

The logo features the word "FORRESTER" in a white, serif, all-caps font, centered within a dark green oval. The oval is set against a dark blue background with a pattern of thin, light blue, wavy lines that create a sense of motion or depth.

FORRESTER®

Technology Impacts on the Service Sector

Changing Client and Vendor Relationships

Chip Gliedman

Vice President / Principal Analyst

Forrester Research

February 4, 2010

Agenda

- Technology lifecycles – innovation and absorption
- The changes and implications of the rise in social media on the service sector
- The impact on the company/client relationship of social and customer service technologies
- The changing role of technology on government services
- The changing role of government in this environment

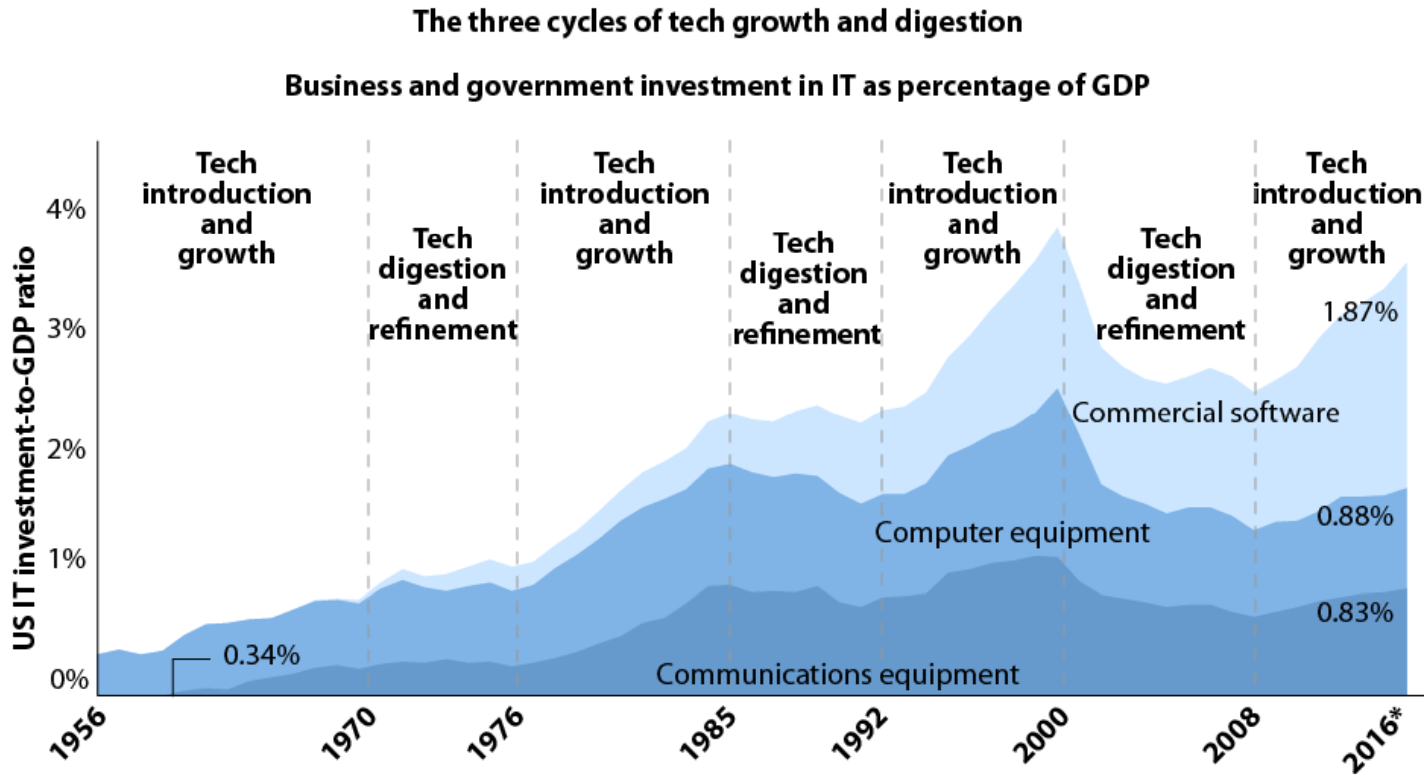
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December 2009 “Smart Computing Drives The New Era Of IT Growth”

The US Has Seen Three Cycles Of Tech Introduction And Digestion Since 1960



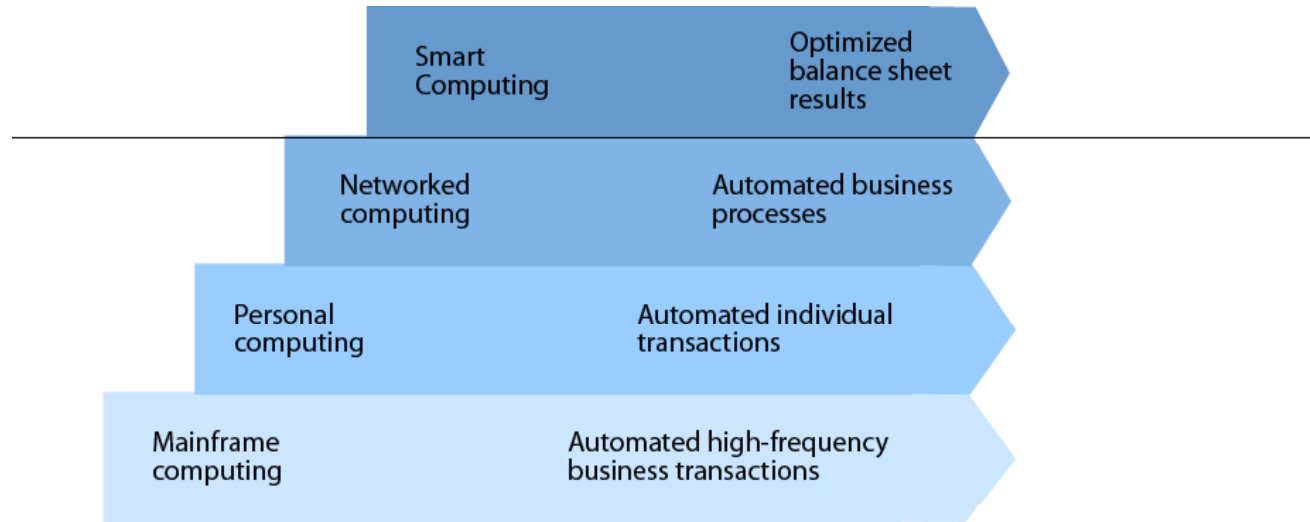
Source: US Commerce Department for 1956 to 2008; Forrester Research forecasts for 2009 to 2016

