

Digital Behavior

Marketing and communicating with consumers in the digital economy.
A discussion paper on the impact of Digital tools and technologies.

The emergence of digital behavior

Ask any typical business crowd to raise their hands if they are involved in e-commerce on a daily basis. Typically, you might get one or two in a crowd of forty indicate in the positive. Then try rephrasing the question, “How many of you send or receive e-mails to your customers or business partners on a daily basis?” Now the response is likely 100%.

The question illustrates two points. Firstly, what we perceive as commercial behavior doesn't necessarily include activities that become embedded into our normal daily routine. Secondly, e-mail and other such digital technologies have been particularly successful in becoming ubiquitous in a very short period of time. These communication mediums have made their way into our lives so quickly in fact, that we now don't even classify them as alternative channels, they are just normal.

So, how can you tell if a technology has become mainstream? The easiest way is by measuring the rates of adoption and penetration. Take for example, the fax machine. Scottish inventor Alexander Bain patented the first fax machine in 1843 – 33 years before the telephone. His device read text written in raised metal letters and transmitted it through telegraph lines. A commercial fax system was later established in 1865 by Italian Giovanni Caselli between Lyon and Paris in France. In 1948 Western Union started its DeskFax service. 18 years later in 1966, Xerox introduced the first general-purpose fax machine, which operated over telephone lines. But it wasn't until the late 1980s that the digital fax machine became truly mainstream. Hey now everybody had to have one!

In our personal and business lives we have become increasingly dependant on new technologies to the point where our life seems like it is missing something when they aren't there. To illustrate, when you turn on your mobile and there is no signal, when you call your spouse or partner's mobile and can't reach them, or when you go on holiday and don't have access to e-mail, how do we react? A recent survey in the United States indicated many executives were suffering from increased stress levels on family holidays because they weren't actually getting downtime from work. The increased requirements by employers to stay digitally connected are creating a new meaning to the term "working holiday".

"The Genie is out of the bottle..."

The genie is out of the bottle, as they say - we can't put the technology back into our past. Our behavior, our modus communicqué, our way of life and the way we do business has been forever changed. This has progressed to such an extent that when a person who doesn't have an e-mail address or mobile phone number on their business card hands you the said card, they feel they have to explain why it has been omitted - "I just joined the company and they didn't have time to print new cards with my e-mail address yet."

At first these changes occurred subtly, I personally first started using a "mobile" phone in the early 90's, it was the size of a small car and the quality of reception would have made the Apollo 11 transmissions sound like CD quality. Now we are carrying around mobiles that double as PDAs, MP3 players, digital cameras and dictation machines (I'll get into the issue of convergence later). Now I might be atypical, but I love tech and I'm definitely in the early adoption cycle of most technologies. Some of you, on the other hand, might see yourself in the opposite quadrant. The facts are that technological change is being met with less and less resistance these days. Critical market mass for mobiles took around 12 years, and for Internet it was less than 7 years, predications on the adoption of Wi-Fi technologies are around 3-4 years. Yes, our acceptance of new technologies is actually speeding up, giving businesses less time to respond to our changing needs and behavior.

Recognizing the adoption of these new mediums is essential in building business and marketing strategies in the so-called, new economy. However, there are also cultural nuances and market specific considerations that have evolved. All of these technological advances, whether we either adopted them cheerfully or felt they were too compelling for us to resist, have been a catalyst for behavioral change in our communities. Both from a business and personal perspective, digital behavior is now fully integrated into our daily routine.

Customers Interact

What does this mean from a commercial point-of-view? Consumers interact, they don't just communicate. Interaction with your organization digitally requires a fundamental understanding of how customers will use the tools and channels you give them. It requires the ability to understand digital behavior and the creation of a digital version of the customer experience. Most companies I meet and work with on a daily basis have little or no concept of this reality. Digital channels have become an 'add-on' to their businesses, a way of regurgitating the same old content and services in a new way. So while customer's behavior has been changing rapidly, most businesses have been keeping the status-quo getting further and further away from where their customers are at.

