



Customer
Engagement
2016



Talking the consumer's
language: retail
2016

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Introduction

As marketers we all want to truly understand customers' experiences, and prepare ourselves for new technologies and media, arriving at an increasing pace. But above all we need to understand what good looks like. That's why the DMA's Customer Engagement Committee decided to explore the fusion of data-driven technology with behavioural insights, and see how this makes a difference to the bottom line; to ROI, and what makes for excellent customer engagement.

This research sets out the new rules of engagement that will form the basis for an ongoing stream of customer engagement activity from the DMA.

In 1999, when the internet was still a relatively niche and uncomplicated place, Microsoft founder Bill Gates wrote that, "Your most unhappy customers are your greatest source of learning."

While this still stands true, changes in consumer behaviour, predominantly driven by new tech, mean that the opportunities to listen to our customers – unhappy or not – are endless. So what are the new rules of engagement?

While we are clearly still making strides into the long grass that is our fragmented and disparate media landscape, we are also beating a path through to new ways to engage potential customers. Our customer engagement research, conducted by our partners the Future Foundation, shows how consumers can be engaged today.

Technology has brought new rigour and vigour to the industry. Responses can be measured, quantified and processed to give new insights into behaviour, preferences and more. However, this can have unintended consequences, such as 'brand stalking', where something you have bought (or not) follows you around on every website.

This research shows that consumers' purchase patterns are complex. People are persuaded by brands, with 40% habitually buying their preferred brands. However, 76% agree that they are willing to spend time to get the best value. Consumer behaviour is eroding brand loyalties, and there has never been a better opportunity for new brands to challenge the status-quo.

So what do customers want? The top four choices are quality (72%), service (64%), offers (63%) and convenience (57%). These responses demonstrate this changing brand affiliation, with brand qualities important but potentially trumped by other factors.

The desires and needs of consumers are universal, but the ways in which people use new media are constantly changing. This report gives a snapshot of this changing media usage and how people plan to use new media in the future.

Now artificial intelligence is accessible to marketers, the same algorithm that generates brand stalking could be presented differently to give people the personal touch they crave – 55% of younger respondents wanted to explore new ways to interact, like chatbots and virtual assistants.

To find out more about the complex interactions and how marketers can better engage potential customers, read on.

Scott Logie
MD, REaD Group Insight
Chair, DMA Customer Engagement Committee



Relay42's perspective



In a maturing digital age, consumer channels are growing exponentially, and so is the need – and the difficulty – in engaging with customers on a relevant, personal and contextual level. This is why a Customer Engagement report like this is so crucial now. The following analysis of customer survey results not only deep dives into what exactly makes customers today tick, but an overarching theme emerges: customers crave dialogue. Fail to engage, and run the risk of seeing them flock elsewhere.

What does this say about the current maturity of marketers from a data management perspective? As the landscape for marketing technology becomes more and more crowded to keep up with customers, this report highlights the critical need to connect all customer data sources. Brands need this not only to provide the right offer, in the right place, at the right time – but to meet less concrete communication goals, by fostering loyalty, likeability and transparency.

Here, the DMA offers invaluable insight and best practices in how to reach, and keep today's customers. As an enterprise Data Management Platform for some of the world's best in class brands, Relay42 is delighted to sponsor a piece of research which shifts market mindsets, and creates a new standard for brand to customer relationships.

Tomas Salfischberger
CEO, Relay42



Organic's perspective

Change has always been part of the human dynamic, but the speed of change is now the defining feature of our era. As technologies emerge, mature and are replaced like digital mayflies it's all anyone can do to keep up let alone get ahead.

So, as we scramble to adopt and understand new platforms we begin to believe that it's not just technology changing but our fundamental nature. It isn't just how people are interacting with brands that is different, but what they want from them. Our instinct is to dive headlong into trying to build richer, more meaningful (and hopefully longer) relationships.

But here's the thing. In all of this the one thing that isn't changing is the customer. *Where* and *how* they engage with you will change, but *what they want* hasn't.

Customers don't want a new relationship, they want a better version of the successful relationships brands have built in the past.

Think about any shop that you have returned to time and again. What lured you back each time? The fact that they knew your name, or listened to the details of your recent holiday? Or was it simply the fact that they offered great service, great value and great deals that they *knew* you would be interested in?

We talk about customer engagement as if the aim is to have a personal relationship with each customer, knowing their every like and dislike, to be their confidante ready to cheer them up when times are tough. But really we're missing the point. Yes, customers want a personalised experience but what they mean by personalised and what we think they mean seems to be disconnected.

The relationship should be personal in areas relevant to the customer and add value to their experience of your product or service – not try to position your brand as their 'BFF'. And thanks to digital technology we're now in a better position than ever to do that.

The brand/customer relationship is inherently transactional, and so customer engagement must relate back to the transaction and the services you offer. How are you making it better, easier, more enjoyable? If you're not then it doesn't matter how close you try to get to the customer they will just retreat from you. They don't want you to be their friend, they want you to be a better retailer.

If this all sounds a bit cold, don't think that loyalty is dead. Far from it. Compelling and meaningful communications that support these fundamentals are what will engage customers. But the fact remains that what makes these communications effective, and keeps users engaged with a brand, is not that you know their name and start your email with it, but that you continually offer them the best products, deals and service – and that your attempts at engagement enhance and add value to that.

The report that follows proves that understanding people, not technology, is vital to the future success of brands who want to achieve better customer engagement. Create customer engagements that enhance your core proposition, rather than ones that distract from it. Make things relevant to the customer and you're onto the start of a wonderful relationship.

James Moffat
Executive Director, Organic



Acxiom's perspective



Consumers are fickle. I know, I am one. Our expectations are high and though our loyalty may be strong, for most products we can be swayed by a number of things. And, when it comes to those 'things', it's important to remember we go out, or very often stay in these days, looking for a shirt, or a flight, a car, shoes or even some beans.

What we don't do is go shopping for marketing; or do we? Many of us will remember the famous 'Pepsi taste tests' of the 80's and 90's where blind testing in the street apparently revealed that Pepsi tasted better than Coke, the latter consistently outselling the former to this day. Why? Well, the consumer didn't just buy an answer to their thirst or need for a sugar rush, they also bought 'feel good', they wanted to feel good by being associated with a brand, something we increasingly build with data and technology these days.

The power of the brand is demonstrated when we look at the single biggest factor for a consumer when choosing what to buy, namely the product itself, its utility and quality. But how do we ascertain that today? The truth is we do it the same ways we always have, including asking someone! What has changed is just how easy it is to do it and how reliable the information is when you often deal with a great many more options leading to a rating of sorts. Again, data-driven marketing can deliver a significant difference when 'socialising' trust in a brand.

This report is a brilliant insight into what makes us tick, and let's not forget we often say one thing and do another, that's just being human but we data-driven marketers can even do a better job of predicting our 'humanity' with sophisticated techniques. Importantly, the report reveals a disparity between how people want brands to interact with them and how we're doing it today.

Tantalising is the revelation that consumers really do want to be 'surprised' by brands, with great offers and gifts; but how can we do that without being able to recognise the individual and connect their data to understand just how we should surprise them, with what and when. The report also speaks of differences in what people value in online versus offline environments; though consistency must surely underpin any variations.

Crucially, we need to look for every opportunity to 'Drive Value Exchange from the Data Exchange'. Even though it may not always be visible to the consumer, we need to ensure we're collecting, curating and using the data they allow us to have to better understand them and the individual journeys they are on. We must then be creative in driving great engagement by optimising the customer engagement tools. And, this is not just when someone buys but increasingly also when they consumer a product or service e.g. IoT or the Connected Car.

The more marketers can work with consumers and for consumers, the better we will serve them and the more successful we will be. This is something that has been proven over the ages, how we achieve it is what has changed and in data we have a brave new world we need to continue conquering; let's do so by putting the customer first and this report helps you do exactly that.

Jed Mole
European Marketing Director, Acxiom



Executive summary: a how-to for engagement

1. **Functional first:** Consumers prioritise hard benefits such as convenience, quality, deals and good service and data driven strategies can help marketers constantly improve how they deliver on consumers' core wants.
 - The top reasons why brands are favourites are quality (72%), service (64%), offers/deals (62%) and being the most convenient/easy (57%)
 - 72% are interested in receiving a delivery alert status after purchasing a product
2. **Creatures of habit but with savvy shopping goals:** Brands need to constantly reprove their value in consumers' eyes. Habitual purchasing is common but price sensitivity and comparison continues to be aspirational and ever easier to achieve.
 - 40% of consumers fall into the "Active Loyal" consumer type
 - 76% agree that they are willing to spend time researching items/products in order to get the best value
3. **Relevancy rules:** Brands that can create genuinely relevant interactions will stand out. Consumers favour heightened forms of personalisation over content.
 - 63% are interested in receiving offers tailored to what they had bought after a purchase
 - 27% are interested in receiving interesting content about a brand/shop/site's history tailored to what they like after a purchase
4. **Feedback please:** Brands can empower and engage consumers through greater reciprocity. Consumers are craving a more open dialogue and more feedback from brands they like.
 - 40% of consumers are willing to be rated as a customer by brands
 - Just under half believe brands should respond to comments people make about them on social networks – rising to 61% of Gen Y
5. **Reward me:** Brands need to show consumers more appreciation. Many have high expectations of rewards they should receive.
 - Half believe they should be rewarded if they recommend products to friends and family
 - Just 11% receive surprises/free gifts from their favourite retailer, but in fact almost half of the sample like/would want this
6. **Make it special:** Brands are currently not meeting consumers' expectations in terms of surprise and exclusivity. Brands can heighten the impact of these forms of engagement through personalisation.
 - 62% of consumers agree that they would like it if loyalty offers they receive from brands/shops or sites related more closely to what they like
7. **Data incentives:** Brands must get much better at communicating to customers the hard benefits of using their data. While they remain cautious about sharing detailed personal information with brands, consumers are more willing to share this when benefits are clearly presented.
 - In order to get lower prices, 54% would be willing to share their email address; 17% would be willing to share their past purchasing history with the brand
8. **Digital gets emotional:** Brands need to find ways to better engage with consumers more intuitively in the digital space. Chat messenger/chat bots and virtual reality are creating more personalised yet human service experiences online.
 - 48% of consumers are interested in at least one virtual customer service innovation



1. Consumer approaches to loyalty

Market research is too often written in the language of marketers. To understand the language consumers really use to describe their interactions with brands the DMA conducted a primary qualitative piece with 1,000 consumers to uncover the terminology being used by shoppers to discuss their retail and engagement experiences.