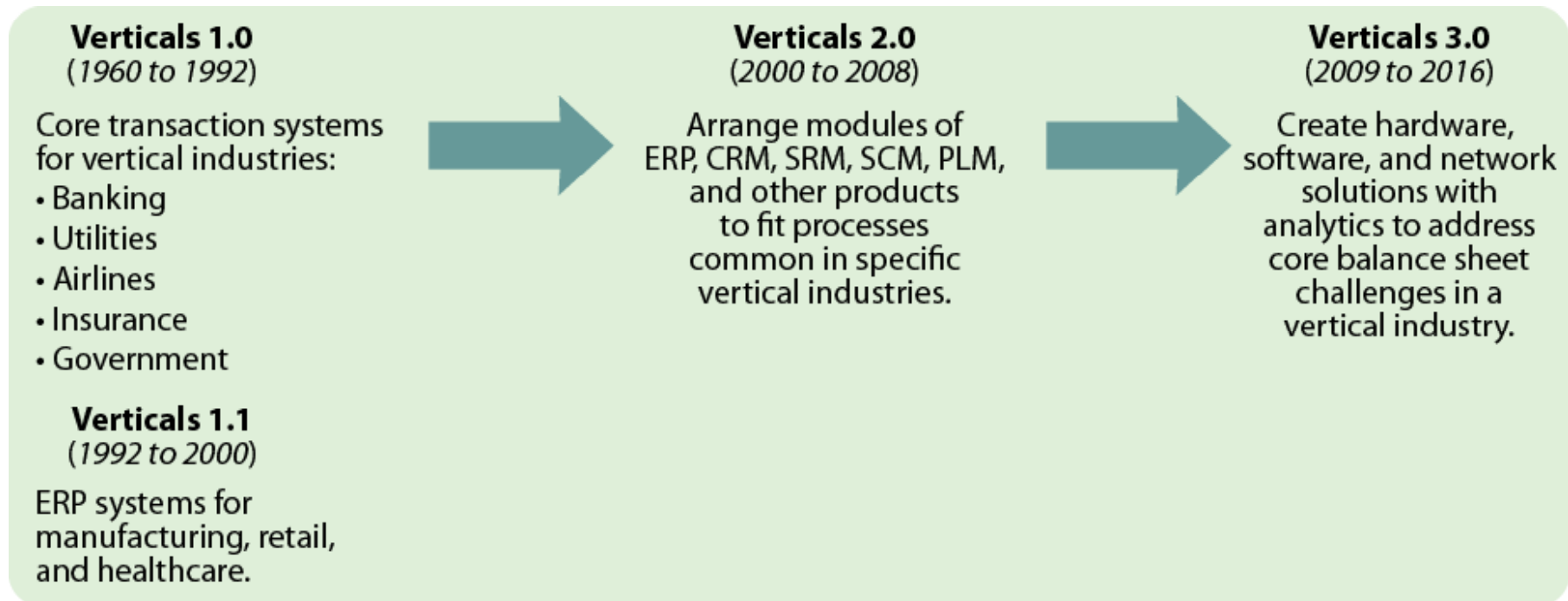
*Forrester forecasts



December 2009 “Smart Computing Drives The New Era Of IT Growth”

Smart Computing Will Help Solve Balance Sheet Business Problems



Verticals 3.0 Differs From Verticals 1.0 And 2.0



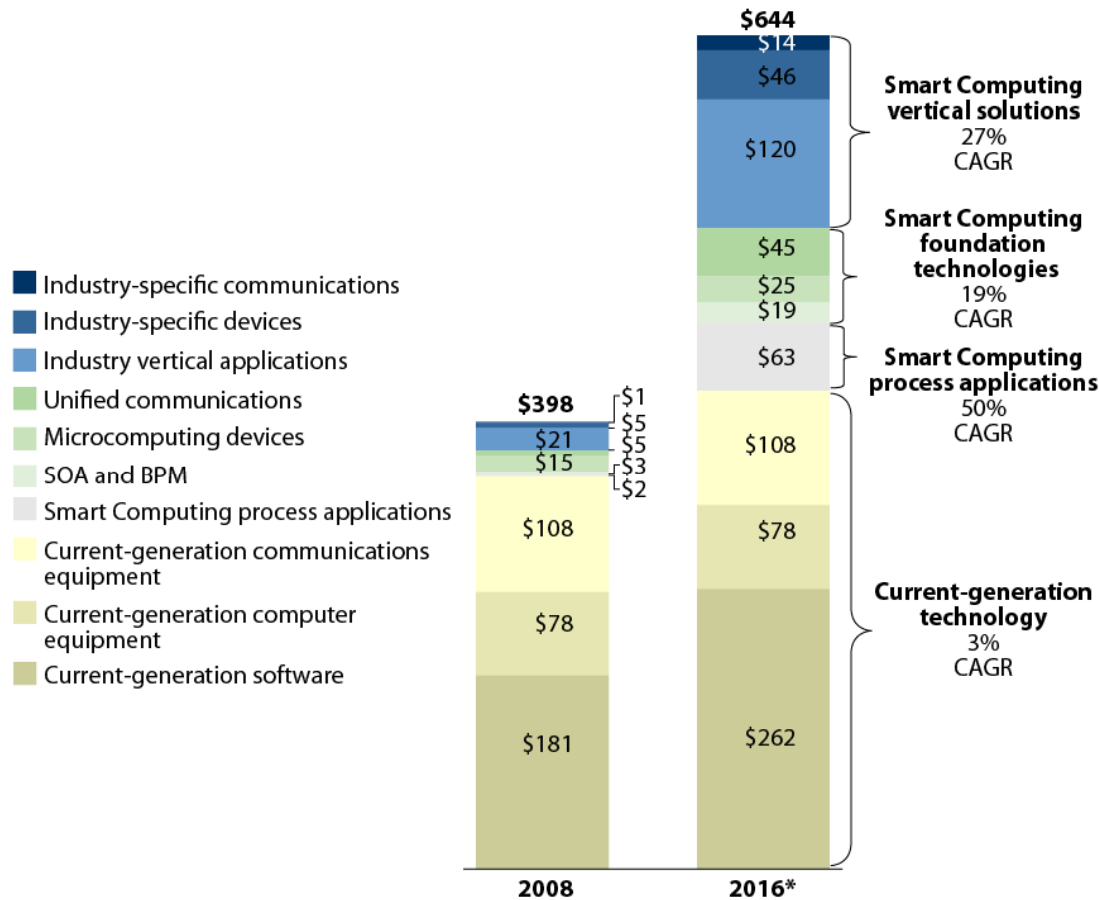
December 2009 “Smart Computing Drives The New Era Of IT Growth”

