

DIGITAL TRANSFORMATION REVIEW

N° 06 AUGUST 2014

Crafting a Compelling Digital Customer Experience

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Crafting a Compelling Digital Customer Experience

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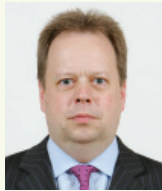
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Rebooting the Digital Customer Experience

Introduction By Capgemini Consulting's Editorial Board

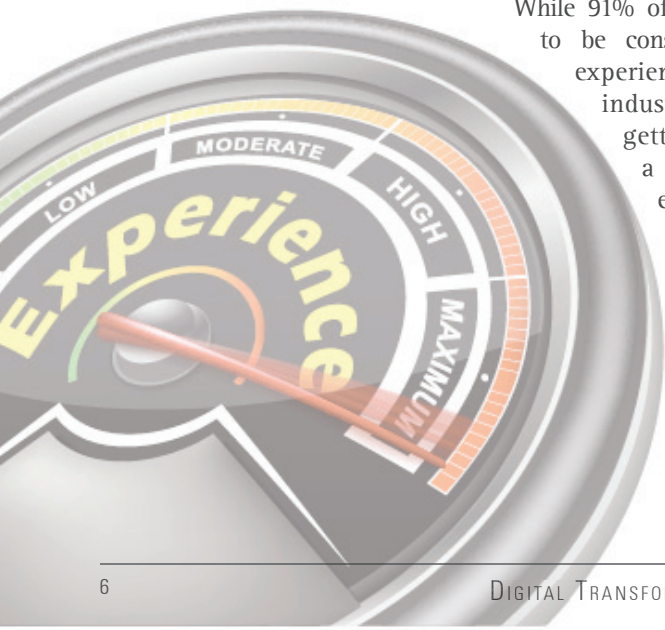
“While 91% of organizations wish to be considered a customer experience leader in their industry, only 37% are getting started with a formal customer experience initiative.

The significance of the customer experience is not in doubt. In a survey, 70% of respondents said that good service had a considerable influence on their loyalty and 69% would recommend the company to othersⁱ. The reverse is also true. Poor customer experience drives customers away. Research shows that nearly 89% of customers walk away from a company after a single poor customer experienceⁱⁱ. And this can have a significant impact. Businesses are estimated to lose as much as 20% of revenue from poor customer experiencesⁱⁱⁱ.

So, given the importance of the customer experience, are organizations doing enough to create a compelling experience for their customers in the digital domain? Unfortunately, it would appear not. While 91% of organizations wish to be considered a customer experience leader in their industry, only 37% are getting started with a formal customer experience initiative^{iv}.

Getting the digital customer experience right is critical. In the pre-digital world, a poor experience posed less risk in terms of volume of loss or widespread reputational damage, as the poor experience of the customer was limited to his or her immediate social network. In recent years, however, this has changed radically. The explosive spread of digital social platforms means that customers have scale – they can create a wave of negative noise in a way that was previously unimaginable.

So, where does this leave organizations? How can they create compelling digital customer experiences that work? In this sixth edition of the *Digital Transformation Review*, we posed this very question to a diverse panel from around the world. Our panel for this edition includes industry leaders, academics, startup founders, platform vendors and technology gurus. They come from all over the world, including the home of innovation in the digital age – Silicon Valley (see Figure 1).



- i New Voice Media, “A nation of serial switchers : The multibillion dollar cost of poor customer service”, January 2014
- ii CMO, “Just How High Is The Price For Delivering A Poor Customer Experience?”, September 2013
- iii Oracle, “Global Insights on Succeeding in the Customer Experience Era”, 2013
- iv Oracle, “Global Insights on Succeeding in the Customer Experience Era”, 2013

Figure 1: Map of Guest Contributors for the Digital Transformation Review VI



What's New in Digital: The View from the Academic and Cutting-Edge Startups

Where should organizations start? A good first step in creating a compelling digital customer experience is to understand what's new with digital. **Renée Gosline**, from the **MIT Sloan School of Management**, spoke to us about the impact of technological shifts on customer experience and how organizations can connect with customers in a digital world. She highlights how Consumer-to-Consumer (C2C) interactions influence customer perceptions

in a digital world, and what this means for CMOs. She puts the importance of C2C like this, *“Until CMOs realize that consumers co-create their brand, they are really not grasping what it takes to form deep relationships with consumers.”*

Startups are increasingly breaking the mould of customer engagement. In many ways, they can serve as an inspiration to those seeking to meet and exceed the expectations of the digital consumer. **Shopcade**, a social commerce startup that could be described as a cross between

Amazon and Facebook, has focused its efforts on delivering a lean and simple online shopping experience, bolstered by rich, personalized content. We spoke with **Nathalie Gaveau**, Founder and CEO of **Shopcade**, to understand how the startup leverages social and mobile technologies to do so. Nathalie's view that *“Content is trumping advertising when it comes to effective interaction and engagement with consumers”* embodies an important lesson for traditional marketers.

Amazon-owned online retailer **Zappos** has a different take on how customer experience needs to be addressed in the digital age. The company encourages customers to dial into its call center and engages them in extensive conversations, which in one case has stretched to, as long as, ten hours! As **Darrin Shamo**, the **Director of Direct and Online Marketing at Zappos** explains, *“We do not follow any productivity metrics that are designed to reduce the volume of calls coming into our call center or the time spent on the call.”*

Digital Convergence: A Driver’s-Seat Perspective from the Auto Industry

However, the realm of exceptional customer experience is not limited to startups. In this issue, we also shine a light on some of the leading brands in the **automotive industry** that have made significant strides in bridging the online and offline worlds. The automotive industry offers an interesting example of an area where multiple technology trends are coming to fruition at around the same time. Intelligent highways embedded with sensors, autonomous vehicles, and digital showrooms are all converging to create new challenges for large automotive players in managing customer experience. We spoke

with **Ola Källenius**, Member of the Divisional Board of **Mercedes-Benz Cars** responsible for Marketing & Sales, to understand how the marquee brand is adapting its approach to customer experience in the wake of digital disruptions. Ola describes the organizational changes that Mercedes-Benz implemented in order to enhance the digital customer experience, saying: *“We created a customer experience function with a project and organizational leadership model that is based entirely around the customer journey.”*

It is clear that the automotive industry faces significant digital change in the customer sphere. For example, customer comfort with online purchase of items, such as a car, is growing. Our latest Cars Online study indicates that as many as 44% of people surveyed were likely to purchase a vehicle online. It is behaviors like these that are shaping the industry’s response to the digital customer experience. **Andy Palmer**, Chief Planning Officer and Member of the Board at **Nissan Motor Co.**, highlights the impact of evolving customer preferences on automotive marketing. Andy sets out the context for the discussion when he says, *“We are on the cusp of one of the most radical changes in the way that you buy cars in 125 years.”*

Making It Real: How Lithium Technologies is Transforming Customer Engagement

“Not all those who wander are lost,” observed author J.R.R. Tolkien. And this aphorism holds true for creating compelling digital customer experiences: there are many paths to creating a compelling experience. **Lithium Technologies**, for instance, helps organizations transform the way they manage customer engagement and brand management through C2C interaction and online social communities. At the core, they enable companies to create communities of highly engaged customers so that they can help one another. If 43% of customers expect a response within an hour of posting a problem, they are best addressed by the wisdom of the crowds, rather than dedicated customer service agents. As **Rob Tarkoff**, the President and CEO of the company, says, *“Brand-specific communities enable customers to interact with the organization directly and this level of engagement fosters customer loyalty.”*

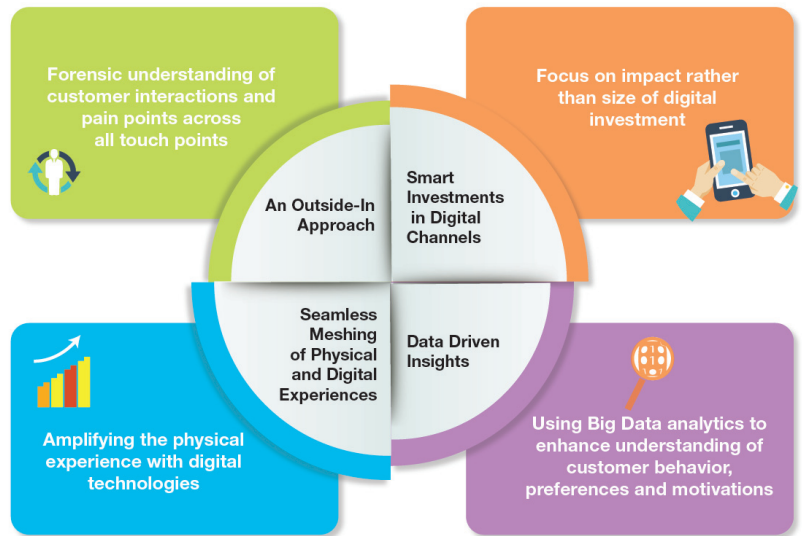
Crafting a Compelling Customer Experience: The View from Capgemini Consulting

Capgemini Consulting's own view on customer experience is that it needs to be totally rewired for the digital age. We believe organizations need to take an outside-in approach in understanding customer interactions, invest smartly in digital channels focusing on impact, become data-driven and mesh the physical with the digital to create a continuum of experience (see Figure 2).

Digital Revolution: The View from Tim O'Reilly

Silicon Valley has embedded itself at the heart of the world's digital revolutions. The range of companies that have sprung up from the valley, and their impact, are already the subject matter of case studies in business schools around the world. And who better to close this edition of the Review than **Tim O'Reilly**, leading Silicon Valley intellectual, technology icon and venture capitalist. Tim speaks on the importance of platforms, the latest wave of digital disruptions and how companies can and should react. In closing, Tim provides what can indeed appear as counter-intuitive to traditional companies across sectors, *“Organizations should actively resist winner-takes-all strategies.”*

Figure 2: Creating a Digital Customer Experience



Source: Capgemini Consulting Analysis

As this edition of the Review shows, getting digital customer experience right is a journey. There is no one secret recipe for getting it right the first time. Organizations will need a forensic understanding of customer behavior, smart investments in digital channels, the ability to harness customer data and, finally, the ability to creatively mesh physical and digital experiences. Our aim, by gathering together in one

place the insights of our panel, is to shed some light on these very areas.

We have urged our readers to create customer experiences that are compelling, and we hope you find the contents of this Review compelling reading. If you would like to discuss the ideas raised here in more detail, then please do get in touch.

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Delivering Compelling Customer Experiences, Digitally



Zappos: The Digital Age Benchmark on Customer Service

Interview with Darrin Shamo

– Director of Direct and Online Marketing at Zappos

Zappos is an online shoe and clothing retailer based out of Las Vegas, Nevada. Started in 1999, the company achieved \$1 billion in annual sales in 2008 and was acquired by Amazon in 2009 for an all-stock deal worth \$1.2 billion. Zappos has continually been rated amongst the best customer service providers, banking significantly on word-of-mouth publicity from its consumers. Capgemini Consulting spoke with Darrin Shamo, Director of Direct and Online Marketing at Zappos, to understand more about their approach towards customer service.

Making Customer Service a Key Element of Zappos' DNA

Zappos' tagline says "Powered by Service". Zappos has been praised many times for the quality of its customer experience. How has Zappos been able to make customer service an integral part of its organizational culture?

Our obsession with customer experience started long time ago. We determined that we wanted to be the absolute best when it came to customer service and many of our decisions in the early days were built around this vision, even if they came at a significant loss in the short term. For instance, we decided to control our entire inventory and own the entire customer experience from start to finish. While every other pure play retailer was drop-shipping, we went against the flow and moved our inventory in-house. Anything that was on the website for sale was available in our warehouse. This prevented the need for placing back-orders and enabled a stable delivery window that our customers could depend on.

We wanted to be the absolute best in customer service, even if that came at a significant loss in the short term.

We further invested in people to develop an organizational culture around customer service. All employees go through a four-week call center training course before they start in their official position, and each holiday season the entire work force, even the CEO, goes back to the phones to handle the volume. Once employees near the end of their training, we offer successful candidates up to \$4,000 to quit. The idea behind this is to weed out people who are not a match to the customer service culture at Zappos. Those that choose to stay are more committed and passionate.

How has this focus on customer service been beneficial for Zappos?

Many publications put together lists of companies that are rated the best in customer service and every year we – along with our parent company, Amazon – feature near the top of that list. It is surprising to see that two companies – Amazon and Zappos – with very differing approaches to customer service, come out on top every year. The Amazon approach is technology-centric while the Zappos approach is people-centric.

We invest in people to develop an organizational culture around customer service. All employees go through a four-week call center training course.

For instance, Amazon employs call center usage as a customer service metric. If call volume increases, there is likely a process breakdown and technology is employed to correct it. Zappos, on the other hand, tries to increase call center volume as a means to enhance the customer experience. We have our phone number listed prominently in the global header of the website, which makes it visible on every page of the site, to encourage people to call in.

Apart from being rated as one of the best companies in delivering customer service, we have been able to retain our consumers' loyalty. In fact, 75% of our business comes from repeat consumers.

Every year, both Amazon and Zappos are rated among the best in customer service, despite very different approaches to customer service.

We do not follow any productivity metrics that are designed to reduce the volume of calls coming into our call center or the time spent on the call.

You mentioned that you encourage customers to call you. What is the role of the call center in building a great customer experience?

As an organization focused on delivering exemplary customer service, Zappos is on a continual quest to create a 1-to-1 connection with our customers. In fact, we feel that our biggest competitors are not online retailers but rather brick-and-mortar companies because they have the opportunity to greet their consumers at the door. While various technical developments, such as personalized retargeting, triggered communication and master data management, help us reach customers in a personalized and relevant way, we believe that person-to-person connections are still the most effective method of interaction. Our call center aids us in achieving this – it helps us connect with consumers on a personal level and leaves them feeling heard and ultimately WOWed.

