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SERVICE 2020: MEGATRENDS FOR THE DECADE AHEAD

A BDO report, written by the Economist Intelligence Unit

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CUSTOMER SERVICE MEGATREND 07

THE RISE OF THE MASS AFFLUENT AND OTHER CUSTOMER SEGMENTS WILL FORCE COMPANIES TO FIND NEW PRODUCT OR SERVICE NICHEs

BOOMING EMERGING MARKET ECONOMIES HAVE DONE A LOT TO RAISE THE INCOMES OF THE POOR ACROSS MUCH OF THE WORLD, MAKING THE "MIDDLE CLASS" A SYNONYM FOR NEW OPPORTUNITIES, ESPECIALLY IN EMERGING MARKETS.

By 2030, the World Bank estimates there will be some 1.2 billion middle-class consumers globally and overall emerging markets will play a larger role.

This widening band, a broad classification that hundreds of millions of people in Asia especially will join during this decade, is largely an aspirational one, as per capita incomes will remain relatively low in many places. Nevertheless, the growing middle class of consumers was cited by survey respondents as a top five driver of changing customer expectations by 2020.

The newly affluent will put new demands on firms: consumers wealthy enough to want a premium product or experience, but not rich enough to take the full-fat version, whether a first-class airline seat or a truly high-end shopping experience.

This has already led to a rise of new product categories, such as "premium economy" in many airlines, as a means of targeting this middle ground.

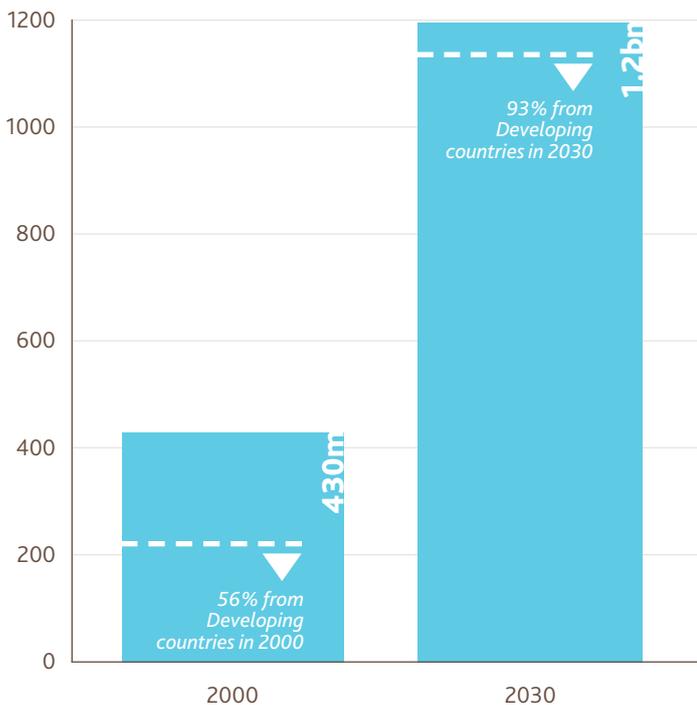
Other airlines may keep the same seats, but offer smaller upgrades for small additional charges to bolster their margins, such as better meals, or the chance to select a seat ahead of others. In the coming decade, many other industries will seek to find their variation of this middle ground. It will not be easy, however. "This presents a huge service opportunity, but it is also a challenge for companies to treat people individually and make them feel special, while making this massively scalable," says Sense Worldwide's Mr Millar.

For many, this will become a challenge of providing smart ways to deliver what looks and feels like personalised service, even if it is available to a mass audience. This challenge also extends into virtual channels, as well as physical stores, as highlighted by our next megatrend.

Of course, the band of truly wealthy consumers is widening too, challenging firms to find new ways to cater to their needs and provide services that stand out from being merely good.