US Investment In Current-Generation Versus Smart Computing Technologies (Cont.)

Unified communications, Smart Computing process applications, and vertical business apps will be the largest of the new technologies

A spreadsheet with additional data is available online.

Government and business spending on IT equipment and software (US\$ billions)



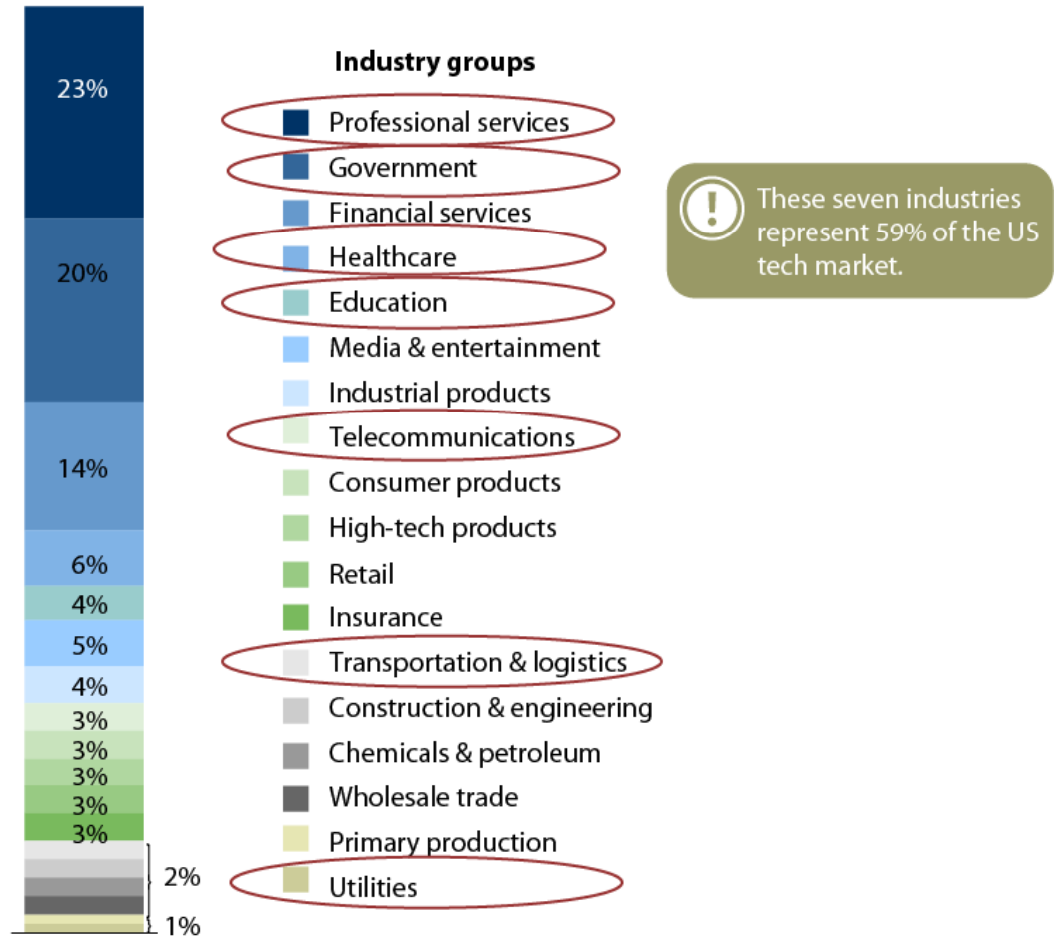
*Forrester forecast



December 2009 “Smart Computing Drives The New Era Of IT Growth”

Asset-Intensive Industries That Benefit From Smart Computing Are Big IT Spenders

Industry shares of 2009 US IT budgets
(percentage of total US IT spending)



(percentages do not total 100 because of rounding)

Source: May 7, 2009, “US Enterprise Versus SMB IT Budgets In 2009” Forrester report

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Social media – the end result of the network era

- Consumer-to-consumer information channels complement (replace) company-to-consumer communication
- New channels enable highly decentralized information creation
 - Twitter, YouTube, blogs, wikis, etc.
- Aggregation of content emerges as new “market”
 - Search/content aggregation, new role for media
- Corporate/government also aggregate user created content to enhance experience

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Differentiation based on customer experience

- Leveling of field in business environment
- Greater availability of information combined with less relevance of location leads to commoditization across many industries
 - Media and entertainment
 - Financial services and insurance
 - Telecommunications

Technologies promote communication

- Content about products
 - Social networks
- Company/consumer communications
 - Chat, click-to-call

Horizontal use of technologies – limited differentiation across verticals (today)



Three Questions Drive The Customer Experience Index

Meets needs

Thinking about your recent interactions with these firms, how effective were they at meeting your needs?



