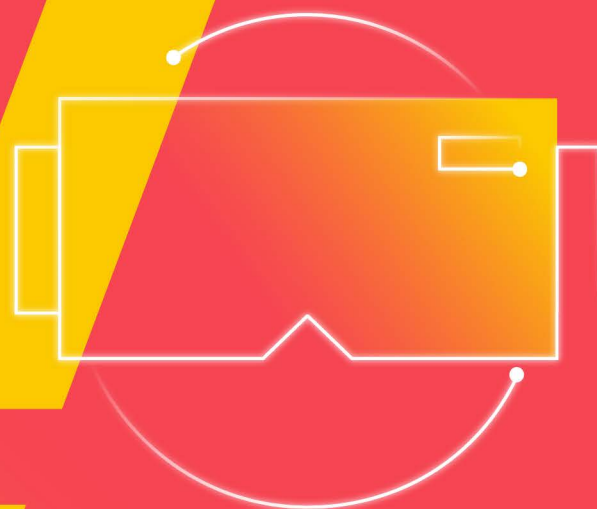# Facing the Future: How Consumers and Brands View New Technology

2019

Customer Engagement

DMA
Data &
Marketing
Association

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/ Introduction

The future is already here. According to the DMA's Customer Engagement research, consumers are starting to accept the technology that brands have been implementing for some time. Yet marketers are feeling a measure of anxiety about how to invest in new applications and optimise their use.

Just over a third of budgets (36%) are allocated to trialling new technology according to our poll of marketers. More encouragingly, only 13% of organisations don't appear to have a pot of money in place to test innovations in customer engagement. Size of business seems to count, with just 18% of small firms able to invest compared to 38% of medium-sized organisations and 37% of larger companies.

Chatbots, smart assistants, and augmented/virtual reality are popular among roughly half of consumers. A healthy proportion of marketers are keen to capitalise: for example, 54% already use and will continue to use chatbots. It's now up to brands to offer their customers the opportunity to experience the benefits these new technologies can bring. Consumers and marketers agree that there is an array of advantages to be had from innovation. These range from improvements to customer service to an improved try-before-you-buy experience of new products or services, across sectors.

It's important for readers to realise that it's still early days for these future-facing marketing applications. In this report, we highlight the opportunities on offer, balanced with insights about which innovations are already popular and where improvements must be made. We also reveal some examples of best practice from organisations in the vanguard of bringing the technology to market.

As organisations ramp up investment to try to get the best out of new technology, it will be fascinating to see which developments struggle to gain consumer buy-in and which killer apps manage to build mass-market appeal.

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

/ Foreword – Pure 360

A marketer's job is never quite done. The quest for the best technologies to improve customer engagement strategies, and ultimately help revenue, is one that rolls on. While future trends and technologies will certainly provoke excitement , it can feel like there's a constant need to catch up. This is particularly true as the pressure o stand out above the competition grows, so understanding where to start is sometimes the challenge. Driven by the pace of change, both in terms of innovation and customer expectations, there is always going to be something new and shiny to consider investing in.

As this report goes on to highlight, the future is not short of options. The likes of AR, VR, chatbots and smart home technologies have been talked about for some time now, but as they become more sophisticated, the role these can play in customer service and the broader brand experience is more evident. Added to this, consumers are becoming more open to some of these trends that are showing their value in improving the customer experience.

Understandably, marketers will want to see how they can benefit from implementing these technologies within their own strategies. It may be tempting to invest in the latest and most innovative piece of technology because others are, but brands need to be clear on the strategic benefits it will offer. Having a sophisticated piece of technology is all well and good, but without knowing how to use it, access to support, or a true understanding around their individual business and customer needs, technology isn't going to be effective in delivering ROI, relieving the pressure points, or driving long-term loyalty.

For the technology to be truly effective, it should enhance the lives of consumers and ultimately encourage them to purchase. Recognising what's important to them, their preferences and behaviour and what's going to spark their engagement further, are all critical considerations when looking to future investment. With the right technologies marketers will be in a stronger position to take the right steps to activate their audience based on the way customers currently shop with them.

This report should offer inspiration and encouragement to marketers around the opportunities and potential the future holds for boosting customer engagement. With more businesses investing in trialling and testing technologies, the next 12 months are set to be exciting for marketers and consumers alike.

Establishing what is going to fit with the customer base, and continually evaluating performance and ROI will ensure marketers are making the right decisions for their business and longer-term consumer-brand relationships.

Komal Helyer
Marketing Director at Pure360

Future interest in technology

Marketers estimate around 36% of their marketing budget is spent on testing or trying new technologies.

Even more encouraging is that 13% of organisations don't appear to have any defined testing budget, clearly allowing for future innovation of customer engagement programmes.

Delving into the marketers' business size, it emerged that medium-sized businesses invest the most (38% of their marketing budget on average) in testing new technologies, followed by very large enterprises, which, on average, invest 37% of their marketing budget.

