

INTERVIEWER: The Online Business Exchange was a two-day live event presented by the business school at the Open University. During the event, there was live chat and forum discussions. The live chat is now closed, but we hope you enjoy the video that follows.

Hi, and welcome back to the Online Business Exchange. Well, we've been having a fantastic morning of discussions. And if you've missed any of those and are just joining us, perhaps from around the world, then those will be available on catch-up. And yesterday's sessions, in fact, are also available on catch-up. We're getting those up and ready for you as soon as we possibly can.

And if you are joining us, this Online Business Exchange is an exchange of ideas. We welcome your thoughts and your participation, as well as the thoughts from our panel in the studio. Now you can interact with us using the watch and engage function. And there, you'll be able to select on some of the widgets to tell us what you're most interested in. And you can also engage with the chat in that way.

We have a hashtag, which is #ou_exchange. And there are a range of ways of interacting with us and finding out more about some of the MOOCs, for example, that are available from the Open University Business School from the Online Business Exchange website.

So in this session, I'm joined by Devendra Kawalid. Welcome again, Devendra. Thank you for coming today. We're going to be talking about the strategic challenges facing business leaders and how they will be impacted by this digital revolution.

Now we've gone into a lot of detail earlier today. We've just been focusing on supply chain management. And, in fact, we asked our audience which themes they're most interested in. Perhaps because they've been watching, or perhaps because it was so exciting and so intertwined with all the various other themes, we see that 36% of people are saying that digital supply chain management is most interesting them now. And indeed, that's something that we'll be discussing within this section and also later in the day on the chat.

We've also been talking about understanding customers, about market segmentation, and about how we can use the digital economy to understand more. And I'd like to start by also about how a digital economy customer profile will look and what businesses can do to better understand their customers' expectations.

SUBJECT:

I think the digital economy customer's profile will be different than what we are used to. And the reasons for that and the features of that are like this. The first thing is that customers will be much more informed. But the key difference there is that the information need not or may not necessarily come from the sellers of the goods and services, which is conventional advertising or the brochures that companies may supply to customers. So information sources for the customers, because of the digital world, would be many and varied.

So in conventional buying behaviour, we would expect customers to rely on the advertising to generate the interest in them about the product. And then they require prospectus and then there are the brochures. They go through it and maybe go to a showroom and see the product.

So consider an example of buying a camera. You would have looked at the catalogue or looked at the advertisements, some shots of it and how it would look. So in the past, customers would go by that and maybe go over to the showroom and understand the technical features of the product.

But now it is different. Customers can actually look up on the internet voluntary reviewers of the product. Go on to YouTube or any other platform, and they would have thousands and thousands of people reviewing the product, which is a tremendous source of information. It's quality because there is no interest of the reviewers. Of course, you could have sponsored reviewers also on there. But customers will have access to a vast range of communication and information which is outside the control of the businesses.

If that's the fact- and it is- how do businesses respond in terms of making sure that the customer is getting the right information at the right time and adequate, not too much. The problem, along with opportunity in the digital world, is that you may end up with information overload. And information overload is not a good thing, actually. Research suggests that if you're considering buying a product, and if you're shown more than five or six choices for the same product, you actually end up making suboptimal decisions. And then you repent afterwards, saying why did I go for this and that.

So in the crowded information market, the customer is looking for simple, reliable, authentic piece of information. And I think this is the challenge for businesses, that how do they make sure that their communication is reliable, succinct, and to the point so that people can actually

go and take a decision based on their products.

I think for many, many companies, the advantage would be to simplify the communication in this digitally over-crowded information market. And then offer the customer choices that they can make and then win over them for that. So I think that's the one thing to recognise about the customer profile, that they will be informed by various other sources than just what you create from the company.

INTERVIEWER: And yet we still can say much about how there are so many segments of customers. And you mentioned some might want to- for some, buying a camera might be a very, very important decision. For other people, it may not be. So we've got these different levels of purchasing and also different customers, perhaps some seeking out lay people's opinions about something, others wanting a top-down communication from, perhaps, the retailer in terms of what they think is the best option.

And yet we see so many comparison sites. There is, like you say, a wealth of information. How can people, then, I guess, use personalisation, use market segmentation to appropriately channel those communications for those customers who might want more or less?

SUBJECT: Yeah, I think there the question of segmentation reminds me that traditional marketing research focused on geographies and then segmented people by culture, by demographics, and so on. In the global environment, it's very, very difficult because peer-to-peer communication doesn't go by boundaries. We have just made geography history these days. So you can actually get peer-to-peer review of any product from any part of the world. And that makes the challenge for the business more difficult because how do you understand patterns in buying behaviour?

