# Acquisition and the consumer mindset

2018

Customer Engagement

Data & Marketing Association

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# / Introduction

It's happened: GDPR has become law in the UK. After what has felt like years and years of waiting the new legislation is now a reality. During our Customer Engagement research, now in its third year, we asked consumers a number of questions about trust and loyalty - something that GDPR should improve. The media coverage has had an impact already, with 90% of our responders aware of GDPR, which could have had something to do with the deluge of emails.

As brands use our personal data in the ways we prefer, surely that will result in improved trust and better, longer- term relationships, although only time will tell and monitoring these attitudes is paramount. At the moment we are actually seeing a decline in trust, with more consumers finding it hard to know which marketing messages to put their faith in.

The focus of this report is on customer acquisition. This is the first time we have had the chance to ask these questions and it will be exciting to see how the responses change over time.

Very little of the energy put into GDPR has been around acquisition, and there is still confusion, particularly around the use of third party data. Respondents though, are very clear in what they want, with email and mail the top two preferred marketing channels. There is a clear message here to keep using these channels to engage new customers. For younger age groups, social media is clearly having an impact and performs well in terms of both trust and relevancy, despite some unfavourable press. One advantage social media has is the length of time it has to get the message across is very low. Clearly, consumers value brevity and clarity.

Acquisition is the focus for many brands - getting that new customer is key to growth, but it is tricker than it seems, as less than a quarter of respondents would consider a new provider when making a purchase. This varies across the different sectors but shows the value of a great acquisition campaign, as price, discounts and freebies still seem to be working.

Perhaps the impact of new technology will help change how brands acquire new customers, by providing new models such as subscriptions, smoothing service issues with chatbots and using VR or AR to help demonstrate the quality of product or service. Again, we have explored these areas in detail with some really interesting results.

Subscriptions, for example, have resonance but with distinct subsets of the population.

Over the last three years we have been lucky enough to run a variety of research and explore a number of outcomes. With retention coming later in the year there is still more to come in 2018. Between now and then feast on the wealth of data shared here on acquisition. Hopefully it provides food for thought in your ongoing planning for acquiring new customers.

**Scott Logie**
***Chair of the DMA Customer Engagement Committee***
***MD at REaD Group Insight***

# / Foreword – Pure 360

All and sundry across the UK were aware of the recent GDPR deadline – inside and outside of our profession. Unsurprising, given the barrage of largely needless emails consumers were sent asking if they wanted to re-opt into marketing communications from brands. Where lawyers likely were pushing marketers to send these messages to demonstrate conformity, the common practices brands had in place asking for consent at sign up or check-out for years meant they were probably already compliant and didn't have to send them at all.

At any rate, my fear was that these messages might have had a detrimental effect on the perception of email marketing. Thank goodness, then, that the results of the research that provides the backdrop to this report, bring with them good news. Even though the poll took place after the GDPR deadline, consumers still said that they prefer to receive marketing messages over email. What's more, they trust marketing messages over email the most and found the content in email marketing messages to typically be the most relevant to them.

I'm not surprised – email is such a great channel over which to engage with consumers. Shoppers know where they stand with it. When used intelligently, it drives not just a positive customer experience but amazing ROI.

The results featured in the report also highlight the issue of consumer trust in marketing as a whole. All marketers, no matter what channel they are using to reach out to consumers, need to be conscious of how to be useful and relevant.

Despite this, most marketers and small businesses should not be afraid to admit they share a similar predicament. While they understand the strategic value of personalisation, they still don't have the knowledge of how to implement it and drive the best customer engagement results from it. They may well have heard of behavioural targeting, re-targeting, welcome programmes and real-time dynamic content, but still far too few know which of these are most relevant to them, how to use them and the types of campaigns they should set up.

When it comes to how marketers are trying to build connections, any degree of scepticism amongst today's consumers can always be fended off by consistently delivering relevance and value. Your customers will thank you for it, and the business will benefit from it.

**Komal Helyer**
***Marketing Director at Pure360***

# / Executive Summary

**Consumer inertia is prevalent, but its intensity varies across sectors:**
When making new purchases, 24% of people often consider retailers they haven't used before, while 14% often consider financial services brands they haven't used before.

**Price, value and discounts are all seen as reasons to switch to a new brand:**
Over 70% agree they would consider switching to use a new company if they offered cheaper prices (76%), better quality (76%) or a discount (72%).

**Email and post are preferred channels for marketing messages:**
When ranking eight marketing channels in order of preference, 73% of consumers put email in first or second place and 41% selected post.

**Simple communications give consumers a reason to trust:**
38% rate simple to understand information as something that would help them to trust in the marketing messages they receive.

**Relevancy of marketing messages is positively correlated with trust across channels:**
When people find a type of marketing messaging relevant to them they are more likely to show a stronger level of trust in that kind of marketing.

**Consumers are more likely to search than click-through:**
When responding to an interesting marketing message, 48% say they will search for the company website and 37% will click on a link in the message.

**Consumers are largely aware of new data laws:**
90% of respondents say they are aware of GDPR.

**Flexible contracts offering control appeal:**
73% say they avoid services that tie them into long contracts.

**Flexible subscriptions appeal most to those on higher incomes, parents and Millennials:**
77% of parents and 83% of those with household incomes over 75k use at least one subscription service. 59% of Millennials agree that subscription-based products or services offer value for money, compared to 35% overall.

