



Customer  
Engagement  
2017



How to win  
trust and loyalty  
2017

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# Executive Summary

## **Habitual loyalty is increasing but value-seeking is a deeply ingrained behaviour**

Conflicting consumer mindsets are the norm. More than half (55%) agree that they tend to use the same brands/shops/sites without looking for alternatives, but at the same time eight in 10 consumers are willing to spend time researching products to get the best deals.

## **Uncertainty pervades the consumer landscape**

Consumer loyalty and trust are constantly at risk as we live in a culture that encourages consumers to question authority. In a time of rapid technological change nearly half of consumers (46%) say they find it difficult to know which brands or companies to trust these days.

## **Deeper trust is built through communication of genuine values**

Brands that deliver on function and communicate genuine values well build stronger connections with consumers. Ultimately it's about communicating transparency and authenticity.

## **Relevant loyalty rewards increase consumer trust and appreciation**

Personalised rewards create stronger feelings of appreciation from consumers when compared to points-based rewards. Consumers want loyalty rewards to be *more* relevant. 72% would like loyalty offers to relate more closely to what they like compared to 62% in 2016.

## **Consumers have the most incentive to share personal data with brands when they receive tangible benefits and control over their data**

Three in 10 rank receiving discounts as **very effective** in encouraging them to share personal information with brands. A quarter (25%) rank choosing what data is shared from a menu as **very effective**.

## **AI decision making tools like voice assistants or chatbots give consumers the chance to delegate decision making about brands.**

AI tools have the potential to become both recommendation and choice for consumers, and could challenge the role of branding and communications in building loyalty.

Four in 10 consumers are interested in using a personal virtual assistant, that knew their tastes, which they could use to research or buy items on their behalf.

## **Automated replenishment technology holds the potential to lock in consumer loyalty**

One-third (36%) of consumers with children under 16 would be interested in using a service that allowed them to set up automatic re-purchasing and delivery of tea/coffee when they run out.

## **Significant minorities of consumers are interested in using virtual reality to help them decide what to buy**

Two-fifths (39%) of consumers have used or are interested in using virtual reality to test a product, rising to 53% of 16-24s.



# Introduction

Christmas 2002, which feels like a lifetime ago, was the first time I used Amazon to buy a few Christmas presents. In amongst these was a very awesome Stanley Kubrick DVD box set for a friend of mine. Despite ordering in plenty of time, the box set didn't turn up and I had to go out and buy another for my friend. I complained, of course, and another set was dispatched, no questions asked. I still have it and mighty fine it is too.

At the time, I was amazed. No quibbles, no discussion over whether it actually arrived or not and no debate, just a new product dispatched as replacement. What was potentially a pretty rubbish experience was turned into an impressive save. And for me, a new benchmark for service was established.

Fast forward 15 years and it's hard to believe that this type of service even merits a mention. In fact, it is now the norm. Or, as you will see it referred to throughout this report, a "functional" requirement. When considering our engagement with different brands, and across a range of sectors, what makes us loyal is clearly a complex area.

This report, now in its second year, seeks to try and explain some of this complexity. At the same time, we consider topics including what benefits loyalty schemes create, why customers would share personal data and what our attitudes to new technology are. There are some interesting conclusions that we can pull out, including the fact that quality service is now functional, expected to be there, and is not a differentiator.

What we do see is that trust can be built up through many ways. To a certain extent, it can be bought through rewards and cashback. However, for sustainable loyalty and trust there is a need for brands to be more genuine, have strong values and be seen to live these values.

Comparing the outcomes of this research to the 2016 report we can see that loyalty, in general, has increased. For me this means that more brands are getting the functional requirements right, thus creating more pressure on all brands to provide improved emotional and more rewarding relationships.

Perhaps the introduction of new technology will become a bridge to help brands increase their emotional connection with consumers in what is becoming a very non-personal world. The appetite for use of areas such as virtual reality appears to be increasing, particularly with younger customers. This could be an exciting new platform for brands to build engaging relationships with their customers.

We hope you find this report interesting, insightful and useful. We also look forward to seeing how the results change over time and what will be functional in years to come.

**Scott Logie**

*Chair of the DMA Customer Engagement Committee*

*MD at REaD Group Insight*



# Emarsys' perspective

Customer Engagement is changing, and at a rapid pace, but perhaps more importantly the behaviour of consumers is shifting.

The channels customers use to engage with brands are changing. So too are the brands they engage with. Customers' expectations of how those brands engage is also moving – to become more immediate, more personalised, more relevant, and offer a better service. Essentially, better value in less time.

In an uncertain world change is a constant – but so too are the demands of already demanding customers.

This report uses qualitative research to help understand how these factors influence and should inform customer loyalty. But it's important to understand what we mean by loyalty, what is important, and frame the conversation before reviewing what I hope you agree are relevant insights into how consumers in the UK view loyalty and their interactions with brands.

When we talk about "loyalty" we often think of cards, points, vouchers, discounts and "membership" to loyalty programmes, which our friends at Wikipedia describe as "...structured marketing strategies designed by merchants to encourage customers to continue to shop at or use the services of businesses associated with each programme". But perhaps first we should take a step back and think about the concept of "loyalty".

Loyalty is about someone choosing to get a product or service from your brand over another because of a previously established pattern of behaviour. It's an emotional connection not just a transactional one. As we see in the research here and from previous reports, people can be loyal to car brands, financial services brands, airlines as well as retailers, supermarkets and websites. This loyalty can take different forms, but for consistent reasons.

It's essential that brands recognise and value their customers now more than ever because loyalty has become a huge issue in the area of digital brands and personalisation. Consumers spend more and more of their time with digital brands like Google, Facebook, Instagram, Twitter, or Netflix, which has disrupted old engagement models. Personalised, behavioural ad targeting does make it ever more difficult (and expensive) to penetrate these "bubbles". With people spending more of their time in fewer places and increasingly on mobile, brands must focus on fighting for share of mind rather than just share of wallet.

Key to this is understanding that consumers are increasingly conscious of their own values, the values of the companies they look to invest in (both in time and money) and in getting a return on that investment. Consumers want to feel rewarded, valued and treated as individuals, which presents huge opportunities for brands to embrace new technologies and new channels for customer engagement to help drive repeat purchases, brand advocacy and customer lifetime value.

**Alex Timlin**  
*VP Client Success at Emarsys*

# Epsilon's perspective

The customer experience in 2017 has changed in ways that would have been unimaginable just a few years ago. Engagement plays an integral role in shaping loyalty today, which is only set to continue.

People now have a growing expectation for personalised, relevant and consistent experiences with brands across all channels. They are still shopping in-store and online, and are increasing their buying frequency across the newest channel: mobile. Consumers expect value and loyalty at their fingertips. Brands can create entrenchment by leveraging real-time intelligence to unlock an exciting variety of instant rewards and recognition that's consistently matched with positive customer experiences. The cost allocation between channel usage and go-to market strategy is crucial in achieving an ideal return on investment.

The customer marketing value exchange is a continuum that should evolve. Customers are offering countless data points, and the proper technology provides dynamic ways to guide them through their individual customer journeys and influence them at the point of purchase, when it matters most. This is the perfect opportunity for brands to shape a loyalty promise that combines a blend of both rational and emotional value. The needs and demands of customers are higher than ever, and this insatiable desire for consumer satisfaction can only be addressed in real-time moments. Old school transactional and points-based loyalty rewards will no longer cut it.

This Customer Engagement report reveals key insights that cannot be overlooked given the fast pace of the loyalty race; where emerging tech and innovation challenge competing brands and retailers to grab the fleeting attention span of the modern day shopper. Customers are willing to exchange data but only for the right reasons and with the assurance they will be treated and acknowledged for their real time preferences and behaviours. Where trust is at an all-time low, brand reputation and customer experience are crucial in winning their confidence back.

Authentic brand communications and values will strengthen trust; honesty is the best policy, customers are more willing to consistently engage.

An omni channel strategy that successfully combines real-time data with machine learning, stands a better chance of bridging the ever widening space between consumers and brands.

With a commitment to drive the best outcomes across all customer engagement interaction points, organisations can develop entrenchment and meet the expectations of key loyal customers. A customer-centric approach doesn't restrict your vision in achieving loyalty nirvana; and relevantly informs the marketing capability requirements of your chosen tech stack and digital transformational roadmap.

Customers naturally expect loyalty rewards and benefits empowered by intelligent personalisation; where 'in the moment' loyalty experiences are a given. Ideal loyalty designs build relationships based on the personality, convenience and alignment with the brand. Value is still important in every relationship and must align with the value of the brand. Emotion plays a larger role than just pure economic value.

**Stephanie D'Sa**  
*Head of Strategy & Insights at Epsilon*



# Feefo perspective

If there is one aspect of this report that shines through it is the vital importance of trust in the relationship between brand and customer.

The biggest gap in consumer expectation is revealed in the findings: the question of whether brands can be trusted to tell the truth. The research found that there is an 18% shortfall between what customers want and what they find (or think they find) to be the reality.