Easy to work with

Thinking about your recent interactions with these firms, how easy was it to work with these firms?



Enjoyable

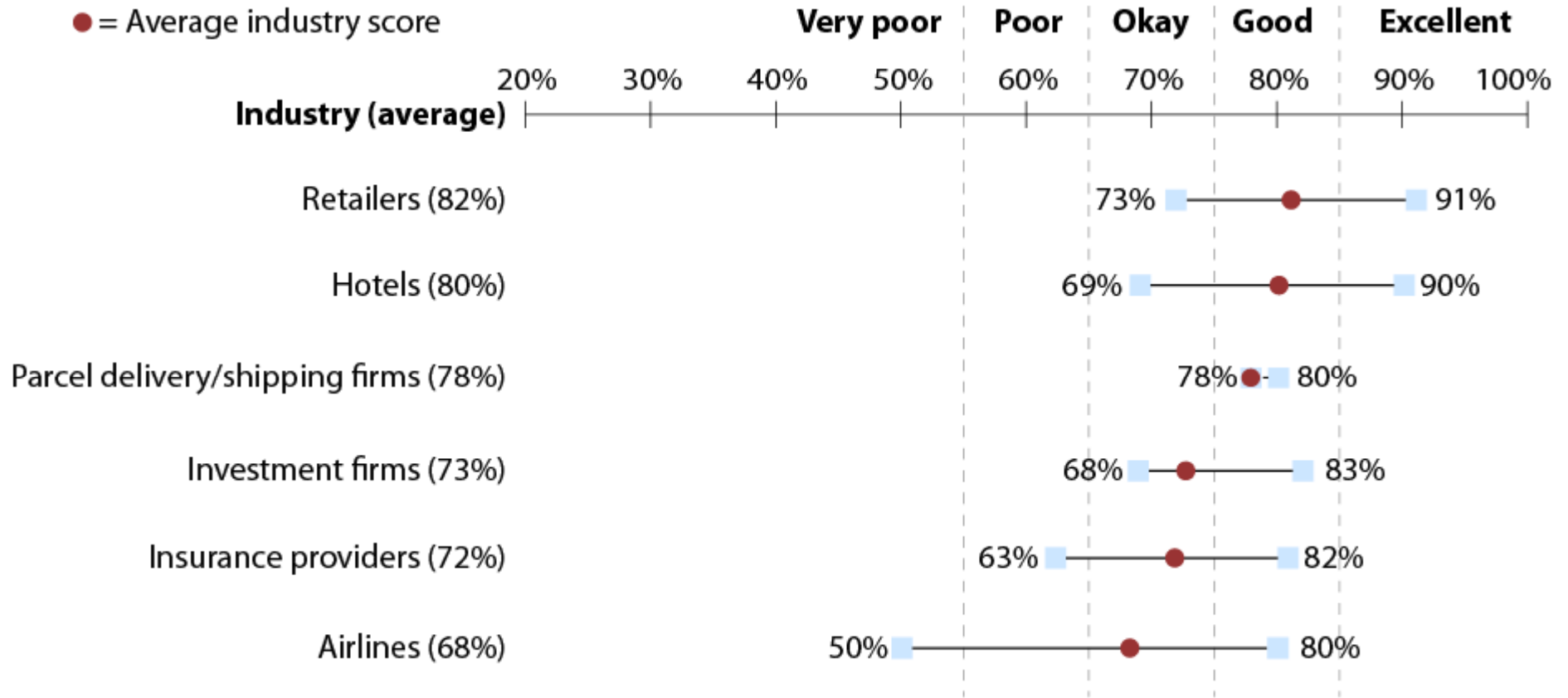
Thinking about your recent interactions with these firms, how enjoyable were the interactions?





January 2010 "The Customer Experience Index, 2010"

Range Of Company CxPi Results Within 14 Industries



Base: US online consumers who have interacted with firms in these industries
(numbers have been rounded)

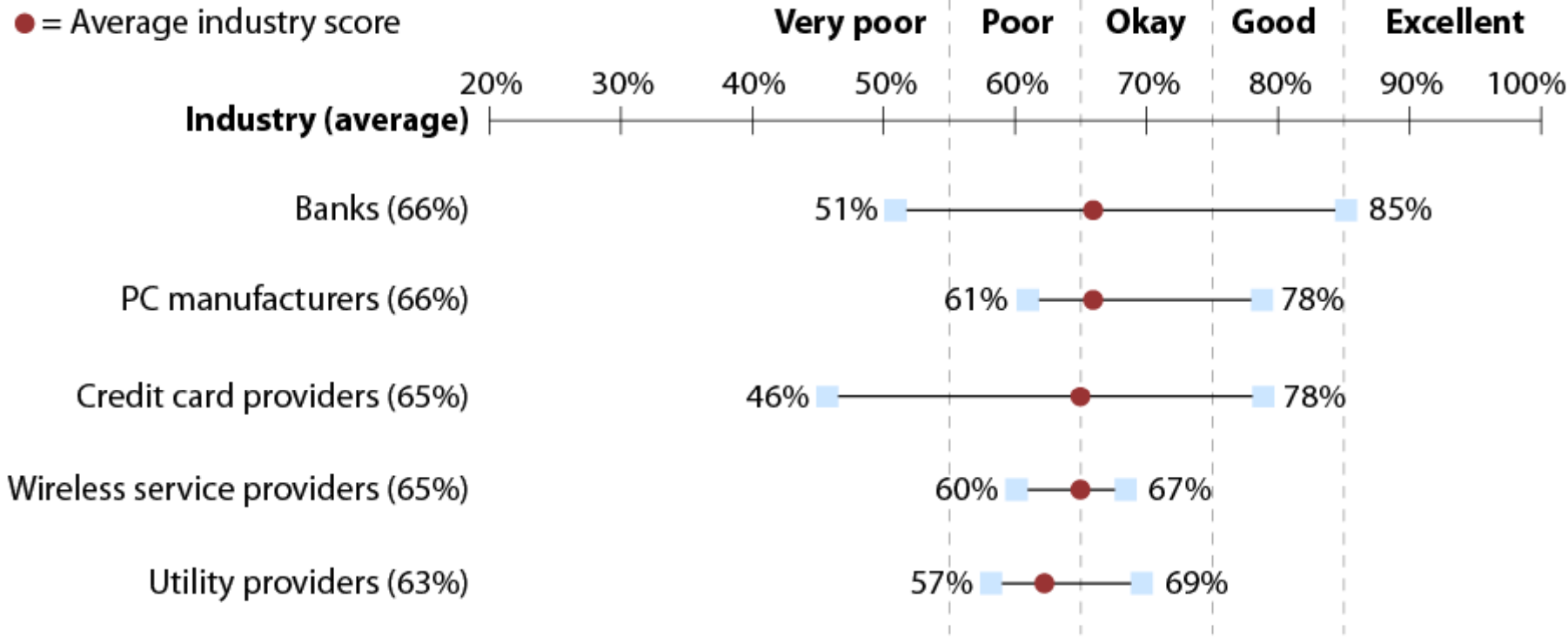
Source: North American Technographics® Customer Experience Online Survey, Q4 2009 (US)