The research, for example, found that consumers do not have a definitive word for shops, brands or e-commerce sites, and that consumers use the word "item" twice as often as the word "product" when talking about a shopping experience.

Using the findings, we designed a quantitative survey to delve deeper into consumer attitudes towards retail brands (excluding Supermarkets/FMCG), and their interactions with them. This report lays out the key findings from this research.

In the first section, we outline how consumers perceive their loyalty towards brands: are shoppers doggedly ruthless in their search for the perfect offer, or do habits play a stronger role in their approach? Does what we buy impact our willingness to shop around? And how does all this impact brands' ability to engage consumers with promotions?

Habits persist

A majority of consumers today admit they often are habitual shoppers, with just over half agreeing that they would tend to use the same shops, brands and sites rather than looking for alternatives.

Further, some 43% affirm they buy from brands they know even when they know they could be getting a cheaper deal elsewhere.

The tendency towards sticking to certain brands is stronger when people make everyday purchases – 64% of consumers agree they stick with brands they know in this context, with little variation in agreement levels among age groups and gender.

For important purchases, it is still a majority (52%) who agree they choose brands they know, but it is younger consumers who are especially likely to agree (68% of 16-24s) This is the space where brands can truly establish themselves as shortcuts for quality, convenience and good service.

Maximising mindsets

Such habitual and loyal behaviours may come at odds when we consider the high sensitivity consumers display towards prices, deals and competing offers.

An overwhelming 8 in 10 agree that when they make important purchase decisions they spend time comparing prices, and 76% agree that they are willing to spend time researching items/products in order to get the best value. More, ubiquitous price comparison, review sites and price/promotion scanning tools now available at consumers' fingertips mean the search for the best value is ever more efficient and easy to accomplish.

While people may often revert to habit and choose brands they are familiar with, the desire to optimise purchases is now almost a default aspiration for all, placing a constant pressure on brands to reaffirm their value and reconfirm consumers' willingness to buy from them again. In this context, brands need to be easily searchable/comparable and importantly need to understand where consumers are researching and how.

Brands that are findable and consistently persuade that they are the ones offering the best value and deals are those that will be more likely to fall into a consumer's habitual basket of go-to brands.

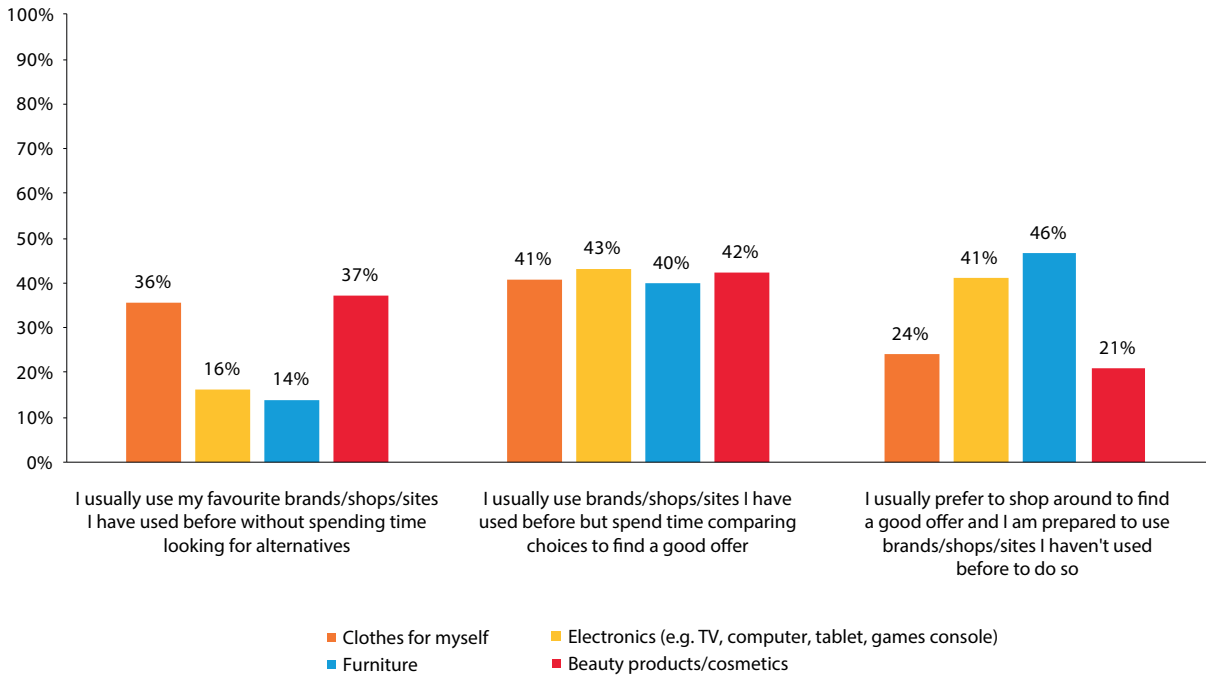
The impact of category on buying behaviour

When looking at how people tend to buy across different categories, both habitual and value-savvy behaviours are at play to varying degrees, and even simultaneously.

When buying clothes or cosmetics more than a third would claim that they usually choose their favourite brands but just 16% and 14% would do this when buying electronics or furniture respectively.

Conversely people are more likely to want to shop around when buying items in the electronics or furniture category, and be more prepared to buy from a new brand. Understandably, consumers can tend to view brands as mere commodities when they are buying more functional products/items (such as a new sofa or laptop) and thus it is these categories that will be more susceptible to scrutiny and disloyalty. Too high a price point for items in these categories will naturally encourage greater price sensitivity. This said, considerable proportions sit in the middle; likely to want to choose brands they know but will not do so blindly, two fifths will consider deals and offers available during the process even if they end up choosing brands they know.

Chart 1 | Thinking about when you buy the following items/products, which of the following best describes how you choose the brands/shops/sites you use?

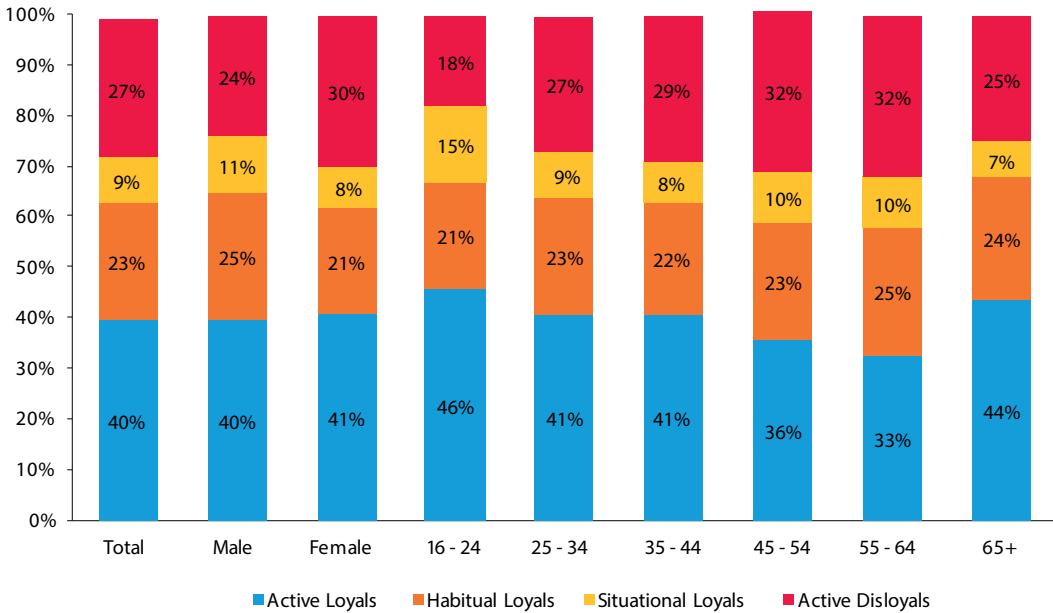


Consumer types and the loyalty spectrum

To further understand how consumer approaches to loyalty range across a spectrum, we examined people's attitudes towards their shopping habits for everyday purchases and then for important purchases – assessing whether they agree or disagree that they tend to stick to brands they know in these instances. This analysis created 4 consumer types defined by their distinct approaches to shopping:

- **Active Loyals:** These people tend to stay loyal to brand/shops and sites for both everyday and important purchases; 40% of the sample fall into this category. Older and younger consumers are both slightly more likely to be in this segment.
- **Habitual Loyals:** These people tend to stay loyal for everyday purchases but less so for important purchases; 23% fall into this category. Men are slightly more likely to be in this segment than women.
- **Situational Loyals:** These people tend to be loyal when making important purchases but are more flexible and fleeting when making everyday purchases - when it matters most these people will default to using their trusted brands. Just 9% of the sample falls into this category, rising to 15% of 16-24s.
- **Active Disloyals:** These people tend to disagree with the statements and are hence much more likely to be disloyal in their approach to brands. Women and 45-64s are more likely to fall into this segment compared to other groups. Twenty seven percent of the sample makes up this segment.