So consider, I find gaming industry very interesting in this, which goes beyond cultures and geography. So if you look at mobile app games or computer games, their users of these games are global. They're not bound by any geography, not bound by any cultural barriers. And these players play games online virtually in all time zones simultaneously.

So far a business strategist, what does it say? That you cannot now profile consumers of your game by just geography, age, or the cultural side of it, a social economic class. You have to look at what is a 14- to 16-year-old playing online? What games are they interested in? And they're across the boundaries, across the cultures.

So it becomes a segment of a different kind. It's a global segment. How do you identify those patterns?

INTERVIEWER: So is it almost like, then, class used to be one of these demographic ways that we would section people? Then we had different demographics in terms of age, local areas, et cetera, and various profiles that we would have. And we would group those together as marketeers and then develop a profile of a customer. And then we have market segmentation. Is what you're arguing, then, that to some extent, irrespective of who we are, the way that we're choosing to consume and interact with goods and services says more about us than some of these demographic aspects that marketeers would have traditionally used to sell products and services to people?

SUBJECT: Yes, I mean, you're right. What I'm saying is that time and space, as well as your class in society or position in society, have become less relevant in segmentation understanding because now you don't have those barriers of any type which were conventionally used for classifying customers into different categories. So that's the thing which has- and, of course, space has become irrelevant as well.

So along with the space has this culture and the social economic class boundary disappeared. And that means that you are looking at fresh insight into customer segmentation. And therefore the strategy needs to be fit for that kind of analysis.

INTERVIEWER: But, yet, segmentation is based on what people have been doing. And we're talking here about the strategic challenges and perhaps where the future is, what people might not know they need yet, how businesses are developing and creating these niches and being at the forefront of various sectors so that consumers can naturally follow within that trend. How is that playing out? And how is the digital economy helping to predict some behaviours when we can already see what consumers or groups of people are doing?

SUBJECT: I think one of the things that technology is affording is that you can take the customer feedback frequently as they consume or they think about consumption of- and it could be an experience or it could be a product. So the trends, for example, if you're a travel industry business executive, now you want to understand what could be the most desirable destination for people in 2017? Now people would be looking about opportunities. You would say, where are the hot spots? There would be political uncertainty. There will be risks and so on. People are processing all that information in their mind when they're thinking about travel plans for

next year.

And that's where you can use the digital economy to say, OK, these are the trends in political, social, or security concerns. And these are the destinations, how they might be affected. To start gathering that information through those kind of social media or other surveys from the consumers and identify trends before designing your package that you want to put out on sale for this next year. So that's where you can take advantage of the digital economy. You will be much more closer to customers. You can get their attention much faster at much lower cost than in the past. But you have to be intelligent in getting that attention. That's the difficult thing.

INTERVIEWER: And also their feedback. Because like you say, we want customer feedback. We want to get close to our customers and find out what they do.

Now I don't know, if I counted, how many surveys I'm asked to do as a consumer every week. And when I worked in marketing, I used to feel obliged to take part in some of surveys, which I was often excluded from as a result of that. But you're asked all the time what you think of things. And yet, so often I don't have time now to give my feedback. It's not accessible to do it. If I click into an app and I can't work it, or I need to download something, I'm not interested in doing that.

So feedback is so precious to a lot of these organisations. And yet, to consumers, it's not really valued in terms of- if maybe I was offered something, I might then give my feedback. So how is the digital economy working in terms of making it easy for consumers to actually give that feedback as opposed to just measuring what they do?

SUBJECT: Yeah, I think the digital economy can be actually quite cunning. It may collect the feedback of customers without customers knowing. So when you click a smiley on the internet somewhere, somebody is collecting that information. When you're processing payment through a credit card at a particular store, that information goes into a consumer database of the retailer. And they know what products you are buying.

So sometimes I joke with my wife that perhaps our supermarket vendor knows me better than she knows me because she knows what products we buy. The market knows what products we buy. So they can profile me better than my partner can.

So some of this is involuntary feedback that we're providing is a miracle. There are issues about surveillance and privacy of the use of some of this data, but the digital economy does

allow you to collect a lot of information from secondary sources and to understand what your consumers are wanting, and then plan accordingly.

But you're right. We need to make those simple. And some of the smartest technologies I have seen used, you'd have seen when you come out of the airport. You have a little poll there. Just press one of the smileys, what you felt about the customer service on the security checkout.

