



The Personal Concierge Services Opportunity

An OMC Group White Paper

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Introduction

Concierge services are one of the fastest growing small businesses in the USA. Born from the long tradition of the hotel concierge and their promise of ultimate personal service and local knowledge, these new concierge businesses are sprouting up in all the major metropolitan areas, promising to help manage the busy lifestyles of their corporate and personal customers.

Previously, personal management and information services were the preserve of the very wealthy. Now, with falling data processing costs, cheaper direct channels of communication and the wider and easier availability of information on the internet, these services can be delivered more economically, and are within the reach and affordability of a wider audience.

Critically, the concierge service proposition is fundamentally aligned with the principles of one-to-one marketing, i.e. building learning relationships with customers, maintaining a dialogue, differentiating the proposition and ultimately anticipating their needs. For this reason, it is surprising that the concierge business concept has been grasped by small business start-ups alone. Huge potential must exist for larger organisations to offer such added-value services to their market offering, especially in commoditised markets where service innovation is perhaps the only route to new competitive advantage.

Evidence from the US also suggests that marketers must now seek to invent new methods to gather personal details about customers to deliver personalised service or timely marketing messages. This need has largely evolved from privacy issues and the sheer volume of marketing messages that American consumers now receive. Increasingly, it is anticipated that consumers will demand more value in exchange for their personal details and their subsequent use by marketers - value that could easily be delivered in the form of a personal concierge service.

The Opportunity

Given the boom of concierge businesses in the US, it is surprising that very few have been set-up in the UK. In fact, we know of only a handful personal concierge services here: Ten UK, Buy More Time, Head Concierge, Affiniti Concierge Services, TIMEfinders and Octopus.

As consumers switch to new electronic methods of communication, and as they buy things faster and assume more control over their buying experience, they will start to display new and different behaviours. Then, income, location and demographics will be less important than access to technology and bandwidth as predictors of customer behaviour. Because concierge businesses rely on developing a close trusted relationship and excellent insight into their customers, they are capable of capitalising on and providing greater behavioural understanding than can be achieved through traditional market research and database analysis.

Time-pressured, affluent and dual-income households are, obviously, the most likely consumers to take to new concierge services. According to recent research by the Henley Centre, nearly two-thirds of these households felt that they "did not have enough time to get things done".

Concierge services are simply a new and smarter way to make any company more valuable to its customers.

The Concierge Customer Value Proposition

The following is a summary of the key elements of the concierge service customer proposition:

A Range of Personal Information Services

These include:

- Shopping Services - e.g. helping the “buyer to buy” by providing the means for people to say “here I am and this is what I want”
- Daily Information – weather, traffic, news, financial reports, sports results. etc
- Research Services – Any kind of bespoke secondary source research
- Event Reminders – automated reminders of important anniversary or other events, e.g. concert dates etc
- Financial reminders – e.g. of insurance renewal dates, end of mortgage fixed interest period etc.
- Travel Research and Booking Services – e.g. flight and hotel booking
- Control of advertising and marketing communications
- Realising value for the consumer’s personal information and acting as an intermediary agent.

Promised Delivery

The timing of information delivery is agreed at the request stage. Customers are then asked if the response met with their expectations, ensuring they remain in control of the process at all times.

Choice of Contact and Delivery

Consumers choose which method to receive their information, either by telephone, mail, mobile, e-mail, fax etc. Information accessibility and flexibility of this kind will be increasingly important.

Consumers must also have the option to use a variety of channels to communicate with the concierge service.

From Reactive to Proactive

Building a deeper relationship with consumers will eventually enable concierge services to deliver proactive and personalised information services to their subscriber base.

For example, knowing that a customer is getting married (because of a previous information request) will provide the opportunity for concierge services to offer a loan (!), deliver their groceries on return from honeymoon, or simply offer congratulations. They could even offer family planning advice!! Of course, marriage is a critical lifestage which for financial services companies will allow them to trigger relevant product offers.

Potential Benefits

The following are some of the wide range of benefits of adding a concierge service to an existing core business:

- Improved Customer Retention Customer retention is increased through the delivery of added-value services, particularly if customer lock-in can be achieved by making it difficult for subscribers to reinvent a concierge relationship with another provider.

- Top Customer Programme Concierge services can be trialled with best customers first.
- Most at Risk Customer Programme - Alternatively, they can be targeted at most at risk customers.
- Improved Customer Understanding - A concierge customer relationship usually begins by building an opted-in simple profile of the persons interests, preferences and expectations. Over time, each customer request improves an organisation's understanding of the customer. The determination of current and impending customer lifestage is a critical piece of information for financial services marketer, for example.
- Intimacy and Collaboration - Over time, a concierge customer relationship becomes more intimate, trusted, collaborative, and proactive, ensuring long-term loyalty and lifetime values.
- Data Given Willingly - Concierge services rely on trust and privacy. In an emerging environment where it may be harder to acquire personal data (particularly for affluent, privacy-aware households), concierge service providers will be the first to have access to personal information.
- Transactional data tie-up - A deeper customer understanding can be achieved by integrating concierge service data with transactional data.
- Understanding the "Why" of Behaviour – grasping the motivations behind consumer shopping decision-making has eluded marketers for years. The market research industry is ballooning in value as organisations continually seek new ways to understand increasingly fragmented and "fast" consumer behaviours. The concierge, through the provision of services that help consumers through the decision-making minefield, is in a prime position to gain access to this critical insight – but only if they use it to serve the consumer first.
- Product Bundling - The integration of buyer decision-making data with preferences will allow concierge businesses to bundle relevant products into individual purchases. These products and services may be provided by partnered organisations.
- New Revenue Sources - Quite often, customer requests will involve the brokered purchasing of products and services (e.g. making travel bookings). Concierge providers will be able to drive commission from these transactions. Revenue can also be derived from nominal monthly subscription fees.