Chart 2 | Consumer loyalty types, by demographics



Pinpoint the deal

Given consumers range from being open to assessing offers/comparing prices, aspiring to get the best deals to tending and defaulting to use brands they know across their shopping experiences, when do promotions and offers most engage shoppers?

In this context, getting the timing and relevance of deals right to capture consumers' interest is crucial. Indeed, only 1 in 5 will admit to being purely driven by discounts, and agreement levels are statistically the same across the different loyalty types.

Instead, consumers more readily agree that they are often swayed by deals and offers when they are actively shopping and are persuaded to change their mind during their experience (54%) – rising to 7 in 10 among the Situational Loyals. Consumers are more likely to engage with deals that precisely target them when they are actively considering a purchase, or when they are ready to buy. As an engagement tactic offers are less relevant when presented at the research stage. It's only a tipping factor when consumers might not be 100% sure of a purchase but are at least partly implementing the behaviour.



2. Criteria for engagement and current behaviours

Next we outline what criteria makes people engage with retail brands (non-FMCG, both in-store and ecommerce) – what reasons would people prioritise when asked to think about why they like retail brands they favour, why do they choose to continue to shop with certain retailers, and importantly what types of interactions do they really want to receive from brands?

What makes retail brands loved?

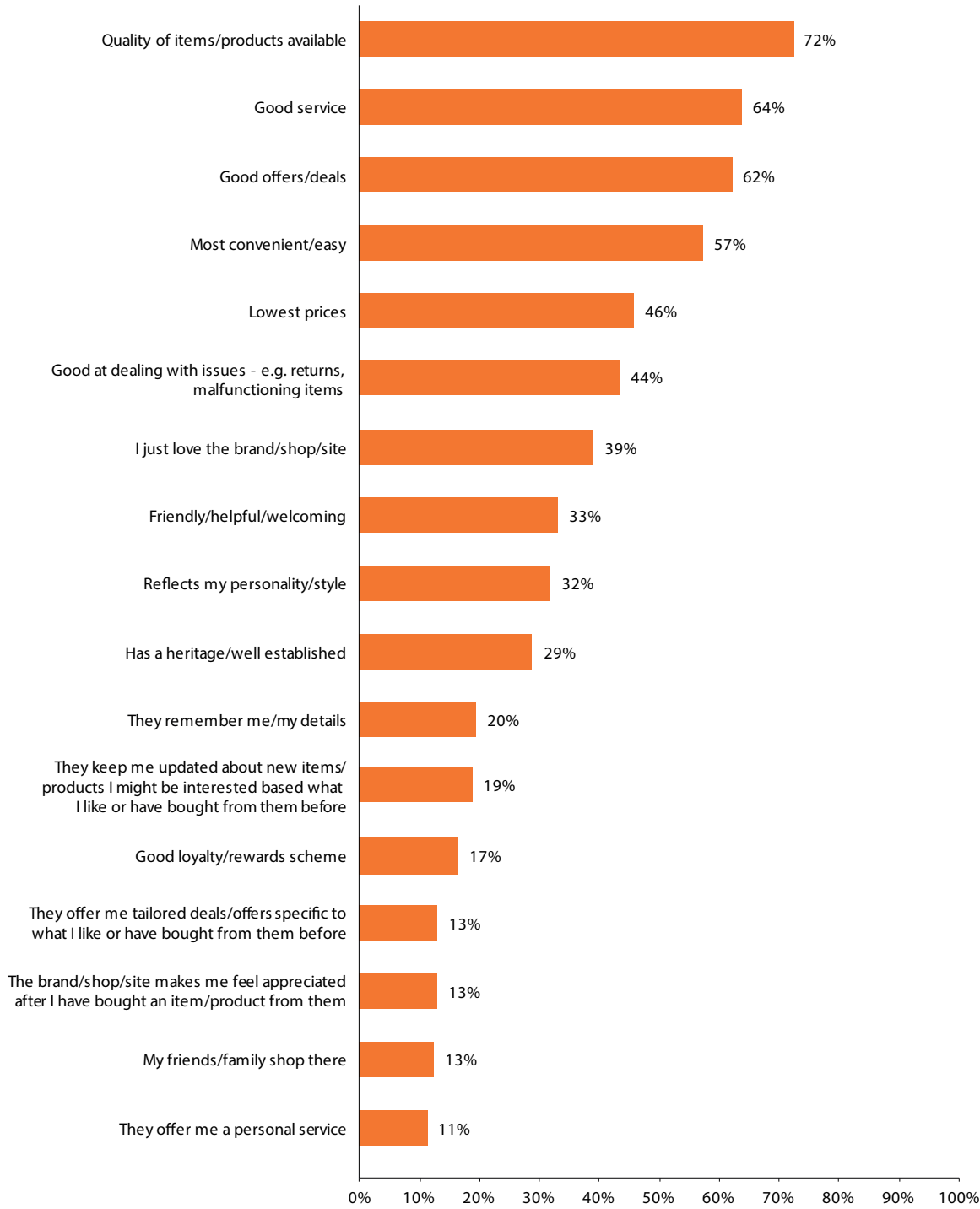
In the survey consumers were asked to name their favourite retail brand and then to select the reasons why. When presented with a number of options, a clear hierarchy emerges in what consumers value the most. The functional and tangible comes first, followed by more emotional reasons and then by optimised service elements – such as newsletters about new items/products.

It is clear that people's favourite brands are the ones that are providing quality products, great service, meeting ever growing demands for convenience and offering good deals. Ultimately consumers are happiest when their core tangible needs are being met; brands that simply deliver on these essential needs are those that can continually win favour from customers, even when they remain open to considering other brands.

Beneath these core needs, when brands are considered a favourite, there is also a real emotional connection for some consumers. 2 in 5 admit that they "just love the brand", with women more likely than men to say so (25% vs. 18% within top three reasons). Older consumers are more focused on reliable service if something goes wrong and on quality. They are also more likely to value heritage.

Once practical considerations are met, around 1 in 5 regard tailored recommendations, and relevant loyalty schemes as reasons why they like their favourite retailers - all of which are engagement tactics that rely on use of customers' data.

Chart 3 | Which of the following, if any, are reasons why this retail brand/shop/site is your favourite?

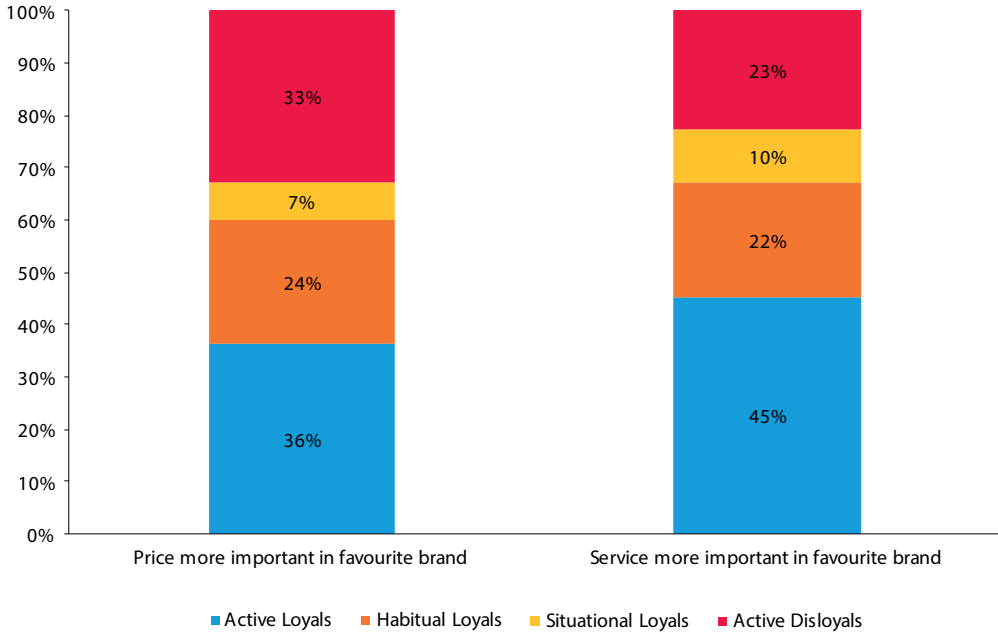


When we consider people's favourite brands by the loyalty consumer types, 45% of consumers who prioritise service factors over price factors are Active Loyals, suggesting that they will tend to engage more positively with brands that demonstrate good service elements.

Thirty three percent who determined price-related factors as more important attributes of their favourite brand fall into the Active Disloyal segment; this group are also less likely to prioritise service over low prices/deals.