**Interest in chatbots is divided:**
25% of consumers have used and a further 27% are interested in using chatbots, with the main barrier to further interest being the desire to speak to a human (55%).

**People interested in using smart assistants to make automatic repurchases, but many want to retain some control:** Among those who are interested in owning or currently own a smart home assistant, 45% want to be able to verify orders each time, compared to just 24% that would be happy for them to automatically reorder products on their behalf.

**The main barrier towards interest in smart home assistants is a reluctance to share data:**
41% of respondents who are not interested in using a smart assistant do not want to share their data with the brands behind this technology.

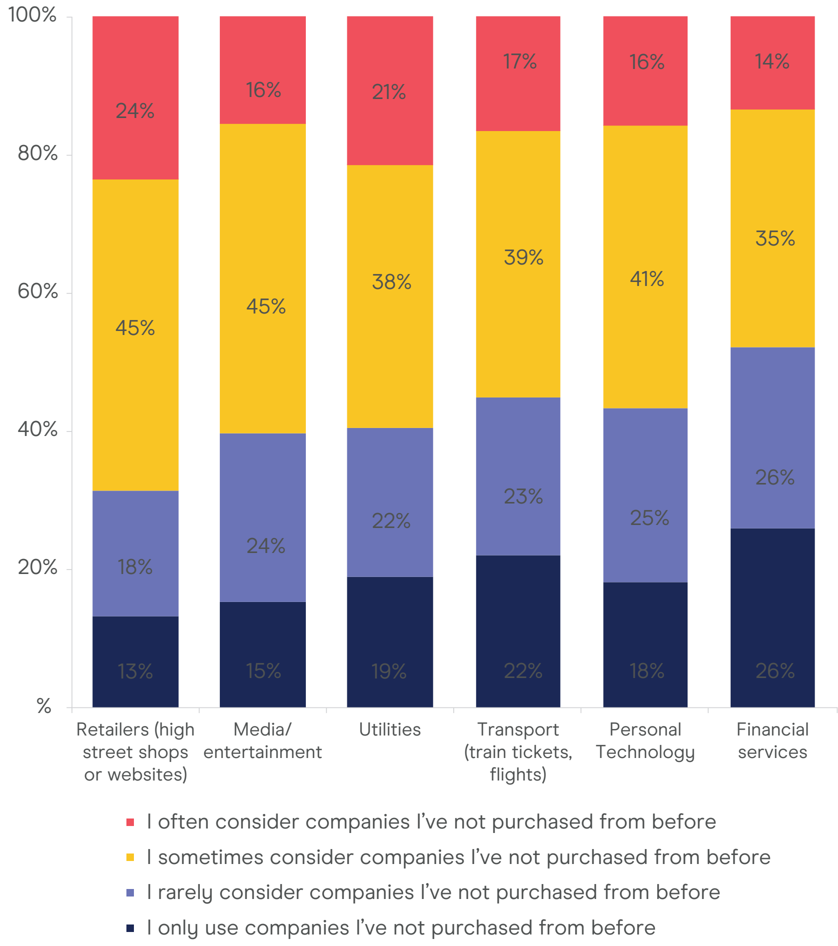
**Consumers show highest interest in using VR or AR to test furniture before purchase:**
50% of consumers show interest across VR, AR or both technologies to test out how furniture could look in their home.

# / Acquisition and the consumer mindset

## Trying new companies: Itch to switch vs inertia

For brands focused on acquisition tackling consumers' natural tendencies towards the familiar is arguably their biggest challenge. Consumer inertia varies in intensity across sectors as we can see in the below chart, however, across all sectors we asked about no more than a quarter agree that they often consider companies that they have not used before. Consumers by default are generally more open to sticking with what they know. Other wider attitudes reflect this mindset; 67% agree they stick with brands/ companies they know when making an important purchase decision (vs. 64% in 2016), 62% agree they stick to brands they know for everyday purchases (vs. 52% in 2016).

"Thinking about the following types of purchase, which best describes your behaviour?"



By contrast, the research also indicates that consumers are responsive to a range of potential benefits of switching or trying new companies. Several key drivers attract consumers to consider switching. Interestingly lower prices are just as attractive as quality, and a majority are interested in time-saving benefits.

“I would consider switching to a new company if...”

...their products/services were cheaper compared to my current company
(76% agree)

...their products/services were discounted
(72% agree)

...their products/services were higher quality than my current company
(76% agree)

...it would save me time compared to my current company
(60% agree)

Other attitudinal data confirms consumers aspire to go against the tendency to stick, to evaluate their purchase decisions in order to get the best value; 79% claim they are willing to spend time researching products to get the best possible value, and 57% claim to be often change their minds about what brands or retailers to use as a result of deals and offers.

With consumers not completely open to trying new companies, but aspiring to compare options thoroughly, the challenge remains for brands to remove barriers to switching and communicate the benefits simply and engagingly.

### In brands we trust?

Consumers are reticent to firmly trust in marketing and companies. They are more likely to agree than disagree that they find it difficult to know which brands and companies to trust these days - 49% vs. 17 %. Gaining and establishing trust from consumers is another challenge for brands when it comes to customer acquisition. Trended data indicate that distrust levels are not decreasing; 46% agreed they find it difficult to trust brands in 2017.