Critical Delivery Requirements

The following are some critical requirements for an effective concierge operation:

- Value-Exchange Profiles – It will be important to deliver fundamentally superior value if consumers are to exchange personal information. Profile collection is therefore undertaken on a "drip-feed" consented basis where the right information is requested at the right time. And the process is refined over time.
- Customer Ownership – Ideally, concierge staff should have peer-to-peer one-to-one relationships with individual users of the service. This has important implications for employee reward and culture systems.
- Multi-Channel Automated Platform – another essential. Concierge users will require remote, integrated access to the service across all the new touchpoints.

- Effective Data Management and Automation – This is essential, not just for effective day-to-day information management but also for the delivery of proactive customer service, remembering a subscribers preferences and responding with relevant information.
- Personalise, Track Activities, and Create Customer Goals - The scope of reactivity for individual customers should be defined according to individual customer objectives. Responses and customer value can then be measured against these objectives, allowing the business as a whole to be driven forward.
- Create a Balance between Consumer Protection, Trust and Revenue Objectives Concierge services need to ensure they do not unnecessarily exploit customer data, and their concierge transactions. Their position as protectors of the consumer's interests should not be abused.
- Effective Vendor Management - A system for managing partnership sales is a critical component for concierge businesses. They should have an explicit partnership and sales strategy.

Negatives

Too good to be true? Some potential negatives of concierge services are as follows:

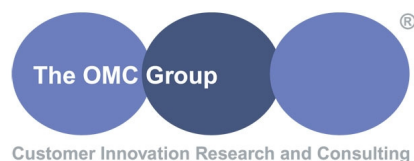
Is there sufficient margin? Sufficient margin is unlikely to be achieved overnight. A critical mass of customers and a critical mass of product and information providers is required to deliver sizeable revenue from partnership sales.

- Dangers of over-subscription The setting up of a trial programme needs to be carefully co-ordinated to create the right conditions for measuring roll-out potential. Following roll-out, customer over-subscription and retailer under-subscription will lead to a collapse in the core service proposition.
- High Infrastructure Costs? Initial infrastructure costs are high, especially call-centre, web development, information partnering, staff recruitment and promotional overheads.
- Multi-skilled staff hard to find - Particularly for the potentially average remuneration that concierge services will provide in the start-up phase.
- Easy to Fail on Promises - Every customer episode is an opportunity to deliver superb, tailored service. It is also an opportunity to fail, leading to the collapse of the relationship.

Business Model

The concierge business model is likely to be built on the following parameters:

- Commissioned sales or response fees from brokered products and services
- Monthly customer subscription income
- Better customer retention economics for core products and services
- Improved rates of new customer acquisition
- Premium permission marketing income
- Market research and aggregated data sales



A time for opportunity... is a time for fresh thinking

Your market is transforming. New technologies, deregulation, globalisation and falling infrastructure costs are providing value-creation opportunities in a wide variety of industries. But at the same time, competition is intensifying and margins are shrinking. Competing through new products and brands does not always produce desired results. Your best efforts do not always lead to highly satisfied customers. And, all the while, you are under increasing pressure to create customer value that leads to profitable growth...

Critically, your customers are changing too. They are more connected, informed, “multi-channelled” and marketing-savvy. Today, they seek to extract value on their own terms from the growing range of brand and product choices on offer. In short, the active customer is calling into question basic assumptions about value and the processes that lead to its creation.

So what can be done? Well, responding by pursuing traditional approaches to innovation is no longer sufficient. The incremental stuff just isn't going to cut it in the future. Neither value nor innovation can be successfully generated through a company-centric, product and service orientation alone. Instead, we need fresh perspectives, new thinking, clear concepts and a new approach to innovation strategy and customer value creation...

About The OMC Group

The OMC Group is a network of expert customer innovation, research, strategy and analysis consultants. Our proven insights and methodologies enable companies to:

- Identify and successfully create new high-growth market opportunities
- Build winning new customer experiences
- Improve the relevance and performance of existing products, services, marketing and brands
- Create new forms of customer value and respond to changes in customer behaviour
- Develop and apply new measures, analytics and knowledge competencies to drive a customer-learning organisation
- Quantify and capture return on investment from customer innovation initiatives

We work across industry sectors providing expertise to start-ups, small and large companies. Our consultants and associates have worked with over 100 companies in more than 15 different industries.

Find out more at www.theomcgroup.com

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