To engage consumers who tend to take a disloyal approach to shopping, price will always have to be competitive and value clearly communicated first. For the more actively loyal, delivering great service beyond the functional will be more appreciated and vital to keep consumers happy.

Chart 4 | Reasons for brand favouritism split by consumer loyalty type



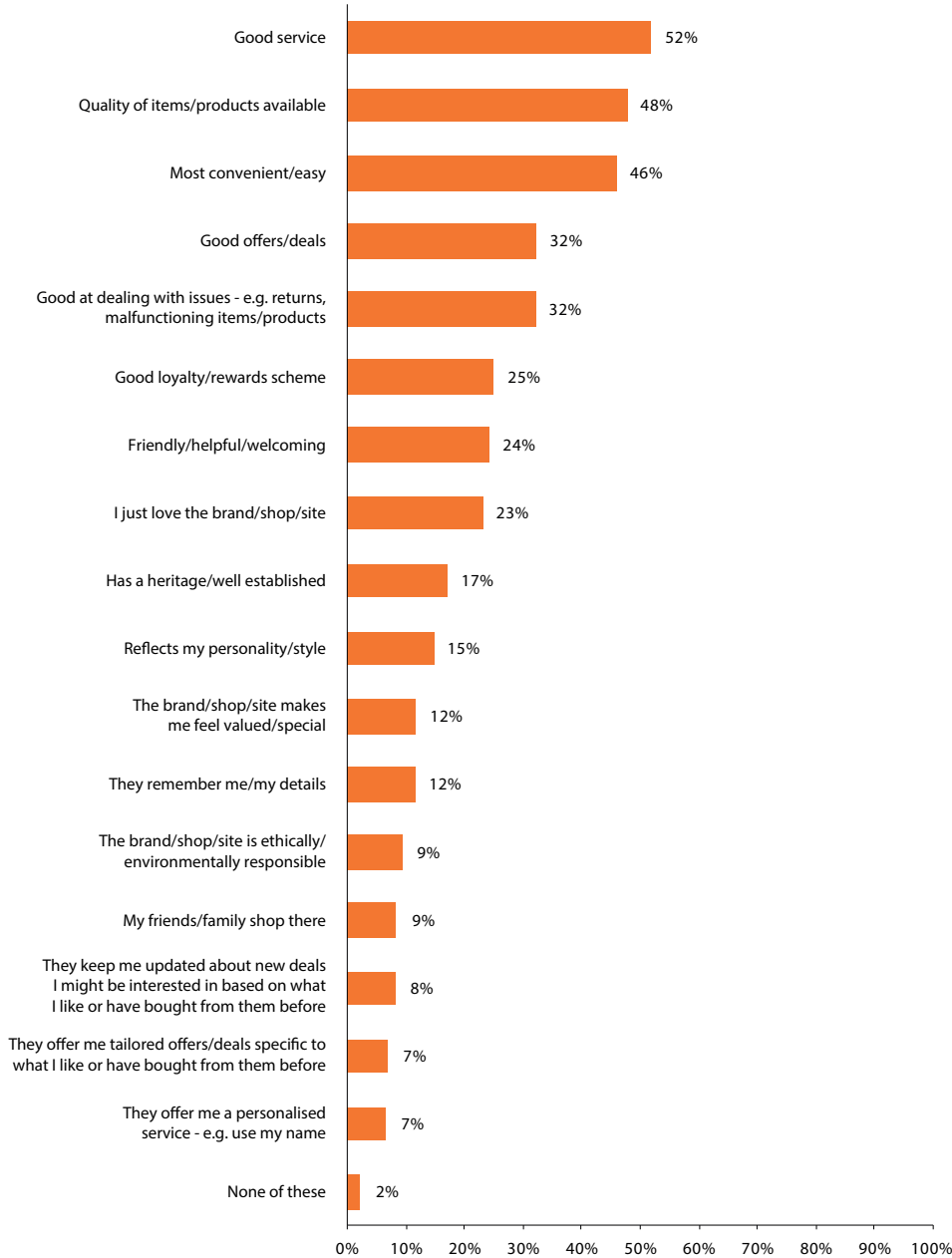
Sticking with a brand

Consumers were also asked to select the reasons why they had continued to use a brand/shop or site even when they could get a cheaper deal elsewhere. The results mirror closely the previous hierarchy of reasons for one's favourite brand, and further reinforce the importance of meeting consumers' core needs - as these are the immediate reasons that reassure consumers they can stick rather than switch to another brand.

Interestingly, a personalised service - that is personal in the sense of using a customer's name - is of lowest priority when put against other criteria. The kind of personalisation that consumers find engaging is not really when a brand attempts to create a personal "Hi! Insert name" connection with customers. Whilst this is expected, it's not respected.

Instead, data-driven personalisation that improves the delivery of the practical/core needs that people care most about - that optimises convenience, pinpoints the perfect product or makes deals and offers ever more relevant - are the personalisation options that consumers show most appetite for or engage with. Crucially the type of personalisation that they crave relies on brands carefully using customer data to create, hone and tailor communications to be relevant to them and the products they are interested in.

Chart 5 | Which of the following are reasons why you have continued to use a brand/shop/site even though you could get a cheaper deal elsewhere?

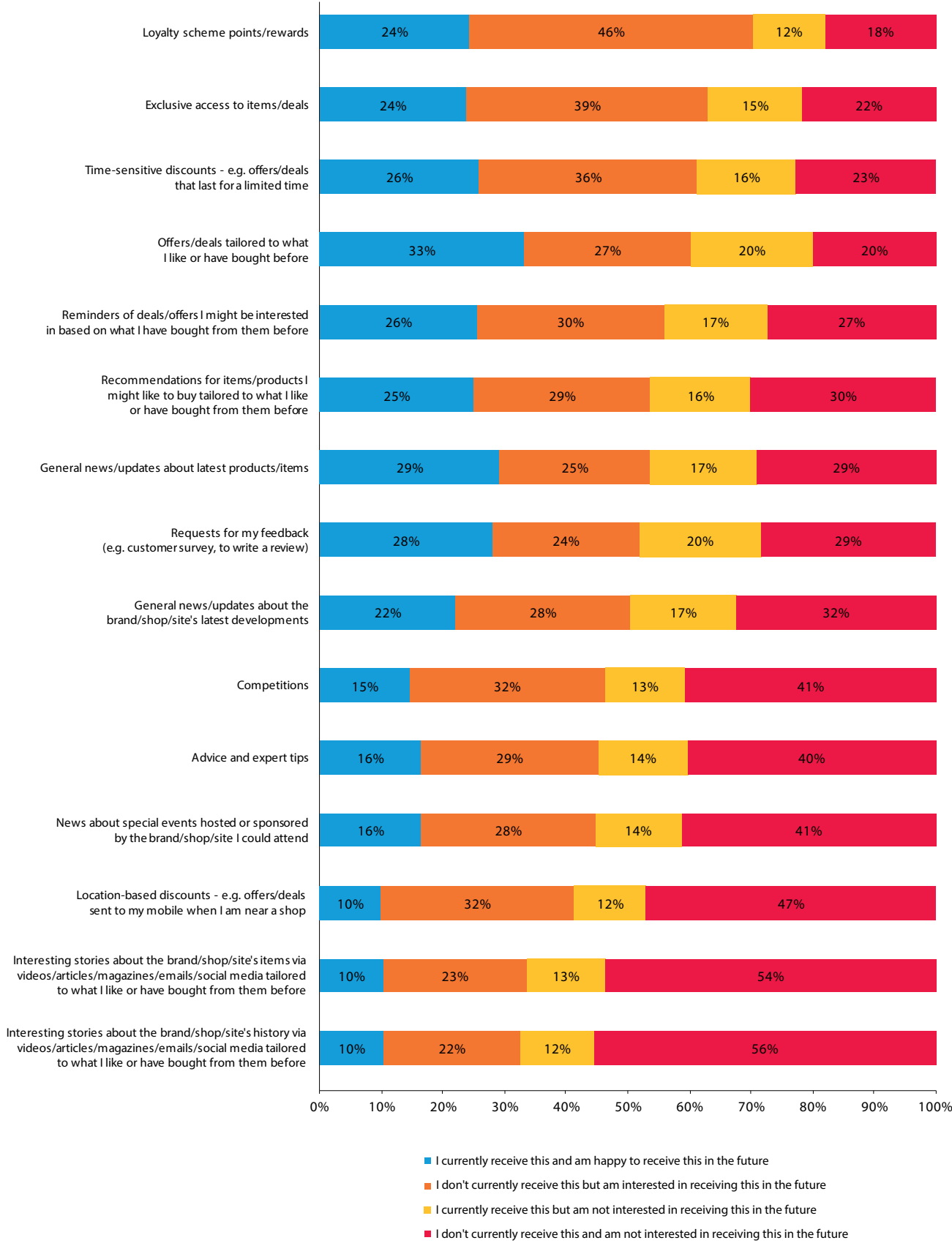


What consumers are interested in receiving from brands

This need for individualised communications rather than personal touch messaging alone is clearly shown in what consumers say they are interested in receiving from brands. Sixty percent are happy to continue to receive or are interested in receiving offers/deals tailored to what they like or have bought before, a similar number want to receive or continue to receive reminders or recommendations for deals that are specifically tailored to them. Other options that were presented as more general such as expert advice and tips piqued less interest from respondents in comparison.