What percentage of your marketing budget is spent on testing customer engagement new technologies/strategies? (This does not include staff costs)
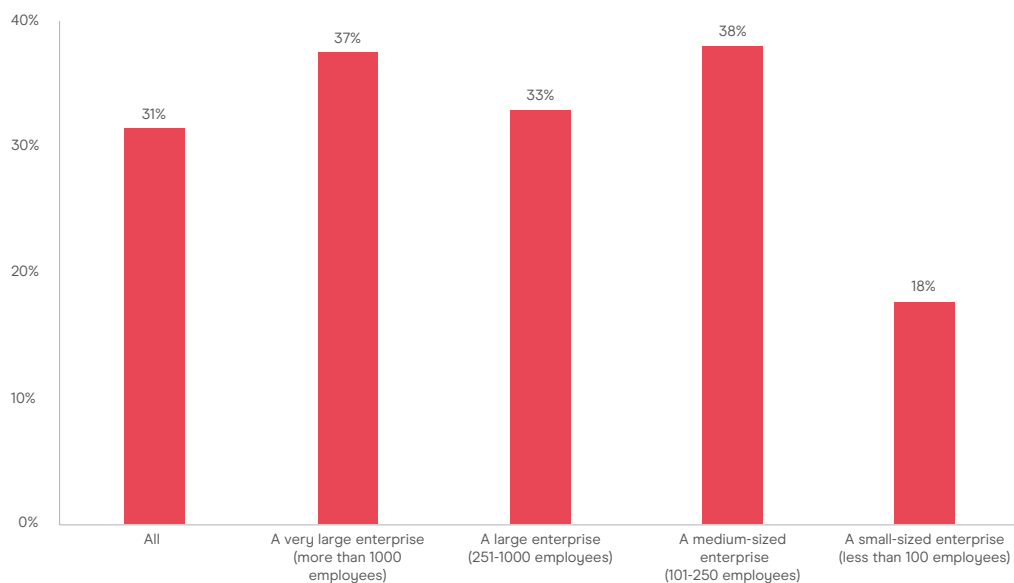
In particular, over the next five years, marketers are looking at ways to 'chat' with customers with ease 'powered' by humans (36%) and chatbots (37%), as the technologies that they expect to use more in the future.

Although there are a wide range of possibilities according to marketers surveyed. Indeed, 34% expressed their intention of start using augmented reality (AR) technology to allow customers to test products and 33% are keen on developing voice activated smart assistant.

Over the next 5 year, how do you expect the use of the following customer engagement technologies and strategies to change?
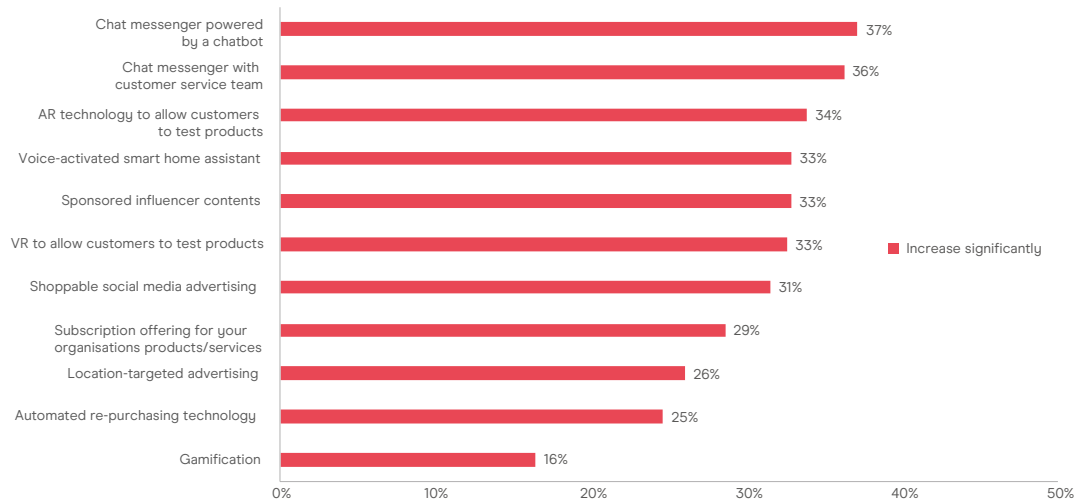
In this report, we will explore these technological opportunities in more detail; looking at what interests consumers and marketers, what the opportunities and the challenges are, and how they can be embraced.

In order to create a complete and robust data base, the report has been built incorporating data on industry trends explored and analysed by Foresight Factory. Specifically, the reported data has been collected through a representative sample of the +16 UK population between 2016 and 2018.

/ Chatbots

Opportunities

Marketers and agencies have been getting excited about chatbots for some time, and now it appears a majority of consumers feel the same.

As of 2018, almost a third (31%) of people claimed to have engaged with brands they were customers of using chatbots at least once a month. Men are more likely to have done so (36%) than women (26%).

Overall, 52% of customers have either used a chatbot at least once,or would like to use one – that's a majority showing interest in the technology, even if though it's not yet widely available across all brands and sectors.