## Improving trust levels: Simplicity over experts

We asked consumers what might help them to better trust in marketing messages from brands and companies they have not used before. With a multitude of messages competing for their attention across channels above all consumers are looking for straightforward indicators that marketing is trustworthy. Simplicity and peer review are more effective at generating trust than celebrity endorsement or expert opinion. Suggesting simplicity and clarity are an effective route to trust in today's noisy world of communications. Simplicity and directness also can drive consumers to act. When asked what would encourage them to respond to a marketing message just under 50% of consumers choose short messages, two-fifths name simple to understand messages and 31% say a clear action to take. However, simplicity does not mean brand communications must be bland - 44% are encouraged to respond if there is an interesting subjects/topic in the message. Brands can engage new consumers by focusing on communicating their message in clear and simple terms, by letting their existing customers speak for them and telling direct and succinct stories.

Which of the following would help you to trust marketing messages you receive from brands /companies you have not used before? Please select all that apply

# / Marketing for acquisition: channels and tactics

We now turn to look at which marketing channels are the most effective and engaging for consumers in the context of acquisition.

Exposure to traditional and digital marketing channels

Which channels are getting consumers' attention? The answer is many. Consumers today are very much influenced by marketing across a wide spectrum - from non-digital to digital channels. 79% of respondents use at least one digital channel or method to find out about new products and services. The same proportion - 79% - use at least one traditional method.

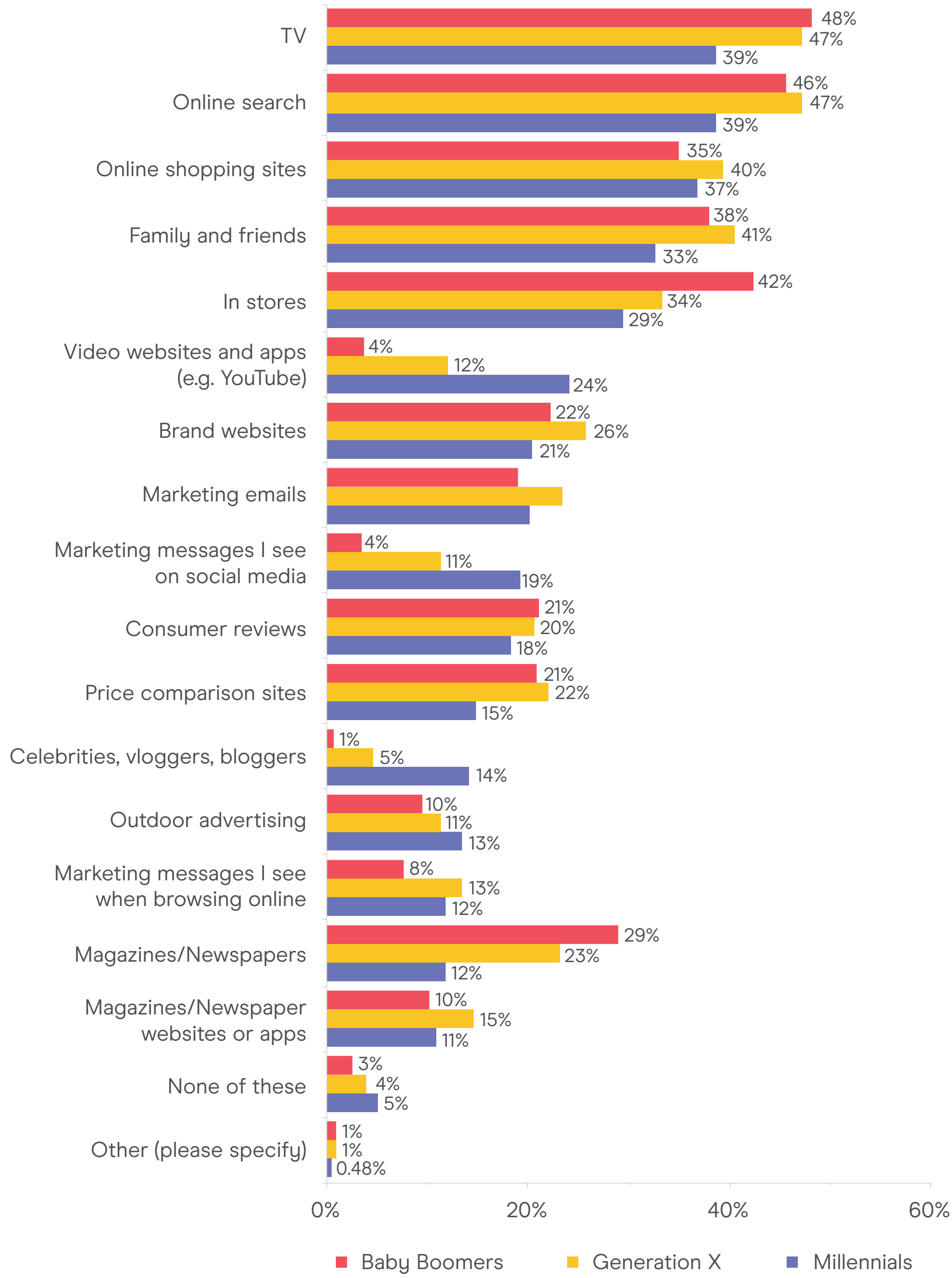
Across all generations the most common channels consumers use to find out about new products and services cut across this on and offline divide - TV, online search, online shopping and word of mouth.