INTERVIEWER: Three simple options.

SUBJECT: Simple options. So I think this is the simplification, isn't it? One of the greatest things about Apple is that they simplified what was complex, interfaced with mobile app computer technology. And that simplification has allowed them to come out with winning products in the market and at the same time collect the feedback. Every time you click on an app or something, you're giving feedback without you realising it.

INTERVIEWER: Do you think there will ever come a point where people are incentivised, perhaps financially, to give feedback? Do you think it will ever become that valuable aside from actually simplifying things? Because what we do know is that the more people are used to things, then the less likely they are to engage with them. So where we would once have filled out surveys, now we're not interested. We're now prepared to click on these small touch points as we're going through processes, but there might come a time in the future when that becomes less the done thing. So is there a sense that this might be monetised in any way?

SUBJECT: I mean, it depends on what level of monetisation will incentivise people. Money can be an incentive only when it crosses some threshold. For a small amount, 10P, one would not be interested. So it depends how we incentivise.

INTERVIEWER: Well, they often say at my local hardware store, they often say, give us this feedback. And they'll write on the back of the receipt. And you'll be entered into this prize draw to win all this money. And it's such a high amount, I never bother doing it. If they maybe said you have a one in 10 chance of such and such, I might be more inclined to do it. So people are trying to incentivise for some of this feedback. But is that incentivisation spot on in terms of getting that feedback?

SUBJECT: It is not necessarily that because you're effectively offering people the scheme that you're just now explaining, this lottery scheme, that we enter you in a lottery. But the chances of winning a lottery, one in a million, or depending how many people enter into that. So there have to be

smarter ways of incentivising which are more tangible, which can be cashed in or realised very soon.

So that's where the loyalty cards are good, when you give feedback, straightaway some points go into your credit card or whatever. So those are more effective. Instant feedback should be compensated with instant reward. Again, simplicity goes with that. So if you offer a complex incentive, it doesn't work. You have to offer simple incentives, which people can see it happening.

INTERVIEWER: OK. Interesting. Excellent. I mean, we've been talking about how to market to people, but also in terms of the future, people are getting increasingly clever with the ways that they're doing things. Have you ever had times when perhaps you're browsing on the internet, and all of a sudden something that you perhaps have been thinking about buying, but haven't actually made any digital footprint, if that's ever popped up on your feed somewhere? And you thought, how clever that someone's actually ascertained if I'm doing X, Y, and Z, I might be interested in this even though you haven't actually engaged with that product online?

SUBJECT: Yeah, these are the miracles of algorithms that clever people are writing when you use search engines. So people like me who don't want to be seen what they are browsing, I go in private browsing all the time so that Google can't track what I am searching for or whoever else.

But that's clever use of technology. I think it is helpful because if you have been looking for a particular type of goods and services, then if the search engine has put a cookie on your computer, then they would keep prompting you with those advertisements, which is clever use. So most businesses are using that technology, actually. So if you use the word education, then suddenly you will next time find a course coming up on your advertising banner, et cetera.

So businesses need to be clever at using their search engine optimisation technique. And I think they are useful. They should be tried. It is voluntary. It's not coercive kind of advertising. It's a method of communication. You're competing for your market. So there's no harm in using some of these technologies.

INTERVIEWER: And as you say, consumers could have that choice about whether they chose to be involved in that. And often you do have a choice. This will put cookies on you. And you can then be more informed as a consumer. Because they're a lot more aware of their rights now, consumers, aren't they?

SUBJECT: Absolutely. I think this is a big challenge that businesses need to be aware of, that today's digital economy has not only empowered the suppliers, but also the consumers. So today, as a consumer, you are much more aware of what your rights are.

And it is followed up with this facility to make noise easily. So I could just go and put Twitter about poor service and then suddenly airlines will notice if you are late. And then you'll get instant feedback from that. As well as legal rights, so you know who are the relevant regulatory authorities. You can make a complaint easily. The cost of complaining is lower. The cost of engaging with the supplier is lower.

So awareness about rights and to be able to use those rights effectively because of the digital technology means that businesses now need to be preempting customer behaviour and saying, let us not even give them opportunity to use their rights because they would use. It is not difficult to use those rights. So I think this is a big challenge.

