

CUSTOMER ENGAGEMENT THE BEGINNING OF A NEW ERA

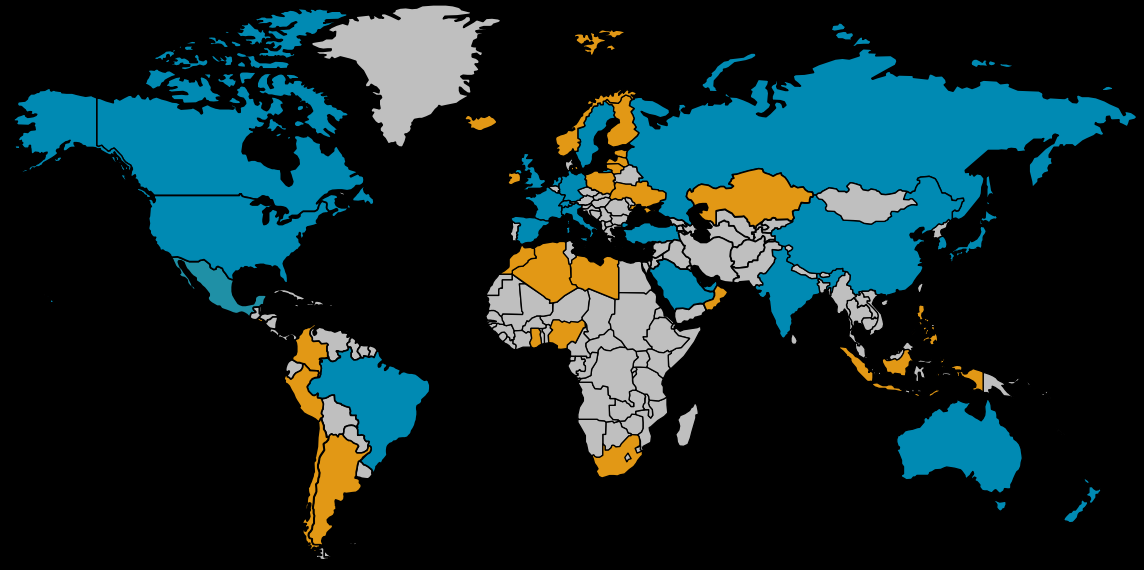
OCTOBER 11, 2016

**Nordal Cavadini
Gökhan Öztürk**

Oliver Wyman is a leading global management consulting firm



- \$1.8B in 2015 revenue
- Over 4,200 professionals in over 50 offices in 26 countries
- Fastest growing premium management consulting firm
- Office in Istanbul since 2004