As the report's commentary points out, the airwaves and social media carry all manner of concerns about "fake news" which feeds on a sense that all authority should be questioned. There is a much greater yearning among consumers for authenticity in the way brands interact with them, just as there is a greater demand in politics for more down-to-earth honesty.

While these findings show that more than half of consumers remain loyal almost by default, a much larger proportion (eight in every 10) are now on the hunt for a better deal. Nobody responsible for customer engagement can any longer assume that there is a vast pool of ultra-loyal consumers out there. Nearly half of the consumers surveyed say they don't know which brands to trust.

If brands want to establish their values and demonstrate how they are living up to them, they must inject greater transparency and trust into every dealing they have with consumers. We know that growing numbers of consumers, for instance, rely on customer reviews when they are considering what to buy, whether that is a holiday or a piece of jewellery. Yet we also know that there are increasing levels of mistrust about the whole business of online reviews. It is just one area, albeit a very important one, where brands can use authenticated review platforms to close that trust-gap with potential consumers and reap all the benefits.

Indeed, this report shows how all brands will have to re-address how they approach the entire trust issue. From loyalty programmes to the fast-evolving use of artificial intelligence, no business can take customers for granted. Once trust has been undermined, it can take years to re-establish and by that time, the competition has moved on.

Engagement with consumers - while sometimes complex to manage - has become easier than ever to explore, given the plethora of interactive channels now at everyone's fingertips. However, that ease of access to multiple touchpoints has created greater customer expectations, which includes a desire for more transparency and trust. The restoration of these values is a challenge that must occupy the attention of every ambitious brand.

**Matt West**  
*CMO at Feefo*



# Wiraya's perspective

The Customer Engagement report is a real insight into the latest user behaviour, and it's clear that the time is now for businesses to change their approach. With consumer loyalty and levels of trust at an all time low, businesses simply must do more to engage with their customers.

It's no longer acceptable to have a fantastic product alone, especially in the loyalty space. It's as important to communicate the value of your proposition with customers at the right times in the right way. This report suggests how brands can gain this level of interaction with customers : "beyond satisfying immediate need, brands need to further improve engagement to marry both functional value AND communicate to consumers they genuinely are worth choosing to rely on".

The importance of personalisation is another key theme that's featured, suggesting loyalty schemes must move "beyond the transactions, towards the personal." Using a data driven approach is fundamental increasing this personal touch, "creating more personal relevancy in rewards and in engagement tactics fundamentally requires brands to strive to better understand consumer and they desire for brands to improve at this is clear." It's clear that this level of personalisation needs to apply to both the product itself and the interactions with these customers.

Using Artificial Intelligence (AI) and relevant channels, is the final theme that really comes to the fore from this research. This relies on a greater understanding of consumers and preferences to provide a more human approach "enabling greater trust and transparency to be communicated in the digital space". AI will be key in offering businesses this human approach while scaling across a large customer base.

Above all else this report highlights a real opportunity for businesses. The technology now exists that enables businesses to achieve all of the above in a quick and cost effective way, while taking significant market share in the loyalty sector.

**Sam Madden**

*Commercial Director at Wiraya*



# 1. Trust and habit in an uncertain world

## A climate of uncertainty

A climate of intense uncertainty where any authority can be challenged, any claim discounted and any truth upended typifies 2017. Since the last customer engagement study in Spring 2016, the concepts of “post-truth”, “echo chambers” and “filter bubbles” have become part of mainstream language. The urge to question what and who we believe in has sharpened as consumers have grown accustomed to the routine challenging of claims. Once-clear certainties have been clouded with doubt or even overturned.

Against this backdrop, the Customer Engagement 2017 research reveals that nearly half of consumers find it difficult to know which brands or companies to trust, with only 1 in 5 disagreeing. When asked about marketing messages, 44% agree they find it difficult to know which to believe, with another 27% not sure, and just 1 in 5 disagreeing. Rather than confidently, passively trusting brand messages, consumers are more likely to default to feeling uncertain and unsure.

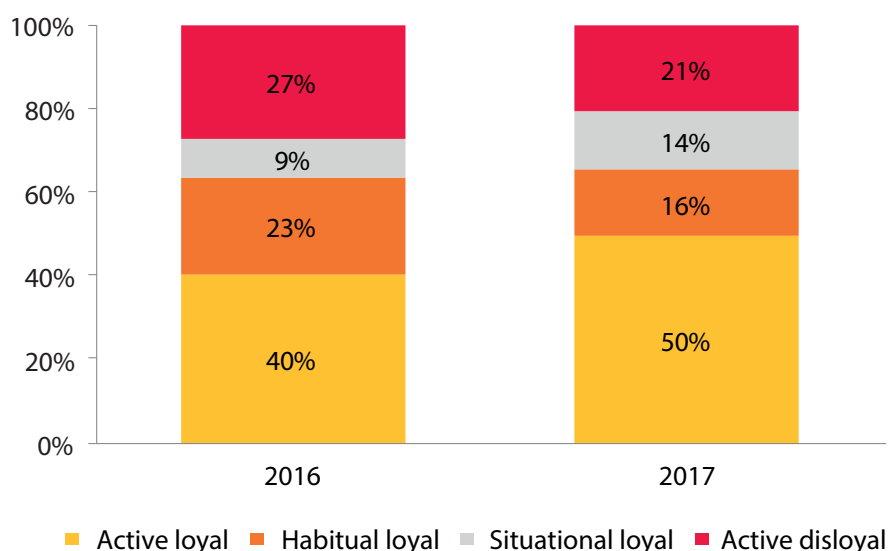
This lack of consumer trust means no brand can persuade all of the time. Instead brands have to constantly reaffirm and recommunicate their ability to deliver what consumers need and want. Full trust is a rare thing today. Trust built through brand experience matters the most.

## Contrary consumers

Surprisingly, even against this backdrop of uncertainty, consumers still display considerable habitual purchasing behaviour.

More than half (55%) agree they tend to use the same brands/shops/sites without looking for alternatives, and two thirds agree that they tend to stick to brands/shops/sites they know for everyday purchases. In fact, according to groupings created in the Customer Engagement 2016 research, Active Loyals - the group who tend to stick to brands they know for everyday and important purchases - have *increased* in number:

Chart 1 | Loyalty types, trend



Source: DMA/Foresight Factory Research | Base: 2009 online respondents aged 16+, GB, May 2017

Despite an increase in habitual buying, at the same time consumers show a strong desire to get the very best deals from the brands they use.

Four fifths (81%) of consumers agree they are willing to spend time researching products to get the best possible value. For important purchasing decisions a similar proportion (79%) agree they spend time comparing prices. Both figures are stable compared to 2016 when four in 10 agreed that if a brand stopped offering deals they would stop buying from them, compared to three in 10 in 2017.

Deal-driven transactions are becoming further entrenched in our buying habits. It's clear that the desire to get a good deal is firmly ingrained in UK consumers and well-trodden comparison tactics feed the belief that brands are there to be questioned and challenged. With inflation currently at 2.6% - higher than the Bank of England's target of 2% - we expect pressures on the cost of living to further encourage this behaviour.

This mix of habit and value seeking, of sticking and switching, of loyalty and promiscuity, while at first may seem counter intuitive, it's the everyday reality brands must accept. Shoppers like to get the best possible deal, but sometimes familiar brands make the most sense, even for a value-sensitive shopper. Consumers are habitual creatures, but they have developed heightened price sensitivity, driven by disruptive start-ups, deals and more. Loyalty is in a fragile state.

There are a number of factors driving this duality:

1. Consumers find it difficult to know who and what to trust. Consequently, they fall back on their own experience of familiar brands. Brands that demonstrate their value to customers consistently are those that can deepen their relationship.
2. Having already spent several years honing value-seeking behaviours using price comparison sites, or searching for promotions, consumers are experts at evaluating brands. Consumers know which of their preferred brands to choose, and when.
3. A mature discount culture. When brands competitively match each other on price, particularly in supermarkets, this places less pressure on consumers to actively switch brand but raises expectations of what great value means.
4. In a broader climate of uncertainty, consumers may be more likely to gravitate towards the familiar and safe.

**Key takeaway:** Consumer culture breeds distrust in brands, brought into sharper focus in the current socio-political climate. But brands can still win repeated custom. We are habitual creatures and brands that consistently deliver and communicate excellence can prosper even when trust is fragile. Consumers will stick with brands if they are getting what they need. *How* is what brands must monitor as new technologies, innovations and trends shift consumer expectations.

