



THOUGHT
LEADERSHIP

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in a Connected World

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What is good customer service?

What does it look, sound and feel like?

Once you've imagined that, now think of bad customer service. An experience that everybody has gone through at some point in their lives. "Waiter, there is a fly in my soup? Don't worry sir, ignore spider on your bread, we'll soon get him!"

Bad customer experience has often been a source of TV comedy. Who can forget Julie Walters' dodderly waitress on *Victoria Wood: As Seen On TV*.

After several agonising journeys between the table and the kitchen, diners Duncan Preston and Celia Imrie finally get their “two soups”... only for most of it to end up on the floor. “No tip?” Walters grumbles to herself after they’ve finally walked out in disgust.

Then, of course, there is the U.S. equivalent in a legendary *Seinfeld* episode. Soup gags always sell well.

Businesses in the past could often get away with bad customer service for various reasons: they operated a monopoly; their customers didn’t know their rights; and it wasn’t so easy to share negative experiences.

That is all changing in today’s hyper-connected world. A bad customer experience can go viral faster than the time it takes for a jumbo jet to get from the terminal to the start of a runway.

Why Beating Up Customers is Bad for Business

A more recent example is that of David Dao, the doctor who was dragged from his seat on a *United Airlines* flight. The ensuing bad publicity has been extensively covered from all angles - or so it seems. According to an *Atlantic* article, the reason behind the doctor’s treatment was an overly enthusiastic algorithm.

“Dao was more likely to be chosen than others because he wasn’t connecting to another flight, and based on the fact that the algorithm selected him, he probably didn’t rank very highly in United’s rewards program,” wrote *Atlantic*.

Apparently, a passenger’s itinerary and a customer’s value are the main criteria an airline considers when picking who to bump from a flight. United’s small print

states this quite explicitly, as the *Atlantic* article reports:

“The priority of all other confirmed passengers may be determined based on a passenger’s fare class, itinerary, status of frequent-flyer program membership, and the time in which the passenger presents him/herself for check-in without advanced seat assignment.”

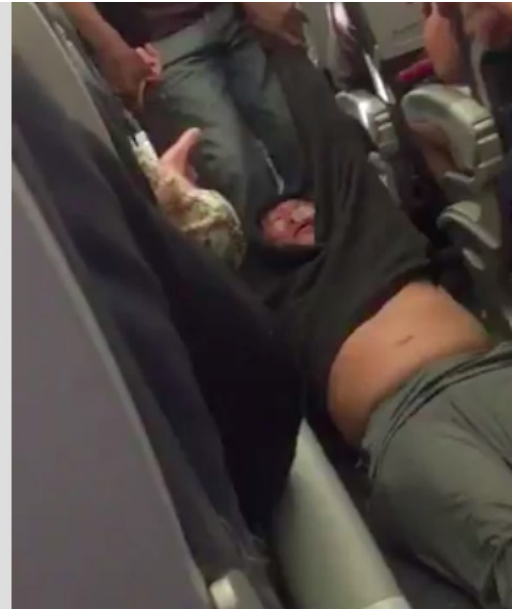
So, there you have it. Even in today’s world, some customers really are better than others.

Some Customers Good, Other Customers Even Better

To anyone that has ever booked a train ticket in the U.K. this will hardly come as a surprise. While the standard carriages are packed to the rafters, the First-Class carriages are hardly populated and at times empty.

One doesn’t need to be a [working-class hero](#) to wonder if this is the best way to promote brand equity in today’s connected world. For some time, frequent flyer programmes have been the cause of customers anger. Airlines use these programmes to pool data on their passengers and track details like a customer’s favourite route, the fares they pay and extra services they buy.

The concern is that airlines can game out the value of each customer, and treat them accordingly - simply because they can. If you need to get from London to New York by plane there are only a certain number of routes, giving airlines greater power.



Customer Discrimination

Modern day retailers can subtly discriminate between high and low-value customers. It is reportedly common practice to give coupons and discount to their 'best shoppers' to keep returning. A common-sense strategy, I hear you say? Yet, these same retailers withhold them from the 'bad' ones, e.g. those that tend more to return items, or simply purchase goods that don't make the business a lot of money.

In the connected world, this process is replicated by online stores too. Many online stores will covertly direct dissimilar shoppers to different ads and prices, and edge them away from certain products or services. Many shoppers are probably vaguely aware that this is going on and frankly don't care, reasoning that a whiff of sulphur has always accompanied the business of selling.

There has typically been an element of cat-and-mouse attached to the act of buying and selling. It is vital that consumers equip themselves with more knowledge and data to combat this discrimination. Yet, will this happen? Hardly. Clearly, the boot is on the other (*Gucci* or *Primark* shod) foot.

Businesses often claim to be focused on the 'customer experience', yet why do many fail to keep that promise?