We feel that our biggest competitors are not online retailers but rather brick-and-mortar companies because they have the opportunity to greet their consumers at the door.

We try to get as close to the consumer as possible by controlling the whole process of communication and incentivizing it. For instance, we do not follow any productivity metrics that are designed to reduce the volume of calls coming into our call center or the time spent on the call. In fact, we encourage our employees across the organization to spend more time interacting with consumers. We try to focus on long-term health measurements rather than looking at short-term costs. We have found that if you can deliver a better experience to consumers coming through the call centers, you can expect a higher lifetime value.

Innovating for an Enhanced Customer Experience

How has innovation helped Zappos deliver an enhanced customer experience?

Zappos, as an organization, is built very differently from other companies and this has helped us foster innovation. At Zappos, we believe in stepping back and allowing people to be who they need to be. I spoke about how rigorous our selection and training criteria are. For the people who make it through this process, we give them autonomy to really impact things the way they see it. We don't hire all Ivy League students. We hire above average people but then we give them the room to self-actualize.

Currently, we are rolling out a new management style at Zappos termed "Holacracy". It is a unique management style that distributes the authority of leadership to influence various decisions. Managers are replaced by a concept of lead links. These lead links are given a great deal of authority to take control of their circles and all the accountabilities that fall into their sphere of influence. This concept of lead links results in the formation of small groups of independent and entrepreneurial employees, impacting specific areas of the business in an autonomous way.

We are rolling out a new management style at Zappos termed "Holacracy". It is a unique management style that distributes the authority of leadership to influence various decisions.



As most businesses grow, the productivity per individual employee decreases and a large part of this can be attributed to bureaucratic governance structures. In a way, the idea behind "Holacracy" is to distribute that authority and put it in the hands of entrepreneurial people who can take decisions for their domain. Currently, we are around 1,500 employees strong, and in order to scale without

compromising our core goals, we need a management structure that will allow our teams to continue to grow. This can only happen if we can eliminate the bureaucracy inherent in other large businesses.

We try to focus on long-term health measurements rather than looking at short-term costs.

Zappos: The Digital Age Benchmark on Customer Service

Customizing the Digital Customer Experience

365
day

no questions asked return policy



\$0
Free shipping both ways



In-house
call center



Ten Hours
World Record for longest customer service call duration



80%
Time target for call center employees to spend on customer interactions

Building on a Strong Culture



4 Weeks Call center training for all employees, including senior management



\$4,000 Amount Zappos offers to new hires to quit at end of training period



Social Network
Employees are free to express at Zappos' Call Center



Creating a New Management Style for the Future **Holacracy**

“We do not follow any productivity metrics that are designed to reduce the volume of calls coming into our call center or the time spent on the call.”

—Darrin Shamo

Resulting in Superlative Results



J.D. Power **2011**
Customer Service
Champion, 2011



of business comes from repeat customers

Fortune Magazine's



2009-2014



>2 Million
Followers on social media

Customizing the Digital Customer Experience

How does Zappos deliver a personalized experience to customers?

We know what people have viewed over the Web, what works for them and what they like. We take all this information and factor in certain predictors of intent, such as weather, and use all of this to create a relevant experience without crossing over to becoming creepy. These results are then mapped to our product catalogue and used to deliver customized products. This leads to an increased positive utility and enhanced shopping experience for the consumer. A similar process is used for personalized retargeting. We have the ability to take information on what has worked for them on site – or is similar to what they like – and use this to share relevant products throughout the open Web.

We are also delivering personalized experiences through our advertisements. For instance, we have created weather-based ad units. These ad units integrate

local weather information with existing details of a customer's preferred products. The end result is a personalized experience based on the user's preference and weather conditions. So, if Boston were to expect snow on Saturday, the advertisement to the customer would read – "18" of snow this Saturday, here are some boots to help you dig yourself out". The ad unit ultimately enables us to provide utility to the customer while acting on the intent with relevant products.

How do you use available customer information to deliver an experience that is different from others?

There's a lot of information available on consumers, though we're very selective with what we use and how we use it. We take great care to ensure that the ultimate experience is relevant rather than creepy. We want our customers to feel that we understand them and their needs rather than feeling stalked. We try to take subtle cues rather than ingest all the information that is available. In some instances,

“There's a lot of information available on consumers, though we're very selective with what we use and how we use it.

this selected information is then passed through a platform like a recommendation engine before it is delivered back to the consumer.

Marketing in the Digital Age

Many CMOs are calling for reinvention of marketing. What are your views on it?

I would agree that it is time for marketing to be reinvented. It has become too channel-focused. A siloed channel approach does not look into various events or aspects affecting the purchase; it only focuses on whether the organization was able to generate revenues in the short-term from the consumer.

“The future of marketing lies in the development of systems to better understand the causal effects of customer happiness and the predictive value of customers.”

Marketing strategies have to become more customer-centric. Organizations should move towards assessing the value and needs at the customer level. This is not just from a dollar standpoint, but how likely are they to engage with the organization over a longer period of time. In order to achieve this, they need to develop a comprehensive view of their consumers across various touch points and interact with them through the entire shopping journey.

How do you see the role of technology in the future of marketing?

The future of marketing lies in the development of systems to better understand the causal effects of customer happiness and the predictive value of customers. If you have a good understanding of the motivators for your consumers and their causal effects, it is easier for you to employ a successful marketing strategy. Technology and math can help organizations with this. This places additional pressure on marketers to be more aware of technology. The future marketer will have a stronger focus on technology and consumer behavior than they do today.



The Rise of C2C Marketing and Co-Creation

"C2C marketing is becoming extremely powerful."

*- Renée Gosline,
MIT Sloan School of Management*

"Right now, we do not really have good examples of co-creation between brands and consumers."

*- Renée Gosline,
MIT Sloan School of Management*

"The role of the organization is shifting from that of a promoter to that of a curator and enabler of conversations."

*- Rob Tarkoff
Lithium Technologies*

"Community platforms of the future will be about curating conversations and understanding customer opinion more than trying to orchestrate around one customer as an item in a database."

*- Rob Tarkoff
Lithium Technologies*

"While CMOs cannot control what people say to one another, they can control the brand narrative at its origin."

*- Renée Gosline,
MIT Sloan School of Management*



Nissan: Steering a Path to the Digital Customer

Interview with Andy Palmer

*– Chief Planning Officer and
Member of the Executive Committee
of Nissan Motor Co., Ltd.*

Nissan Motor Co., Ltd. is one of the leading global automotive manufacturers. The company is based in Yokohama, Japan and offers products and services in approx. 170 markets worldwide. In 2013, Nissan sold nearly 5.2 million vehicles, generating net revenue of \$105 billion. Capgemini Consulting spoke with Andy Palmer – Chief Planning Officer and Member of the Executive Committee of Nissan – to understand Nissan’s view on the digital customer and how it affects traditional marketing. Andy also handles Global Marketing Communications for Nissan.

The Changing Digital Customer Relationship

How do you think digital technology is changing the traditional manufacturer-customer relationship in the automotive sector?

I think we are on the cusp of one of the most radical changes in the way that you buy cars in 125 years. Historically, it took customers around 7 trips amongst various dealers before they finalized a car purchase. In recent years, post the advent of digital technologies, that number is down to 1.5. That means, by the time the customer comes to the dealer, they are coming down to the selection of two competitors. They are either coming for a test drive or they are coming to make a transaction. They have already looked at reviews, peer group comparison sites, and consumer reports, all online. So they come highly empowered. And in markets such as the US, they also know the typical transaction price, leaving little room for negotiation either.

We are on the cusp of one of the most radical changes in the way that you buy cars in 125 years.

In previous times, the customer journey began the first time a customer walked into a dealer. Now, it is 6 to 12 months before purchase intention.

Once the transaction is completed, it's very important that we continue that digital journey. The car that a customer is buying today or in the future is likely connected to the Internet. Therefore, it's important that we continue the relationship with the customer and the car. In previous times, the customer journey began the first time a customer walked into a dealer. Now, it is probably 6 to 12 months before purchase intention, and that continues throughout the life of vehicle ownership.



You talked about your willingness to continue the relationship with the customer after the purchase of the car. Can you give us some examples on how you are doing that?

Let's look at a couple of our products, the Leaf and the Infiniti Q50, which are both permanently connected to the Internet.

With the Leaf, we are continuously monitoring the state of the battery and, if there is a problem, we can immediately contact the customer to highlight the concern. With the Infiniti Q50, we have two categories of applications. One is embedded apps and the other is downloadable apps. With one set of applications, you can download information and update them directly. So, bugs in software can be updated remotely, as opposed to recalling the car as you would have done in the past. In this case, we are using digital communication to ease the experience that the customer has after a purchase.

How does such an evolving customer relationship impact the traditional role of a dealer?

Historically, visiting the dealership is not always the most enjoyable experience and therein lies where we, as an industry, have to change. The role of the dealer obviously becomes different when the traffic is basically

coming down for deal closure. The dealer needs to very much be the brand ambassador in the digital age; it needs to carry the brand. Remember that when your customers come to your dealer, you basically have one shot at impressing them and impressing upon them the meaning of the brand. If you mess it up then that's basically going to be the lasting impression. You don't get a second bite of the cherry. So, I would say that the dealer becomes more of a brand ambassador going forward. They also become much more important in terms of the ongoing relationship that you have with the customer. So, through CRM systems, you need to know who your customer is. You need to be able to recognize them when they come into the dealership. You need to be able to communicate with them not only through flyers, but using digital channels.

Dealers need to turn into brand ambassadors in the digital age.

Our customers today come highly empowered, armed with significant information.

Looking forward, I would say that making the deal is less significant. However, attracting the customer into the dealership using digital channels is what gains in importance. The brand attribute and the behavior of the dealership become extraordinarily important. And then, in after-sales, there needs to be a more proactive relationship that is based on the data that we now have access to.

Driving Around with Data

The growing number of sensors inside cars is giving rise to a lot of data. How do you intend to use this data going forward?

I think it was around ten years or so ago when the value of electronics in the car exceeded the value of the engine. That's evermore true. Electronics in the vehicle informatics, in particular, will become a greater proportion of the value of the car as we go forward. Every time a customer presses "OK" on their Leaf

vehicle, the vehicle will basically transmit the journey that the vehicle has done, the state of the battery, and various other pieces of information. We discard all of the owner experiences and use the essential data. That gives us, for example, traffic patterns. So we can go and look at a particular city. We can then deep dive and look at the usage of our vehicles there and see data over a period of time. This helps us understand typically what type of journey has been undertaken, what kind of charging patterns have been used, and when people are charging the car. We can use this information to work with city planners to identify where traffic jams are and where we can put additional charging stations to make the customer's life easier.

The biggest commercial opportunity we have around Big Data right now is in marketing.

Within the company, we try to focus our data crunching efforts on where the biggest business opportunities exist. In the first instance, we were using data to largely monitor the health of the car. I would say that the biggest commercial opportunity we have around Big Data right now is probably in marketing – how to market to our customers and how to improve retention through enhanced user experience.

The challenge with Big Data is that we have too much data.

How easy or challenging is it to encourage a data-driven culture in the organization?

Typically, Japanese companies are usually data-driven. Therefore, the idea of having more data resonates reasonably well within this company. However, the challenge is that there is too much data. Basically, we have to make difficult decisions on what analysis to do with the huge amount of data that we have in front of us. If we took everybody's requests, we would be cutting the data a million different ways.

Where should an organization like Nissan draw the line when it comes to data privacy?

The trust that your customers have in you entirely drives the brand reputation of organizations. Privacy needs to be as defined by the customer, not the company. And it has to be protected at all costs. And this protection comes at two levels. One is to ensure we separate all customer data specifics from the data we collect so we only have patterns to analyze. The other is to protect this data from cyberattacks. We have to be, I think, more guarded particularly in terms of cyber theft at the levels of the server, the smartphone and the car.

Privacy needs to be as defined by the customer, not the company.

The Advent of the Digital Marketing Officer

Do you see the traditional boundaries of marketing being redefined?

In Nissan, I am responsible for product planning, product marketing, and sales. So, my own responsibilities reflect the changing scope of the modern-day marketing professional. There is a huge blurring of roles between what is the traditionally engineering-led product planning type of activity and marketing. And more importantly, they need to talk to each other and not sit in separate buckets. Our organization brings marketing and sales four to five years upstream from where a typical marketing organization lies today. By doing so, we have a greater control over all of the attributes that typically make up an internal contract. For instance, for a new car, our marketing department has already made the mood video in a way that we are going to advertise the car, the PR department has already written the press release, our assessment engineers have already analyzed what the road test and group reports will say about the car.

We've already started planning out the digital interfaces. The sales department is already thinking about how you sell that car, both online and offline. So, that blurring is most definitely happening. You very much have to work out of your functional chimneys.

There is a huge blurring of roles between what is the traditionally engineering-led product planning type of activity and marketing.

How do you manage to create internal governance structures in such a scenario?

Traditionally, automotive companies such as Nissan have program directors for each physical platform on which car models are built. These program directors typically manage the different models from start to finish. However, at Nissan we realized that beyond the platform approach there are new megatrends driven by digital technologies that we need to address across the company. The three megatrends we identified were connected cars, autonomous car and zero emissions. Now, each of these megatrends,

which are inherently interconnected, has its own program director.

What kind of an impact does this have on CMOs, and their traditional role?