Virtual service

While marketers are used to hearing consumers requesting more human interaction to supportbrand engagements, a large proportion of people already believe chatbots can help with aspects of customer service that would previously have been dealt with in conversation with a brand representative:

- 50% used a chat messenger pop up box to speak to a customer assistant when shopping online
- 42% used a chat messenger app to communicate with a brand to get advice on an item/product
- 40% used a chat messenger app to talk with a brand to buy a product/item

Conversation platforms

Customers are also interacting with chatbots via a range of devices, widening the opportunities for brands to talk to their audience using different channels:

- 25% of customers prefer talking to a chatbot on a laptop
- 17% use their smartphone
- 15% choose a desktop computer
- 9% opt to interact on a tablet

Marketer uptake

The proportion of marketers who have already used and are keen to continue using chatbots (54%) - and those who aren't interested (46%) - is similar to the amount of customers who like or would like to interact with them.

Which of the following strategies and technologies has your organisation used as part of its current customer engagement programme

■ We do & will continue/
Don't but would like to in the future

■ We do & won't continue/
Don't & would not like to

54%

46%

Chat messenger powered by a chatbot
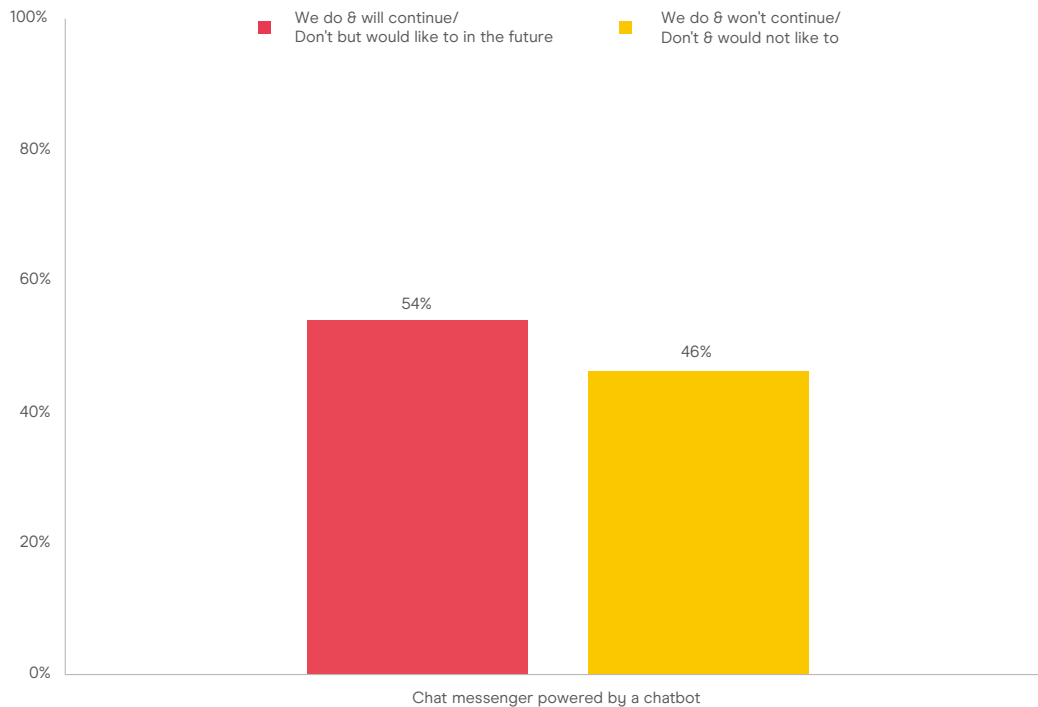
Organisations that have used chatbots can clearly see the range of opportunities this technology has to offer:

- To send offers to customers (52%)
- To deal with customer complaints in the first instance (49%)
- Allow customers to get product information (46%)
- Give customers delivery information (39%)

It would seem there is interest in developing chatbot technology to cover an array of customer service activity, yet still resistance about employing them among a large minority. And, as we'll discover, there are lots of perceived challenges behind this anxiety.

Insights

Humanly possible?

Of those marketers who are yet to use chatbots, 44% believe their customers would sooner speak to a human. In fact, 55% of customers who refuse to use the technology said lack of human interaction was a key factor in their resistance.

This proves many consumers expect natural human-like interactions across all channels, vindicating sceptical marketers. As technology continues to improve and AI marches on, this factor is unlikely to kill chatbots. But it will be important in shaping chatbot-driven services that truly appeal to and cater for consumers.

That means imbuing chatbot scripts with human empathy and a tone of voice that reflects not just a brand's values but also the nature of the specific conversation taking place. This will be key, as 74% of consumers admit they would sooner complain about a product or service to a human rather than a chatbot.

The opportunity is to develop a range of empathetic touchpoints, from context-and mood-sensitive greetings to recommendations based on a customer's underlying motivations. People will quickly see through commercial interactions that aren't laced with human sentiment. In other words, a majority already want chatbots but aren't yet convinced about their ability to deal with their enquiry personally and efficiently.

Combining chatbots with a stand-by human service element could help, with a real person monitoring conversations and stepping forward to help if a chatbot interaction turns tricky. It will be important for brands to consider how to respond to "messy" human situations – where a customer has complex needs. At that point, it'll be crucial for the brand to know whether chatbots can clear up a problem, or if the additional emotional intelligence of a human customer service team is needed.

Be real, in real-time

Consumers may soon grow tired of a chatbot conversation that only refers to previous transactions and doesn't understand the customer's current need. Premium personalisation must also recognise and reflect someone's real-time mood and desires. Brands will require ways to analyse and respond to signals instantaneously to fulfil these customer needs.