Technology such as social media may have given consumers the upper hand, but there is a dark side to that power

Big Brother is watching you

'Big Brother is watching you'. A term immortalised by George Orwell's *1984* and *Apple's '1984'* ad attacking *IBM*.

Normally, this term is hurled at governments that overreach themselves. In previous times, Tony Blair's government faced similar accusations when it attempted to introduce ID cards in the 2000s. President Obama faced the same when creating the Affordable Health Act (dubbed 'Obamacare').

Yet, in the connected world, this concept is becoming intertwined with corporations, especially the Silicon Valley technology giants.

The explosion of tech firms from *Facebook* to *Uber* has granted the customer an abundance of options.

Cheap travel and sharing your life with friends online costs next to nothing.

Surely, it is a great time to be alive?

Yet tucked away in the dark corners of these Silicon Valley giants lies a dark secret - one ignored by all consumers at their peril.

The Economist in a recent report discussed the idea of 'learned helplessness', something that every single person has experienced when downloading an app. In accessing the app, the consumer must 'agree to the terms and conditions'. 'Terms and Conditions' are a part and parcel of everyday life, from mortgages to buying a car. But on the connected world it has a snag.

For example, how many people have read the 'iTunes Terms and Conditions'? Very little. If you had read it, you would realise that hidden in the small print is the line that 'all items purchased from *iTunes* are not owned by the consumer and that when that consumer dies, it reverts back to *Apple* ownership not to family ownership'.

This was only exposed when *Die Hard*

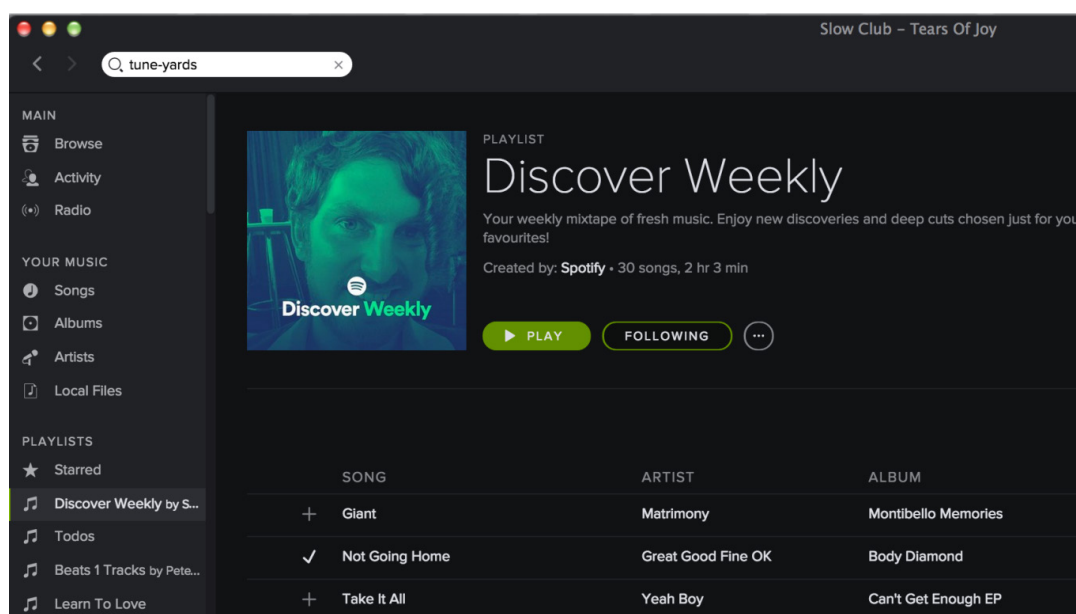
star, Bruce Willis took *Apple* to court over the issue in 2013.

Similarly, any users of *Uber* will be happy to know that to use the app, you must grant *Uber* the right to track your location 24/7, even when you are not using the app. What if I say no, I hear you ask? Well, you will have to make do with a pickup location, which defeats the purpose of the app.

Fake News, So Fake.

It is not just terms and conditions that corporations are exploiting. Another powerful tool is algorithms. Algorithms are a blessing for consumers as they present them with a tailored selection, saving them the time and hassle to sort through masses of options.

On *Spotify*, customers are presented with a Discover Weekly mixtape based on their listening history. *Netflix's* users are given a rating for every film and TV on the service based on their viewing history. Likewise, *Amazon* recommends new purchases



based on past purchases.

The king of this technique is *Facebook*. In *Facebook's* News Feed, individuals will experience only stories and people based on similar interests. The inevitable result is a division of people, especially in last year's US Presidential election.

Those who supported Trump, will only see pro-Trump stories from *Fox News* and *Drudge Report*. The most infamous being that the Pope endorsed Trump for President. Whilst those who are anti-Trump will see *New York Times* articles and videos of *Saturday Night Live's* Alec Baldwin and Melissa McCarthy as Trump and Spicer.