I think it's very important that the CMO is first and foremost mathematically driven. It's not the only question of having great creative ideas or thinking of the next creative ad. Because the data is there, you are no longer mass marketing. In fact, what big data allows you to do is move from mass marketing to personal marketing. Today, the CMO can reach their target customer with pinpoint accuracy and could start talking to individuals, rather than clusters. So, I think it's a prerequisite of CMOs looking to the future that they have to have a grasp of mathematics, statistics, data technology as well as digital technology. Otherwise, you just can't keep up.

CMOs need to have a grasp of mathematics, statistics, data technology as well as digital technology.

The Future of Technology and Automotive

What are the biggest challenges that you foresee in greater adoption of digital technologies?

There are numerous examples of putting digital technology into cars that just make the lives of customers harder. I think the key is to strip out complexity from our customers' lives. We already have extremely complicated lives. This is all the more true when we look at Gen Y and Gen Z consumers, particularly, the millennials. They're looking forward to finding more time to experience social media and interact with their friends online. They're looking for the machine to take the problem away from them rather than give them more problems.

The key is to strip out complexity from our customers' lives.

Nissan: Steering a Path to the Digital Customer

The Changing Digital Customer Relationship

Number of trips for a **car purchase**

Earlier - **7**

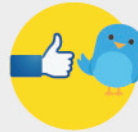


Now - **1.5**

6-12 MONTHS : before purchase intent marks the **beginning of the customer journey**



73% "more likely" to buy a specific model or brand if they find **positive comments on social media**



44% - willing to buy a car online



We are on the cusp of one of the most radical changes in the way that you buy cars in 125 years.

– **Andy Pallmer**

The Connected Car



In understanding **traffic patterns**



Sensors embedded in car generate data that helps

Usage patterns of **electric vehicles**



Determine **ideal location** of charging network

Working with **city planner**



Building an Organization for Crafting a Compelling Digital Customer Experience

Product planning needs to talk to marketing

Move away from mass marketing to **personal marketing and lifetime engagement**

Shift in spend towards **experiential and sponsorship marketing**

Mathematics, statistics, data and digital technology – **key requisites of tomorrow's CMO**



What is your vision of the future customer journey?

A lot of the focus is going to be on the pre-purchase experience. I think the marketing job has moved from advertise on a Tuesday and transact on a Saturday, to a much longer journey. A journey where the brand is much more important and where the customer, when they finally come to the dealer, is much more empowered. In such a scenario, what automotive companies need to do is to create a mental model of what the brand stands for in the mind of the potential customer. So, we are

seeing a lot more use of long-term marketing assets, be they online or offline. Nissan has transformed its spend on experiential and sponsorship type of marketing. For instance, sponsoring the Olympics – which is in 2016 – doesn't bring customers necessarily tomorrow to the dealer. What it does do is it starts to show potential customers what Nissan stands for. We are talking about a lifetime engagement involving personalized marketing. And, I think that transforms the way the marketers have to think about doing business.

About Nissan Motor Co. Ltd.

Nissan Motor Co., Ltd., Japan's second-largest automotive company, is headquartered in Yokohama, Japan, and is part of the Renault-Nissan Alliance. Operating with more than 244,500 employees globally, Nissan sold almost 5.2 million vehicles and generated revenue of 10.5 trillion Yen (USD 105 billion) in fiscal 2013. Nissan delivers a comprehensive range of more than 60 models under the Nissan, Infiniti and Datsun brands. In 2010, Nissan introduced the Nissan LEAF, and continues to lead in zero-emission mobility. The LEAF, the first mass-market, pure-electric vehicle launched globally, is now the best-selling EV in history with almost 50% share of the zero-emission vehicle segment.

Visualizing the Car of the Future

Nissan has pledged to bring the autonomous car to market by 2020. Here, we talk to Andy Palmer about the exciting possibilities for the car of the future.

A part of my job is also to imagine the car of the future. Let's do that. The car of the future will have no engine as it will run on battery power. If we no longer put the engine in the front of the car, what can we do with that space. If the electric motors are going within the wheels, effectively anything above platform height of, say, 12 inches is free for the designer to play with.

Once you start thinking without traditional constraints, it can lead to interesting outcomes. For instance, where do you seat the driver? You no longer have to seat the driver on the left or the right. You no longer need to put them in the front. They can be in the rear. They can be in the middle. We can think about the whole configuration of how you use the car. We have not yet reached the true driverless car but we are certainly very deeply into the path of autonomous. So, the driver no longer needs to have their eyes permanently fixed on the road. This means that we could imagine younger customers coming to buy cars and indeed older people driving cars so much later in their lives. "Eyes-off" cars mean that we can transform what people do in the car. And that's where the connected elements start to work.

For example, we can imagine having head-up displays that basically observe things going on around you much more quickly than you can. Since the computer can work much more rapidly than the brain, it can override in dangerous situations. The passengers though can focus on their social media newsfeeds and other entertainment. The windscreen can become a display for video streaming. The possibilities are virtually unlimited.





Where Digital Meets Physical: Mercedes- Benz and the Seamless Customer Experience

Interview with Ola Källenius

*– Member of the Divisional Board
Mercedes-Benz Cars, responsible
for Marketing & Sales*

Mercedes-Benz Cars is the passenger cars' division of Daimler AG and manufactures products ranging from the premium automobiles of the Mercedes-Benz brand to the small cars of the “smart” brand. In 2013, Mercedes-Benz and smart sold more than 1.5 million vehicles and recorded revenues of more than €64 billion. Mercedes-Benz is ranked at number 16 on Forbes' list of the most valuable brands in the world. Capgemini Consulting spoke with Ola Källenius, Member of the Divisional Board Mercedes-Benz Cars, responsible for Marketing & Sales, to understand the company's approach to customer experience in the wake of digital disruptions.

Driving Customer Experience to New Levels

How do you see the role of customer experience in Mercedes-Benz Cars?

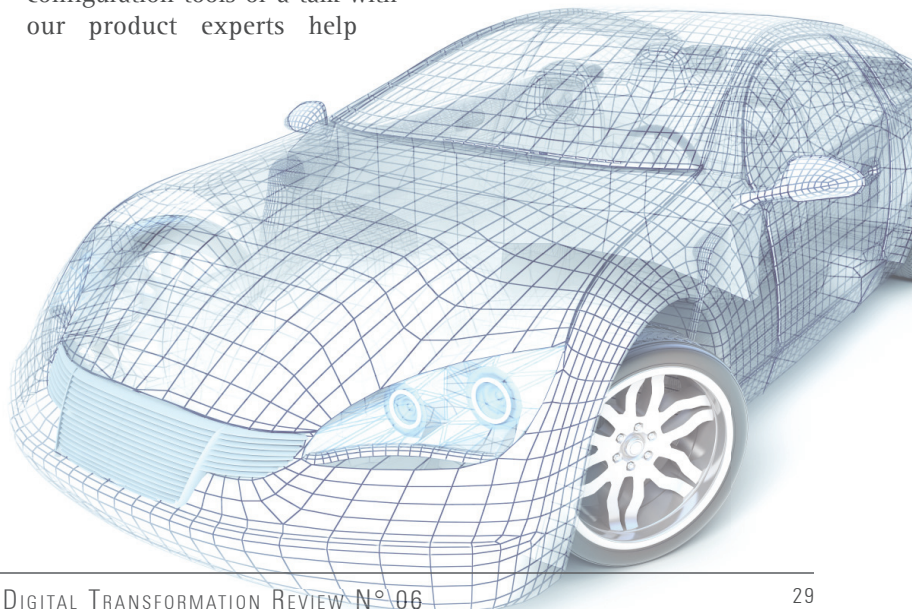
Customer experience is one of the three key pillars of our long-term growth strategy – along with brand and product. We launched the “Mercedes-Benz 2020 – Best Customer Experience” initiative in 2013 with the aim of providing our customers with a consistent premium brand experience across all touch points – physical as well as digital. With “Best Customer Experience”, we want to raise the relationship with the customer to a new level. Our goal is twofold – to create special moments for the customer at every step in the customer journey, and to connect the dots across all customer touch points. From our perspective, one thing is absolutely clear – the integration between the digital and the physical world has to be and will be a seamless one.

What are some of the key initiatives that you have taken to provide a seamless customer experience?

One key initiative that we launched is a new service brand called “Mercedes me” as part of our “Best Customer Experience” initiative (see insert for details). Through “Mercedes me”, we intend to comprehensively address our customers’ product purchasing, financing, and servicing needs both in the digital and physical worlds. All of the “Mercedes me” services are available via a unified digital platform. To ensure a seamless experience, we have also introduced a new city store format – the “Mercedes me” store – that offers an interactive brand and product experience in a relaxed atmosphere. Touch screens, configuration tools or a talk with our product experts help

customers and persons interested to get to know our brand, products and services better. In essence, our objective in introducing all of these different formats is to ensure that our customers have access to us anytime, anywhere.

“Our customer experience strategy centers around providing our customers with a consistent premium brand experience across all touch points, digital and physical.”



'Mercedes me': Accelerating Mercedes-Benz Services

Mercedes-Benz Cars launched its "Mercedes me" brand of services in early 2014. "Mercedes me" is the umbrella brand for all of the company's current and future services. It covers five service areas under the sub-brands "Move me", "Connect me", "Assist me", "Finance me" and "Inspire me". The services are offered via an online portal and include a range of solutions to help customers with their purchase, financing and service requirements.

"Move me" comprises intelligent mobility solutions such as the car2go car sharing service and the Park2gether peer-to-peer parking service.

"Connect me" offers remote monitoring, remote diagnostics, accident, maintenance, and breakdown management services.

"Assist me" enables online access to customer service functions such as automated appointment booking.

"Finance me" offers personalized financing, leasing and insurance solutions to customers.

"Inspire me" allows customers to contribute their own ideas and suggestions towards the development of new technologies and services.

Source: Daimler, "Mercedes me" – a new benchmark for service", March 2014

How do you manage the expectations of a generation of customers that are digitally native?

Indeed, Gen-Y customers have a greater bias towards a digital experience. They are more likely to search for information online than visit a dealership. We have learnt that relationships with Gen-Y customers need to be nurtured for longer in the digital world. We focus on ensuring that we don't lose them after the online experience. We make sure that we offer them a variety of options online. For instance, they can have a chat with somebody to understand more about the car, book a test drive, or set up a meeting with the sales person. We are currently running pilots in Hamburg and Warsaw to sell our cars online. In most cases, the online experience acts as a catalyst for customers to visit dealerships.

In our business, digital can complement and enhance the physical experience, but not replace it.

What do you think is the role of the dealer in the digital age?

The dealer relationship continues to be extremely important to us. In our business, digital can complement and enhance the physical experience, but not replace it. Customers value the human element involved in the purchase process. This is true for most luxury product categories. Customers want to be able to speak with a person about the product before they purchase it. Whether the customer ultimately buys it online, in one of our new city stores, or in the dealership

itself doesn't matter, because even the online sale at the very end is processed by our own retail dealerships or our distribution partners.

It holds true in case of service as well. Customers need a physical place to service their cars. They don't want to pick it up in some random place. They want to have a relationship with a person that they can speak to about the features of the car. For us, it is always physical and digital, rather than digital instead of physical.

Customers value the human element involved in the purchase process.

Customer Experience in a Connected Environment: The Rise of Connected Cars

How do you see the rise of connected cars impacting on the customer experience?

Connected cars are an opportunity for us to create a seamless world of services for our customers. We see connectivity at two levels. One is the standard bought-in category where the customers bring in their smartphones and use all of the apps that they are already used to having inside the car. We are at the forefront of such services, and other car makers are also pushing towards that. “Mercedes me” though brings connectivity to a whole new level through the “Connect me” service. “Connect me” lets customers remotely view and control various vehicle parameters. For instance, customers can view fuel levels or tire pressure, turn on the preheat function, or even locate a car remotely. With the “Assist me” service, which is again a part of our “Mercedes me” portfolio, the

car can automatically detect and prompt the owner when it is due for a service. So, connectivity certainly opens up new opportunities for us to provide more value to our customers.

We look at connected cars as an opportunity to create a seamless world of services for our customers.

Beyond enhancing customer experience, how do you think connected cars can help large automobile companies such as Mercedes-Benz?

One of the big opportunities created through connected cars is using data generated by the car itself. Our mobility services generate a lot of data on vehicle location, customer profiles, and other parameters. We have used Big Data analytics to improve our mobility services. Take car2go for instance – our car rental service – that lets users locate and pick up cars on hire through a smartphone app. We need to ensure that our vehicles run as many trips as possible through the day. As such, we analyze real-time vehicle location data to optimize vehicle

availability. There is a wealth of such opportunities opening up as we gather more data. Tech companies such as Amazon and Google have focused their entire business model around the use of data. I think we are at the beginning of using data from connected cars in the auto industry. At the same time data protection and information security are of central importance to Daimler, and this also applies to the increasing networking of vehicles. For us it is a matter of course that the customer always has full transparency and self-determination over the data – either by contract, consent or the touch of a button.

I think we are at the beginning of using data from connected cars in the auto industry.


Where Digital Meets Physical

Mercedes-Benz Cars - key figures



€64 Bn
Revenues from
passenger cars



96,000+
Employees in
passenger
cars division


1.5 Mn
Number of cars sold

Innovating on the Digital Customer Experience

Connect me 
remote monitoring,
diagnostics

Inspire me
idea generation
platform 

Move me 
intelligent
mobility solutions

Assist me 
automated
appointment
booking

“Mercedes me”
Unified digital platform



Finance me 
personalized
financing

And a leader already in some areas



Car sharing **pay-as-you-go service** with smartphone app as front-end

700,000
customers



1 Mn
rentals every
month 

25 locations 
in **seven**
European countries
and North America

10,000
cars on road



Creating an Organization Geared to Delivering Seamless Experiences

How did you adapt your organization to deliver a superior and seamless customer experience?