Digital channels are unsurprisingly more influential among younger generations. Millennial respondents are influenced by an average of 2.1 digital sources, compared to 1.5 traditional sources.

Despite the focus on social media as a marketing channel for Millennials other channels are still reaching this generation.19% of Millennials find out about new products through social media, 24% through video sites. However, more Millennials still name in-stores (29%), and TV (40%) as influences for finding out about new products and services.

For older consumers the mix of marketing influences is still true, however, certain traditional marketing channels are more likely to reach them such as in-stores, magazines and newspapers

"How do you typically find out about new products and services?" Please select all that apply



## Email is - by far - consumers preferred way of receiving marketing

Considering just direct marketing channels, overwhelmingly consumers prefer to receive marketing messages via email. When ranking eight marketing channels in order of preference, 73% place email in their first or second place and 90% place it in their top four.

Receiving marketing messages by post is popular too. Four times as many place this channel as their first or second preference than those who place it at the bottom of their preferences.

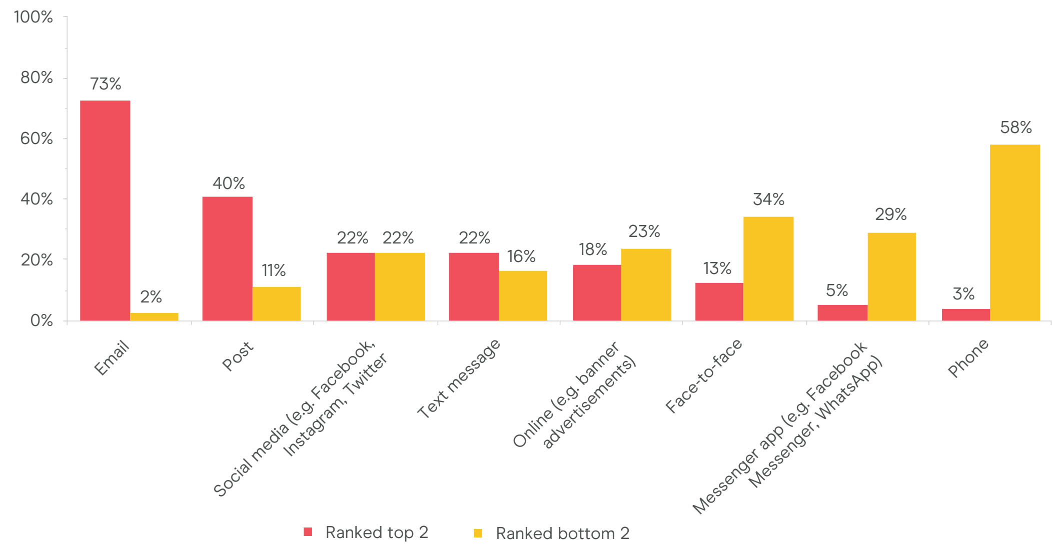
Conversely phone is clearly an unpopular marketing channel with consumers; 59% placed phone calls in the bottom two rankings with 84% placing it in their bottom four.

Consumer preferences towards social media, text message marketing and online marketing are more polarised with more comparative proportions of consumers ranking these channels as most preferred vs. least preferred. This could reflect a mix of positive and negative experiences of receiving marketing via these channels among consumers today.

Very few consumers chose messenger apps as a preferred medium. Given that this channel is not yet used at scale, this is not too surprising.

Despite email being the default preference across generations, it is interesting that a third of Millennials rank social media above email. In other words, for a significant minority of this generation social media is seen to be more engaging than email and is an indication of a generational shift in marketing preferences.

### "What way do you prefer to receive marketing messages?" | Rank options from most preferred to least preferred



## Consumers deem email the most relevant marketing channel

Consumers also deem email to be the most relevant marketing channel. A majority of 64% rank marketing messages they receive via email relevant to them vs. 43% ranking online marketing relevant and just 28% rank marketing messages they receive via phone call relevant.

Thinking about the marketing messages you receive or see in the following ways how relevant do you find them? 1- not very relevant to me 7- very relevant to me | ranking 5-7

| | |
|---|---|
| Email | 64% |
| Instagram* | 50% |
| Post | 49% |
| Facebook* | 45% |
| Face to face | 43% |
| Online (e.g. banner advertisements) | 43% |
| Text | 40% |
| Messenger app | 33% |
| Phone | 28% |

## How does the relevance of marketing messages correlate with trust in marketing messages?

Across all marketing channels, there is a positive correlation between the relevance of marketing messages and trust in marketing messages. When people find a type of marketing messaging relevant to them they are more likely to show a stronger level of trust in that kind of marketing. This is an important finding when thinking about acquisition marketing – by honing the relevance of messaging initial trust levels and engagement from new customers can potentially be boosted across all types of channels.

While the correlations were significantly positive across channels (all ranking over 0.5 on a -1 to 1 scale) the strength of correlations per channel is reflected in the hierarchy below, strongest first:

# Instagram

# Facebook

# Email

## Phone

## Online

## Text

### Messanger app

### Post

#### Face to face

Interestingly there is a slightly stronger correlation between relevance and trust for social media channels Instagram and Facebook. This suggests that the relevance of social media marketing could be even more important to optimise to engender trust in this channel.