We're already seeing nascent mood-monitoring technology take up the task. Even less glamorous, more formal brands are beginning to venture out of their corporate comfort zones to interact more informally with customers using social media channels – in real-time, using a human tone to make people feel valued and their issue taken seriously.

Derisking debranding

If tone and timing are built as firm foundations for any chatbot-led operation, developing an emotional connection should be the next step. Take voice interaction. Penetration of voice-based assistants such as Amazon's Alexa and Google Home continues to grow, but the "character" of the respondent robot will need to develop if we're to remain rapt with this form of brand communication.

As we've seen from general interest in chatbot technology, consumers are coming to expect AI-driven interaction but will want human conversation. Tone of voice will therefore also need to reflect brand identity – one way around the risk of "debranding" where consumers order based on a generic term and the assistant is free to choose which brand to promote.

That will also extend outside the home and organisations must consider how to use voice in other contexts, such as Out Of Home engagement or terminals located inside transport hubs, and leisure and entertainment facilities. If consumers continue to buy into AI approaches they will want to interact on their terms – wherever and whenever they want.

New tricks, old troubles

Finally, it's worth noting that this brave new world is pegged back by traditional problems: fear of change and cost. Almost a third of marketers (30%) question whether chatbots really would work. Just under a quarter (24%) think budget is an issue to trying out the tech.

Meanwhile, 31% are anxious about the level of complexity involved in installing chatbot platforms – and 27% say their inertia is caused by the great comfort they take in existing, effective channels. If it isn't broke, why fix it?

## CASE STUDY: WaterAid - chatbot as charity champion
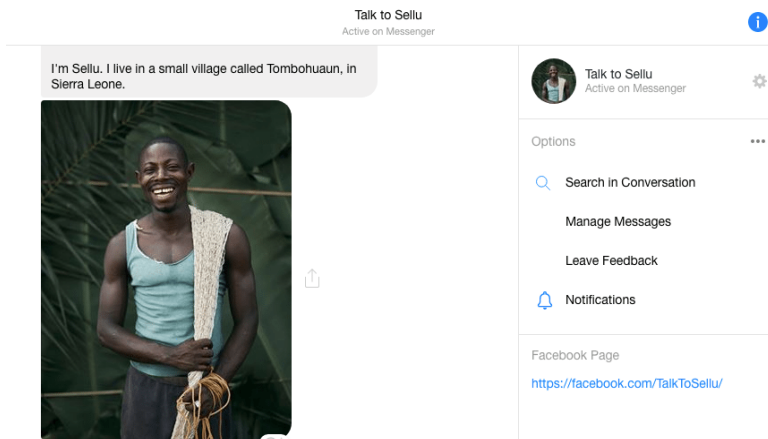
WaterAid launched a Facebook messenger chatbot in 2018 to support its fundraising drive.

The campaign "Talk to Sellu" strikes with the depth of its storytelling. Potential donors were given access to visual stories via videos and stories describing how Sierra Leone villager Sellu was positively impacted by the charity's work.

The execution went beyond answering basic questions about how to donate and what the money is used for.

CASE STUDY: SPIXII – simplifying insurance
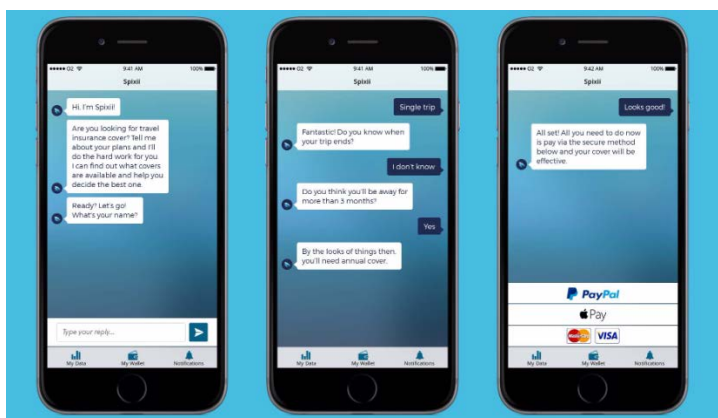
SPIXII was launched as a chatbot that has the ability to make insurance more accessible. By combining emotional intelligence with algorithms, it's designed to personalise the customer's insurance experience, simplifying the act of updating a policy or getting a quote in an efficient and engaging way. It good example of how offering a more intuitive way for customers to interact with insurers can provide a quicker, more tailored service.

/ Smart Home Assistants

Opportunities

Like chatbots, a small majority of consumers are interested in smart assistant technology. Some 23% own or have access to one and a further 28% are keen on buying one in the future. UK consumer adoption stacks up well against other countries, with 27% ownership in both the US and China, and 15% in Germany.

In terms of use, consumers are interested in consulting smart assistants for:

- Reminders of discount use deadlines (52%)
- Information - transport times, weather, etc. (51%)
- Entertainment (46%)
- Receiving special offers (46%)

Meanwhile, home control is becoming of greater interest as people's trust in the technology grows. For instance, a total of 32% of consumers said they were quite or very interested in remote locking systems for their home. There was slightly more interest among men (37%) than women (29%), and younger respondents were considerably more open to remote locking than older generations.