## 2. Making a mark

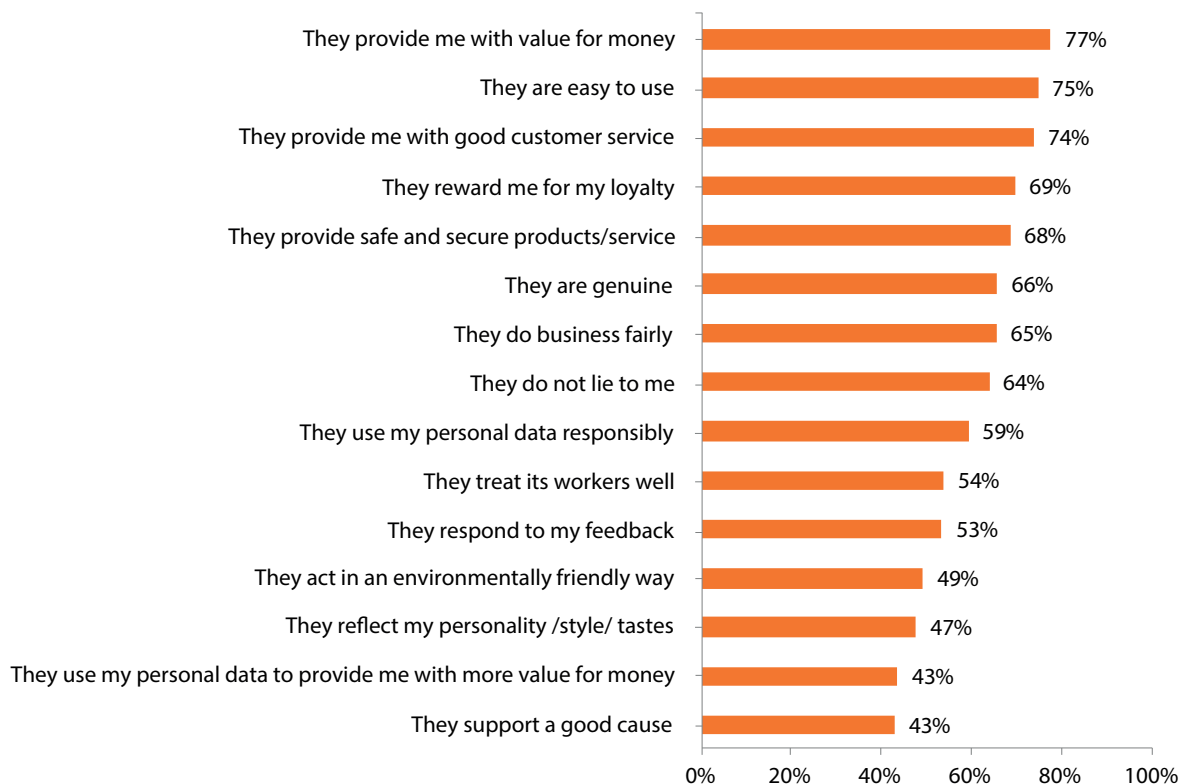
### What matters most?

What do consumers consider to be the most important things brands should deliver for them?

When asked to choose which criteria are important when choosing brands across a variety of sectors, consumers focus on value, service and convenience. At the heart of what consumers want is brands that can give them a great experience. Rewards for loyalty is also high on the agenda – near seven in 10 rate this as important for at least one sector.

Despite consumers' ambivalence towards brand trust, they also rate criteria relating to trust highly. When asked what was important when choosing a brand in a variety of sectors, 66% chose "they are genuine", 65% chose "doing business fairly" and 64% chose "they do not lie to me". Consumers want to be able to trust brands through their experiences with them, but they also want brands to communicate this stability to them more broadly.

**Chart 2 | "When choosing the following types of brands/companies to use, which of the following, if any are important to you?": % who chose criteria for at least one sector (of six types<sup>1</sup>)**



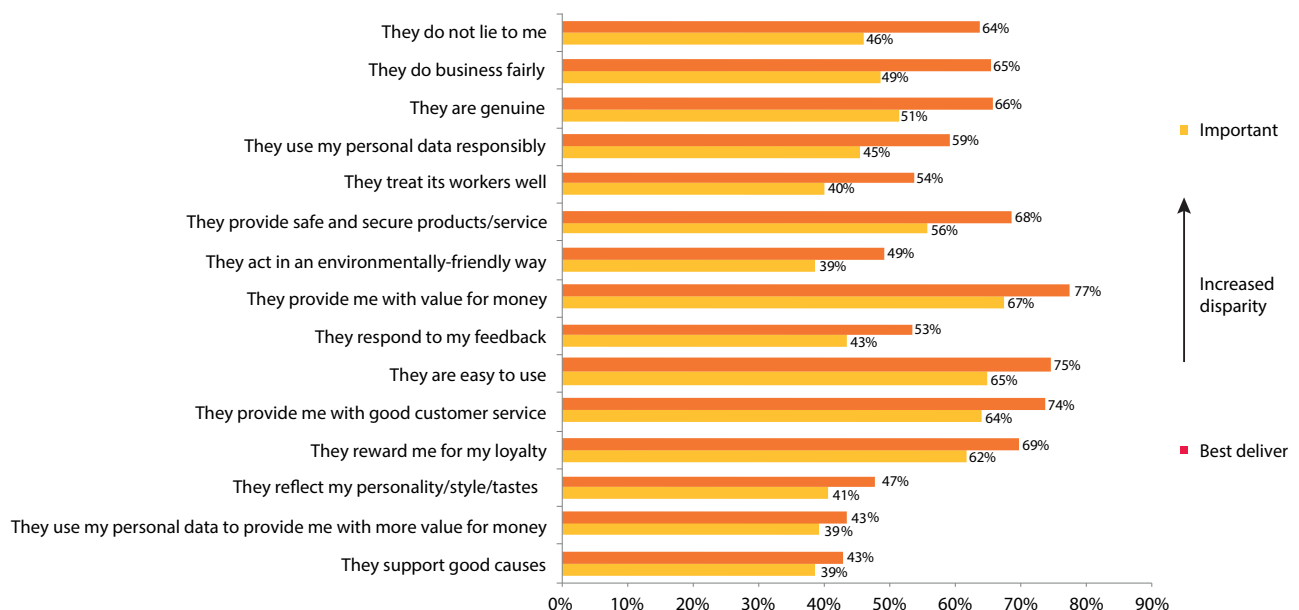
Source: DMA/Foresight Factory Research | Base: 2009 online respondents aged 16+, GB, May 2017

## Are brands delivering?

We asked consumers to indicate how brands they use deliver on various criteria. Consumers are *less* likely to confirm that brands deliver fully on the things that are important to them. This is likely to be a combination of consumers not getting what they want based on these criteria, but also a lack of awareness of brands doing these things in the first place. Importantly there are a few criteria where the gap is greater. The biggest gaps relate to trust and transparency.

1. Do not lie to me: 18% gap between importance and consumers saying brands do this well
2. Do business fairly: 17% gap between importance and consumers saying brands do this well

**Chart 3 | Criteria deemed important vs. criteria seen as being delivered<sup>2</sup> | % who chose criteria for at least one sector (of six types)**



Source: DMA/Foresight Factory Research | Base: 2009 online respondents aged 16+, GB, May 2017

Consumers may be largely satisfied with brands but these gaps reveal a deficit of trust. We believe this limits how deeply brands can emotionally engage with consumers and win their trust. Beyond satisfying immediate needs, brands need to improve engagement in order to marry both functional value and communicate to consumers that they are reliable and worth choosing.

**KEY TAKEAWAY:** Functional delivery is the bedrock of winning consumers' repeat business. But to gain trust and loyalty brands need to communicate their values to consumers authentically, to show they are genuine, fair and honest. With both functional excellence and honest communication of brand values, brands may create more meaningful connections with consumers.

### 3. Routes to engagement

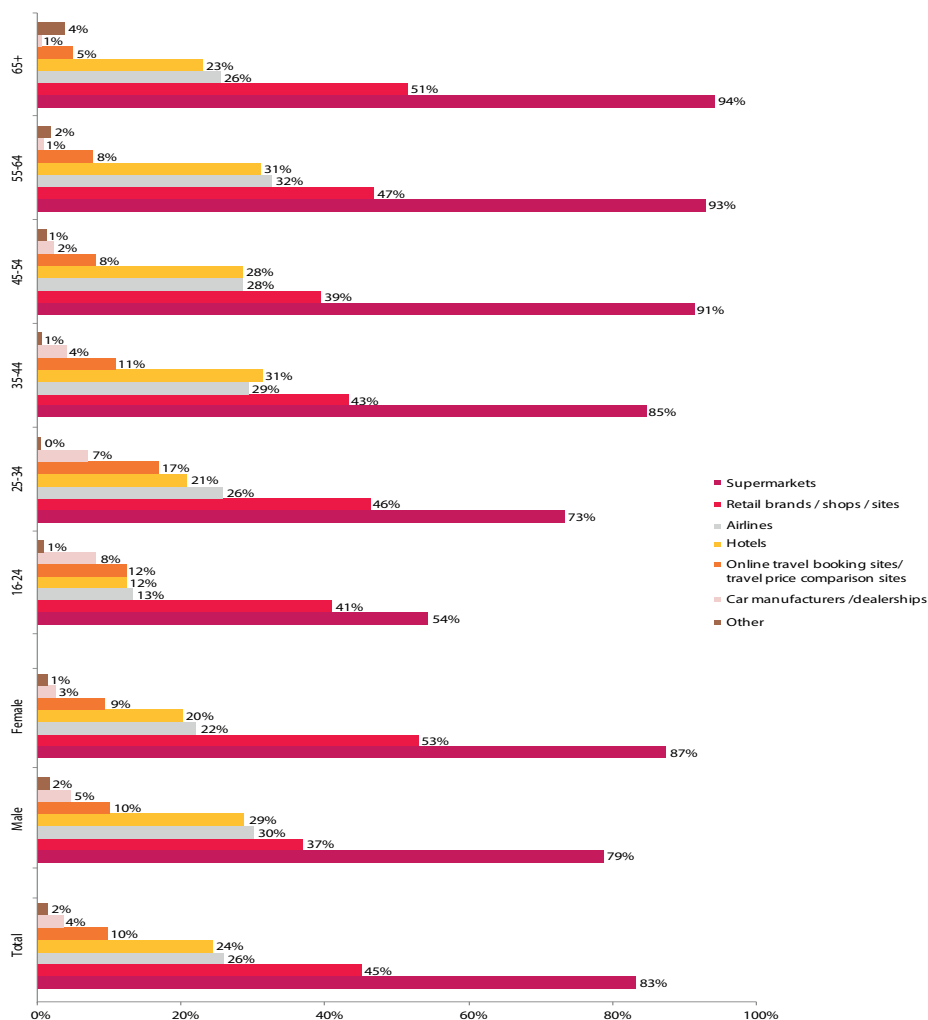
How can brands build loyalty while satisfying consumers' core needs and their desire for a more genuine, relevant and transparent connection?