Countries where
Oliver Wyman Group
has an office

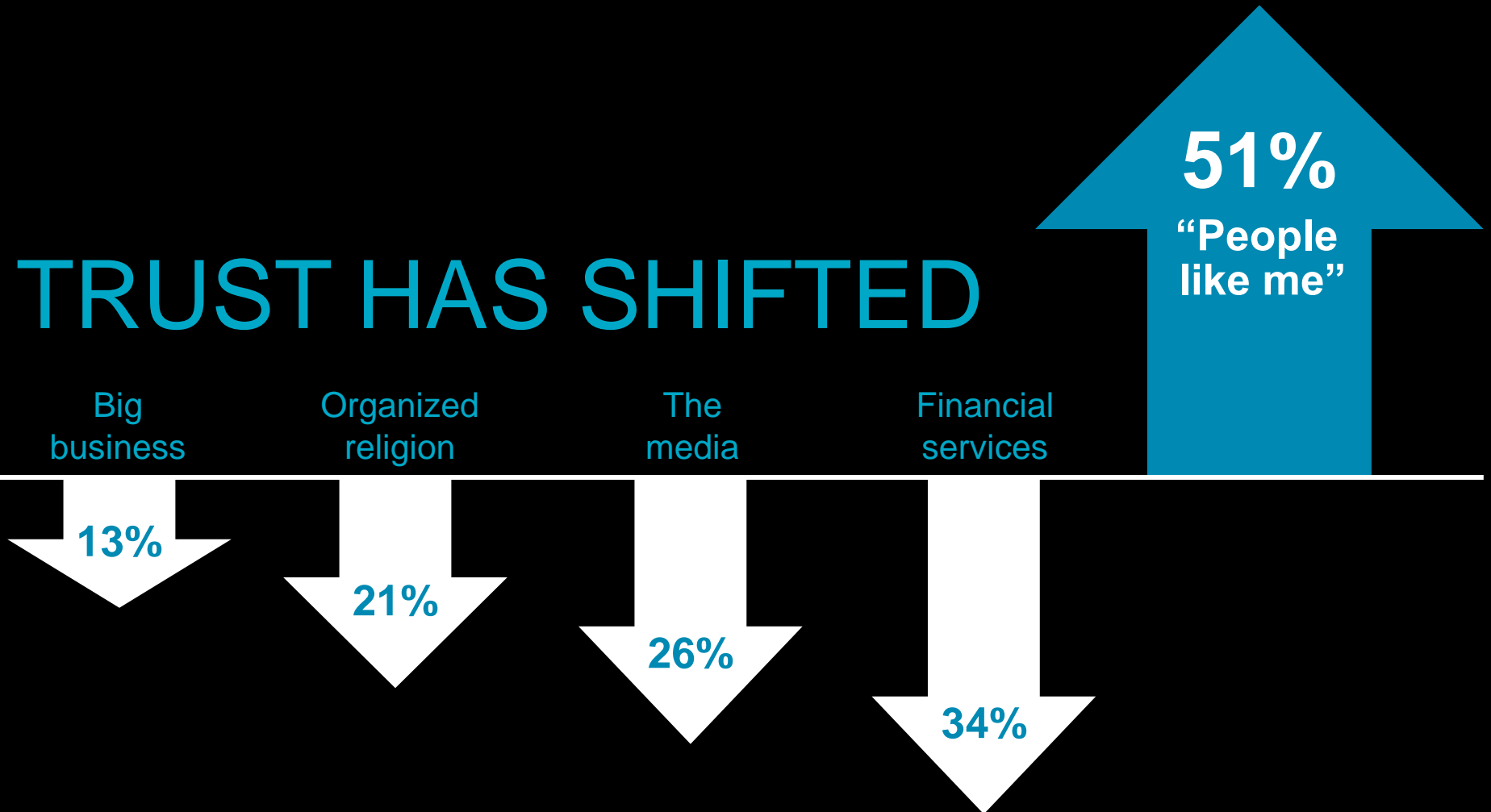
Additional countries where Oliver
Wyman Group had projects in
last two years

Today's topic

customer engagement

Over the last decades, customer's trust has fundamentally changed...