Similarly, uptake of controlling household appliances remotely via an app is growing: in 2018 it was 44%, compared to 34% in 2016.

Finally, 44% of people expressed their interest in smart heating systems to automatically adjust their home temperature.

Which of the following strategies and technologies has your organisation used as part of its current customer engagement programme?
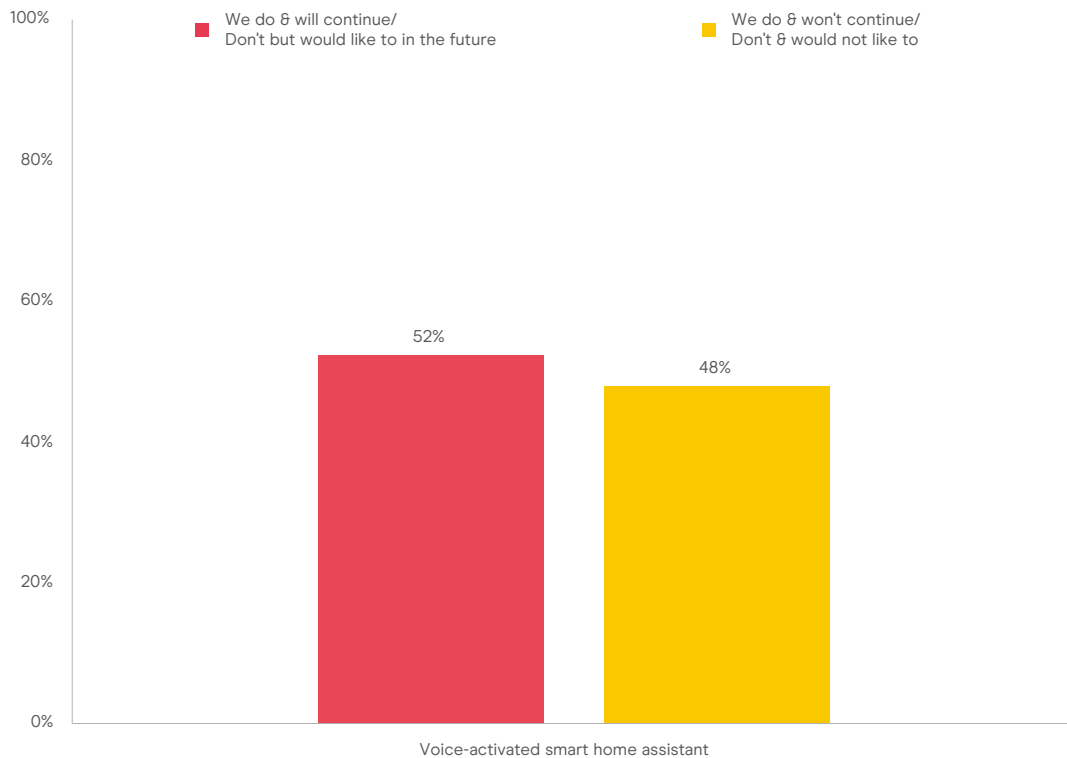
Marketers seem quite divided when it comes to developing their customer engagement strategies through smart home assistants: 52% have used them already and are willing to keep using them – 48% didn't or won't use them.

Insights

Smart home improvements

Consumers don't just want a device that will suit them in the here and now. They are demanding technology that can update itself regularly, just as they've come to expect from the software on their laptops and smartphones.

The most valuable products on the market will be those that reset based on emerging technology and to continually offer new solutions, rather than bringing out a new model people must invest in learning every year. Creating this post-purchase positivity will be crucial to selling smart home products in the Internet of Things era.

Renewable reassurance

Linked to the above is brands' ability to alleviate customer anxiety. If a product can proactively prove it is the best on the market by solving problems and providing support for people across a range of categories, the value of their purchase will be implicit.

They won't then be compelled to shop around and replace or upgrade to another smart assistant brand, because they won't feel there is anything better on offer. Provide a constant stream of new, improved reasons to believe their investment was worth it.

Beware debranding

Again, there's a danger that brand choice will be determined by the intermediary – not by the consumer or even the brand. This is a real headache for many brand owners. The way shoppers search online is already becoming debranded: just 12% of people use brand names while seeking food products, and that figure drops to only 3% in home, clothing and healthcare.

Obviously, brands need to ensure consumers are searching specifically for their products. This can only be achieved with an understanding of the wider channels where people are exposed to the brand message, leaving a brand trusted and front of mind.

Cupboard control

A majority of consumers still baulk at the idea of AI platforms automatically ordering or re-ordering household products on their behalf. Asked whether they would be happy to let a smart home assistant replenish items that had run out, only around a quarter (24%) said yes.

Some 45% also agreed but with the caveat they would want to verify the transaction before it was finalised. A further 29% either refused or were unsure. Clearly, consumers are not ready to cede complete control of household shopping to automation just yet – but there is a certain level of interest in evidence.