#### Rewarding Loyalty

Near seven in 10 consumers want to be rewarded for their loyalty, but how do consumers respond to brands' current attempts at rewarding them?

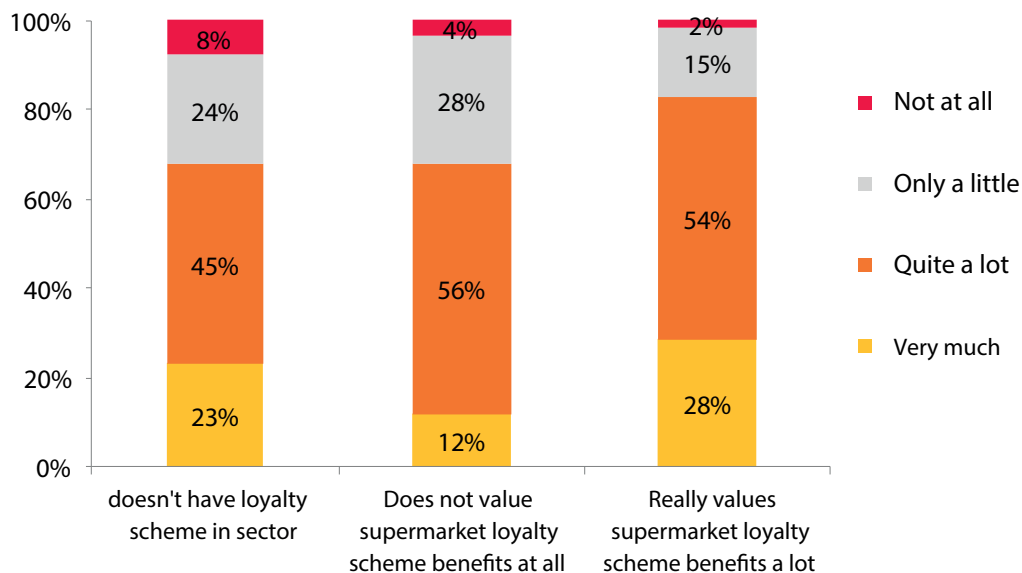
93% of respondents use at least one loyalty card or scheme: practically all consumers have some experience of brands engaging with them through a structured loyalty scheme. The chart below shows that this experience is dominated by supermarket schemes, followed by retailers.

**Chart 4 | "Do you have a loyalty card or have you signed up to loyalty scheme with any of these types of companies / brands?"**



Looking at satisfaction with supermarket loyalty schemes, as most people are exposed to loyalty schemes in this sector, people who are **most satisfied** with their rewards (ranking them 10 out of scale of one-10) are also more likely to agree they **very much** trust supermarkets to do business fairly. This correlation highlights how, by getting rewards right, consumers are more trusting of supermarket brands, a pattern that is also reflected in other sectors. Rewarding loyalty creates emotional value.

**Chart 5 | “Thinking about the following types of brand/company how much do you trust them to do business fairly?” | % who trust supermarkets very much, by satisfaction level with supermarket loyalty schemes**



Source: DMA/Foresight Factory Research | Base: 2009 online respondents aged 16+, GB, May 2017

## Loyalty schemes - beyond the transactional, towards the personal

If perfecting loyalty programmes presents an opportunity for brands to create stronger levels of positive engagement and trust, what loyalty benefits do consumers engage with most?

When asked about specific aspects of loyalty schemes, consumers have varying levels of interest in what they receive or would like to receive.

**Chart 6 | “Thinking about loyalty/rewards schemes, which of the following loyalty benefits do you currently receive and which would like to receive in future?”**

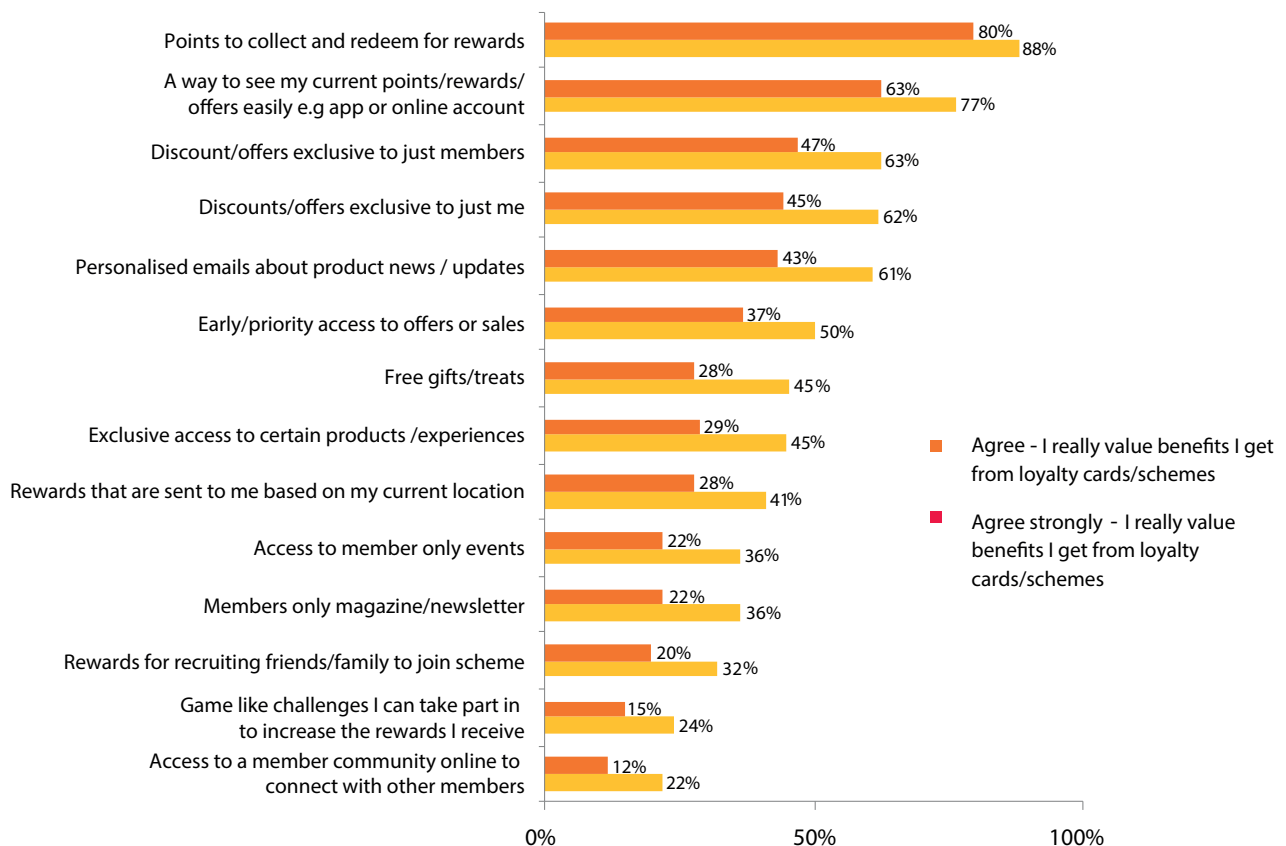


Source: DMA/Foresight Factory Research | Base: 2009 online respondents aged 16+, GB, May 2017

Most receive basic rewards like points or regular member discounts – 72% and 44% respectively. These reflect the transactional nature of most reward programmes: buy things, receive rewards. But are these the elements that make loyalty programmes appreciated by consumers? Do they stand out and generate trust?

