



Consumer Empowerment—A Rare Innovation Opportunity

Social Networking and Web 2.0 Empower the Individual

- Consumer empowerment is a new market force. It digitizes word of mouth, arguably the most powerful and invisible determinant of customer relationships.
- In 2007, individuals have the means to produce and distribute written, audio and video content globally, using free Web 2.0 technologies like blogs, wikis, podcasts, vlogs and social software.
- Intermediaries such as Technorati, Wikipedia, YouTube, MySpace and iTunes provide globally accessible spaces in which people collaboratively create, edit, rate and package knowledge on every subject.
- Therefore, individuals can create collective voices that can rival the reach of commercial and government organizations, which have been accustomed to controlling information about their reputations, offerings and performances.
- To thrive in this environment, organizations must develop sensibilities and processes to interact with people about a far wider range of topics than ever.

Market Advisory

The empowerment of the individual represents a rare opportunity to drive innovation and competitive advantage by collaborating with customers.

Emergent Tribes Can Be Viable Partners for Organizations

- Social networking and Web 2.0 enable people to connect and collaborate easily and productively. Sizable groups self-organize quickly around specific interests, and online collaboration tools enable them to coordinate action.
- Online tools and spaces enable people to create collective knowledge about any subject, and the spectrum of unedited, unvarnished online information is quickly widening. Technology tools and collaboration processes magnify individuals' knowledge significantly.
- Growing richness of interactivity increases collective customer experience of every product and service. People discover offerings together, and extensive information sharing serves to reduce life cycles because all aspects of differentiation are explored and consumed. Competitors have access to information about the offering—and more importantly—how it creates customer experience.
- Individuals' voices, work processes and tools will increasingly make them viable partners for large organizations that seek to understand experience as the foundation for innovation.

Innovation Is the Core Competency of the Early 21st Century

- Innovation can be defined as commercializing discontinuous thinking as a new offering that creates high value customer experience.
- Industrial Economy companies focused on efficiency and long product life cycles. Innovation's discontinuity ran counter to their DNA, and results were consistently poor. It was difficult to create products that delighted customers because internal experts largely led the innovation process.
- In the emerging Knowledge Economy, value is created by knowing how to create relationships and customer experience with products and services, which provide decreasing differentiation in themselves.
- The vaunted 360° view of customer experience is becoming attainable due to the growing amount of passive (CRM) and active (customer-provided) information.
- Social networking and Web 2.0 make it economically feasible to collaborate with individuals in order to understand experience and to innovate in many areas of the enterprise.



Empowered Customers Can Make Enterprises More Competitive

- Every offering has key customers who are excited about it, and they are gratified by exchanging information and being recognized for their contributions. They willingly advise and service other customers.
- Individuals often trust each other far more than company representatives because the former are offering advice because they are passionate, not paid. Moreover, customer-to-customer advice takes place in a group setting, and the group vets the quality of the advice.
- In many cases, customers are better qualified to help other customers to have better experiences than company employees are. Employees by definition have a company perspective on the offering, not a customer perspective. Customer advice seamlessly integrated with company expertise is paramount.
- By helping customers to advise and service each other, the enterprise can amplify the value of its expertise and provide superior experience at a lower cost. By recognizing customers' core competency at communicating with other customers, enterprises can think about "sourcing" appropriate "services" from other customers. However, they must make it gratifying; customers do this in their spare time.
- Enterprises that develop the competency to facilitate customer-focused collaboration will dominate the economy. Their innovation will be peerless and completely sustainable.

Enterprises that do not learn how to facilitate customer-focused innovation will increasingly find their market positions eroding.

Customer-Driven Innovation Means New Thinking and Adaptiveness

- Customers have pent-up enthusiasm for "making a difference." They get involved because they are passionate about their experiences, and contributing makes them feel good.
- A large part of customer experience and total value for all offerings will be customers' ability to get involved and contribute; many people will do this instead of watching passive entertainment. It is collective problem solving and recognition, perhaps comparable to gaming.
- To communicate effectively with individuals, organizations must become more human. They must develop the processes to interact outside the usual areas like "job opportunities," "local PR" and customer segment thinking. This can be approached as an evolutionary process.
- However, engaging customers on the "front end" of the enterprise will provide relatively little benefit unless "back end" processes are agile enough to address customer wants. This risk is akin to the early days of e-commerce in which companies threw up websites and exposed their back end shortcomings.
- Retrofitting the enterprise for the Knowledge Economy will be a prolonged effort, but it can be achieved iteratively—while producing incremental value. It is more of a journey than a destination.

Globalization Is Changing the Rules

- Globalization is far more tangible and actionable than ever before, and it offers executives chances to tap new customers *and* new resources.
- Economists have spoken about a "global" economy for years, but technology has created a bazaar beyond wildest dreams. For many companies, growth lies in emerging markets, but to win these customers, they will use new approaches. In China and India, for example, emerging middle classes are online by default. Innovative intelligent crowds will have a much greater say in driving buying decisions and creating (group) experience.
- Astute companies will get closer to customers by collaborating with knowledge workers in these markets and leveraging their expertise. Due to online collaboration tools and increasingly standardized business processes, this is far more feasible than ever before.