CASE STUDY: Neos protects the home
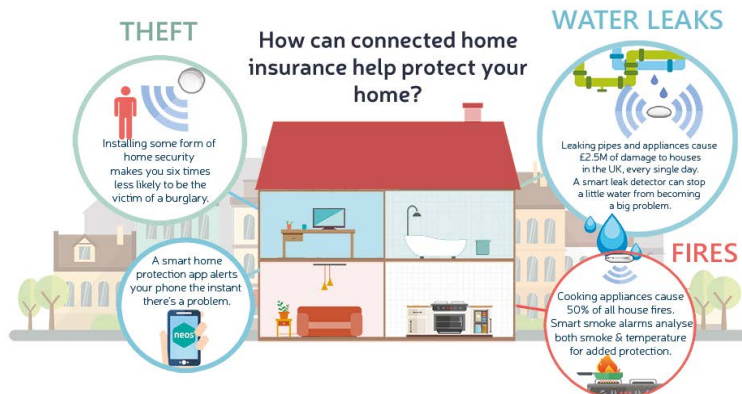
A recent start-up of the year award winner, Neos combines technology and 24/7 assistance to offer customers an insurance policy specifically for their smart home. Not only does it provide comprehensive cover, it provides protective measures from motion sensors to smoke detectors, factoring in threats as basic as water leaks and fire but also cyber-attacks.

CASE STUDY: Sprout's tasty offer for kids' mealtimes

Sprout, an organic baby food brand, launched an Alexa skill – Sophie Sprout – encouraging children to eat healthily. It can play up to nine songs about nutrition and allows kids to explore sound effects such as planes and trains that are linked to their spoon. The brand has been able to extend its relationship with parents beyond store checkouts and become a partner in mealtime activity.
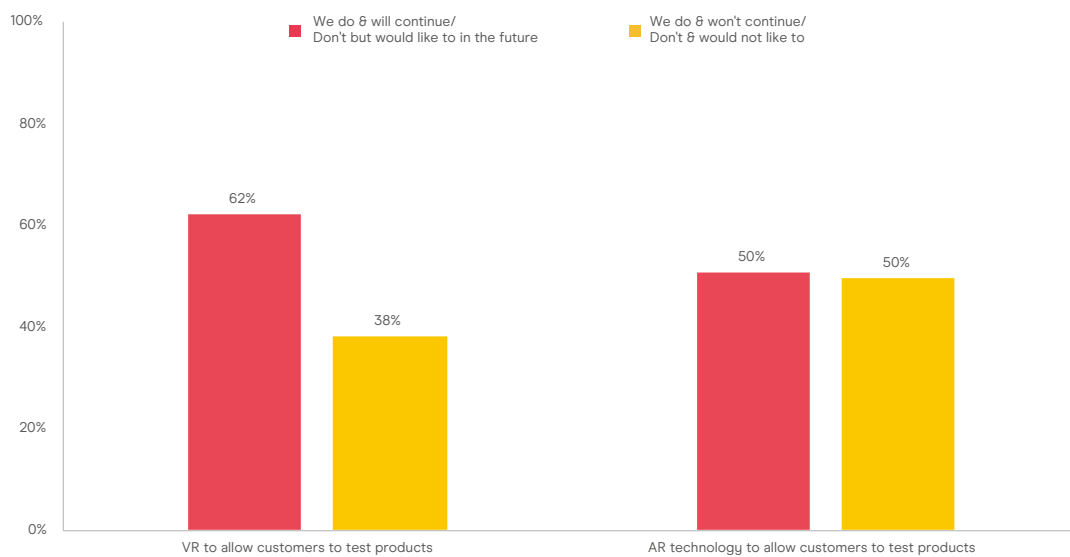
/ Augmented and Virtual Reality

Opportunities

Although Virtual Reality (VR) has been held up by technology companies as the future of marketing, uptake among consumers remains stubbornly low. Just a fifth of respondents used VR in 2018, with penetration flat compared to 2017.

However, when offered a combination of VR and Augmented Reality (AR) to trial or preview products and services, consumers were more enthusiastic across a range of categories. For example, a total of 48% would happily use VR or AR as part of their research for new furniture. The totals for TV (46%), white goods (45%) and cars (45%) weren't far behind.

Which of the following strategies and technologies has your organisation used as part of its current customer engagement programme?

Legend:
- We do & will continue/ Don't but would like to in the future
- We do & won't continue/ Don't & would not like to

	We do & will continue	We do & won't continue
VR to allow customers to test products	62%	38%
AR technology to allow customers to test products	50%	50%

On the flipside, marketers seem more willing to continue investing in VR. Almost wo thirds (62%) have used or are interested in using it, compared to 50% who responded favourably to the same question on AR.

Insights

Understanding new realities

Consumers are still getting to grips with the growing number of realities on offer. As with chatbots and smart assistants, take-up is around 50/50. It's understandable that there is some confusion as virtual adjustments can be dialled up or down depending on marketers' campaign decisions and the technology being used.

Despite this lack of clarity, plenty of people are willing to try everything from VR headsets to AR apps. Foresight Factory predicts that by 2022, 45% of UK consumers will have used a VR headset. AR is currently more accessible, yet all forms of "new" reality would really benefit from the development of a "killer app" that made the technology mass market.

Controlling communication

While VR is used for complete immersion and AR takes advantage of a physical backdrop to show consumers how a product can fit into their everyday lives, the exact marketing opportunities for brands remain unclear.