... continued overleaf

CHART 8: Estimated size of the 'Global Middle Class' *



BRIAN MILLAR *This presents a huge service opportunity, but it is also a challenge for companies to treat people in a **special way** and make them **feel special** while making this **massively scalable***
 Director of Strategy, Sense Worldwide

* source: World Bank. 'Global Middle Class' define as individuals earnings an income falling between per capita income of Brazil and Italy

CUSTOMER SERVICE MEGATREND 07 *continued*

THE RISE OF THE MASS AFFLUENT AND OTHER CUSTOMER SEGMENTS WILL FORCE COMPANIES TO FIND NEW PRODUCT OR SERVICE NICHE

One area is credit cards, which are largely ubiquitous in developed markets. To stand out, firms need to find unique customer service offerings to bundle in with their cards, such as concierge services. Mr Millar cites a related example of Vertu phones, a luxury mobile phone. These are obviously well-designed and built, but the really premium feature is a concierge button, allowing users to easily arrange things in an unfamiliar city, for example.

Although the concept of mass affluence obviously does not apply to companies targeting business purchasers, there is still a lesson here for B2B providers. New client segments that will pay for enhanced services might lead to the emergence of new services or new delivery models. B2B survey respondents seem better prepared on this front than their B2C counterparts. Almost a third (31%) already use customer segmentation based on actual customer behaviour and/or other qualitative factors. Another fifth (19%) use segmentation based on both demographic information and customer behaviour and/or other qualitative factors, and another 13% use segmentation based on basic demographic information in order to give a more specialised service. Just over a quarter (27%) of B2B respondents say their service provision is standard for all customers, compared to 40% of B2C respondents.

Similarly, B2B respondents are more likely than their B2C counterparts to modify their service model for the different geographic markets in which they operate, with 42% adapting their standard model compared to 29% of B2C respondents, and 17% having bespoke service provision based on local customer expectations compared to 12% of B2C respondents.

CHART 9*

Q: "What do you believe will be the main driver of changing customer expectations by 2020?"