TRUST HAS SHIFTED



Sources: Gallup Confidence in Institutions study; Edelman Trust Barometer study

...and people are demanding more from the brands they use

Institutional Era Brands

Human Era Brands

Inside-out



Outside-in

Transactions



Relationships

Hierarchy



Network

What we sell



What we stand for

Acquisition



Deepening relationships

Retail is changing fundamentally

From a
**product
based**
to a
**customer
relationship
based**
business



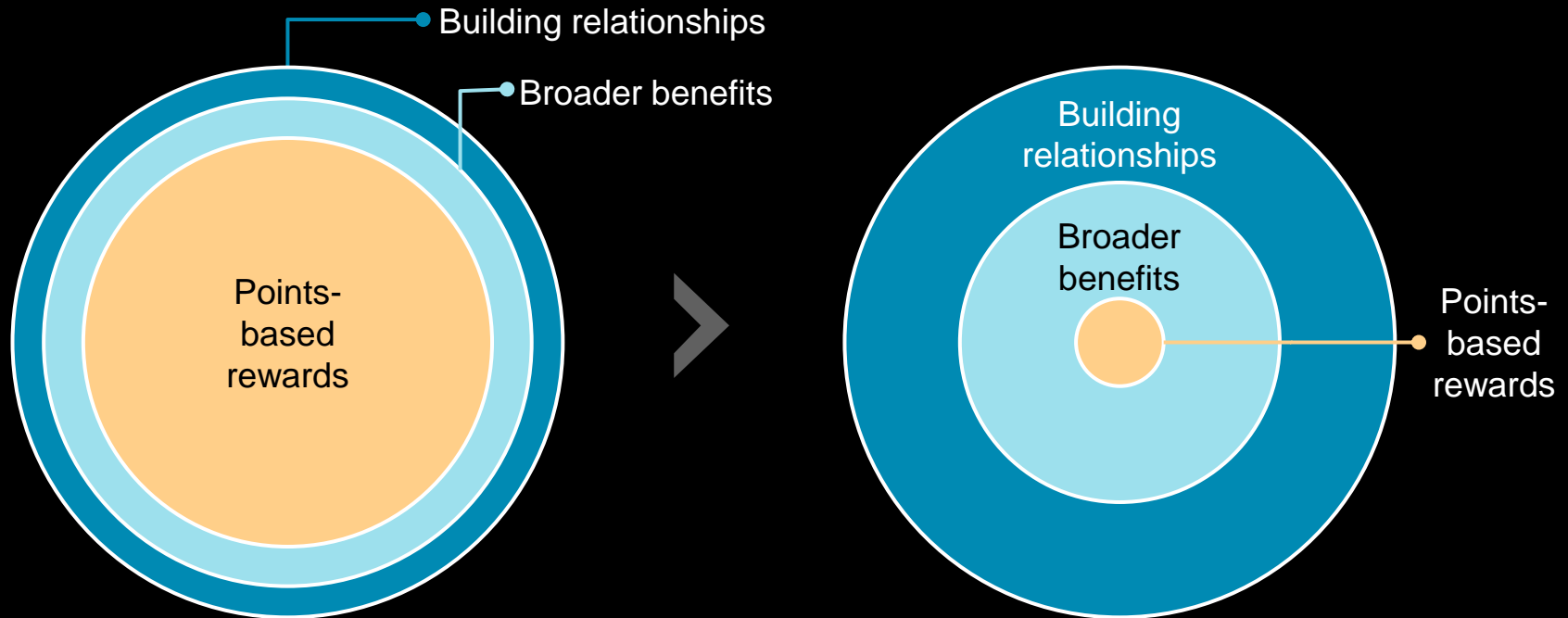
Strategic and commercial

- Commercial focus on customer ADR
- Two-way conversations with individual customers
- More scope for info-based services
- Really 'owning the customer' drives the business

Organisational

- Property and buying will diminish in power
- Marketing will grow in importance
- Customer an axis of internal organisation
- New capabilities required

Loyalty programmes are changing along with it



- Dominated by points rewards
- Not driving loyal behaviour
- Driving customer expectations

- Driving loyal behaviour through intrinsic value
- Nurturing and building relationships as assets, versus incentivising today's P&L

There are at least two good reasons to be innovating in “loyalty”



