White Paper

The Concierge Economy: How Leading Companies Are Restructuring Retail

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What has been noted by industry analysts and companies large and small across all verticals, is that consumer behavior is changing. Consumers want product and services anytime, anywhere and as soon as possible. This expectation of on-demand products and services has been driven by the ubiquity of smartphones and a digital lifestyle that we have all become accustomed to. The result is that the consumer marketplace has changed and mobility and connectedness are more crucial than ever.

What has not changed is the basic human need for help. People now want help as soon as possible, whether it be for car service or making a purchasing decision, and today’s leading companies are shaping this expectation by providing this help immediately, no matter what channel. These organizations are setting the bar very high for customer experience as they provide affordable help in real-time. This concierge-like service model for the masses has set the stage for what is now called the Concierge Economy.

The Concierge Economy is defined as disruptive brands (such as Uber) providing information at consumers’ fingertips (mobile or web), then providing the service (such as taxi service) instantly, at a reasonable cost. Rackspace’s Futurist, Robert Scoble, in one of his live streaming Tech On Deck episodes on “Digital Feudalism” described the reason for such rapid change in consumer markets...

“And, as Millennials overtake Baby Boomers as the largest demographic in the U.S., so does their buying power. Any company marketing to consumers today must also keep in mind that Millennials and Gen Z (20 and under) are the most tech savvy generations to date. As these generations use devices at their fingertips, converting their digital first touch into a more valuable level of engagement all the way through the point of sale, is key.

So as companies such as Uber continue to shape and raise the bar for customer expectation, larger enterprises must be willing to adapt to this type of concierge-like service model. Those who do not will lose out to players who are willing to continually adapt to consumers’ ever-changing service needs. Today’s enterprises must keep in mind that when it comes down to the fundamental need of help, today’s leading companies are continually redefining the type of help that is offered and subsequently reshaping expectations.

“We now have an ability to create new marketplaces because of our mobile phones. What we are doing in our hands is changing how we work and how we do things, and is completely different from 10 years ago.”

- Robert Scoble, Futurist, Rackspace
In researching consumers’ need for help, TimeTrade recently surveyed 5,444 consumers asking about their perceptions and habits around customer service in retail. When asked “What do you value most when shopping in a retail store?” 54% of respondents answered “Prompt service,” followed by “A personalized experience” (30%) and “Smart recommendations” (16%) (Figure 1).

As you can see by the survey results, prompt service is overwhelmingly the top priority for consumers when shopping in a store.

In turn, when asked, “If you try on clothes in a dressing room and find that you need a different size, but no associate is available to help, would you consider abandoning the dressing room and leaving the store altogether?” a resounding 85% of consumers respond “Yes.” And, when broken down by demographic 87% of Millennials and 86% of Gen Z also answer “Yes.”

85% of consumers report they would consider abandoning a dressing room and leaving a store altogether if an associate is not available to help them

87% of Millennials and 86% of Gen Z report the same

Not just retailers, but all companies should take these data points as a sounding bell, that despite all devices and apps that consumers use today, the way they gauge their customer experience is by their quality of help. If organizations today do not offer immediate help, the result may be a lost sale and perhaps a loss in brand loyalty.
Disruptive On-demand Services

An example of an on-demand service that has raised the bar of customer expectations is Uber. Uber, a ride-sharing service founded in 2009, is now valued at over $50 billion dollars with a presence in 58 countries and 300 cities worldwide.

In the same TimeTrade survey, consumers were asked “If you use an on-demand service such as Uber, what is the appeal?” Fifty-two percent of respondents report that it is because “The service is more convenient,” followed by 49% choosing “The service is lower cost” and 35% reporting “I like that it is an alternative to traditional services” (Figure 2).

When broken down by demographic, Gen Z and Millennials are the demographics that most like Uber because it is more convenient and lower in cost (Figure 3).

So for consumers, the most appealing traits of Uber are convenience and lower cost. In this case, convenience means putting an application in the everyday consumers’ hands that allows for immediate service, compared to a traditional taxi where you have to wait for availability.

Jeremiah Owyang, Founder of Crowd Companies, and the leading researcher on collaborative, peer-to-peer companies such as Uber notes...

“People of all ages are adopting the Concierge Economy as it lends to improving convenience, a lower cost alternative, and a unique experience they can’t normally get.”

- Jeremiah Owyang, Crowd Companies

Figure 2. If you use on-demand services such as Uber, what is the appeal (Choose all that apply)?