Consumers are least interested in content that is more focused on the brand itself. Just 1 in 5 would want to receive content about a brand's items or history. Consumers are a little more interested in receiving advice and expert tips; 3 in 10 would like to receive this from their favourite brand, shop or site. It is clear that brands that are able to find ways to present offers, deals and communications that feel personally relevant to individuals are those that will be able to achieve a greater level of engagement with their customers. This mirrors the move from mass brand advertising to a more 1-2-1, personalised marketing focused on relevance and meeting the needs of the individual.

Chart 6 | Thinking about your favourite retail brand/shop/site, which of these do you receive from them or would be interested in receiving in the future?



Latent lust for loyalty

In the above data we also highlight that the most enticing offers consumers are interested in receiving from their favourite brands are loyalty rewards, exclusive access to items/deals and time-sensitive discounts – which are by nature a kind of unique offer.

Loyalty and exclusivity are highly emotive engagement tools; ultimately helping to make consumers feel like they are special and delivering hard rather than soft benefits. These kinds of offers also simultaneously help to meet the consumer demand for individualised communications.

With this in mind it is interesting to note that 62% of consumers agree that they would like it if loyalty offers they receive from brands/shops or sites related more closely to what they like. Clearly while consumers favour loyalty-focused engagement there is currently a gap between what brands are offering and consumers' expectations. Consumers are looking for relevant loyalty rewards; delivered through data driven strategies, such as using customers' purchasing or browsing history.

What causes people to engage with brands

The gap between consumer expectations and brand delivery is especially striking when looking at preference vs. current engagement. There is a clear disparity between what people's favourite brands are doing to interact with them and what they like/ would like them to do. Consumers want feedback, reward and attention for engaging with brands.

Currently the most common way for brands to interact with customers is to provoke a response or prompt engagement rather than react to or to proactively reward or respond to them; around 4 in 10 consumers affirm that their favourite brand/shop/site asks them to write reviews and asks them for feedback on service.

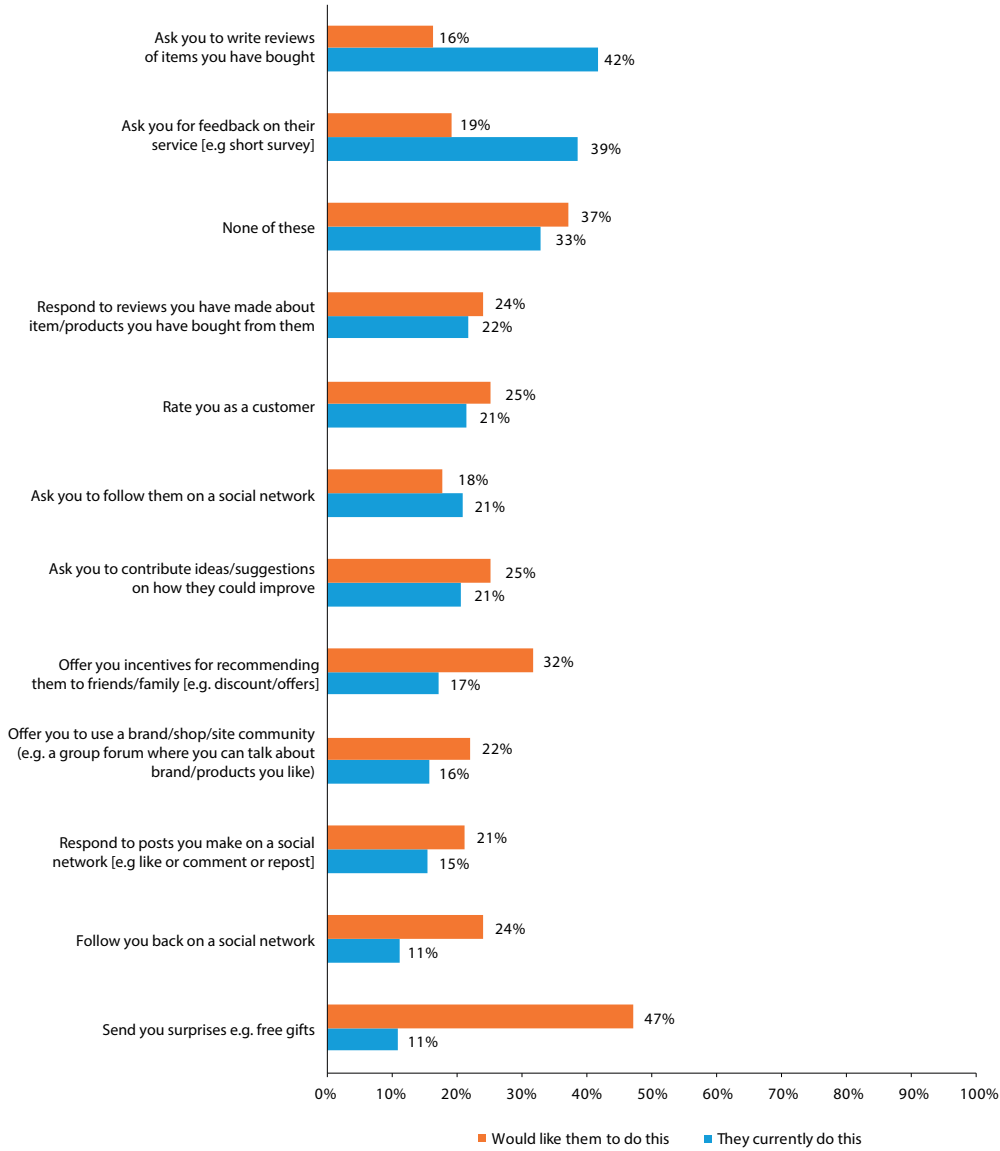
While not insignificant proportions of consumers are indeed willing to give such feedback to brands - 39% have given feedback to their favourite retailer, 42% have written a review for a product/item for them.

There is a palpable appetite from consumers for brands to open up a genuine two-way dialogue with them, and for brands to engage and respond to proactive comments they willingly offer.

Eleven percent of respondents say that their favourite brand follows them back on social media; however, 24% like this. Almost 1 in 4 would like to be asked to contribute ideas on how the brand could improve. Brands can empower customers through co-creation innovation by allowing them to feel that they can have a tangible impact on their favourite retailers.

The biggest gap between how brands are engaging and what consumers would like is in brands individually rewarding and surprising through special gifts. Just 11% receive surprises/free gifts from their favourite retailer, but almost half of the sample like/would like this. There is real opportunity for brands to tap into this latent demand for pockets of spontaneous reward. Getting this right would seem to be the pinnacle of contemporary marketing, the epitome of the principle of right message, right time, and right place.

Chart 7 | Thinking about your favourite brand/shop/site, which of the following do they do to try to interact with you? What do you like them doing?



What people are willing to receive from brands

When asked more generally about what they would like to receive from brands either before or after a purchase, consumers show a willingness to receive tailored offers that are focused on them. This reinforces the need for brand engagement to be more individualised and built on careful use of customer data.

- 68% are interested in receiving exclusive access to items/deals before buying a product
- 67% are interested in receiving time-sensitive discounts before buying a product
- 63% are interested in receiving offers tailored to what they had bought after a purchase
- 53% are interested in receiving recommendations tailored to what they like or have bought before – rising to 68% among Gen Y (consumers born between 1980 - 2000)

Such appetite for tailored and targeted offers suggests brands can engage with customers most effectively when they use purchase cycle or purchase history to position messaging and offers as uniquely relevant to customers.

Lastly loyalty rewards/schemes were what 77% of consumers across age and income breaks showed interest in receiving after buying a product, of which 40% showed strong interest. A brand-consumer interaction that harbours a palpable return for consumers will be well received due to their sense of entitlement to rewards.

The criteria for online and offline

As well as asking consumers about their preferred engagement, we also sought to understand what creates an engaging shopping experience both online and in-store. Brands that can focus on optimising purchasing experiences will ultimately create better customer experiences and ultimately stronger engagement. But how can brands achieve this?

When asked which factors make for a good experience online, consumers' stated their preference for brands to focus on their functional needs. Online these are prioritised as low prices, quality deals, convenience and efficiency of processes. Perhaps unsurprisingly when shopping in-store being able to touch and feel the product is also important to consumers, as well as the knowledge and friendliness of staff.

Through personalisation and careful use of customer data, brands can create more engaging shopping experiences that focus on key needs: convenience, low prices and ease. Other data-driven ways of delivering best-practice customer experience include highlighting the most relevant search results, alerts for price drops for products people want, more precise delivery options, etc. Indeed many consumers, especially those in younger age groups, show keen interest in highly personalised offers from brands:

- 72% are interested in receiving reminders about a delivery status after buying a product
- 62% are interested in receiving reminders of deals/offers I might be interested in based on what I have bought from them before
- 53% are interested in using/continuing to use a price alert service that alerts when items they like reduce in price

It is also safe to assume that consumers value consistency across the online and offline/in-store experiences, including how experiences are tailored to them individually. Marketers need to understand what the consumer values most in each area but also must be able to provide a smooth and consistent experience across channels.

Chart 8 | Which of the following defines a good experience for you when shopping online?