We created a customer experience function with a project and organizational leadership model that is based entirely around the customer journey. So, we took departments dealing with different aspects of the customer journey, which were spread across the company, and brought them under a single leadership. The customer experience function is tasked with creating the blueprint for a consistent global Mercedes-Benz brand experience. For instance, the customer experience function set the standards, developed the digital platform, and defined processes for the

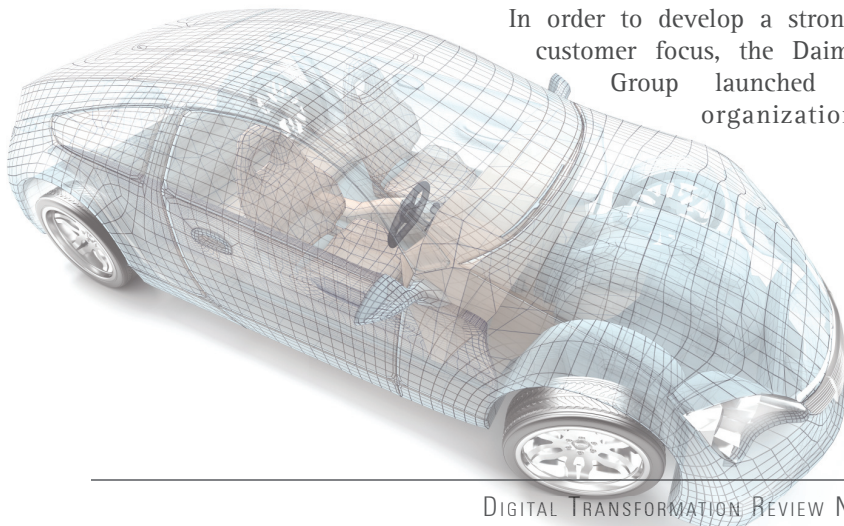
We created a customer experience function with a project and organizational leadership model that is based entirely around the customer journey.

launch of the “Mercedes me” service brand. While there may be some market-specific differences in service rollout, the customer experience function ensures that the overall experience is the same across geographies.

How do you ensure that local units are aligned with the global vision for customer experience?

In order to develop a stronger customer focus, the Daimler Group launched an organizational

restructuring initiative last year under the banner of “Customer Dedication”. The objective of the initiative was to build a leaner and more flexible organization, so that each division within the Group could focus its activities more sharply around customer needs. Under the initiative, the responsibility for the main sales functions was anchored directly in each of the Group’s five divisions, of which Mercedes-Benz Cars is one. Within Mercedes-Benz Cars, we then developed a regionally focused marketing and sales organization. We address six major regions and each of these is represented directly in my management team. In each of the management team meetings in sales and marketing, we ensure that we have regional as well as central Group level functions for sales, marketing, services and other areas represented. During these meetings, we discuss and arrive at an agreement on various strategic issues. This ensures that while the execution is handled by the regional units, we are aligned with the overall Group vision on customer experience.



We believe that it is critical to look beyond our own industry as we seek to create the most compelling experiences for our customers.

How are you developing the talent required to deliver integrated customer experiences?

I often say that the ability to meet the challenges of a digital world is not a function of biological age, but a function of mindset. Consequently, we have built a diverse talent pool with people from different backgrounds who have embraced digital very quickly. We have focused skill-set development around ramping up our services expertise, and also on making our in-car experience intuitive and easy-to-use. In addition to growing our own talent pool, we also leverage external agencies. We try to use the best that the market has to offer.

Finally, are there companies that you look up to for inspiration as you seek to enhance customer experience?

In the last few years, we have started to look outside of the automotive industry for inspiration. We look at high-end hotels, fashion retailers and restaurants. For instance, we benchmarked ourselves against the Mandarin Oriental Hotel. We looked at their concierge service and I remember a quote from one

of their head concierges, which reflects the hotel's attitude towards customer experience. He said, "Our motto is simple. The answer is yes, but what's the question?" We also benchmarked ourselves against a three-star Michelin restaurant in the US. So, we believe that it is critical to look beyond the automotive industry as we seek to create the most compelling experiences for our customers.

We drew inspiration for our customer experience initiatives from one of the head concierges at the Mandarin Oriental Hotel who told us, "Our motto is simple. The answer is yes, but what's the question?"

Re-inventing Marketing for the Digital Age

"It is time for marketing to be reinvented. It has become too channel-focused."

- Darrin Shamo, Zappos

"Marketing has moved from advertise on a Tuesday and transact on a Saturday to a much longer journey."

- Andy Palmer, Nissan

"CMOs need to step out of the traditional marketing mindset that revolves around commercials, spots and agencies, and really thinking about the consumer experience and relationship."

*- Renée Gosline,
MIT Sloan School of Management*

"Marketing strategies have to become more customer-centric."

- Darrin Shamo, Zappos

"C2C marketing is becoming extremely powerful. On a C2C platform, every incident gets blown up, re-blogged, and assumes a life of its own. So, it is essential that we understand C2C dynamics."

*- Renée Gosline,
MIT Sloan School of Management*



When Amazon Meets Facebook: Social Shopping with a Twist

Interview with Nathalie Gaveau

– Founder and CEO of Shopcade

Nathalie Gaveau is the founder and CEO of Shopcade, the world’s leading social shopping app, which positions itself as the first shoppable mobile fashion magazine with content curated by users and brands. Shopcade was recently crowned the “Coolest App in Europe” at the GP Bullhound Summit and the 2014 Media Momentum Awards in Paris. The app was launched in December 2011 and currently includes more than 150,000 brands and 1 million products for sale. We interviewed Nathalie to understand how Shopcade is revolutionizing mobile customer experience through personalization and social.

A Glimpse into Shopcade

Could you start by helping us understand how Shopcade works, and how it all started?

There is a large gap nowadays between what content a young mobile consumer desires when purchasing a product and what information companies provide. The idea behind Shopcade came about when I wanted to shop online and didn't find really good quality content to inspire me to shop. Online stores provided a good way to search for products and deals. Social networks and magazines were a source of inspiration. However, none of these sites bridged the gap. That is when I decided to start Shopcade – an app that would showcase all the latest fashion shopping trends on mobile as well as the Web and enable users to shop these items easily.

Shopcade showcases everyday trends from retailers, bloggers and celebrities.

A typical Shopcade user keenly follows brands, celebrity trends and is abreast of the latest fashion trends. So, when they find a look they like, they research it extensively. Shopcade simplifies the process for them by showcasing everyday trends from retailers, bloggers and celebrities. We like to describe ourselves as the first shoppable fashion magazine that resides in a mobile phone. The difference between us and traditional magazines is that the content is created by users or brands.

We are a shoppable fashion magazine that resides in a mobile phone.

What kind of content does Shopcade feature?

We have a mix of content from two major directions. One is a constantly evolving trending feed that is curated by the app itself. The content we showcase includes celebrity trends, summer fashion and beauty trends, community ratings of top products, and exclusive deals that are driven directly by over 150,000 brands that we host on Shopcade.

The other set of content comes from a community of bloggers,

editors and users. We have partner bloggers who showcase their favorite looks, make lists of trending items they like and then we curate them and put them into a personalized feed based on people's location and gender. Only activities that are the most popular or the most interesting get featured on our feeds.

Customers are increasingly expecting a simpler, leaner experience that is adapted to mobile.

How important is the social dimension for Shopcade?

For us, it is a key part of the platform. We enable people to identify whom they like to follow and what trends they want to stay on top of. All Shopcade users also have a public profile on the app, where they can publish their blog and save all brands, products, and looks they like. All our content is based on what is popular on the app and being a social platform makes it more real-time. Our vision is that everyone is an editor today and has a share of voice on trends. We are similar to Facebook or Instagram, except that people are sharing looks and products they like. In essence, we are like a fashion shopping network.

Content is trumping advertising when it comes to effective interaction and engagement with consumers.

How do you make money – what is your business model and what are some of the brands you associate with?

We called our business “Shopcade” – which means “Shopping Arcade” – so we can host and sell various brands in one place. We are generating revenue based on affiliate commissions, brands advertising and direct sales. All sales that are generated by the platform are affiliated to merchants and we get a commission from these sales. We also work with different brands, featuring engaging fashion content about their products on the app. Out of the existing 150,000 brands on our site, we have direct contacts with a few thousand, and are working very closely with our top 200. For these 200 brands, we get exclusive deals and we feature their products. In return, the brands promote native ad content on our

newsletter, on social media, as part of key trends on the trending feed on the main page of the app.

Towards a Leaner Customer Experience

How do you think customer expectations are evolving?

Customers are increasingly expecting a simpler, leaner experience that is adapted to mobile. Some startups that are clearly doing this well are Instagram and Airbnb; their apps are pretty lean and easy to use. Our experience also suggests that content is trumping advertising when it comes to effective interaction and engagement with consumers.

What do you think is holding companies back from creating and delivering such an experience?

It’s a very new requirement and not many people have this expertise yet. But I also think that when companies focus on too many aspects, they lose out on their unique selling proposition, their key selling point. If you don’t have a singular vision on the end-objective from an improved customer experience, you can end up doing too many things. That’s when companies start to clutter the user experience.



What type of data do you collect and how do you use analytics in enhancing customer experience?

We collect a wide range of data from our users. We have data around 'likes' and what users want, and trending brands. And since we are inherently social, we have a whole layer of data from each user's network. We use all of this data to create highly personalized experiences through a robust recommendation system for each product. This enables people to endlessly navigate from one product to another inside our app. And our users appreciate that. We also use analytics to improve cross-selling. For instance, depending on which products or brands users have favorited or liked, we send them recommendations on potential products that may interest them.

Our analytics system enables us to see straightaway the top-performing channels and most trending brands as well as the most influential users. We then invite these brands and influencers to be featured on the platform, either through exclusive deals or through extra content.

Lack of a singular vision can result in companies doing too many things that start to clutter the user experience.

The Startup View: Challenges and Advantages

How are startups geared to deliver a superior digital customer experience compared to large, traditional corporations?

Startups have to be more focused since they tend to have fewer resources compared to larger organizations. Also, startups don't have a lot of business requirements from different units of the company. This helps them focus on one crucial aspect and follow it up to completion. This also ties in with the challenge around not having a singular vision that I was referring to earlier.

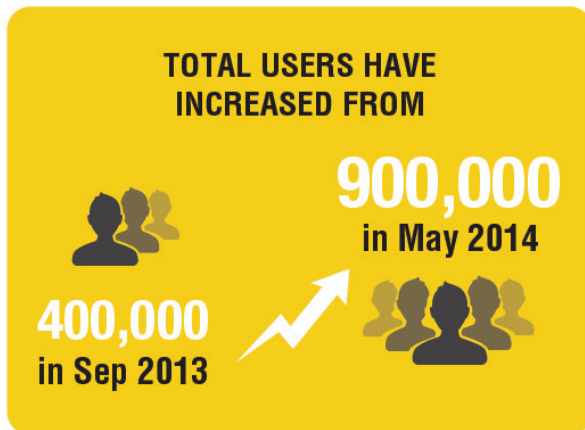
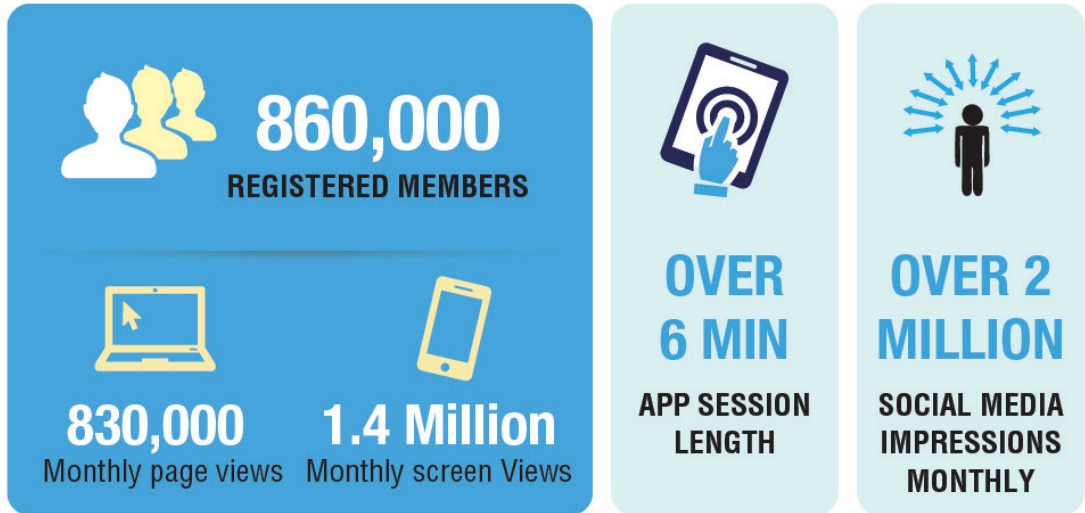
What are some of the key challenges that are typical for startups such as Shopcade?

A large part of the challenge boils down to the ability to prioritize scarce resources. It's all about being able to understand what is going to pull most growth and profit in the quickest way. At the same time, it's important to focus on the long-term product and the user experience to deliver a superior positioning for the business.

The other challenges include keeping things really simple from a data analysis perspective and making sure that you have outstanding and committed people to deliver a high-quality product.

We essentially want to start transforming our app into more of a platform play and keep simplifying the user experience.

SHOPCADE



Looking into the Future

How do you see Shopcade evolve?

