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**Turning downstream disruption
into competitive advantage**

Introduction

Next-gen oil and gas customers seek a more digital—and enhanced—experience; how should suppliers respond?

For decades, oil and gas companies operating in the downstream segment—selling lubricants, chemicals, and gasoline to distributors, wholesalers, retailers, original equipment manufacturers (OEM), and, ultimately, end customers and consumers—have focused on product and cost. They have filled their portfolios with technologies to improve vehicle performance, extend oil drain intervals, or lower emissions, while optimizing supply, internal operations, and go-to-market models to drive cost efficiency. Unfortunately, what differentiated oil and gas companies in years past—an exclusive product formula or a slightly better price, for example—may no longer be enough to pull ahead.

Many downstream oil and gas companies are finding it increasingly difficult to compete solely on a product and price basis. Customers—and increasingly end consumers—have more control than ever for how they search for, select, and ultimately buy products. Disruptive technologies, increasing access to data, and new ways of engaging with suppliers are changing the essence of relationship between the parties. Additional forces are further influencing these relationships including:



Digital natives: More and more customers have grown up during the digital age and expect to do business online or in-app at their convenience. They expect to interact with digitally mature organizations.



Omni-channel consistency: Customers want the same experience across all the channels and devices they interact with. This increases the importance of oil and gas company partners and distributors collaborating on channels and content.



Self-service journeys: There is overwhelming evidence that buyers manage their exploration and purchase journeys on their own terms via channels and platforms that are convenient for them.¹



New players in the ecosystem: Start-ups are providing value-added services to customers that allow them to consume, buy, and manage consumables more efficiently.

A new generation of tech-savvy customers and consumers with different buying experiences and expectations is ascending into key decision-making roles. They seek simple, effortless, technology-enabled solutions and interactions—traditional oil and gas supplier sales models and channels can seem archaic and inefficient by comparison. As oil and gas customers increasingly seek an enhanced, digital experience, how should suppliers respond?

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What's at stake?

Downstream oil and gas companies' path to future growth runs directly through the expectations of digitally aware and empowered customers.

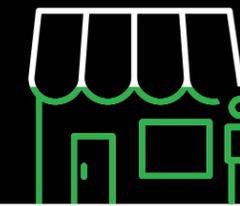
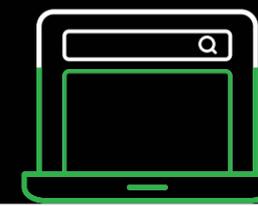
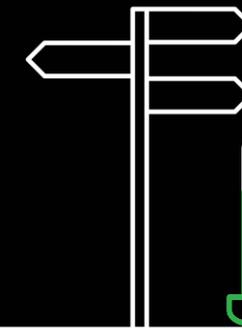
Therefore, being flexible to customers' digital needs, providing channel choices, and making interactions simple, consistent, and convenient will become ever-more critical. For example, fuel providers could partner with customer-focused companies in oil and gas or other industries to implement application programming interfaces (APIs), which can act as the gateway to engaging customers across multiple channels to offer a more personalized experience. APIs can also act as enablers for partners to test out new offerings and rapidly swap out what doesn't work for what does.

Using digital technologies to improve the customer experience presents an industry-wide challenge because most oil and gas companies have not been customer-focused. Suppliers have worked to ensure that their offerings are delivered to customers efficiently and effectively, but few have taken additional steps to define who their customers are, what their experiences are, what needs and expectations they have, how they should be supported, and how they want to be engaged.

Traditional forms of oil and gas supplier-customer engagement—phone calls, face-to-face meetings—can fall short of what next-generation oil and gas buyers expect. And even though the human connection is—and will remain—important, the days of picking up the phone as a first step are ending. Effective engagement today depends more on a company's ability to recognize a customer as "the same customer" no matter which channel the customer uses to communicate—email correspondence, an online transaction, or some other digital platform. It's about making the customer feel important, anticipating their needs, and providing them with a detailed and current view into their supplier relationship. Also, brand and message consistency is important—an oil and gas company, its distributors, and channel partners need to use the same digital language, tools, and channels when interacting with the end customer.

