfolio into other baby categories, including clothes, car seats, strollers and toys. Today, the brand is the largest pure play online retailer for every baby product.

Situation / Drivers:

The company realized that consumers would not like to spend time purchasing standard products. They do not want to touch, feel and see them before making repeat purchases. They needed a convenient purchase option.

Focus:

The brand began with online sales of standard and everyday consumables in high volumes with prices at par with large discount retailers. The brand expanded its online presence in 2010 by offering a personalized and authentic shopping experience combined with an array of products that surpassed the big retailers.

Innovation:

As an online order-home delivery business with products positioned at price points similar to big discount stores, the brand created a revolutionary supply chain. This ensured an efficient and cost-effective delivery process - fundamentally transforming how people bought products.

Outcomes:

- Both retail websites were acquired by a multinational corporation in a deal worth \$ 550 million in late 2010.
- Revenues are expected to rise to \$1.3 billion in 2012
- Success with a single product category led to constant inclusion of new categories. The site today sells around 60,000 items including 10,000 car seats a month, making it the largest retailer of baby car seats online.

Point to ponder:

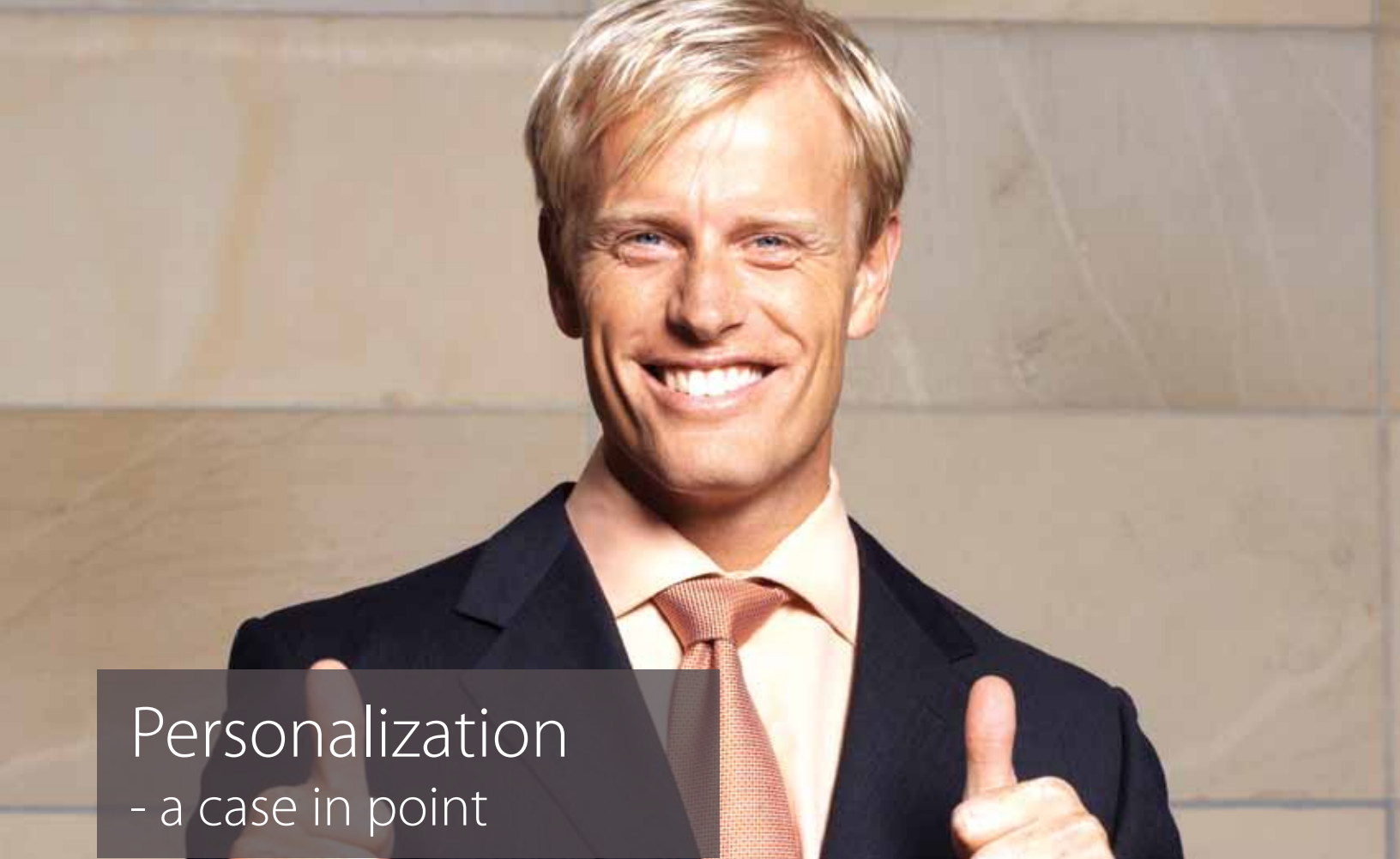
What radical shifts are you bringing into your support functions to gear up for a self-service facilitated business?



Self Service - Consumer in control

While the basic objective of Self-service is to render customer service in order to create better experiences and ensure satisfaction, a little creativity can provide additional benefits. Information on common customer requests or grievances captured by an automated system can be analyzed to understand preferences and subsequently factored into the enterprise's product development and innovation processes. Self-service channels can be used to improve consumer awareness of products and services.

When used within the enterprise, Self-service provides employees with better access to information and when deployed in the partner eco-system, it helps third parties gather knowledge and initiate swifter action. However, Self-Service also brings its share of risks. Enterprises must ensure that a Self-service option does not make consumers work harder than before. They must also take care to prevent this from being relegated to yet another tool or channel thereby increasing complexity rather than alleviating it.