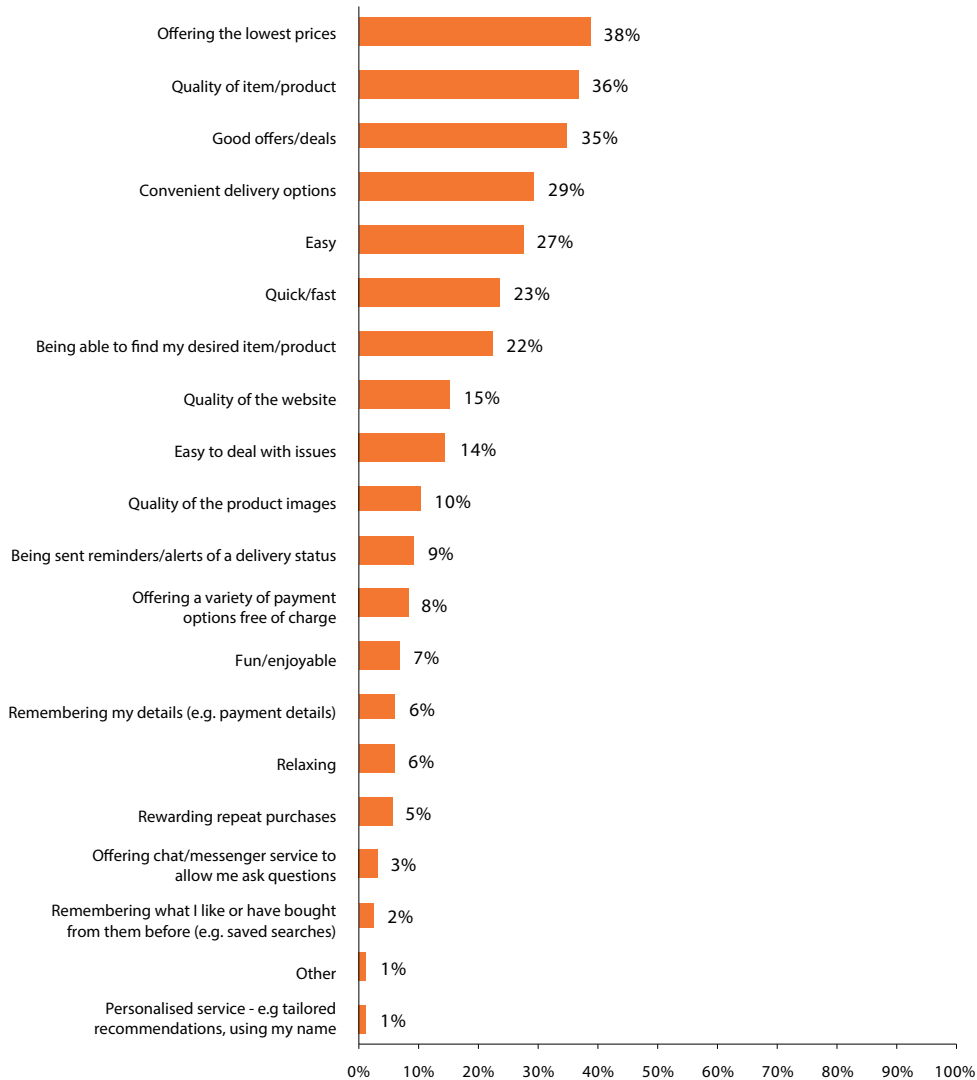
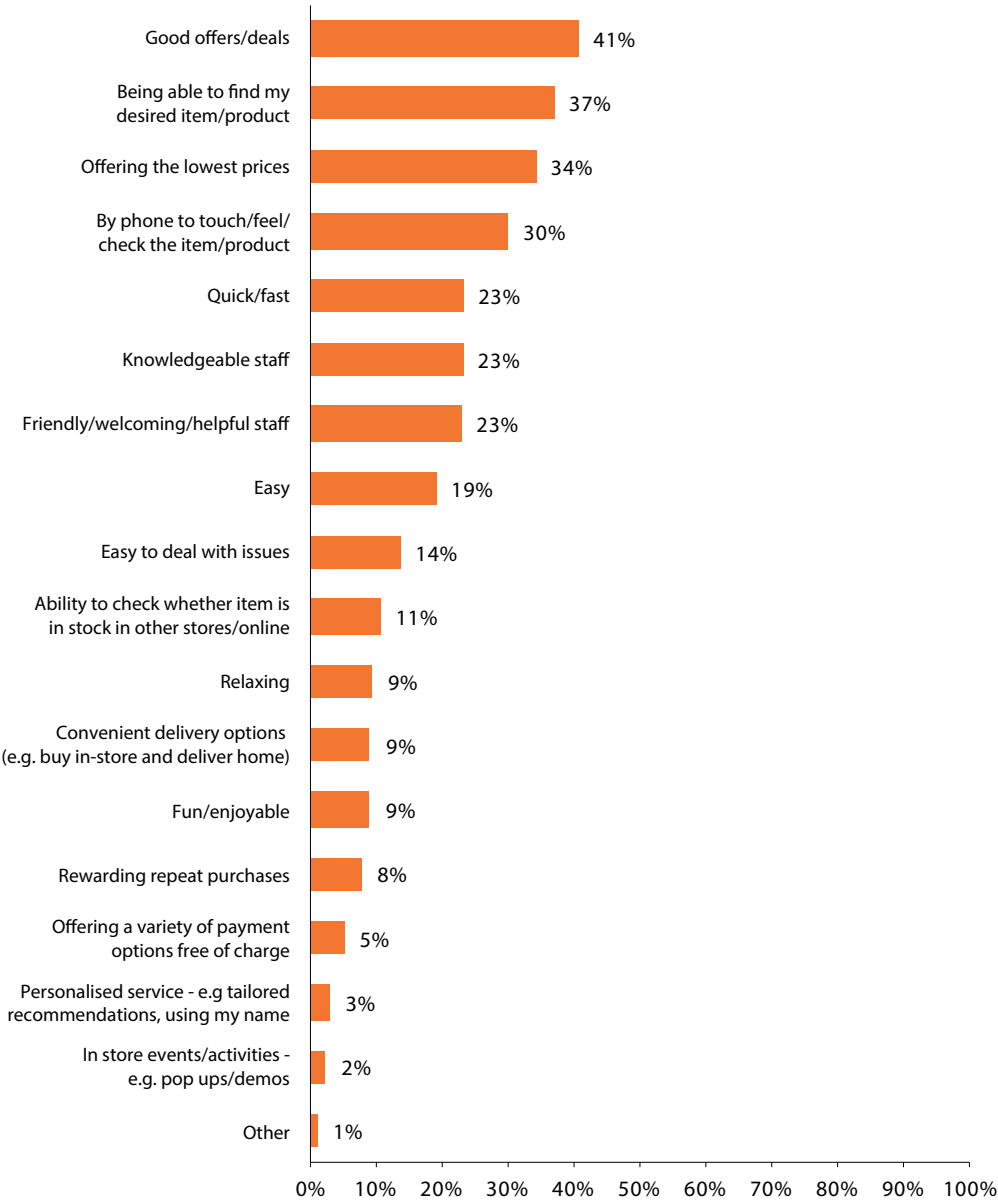


Chart 9 | Which of the following defines a good experience for you when shopping in-store?



3. New rules for customer engagement

In this final section, we bring together the core learnings from the findings and distil them into overarching themes to help define the key routes to creating positive customer engagement. What brand engagement responses will resonate most strongly with consumers, and how can brands innovate to meet these in the near future? We outline four key principles of the findings and their implications for brands.

1. Relevancy over personal

Access to customer data is undoubtedly recalibrating the parameters of what is possible in terms of individualised marketing. But it is crucial that brands apply personalisation strategies in ways that truly deliver relevancy for each and every shopper.

Whether it is relevancy through optimising recommendations to be shown at the precise moment needed, tweaking loyalty rewards to deliver benefits that are useful at an individual level (discounts for products they actually buy, offers for places they will actually visit, discounts during times they are actually shopping, etc.) or through taking into account wider context of people's needs, brands that prioritise usefulness over closeness will have a better chance of engaging consumers positively.

Messages that take into account a customer's name, details and basic preference may help to create more friendly communications, but it is the brand who can deliver a heightened personalisation experience - a useful discount at the moment the customer most needs it; a reminder of the perfect gift to buy for a friend; an offer that chimes with one's current mood - that will create a warmer and stronger level of engagement.

Earlier data in the report detailed how consumers were more interested in receiving tailored offers. Further we see significant interest in ever more precise communications from brands:

- 40% surveyed are interested in a service that reminded them about a friend or family member's upcoming birthday and gave relevant suggestions on what to buy them as a gift; this rises to two thirds of 25-34s
- Half of consumers surveyed agree that they would like it if recommendations they receive from brands/shops or sites they use were better tailored to what they like or are interested in
- 54% of Gen Y (28% of the total sample) are interested in a service that detected how they were feeling and sent them surprise offers/deals based on their mood/state (e.g. an offer/deal for a massage after doing a lot of exercise)

2. Incentivising data sharing

Despite clear consumer interest in engaging with brands in a more personal way, achieving the right balance between overly personal and extremely relevant is a fine one; brands will need to work carefully to optimise individualised communications while remaining sensitive to consumers' cautiousness when it comes to sharing their personal data.

When consumers were asked what personal information they would share with companies for certain benefits, it was clear that people were more likely to be willing to share more basic information types. This mirrors results shown in the DMA/Future Foundation research, Data privacy: what the consumer really thinks, conducted in 2015.

However, the data reveals that consumers are most willing to share their data when there is a clear benefit to be gained – such as lower prices, tailored deals or special offers. Further lower levels of willingness to share data do not correspond to the higher levels of agreement and interest in tailored communications and offers that we have seen elsewhere in the research and earlier in the report, which ultimately rely on consumers' actually sharing their data with the retailers they use.

