

# SETTING OUT OUR **CONNECTED CONSUMER** POINT OF VIEW



# CONNECTED CONSUMERS WILL CREATE THE FUTURE THEY WANT

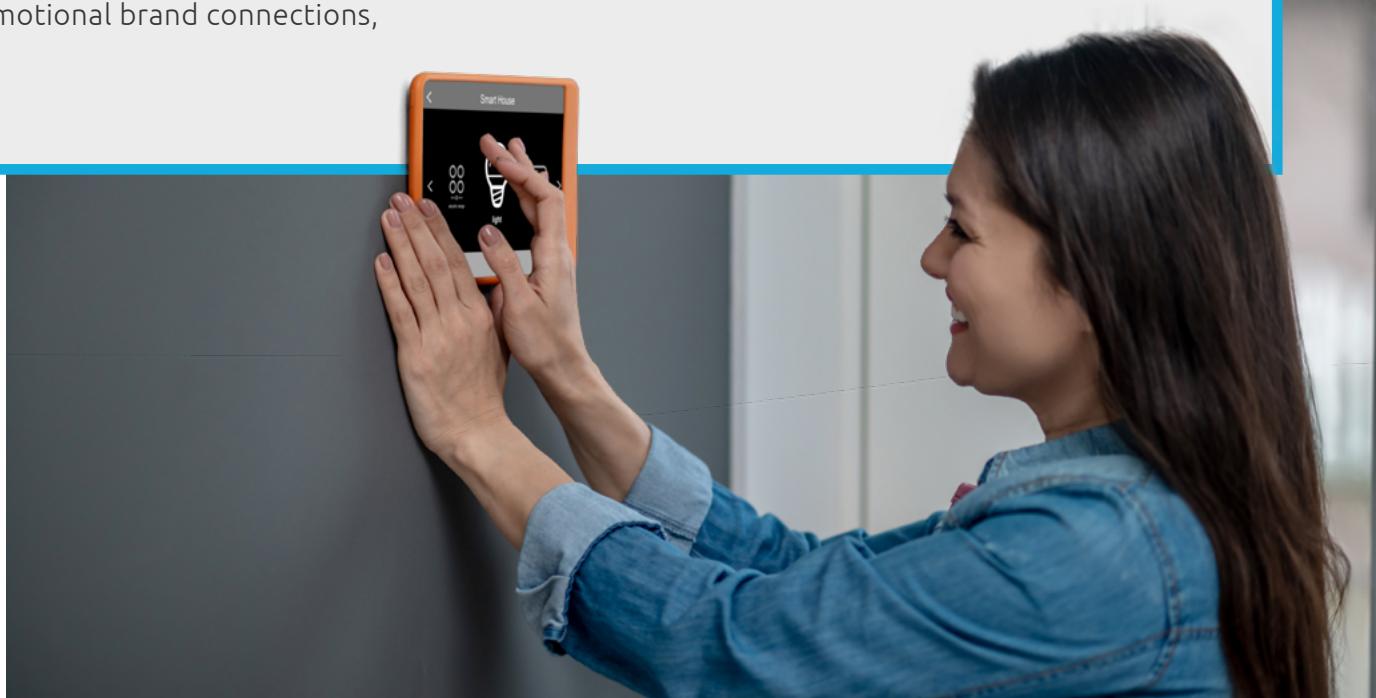
The customer is always right. It's an old slogan that suggests that the brands that succeed are the ones that are able to meet the expectations of their customers. It still rings true – however, when the customer's expectations are moving so fast, one major question is left: what does the customer expect now and tomorrow? Do they want speed, low cost, function, beauty, or something deeper? As you might expect, they want it all... and within 30 minutes.

When consumers have a wealth of options and a hunger for new experiences, customer relevance, engagement, and creating a sense of shared purpose is the challenge that every brand now faces. Brands must ask themselves a few questions, including how to stay relevant in the noise of the competition and how to remain connected with a "one-click" consumer who wants not just products, but experiences, from brands they believe in.