Recent research shows that digital technology is transforming company-customer interactions in the business-to-business (B2B) market:

B2B buyers are increasingly starting their purchase journey online at search sites and third-party marketplaces.²



68%
of surveyed
B2B buyers
prefer to conduct
research online.

60%
prefer not to interact
with a sales rep as
their primary source
of information.

62%
say they can develop
a vendor shortlist
based solely on
digital content.³



27% of surveyed B2B buyers
are willing to pay a premium to
buy direct from manufacturers
as opposed to distributors.⁴

64% of surveyed B2B marketers say that they successfully use
marketing technology to manage customers' engagement and
capture customers' behavior across their entire life cycle.⁵

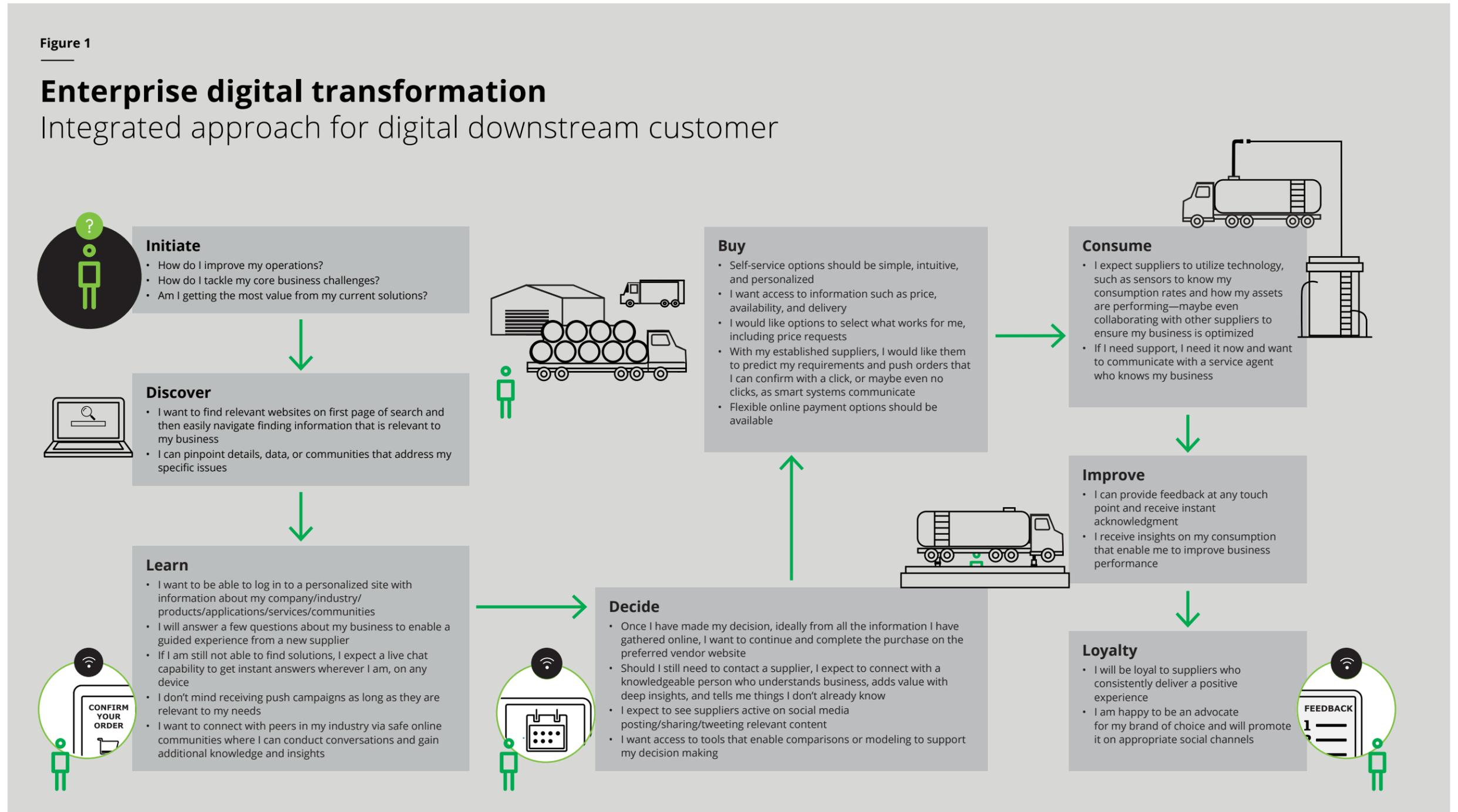


Our take

The digital era has provided companies with powerful new tools and innovations for delivering a customer experience that is relevant, intuitive, and differentiated.