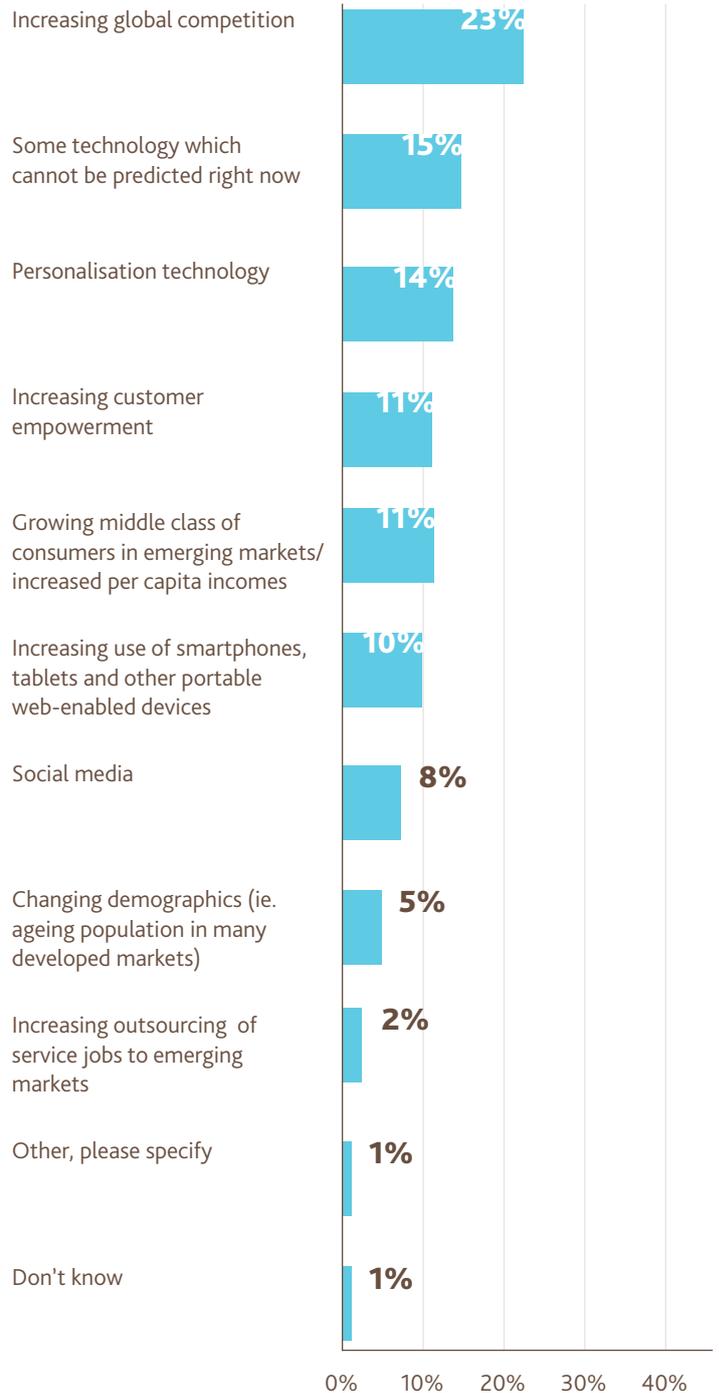


CHART 10*

Q: "Do you utilise customer segmentation in order to give more specialised service?"