Today's brands recognize that creating a beautiful or functional product may no longer be enough. In the age of a deeper customer understanding and emotional brand connections,

unconnected products seem tired and dated. So too do brands that continue to try to innovate from the same methods used for decades: consumer research, marketing data, and focus groups – all with their own flaws and idiosyncrasies, and all without any real-world and real-time data. Both consumer and brands are looking for a better way to connect for slightly different, but synergistic, purposes. In fact, some companies have no real-world product data because their connection to the consumer is lost at the point of sale. Once this cord is cut, developing a meaningful relationship with customers can be difficult or near impossible without a digital lifeline.

Larger brands are tending to lead the way toward connected services, but companies of all sizes are expected to follow the shift. A recent survey from the Capgemini Research Institute found that, among its respondents, only 35% of organizations currently offer connected services. However, this figure is set to rise dramatically – the expectation is that 88% of these organizations will be offering connected services in the next five years. <sup>(1)</sup>





## HOW LEADING BRANDS ARE DRIVING THE PHYSICAL AND DIGITAL REVOLUTION

People need “things.” Things to make their lives better, easier, and more enjoyable. Physical goods won’t be going away anytime soon, but leading companies know that digital is the next frontier. Digitally native gen Z and millennials, and every child born from this point onwards, will expect and have experience with digital apps and services. As users get more advanced, these physical and digital experiences will need to get smarter. The goalposts are moving. Consumers now are demanding better products, experiences, and tools to create the experience they want, when they want it, and how they want it with the click of a button – or, better yet, by a system that knows them well enough to deliver the perfect experience and outcome.

There are many examples where digital has transformed our lives. We can now buy a car from an app, get a ride across town without raising our hand or taking out our wallet, and we can sit and relax while robotic vacuums clean our floors. Functions that were previously unimaginable are now commonplace in the span of just a few years. So where will leading consumer companies go next? How will they transform everyday products into connected ecosystems that create new experiences and at the same time provide the brand with the data and insights it needs to create a deeper consumer connection?

The challenge is even more difficult for CPG brands that sell simple unconnected products like soap, soft drinks, and deodorant that have no obvious way to connect. Will we have Wi-Fi enabled soap? We don’t think so. Could we have soft drinks that are made and sold without single-use plastics, dispensed from connected machines? Absolutely. Could we have mobile phones that tell us if our skin is clean and to wash again if it’s not? Definitely. We picture a day sometime soon when you will be able to grocery shop by ordering “thanksgiving dinner for ten with one vegetarian and two children under five” and you can receive all the ingredients you might need, down to the salt and pepper.