To illustrate, we were doing a usability test for a Major Asian Bank's future website and coordinated testing in the US, UK, Brazil and Thailand for possible new looks. We had a cross section of Hong Kong people as participants, particularly empty nesters...Old Couples whose children have grown and moved out. One motherly lady was looking at the website and she saw the picture of Jenny, the customer service rep on the website with the standard headset and friendly smile. The lady turned to us and said, "Doesn't Jenny get tired? She's always working since I always see her picture." We were a bit dumbfounded since "Jenny" was just an abstraction of this institution's customer service reps around the world. For this Hong Kong consumer, who was in her 50's, going to her bank was about a face-to-face transaction and sometimes a relationship that spanned many years. She assumed that the website worked under the same principal as well, and her expectations of such were reflected in the way she perceived and intended to work with the bank digitally. The fact is that consumers like her are increasingly being disappointed.

There are multiple considerations for the digital strategy of today. For example, it could be that the channel you choose for your customers is not well suited to them and therefore when you expect channel migration, it doesn't come - Take for example the myriad of Banking Institutions in countries like Australia that believed if they raised transaction fees it would shift low profitability customers to both ATMs and the Internet channel. They failed to realize that such low-income earners probably were the last to get online because of the relative cost for earlier adopters; in fact, the higher probability was that their high-value, high net-worth customers would move online first. The problem that then arose was the service levels online were far worse than customers were used to receiving through traditional channels, so the shift had the potential to damage the relationships the institution had with their most valuable customers. Reducing loyalty, increasing churn, while also failing to decrease costs as the institution had anticipated. Bad experience for customer = worse experience for institution.

In contrast, HSBC in Hong Kong recently surveyed customers on their expectations of their general insurance capabilities online. HSBC thought they were doing very well with 2% of their total general Insurance applications being processed through the online channel. However, the survey showed that customers trusted the brand online and when they went looking for travel insurance, home and contents insurance, etc. they objected to being sold to. They knew what they wanted, they expected the quickest and easiest way to purchase the products, after all - isn't that what online is about "quick and easy". By applying this learning and usability testing the revamped site, HSBC implemented a "instant approval" feature on the insurance homepage. The result, general insurance applications online shot up to 20% of all insurance applications - a 1,000% increase in performance of the channel!

In consideration of creating alternative sales and service channels do you need to motivate or educate customers in order to shift their usage towards the digital channel, or are they already telling you how it should be done? How does the rapid adoption of such technologies apply pressure to the business environment for change, and how can such change be introduced in the least disruptive way? What specific market considerations are there, or what have we learned from the way users have already responded to the digital revolution?

Asia - the digital 'melting pot'.

The answers are already there. In the cultural melting pot that is Asia, we have all the necessary ingredients. We have in Asia alone, almost twice the number of mobile phone users as in the United States of America, growing rapidly in markets like China who already has more mobile users than the US. We have the cultural phenomenon of iMode in Japan, SMS in the Philippines, Hong Kong and Singapore, and broadband in Korea. We are among the highest penetration rates of mobile cellular phone users in the world (Hong Kong, Singapore, Taiwan, and Korea all in the top 10 with ranges of 70% or higher). Internet usage via mobile devices (iMode) in Japan, is higher than through traditional web channels, and the rest of Asia is expected to follow this trend with mobile based access to the internet being 3-4 times higher than PCs by 2005 (Source: The Strategis Group, Merrill Lynch). In addition, Asian markets are already amongst the highest Internet penetration rates in the world. South Korea leads the world, with 54.7% household penetration. Singapore ranks fourth, Hong Kong fifth, and Taiwan is in eighth place (Source: Nielsen/Net Ratings Nov 2001.)

Why is Asia so important? In most of the markets in Asia users and businesses started late in the adoption cycle, but already we have outstripped the rest of the world in both penetration and cultural impact. The Asian region is the greatest melting pot of digitally motivated behavioral change in the world today. In most cases it is far less expensive to trial and perfect the digital customer experience in Asia, as compared with the rest of the world, due to reduced operating costs. If you want to do business globally, you must be leveraging off digital mediums for both access to customer and for cost-performance benefits. If you want to do business digitally, the most logical place to start is in Asia. It is cheap, digital is already mainstream and you can test experiences on smaller markets without “betting the farm.” But be ready for the cultural and behavioral challenges that await your organization! Understand *Digital Behavior*...