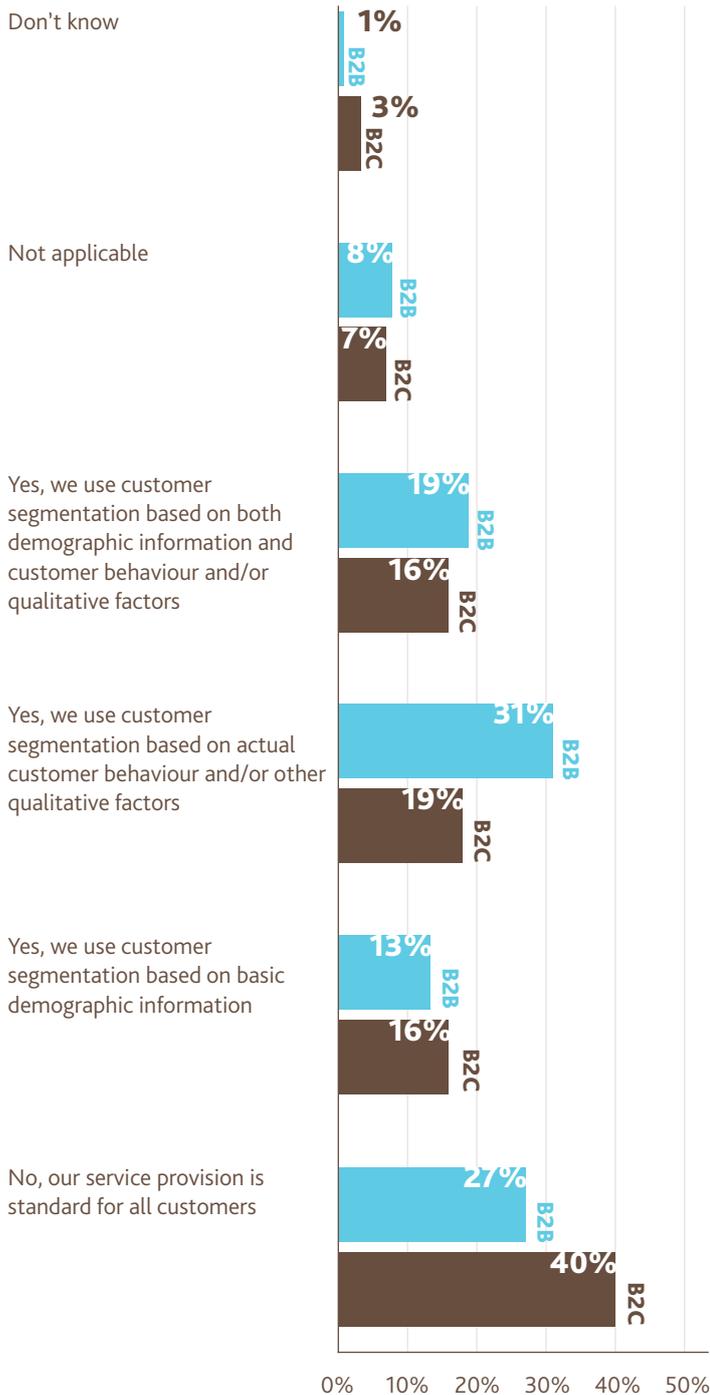
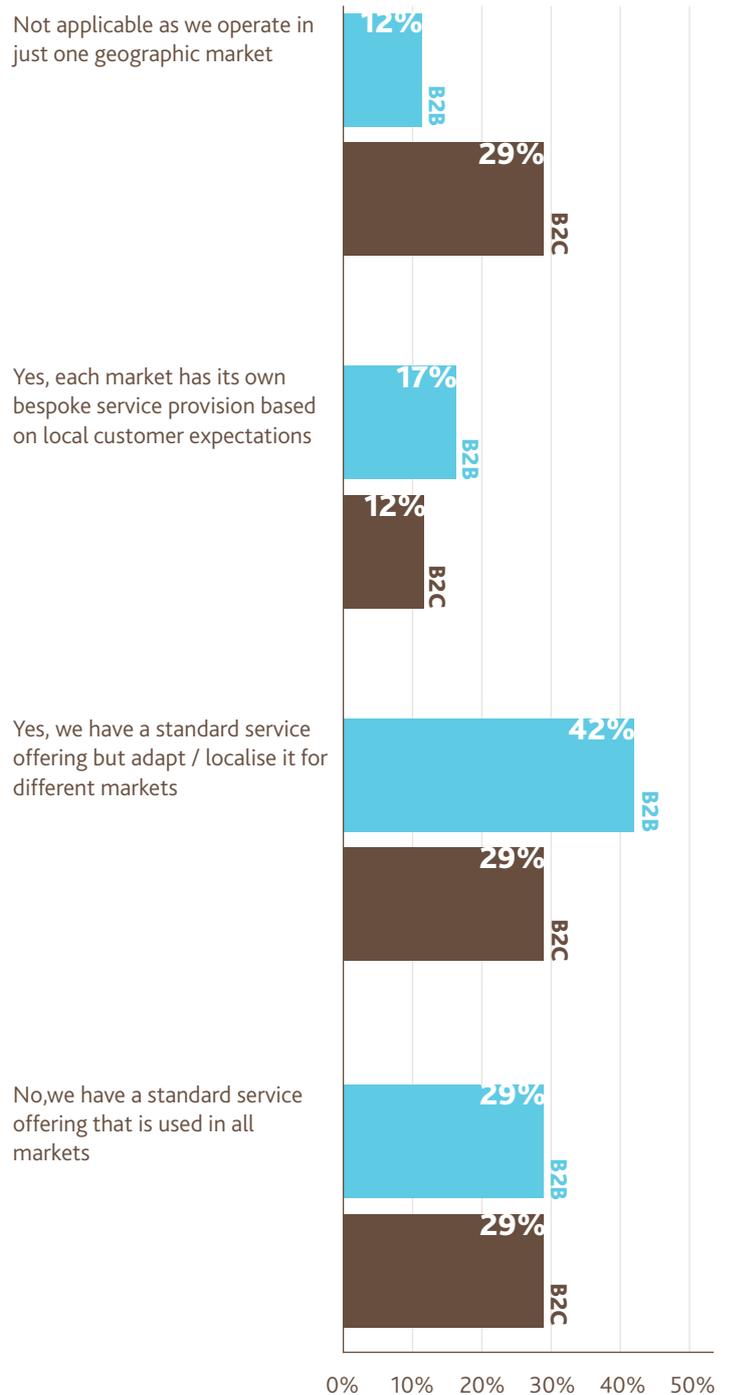


CHART 11*

Q: "Have you adapted your service provision for the different geographic markets your company operates in?"



* source: Economist Intelligence Unit

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