## Monitoring success – no easy route?

How exactly do consumers respond to messages that they find engaging? The truth is consumers can easily circumvent the paths marketers lay before them through click-through links and engage with brands in other ways.

The most common responses consumers self-report doing after receiving an interesting marketing message is to find an indirect route to the brand itself – by going to the company's website via another route (e.g. search online) (48%). The next most common response is simply keeping the information in mind – to respond to at a more relevant time (41%).

Three in 10 say they will click on the link within the message itself, but the same proportion are prompted to check out a comparison website. This underlines the importance of both transparency and consistency in any pricing led offers or communications that consumers will and can easily cross-check.

# / New channels for acquisition

In this section of the report, we focus on evolving and emerging engagement technology and business models that brands can leverage when approaching an acquisition strategy.

## Next-gen subscriptions

In 2018, the majority of consumers (73%) agree that they avoid services that tie them into long contracts.

Subscriptions represent an acquisition model that is aligned to the pervasive consumer need for flexibility and efficiency across all aspects of customer experience. These offer consumers a way to try something new without having to commit heavily upfront – offering consumers a combination of increased convenience and ultimate control.

For brands, flexible contracts present an opportunity to tempt new customers into longer-term relationships. Among subscription users (see graphic below for definition) 54% agree they opt for the most flexible options when taking out subscriptions – even if it costs them more. The sense of control that is afforded from being able to leave a commercial relationship easily is, counter-intuitively, an important factor that engages people to commit initially. For Millennials in particular, the ideal of flexibility and control equates to all important value: 59% of Millennials agree that subscription based products or services offer value for money, compared to 35% overall.

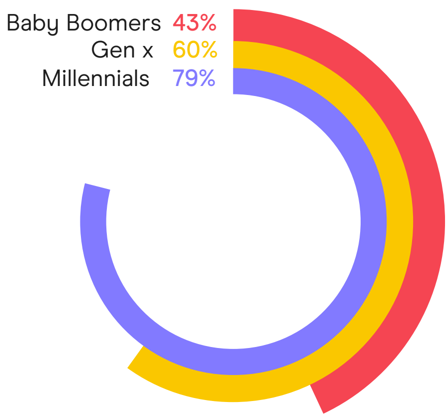
We expect that more companies will be assessing how they can introduce flexible buying options to consumers to acquire new customers, with long-term loyalty building being the ultimate goal. For example, 45% of subscription users agree they would like to pay for more products and services via monthly subscriptions rather than paying outright.

## Subscription users – key profile

Male 62%
Female 57%

77% of parents < 16s

HH income over £75k 83%
£25,000 - £34,999: 55%
Less than £18,000: 46%



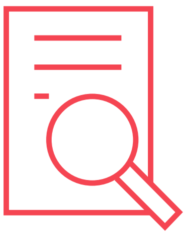

People who want to be more impulsive/ambitious - show higher interest in subscriptions

Subscription users: owning at least one paid subscription for a TV/Film streaming service, online or print newspaper, music streaming service, unlimited next day delivery service, or monthly products of a similar type.

## Voice assistants

Voice-activated assistants and voice command technology – such as Siri, Amazon Alexa and Google Home - present marketers with a potential new channel for acquisition – but in what ways can voice be appropriately applied to engage new customers? As these are still not yet accessed by the mainstream, we investigate where the potential of these technology lies.

The numbers of consumers who have used or are interested in using voice commands via smartphones to either research or buy products has increased negligibly since 2017:



*Used voice commands on my smartphone/laptop e.g. Siri, Cortana) to research an item/ product*