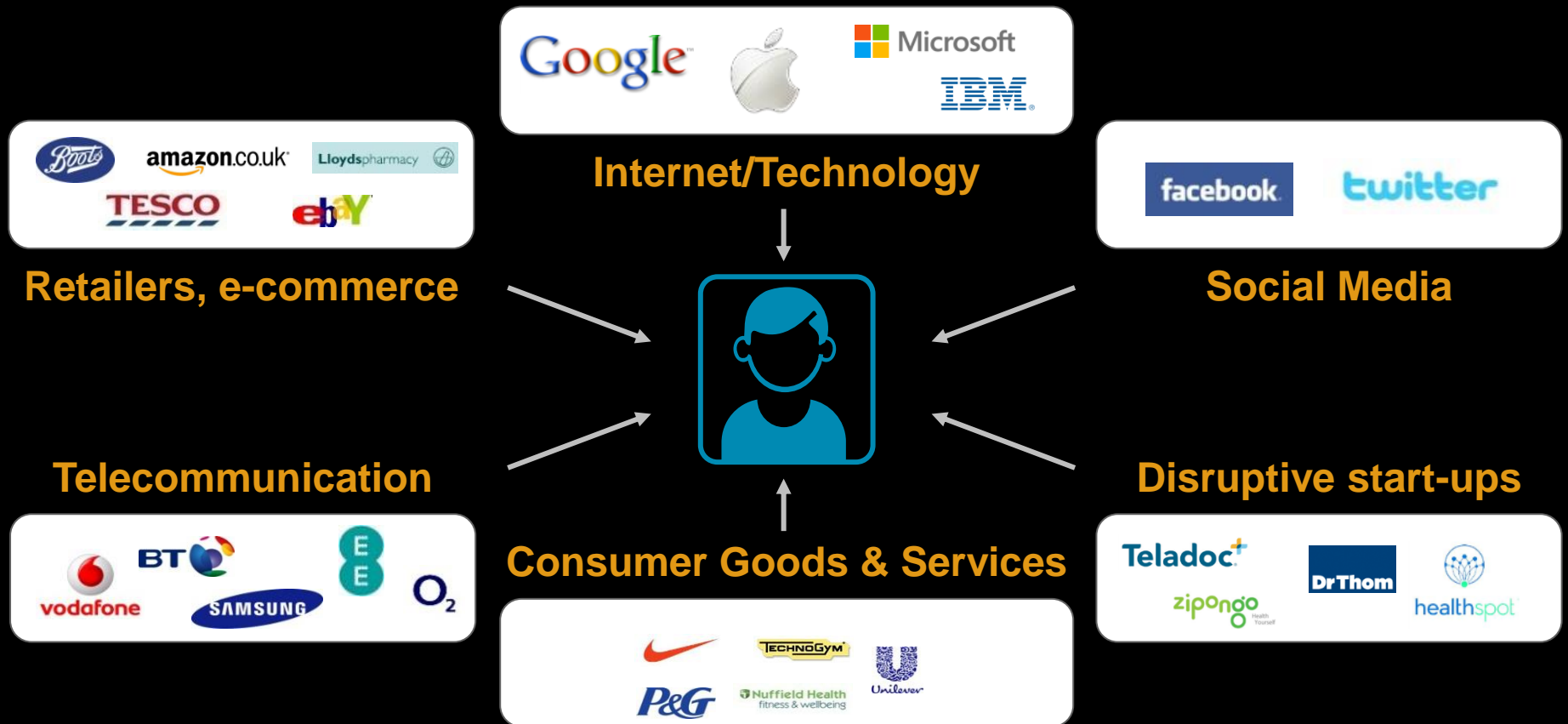
Reactive

Proactive

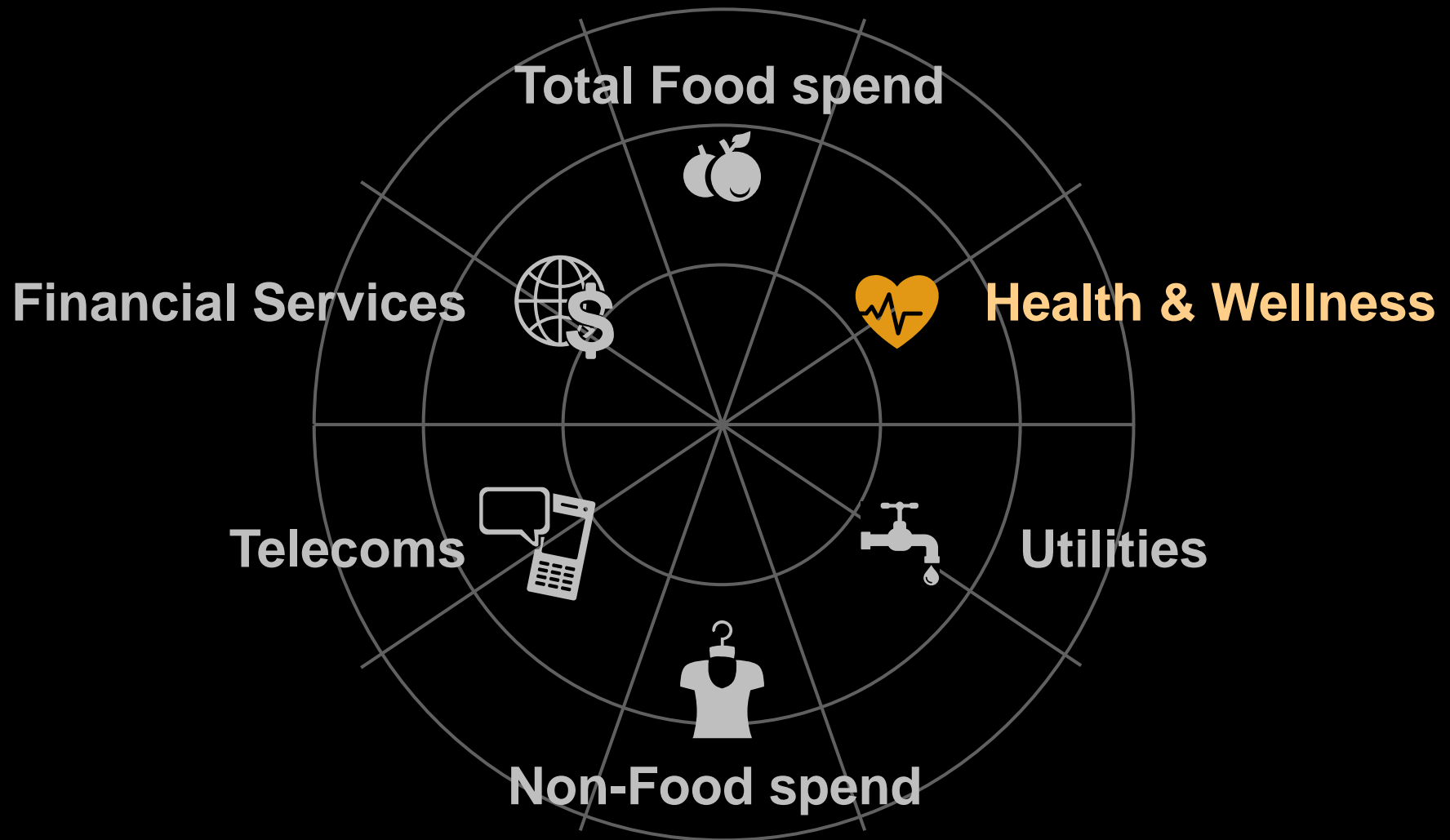
Stop disintermediation
...as other people are
after your customers.

Expand the relationships
...as you only own a portion
of the consumer spend.

Reactive: Prevent others from capturing 'your' consumer relationships



Proactive: command a larger portion of the customer spend – e.g. Health & Wellness



Walgreens has created the Steps program

The Walgreens Steps program allows customers to earn points for healthy behaviour such as walking, running and tracking their weight

Steps with Balance® Rewards

Now Balance Rewards members get rewarded for taking steps toward a healthier life. Get 20 points for every mile you walk or run and 20 points when you track your weight.*

Get started >

Introduction | Set Goals & Track Progress | Earn Rewards | Devices | Engage with Others

Alison Sweeney introduces you to Steps.
Take a quick look at what you can do today to start living healthier.