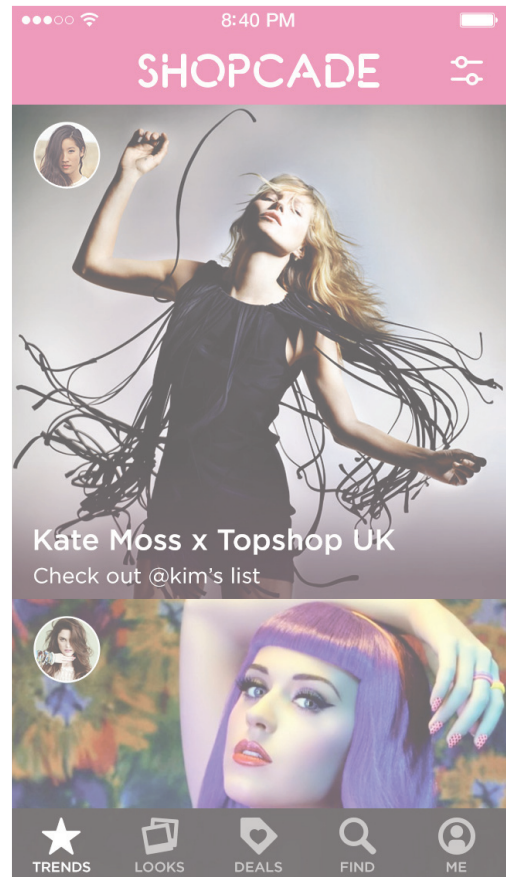
Shopcade will be one of the biggest social shopping apps on mobile. There has been a rapid increase in the number of brands and users that are engaging with Shopcade. We are going to start transforming our app into more of a platform play and integrate a global payment system. I am keen to partner with people who have complementary services that can let us grow, and I am keen to develop the awareness of the platform, and the model, in the UK and in Asia.

Those who don't know how to build a good user experience, understand data analytics and present products or content in the best way possible, are just going to miss out in the future of retail.

What do you think the future of shopping will look like?

I think mobile and curation are going to play a significant role in driving the personalized shopping experience of the future. Businesses who get data analytics are going to be leading the pack, whereas those who don't know how to build a good user experience, understand data analytics and present products or content in the best way possible, are just going to miss out. The future of retail is clearly digital – just in clothing, more than 13% of sales are already happening online in the US and e-commerce is the only retail growth segment. Having said that, I think that some retailers like Zara, who have a real product differentiation or value proposition, can gain a real competitive advantage from their store network. But digital will help connect inventories with customer preferences and manage better merchandising analytics and customer trends. For example, on Shopcade, we see trends happening very quickly, before they hit magazines or the high street. Mobile will play a big role in payments and services around stores, not just on a standalone basis.

Curation is going to play a significant role in driving the personalized shopping experience of the future.



How to Create a Compelling Customer Experience?

"It is important to benchmark yourself against a broader range of consumer services and not just against other companies like yourself."

- Tim O'Reilly

"The key is to strip out complexity from our customers' lives."

- Andy Palmer, Nissan

"We created a customer experience function with a project and organizational leadership model that is based entirely around the customer journey."

- Ola Källenius, Mercedes-Benz

"Customers are increasingly expecting a simpler, leaner experience that is adapted to mobile."

- Nathalie Gaveau, Shopcade

"Customers expect the experience to be easy, personalized, shareable and seamless."

- Rob Tarkoff, Lithium Technologies

"The integration between the digital and the physical world has to be and will be a seamless one."

- Ola Källenius, Mercedes-Benz

"We drew inspiration for our customer experience initiatives from one of the head concierges at the Mandarin Oriental Hotel who told us, "Our motto is simple. The answer is yes, but what's the question?"

- Ola Källenius, Mercedes-Benz

Marketing Reinvented for the Digital Age





Lithium Technologies: RIP for Traditional CRM as the New World of C2C Kicks in

Interview with Rob Tarkoff

– *President and CEO, Lithium
Technologies*

Rob Tarkoff is CEO and President of Lithium Technologies. Lithium Technologies helps organizations transform the way they manage customer engagement and brand management through consumer-to-consumer interaction and online social communities. Its customers include the likes of HP, Research in Motion, Best Buy, Symantec, Comcast and Sony. Recently, the company acquired Klout – a website and mobile app that uses social media analytics to rank users – for around \$200 million. The acquisition means Lithium can integrate its C2C social community capability with Klout’s scoring system for rank and profile.

Driving Social Business: Lithium's Journey, Then and Now

Can you give us a quick overview of how Lithium Technologies started?

Even before people were talking about social networking, Lithium was pioneering a concept that sprung from the online gaming world. Some gamers were so good at multiplayer games that they were sponsored by companies such as Nvidia and Microsoft to test the limits of games. From those origins, we developed the idea of building the same sort of gamified experience in a corporate context. If we could get online domain experts to help others, we could change the economics of the customer service industry. We then started to move the company from just this service and support area, looking at how online word-of-mouth from peer to peer could really change the economics of a brand's marketing efforts.

Could you explain the concept of social communities?

Studies show that more customers trust recommendations from peers as opposed to direct advertising. These 'peers' are people who are considered experts but who have no direct affiliation with the brand. Customers tend to trust the opinion

and recommendations of such experts because of their domain knowledge, and online reputation and rank. Online social communities have arisen as an extension of this trend. Social communities enable customers to ask questions and get answers from experts, voice their concerns and discuss specific issues. Brand-specific communities enable customers to interact with the organization directly and this level of engagement fosters customer loyalty.

We saw that the dynamic of word-of-mouth from people with strong reputation to other customers could really change the economics of a brand's marketing efforts.

What are some ways in which social communities add more value over traditional channels?

Typically, traditional channels follow a broadcast style of communication with their customers. So, if you look at contact centers, Short Message

Service (SMS) or CRM tools, they are used predominantly for making company-wide announcements or to resolve customer concerns in a linear, one-way fashion. In comparison, social communities online are more fluid and organic. Conversations are dynamic and brands are able to gauge customer sentiment and pulse by listening in to these communities. Brands can listen in on conversations to resolve issues, understand changing customer preferences and to unearth potential business opportunities. Google, which is one of our customers, runs its AdWords community on Lithium. By listening in, Google has been able to discover which elements of the Adwords products people are talking about.

Brand-specific communities enable customers to interact with the organization directly and this level of engagement fosters customer loyalty.

Lithium Reveals Extreme Customer Expectations

Americans overwhelmingly rely on the Web to research big purchases

81%
use **any**
online source

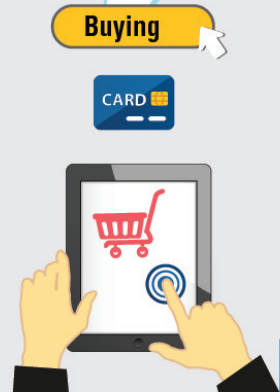


67%
use **2** or more
online sources

9%
of 18-34 year
olds use **6** or
more sources



67%
tend to call an
“**800**”
or toll free
number for help
as a last resort



Consumers are going online to request help on a product or service and want responses fast



66% expect a **same-day** response to their online request

43% expect a response within **an hour** or less

Consumers are using online channels to complain

39% of Americans
are more likely to go online to **complain** than to **praise**

35-44 years



45+ years



But **younger Americans** seem to complain at higher rates than older Americans

Social communities also drive better brand engagement, because customers feel they are being responded to and in a timely way. We found that when provided with a timely response, 43% of American customers were more likely to encourage their friends and family to buy their products and 38% were more receptive to advertisements from the brand¹. This is how you create loyal advocates. When such brand loyalty comes at a much lower cost to the organization – via online platforms as opposed to traditional channels – the result is a win-win situation.

43% of American customers expect a response within the hour.

What are some of the typical challenges organizations face in adopting a community-based solution such as yours?

One of the biggest challenges is in hiring the right kind of professionals. Typically, most organizations hire professionals who create content and then broadcast it. However, when it comes to creating a platform that can support highly engaged

Lithium Technologies – A Primer

How Does Lithium Technologies Foster Social Communities?

Lithium enables brands to convert their website into a social destination through online social communities, offering brands a platform to create dedicated communities. Take the case of Cortal Consors – a European broker in personal investing and online trading – which worked with Lithium to launch a banking social community. The community allows financial services customers to interact and network with each other. So, when a customer has a question or is facing an issue, they can simply search for similar questions posted by other users. Users can post replies, like a post, ask questions, post multimedia content relevant to the topic and receive “kudos” from other users based on their levels of activity on the platform.

How is Lithium Different from Generic Social Networks?

Most large brands engage with social customers by meeting them where the concentration of customers is the highest – the social Web. However, the true value for these brands is to have engagement via dedicated hubs. For a start, this means peer-to-peer interactions are based on specific interests. General social networking sites fail to offer such depth of focus. Dedicated social communities also facilitate customers helping each other out. This way, the brand ends up spending less on support costs. Lithium also uses behavioral science to analyze how social communities influence brand loyalty and drive repeat sales.

How Can Lithium Drive Up Sales for Organizations Through Customer Engagement?

Engaged consumers tend to purchase more frequently from the same brand. According to Lithium’s research, 79% of visitors to a Lithium community have said they would purchase again from the company in future¹. To build that engagement, Lithium uses gamification concepts that give contributors badges, ranks and “kudos” counts. These elements help to drive more active contribution. Lithium also analyzes customers’ preferences for how they wish to interact. Finally, Lithium opens up the social communities to the broader social Web. This helps bring in customers from public social networking sites, where they are happy to find the kind of in-depth engagement they are looking for. This creates a wide and engaged community, and when brands target people who are truly engaged with specific offers, there is uplift.

social communities, the hiring process needs to be very different. It means hiring people who have prior knowledge of curating and aggregating user-generated content, which requires a diverse set of skills. Then the other challenge is around anticipating and dealing with the kind of dramatic changes a social community platform brings – whether it is around processes or infrastructure. It requires a complete re-think of existing Web properties as well as social marketing and social support infrastructure.

Peer-to-Peer Interactions: A Cornerstone of Customer Engagement

How are digital technologies disrupting the customer experience?

Our view is that the disruption is being driven by what we call an era of extreme customer expectations. Customers expect the experience to be easy, personalized, shareable and seamless. We found that 66% of Americans expect a same-day response to their online requests and 43% customers expect a response within the hourⁱⁱ! However, companies are not ready for this kind of change. Organizations are experiencing massive disruption in their brand-building efforts over digital.

For instance, when a customer of British Airways, took out advertisements on Twitter to complain about inability to find his baggage, the company dealt with it ineffectively. This led to the advent of a category called 'complainvertizing', wherein consumers can take to the social media channels and dramatically alter brand perception in a way that companies like British Airways never thought possible. We found that a significant part of this happens from younger folks, with 46% going online to complain about a brandⁱⁱⁱ. Most companies are failing to scale up to such changing customer expectations and this is causing massive deterioration of brands; it's causing losses of millions of dollars in brand reputation repair.

Organizations are experiencing massive disruption in their brand-building efforts over digital.

Why do you think Customer-to-Customer (C2C) interactions are becoming so important now?

It's not as though there is suddenly a big revolution in C2C. It is more to do with the fact that a behavior that typically used to be offline and based on word-of-mouth has now been amplified to a massive degree because of the availability of digital channels and social media networks. From the data we have gathered, we found that people prefer to get recommendations through peer-to-peer interactions; people look for expertise. Experientially, in our consumer lives, we are completely immersed in the C2C digital experience. Before making a purchase, consumers look at online reviews or do a search to look for answers. Product comparison and seeking the opinions of peers are very common activities socially. For instance, we found that 81% of Americans use online resources to research a big purchase. This behavior is very pronounced in the younger demographic – one out of every ten people aged between 18 and 34 use as many as six different sources when researching for a purchase^{iv}. Once brands are able to harness the information from customer interactions, they will be able to capture a lot of uplift relative to their competitors.

Brands are finding it difficult to figure out how to take advantage of all the data from C2C interactions.

As customers increasingly engage themselves in conversations with one another, what is the role of organizations?

The role of the organization is shifting from that of a promoter and declarer, to that of curating conversations, and participating and enabling a dialog. Customers see how brands really are because it is all in the open on social networks. There are no secrets anymore. Transparency is the norm and trust is the new currency; and you build trust by being in a conversation, not telling customers what to do. Companies who are successful are the ones who use digital technologies to uplift the customer experience in a way that converts to dollars.

You've recently acquired Klout. What is the link between social reputation and customer experience?

A few months ago, we announced the acquisition of Klout – a company that scores people's profiles based on their presence and expertise on social networks. The acquisition enabled us to tie in Klout's scoring system for rank and reputation mechanism with our own database on brand-specific communities. We are now able to provide a very broad platform that not only offers community building, but also provides profile reputation and expertise across diverse topic areas, with a consumer angle to it. So, again, we are sort of creating this concept where brands are able to refine the customer experience on their own. Rather than being disrupted by a third party, brands can now be the disrupters themselves.

How do you visualize an ideal customer-centric organization to look like?

When community-speak becomes an important action item on the agenda of C-level executives, that's when an organization is bringing

in real change towards customer-centricity. It's when organizations start treating consumer interactions as important pieces of data for market research or brand studies that they will become more successful than their competitors. The brands we are talking to now are brands that have always prided themselves on setting the bar for customer experience. They are now coming to us and saying, "We are not exactly sure we know what to do." So, it's pretty interesting to see that brands that thought they were the hallmark of customer experience now think they don't really know the consumer. They are asking, "How do we activate consumers to tell us more about themselves than we are able to get today." I think that is the big change.

The role of the organization is shifting from that of a promoter to that of a curator and enabler of conversations.

Digital ROI: Measuring and Monitoring Progress

How does Lithium help enable ROI improvements? Do you have any examples to share?