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- Intermediaries create markets of providers and customers. As people interact globally via Web tools, they develop similar work habits and skills, which grows the market of suppliers and providers.
- On the threats side, information about business is increasingly real-time and digital, and processes can be analyzed, quantified and compared far more easily. This transparency, along with growing network infrastructure, enables global providers to execute business processes. Providers have diverse means to compete and challenge incumbents from many unexpected angles.
- For the last three centuries, much of the world has been in the Industrial Economy in which work has been encapsulated in products. Companies added value by creating efficiencies in production, distribution and marketing, which led to richer feature sets and lower prices. However, commoditization is palpable in virtually every mature business, as information about offerings' differentiation flows freely. Customers consume ever more quickly, and competitors emulate and leverage their lower costs. This is true for increasing numbers of product and service businesses.

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2007 Action Steps

- Think of customer-generated messages as another channel that will gain increasing leverage with time. As "Internet" or "online" marketing was a small part of your mix in the late 1990s, your task became to learn its unique potential and to integrate it into your overall communications.
- Interact with thought leaders who can help you get out of the "marketing process execution" mindset. These developments will dramatically affect customers' perception of value. For many companies, how they interact, share and collaborate with customers will drive the brand experience as much as, or even more than, the product or service the company offers.
- Study customer behavior for select offerings in terms of experience, and locate emerging forums in which customers share their experiences. Product management may understand "customer experience" as usage contexts around products; however, customers use products and services as means to having experiences, especially when other customers mirror them. Having experience reflected by other customers boosts awareness. It can change expectations of the group quickly and profoundly.
- Survey existing processes by which your company communicates with customers. What communities does your company host, or in which communities do you participate?
- Regularly monitor blogs and social websites, and study their demographics. Have selected employees contribute to social networking sites and blogs.
- Create plans for engaging customers in direct, open group conversations, and for piloting a customer community. For many companies, beginning in a third party environment is beneficial. Often, the best way to increase your "customer quotient" is direct contact and joint problem solving.
- Managing expectations is as important as ever. Before getting involved in group customer conversations, think through what actions your company is ready to take to address issues. Customers often have little patience for excuses; they have heard them for years.
- Proactively address key legal ramifications. Open customer communication and collaboration will be a core competency that most businesses will need to remain competitive. Therefore, your company must strike a balance between opening up enough to develop the competency while mitigating risk. This is new ground for attorneys as well, and you will not get it right the first time. For many businesses, the price of waiting too long will be very high.
- Learn from employees who are active bloggers, vloggers and video contributors. Create a mentoring program to share and extend knowledge. Create measurable competencies.



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- Prepare for closer collaboration with customers and knowledge workers in emerging markets. If you market to them currently, insist on more grass roots relationships with agency affiliates. Select employees or proxies to participate in customer-relevant communities and social network sites, ask for rich information and use in your planning.
- Consider collaborating with partners to engage emerging markets. Strive to engage customers directly; do not depend on proxies for this knowledge.

Related Thought Leadership

- Web 2.0 Means Marketing 2.0
<http://www.illinoistech.org/technologynews.aspx/907>
- Social Networks and Web 2.0: Transforming Relationships
http://www.rollyson.net/download/Soc_Nwks-Web2-r.pdf
- The Knowledge Economy: The Ultimate Context for Understanding the Future
<http://globalhumancapital.org/archives/124-The-Knowledge-Economy-The-Ultimate-Context-for-Understanding-the-Future.html>
- How the Knowledge Economy Will Transform Markets and the Producer/Consumer Relationship
<http://transourcing.com/download/KgEconexesum2-TSg.pdf>
- Transformation: From Self-contained Company to Networked Global Organization
<http://globalhumancapital.org/archives/142-Transformation-from-Self-contained-Company-to-Networked-Global-Organization.html>

About CSRA

Christopher S. Rollyson and Associates advises global enterprises and high growth firms on their strategy and implementation plans for customer-focused innovation. CSRA helps executives to create vision and pragmatic action plans for leveraging consumer empowerment into increased competitiveness. Clients learn how to collaborate with Web 2.0-enabled customers to drive innovation and to engage emerging markets.

Founder Chris Rollyson has been a technology and marketing pioneer for over 15 years, with distinction in corporate strategy and innovation. As a consultant and marketing executive, he has had a leading role in launching such game-changing offerings as: Java with Sun, e-business strategy with PricewaterhouseCoopers Consulting, and SOA, Web services and architecture solutions with IBM and nVISIA. In 2006, he launched The Consumer Empowerment Adoption Curve™ and Transourcing™, a new approach to innovation that leverages high performance collaborative partner networks. In addition, he launched the Global Human Capital Journal in 2005 to address the most poignant issues of day for chief executives. For additional information, please visit <http://rollyson.net/consulting/> or <http://globalhumancapital.org>