January 2010 "The Customer Experience Index, 2010"

Range Of Company CxPi Results Within 14 Industries (Cont.)

● = Average industry score



Base: US online consumers who have interacted with firms in these industries (numbers have been rounded)

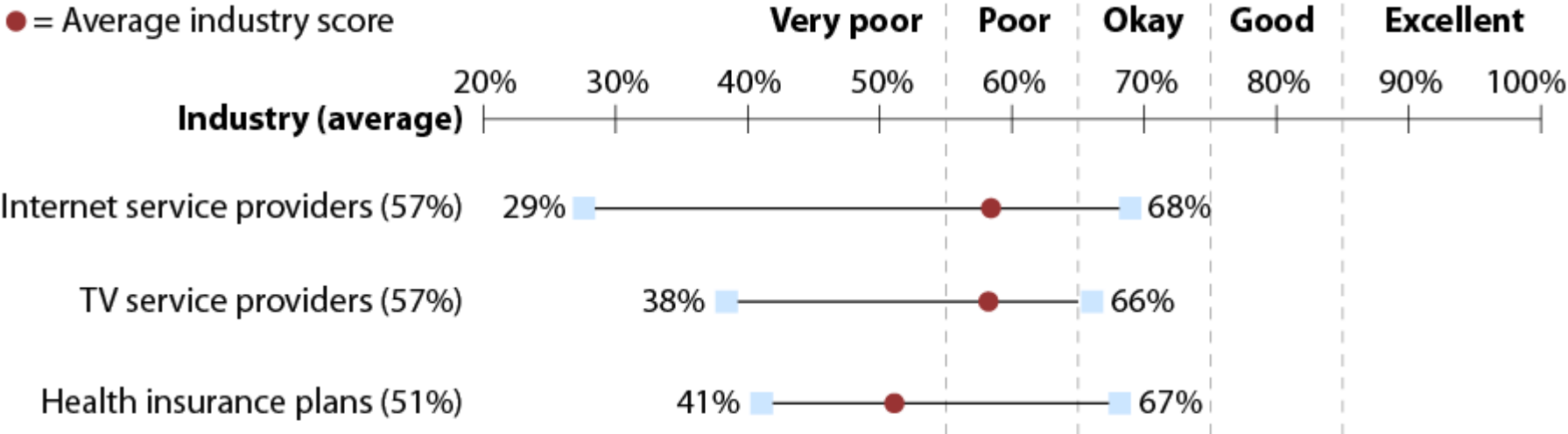
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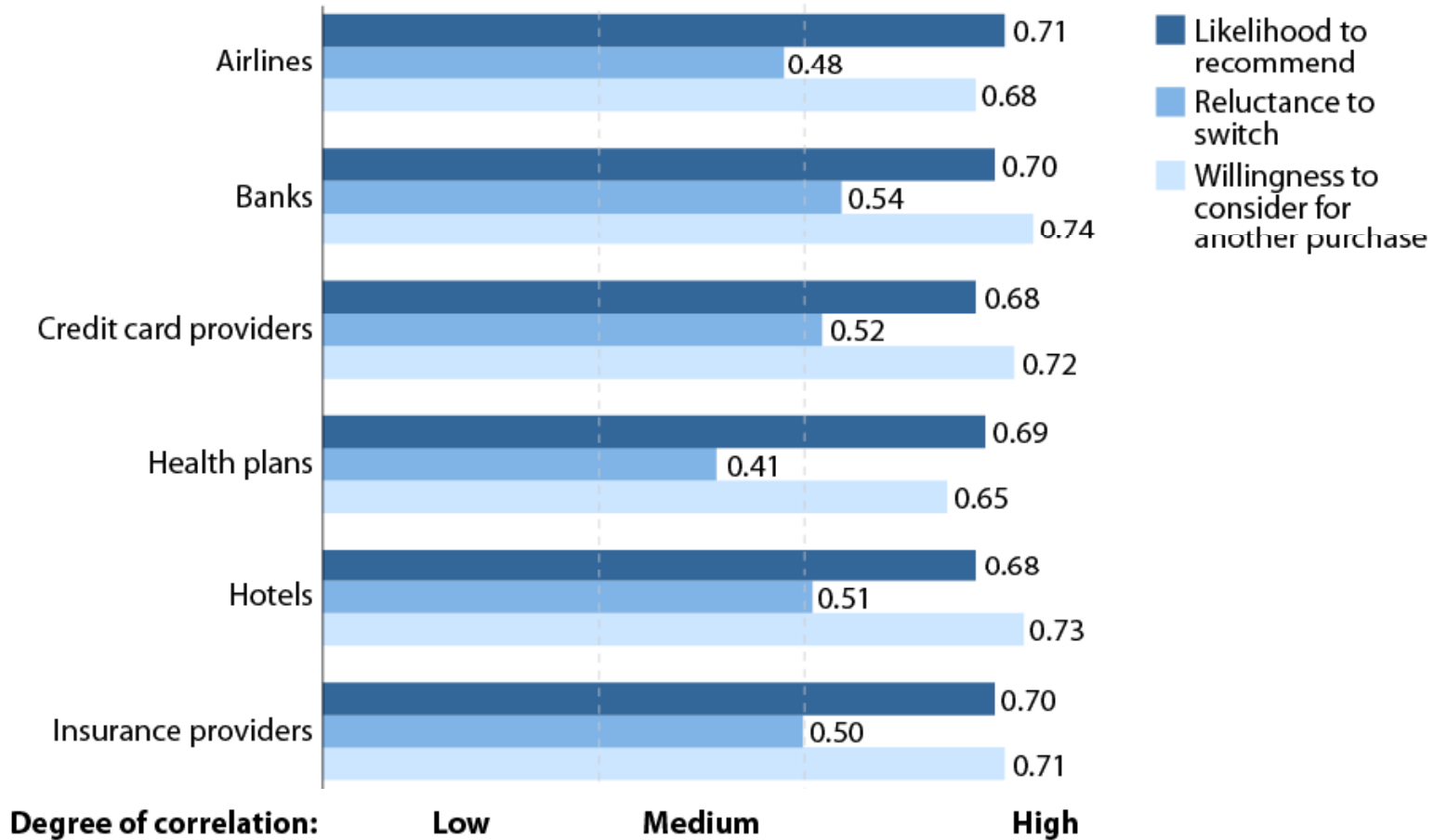
Source: North American Technographics® Customer Experience Online Survey, Q4 2009 (US)