The challenge with digital is that if I am going to make big investments, I need to see returns – uplift in purchase, dramatic decrease in cost to service, and overall improved experience with customers, which results in greater loyalty and share of wallet. We have customers that are routinely saving between 10 and 50 million dollars a year. For instance, Autodesk, a customer of ours, achieved ROI of USD 12 million within the very first year of being with us. Every year since, they have reached the USD 10 million USD mark. Another example is that of CrowdSource, a platform Lithium operates for Telstra. CrowdSource has been able to resolve 50% of Telstra's customer support issues right on the very first query. Due to the success of our platform and the Telstra social community, the company is closing their traditional contact centers because their customers prefer engaging online. I think this also resonates with the findings from our survey. We found that two-thirds of Americans (67%) tend to call an "800" or toll free number for help only as a last resort.

“Brands need to build trust by being in a conversation, not telling customers what to do.

Future Steps: Peering into the Crystal Ball

How do you see peer-to-peer communities evolve over time, in the coming years?

Well, I think peer-to-peer communities have been the single biggest disruption to CRM. So, my view is that the CRM industry is going to get abandoned over the next 5 to 10 years. Instead, you are going to see systems like ours that are about curating conversation and understanding customer opinion, more than trying to orchestrate around one customer as an item in a database. Peer-to-peer communities have changed the dynamics of managing customers, providing service, marketing techniques and sales tactics. It's similar to the way e-commerce disrupted brick-and-mortar stores. I think we have a similar phenomenon wherein C2C conversations are becoming an engine of change for the way technology is deployed, data is gathered and incorporated in this decision-making.

What does the future look like for community-based platforms such as Lithium?

Community-based platforms are going to dramatically alter the way we market products and provide support to customers. There is going to be less focus on internal production of content and projecting that outward. Instead, it will be all about organizations tapping into external conversations. Customers are far more empowered today than they were a couple of years ago, and they have multiple outlets to ensure they are heard and in turn impact the brand's sales and reputation. In fact, we have found that when brands provide customers with timely responses, 34% of customers are more likely to purchase more from the company^v. I think customers are willing to tell you what they think of your brand provided you structure the experience in the right way. The companies that get it right will be the successful ones.

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- i Lithium Technologies and Millward Brown Digital Survey, October 2013
 - ii Lithium Customer Expectations Survey, May 2014
 - iii Lithium Customer Expectations Survey, May 2014
 - iv Lithium Customer Expectations Survey, May 2014
 - v Lithium Technologies and Millward Brown Digital Survey, October 2013

The Advent of the Digital Marketing Officer

"CMOs need to have a grasp of mathematics, statistics, data technology as well as digital technology."

- Andy Palmer, Nissan

"Until CMOs realize that consumers co-create their brand, they are really not grasping what it takes to form deep relationships with consumers."

*- Renée Gosline,
MIT Sloan School of Management*

"The CMO could be called Chief Experience Officer, or CRO, Chief Relationship Officer."

*- Renée Gosline,
MIT Sloan School of Management*

"There is a huge blurring of roles between what is the traditionally engineering-led product planning type of activity and marketing."

- Andy Palmer, Nissan



Remixing the Customer Experience for a Digital World

Interview with Renée Gosline

– Assistant Professor MIT Sloan
School of Management

Renée Richardson Gosline is Assistant Professor of Marketing in the Management Science Group at the MIT Sloan School of Management. She has been named one of the World's Top 40 Professors under 40, and is a member of the MIT Center for Digital Business. Her expertise includes Consumer Behavior, Social Media, and Social Status Influence. Prior to academia, she was a Marketing practitioner at LVMH Moët Hennessy and Leo Burnett. Capgemini Consulting spoke with Professor Gosline to understand the impact of technological shifts on customer experience and how organizations can connect with customers in a digital world.

A New Customer Experience for the Digital Generation

Over the last few years, how has technology impacted customer experience? What has changed?

Consumers are exposed to constant stimulus from different forms of media, both traditional and digital, throughout the day. You can imagine them watching television while also simultaneously using a second or third screen, such as a PDA or an iPad. This “lived experience” with technology is now transforming the customer experience to a place where there is no longer a division between old and new media. It is really more about “how can the experience be integrated across all these different forms of media”?

What are the implications of this change? What does it mean for brands?

I see two key outcomes emerging from these changes. Research shows that when faced with too many alternatives, people seek familiarity and tend to choose default options. The volume of information that consumers are exposed to today can be overwhelming. As a result, they are more likely to choose brands that they are familiar with.

Strong brands act as heuristics or shortcuts that help consumers make sense of all the information around them.

“The sensory experience is not diminished in the digital age, and there are, in fact, new ways to stimulate it.

The second key outcome is the growing importance of the sensory experience. People tend to think that digital results in a reduction of the sensory experience since you cannot touch and feel a digital product. However, we are learning that the sensory experience is not diminished in the digital age. There are, in fact, new ways to stimulate it. For instance, recent research has shown that users develop a completely different attachment to a brand when they use a touchpad to interact with a brand website, than if they just click through the website with a mouse. In this case, touchpad technology is allowing us to have a proxy interaction with customers, where touching the screen is giving them a sensory experience that they could not have had before.

Are these changes only affecting the younger generation or does their impact extend to a wider group?

Our research has shown that the younger generations are more comfortable with this multi-sensory experience. While older generations can sometimes feel overwhelmed, the younger generation is less prone to that. Because of their ability to use multiple devices with ease, their brains are mapped differently. In a very real cognitive sense, they have higher fluency. In fact, we are now increasingly finding a two-way flow of influence so that content on traditional media is being remixed by consumers, and then discovered and promoted by brands. But while we are finding that millennials have a different orientation towards digital media, it is also true that people from older age-groups are also increasingly adopting it.

How do you see the role of the traditional CMO evolving in response to these changes?

I think it is time that we rethink the role of the CMO. Perhaps to the extent that the phrase “CMO” itself needs to be rethought. Perhaps it should really be CXO, Chief Experience Officer, or CRO, Chief Relationship Officer. I use those labels quite deliberately,

so let me explain why. It is important for CMOs to constantly try and cultivate an experience based on the relationship that they wish to have with the consumer. This requires stepping out of the traditional marketing mindset that revolves around commercials, spots and agencies, and really thinking about the consumer experience and relationship. The traditional notion of a CMO presupposes a downward flow of influence from the company to the consumers. But until CMOs realize that consumers co-create their brand, they are really not grasping what it takes to form deep relationships with consumers. Taco Bell, for instance, understands that customers do not perceive it as health food. It has, therefore, consciously developed a playful and irreverent relationship with its customers. The company has cultivated this relationship by responding to customer tweets in a deliberately tongue-in-cheek manner. So, it's important for CMOs to start thinking about the kind of relationship they want to develop with customers, and then deliver an experience that matches the relationship.

“Until CMOs realize that consumers co-create their brand, they are really not grasping what it takes to form deep relationships with consumers.”

Engaging the Digital Generation: New Approaches

How can marketers blend traditional and new media to enhance the customer experience?

Let me give you an example. Many popular television shows are expanding the digital experience they provide by integrating content with social media. While watching the Oscars, for instance, viewers can post tweets on winners or losers, or on the outfits worn by the attendees. In addition, television shows are integrating social media by repeating their shows with what is called the “social edition”. A social edition is a rerun with added content in the form of tweets posted by viewers during the original broadcast.

This blending of traditional television with social media enhances the utility that viewers get from a rerun. Watching their tweets broadcast along with the rerun enhances a viewer's sense of satisfaction. Ultimately, this cements their interest in the show and increases their attachment to the program.

Should marketers continue to use focus groups?

In my opinion, focus groups are not appropriate if you want to dive deep into consumer needs, because people tend to converge towards the dominant opinion in the group. I would instead recommend being more experiential and using experimentation. The beauty of experiments is that they teach us about causal factors. Marketers should conduct experiments where they vary social cues and observe their effect on an online or social media group. This is a rich way of seeing how people interact with your brand and to observe changes in behavior, and not just in attitude. Attitudinal responses can be inaccurate as people often tell you what they think you want to hear. This is why I think experimentation is really crucial to understanding consumer behavior.

Does this also mean that marketers will need more statistical knowledge?

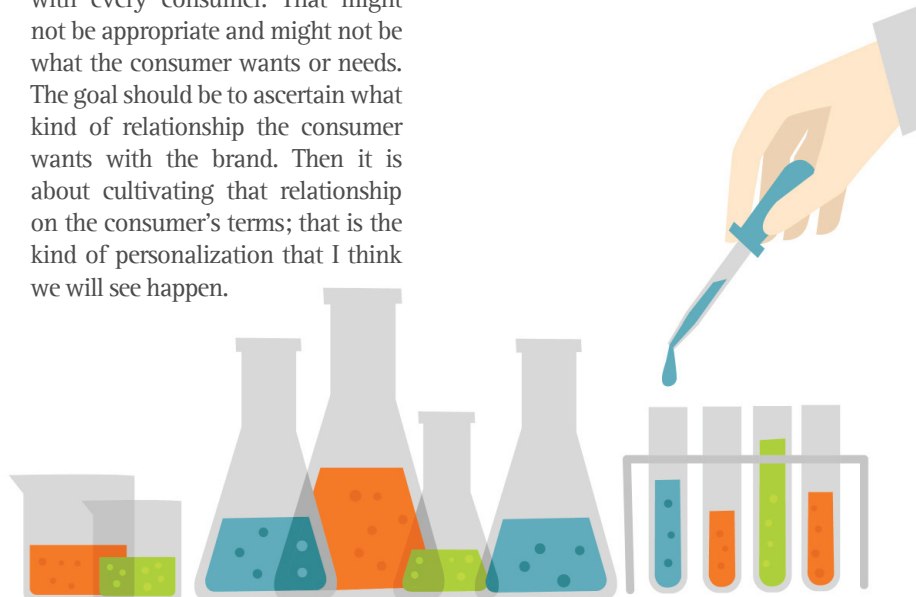
No, I don't think so. The problem with statistics is that they often mask the cognitive processes that drive consumer behavior. For instance, we know from research on consumer-brand relationships that repeat purchase does not necessarily mean loyalty. The causes of repeat purchase could be factors other than loyalty, such as a lack of suitable alternatives. Therefore, relying on statistics alone is not sufficient. I think what marketers will need is a more nuanced understanding of what statistics represent, or the causal factors behind them. And they will only know that by being experimental, and by presenting customers with different scenarios and seeing how they behave.

The beauty of experiments is that they teach us about causal factors.

What are your views on personalization? Is it still a buzzword?

For consumers today, personalization really comes from the ability to use a brand or brand experience as a means of social signaling. For instance, in social media, people like discovering a unique experience and displaying it in their social group. In a sense they are saying, "I am not just experiencing what everybody experiences. I am displaying an experience that is unique to me." We find that this is really driving a lot of purchase behavior. Therefore, brands should bear in mind that the goal of personalization should not be to create the same level of intimacy with every consumer. That might not be appropriate and might not be what the consumer wants or needs. The goal should be to ascertain what kind of relationship the consumer wants with the brand. Then it is about cultivating that relationship on the consumer's terms; that is the kind of personalization that I think we will see happen.

Personalization really comes from the ability to use the brand or the brand experience as a means of social signaling.



A Customer Experience for the Digital Generation

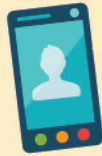
The Digital Consumer

4

Average number of **devices owned**

47%

of smartphone owners visit **social networks every day**



84%

consumers **multitask** using their smartphone or tablet **when watching TV**



34

Hours

17

Mins

Monthly time spent on browser/apps on smartphones

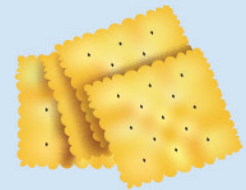


The Rise of C2C Marketing

To increase sales, **Wheat Thins** used **humor** to connect with consumers



Roped in a **comedian** whose jokes went viral



Thus, increasing **sales**

Engaging the Digital Consumer

Social Editions



Regular TV program with **social elements** such as tweets

Focus groups

Move away from them



Experiment



To **understand** evolving **behavior**

Digital Leaders Get it

When **sales declined** at Dominos



Dominos launched a **hashtag** campaign



Rebuilt trust



In a digital world, everyone has a voice and consumers influence each other's judgments.

Mastering Customer Engagement: The Rise of C2C Marketing

How do you rate the impact of C2C marketing?

C2C marketing is becoming extremely powerful. In a digital world, everyone has a voice and consumers influence each other's judgments. There have been incidents where consumers tell businesses how they feel and, not feeling heard, vent their feelings on a C2C platform. The incident then gets blown up, re-blogged, and assumes a life of its own. So, it is essential that we understand C2C dynamics; otherwise, we are really losing the filter through which many people are receiving messages. C2C is also important because people like to tell others when they have discovered something. And people have a bias toward things that are controversial, entertaining, or new. I think it is important for CMOs to keep that in mind while crafting the brand experience.

Can CMOs influence C2C dynamics?

Yes, CMOs can influence the C2C interaction. While CMOs cannot control what people say to one another, they can control the brand narrative at its origin, and they must be deliberate about that. A good example of this would be Dominos Pizza. When Dominos experienced a sharp decline in sales, it launched research to find out why. It emerged that consumers were dissatisfied with the quality of ingredients in the pizzas, among other things. So, Dominos created a Twitter hashtag campaign that incorporated these findings into its overall brand narrative. The campaign was called "What is wrong with the Dominos Pizza?" and the company asked people to give honest feedback on how it could improve. Dominos got really good feedback from this. People felt that Dominos was honest and really trying to hear them, which built trust. So, this is a way in which CMOs can help shape the brand narrative.

Would this not be risky considering customers could react unpredictably?

True! But the risk also comes from not doing anything and not connecting with the consumer. Take the case of Wheat Thins – the whole wheat snack brand that decided to use humor as a way

of connecting with consumers. They did that by creating a set of humorous guidelines that required sponsors to not feature people eating more than 16 Wheat Thins. They then roped in Stephen Colbert, the satirical comedian, who joked about the product saying he was going to try and eat 17 Wheat Thins, which was like telling consumers "We can eat Wheat Thins the way we want." The joke went viral and people who would never think about Wheat Thins started talking about it. Yes, there was a bit of risk involved here, but there is risk in inaction as well.