Personalization

- a case in point

Scenario:

A group of individuals came together united by a common desire to design custom made shirts that brought with them an air of exclusivity in the world of fashion. They established an enterprise in 2007 at Dallas.

Situation / Drivers:

The founders discovered that there was vacuum when it came to delivering quality custom clothing along with personalized service. This fact gave shape to their vision and the business was born.

Focus:

The brand promise was to offer a shopping experience unmatched by conventional retail stores. Consumers can now choose from an extensive array of fabrics, select a personalized style and get a tailored fit. Personal style advisors act as the brand's sales force, visiting each consumer at his home or office, take measurements and provide an exclusive, stress-free shopping experience. Consumers can also shop using the internet and an iPhone app. The clothes are stitched in China and shipped in two weeks.

Innovation:

The brand sources its own fabric and eliminates the retail middleman, acting as a direct-to-consumer manufacturer, backed by a sales force of 800 style consultants.

Outcomes:

- Currently selling about 8,000 button-downs a month, the brand expects the figure to almost double next year.
- Some 30,000 shoppers have bought clothing or accessories with an impressive rate of 93% repeat purchases.

Point to ponder:

Are you redefining the way you do business, design products and services to offer personalization to the consumer?




Personalization

- Crafting customized experiences

Being opinionated and value-conscious, Digital Consumers are sure of what they want from each interaction. They are individualistic and expect this to be reflected in products and services, craving a high degree of personalization. Hence, it is imperative that enterprises make the transition from a macro-segmentation outlook to micro-segmentation or what is termed as "N=1".

While applying the N=1 principle to serve the needs of every individual or micro-community was quite impractical before the internet, social technology made it possible for enterprises to interact with millions of their consumers on a one-to-one basis at a very low per unit cost. This concept is now a strong motivational factor for enterprises to adopt new business models, culture and processes to effectively engage the Digital Consumer.



Co-creation

- a case in point

Scenario:

This toy brand faced tough times at the beginning of the millennium with the advent of technology based games. It revived itself with a line of programmable robotics / construction toys - staying ahead of the game with Co-creation strategies.

Situation / Drivers:

A classic example of outside innovation in action, the toy brand leveraged work done by leading researchers. Within two weeks of the launch in 1998, adult hackers reverse-engineered the firmware and developed additional software programs to program these robots. The brand encouraged the consumer-led extensions to the product line, giving hackers a license to extend its software and firmware thereby encouraging a healthy ecosystem. This inadvertent innovation set the background for the next product to be co-created.

Focus:

After selling 1 million of these robotics kits - and sponsoring robotics competitions all over the world, when the brand was ready for a next generation product, it turned to its consumers again. Besides recruiting a small group of consumers from the hacker community to consult with them on the design of the next generation product, the brand also created an online community to challenge consumers to co-create and submit ideas.

Innovation:

The toy brand has really made progress through co-creation inviting 4 expert users and master-builders to help design the product. The enterprise also sponsored unofficial blogs and social networks that mushroomed around the brand, besides driving co-creation through communities and events.

Outcomes:

- Product has held the market for 8 years and sold about 1 million units.
- Hundreds of user-originated innovations.
- Fans of the brand meet face-to-face to share their special creations and construction techniques thereby providing brand managers with crucial market intelligence.
- Several new product lines including an online game created by brand loyalists.

Point to ponder:

- Did you make the mistake of challenging a consumer in co-creation and losing him or her?



Co-creation - Harnessing collective intelligence

Far from being passive bystanders, Digital Consumers are active, aware and assertive. This combined with the fact that enterprises are engaging their consumers, has given birth to the co-creation phenomenon. The consumer is increasingly becoming an integral part of the product development and innovation process.

Co-creation harnesses the collective intelligence of consumers and partners to accelerate innovation and

shape products and services. However, while enterprises leverage this tenet to create new products, services and experiences, it is important to realize that the co-creation cannot be managed without the support of external stakeholders. Also, innovation cannot be nurtured without a supportive environment and the appropriate mix of organizational culture, systems and processes.



The Digital Dialog

- Nurture, sustain & leverage

Summary

The Digital Consumer is a game changer with clear expectations from every interaction. This scenario is heralding new trends, inducing enterprises to perform a fundamental review of their businesses and place the Digital Consumer at the core of their existence. This also provides a unique opportunity to capture the imagination of consumers and ensure their loyalty by enabling meaningful self-service, providing micro-personalized products, services and experiences and engaging them in their innovation process through co-creation.

While these concepts have been in vogue for some years now, it is our view that enterprises have barely scratched the surface in unlocking the true potential of the Digital Consumer. It is critical that enterprises broaden their outlook and institute the necessary cultural and organizational changes to sustain the dialog with the Digital Consumer.

Recommendations

- Seek Self-service to gain consumer confidence and loyalty. Enterprises should provide ubiquitous access to products and services to avoid losing consumers to more readily available solutions from competition.
- Enterprises should look at centralizing their self-service programs under the leadership of the CMO and include them within the overall distribution channel strategy. Next, they must push self-service strategy beyond the narrow confines of its nomenclature to redefine the rules of customer engagement.
- Business processes and supply chains need to be re-engineered to realize the true benefit of Co-creation.
- Enterprises should leverage micro-personalization to reap benefits such as wealth creation from the long tail, cost reduction and operate-on-demand, crash time-to-market for new products and raise the success rate of innovation by providing direct knowledge about shared customer preferences and habits.

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