June 2009 “Customer Experience Boosts Revenue”

Customer Experience Correlates With Loyalty

Correlation between high Customer Experience Index and three elements of loyalty



Base: US online consumers who interact with firms in these industries

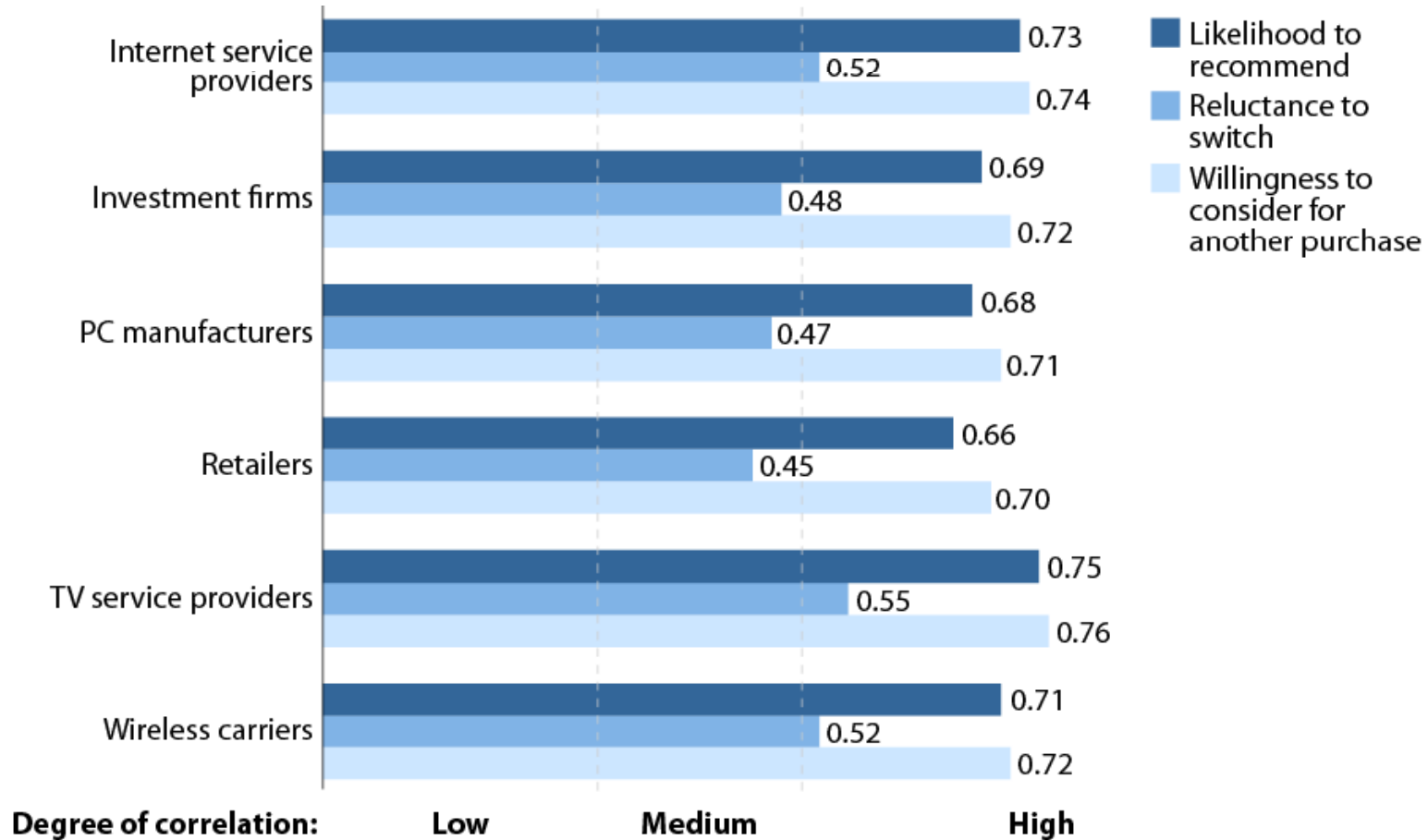
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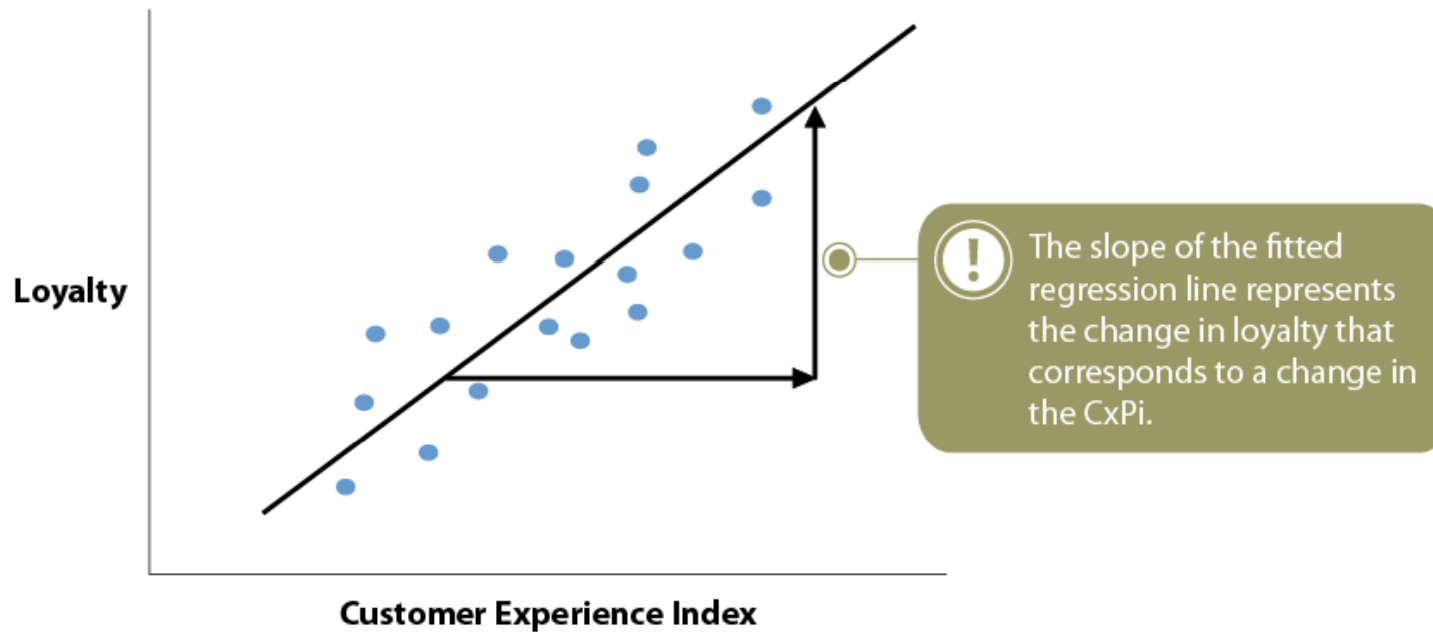
Source: North American Technographics® Customer Experience Online Survey, Q4 2008