Will customers be able to filter out types of reality and block brand comms using the new technology, just as they do now with ad blockers?

Brands should consider mitigating this risk by paying close attention to how the experiences they are offering integrate into people's real lives. They could take advantage of opportunities to partner with popular AR filters, for example, or develop a deeply appropriate presence on emerging VR platforms to boost visibility among their target audience.

Most of all, ensure benefits and experiences promised in alternative realities translate to wider brand comms. Integrate AR and VR into the shopper journey – before, during and after purchase – for maximum effect.

Gauging and engaging customers

AR and VR have obvious applications for product previews and purchases. Both help consumers to better imagine how a product will look in the real world, be that in their homes, offices or even on their bodies.

Brands are beginning to trial virtual try-at-home services: a smart way to give customers an experience while decreasing their personal risk should they make a purchase. Remember to reassure as well as wow with technology, whether a commodity or high-value purchase. Even after purchase, brands can add value by providing virtual tags allowing customers to read information and advice using AR.

CASE STUDY: Alzheimer's Research shares sufferer's reality
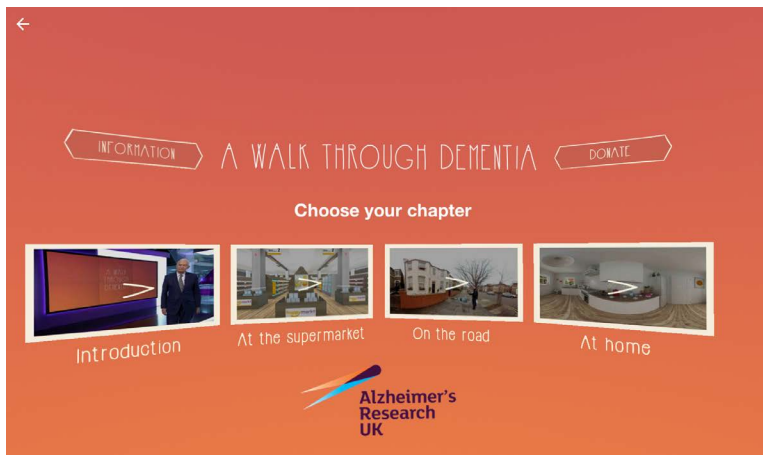
Alzheimer's Research UK developed VR, Google Cardboard film, "A Walk Through Dementia", designed to put the viewer in the shoes of a sufferer. Viewers are taken through a typical day of a patient in and out of the home, and are shown common symptoms. The charity wanted to increase understanding of, and sympathy for, dementia in a more powerful than watching a 2D film would.

CASE STUDY: Bareburger bares all to diners via AR menus
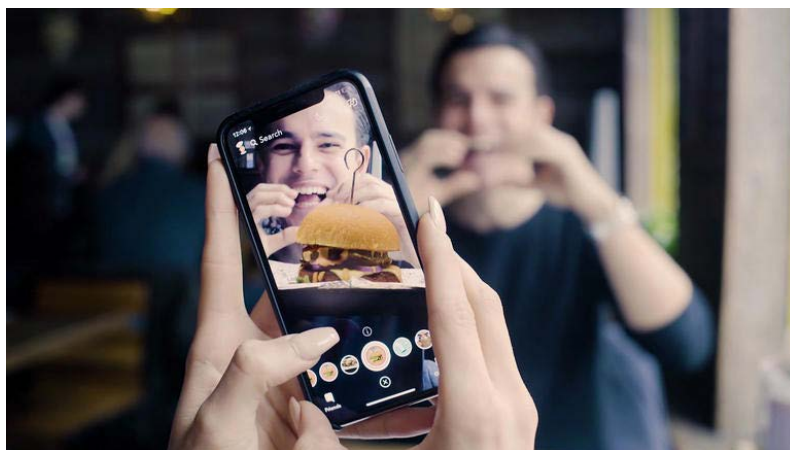
Restaurant chain Bareburger and Kabaq showcased every dish on its menu in 3D using AR. Customers can interact with the menu and view their food choices from in 360 degrees. Seeing an item from all angles brings the food to life before eating, encouraging orders and enabling increased customisation.