While CMOs cannot control what people say to one another, they can control the brand narrative at its origin.

The Digital Future: The Brave New World of Co-Creation

In your opinion, what is the next frontier for the marketing community?

I think what we need to understand next is how to integrate brand-produced content with consumer-produced content. The question is: How will co-authorship happen? How can we have a situation where we have the brand and the consumer creating content together? I think cracking that nut is the next big thing. When you have that kind of collaborative effort, it builds a whole new level of trust and investment, because when I feel like I have been an architect of an entity, then I am far more likely to keep up with it, and to have a connection to it. Right now, we do not really have good examples of that kind of co-creation. The closest thing we have is a brand saying, "Make your own video and we will feature the winner." That is not quite a true integration. If you can create a joint narrative, where both the brand and the consumer share the story, then I think that you can really differentiate in a digital world from people who are just having their agency create content or just sitting back passively and seeing what consumers are talking about today.

What role do you see agencies playing in the co-creation of content?

Agencies are in an unenviable position because to a certain extent they can only go where the client allows them to go. Not many companies or CMOs are thinking in terms of co-creation because there is a certain amount of risk involved in abdicating some of the control in content creation to consumers. Companies that can strongly control what their brand essence is, but also abdicate control to embrace consumer empowerment will be well-positioned to really go to this new frontier of co-creation. Their agency partners will enable them to co-create experiences that are really unique.

“Right now, we do not really have good examples of co-creation between brands and consumers.”





Rewired: Crafting a Compelling Digital Customer Experience

By **Didier Bonnet, Jerome Buvat and Subrahmanyam KVJ**

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In 2008, Dominos Pizza was staring at a difficult future. The company faced plummeting sales, falling stock prices and a lacklustre brand image. Customer dissatisfaction was running high with customers complaining about the poor quality of Domino's Pizzas¹. By November 2008, the company's stock price was at a record low of \$2.83². That is when Dominos decided to chart a new path for itself. From that position, the company has scripted a historic turnaround making its entire customer experience digital. The company focused on making *easy-to-order* and *easy-to-track* the foundations of its overall customer experience. And they did this across the key channels of PC/mobile/social. Dominos launched a social media campaign – “What is wrong with the Dominos Pizza?” – where it sought feedback from customers to help improve its pizzas. Customers appreciated the company's sincerity in reaching out to them and as a result, the strategy proved to be highly successful (see interview with Professor Renée

Gosline on page 50). Dominos streamlined the ordering process by introducing “Pizza Tracker” – an online tracking mechanism to let customers view the progress of their pizza from order to delivery. They also let customers build online profiles, with their location and other preferences, thereby reducing order placement time to as low as 30 seconds. The results have been remarkable, to say the least. From \$2.83 a share in November 2008, Dominos has seen its stock price rise to over \$70 a share in June 2014³. Domino's mobile sales accounted for 22% of online sales in 2012, which was larger than the entire company's sales in 1999⁴.

“**Less than half of organizations have a company-wide program for customer experience, and only 30% have a dedicated budget to fund the transformation.**”

Such transformative impacts do not come by accident. They happen as a result of carefully coordinated and orchestrated use of digital technologies and platforms such as social media and mobile. However, while the opportunities for driving a great customer experience using digital technologies are significant, so are the challenges. First, organizations need to manage an ever-increasing tide of customer

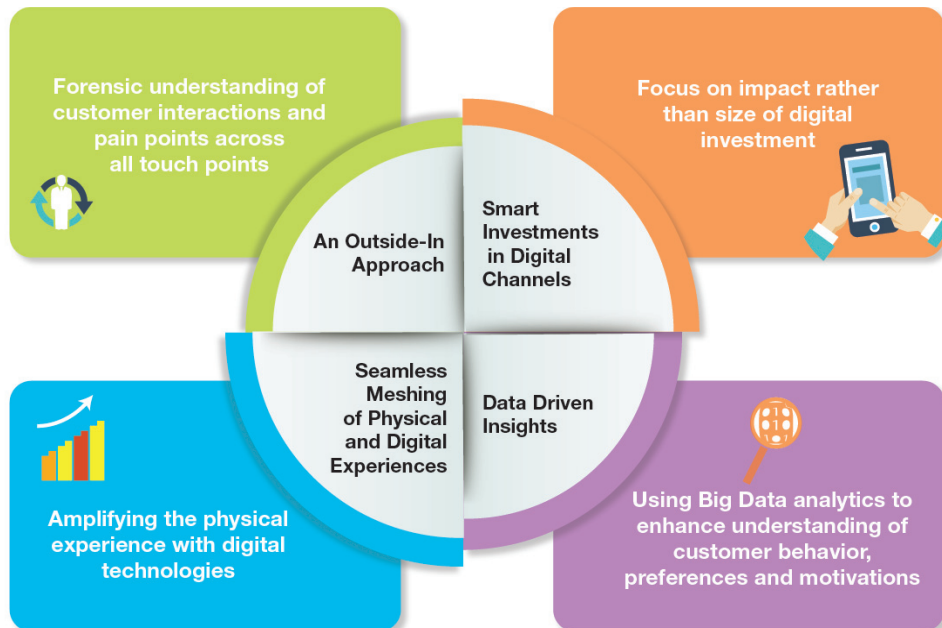
expectations. As Rob Tarkoff, CEO of Lithium Technologies, a provider of social customer community software, says in our interview (see interview on page 42), “We are living in an age of extreme customer expectations.” Second, the complexities of integrating new digital channels with existing operations can be daunting. A recent survey indicates that over 38% of marketers feel the technology to build an integrated digital marketing strategy is too complicated. Over 58% of marketers still use basic methodologies such as last-

click attribution model rather than more sophisticated cross-channel attribution models that are more relevant in the digital age⁵. Third, digitally transforming the customer experience requires an overhaul of organizational culture and traditional ways of managing customer relationships. 56% of marketers in a survey described their organizations as customer-centric, but only 12% of their customers agreed with their assessment⁶. This shows that the promise of customer centricity still has a long way to go. Finally, the pace of decision-making has hastened and there is a new sense

of agility that companies from the Internet sector are bringing. In short, what has worked in the past is not guaranteed to work in the future.

So, how can organizations master the new rules that will help them drive lasting customer engagement in a digital world? Our research revealed that four key actions play a defining role in delivering compelling customer experiences – and differentiate digital leaders from their peers (see Figure 1). We examine each of these actions in the sections that follow.

Figure 1: Creating a Digital Customer Experience



Source: Capgemini Consulting Analysis

Digital leaders look at technology as a means to an end, and not an end in itself.

Look Outside to Transform Inside

Digital leaders look at technology as a means to an end, and not an end in itself. The end-state is defined by the kind of experience that the customer desires at each touch point. Digital leaders design experiences based on a forensic understanding of customer expectations, and actively seek to understand and alleviate customer pain points. They ensure that their knowledge of customer interactions extends across all touch points. Barclay's Bank for instance, has set up a website dedicated to gathering the voice of the customer. The website called "Your Bank" encourages customers to publicly share their views, concerns and complaints regarding the bank's products and services. In addition, the bank puts future changes to its offerings to vote on the website, in order to gauge customer reactions prior to rollout⁷. Organizations are beginning to realize the importance of customer experience. Research indicates that over 86% of

executives consider customer experience to be a top strategic priority. However, less than half have a company-wide program for customer experience, and only 30% have a dedicated budget to fund the transformation⁸.

Customers increasingly see their interactions with organizations as a continuum of physical and digital experiences.

Focus on Smart Investments in Digital Channels to Enhance Reach and Drive Engagement

Digital leaders approach digital investments differently. Rather than the size of the investment, they focus on its impact. Sephora, the global cosmetics major, has shown how smart investments in digital channels can deliver extraordinary results. Sephora has closely tied its social media strategy to the way that customers use various social media platforms. Research suggests that Pinterest is better than Facebook in inspiring purchases⁹, and that its users tend to spend more on every purchase than users of other social media

platforms¹⁰. Sephora has focused its customer engagement efforts primarily on Pinterest and it was among the first retailers to integrate the "Pin It" button on its website¹¹. Sephora curates lists of popular products on Pinterest and launched a Pinterest-centric email marketing campaign, where users can pin products directly from emails. Sephora's social media strategy has proved to be highly successful. The company saw a 60% increase in traffic from Pinterest following its email campaign. Its average Pinterest follower spends 15 times more money on Sephora.com than its average Facebook fan¹².

Sephora has seen similar success with its investments on mobile channels. The company was among the earliest to extend mobile payment services to its customers by integrating loyalty data with Apple's Passbook application. As a result, customers that used the Passbook application were found to purchase twice as frequently and spend twice as much annually as the average customer¹³. Sephora introduced new features for its mobile app that allowed customers to create online shopping lists and access their online and in-store purchase history¹⁴. The company also offers free digital content, such as music, magazines and apps, through the "Sephora Shares" program¹⁵. The

company's continued focus on its mobile strategy has contributed significantly to spurring sales. As the director for mobile and digital store marketing at Sephora puts it, "We've seen 150% growth in the mobile space this past year, and we're seeing that continue, which is really outpacing the industry."¹⁶

Use Data to Create Engaging Customer Experiences

A compelling customer experience is often underpinned by a good grasp of data and customer insights. Digital leaders such as Amazon and Macy's are applying analytics to substantially enhance their understanding of customer behavior, preferences and motivations. Macy's analyzes several million Terabytes of data every day including store transaction data and social media feeds. This is used to personalize the customer experience in various ways, including for instance, by offering customized promotions to customers at checkout. The retailer's analytics capabilities now enable it to create 500,000 unique versions of a single direct mail catalog¹⁷. As a result of its focus on advanced analytics, Macy's has been able to boost store sales by 10%¹⁸. Similarly, Amazon's ability to harness data allows it to help customers find products that are

most relevant to them. The online retailing giant's analytics-driven recommendations engine accounts for 29% of its overall sales¹⁹.

U.S. Bank improved its lead conversion rates by 100% using Big Data analytics.

Several banks have also reaped the rewards of leveraging customer insights to enhance customer experience. For instance, U.S. Bank, the fifth largest commercial bank in the US, integrates data from online and offline channels in order to create a unified view of the customer. This data is then used to target prospects with personalized offers. As a result, the bank has been able to improve its lead conversion rates by 100%. The bank even tailors the content on its website, based on data analytics. For instance, products and services featured on the website vary based on the profile of the customer visiting the website²⁰. Organizations across industries are faced with a deluge of structured and unstructured data. However, the ability to translate this data to meaningful insights and deliver superior customer experiences sets digital leaders apart.

Integrate Physical with Digital to Create Unending Experiences

Customers increasingly see their interactions with organizations as a continuum — a continuum of physical and digital experiences. They don't necessarily understand and appreciate internal organizational barriers between physical and digital. Organizations will need to understand that this is not about old vs. new, or physical on one side and digital on the other. It is about creatively integrating their digital and physical experiences so they blend in a seamless customer experience. Digital technologies offer powerful ways of amplifying the impact of a physical experience.

Macy's has been able to boost store sales by 10% using Big Data.

US financial services major Capital One is experimenting with a café format for its bank branches, designed primarily to drive services offered by their online bank – Capital One 360. Across the US, the bank has opened nine café styled branches that provide high levels of customer intimacy along with complimentary services²¹. The branches also provide access to financial and digital tools. Bankers within the café give personalized advice on saving and investing strategies while also providing detailed information on Capital One 360 products. As such, the café format allows Capital One to combine the personal touch

of the physical branch with the convenience of online banking – ultimately providing customers with the best of both worlds.

Automobile giant Audi's showroom in London is another example of digital blending with physical to create a great customer experience (see Figure 2). The new showroom – called “Audi City” – houses just one car, the company's most exclusive model. In addition, it has an array of large screens where Audi's complete range of models can be viewed, customized, repainted and accessorized. In its first ten months of operation, Audi's digital showroom saw a

70% increase in car sales compared to prior retail format²², and a higher average sales price than its average UK dealership²³.

Audi's Digital Car Showroom reported a 70% increase in new car sales and higher average sales price than traditional dealers.

Figure 2: Audi's Digital Showroom



Source: Company website

Figure 3: Build-A-Bear Workshop Store



Source: Company press release

Build-A-Bear Workshop Inc, the US-based do-it-yourself retailer of stuffed animals, is another great example of the power of such an integrated physical-digital approach. The company undertook a two-year modernization program aimed at providing a more immersive in-store experience to its target customers – young children accustomed to using smartphones and tablets. As part of the program, Build-A-Bear remodeled some of its stores using touch, object and gesture recognition technology. Digital storefront installations enabled with Microsoft’s Kinect technology allow customers to

use gestures to play games and interact with Build-A-Bear’s latest product offerings as they enter the store. Within the store, a series of kiosks with interactive touch screens digitally enhance each step in the process of making the toys. For instance, children can choose personality traits for their toys, which are represented by a set of emoticons on the touch screens. They can also choose from an assortment of digital music and sounds to add a “voice” to their toys. Such tactile experiences were introduced to help children form deeper connections with their chosen toys²⁴ (see Figure 3). The remodeled stores met with

strong positive reception from customers, with sales increasing by an average of 25%, compared with an 8% average increase in company-wide store sales. Driven by the success of the program, the company plans to extend the same experience to many more stores²⁵.

“Organizations can lose as much as 20% of their annual revenues due to poor customer experience.”

Digital leaders such as Capital One, Audi and Build-A-Bear have successfully understood the amplifying effect that they can achieve by meshing physical with digital experiences in order to help differentiate themselves.