When looking at people who **agree strongly** with the statement “I really value the loyalty benefits I receive” vs. people who just **agree**, those who agree strongly are more likely to receive and value more relevant and elite benefits such as exclusive access to products/experiences, free gifts or discounts exclusive to them, and personalised news and updates. For loyalty points, the difference between those who agree strongly and those who agree is smallest, an 8% difference compared to a 19% difference for exclusive discounts and free gifts.

**Chart 7 | % who receive and value following loyalty benefits by strength of agreement with “I really value benefits I get from loyalty cards/schemes”**



Source: DMA/Foresight Factory Research | Base: 2009 online respondents aged 16+, GB, May 2017

Loyalty points may be well received overall, and support consumers' core desire for reward, but they do not make them feel *optimally* rewarded by brands, as more exclusive rewards do. A points-based scheme focuses consumer associations with the brand on transactional benefits like discounts, that are more fragile, as they can be replicated by another brand. Personally relevant elements generate stronger emotional impact and a greater sense of perceived value.

Of the things people are not receiving but would most like to, free/gifts and treats are the most sought-after (43% want this). Showing appreciation for consumers at random may do more for brand engagement than rewarding regular transactions. An unexpected reward plays to the desire for more genuine interactions and is a tactic brands - especially those in commoditised sectors - can use to differentiate their loyalty schemes.

## EXAMPLES

# ZAPPOS REWARDS

To celebrate the launch of **Zappos Rewards** in 2016, **Zappos.com** chose to surprise 1,000 US customers by shipping one item from their “Favorites Wishlist”



**Sephora’s Beauty Insider** positions itself as an exclusive club. Members reach different tiers depending on their annual spend and receive tiered access to exclusive events, gifts and tutorials. By filling in a beauty profile consumers receive tailored updates and rewards. Members also receive a free gift on their birthday.



One of Europe’s leading airlines, **Scandinavian Airlines (SAS)** uses its SAS Eurobonus to maintain brand loyalty. Working with Wiraya, SAS used personalised automated communications across multiple channels to drive increased customer engagement. The campaign helped customers to log in, find membership numbers, take advantage of offers, and showed them how to collect and use points. This personalised approach meant SAS reactivated 18% of passive members, compared to just 2% using its previous strategy.

**KEY TAKEAWAY:** When consumers feel genuinely appreciated, they trust brands more. To make loyalty engagement work, extend benefits beyond the transactional by giving consumers benefits that feel personally relevant. This gives brands the chance to engage more meaningfully. Loyalty programmes can become a way to communicate genuine brand values. Whether through exclusivity, surprise or relevant, useful content, rewards offer the relevance on a person’s life that will ultimately stand out.

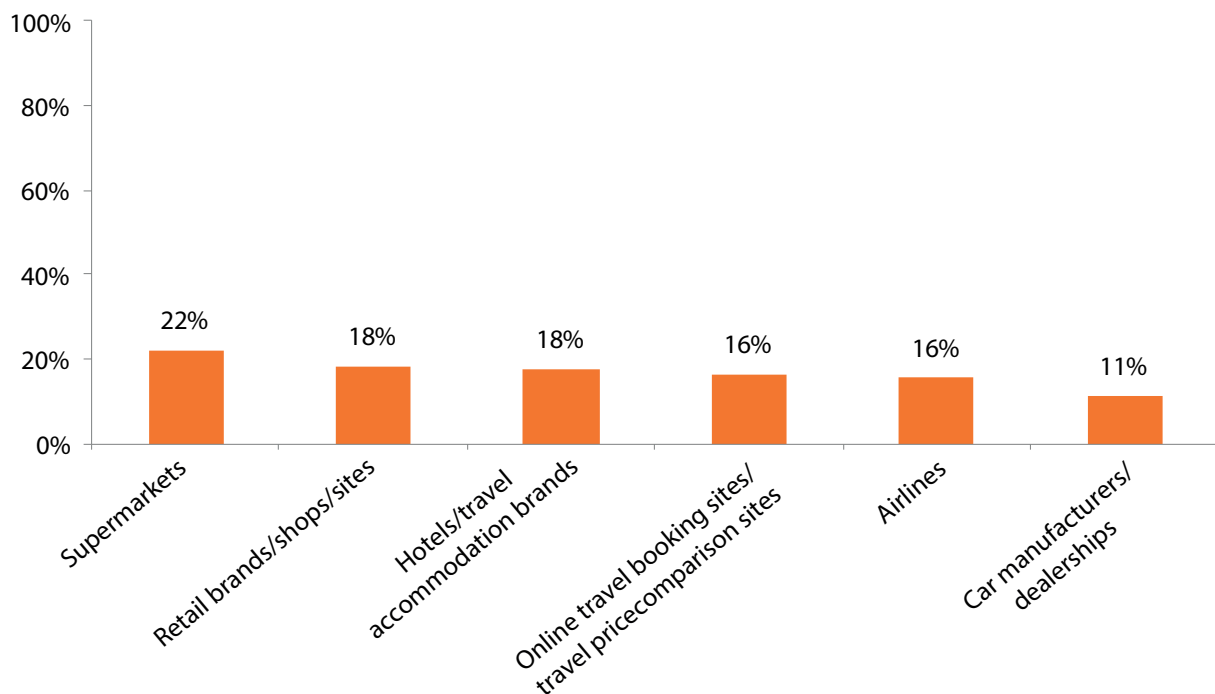


## Data-driven personalisation

Making rewards more relevant requires brands to better understand consumers, and consumers want brands to improve at this. 72% would like loyalty offers to relate more closely to what they like compared to 62% in 2016. This increase suggests consumers are not getting the relevancy they expect, and brands need to work harder to tie loyalty benefits to what consumers really want for them to translate into true value in the eyes of customers.

Few consumers agreed that brands use their personal data to give them value for money. Whether driven by lack of awareness or interest, lack of delivery, or wider negative sentiment towards brands' use of personal information, most consumers are not yet connecting value with brands' use of their data.

**Chart 8 | % who agree brands used in following sectors "use my personal data to provide me with more value for money"<sup>3</sup>**



Source: DMA/Foresight Factory Research | Base: 2009 online respondents aged 16+, GB, May 2017

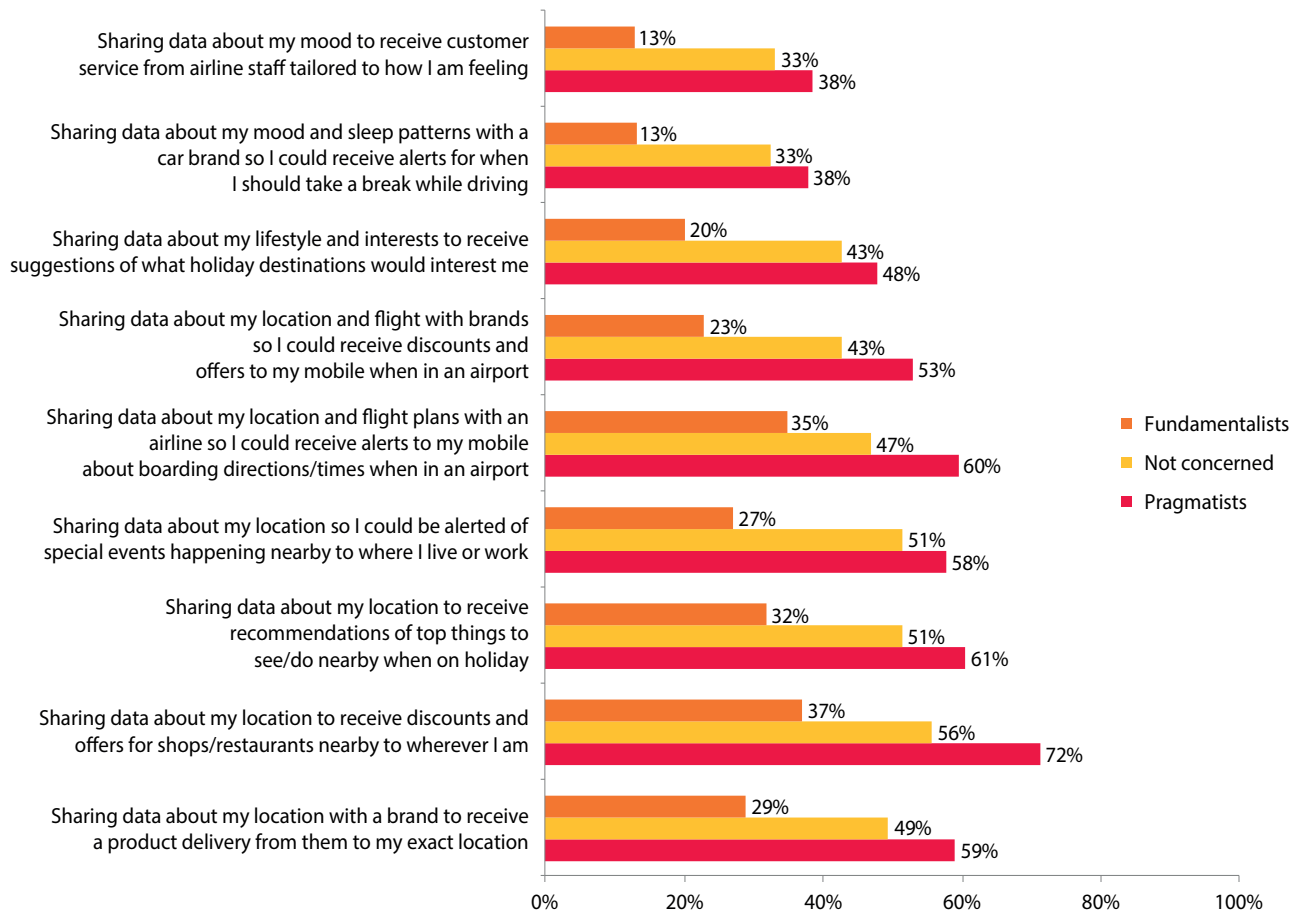
## Trust and tangible benefits

Data-driven personalisation *can* underpin the creation of more relevant communications by focusing on improving value, service and convenience that consumers clearly crave. When consumers can see an explicit benefit and that their core needs are better served, the value of sharing their data with brands becomes much clearer.