Implicit in the contrasting data, is that there remains a gap in consumers' understanding of how customer data can be used to tailor and heightened personalisation, and what personalisation they desire from brands.

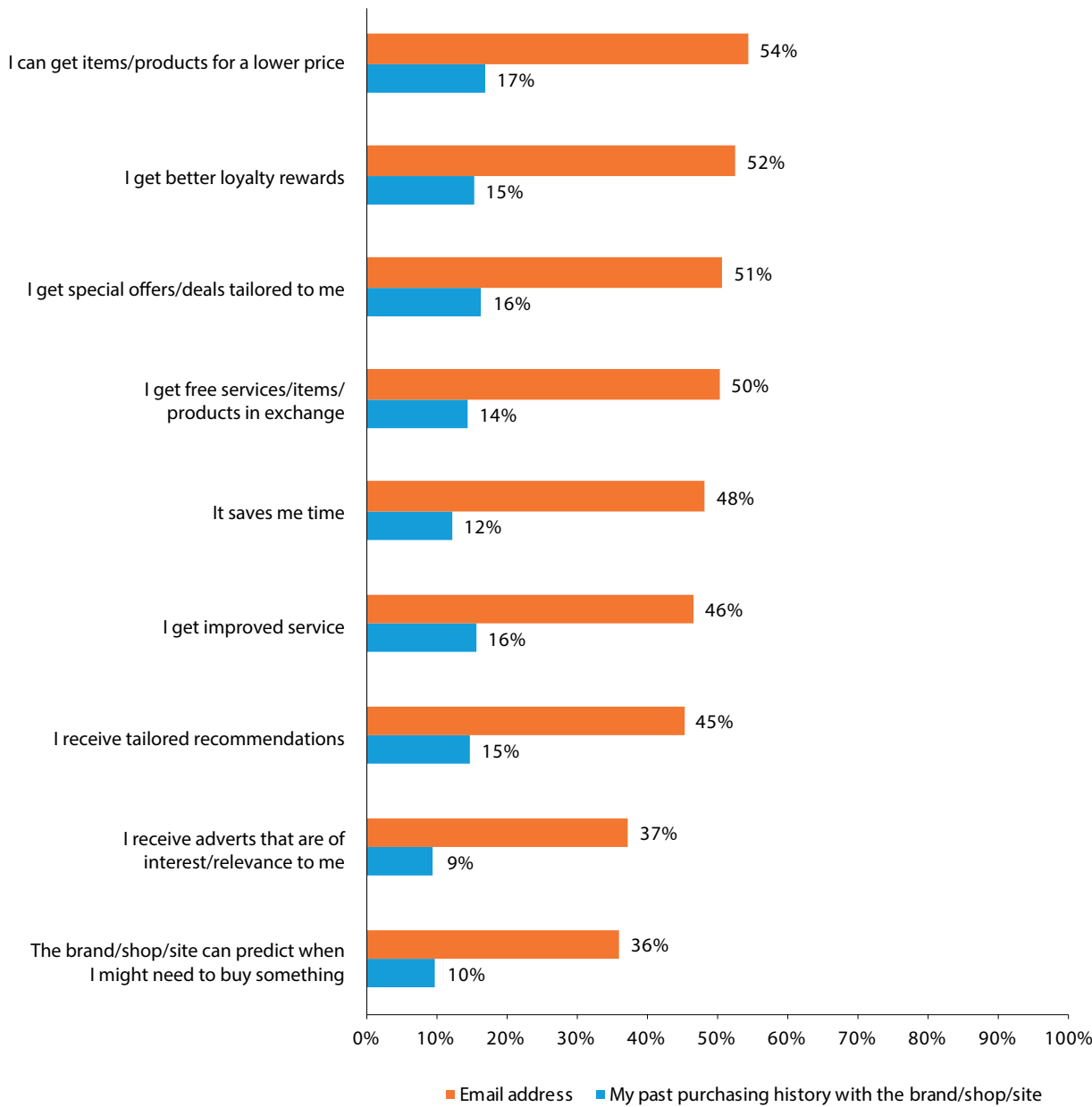
Let's take one example; loyalty rewards are something consumers highly desire, and yet loyalty rewards rely on brands' collecting data on customers' purchase history. This potentially shows a lack of comprehension among consumers of how websites store their past purchasing history.

It is evident that brands need to focus on clearly reassuring consumers of the direct benefits of data sharing, as well as building up consumers' awareness of how brands use customer data.

Data sharing needs to be both clearly incentivised and easily understood to encourage customers to take part. This understanding is a clear trust issue and the industry needs to continue to seek ways to show the value consumers can receive directly resulting from use of data - using a copywriter to craft clear permissions copy in transparent language is one way to work towards achieving this.

When consumers are confident of the gains they can make concerns over how brands are using their data will likely soften.

Chart 10 | Which types of personal information would you be willing to share with brands/shops/sites for the following reasons?



3. Build a reciprocal relationship

Consumers are seeking more of a dialogue with brands they like and expect more feedback from brands they engage with.

The data shows that many consumers are open to giving brand reviews and feedback; 3 in 10 have given their favourite brand feedback on their service, 29% have written a review of products from them; 3 in 10 are interested in sending them suggestions of how they can improve.

It is also noteworthy that 4 in 10 consumers are willing to be rated by brands themselves - as a customer.

Alongside the willingness to proactively communicate with their favourite brands, it is evident that many consumers expect brands to reward customers for their engagement - half believe consumers should be rewarded if they recommend products to friends and family; just under half believe brands should respond to comments people make about them on social networks.

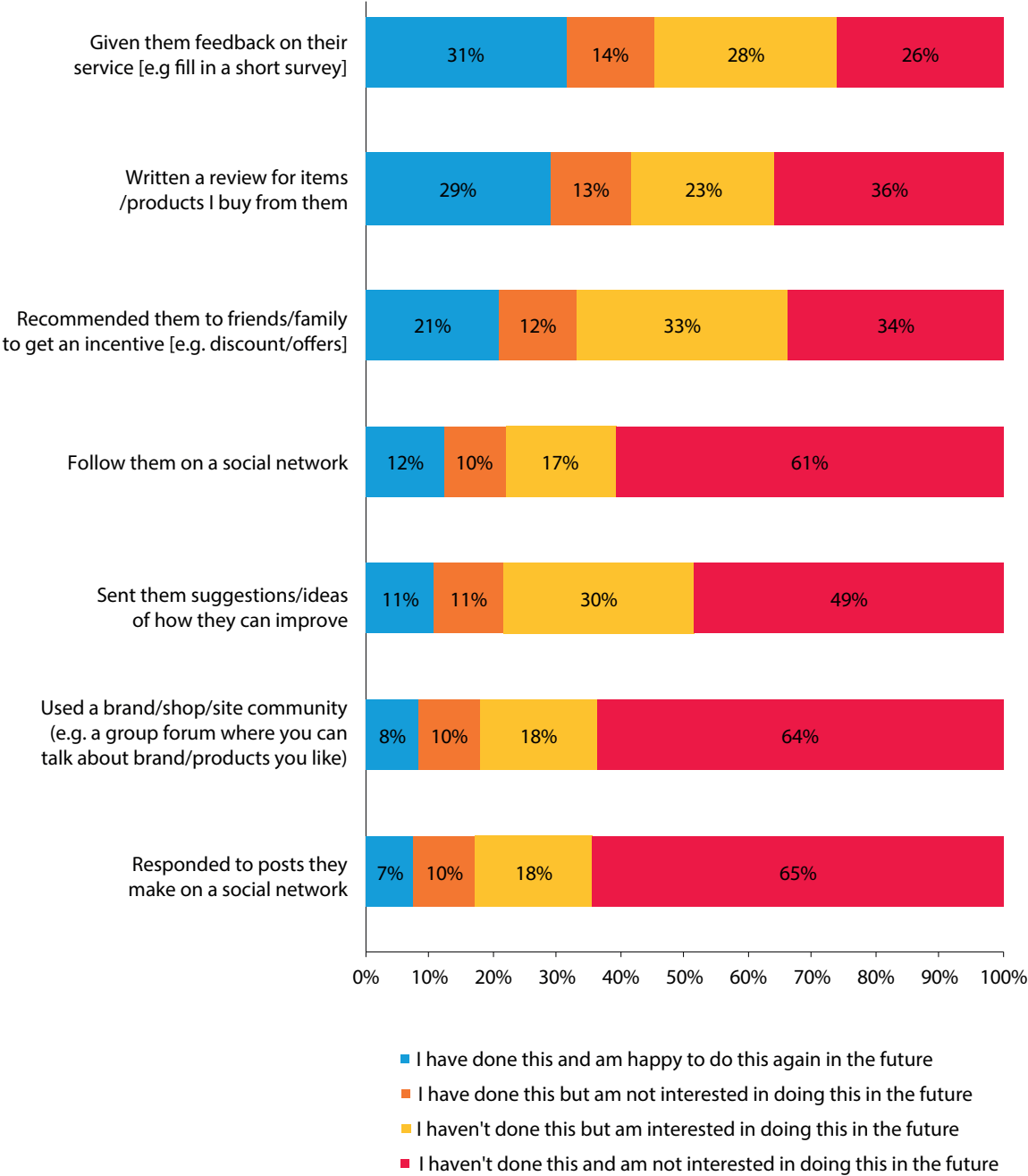
With consumers ready to receive rewards for engagement and loyalty, how can retailers benefit from the consumer appetite for feedback on their custom?