[Register now](#)

Walk with Walgreens member?
[Upgrade to Steps >](#)

26,397,198
Miles logged

884,035
Active users

369,246,590
Healthy points awarded

"I found out about taking healthy Steps with Balance Rewards while watching Celebrity Apprentice. Since then I have gone through a few pedometers and met many friends along the way."
- Joseph Merrill

"Having been in an auto accident, I reached out to the community to help me get back to my routine of walking. I've had no struggles tracking my progress on Steps with Balance Rewards."
- Joann Stachewicz

"Now that I'm taking Steps with Balance Rewards, I pay more attention to the country side where I exercise. I enjoy taking pictures of the sights to post for my friends in the community."
- Eric M.

- Customers are rewarded for taking steps towards a healthier lifestyle
 - 20 points for every mile walked/ran
 - 20 points for tracking weight
- Walgreen provides tools for customers to set goals and track their progress
- The program collects and collates data from apps and fitness devices that are used to track activity, weight and diet
- Having become a member of the rewards scheme, customers can engage with other participants via forums and social media sites

Source: <https://www.walgreens.com/steps/stepslanding.jsp>

Other retailers in the US are in a race to provide retail healthcare services & clinics



“Transform Primary Care”

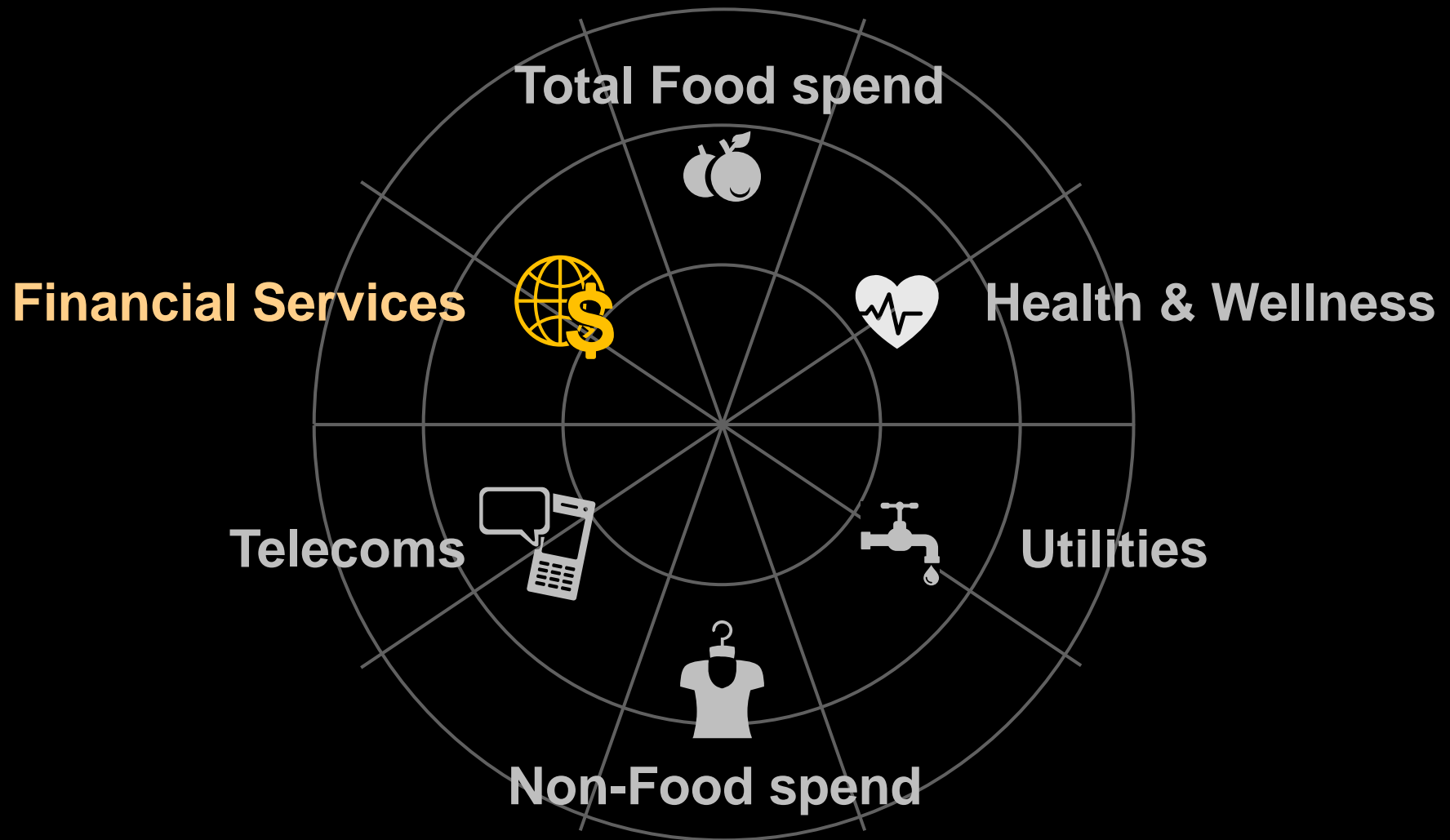
- ~800 “minute clinics”, nurse-led, 16m visits
- “Omni-channel” delivery – web, mobile, phone, store
- Tailored customer offers