June 2009 “Customer Experience Boosts Revenue”

The Connection Between Customer Experience And Loyalty

We did a regression analysis between customer experience and loyalty



Source: North American Technographics® Customer Experience Online Survey, Q4 2008



June 2009 "Customer Experience Boosts Revenue"

The Connection Between Customer Experience And Loyalty (Cont.)

Customer experience-loyalty slopes across industries

Slope of the regression line that is fitted between the CxPi and three measures of loyalty for each industry

■ Largest slope ■ Smallest slope

| | Willingness to consider the provider for another purchase | Reluctance to switch business away from the provider | Likelihood to recommend the provider to a friend or colleague |
|----------------------------|---|--|---|
| Airlines | 0.257 | 0.222 | 0.295 |
| Banks | 0.309 | 0.259 | 0.316 |
| Credit card providers | 0.303 | 0.250 | 0.303 |
| Health plans | 0.229 | 0.165 | 0.277 |
| Hotels | 0.309 | 0.259 | 0.304 |
| Insurance providers | 0.289 | 0.251 | 0.301 |
| Internet service providers | 0.281 | 0.230 | 0.304 |
| Investment firms | 0.287 | 0.227 | 0.295 |
| PC manufacturers | 0.269 | 0.211 | 0.274 |
| Retailers | 0.250 | 0.220 | 0.285 |
| TV service providers | 0.291 | 0.240 | 0.309 |
| Wireless carriers | 0.288 | 0.243 | 0.307 |

Base: US online consumers

Source: North American Technographics® Customer Experience Online Survey, Q4 2008

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Business environment resets expectation of government services

- Online access to services
- Redefinition of “business hours”
- Access (and use) of “public” information
- Aggregation of public and private information
- Customer service on par with commercial sector

Customer experience – better quality of life

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Welcome to the City of Baltimore – Sheila Dixon, Mayor

I Want To...

Enter Search

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[Citation / Proclamation Request Form](#)

[CitiStat](#)

[Office of Emergency Management](#)

Location Entry - Abandoned Vehicle Complaint

Please enter the location information and continue, or [Start Over](#).

(** Mandatory fields are marked with an asterisk and have red labels.)

*** STREET ADDRESS**

(e.g. 123 N Main Street)

[Continue](#)



Mayor Sheila Dixon

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Triple Zero (000)**
In an emergency

NEW SOUTH WALES POLICE FORCE

NSW Police Force remains fully committed to driving down crime and reducing the fear of crime through the provision of a range of services designed to ensure a safe New South Wales. This site details each of these services.

SAFETY

- Internet Safety
- Emergency Helpers
- Crime Prevention
- Drugs
- Domestic Violence

SERVICES

- Criminal Records
- Security & CAPI
- Missing Persons
- Your Local Police
- Firearms Registry

ACTIVITIES

- Fraud and Scams
- Report Domestic Violence
- Mobile phones and driving
- Ministerial Media Releases

[More Safety](#)

[More Services](#)

[More Activities](#)



With your help, a safer community

Police Assistance Line Statistics

Performance Statistics for 18 Jan - 24 Jan 2010

| | |
|------------------------------------|--------------|
| Total Contacts: | 9,970 |
| Grade of Service (% ans in <=27s): | 81% |

Police Station Search

Enter suburb, town or postcode and click Search:

Search



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Gov't Hit for Hampering iPhone Apps Info

By Kim Tong-hyung
Staff Reporter

Smartphones are intelligent and the wealth of software applications often have them approaching Mensa territory. However, as the mobile applications pool continues its rapid growth, driven by the popularity of iPhone and other data-enabled handsets, a rift is becoming visible between individual software makers and the government over the use of public records for developing such programs.