When consumers were given scenarios in which they would receive a particular benefit for sharing their personal information, interest was not insignificant. Three fifths (61%) were interested in sharing location data to receive discounts and offers for shops/restaurants nearby, and 52% were interested in sharing location and flight plans with an airline to receive boarding directions/times at an airport.

Among "data pragmatists", those identified in the [DMA's Consumer Attitudes to Privacy](#) research as pragmatically assessing when they want to share data, interest in these benefits is even higher. The other groups from this previous research are "data fundamentalists" those consumers are unwilling to exchange personal information, regardless of any offers, and "not concerned" individuals who are unconcerned about the collection and use of personal information about them.

**Chart 9 | “How interested are you in the following scenarios in which you receive a personal benefit from a brand in exchange for sharing some of your personal data?” | % who are very or quite interested**

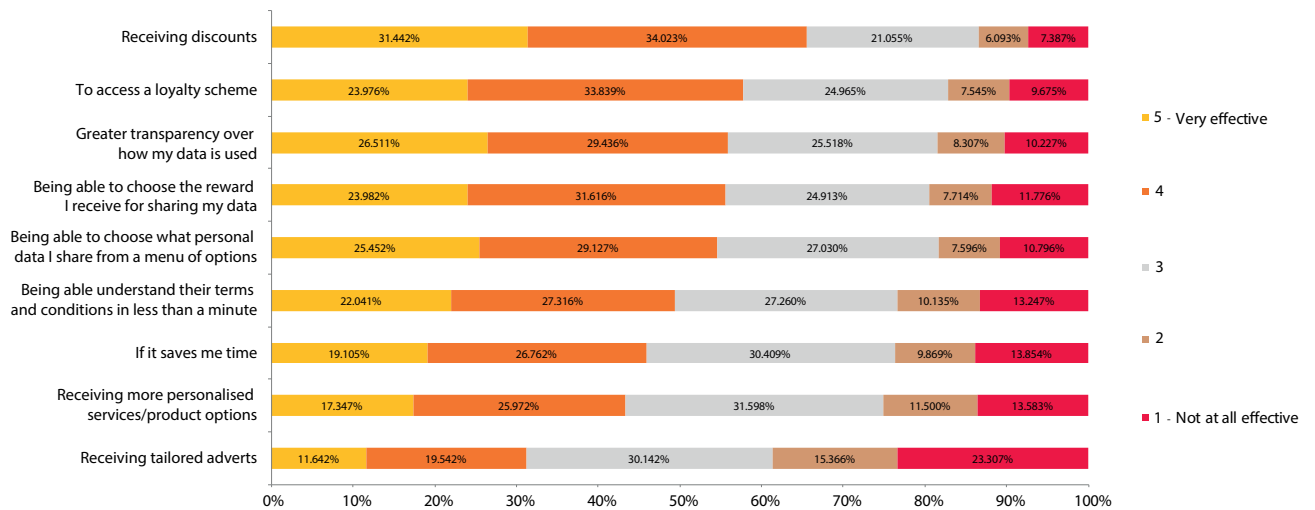


Source: DMA/Foresight Factory Research | Base: 2009 online respondents aged 16+, GB, May 2017

When asked explicitly which scenerio would encourage them to share data with brands and companies, the most effective incentives were both discounts and greater transparency. As well as receiving tangible benefits, consumers also want information that enables them to trust brands to use their data well.

- Three in 10 rank receiving discounts as **very effective** in encouraging them to share personal information with brands.
- Just over a quarter rank greater transparency over how data is used and being able to choose what data is shared from a menu as **very effective** in encouraging them to share personal information with brands.

**Chart 10 | “How effective would the following be in encouraging you to share your personal data with brands/ companies?”**



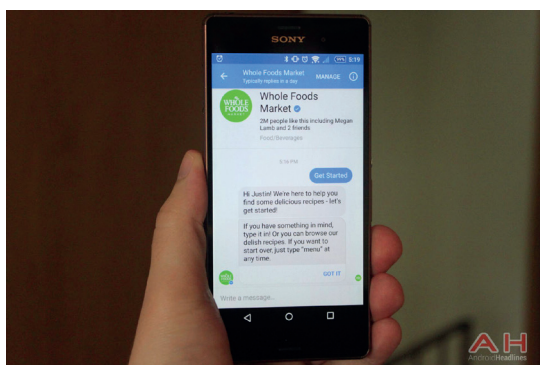
Source: DMA/Foresight Factory Research | Base: 2009 online respondents aged 16+, GB, May 2017

**KEY TAKEAWAY:** Brands can best capitalise on data-driven personalisation when it ties closely to the consumers’ primary focus. Consumers focus on benefits, so brands must be clear about how and why they use data-driven tactics to encourage trust, which appeals to consumer desire for brands to be more genuine and authentic (see above.) As the dataverse matures and consumer understanding about data sharing grows this combined approach becomes more crucial than ever for brands to master.

## 4. New channels of engagement

In the Customer Engagement 2016 study we identified a number of emerging engagement channels. Here we update our analysis with a deeper look into potential uses of new marketing channels, namely: chatbots led by artificial intelligence (AI); virtual and augmented reality; and automation. We examine how these now resonate with consumers, what the key challenges are for brands, and we share recommendations for using these channels to increase customer engagement.

### EXAMPLES



In 2016, **Whole Foods Market** launched an AI chatbot on Facebook Messenger, powered by Conversable, to offer users recipes and advice. Users can use a mix of emojis, text, keywords, pictures, cuisine types and dietary requirements to chat with the system. The company intends to include additional features in future iterations, such as the option to save recipes and receive discounts via messenger.

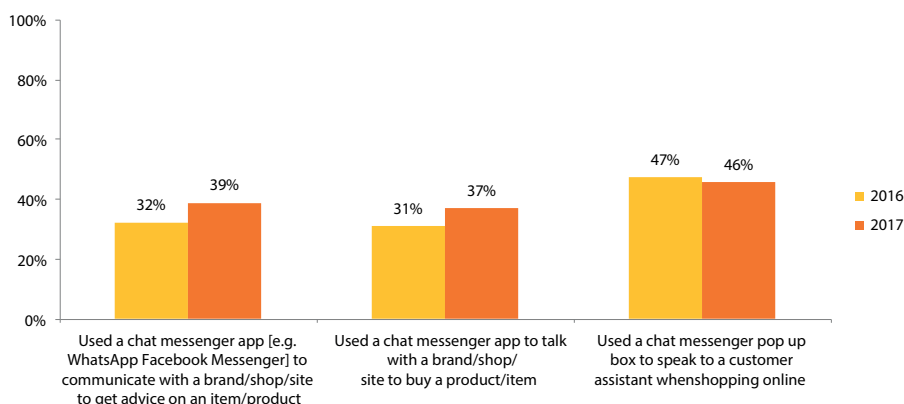


Between January and July 2017 **Babylon Health** ran a trial in London in conjunction with the NHS, allowing users to submit their symptoms to the AI-powered app, and receive a recommendations in return. The AI is said to process information faster than a human and uses algorithms, clinicians and data analytics. Instead of speaking to someone on the phone, the average time to complete an interaction on Babylon is 12 minutes. The app comes at a time when the NHS's non emergency service number 111 faces criticisms of its efficiency.

### Chat messenger usage and interest

Usage of and interest in chat messenger services with brands has been stable or trended slightly upwards. Consumers are interested in using chat messenger channels both for researching products and for buying, suggesting the channel has potential across a wide spectrum of experiences beyond what we see in today's early apps.