INTERVIEWER: We were having a very interesting question in the previous session about supply chain management, which is something I want to turn on now. But we were talking about whether or not it's the responsibility of the consumer or the retailer with regards to returns, which are very uneconomical and not great for the environment. So there is this whole dichotomy, really, between where this responsibility is in terms of rights. And when consumers have rights, if they're given those rights, should they not have the right then to exercise them? So consumers are being smart and utilising things, but equally it is the businesses that are providing that framework for setting the parameters, I guess, of acceptable online retailing behaviour, for example.

SUBJECT: Yeah, I think you are right. The boundary between the customer and supplier is becoming blurred when it comes to collective responsibility towards major issues that we face on this planet, whether it's a sustainable development or climate change and so on. So the framework will have to come from the businesses. I think businesses will have that responsibility to offer easier choices for people to make and engage with them digitally and understand their needs better.

So we have issues of carbon footprint of our consumer behaviour. If we could give that information to consumers, it would be great. I have seen some good examples of advice coming from suppliers.

So if you tried to book a ticket on European trains, for example, from here, along with the

options for which is the best travel route for you, they would also say, what is a carbon footprint per kilometre you are travelling by train versus by plane, by car? I think that's information which helps me to take a decision whether I want to be contributing to an environment less harm compared to more harm by making my choices around travel plans. So, yes, we have to be more open to people that what are the consequences of our consumption behaviour, which could be modified or changed to be more responsible consumers.

INTERVIEWER: So do you think, then, that there are these categories of consumers? We were talking about how these categories have shifted. Do you think there are consumers who are more likely to be green? Or do you think that there are certain instances where people are more likely to be green than others?

For example, we were talking about modern housing earlier and about how some people will make a decision based on what they think looks good. So they might choose various options that seem eco-friendly. They might choose solar panels, air source heat pumps, et cetera, because they look good, because they feel that they're making a statement. But then they might go and fly across the world several times a year, thus negating all of that good work.

So sometimes it could be an image perception. Do you think consumers are likely to care about sustainability and environment at heart? Or do you think that that is dependent on what goods and services they're engaging with?

SUBJECT: It's a complex question, to be honest. Some consumers will use their consumption decisions to make a statement. And that statement could be anything- that I am posh when I drive a particular car or I wear a particular brand. And similarly, I could be making a statement about my responsibility towards the environment by buying particular goods and services or making choices.

So if people just want to make a statement about themselves rather than actually be worried about the real issue, that's not very fruitful, responsible consumer behaviour. I hope that's a small segment rather than a large segment.

INTERVIEWER: But does it matter? To some extent, if we were saying, OK, we need more environmental consumption, environmental, sustainable consumption. Does it really matter whether someone is just doing it because they want to look good if the end result is exactly the same in terms of saving the environment?

SUBJECT: No, it doesn't matter if that is a consistent behaviour right through their consumption pattern, across the lifestyle decisions that they make, not in a particular decision. So I'm saying if they are being selective in certain cases to make a statement, make a statement about whatever they think is valuable to society, then it is not of much use because, as you were indicating, that I might be buying on and off organic food and carrying a bag about it, something that shows that the product I have chosen has less carbon footprint.

And I am supposedly accumulating green points through my buying behaviour. And I have accumulated x amount, let say, 500 green points over a week. And then I choose when it comes to travel, I take a short flight. And all those green points become brown points or black points in one decision.

So is that a consistent behaviour? That's what I'm saying, that you have to look at the overall cost of your behaviour. A good example was given the other day when I looked at a comparison of the carbon footprint of different cars. Now we were shown two cars, one which was obviously claiming it's eco-friendly and everything and, yes, features did suggest. And another which did not claim anything. Like that, actually people think that particular brand is a fuel guzzler.

But somebody did actually a lot of analysis to look from sand to sand so from source of the materials that goes into the car and to the recycled material, what's the total energy cost of those products? And it turned out that the fuel guzzler actually contributed overall less to the carbon footprint than the other [INAUDIBLE] visibly eco-friendly product.

INTERVIEWER: And consumers are getting more savvy, I mean, in particular with food. The labelling of food as low fat, for example. Often there are other options that aren't labelled as such but have better content. So people are looking at things slightly differently.

I wanted to touch on this whole idea of mobile phone-based financial transactions partly because your speciality is in finance and touch-free technology in this cashless economy and how people, how that digital economy is really changing the way that we're immediately transacting with retailers. What are some of the key points in terms of the future, then, in terms of that way of being?