“Deliver accessible care to all”

- Major network of accessible “retail clinics”
- In-store automated check-up and screening
- Integrated insurance/care package

Proactive: occupy a larger portion of the customer spend – e.g. Financial Services



Two extremes to enter the Financial Services market: distributor vs. own bank

Distributor



Own Bank



Overview

- Retailer distributes products provided by partner bank
 - Commission based or revenue share agreement
- Bank may adopt some of the products for retailer (e.g. co-brand credit card)

- Own most of the value chain
 - Some processes (back office, processing, IT) can be outsourced to other banks
- 100% ownership or Joint-Venture with another bank

Pro's

- Limited initial investments
- No credit risk
- Quick to set-up

- Higher profits
- Better control over customer relationships
- More flexibility in decision-making over products and service model

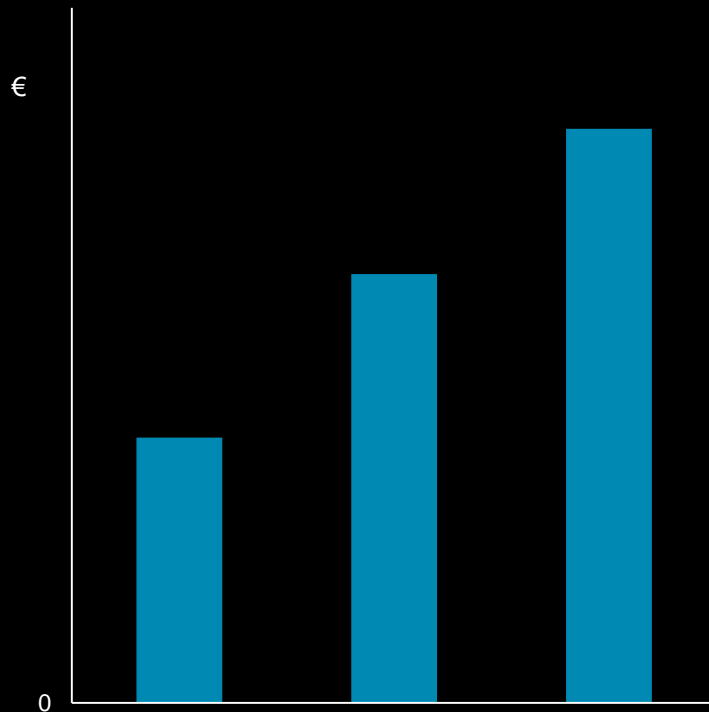
Con's

- No control over product proposition and service quality
- Marginal revenues compared to “Own bank” option