Location-based information is expected to become a "killer application" for smartphones, which allow users to stay connected at anytime and anywhere, and there has been a growing number of software features offering real-time and predicted traffic conditions for use on mobile devices.

However, many of these programs are now being plucked off networks before ever getting the chance to take hold, with miffed government officials claiming that the software developers are benefiting from the unauthorized use of public data.

iKorail, a free program that provides real-time train status and schedule information, has been a popular application on Apple's App Store online applications market since its debut in 2008.

However, iKorail is now dead for the users of iPhone and iPod Touch multimedia players, with Korail, the state rail operator, blocking them from accessing its Internet server since earlier this month.

“However, iKorail is now dead for the users of iPhone and iPod Touch multimedia players, with Korail, the state rail operator, blocking them from accessing its Internet server since earlier this month.

“Korail claims that it made a logical decision, since the developers of iKorail had been using its real-time train information without its consent.”

Korean Times, 01-20-2010

But Who Will Control Smart Computing?



With Smart Computing looming on the horizon, it is critical to recognize that end users and consumers will only accept it if they get control of the results. Rather than utilities using the data on end consumer electricity use to try to control that use from their end, they will need to provide this information to consumers to allow them to make their own decisions about usage. Experiments that IBM has done with providing consumers graphical data on their energy users has shown that informed users will take steps to cut their own usage. Similarly, *The Economist* has argued persuasively in its survey of healthcare and information technology about the need to give patients control over their own electronic records if they are going to accept this technology.

Governments and businesses



versus

End users and consumers

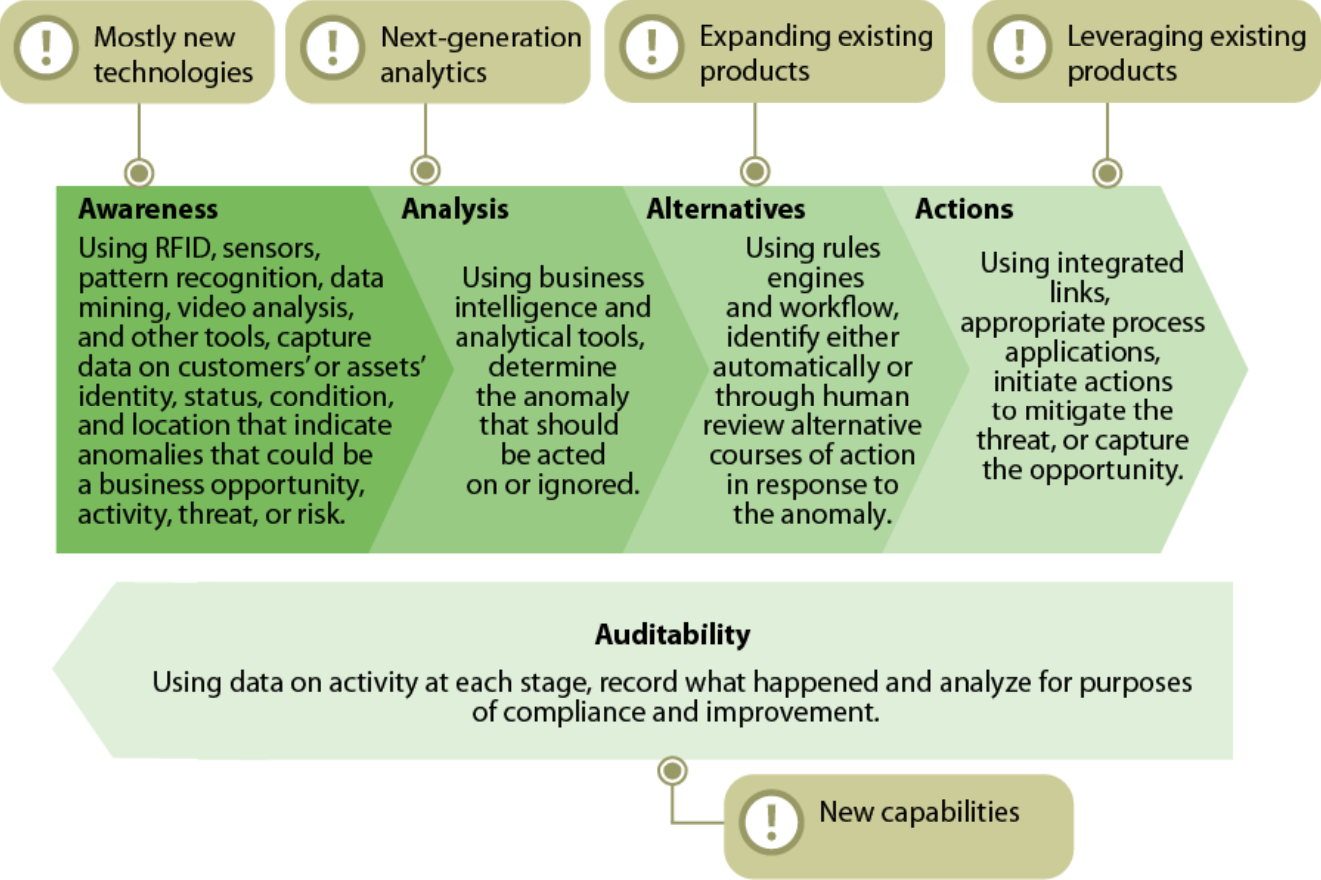


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The Five A's Of Smart Computing



Critical Success Factors

- Awareness
 - Infrastructure
 - R&D for smart network technology
- Analytics
 - Data access
 - Data privacy
 - Data security
 - Privacy policies (balanced)
- Alternatives
 - Business/legal enablement of new models
 - Control of choice (provider or consumer)
- Actions
 - Policies that allow flexible business and staffing models
- Auditability
 - Security and privacy

Thank you

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