We've seen this in the retail, financial services, hospitality, and health care industries. However, many oil and gas companies have been slow to adopt digital disruptors to transform their operations and enable product and service differentiation and customer intimacy.

What do today's downstream oil and gas digital customers want? Many expect content and engagement to be "digital first." They expect to have a complete digital purchasing journey—from research to order placement to order fulfillment to follow-up customer service (see figure 1).



Downstream oil and gas companies can create a stronger connection with their customers by engaging them on their terms and meeting them where they look for information and expect support.

For some organizations, this might manifest in selling directly—digitally—to customers instead of redirecting them to a distributor when they visit the company website. Such an approach not only can keep the brand–customer connection tight; it can accelerate the buying process for the customer and deliver possible cost savings for the supplier. In another application, using digital self-service tools could allow customers to complete simple transactions and enable the supplier to redeploy its workforce to focus on more strategic needs, such as identifying growth opportunities, building new partnerships, and developing new business.

Oil and gas companies: Are you listening to what customers are saying?

Delivering a personalized, digital experience may soon outpace products and services as a leading point of differentiation for downstream oil and gas companies. However, being able to do so likely will require that companies listen more closely to what their direct customers and distributors/channel partners are saying, understand their specific needs and expectations, and act on this knowledge to strengthen relationships.

What direct customers are saying:

- Know me and my digital/online needs better than I do
- Provide online tools such as intuitive search to help me get answers to my questions and solve my problems
- Offer a seamless, online, self-service experience when I prefer that option versus direct, personal interactions
- Answer my questions immediately—don't make me wait to get the information I need

What distributors/channel partners are saying:

- Provide the knowledge or resources I need to develop greater digital capabilities and solutions to be more proactive and predictive
- Help me leverage digital marketing and analytics to grow, get closer to my customers, and be more profitable
- Be more transparent to build trust so I can share data and we can grow together
- Help build my team's digital engagement skills and incorporate them into daily tasks
- Work with me to understand our future together in the digital marketplace

Downstream oil and gas companies also should consider employing metrics that are real-time, inspire action, and reflect a relationship's degree of digitization. Among key measures:

- Customer churn, profitability, and share of wallet
- Customer ratings (move away from 1–10 scales to easier thumbs up/thumbs down rankings)
- Sales/service FTEs per customer (measure of digitization)
- Percent of digitized processes (requires no human intervention across demand-cash spectrum)
- Percent of revenue from nontraditional sources

Deloitte research and client experience have shown that, across US industries, companies focused on enhancing customer experience have seen the following benefits:



140%

increase in spending for customers with best past experiences



20%

improvement in long-term, profitable customer relationships



56%

increase in average sales order values



13%

improved first-call resolution



16%

increase in click-through rates

The path forward

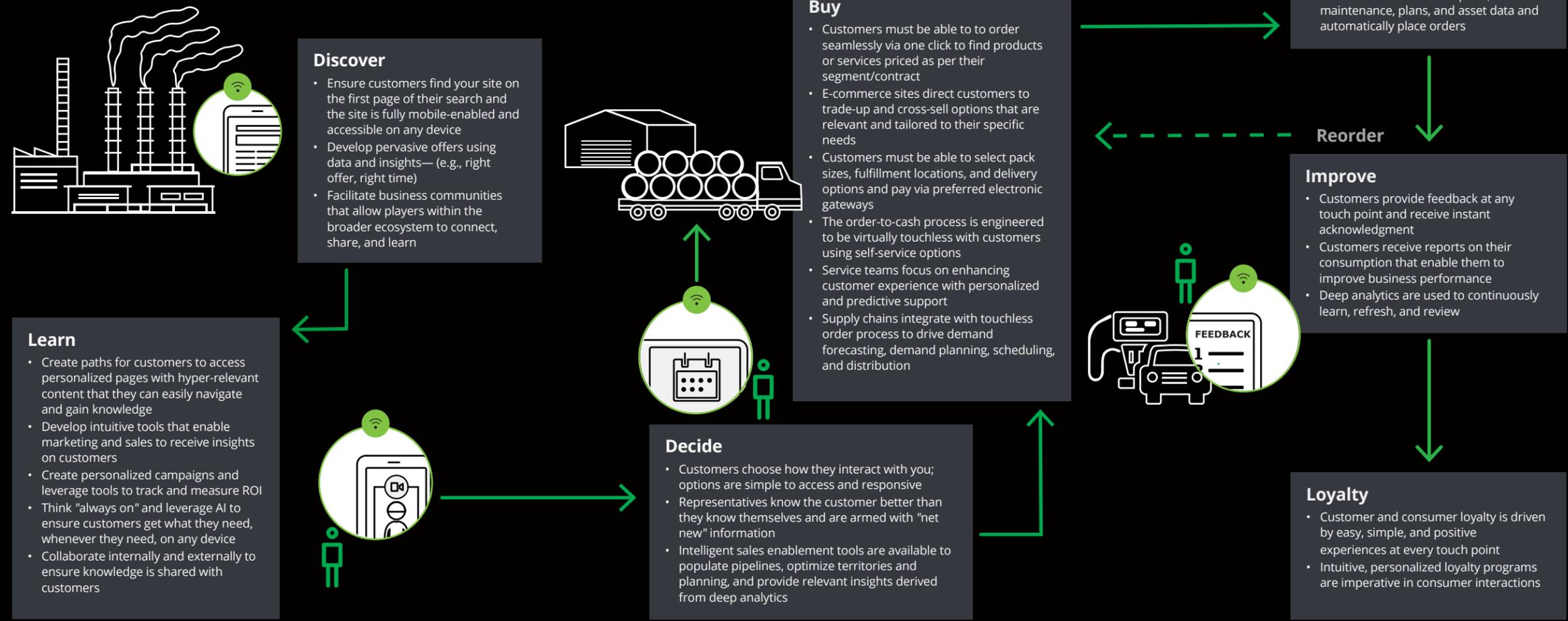
How should a downstream oil and gas company begin its journey to improve customer engagement?

By making a commitment to **digital transformation**—not just doing “random acts of digital,” but adopting a digital mindset, launching new digitally driven business models, and looking at all touch points and activities from the perspective of today’s digitally empowered customer (see figure 2).

Figure 2

Enterprise digital transformation Integrated approach for supplying the digital customer

Considerations to deliver a differentiated customer experience



True transformation also calls for establishing and nurturing a customer-centric culture; one in which people are recognized and rewarded for delighting customers by providing an easy, seamless, and satisfying digital experience.

Here are other suggested steps to help your organization transform and thrive in the new digital reality:

1 Think like tomorrow's customers

Becoming customer-centric means putting yourself in the position of the downstream buyer—and ultimately the end consumer—to understand what he or she wants their journey with you to look like? How can you reimagine your current processes to create a more digitally bespoke and customer-focused experience.

For many customers, the buying journey is a multichannel one. They might research products via one channel (such as a partner website) but want to buy products via a different channel (perhaps directly from your digital storefront or an online marketplace). A typical customer might welcome a quote via email but then want to go online and click a button to actually place an order—rather than engage over the phone. The customer might then want post-order service to come via multiple channels—for example, email for confirmation, mobile app for order tracking, and phone for issue resolution.

Figuring out which channels make sense for which activities and which customer personas to engage will require you to set aside yesterday's "one direction" sales motions. Flipping or inverting your perspective to become truly customer-centric is imperative. Reimagining your business from the customer's perspective will require more than customer surveys and educated guesses. It will likely involve studying customers in their environment through ethnographic research to learn how they buy, how they use technology, and what challenges they face in their day-to-day lives.