Making Profits out of Your Data

Yet, it does not stop there, *Facebook* and *Google* have further refined their techniques. Through the concept of 'Cognitive Services', both firms can build a user's personality based on their viewing history, clicks and writings - information which they sell onto third-parties with ease. A common joke when meeting *Google* employees is to remark 'Which advertising company do you work for?'.

Where exactly is the line between customer centricity and customer manipulation? Can we really say privacy is non-existent in the connected world? These are the questions that dominate governments, with the UK government to its credit is investigating.

The more broader question is: what can the consumer do? Protest or refuse to sign up and be frozen out. So, with a shrug of the shoulder, the consumer surrenders their privacy and data in exchange for the 'funky and cool app'.

That is the true price of customer centricity in the connected world.

Increasing Fragmentation and Complexity

To some, customer centricity is more than just a slogan or a standard platitude about good client service. Rather, customer centricity should be viewed as a strategic operating model that presents the customer with one face, one brand.

This problem is not confined to the front end of corporations. As a recent *Forbes* report revealed, the top technical barrier for delivering customer-centric experiences was the inadequate integration with back-office systems. Investing in data and analytics for investment's sake is not good enough. Businesses are failing to enrich customer insights into their marketing and customer-facing interactions.

Enriching the Customer Experience Provided by Insurers

So far, this report has been focusing primarily on the direct consumer experience, but at an enterprise risk level it can be even more challenging when there are intermediaries in play - agents, dealers, brokers - as we find in our own insurance sector. Why? Well, because insurance carriers - particularly in the big ticket Specialty market - tend to forget about the consumer at the end of the value chain; there's more distance to travel, higher levels of fragmentation and deeper complexity.

At the same time, in insurance there can be a tendency to concentrate more on



products and feature-led initiatives rather than on the end customer's concerns.

There are signs that the insurance market is beginning to understand this concept. In the last two years, there have been insurtech firms like *Lemonade* and *Trōv* which have grown in popularity due to their easy-to-use apps that appeal to Millennials. It was no surprise that *Allianz* recently invested in *Lemonade*.

It's the customer, stupid!

When Bill Clinton ran for President in 1992, his campaign coined the phrase, 'it's the economy, stupid!' to demonstrate his laser focus on the economy.

The insurance industry would do well to take a leaf out of Clinton's playbook and have a laser focus on the customer. At the ACCORD London Forum, Rodney Bonnard, Head of Insurance at EY deployed the same message, arguing that the sector needed to focus on four areas:

1. *Digital and Omni-Channel Distribution*
2. *Big Data Analytics*
3. *Core Legacy Systems Transformation*
4. *Cyber Security*

However, if the sector truly wants to adopt a whole customer centricity position, it needs to wake up to reality about data. Data is about an opportunity, as the tech industry has shown, and a risk, as the recent ransomware cyber attack demonstrated.

Regulators woke up to this a long time ago, and there is a danger that enterprises and their insurance partners are only starting to catch up. Nowhere is this more demonstrated than by the EU-inspired General Data Protection Regulation (GDPR).

In next month's issue, Russell Group will analyse the ins and outs of the GDPR regulation and its impact on the insurance sector. Yet, for customer centricity, GDPR looms very large. A data breach of a customer's data could see the likes of *Facebook et al* faced with a fine of up to €20 million or 4% of a company's global revenues/turnover. Currently, the maximum fine from the Data Protection Act is €0.6m.

The GDPR does at least recognise the scale of the connected risk presented by hackers and, more importantly, it offers a template that gets to grips with the 'rights' of 'data subjects'.

It seems that in the customer centricity world, the regulators are taking back control!

Is the consumer predator or prey?

In previous decades, customer centricity gave the consumer abundance of choice, rather like a supermarket. 'The customer is king' hailed the textbook economics, as the post-war era was filled by companies employing the likes of *Don Draper* to entice customers to purchase products.

Those *Mad Men* days are long gone and with them their outdated concept of

customer centricity. In the connected world, data and technology have formed together to create a new meaning of customer centricity.

Data is now used to discriminate, manipulate or (in the case of *United Airlines*), humiliate a customer. Next time you download an app or rave about the genius of *Facebook* or *Uber*, remember there is always a price to pay. That price is that companies are monitoring your movements and building a profile of you to sell to other firms.

That is 'Customer Centricity in the Connected World'.

Russell Group is a leading risk management software and service company that provides a truly integrated risk management platform for corporate risk managers and (re)insurance clients operating in an increasingly connected world.

Connected risk refers to the growth in companies which are increasingly integrating across industrial sectors and geographies, and creating greater levels of risk. This exposes corporates and (re)insurers to a broader range of inter-related perils, which requires a risk

management approach built upon deep business intelligence and analytics.

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