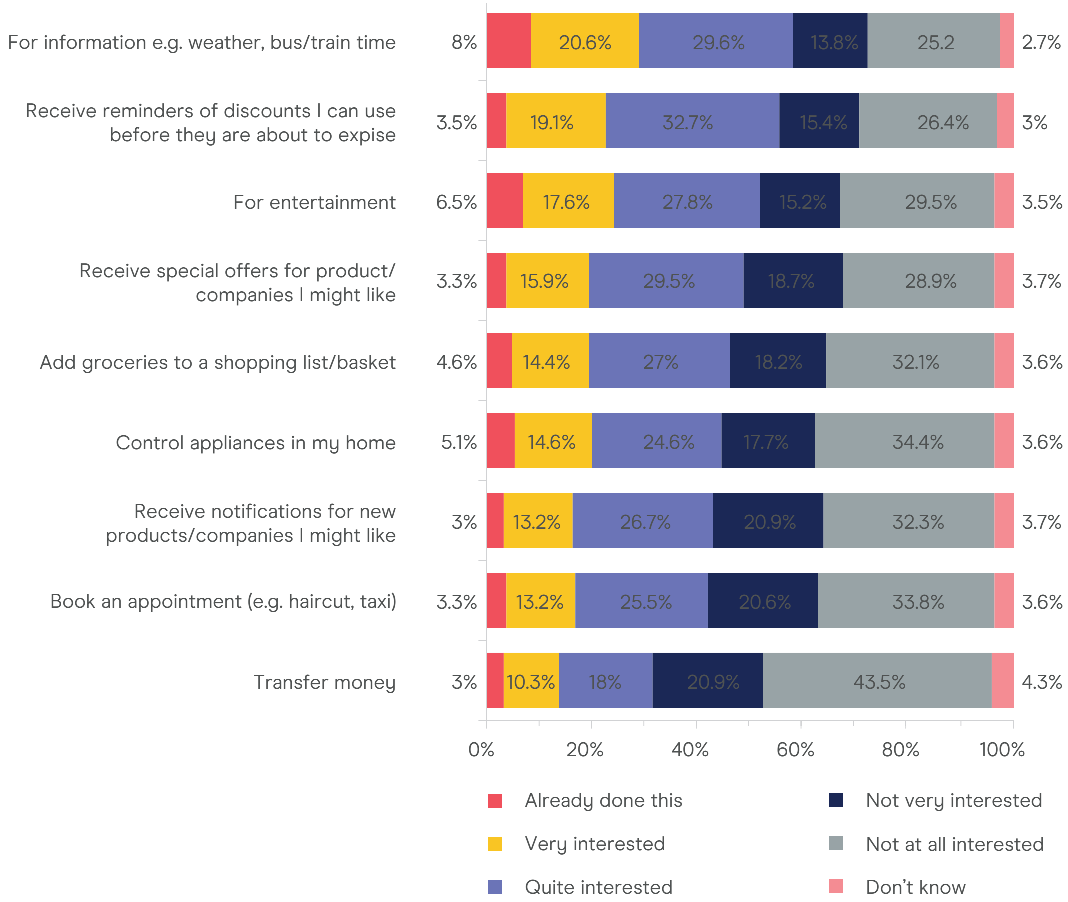
2017: 38%
2018: 40%

*Used voice commands on my smartphone/laptop (e.g. Siri, Cortana) to buy an item/ product*

2017: 32%
2018: 35%

Considering smart home assistants, 23% own or have access to one and a further 28% would be interested in owning one in the future. While a minority of consumers in the UK have an ability to use voice commands, greater numbers show interest in being able to interact with smart home assistants. Currently, consumers show greater interest in functional uses such as gathering or being prompted with relevant information. For more involved tasks such as transferring money consumers are less interested. We note that 45% of consumers are very or quite interested in using a smart assistant to receive notification for new products and companies – an indication that some consumers are willing to engage with smart assistants beyond activating commands.

How interested are you in using a smart home assistant to do the following things? :
% have done or interested




## Voice assistants: acquisition intermediaries?

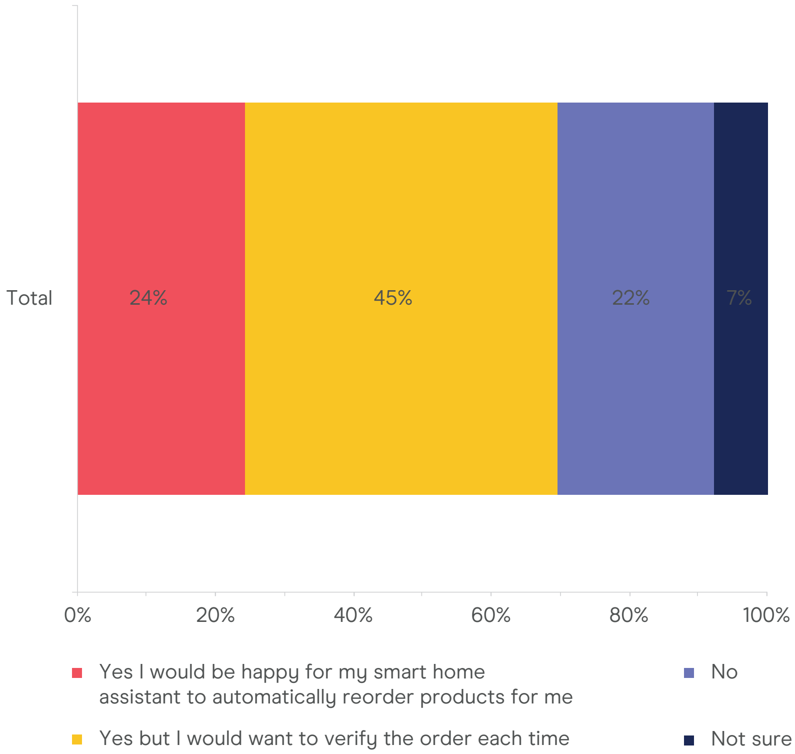
Smart assistant technologies also have the potential to seriously disrupt how brands acquire new customers by enabling consumers to employ automatic repurchasing for products they would like to buy repeatedly.

In this scenario intelligent assistants act on behalf of consumers, making purchasing decisions for them. In doing so smart assistants will potentially erase moments for brand discovery in the customer journey. In this scenario, new offers are bypassed in favour of pre-defined choices.

In this purchasing model, an important question is who defines the parameters of choice? How much will be led by the consumer and how much will be led by the smart assistant intermediary brands themselves? Much like how a supermarket retailer can decide which brands they stock, smart home assistant brands in this scenario have the same power to choose which brands they show consumers, or which brands they offer as possible to auto-purchase.