- The service is more convenient
- The service is lower cost
- I like that it is an alternative to traditional services
- I like that it is a service offered by my peers
Figure 3. If you use on-demand services such as Uber, what is the appeal? (Choose all that apply)

- The service is more convenient: 61% Gen Z, 58% Millennials, 50% Gen X, 46% Baby Boomers
- The service is lower cost: 51% Gen Z, 49% Millennials, 48% Gen X, 46% Baby Boomers
- I like that it is an alternative to traditional services: 32% Gen Z, 38% Millennials, 36% Gen X, 34% Baby Boomers
- I like that it is a service that is offered by my peers: 18% Gen Z, 13% Millennials, 12% Gen X, 13% Baby Boomers

Translating the Concierge Economy to the Enterprise

Uber has been clearly disruptive in terms of transportation and is now considered a very large company serving consumers worldwide. So what about traditional enterprises that want to serve customers in a similar way?

TimeTrade respondents were asked “The Concierge Economy is defined as disruptive brands (such as Uber) providing information at consumers’ fingertips (mobile or web), then providing the service (such as taxi service) instantly, at a reasonable cost. Do you feel that traditional big name brands (big box retailers, airlines, rental car services, etc) are trying to adapt to this model and provide VIP-like service to everyday customers?” (Figure 4).

In this case, 57% of respondents replied “Somewhat.” With only 27% of the respondents replying “Yes.” This means that traditional big name brands in these categories need to strive to provide a concierge-like service model in order to compete with the likes of Uber who are gaining market share exponentially.

In regards to the data point above, Owyang comments...

“Large established corporations must adjust their business model to this new economy, by offering similar serves based from on-demand models, lower cost alternatives and unique local experiences.”
Needed Improvements

At the same time, traditional brands must keep in mind that despite their rapid growth, Uber and other popular on-demand services such as Airbnb have had, and continue to experience their fair share of headaches. Regulatory issues in terms of labor and housing have been serious road bumps for both of these companies. The consumers themselves note this as well when asked “What are some of your concerns about these on-demand services?” as more than half of respondents (51%) reply “Lack of regulation” (Figure 5).

Figure 5. What are some of your concerns about these on-demand services?

51% Lack of Regulation
29% The are not available in my area of rural areas
20% The way they are affecting other markets such as housing costs

“If you go back a few hundred years ago in Europe, kings who were the highest level, granted land to the lords. The lords created their homes called manors, and they had everybody else (called the serfs) do all the work, and they were often indentured and could never get out of that system. In today’s world, these kings are the VCs who invest in the entrepreneurs, who are the new lords. The workers are now the serfs again and they could be stuck in the system.”

In order for companies like Uber to maintain stability, Owyang advises...

“My advice to investors and entrepreneurs is to share the rewards more with people and figure out how to make the system work for everybody.”

With a valuation of over $50 billion dollars, the Ubers of the world are not going away, they just need continual improvement. As Owyang notes, it will be a continual collaborative effort to make sure the system works for everyone involved, both the service providers and customers.
Conclusion

There is no doubt that today’s consumers are more demanding than ever. Organizations that provide help immediately (whether it be in the form of product or service) are winning market share. In terms of traditional enterprises, they will need to adjust their capabilities to be able to serve the demands of the Concierge Economy. This means updating legacy systems to handle next-gen products and services, as well as using analytics solutions to help manage and make sense of the data flowing through their company’s day-to-day operations.

And, in terms of traditional brands converting the digital first touch into a more valuable level of engagement, this may mean offering customers chat help as they browse online, or offering them an option to schedule an appointment to come into the store for help with final purchasing decisions. All are ways to offer immediate help to consumers and provide a highly personalized level of engagement. Enterprises must align with the right solution vendors that will enable them to do this and become part of the Concierge Economy.

About the Author

Sarah Wallace currently works as the Principal Market Analyst for TimeTrade and is the author of TimeTrade’s State of Retail and State of Banking analyst reports. Wallace provides market research and analysis of the retail, banking, health and wellness, higher education and telecom vertical markets.
About TimeTrade

TimeTrade provides an appointment scheduling SaaS solution to consumer retail, retail banking, health and wellness, higher education and telecom customers. PurchasePath™, TimeTrade’s appointment-centric customer experience solution enables customers to convert digital first touch interactions into a high-value, in-person meeting. PurchasePath™ has driven more than 400 million connections between consumers and businesses, directly translating into more than $3 billion in commerce every year.