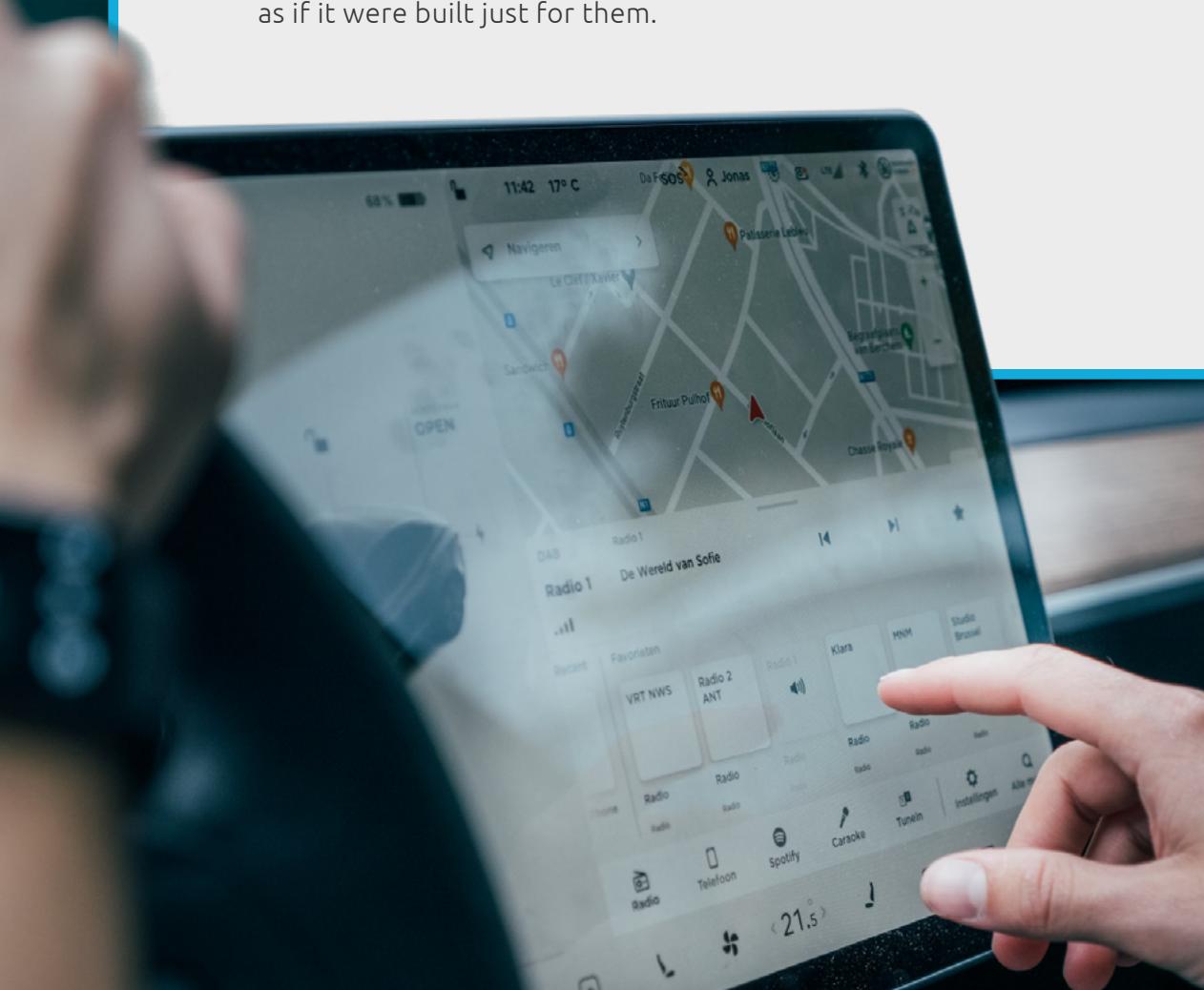
Not only can brands leverage digital to augment and create new routines and desired outcomes, but they can help build community and connect people with people. Without realizing it, many of our daily activities center on social dynamics and communication, and community, commerce, and the consumer experience go hand-in-hand in building trust and brand connection. This is how Nike amassed 300 million Nike app members who spend, on average, three times more than website users. Brands that focus on community first are seeing sales and loyalty rise.

# CONNECTED DOESN'T MEAN INTELLIGENT

As companies mature in their use of data, insights, and real-time AI, consumer satisfaction and profits rise. Brands such as Tesla, Disney, and Amazon have long understood the power of data and have used it wisely, not only to create new experiences, but connected operations that synchronize supply chain, commerce, product and operations to create a seamless and engaging consumer experience.

An experience like one that keeps consumers loyal and coming back to Disneyland – as if it were built just for them.

However, not all larger sectors are necessarily getting it right – a recent Capgemini survey of the automotive sector found that the perceived value of connected car services was not high among car buyers. When asked why there is a relatively low willingness to pay for these services, 39% of respondents said that the services are useful but insufficiently developed. Another 23% had not used connected services before and were unaware of their benefits.<sup>(2)</sup>





## EXPERIENCES THAT TRANSFORM ARE MORE THAN SKIN-DEEP.

When utilized properly, digital experiences will unlock consumer loyalty like never before possible. These new ways of engaging can be used to build community and trust, and bring people together with their friends. The human desire to connect transcends product categories, and those that are enabling connection are building a strong foundation for relevance and permission to engage.