We asked consumers who own or are interested in smart home assistants how interested they were in auto purchasing basic household goods, and how much control they would like to retain in this scenario. Overall 70% of consumers who own or are interested in owning a smart assistant would be willing to auto-purchase basic household goods. While a quarter would be happy for their smart assistant to automatically reorder products for them, 45% would want to have more control and verify the order each time.

Would you be willing to let a smart home assistant automatically re-order basic household products for you on your behalf when they run out (e.g. laundry powder, coffee, toilet paper) | All who own or interested in owning smart home assistants




As a greater number of consumers would prefer to retain some control over the auto-purchasing experience, a touchpoint of verification in the customer journey could mean not all acquisition opportunities will be erased through auto-purchasing behaviours. If consumers are verifying product choices frequently there is potential that consumers could be introduced to alternative offers at this point.

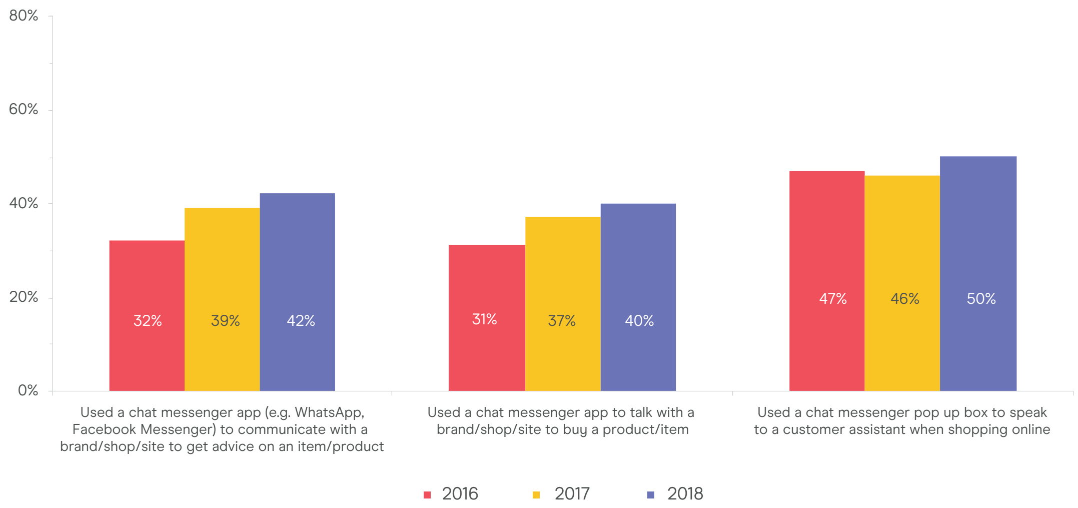
At the same time, there is also a proportion who would prefer to outsource their decision-making to their smart assistants. This presents a route for brands to lock consumers into longer-term commercial relationships by ensuring they are available to buy in this model and channel. This route also places greater control in the hands of the smart assistant technologies themselves. A larger question is whether in this model brands and companies will choose to work with smart assistant intermediaries or evolve to host their own auto-purchasing channels themselves.

## Chatbots: trends in usage

Chatbots and chat messenger services present brands and companies with the potential to interact on a one-to-one basis with customers at scale and with efficiency. In the context of acquisition using chat messenger channels can enable brands to remove barriers to purchase by offering a convenient means to answer consumers' questions and increase trust.

From a consumer perspective, rising numbers of consumers have used or would be interested in using chat messenger in various retail contexts but the rate of increase in usage/interest has slowed recently. This may be a reflection of current chatbots not meeting consumer expectations well enough.

Which of the following have you done and which would you be interested in using in the future? | done or not done and interested




When asked specifically about the use of chatbots, it is clear that there is a divide in their appeal among consumers. In 2018, a quarter have used chatbots, and a further 27% would like to. Just under half (47%) would not be interested in using a chatbot. Millennials show greater enthusiasm; 37% have used them already, and 35% would like to. Parents and those with higher incomes have used chatbots more than average, and larger numbers are also interested.

## What are the drivers and barriers to engaging with chatbots?

Among these two polarised groups of those engaged by chatbots and those who are not, we can identify some clear drivers of these differing mindsets.

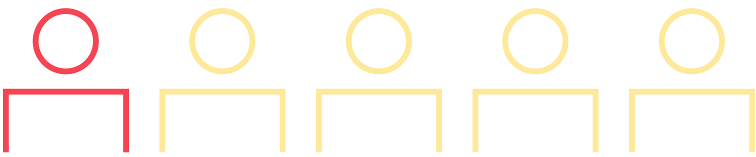
For those uninterested in chatbots, the most common reason for disinterest is that people want a human interaction (55%) followed by not wanting to try a new way of interacting with a brand 44%. For chatbots to truly engage and win over those disinterested a core criterion will be to ensure chatbots effectively and genuinely recreate a human and empathetic interaction. Too, the experience of chatbots will have to better those of other communication methods in the context of their use to attract those currently disinterested.

## Virtual and augmented reality: Improving transparency and emotional engagement

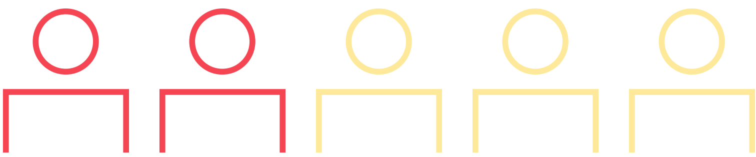
Virtual reality (VR) and augmented reality (AR) can broaden the ways consumers experience new products. VR and AR can speak to consumer needs for greater transparency from brands when researching purchases. AR, in particular, gives brands the potential to create scalable and tangible product experiences and to infuse digital interactions with greater emotional engagement.