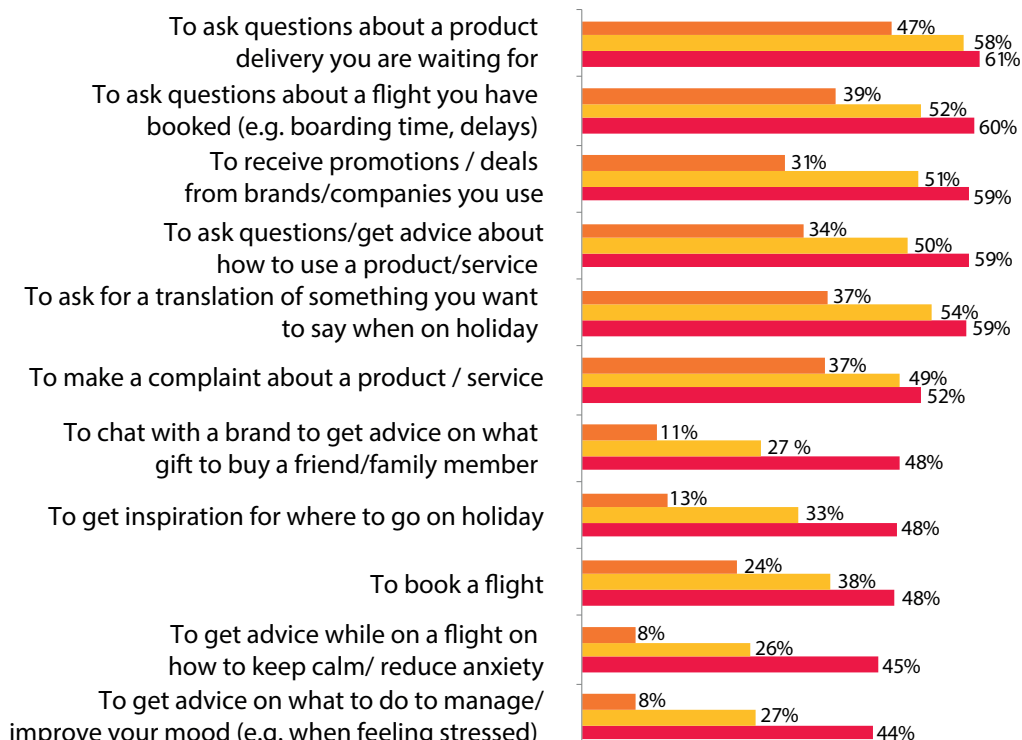
**Chart 11| "Which of the following have you done and which would you be interested in using in the future?" | % who have used or interested in using following**



Source: DMA/Foresight Factory Research | Base: 2009 online respondents aged 16+, GB, May 2017

Chatbots, powered by AI, are increasingly a central feature of these message based interactions. To further investigate consumer willingness to engage with chat services, specifically when artificial intelligence is used to power them, consumers were asked to rate their likelihood of using chatbots to carry out a number of different tasks. Younger consumers are significantly more likely to engage with this channel.

**Chart 12 | "If you could use a chatbot to do the following how likely would you be to use one (instead of using another means to)?" | % who would be likely or quite likely**



Source: DMA/Foresight Factory Research | Base: 2009 online respondents aged 16+, GB, May 2017

Broadly, consumers are most likely to consider using chatbots instead of other channels in scenarios where they would need **immediate responses**, and where their needs are functional. Consumers appreciate the combined speed, convenience and intuitive response chatbots promise.

Consumers are less likely to engage with chatbots when interactions may be lengthy, or where there is an invitation to engage with automated systems on more intimate terms. This said we would note that younger groups overall are much more open to this channel as a means of communication with brands and service providers across a number of use cases; hesitancy over more complex use cases is largely driven by older consumers.

## Challenges of chatbot engagement

While there is consumer warmth towards the potential of chatbots, the technologies behind them are still in a nascent stage. The ability to adapt to complex requests and understand human emotions are a long way off. Most chatbots remain limited to specific information or tasks, and in many cases are still reliant on human skill to function.

Brands that can focus their chatbots on particularly well defined uses have the potential to improve convenience and service for consumers. The foundations have been laid for a future where chatbots lead more interactions and latent consumer interest, especially among younger generations, suggests a wider breadth of automated interactions await.

**KEY TAKEAWAY:** Our research reminds us of the importance of good customer service. Chat messenger services could help place brands at the leading edge of service by eliminating pain points associated with other communication channels. Chatbots also give brands an interface that could be easier for consumers to connect with and trust. However, clumsy use of chatbots in the short term could hinder engagement and loyalty by undermining interactions that require a nuanced human touch.

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## Intelligent assistants take control

High profile voice assistants such as Amazon's **Alexa** and **Echo** or **Google Home** have given consumers their first experience of a world where artificial intelligence can form part of our daily routine, including interactions with brands and companies. One-fifth (20%) claim to have used voice commands to research an item or product and are interested in doing so again, almost doubling to 38% to include those who are interested but haven't yet tried it. Four in 10 consumers are interested in using a personal virtual assistant that knew what they liked, and they could use to research or purchase items they need on their behalf.

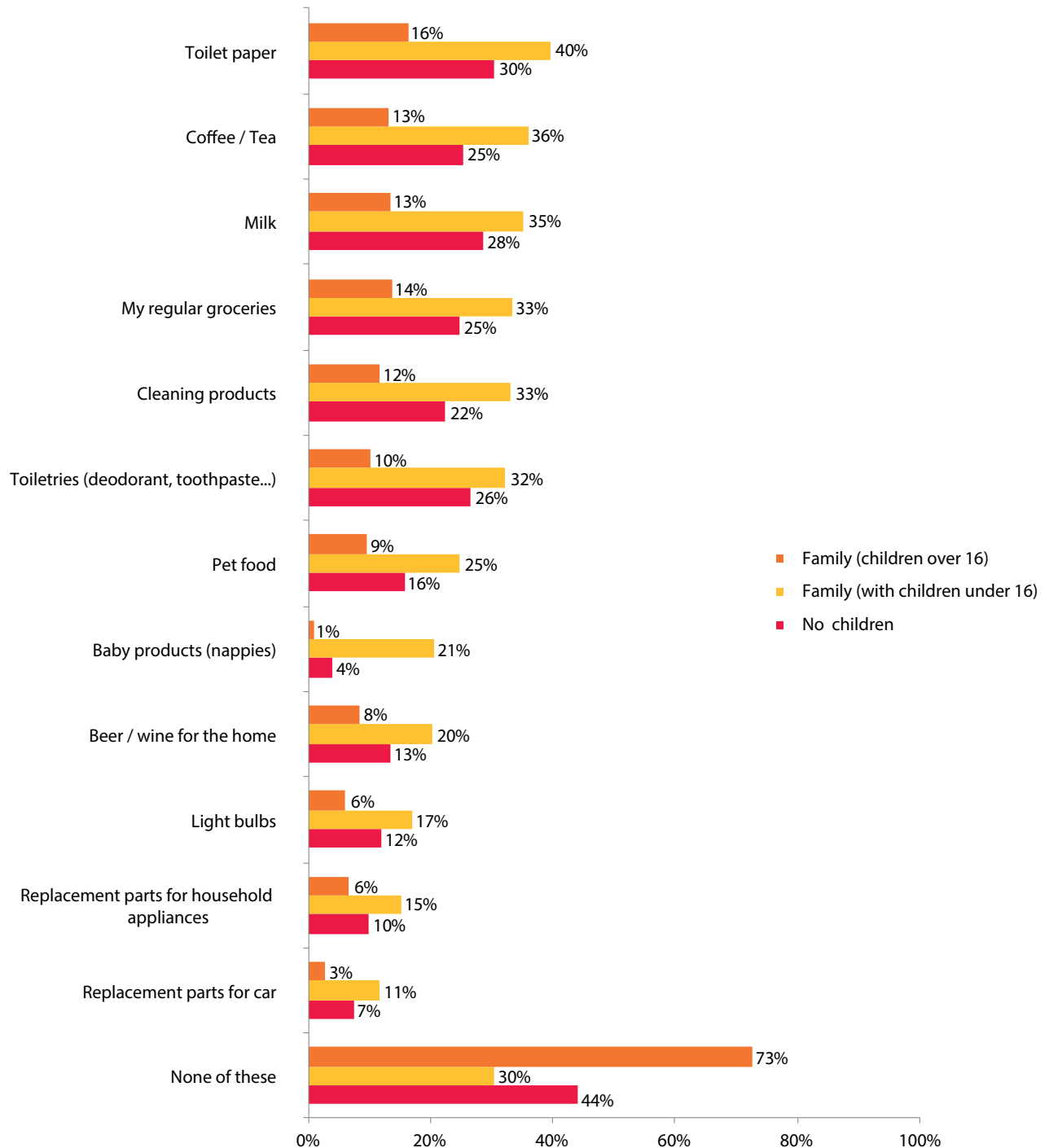
The creep of AI-led interactions also holds implications for loyalty. As consumers, we rely more heavily on intuitive voice and chat assistants to guide our decision-making, our power grows over the brands we (or they) choose.

At the same time, auto-replenishment purchasing, where smart devices in the home track household supplies and automatically re-order when stocks are low, is growing. This, combined with intelligent algorithm-led discovery, could give consumers the chance to **outsource brand choice**, and give an algorithm the power to automatically choose the brand best for them without even *seeing* the competitors. Loyalty may eventually become tied to embedded systems, even eradicating the chance to buy off the cuff.