Take Zwift, a software platform for runners and cyclists that provides an indoor but very realistic metaverse experience, which is creating a digital community by enabling people to ride with their friends around the world from their own homes. This gives the sensation of togetherness, no matter how many miles they are apart. In a more general sense, this creates a positive experience for anyone who wants a new way to meet people and stay in touch with friends. The effect is to encourage others to invest in physical fitness and mental well-being. Zwift just launched their own physical device to accompany their online experience – it's not just an exercise bike

but an opportunity to connect with friends, track progress, and challenge each other to ride more. Community can build loyalty, engagement, and the connectedness every brand desperately seeks.

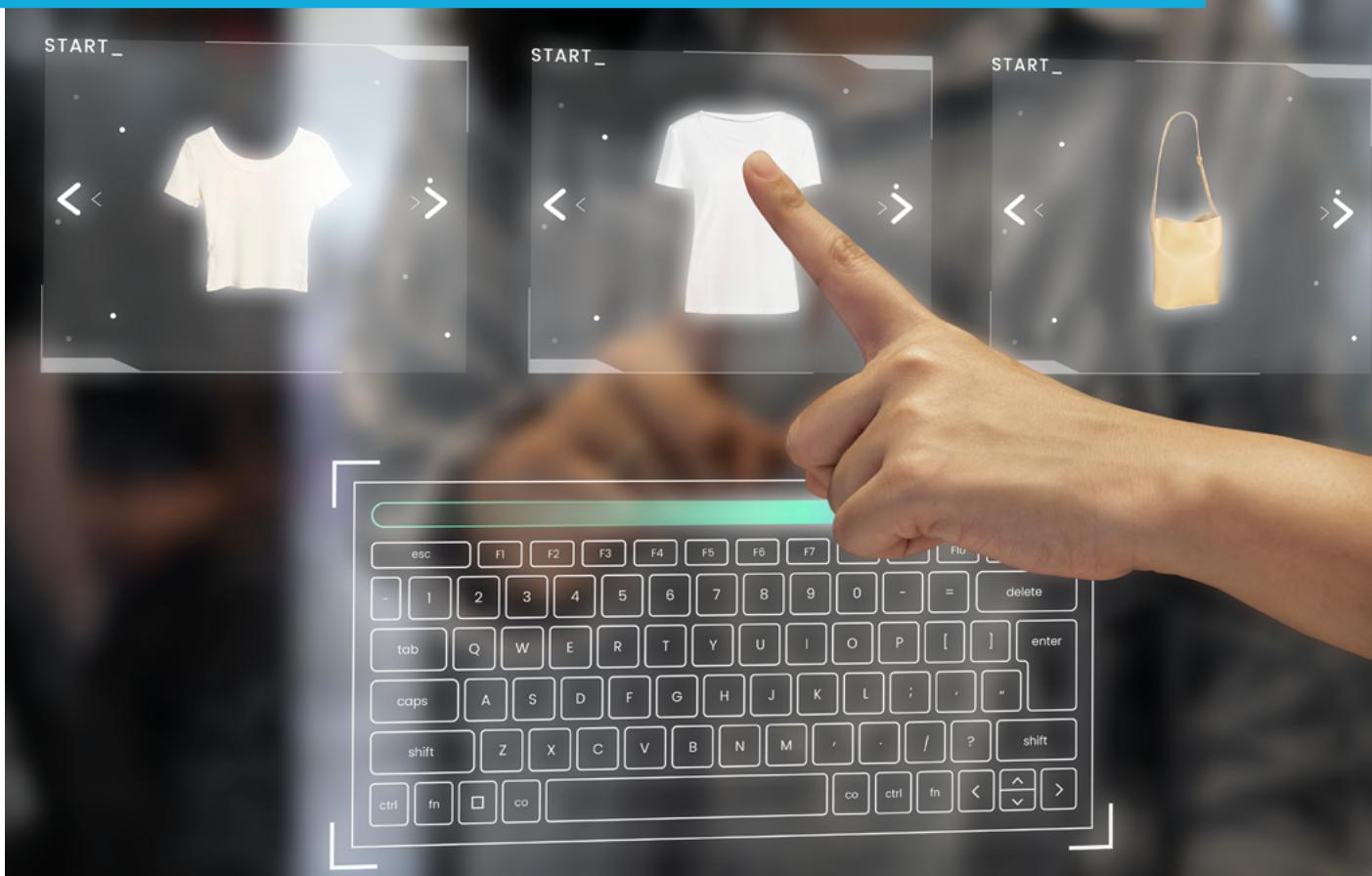
Beauty and wellness is another field pushing the boundary of what is currently possible. Previously, makeup was trial and error – a color here and a tone there until you found the one that suited you. Now, these processes are being streamlined through digital, giving the consumer an innovative and new experience. For example, AR try-ons on your mobile phone give you a “try before you buy” option by showing you multiple shades of eyeshadow, lipstick, blush, or foundation, or skin diagnostics that can tell you exactly which contour cream would complement your complexion. The experience has been raised from what we assumed was possible to the art of the possible through new technology. Everything is personalized for the new consumer – information and skills once reserved for professionals are now at the fingertips of everyday consumers.