We already have seen two-way rating systems forming the business model of commercial sharing platforms such as **Uber, Lyft** and **Airbnb**. Customers and suppliers are rated, with customers directly benefiting from getting a good review – via rewards such as cheaper rates, better acceptance rate for future use of service, even special deals.

It is possible that established retail brands can begin to form a more reciprocal relationship with their customers to foster the kind of engagement that encourages customers to act in their favour i.e. to stay loyal, stay engaged, and promote brands outwardly. Reciprocity is welcomed, it is a function of transparency in the modern, data-driven world and will be further encouraged and sought as consumers begin to see the impact of their involvement - better service, more control over brands, better deals - all things we know consumers highly value.

By opening up a dialogue with customers and incentivising them to build connections through ratings and rewards, brands can create compelling reasons for consumers to engage with them.

Chart 11 | Thinking about your favourite brand/shop/site, which of the following have you done and which would you be willing to do in future?



4. Humanise digital engagement

Convenience and good service are top reasons why consumers favour certain retailers, but how are brands responding to the fast-changing parameters of these consumer demands?

While speed and efficiency are highly valued by consumers especially when shopping online, overly functional and mechanised interactions risk creating purely functional connections with consumers, bereft of the service benefits created by human empathy and intuition.

Enter digital technologies that are humanising digital engagement, helping to create more intuitive service on online platforms and presenting brands with new ways to interact with customers.

Virtual personal assistants that can be asked questions or advice – such as **Siri**, **Facebook's M** or **Cortana**, can potentially begin to build a rapport with customers and take recommendations into a more relevant space – at the point of browsing/buying.

Chat messenger platforms through which these assistants can operate encourage a casual, personal form of engagement to naturally blossom between chat-bot/A.I. assistant and customer.

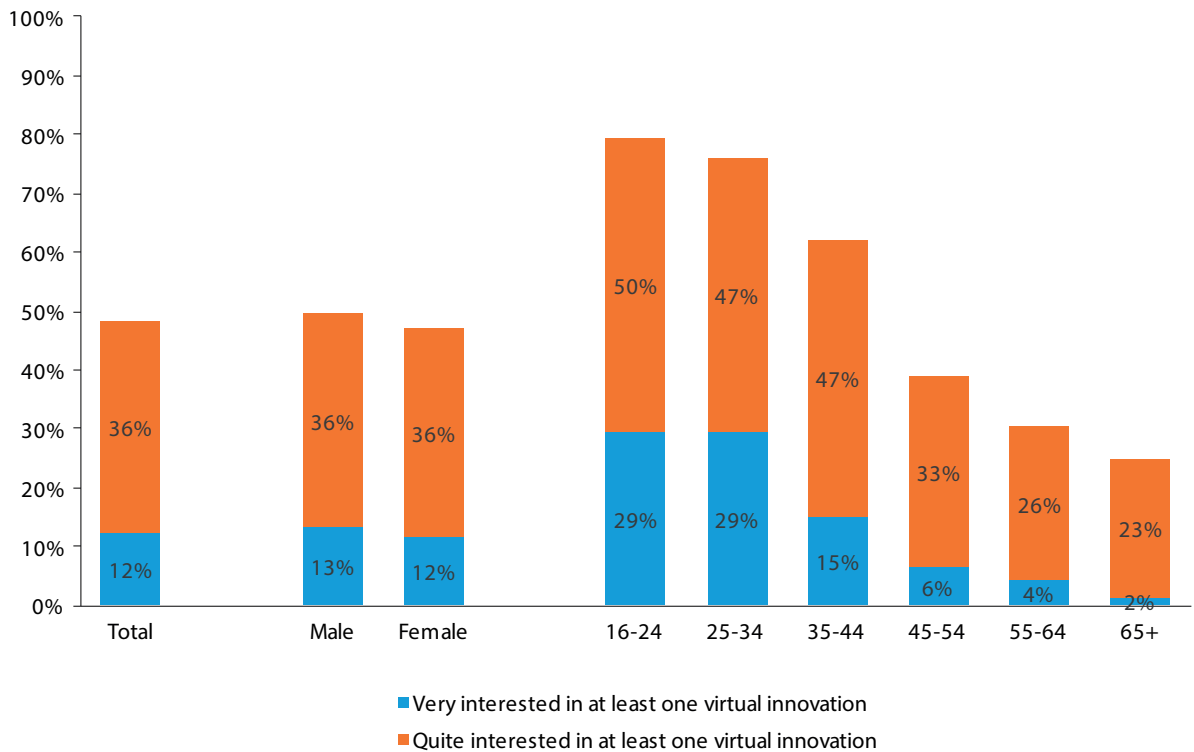
Elsewhere virtual technology can bring products alive in one's home, and provide another digitally humanised way for customers to engage with brands outside of a retail environment.

Understandably being a generation of digital natives younger consumers show keener appetite for more emerging service interfaces such as A.I. assistants, and are more open to using chat interfaces to connect with brands. This said, 52% of consumers are interested in at least 1 of 4 virtual reality customer service innovations presented in the survey; there is clearly a latent interest here.

While still in their infancy we posit that virtual innovation platforms are potentially going to transform how brands can individually connect with customers at scale in the digital space while also improving core customer needs such as convenience, efficiency and service. While the algorithms that power A.I. assistants currently will have limitations in how accurately they can respond to individual requests, a combination of chat-bot powered assistants and human customer service still indicates a much more individualised digital service experience is on the horizon.

In this context, brands must ensure new digital touchpoints are seamlessly connected to all other potential touchpoints both online and offline to enable a consistent experience for the customer.

Chart 12 | In the future how interested would you be in using a service that could do any of the following in the future?





4. Concluding implications

To conclude, we highlight some of the key implications emerging from the research. What are the most promising engagement strategies that will chime with what consumers look for, expect and desire from brands?

1. Brands that focus on satisfying the core customer needs relating to their product/service will in turn foster positive engagement from customers, who favour brands that consistently deliver on their immediate needs. But to continually satisfy, brands must commit to constantly optimise how their customers' needs are met. Adapting to changing demands of consumers for hard benefits in key areas such as promotions, service and convenience will be crucial in maintaining functional engagement.
2. Beneath the need for brands to focus on core functional wants, consumers appreciate brands that connect with them more responsively, that take stock of their feedback and seek to react to their opinions. Brands need to go beyond being friendly and find ways to connect with consumer on a more human basis. Brands need to form dialogues that allow consumers to feel they have a genuine impact.
3. Consumers have a strong appetite for recognition and reward for their custom. Brands that seek to reward customers for their engagement can ultimately strengthen their bonds in the long term. When brands review and reward customers positively, both parties are made to feel wanted and are incentivised to continue to engage. Further when loyalty rewards are made to feel well earned and unique to each customer, bonds can potentially grow even stronger between retailer and shopper.
4. Brands need to be clear about the benefits consumers gain from sharing their data. Personalisation of brand-to-consumer communications needs to improve to become more contextually relevant to the individual, and tied to consumers' strong appetite for spontaneity and exclusivity. This strategy can help brands cut through noise of recommendations. Brands already have the data to do this; it is now time for them to use it to its full potential.
5. Brands should not underestimate consumers' expectations for tailored relevant communications and shopping experiences. By incorporating more intuitive technologies – such as voice or A.I. assistants, or virtual reality - into digital touchpoints brands can become ever more intuitive and relevant to customers. It is also increasingly important these technologies are integrated with the aim to create a consistent data-driven brand experience across all consumer touchpoints.



Methodology



This research was conducted in two parts: a qualitative survey and a quantitative survey.

Questions for both surveys were scripted in collaboration with DMA and the DMA Customer engagement committee. The quantitative survey was designed with Future Foundation.

The qualitative research piece, designed by the DMA and the DMA Customer engagement committee, sought to investigate the language consumers used when describing experiences with brands. In February 2016, 34 questions were asked to 1000 consumers, asked in 10 different three to four question surveys, using Toluna Quick surveys' panel of more than nine million UK representative consumers. Respondents were demographically representative based on gender and age and were not told of the purpose of the research prior to consenting to take part in the study.

Data from this survey was analysed by the DMA Marketing and Insight team. The language consumers used to refer to shopping experiences were then used to design the quantitative research piece.

For this research in May 2016, Future Foundation set interlocking nationally representative quotas on age and gender and had independent quotas for region. This ensured the sample was representative of the UK population and required minimal corrective weighting. Participants were naïve to the purpose of the questionnaire prior to consenting to participate. One thousand UK-representative respondents were contacted via Research Now's proprietary panel. Research Now is an independent single source for permission-based data collection across the globe. Their UK panel currently has more than 320,000 active panellists.

The analysis of the data and the loyalty segmentation was conducted in-house by the quantitative analysis team of Future Foundation. Unless referenced, all data included in this report is taken from this survey.

The report was compiled in collaboration by Future Foundation, DMA, the DMA Customer engagement committee, and representatives from Relay42, Organic agency, and Acxiom.

The report was art-worked by the in-house DMA design team and hosted on the DMA website www.dma.org.uk.



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The company has grown to include over 30 marketing professionals across their offices in Exeter and London, and now works with major national and international brands including Samsung, Direct Line Group, Nectar and The Body Shop.

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