So far, just over one in 10 claim to have used a service that allowed them to set up automatic repurchasing and are interested in doing so again. This rises to 34% when including those who are yet to try this but are interested.

When we asked consumers about their interest in auto-replenishment, those with young children were most interested. Clearly time saving is a strong motivating factor behind interest in this trend to buy products like groceries or baby products. But as we see elsewhere in our research, for consumers' convenience reigns supreme. Therefore we believe this trend will not be limited to just those with acute pressures on their time.

**Chat 13 | “Which of the following, if any, would you be interested in being able to buy automatically - by using a service that allowed you to set up automatic re-purchasing and delivery of products when they run out/need replacing?”**



Source: DMA/Foresight Factory Research | Base: 2009 online respondents aged 16+, GB, May 2017

## Challenges of AI engagement

As with chatbots powered by algorithms, intelligent voice assistants constantly need to learn new ways to respond to human complexity. For now we are in the early stages of this trend.

Given the potential of AI assistants to become the gateway to so much decision making, competition to gain a monopoly on discovery is already underway. In the future, loyalty to brands could depend on which provider of intelligent assistants you subscribe to.

But how much decision-making will consumers want to have semi or completely overtaken? Auto-replenishment makes most sense in FMCG and other low-cost categories, but broader algorithm-based decision making services have the potential to filter various choices, and disrupt several sectors at some level.

The principles of best practice data-driven personalisation apply here too. For consumers to adopt these new technologies, transparency over how they employ consumer data to function will help to establish them as trusted, intelligent partners, rather than creepy know-all robots.

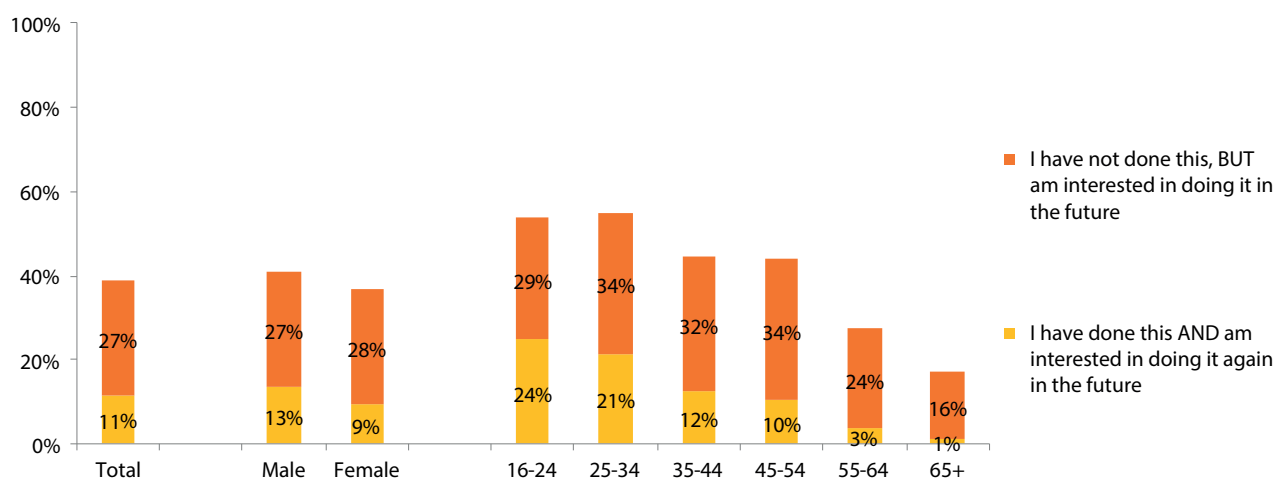
**KEY TAKEAWAY:** Automated decision making could lock in consumers to automated buying, driven by appetite for convenience and frictionless service. Brands will need to be open to this new method of purchasing. To stop outsourcing choice to algorithms, brands will need to engage with consumers and build brand equity so consumers remain alert to offers outside of those tailored to them by those building the algorithms and their partners.

## Virtual worlds

Technology has forever changed how we experience reality, but new augmented reality (AR) and virtual reality technology gives control to the consumer, allowing individuals to change what they experience. The combination of the viral hit **Pokemon Go**, an augmented reality app game, and plummeting prices for virtual reality (VR) headsets, have pushed these technologies further into the spotlight.

When it comes to VR and AR's impact on purchasing, only 11% who have used virtual reality to test a product or item are interested in doing so again. A further 27% would interested in doing so.

**Chart 14 | Used virtual reality to test a product/item**



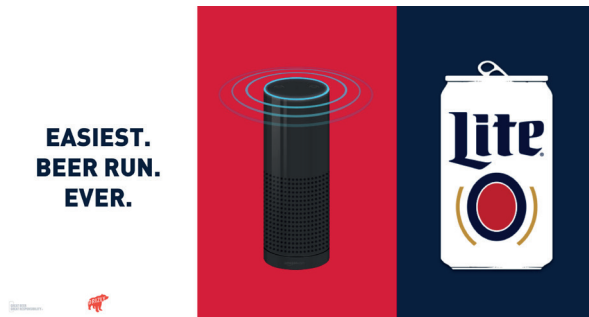
DMA/Foresight Factory Research | Base: 2009 online respondents aged 16+, GB, May 2017



## EXAMPLES



Introduced for the first time in April 2014, Amazon Dash connects your smart devices to your amazon account, to automate the purchasing of everyday products. In January 2016 Amazon Dash Replenishment Service (DRS) launched in the UK, an extension to the programme. While the original Dash service provided consumers with branded buttons to attach to certain household items to trigger re-order, DRS uses sensors in smart devices to indicate when staples are running low. The system then re-orders these basics on behalf of the consumer.



MillerCoors announced a new suite of connected devices called "Miller Lite On-Demand" in March 2017, allowing consumers to order beer using Amazon Alexa or a programmable button based on Amazon Dash. The order delivers in 40 US cities within one hour by Drizly.

The beer button will be available to 500 Drizly customers, and all Alexa users. MillerCoors aims to make shopping for beer as frictionless as possible.



**Scarfi**, launched in October 2016, an augmented reality app, allowing users to virtually try on scarves before buying them. Scarfi launched at pop-up event at **Westfield** shopping centre in London. Users were handed an **iPad**, allowing them to virtually try on items before making an order and collecting it from a dedicated vending machine.



Trialled in October and November of 2016 on Australia's Sunshine Coast, **Pocket Patrol** is an AR app developed by **Samsung**, that aims to promote beach safety by helping to locate rip currents and other swimming hazards such as rocks and shallow sandbanks. The app was developed with the assistance of **Surf Life Saving Australia**, who claims that 69% of Australians can't identify rip tides, making them a big killer.

There is significant potential for virtual and augmented reality to become a new channel for brands to build trust. Whether helping customers see digital versions of products or offering virtual experiences can give consumers more control over their choices. For example, just over half of consumers expressed interest in using virtual reality to see what a hotel room looks like, rising to seven in 10 among 16-24 year olds.

Possibilities for experiential marketing will be expanded as digital experiences become more lifelike and, crucially, are more scalable than real-life experiences.

**KEY TAKEAWAY:** By allowing consumers to overlay their real life experiences with digital content, brands can engage them in a more immersive and transparent manner. If employed carefully, augmented reality can give consumers useful and tangible experiences, making purchasing decisions easier and brands a way to express themselves authentically. The key will be in ensuring AR and digital content seamlessly connects with purchasing and discovery channels to avoid them being only used as a novelty.



## 5. Concluding thoughts

Our research confirms that brands have to satisfy customers' functional needs, but to gain deeper trust brands must focus on building authentic connections.

The report points to a range of new channels that have the potential to improve customer engagement by making brand interactions more relevant to consumers' needs and wants. From chatbots taking care of your account admin, voice assistants taking on the role of price comparison tools, or location-based messaging giving real-time and relevant promotions, AI-led interactions will eventually perfect much of the functional engagement consumers crave.

Increased use of automated services gives brands more room to focus on building deeper, more emotional loyalty.

But there will be challenges. Brands need to understand where new channels will be the most appropriate and effective in the short term, and which consumers will be best disposed to adopt them.

The pace of technological change will continue to outstrip the legislation governing it, reinforcing the importance of self-regulation and evolving effective best practice in the data and marketing industry.

Finally, at this early stage of AI-led communication, this report points to the need for more research to understand what changes will be needed for industry self-regulation to keep pace with these new channels.

**Rachel Aldighieri**  
*MD at the DMA*

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1. The six sectors are: Car brands, Supermarkets, retail shops/sites, Airlines, Hotel/travel accommodation, Online travel booking sites / travel price comparison sites.
  2. Full wording "When choosing the following types of brands/companies to use, which of the following, if any are important to you?" vs. "And thinking about the brands/companies that you use most often in the following sectors which of the following do they best deliver for you?"
  3. Full wording "And thinking about the brands/companies that you use most often in the following sectors which of the following do they best deliver for you?"

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