# CUSTOMER EXPERIENCE, THE NEW METRICS FOR SUCCESS

After customer relationships have been nurtured, companies can then begin to monetize the new business models. Brands are already moving from traditional sales metrics to engagement and relationship scores such as NPS. Both Disney and Nike have emphatically proven that engaged consumers spend more, and that integrating digital enhances both the consumer experience and makes company operations more efficient. Nike for example created hardware for an entire generation until the Apple watch surpassed it. Now Apple and Nike enjoy a mutually rewarding relationship, further establishing Nike as a community of athletes. This transition from traditional footwear and apparel business to digital was a visionary and pioneering moment for Nike.

Their early investment to drive membership to the mobile app has exponentially increased their market position and serves as a model for the power of using product and a digital relationship to drive business outcomes.

When exploring new monetization models, it is important for organizations to decide which features to offer for free and which should be fee based. The freemium to premium model has emerged across many new services, from gaming to workflow applications to music services. Spotify, for example, struck the right balance by offering users the option of a premium account to gain access to certain features. In 2021, revenue from premium accounts reached around \$8.4 billion, using freemium services as an on-ramp to try and buy. <sup>(3)</sup>

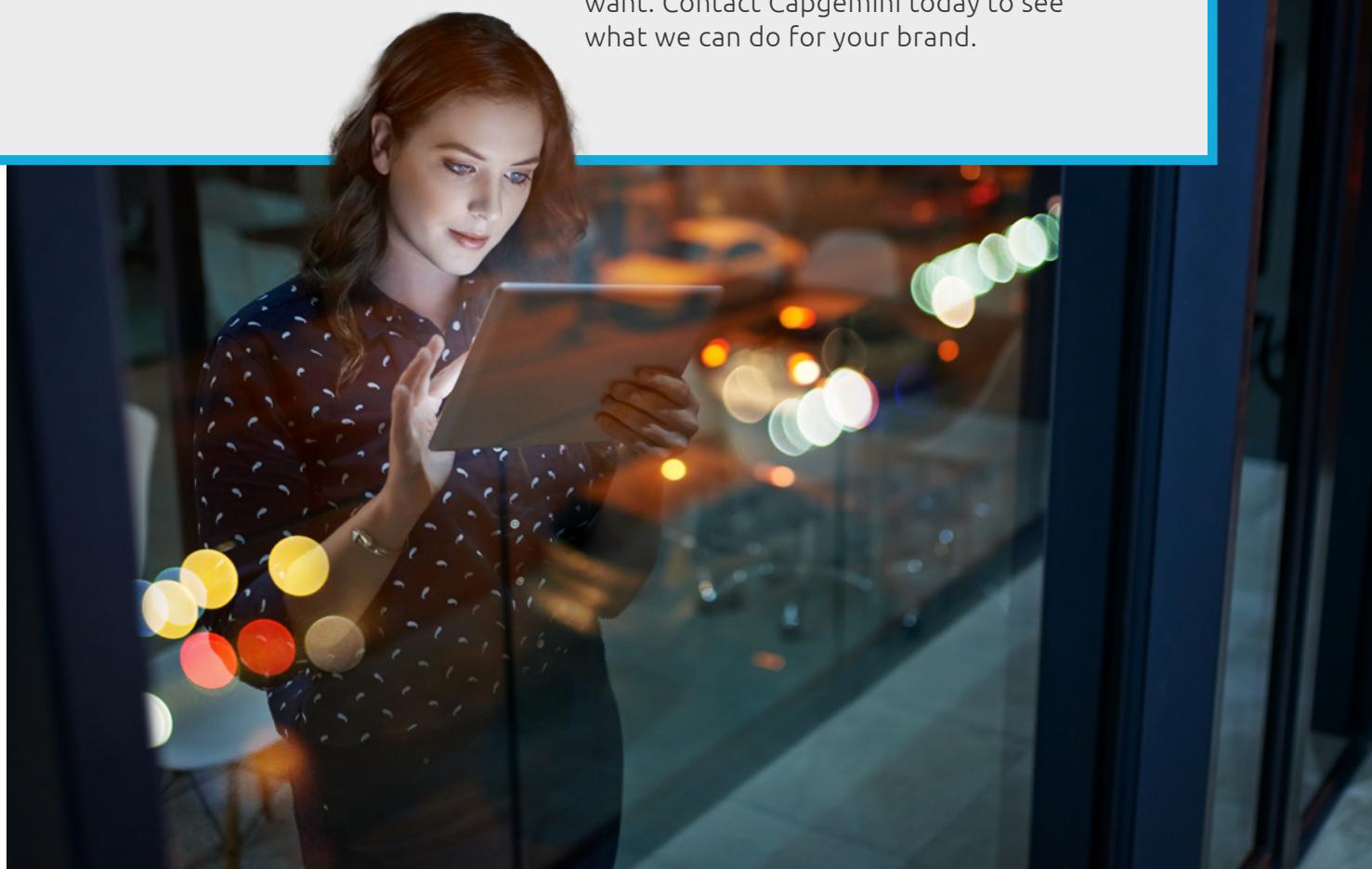


# MAKING IT HAPPEN

Discovering where connections can be made next is today's challenge. Having partnered with most of the leading Fortune 100 companies, Capgemini is supporting consumer product companies to address the quickly changing market, driven by the next generation of digitally native consumers by providing the expertise, solutions, and innovative thinking they need to remain relevant and valuable to consumers.