2 Identify ways to improve processes and touch points

Laying the groundwork for customer-centricity starts with understanding every customer-facing process and every customer touch point within your business. It also involves understanding where new processes and new touch points can open up new opportunities to strengthen the customer bond, increase revenue, or improve margins.

Start by identifying each and every analog experience taking place across your downstream business activities today. Where are people involved? How can you digitize each of these activities? Does a process involve manually sending something via fax or an email? These are analog processes that can be digitized. Be sure to consider other processes that create a time lag for the customer. Any time you put your customer on hold or force them to wait for an answer is a great point of frustration. Consider your decision-making processes that contribute to delays. Can you empower people—or machines—to make decisions that fall into an acceptable level of tolerance at the moment of truth—when a customer is on the phone or online with you?

Think also about the back office and how your entire supply chain works. Do pallets of products sit indefinitely on loading docks, waiting for someone to physically assess them and determine where they should be shipped? Machine intelligence tools can automate and accelerate this process. Consider how an array of emerging tools—Internet of Things (IoT) capabilities, robotic process automation (RPA), analytics, and "accessible anywhere" cloud applications—can speed up processes, minimize human involvement, and ultimately support your ability to deliver exceptional content, product, and service to today's demanding customer.

3 Invest in technologies to strengthen customer engagement

As your customers encounter new digital tools in their daily lives and discover new ways of engaging with other businesses, many of them will expect more from your organization. The ability to constantly evolve and adapt will be key, and this means investing in technologies to improve operations, such as:

- **IoT:** Use sensor-embedded equipment to send collective performance data across a facility. Coupled with analytics, this data can provide deep insights to help optimize performance and schedule preventative maintenance.
- **Blockchain:** Record the complete chain of custody for every item that is logged to a blockchain to gain more oversight and control of a product and the flexibility to make rapid adjustments as the data is received near real-time.
- **Robotics:** Enable back-office staff to focus on more strategic tasks by using RPA to reduce manual efforts. Also consider using back-office staff to support frontline sales by gathering prospective customer information/data.
- **Artificial intelligence/Cognitive computing:** Engage customers with Natural Language Processor (NLP) "chatbots" to answer common questions such as product recommendations or delivery timing.
- **Deep analytics:** Predict customers' behaviors, and identify usage patterns and value within customer segments.

4 Measure, learn, adapt, repeat

The success of digital sales strategies and tools may be evaluated by tracking the percentage of revenue from nontraditional sources or reduced number of sales FTEs. "Soft" measures such as improved customer engagement may be quantified by regularly measuring and analyzing metrics including real-time feedback, customer churn, account profitability, and/or satisfaction ratings.

Digital customer engagement in action: 3M's WTB solution

Oil and gas suppliers looking to strengthen their digital capabilities may be able to adopt and adapt successful strategies from companies in other industries that have faced similar customer engagement challenges. For example, 3M Corporation's rich but complex mix of multiple brands, business types (business-to-business, business-to-consumer), and sales channels (distributors, resellers, online/offline) made it difficult to control the customer experience due to varying product images, descriptions, and pathways to purchase. Based on 3M's strong brand reputation, customers would visit 3M.com to find product information but the company lost sales opportunities during the customer routing process.

In an effort to improve the 3M.com purchasing experience, increase lead generation, and diversify sales growth, 3M implemented a global Where-to-Buy (WTB) solution that streamlined the customer experience on 3M.com across multiple brands in 89 countries, allowing 3M to sell products to consumers and businesses in each country via preferred channel partners. The WTB solution's impact includes a 5 percent increase in expected conversion through an improved customer experience and a \$60 million to \$90 million anticipated increase in annual revenue.

Bottom line

Oil and gas customers are becoming more and more empowered as our hyperconnected digital world expands and as new technologies come to market.

In an industry where product differentiation has reigned for decades, customer experience coupled with innovative digital solutions and processes will create a new basis for competition. Fail to move forward decisively with a digital customer engagement strategy for the downstream segment and you could find yourself playing catch-up—or worse.

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