- High initial investments (depending on level of outsourcing)
- More time required to launch

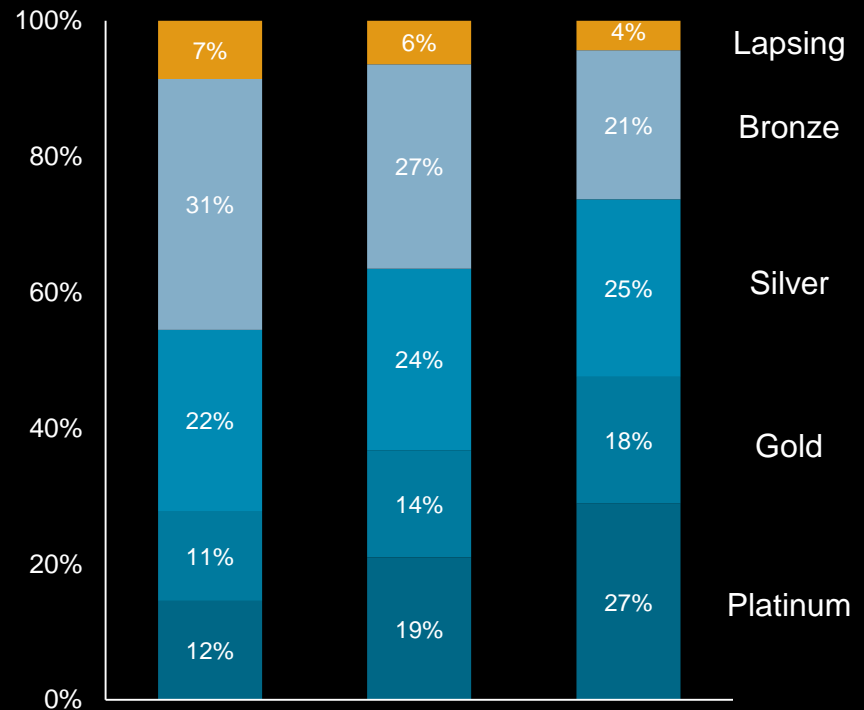
Customers with related bank products are higher value and more loyal to the retailers

Annual spend in retailer



Premium product

Customer loyalty tier



Premium product

Source: Oliver Wyman

Major trends we see

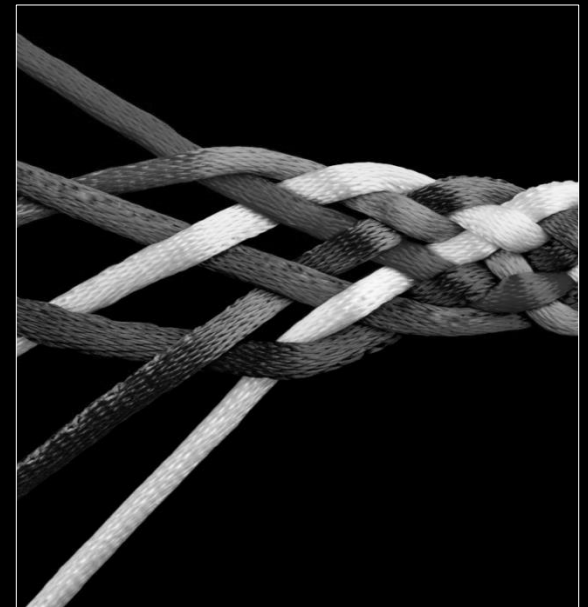
1 Owning the customer relationship



2 Mastering the Analytics



3 Opening new revenue streams



Thank you



Nordal Cavadini

Partner

Retail & Consumer Goods

nordal.cavadini@oliverwyman.com



Gökhan Öztürk

Partner

Banking

gokhan.ozturk@oliverwyman.com