We have created a way to engage quickly to understand the possibilities to drive business with new consumer experiences through intelligent products and services. We accelerate launching concepts and construct foundations to test and learn effectively and without impacting your current brands or markets. These steps lead to innovation acceleration, coupled with the ability to build, scale, and run successful operations.

Capgemini is an experienced partner in helping brands get the future they want. Contact Capgemini today to see what we can do for your brand.



1. Capgemini Research Institute, Intelligent products and services survey, April-May 2022, N=1,000 respondents from unique organizations that have or are currently building visions and strategies for a move to IP&S.
2. Capgemini, "Connected Vehicle Trend Radar 2: The road towards profitability for automotive connected services," September 9, 2020.
3. <https://www.statista.com/statistics/245125/revenue-distribution-of-spotify-by-segment/>



## About Capgemini

Capgemini is a global leader in partnering with companies to transform and manage their business by harnessing the power of technology. The Group is guided everyday by its purpose of unleashing human energy through technology for an inclusive and sustainable future. It is a responsible and diverse organization of over 325,000 team members in more than 50 countries. With its strong 55-year heritage and deep industry expertise, Capgemini is trusted by its clients to address the entire breadth of their business needs, from strategy and design to operations, fueled by the fast evolving and innovative world of cloud, data, AI, connectivity, software, digital engineering and platforms. The Group reported in 2021 global revenues of €18 billion.

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