So far it is a minority of 20% of consumers who have used virtual reality to test a product rising to 40% including those expressing interest in doing so. Trended data show that use of VR to test products has remained stable compared to 2017.

### Used VR to test a product

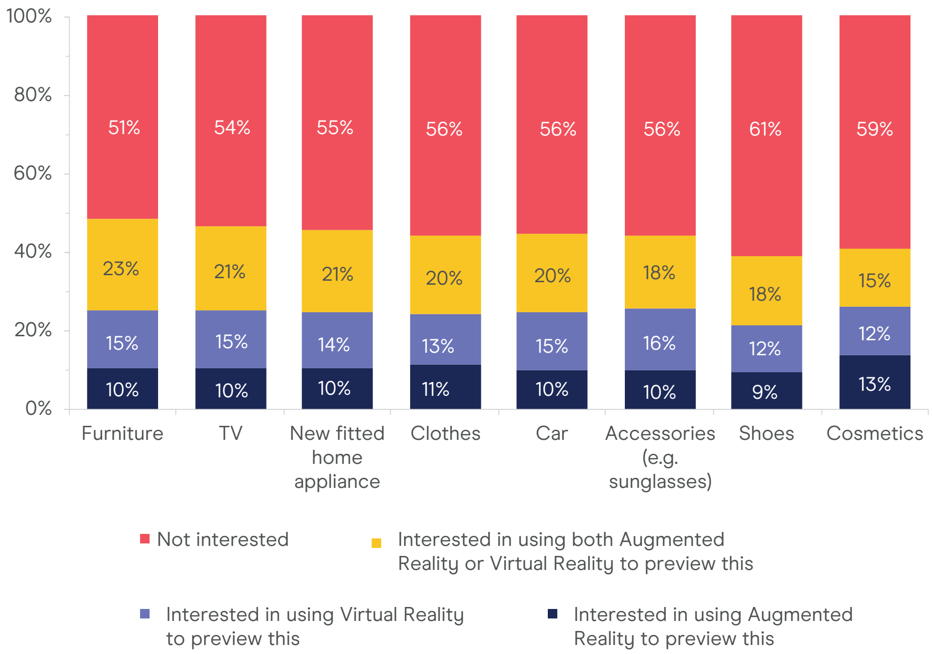


### Used or interested in VR to test a product



A significant minority of consumers show interest in using VR or AR to test several different product types however the strongest interest lies in testing furniture with half of consumers interested. For all product categories, younger consumers show significantly higher interest; 66% of Millennials would be interested in using VR or AR to test furniture, for example.

When shopping, which of the following products would you be interested in previewing using Augmented Reality or Virtual Reality technology (via a web tool, app or in-store technology) so you could see how they looked e.g. on you or in your home? | excluding those who do not buy following products



# / Methodology

In June 2018, Foresight Factory conducted, on behalf of the DMA, an online survey of 2,016 respondents exploring public attitudes towards the future of customer engagement. Unless referenced, all data included in this report is taken from this survey. For this research, Foresight Factory set interlocking nationally representative quotas on age, gender and region.

This ensured the sample was representative of the UK population. Weighting was also applied to further ensure a nationally representative sample. The analysis of the data was conducted in-house by Foresight Factory's quantitative analysis team.

## Impact of GDPR on this survey

The overwhelming majority (90%) of consumers who took part in this survey claimed they were aware of GDPR regulation. 86% said they were aware of receiving messages about privacy policy updates from brands/companies in the last three months from time of surveying, 72% were aware of receiving messages from brands/companies about consenting and opting in to allow them to continue messaging them

# / About our sponsor

## Campaign sponsor

Pure360 is a marketing technology company providing email and personalisation solutions for eCommerce. Put simply we help eCommerce and marketing professionals achieve better results.

Providing UK marketers with an unrivalled combination of a powerful, data-driven Marketing Personalisation Suite (Pure360 Marketing Suite) and an industry-leading Maturity Model we are focused on accelerating customer results across email, mobile, web and social.

We deliver best in class results for over 1,400 customers across the eCommerce, Retail and Travel sectors. Pure360 customers include Tetley, innocent, Park Holidays, Ultimo, Blue Bay, Patisserie Valerie and Wagamama.

Our Maturity Model delivered through our best practice framework and account managers, is proven to take brands through a marketing maturity journey; helping them to improve customer lifetime value, enhance their customer experiences and drive deeper brand engagement.

# / About the DMA

The Data & Marketing Association (DMA) comprises the DMA, Institute of Data & Marketing (IDM) and DMA Talent.

We seek to guide and inspire industry leaders; to advance careers; and to nurture the next generation of aspiring marketers.

We champion the way things should done, through a rich fusion of technology, diverse talent, creativity, insight – underpinned by our customer-focussed principles.

We set the standards marketers must meet in order to thrive, representing over 1,000 members drawn from the UK's data and marketing landscape.

By working responsibly, sustainably and creatively, together we will drive the data and marketing industry forward to meet the needs of people today and tomorrow.

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