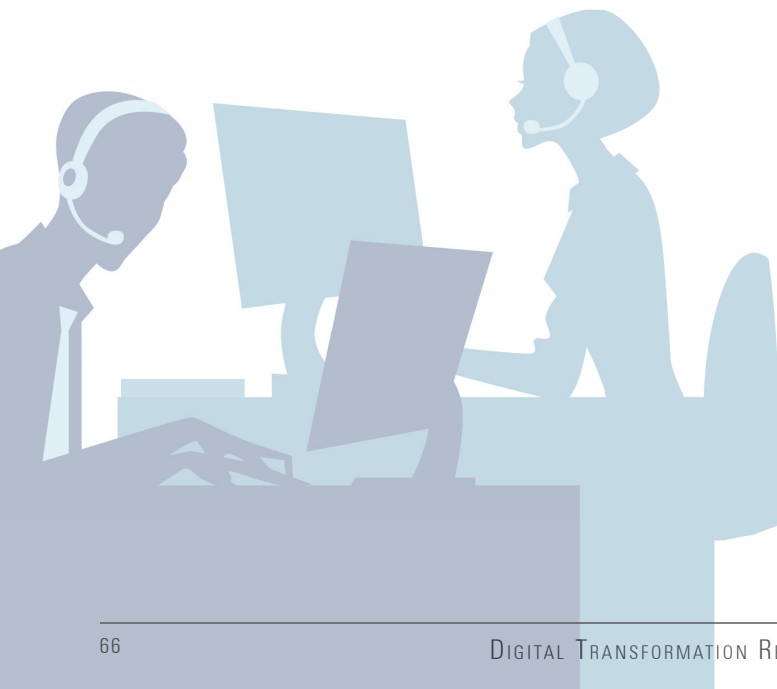
“Many Born-Digital companies have set a high entry bar for compelling customer experiences.

Can traditional organizations create a rewired digital customer experience?

Many Born-Digital companies have set a high entry bar for compelling customer experiences. Companies such as Zappos (see interview on page 12) go to great lengths to create a compelling customer experience. Zappos has also shown that they are willing to work around traditional organizational governance models. For instance, the company replaced its traditional management style with ‘Holacracy’ - a model that distributes authority amongst various circles of employees. Such a model empowers employees enabling them to assign top priority to customer experience.

Some traditional organizations have been quick to adapt. Mercedes-Benz for instance, launched an organizational restructuring initiative – aptly titled “Customer Dedication” – to focus its activities more sharply around customer needs (see interview on page 26). For most other organizations however, it is time to play catch-up rapidly. Not doing so will expose organizations to the perils of a poor customer experience, which can indeed be significant.

Research indicates that organizations can lose as much as 20% of their revenue due to poor customer experience²⁶. So, why don't many companies try creating great customer experiences? One obvious reason - it is very challenging to do so. Organizational constraints are usually the biggest reason. There is very little coordination between the front-end of the organization and the back-end. Customer experience, while being everybody's priority is no one's job. Delivering a compelling customer experience requires the careful orchestration of people, data, IT, processes and customer behavior. It requires an exhaustive understanding of customer behavior, smart investments in digital channels, the ability to harness customer data, and finally, the ability to creatively mesh physical and digital experiences.



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The Age of Extreme Customer Expectations

"When customers come to the dealer, they have already looked at reviews, peer group comparison sites, and consumer reports, all online. So they come highly empowered. That experience at the dealership is going to be the lasting impression for the customer — you don't get a second bite of the cherry."

- Andy Palmer, Nissan

"Youngsters are more likely to complain about a brand, with 46% using social media for 'complainvertizing'."

*- Rob Tarkoff,
Lithium Technologies*

"43% customers expect a response within the hour."

*- Rob Tarkoff,
Lithium Technologies*

"There have been incidents where consumers tell businesses how they feel and, not feeling heard, vent their feelings on a C2C platform."

*- Renée Gosline,
MIT Sloan School of Management*

"66% of Americans expect a same-day response."

*- Rob Tarkoff,
Lithium Technologies*

Special Guest





Surviving and Thriving in an Age of Digital Disruption: An Interview with Tim O'Reilly

Interview with Tim O'Reilly

– Founder and CEO of
O'Reilly Media

Tim O'Reilly is a leading Silicon Valley intellectual, technology icon and venture capitalist. Tim has chronicled technology trends since 1978, and is the founder and CEO of O'Reilly Media, one of the world's most respected publishers of technology books and producer of cutting-edge technology conferences. He has been a key spokesperson for the original commercialization of the Internet, for open source software, for Web 2.0, open government (and open data in general), and the Maker movement. Capgemini Consulting spoke with him to understand more about the latest wave of digital disruptions and how companies can and should react.

In your opinion, what is driving the current era of digital disruptions? Have we reached an inflection point?

There has been steady advancement in transformative technologies right from the birth of computing to the smartphone era. But we're now at that start of something that is arguably even bigger, as digital technology interacts with the physical world. Some people refer to it as the "Internet of Things" or the "Internet of Everything".

At the heart of it, this new technology revolution is being driven by sensors that are making physical objects more responsive and seemingly "intelligent" than ever. We need to expand our earlier definition of robots, which referred only to autonomous humanoid robots. In fact, there are many so-called special purpose robots in our homes today, such as the Nest Thermostat. Even our dishwashers and washing machines have all become much more intelligent over time. As they become more connected with the Web, these devices will become even more capable of seemingly independent action.

A major part of the current revolution is the manner in which intelligent machines augment humans in new ways.

However, I think the notion of an autonomous, purely machine-based revolution misses the point. A major part of the current revolution is the manner in which intelligent machines augment humans in new ways. Take the case of Uber – the on-demand car hire service. Uber connects passengers and drivers much more efficiently, and in real-time, using the GPS functionality in smartphones. You don't normally think of this as an "Internet of Things" application, yet it is made possible by one very smart thing – the location-enabled phones of both the driver and the passenger. But those things aren't operating autonomously. They are a tool for augmenting humans. It's important to realize that the Internet of things is not just for things! It is the beginning of a

massive change in the way that people and "things" relate to one another.

What are the industry sectors that are going to be the most affected by these digital disruptions?

They don't call it "the internet of everything" for nothing. Agriculture and manufacturing are already in the throes of transformation. But for consumer impact, look to the automotive, transportation, and healthcare industries. I see the automotive sector poised for massive change given the ability to understand where every vehicle is at any moment. New applications become possible, leading us ultimately to self-driven cars. (I should point out that robotic tractors and mining equipment is already commonplace.) This ability to track and control will affect all forms of transportation and logistics.

In the healthcare sector, I believe advancements in our ability to monitor bodily functions and track medication adherence will have a powerful impact on patient care.

Managing Digital Disruption: A New Mindset for CxOs

What advice would you give to CXOs who are trying to cope with digital disruptions?

First, I would advise CXOs not to fight the future. Trying to prevent disruptions from taking shape is a losing strategy. If you think you are going to be disrupted, then the first and most powerful alternative is to adapt to get ahead of a disruption and not solely focus on “what I should do to preserve the business.” Second, CXOs need to step away from the way they do business today and ask themselves the question – “what will the consumer expect?” At O’Reilly Media, for instance, we decided to go DRM-free for our digital products because we realized that is what consumers want. It is important to benchmark yourself against a broader range of consumer services and not just against other companies like yourself. Take the case of government services. They routinely accept wait times of months or years, when consumer services now provide almost instant turnaround! Government officials must understand that in an age where consumers have near-immediate access to information

through their televisions, tablets or smartphones, government services need to be much more responsive than before.

Who would you recommend that organizations benchmark themselves against?


I think of Amazon as one of the great companies to observe because, in many ways, they have been in a fairly traditional industry. However, they have broken out and not only disrupted retail and book stores, but also become one of the largest infrastructure providers for the next generation of cloud applications.

What are the lessons that organizations can learn from the success of Amazon?

There are two key lessons. Amazon understood more than anybody else that they had to organize themselves around technology rather than organize technology around their business. Very early on, Amazon mandated an internal API culture where all teams were required to encapsulate their work with service interfaces, so that they could be consumed easily by others. In other words, Amazon organized itself internally around a service-oriented architecture.

This made it much easier for them to open up their services to the external world.

Another idea that Jeff Bezos got early on was to design Amazon as a platform that would enable an ecosystem in numerous ways. A lot of companies forget how they can actually enable others. Platforms are a great way of doing this. In fact, a platform beats an application every time.


A platform beats an application every time.

Unlocking Innovation: The Need for Collaborative Ecosystems

It appears that most innovations are coming from small firms. Even Gartner says that 50% of the value in the “Internet of Things” will come from startups. How should large companies unlock innovation?

Well, first of all, I think that’s just the way of the world. It’s very difficult when you are a large

company to pay attention to things that are still small and put emphasis on small bets. Venture capitalists place many small bets and most of them fail. I think it's a fool's errand for a large company to try and become a great early-stage innovation company. It is more important to be able to recognize innovation and become a fast follower. Cisco, Microsoft, Adobe and Google are all examples of companies that have grown successfully through an aggressive acquisition strategy.

You succeed when you make other people successful.

Being a great partner is another crucial element of unlocking innovation. Large organizations need to understand the ecosystem of companies that are disrupting their industries, identify ways of working more closely with them and making them more successful. I preach this all the time and I think really successful companies understand this – you succeed when you make other people successful. And if you play a zero-sum game – where if you win, everybody else loses – then you lose as well.

What differentiates great companies from others in terms of the way in which they approach innovation?

I think great companies enable strong ecosystems. Consider how Apple has created value for its App Store developer ecosystem. Ironically, the value that you create for others need not even be very high. For instance, while the App Store ecosystem made some really big winners, the share of App Store revenues that go to outside developers are only a tiny slice of Apple's overall revenues. But still, you must have a sense that you are creating value for other people because that will eventually drive your success. So, my advice to companies would be to seriously consider how they can help others and how they can all grow stronger together. The focus should be on making the pie bigger.

If you were the CEO of a major hotel chain, how would you respond to the disruption caused by Airbnb, for example? What would you do?

I would explore options to partner with Airbnb and create a win-win situation for both companies. I would ask myself how I could make Airbnb more successful by having them affiliate with my

brand. As a platform provider, I would look at how I could really deliver value to them. There's certainly some value in branding, but also in directing customers to them and potentially giving them cover from legal issues. For that matter, if I were a hotel chain, I might acquire Airbnb.

Looking Ahead: The Trends That Will Shape The Future

What are your three best bets on technologies that will reshape industries over the next five years?

The deep technology trends that I see are the merging of hardware and software, Big Data, and the fact that everything is becoming a service. It is important to understand how these things come together into a kind of "collective intelligence" in which people and machines work together in new and innovative ways. Our collective data gathered by sensors goes is part of a powerful feedback loop that makes our machines smarter. I would advise organizations to look at these trends and open their minds to what they could transform. I would like to specifically mention Big Data, because I think that is going to be a major part of the sensor revolution. In order to

build sensor-based applications, organizations need to be able to effectively use the data from sensors. They will also need to redesign workflows based on the various types of machine intelligence that will be generated.

“Great companies enable strong ecosystems.”

If we consider the “Internet of Things”, is a winner-takes-all approach inevitable in its evolution?

No, I don't think it is inevitable. In fact, I think organizations should actively resist winner-takes-all strategies. To my mind, a winning strategy is about building partnerships and striving for interoperability through open source, open standards, and an open data strategy. Consider GE's Industrial Internet initiative for instance. There is value in creating a truly interoperable Industrial Internet where, in addition to GE's own suppliers and partners, other industrial manufacturers such as Siemens and Philips can also participate. This may require consciously giving up a part of the market value that might otherwise be secured by directly competing in a market. But it is

necessary if organizations want to preserve and expand value at a higher level. That is how Google challenged Apple's dominance in the smartphone market, even though it required letting Samsung take a significant share of market value. In the end, Google's actions pushed the industry forward.

“Organizations should actively resist winner-takes-all strategies.”

Who do you think will emerge as winners in this space?

It is probably too early to tell but I think Google and GE appear to be well placed to play a leading role in the evolution of the Internet of Things. GE is doing some very interesting work in the area with their Industrial Internet and frictionless manufacturing initiatives. And if we look at Google's acquisition strategy, where they have acquired almost all of the interesting robotics startups, it appears that they are making a major long-term bet on the Internet of Things.

If you were to invest \$1 million, what are the technologies you would consider for your investment?

I would consider low-cost lightweight sensors, drones, quantified-self technologies, mobile interfaces, government services and corporate IT as key areas for investment. At O'Reilly AlphaTech Ventures (OATV), we are investing in many of these themes. For instance, we have invested in Planet Labs, which is developing low-cost sensors for satellites that will enable more complete coverage of the Earth's surface at more affordable costs. We see strong commercial opportunities for drones and consequently, we have invested in 3D Robotics, a startup specializing in Unmanned Aerial Vehicles (UAVs).

I would consider low-cost lightweight sensors, drones, quantified-self technologies, mobile interfaces, government services and corporate IT as key areas for investment.

We invested in Sight Machines, which provides machine vision and other kinds of sensor applications for factory automation. We have invested in a range of startups as part of our focus on quantified self technologies that combine wearable sensors and computing to measure aspects of our daily life. These include Misfit Wearables, which develops wearable devices for wellness and medical applications, as well as FitnessKeeper. We also believe that innovative mobile interfaces will

change the way people interact in the real world. So, we have invested in Cover, which is an Uber-like application for making restaurant payments.

I also see a huge opportunity in transforming government services, where, given the backdrop of budget deficits, there is a strong need for cost reduction. And finally, I would definitely invest in new types of companies that are disruptive for corporate IT.



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Digital Transformation Review

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