SUBJECT: I think there are two big opportunities there. One is dematerialisation of money and disintermediation. Now there is an opportunity in the sense that they can expand their markets

which were dependent on physical money and presence of infrastructure, like banking, to make the payment processing and so on. There are many parts of the world where these two things can be difficult. So dematerialisation and disintermediation, by which I mean that the banks will become less important in the chain of receipts and payment, has created new markets in far remote places like rural areas of Kenya, which is great because overall it has added to the economy of that country as well as to the global economy.

But then a challenge is there. I think future trends will be more use of these mobile-based payments and receipt of money, but there will be risks which need to be managed by the businesses, which is in terms of the fraud, identity theft, and regulation because as usually happens, innovation is ahead of regulatory development. So we had to think carefully, how do we create trust in those mobile-based payment systems? And trust is going to be- as we know, business relies on trust, even though we have every contract available, every regulation available. But still, when people put money in banks, they expect the money to come back when they want to draw a check.

So there has to be the same confidence in these mobile-based payment systems and receipt system. So trust, how do you create trust in that? And for that, you need enforceable regulations so that people are confident about using those technologies.

So I think some of those patterns will become clear as we go through. But I think we are not going to stop just because we don't have regulation. These things will have to respond to the society. Businesses will have to work out solutions to convince their customers that if you're buying from them and making payment through [INAUDIBLE] they will still get the money.

INTERVIEWER: So a lot of it is an issue of just trust and regulation.

SUBJECT: Yes.

INTERVIEWER: And then, I guess, at the moment, a lot of consumers have the choice, especially with contactless. You know, there are a range of ways that you can pay for something. And a lot of retailers will give customers that choice.

Some of them, a friend of mine, said the other day, oh, do you trust contactless. They prefer to put their card in the machine. And I think as long as there are those regulations, there is some level of trust that consumers will have. But yet, that behaviour doesn't always marry up with the regulations that are in place for consumers. How is the digital economy going to help

consumers, then, develop that area of trust? Or is it just a matter of time as people get used to things and behaviour is changing?

SUBJECT: I think trust is- one can call it the common good you create by more people going with it and having that self-enforced interdependence in the system. So trust is not- you can't legislate trust. It has to evolve in a social system. So we'll have to see more people using it and relying on it, and then reinforcing each other by honouring those contracts.

So it will become more like a custom and convention because trust is not a legal concept in that sense. So you have to allow the experiment to work and see whether people trust each other's transactions, honour each other's transactions. There will be backing of the legal system, but at the end of it, trust is a perception that I trust you. It's not about legal. So it will take time. But once it gets going, people will use it.

INTERVIEWER: And I guess in terms of the broader digital economy and the four themes that we've been looking at, finance and this cashless transactions and the way that things are both very transparent and very immediate, is probably the most dramatic shift in terms of the digital economy and the way that businesses both large and small can operate.

SUBJECT: Yes, I think consequences for businesses are long-term. So we need to have businesses thinking long-term about these aspects. They are trends which are not easily reversible because more and more people are using technology. More and more people are becoming dependent on technology in every walk of life. So why would business and commerce not do that?

And therefore, I think most businesses would need to have a clear strategy on how do you leverage the use of technologies in the digital economy right across your business functions, whether it is the supply chain, marketing, communication with customers, or within the finance functions?

INTERVIEWER: Wonderful. Devendra, thank you very, very much for joining us in this session. We asked you earlier what the digital economy meant to you. And let's have a look at some of the key themes that came up from that.

So for a lot of people, they're saying technology is a key importance here, very much mirrored by some of the talks that we had this morning- tailored, digital, fast, online, scenarios, internet, economy, the future, trustworthy, computing, responsive, complexity, value-driven,

opportunities, dynamic, choice, risky, seamless, constant, instant, and connected. So a wonderful range there about how this digital economy is impacting on our audience and some of the things that they feel are important.

So thank you very much for sharing those thoughts with us. We're now going to engage with another chat session. If you're in the watch only, you won't be able to see any of that. So you'll need to come through to the watch and engage section, which you can do by revisiting the website and selecting watch and engage. It will then take you through a process where you can get an Open University computer username or an Open University visitor account if you aren't a previous student. And you can then see what is happening in the chat box and also interact with the widgets when they are there.

We will then be having a break during which you are invited to our Yammer discussion. So when you register for this event, you will be invited to our closed Yammer network. There are a range of key questions around the four threads that we're talking about as well as a coffee shop. So please do take a moment to go and put your thoughts there and connect with other people also. You can do that through Yammer.

We will be back then later this afternoon at 4 o'clock with some more chat sessions, some more live videos in this final part of the Online Business Exchange programme. I will see you then. But for now, please do enjoy the chat that will follow.

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