/ Gamification

Opportunities

Some 44% of consumers admit having personal goals is important to them. This presents huge opportunities for brands to use technology to spur people on to smash their targets.
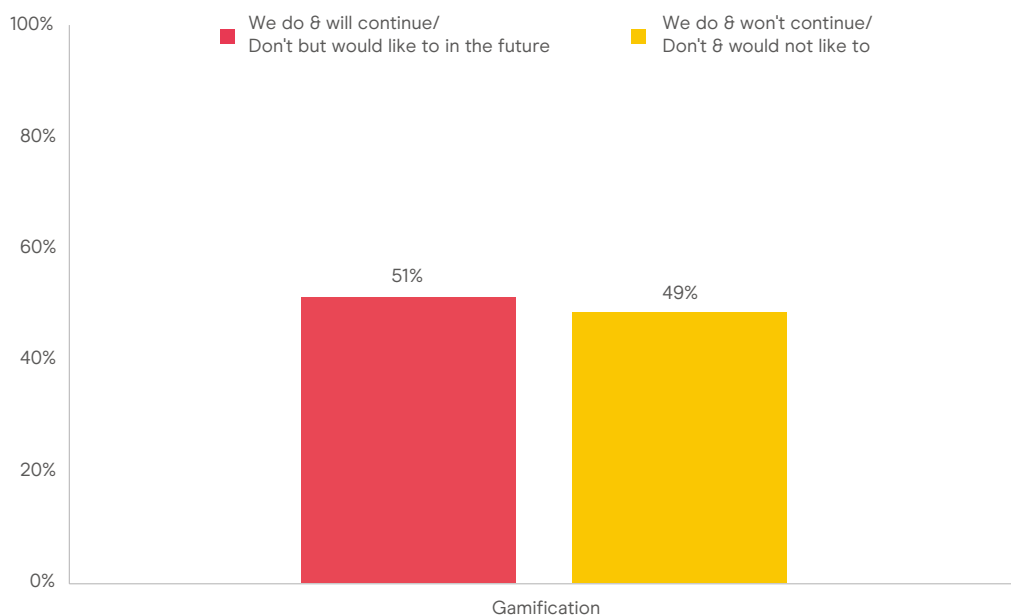
Vast numbers of us track our habits using apps, from smoking and calorie counting, to budgeting and exercise. Consumers are keen to turn this information into something meaningful.

More than a third (38%) said they would use an app that sent them workout challenges to complete each week. A similar proportion want help setting a weekly budget, with the by-product of encouraging saving.

Brands can tap into these aspirations and make experiences more fun or, where appropriate, competitive. After all, almost half of brand customers (46%) told us they would be happy to receive gamified challenges to complete in exchange for rewards, but only 29% currently have access to these types of app. This is despite 50% of our marketing panel telling us they had used or are interested in developing gamification strategies for customer engagement.

Gamification is an opportunity to form habits and build long-term relationships with customers as a brand becomes and indispensable part of their lives.

Which of the following strategies and technologies has your organisation used as part of its current customer engagement programme?

Legend:
- We do & will continue/ Don't but would like to in the future
- We do & won't continue/ Don't & would not like to

Gamification: 51% / 49%

Marketers seem quite divided about their interest for gamification: 51% have used it already and are willing to keep using it – 49% didn't or won't it.

Insights

Fit into consumer routines

Once a brand has hit upon the areas it can help with for example, fitness or finances, the next task is understanding how to assist their aspirations. Relevance can only be achieved by fitting into people's existing routines. That means promoting in the places they spend time, in order to be considered, and inviting them to take up a challenge. Research on consumer attitudes and needs, consequentially, is a key component of this strategy.

Above all, help consumers set realistic targets that suit their lifestyle, and remember to talk up the rewards on offer.

Make rewards relevant

After a hard week building up their number of steps taken or making tough spending choices, customers will want to be given meaningful rewards. These can come in the form of instant rewards, such as vouchers or gifts, or totting up points towards a bigger prize at a later date as people "level up".

It's also important to recognise individual achievements, showing customers they are not just treated as a number. For example, completing a 10k run could be rewarded with a free gait analysis or money off new sportswear.

Gamify the checkout

Adding fun at the moment of purchase, when they need to be given an incentive, is also a good way to encourage people to buy and come back for more. Where once checkout was strictly about transactions, it's now being used for other activities that can push consumers to buy and pay for more.

Indeed, setting customers challenges for instant rewards and discounts allows brands to highlight other items on sale. Experiment with "now-or-never" discounts, "buy now or regret later" messaging and requests for feedback that offer tangible rewards.

CASE STUDY: North Face creates rewarding two-hour hike

North Face opened a pop-up shop in the Italian Alps that was only reachable via a two-hour hike. The brand's Pinnacle Project invited "rebellious spirits to unite in exploration through outdoors, fashion, design and music". On reaching the pop-up, visitors could buy iconic collectors' items donated by famous explorers complete with a personal message to inspire the new owner. Proceeds were donated to mountain conservation.

CASE STUDY: North Face creates rewarding two-hour hike

Monobank launched a Sport Deposit savings account promising higher interest for fitness fanatics. An initial interest rate of 21% would be maintained for healthier, active customers, but was almost halved if individuals failed to complete 10,000 steps per day. The mobile banking service wanted to prove its commitment to improving health in its native Ukraine which, according to the World Health Organisation, has the second-highest coronary heart disease death rate in the world.

/ Methodology

'Customer Engagement 2019 – Future trends 2019' is an initiative undertaken by the DMA in partnership with Pure 360 and the DMA's Customer engagement committee.

The report brings together data from the 'Acquisition and the consumer mindset 2018' and the 'Customer Engagement 2018: How to win trust and loyalty' reports.

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 based on age, gender and region. This ensured the sample was representative of the +16 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.

In the current report we also referred to the 'Customer Engagement 2019: Marketers' view' report. The research was conducted in November 2018 via an online survey of 228 UK marketers. Respondents represented a range of department types, sectors and career levels.

Of those answering the relevant question, 25% worked in B2B marketing, 27% in B2C, and 48% worked in both B2B and B2C. In addition, 42% were from senior positions, 30% from mid-level and 28% junior roles.

Moreover, the DMA Insight department conducted desk research on industry trends using the Foresight Factory's FFonline platform: most of the reported data has been collected through surveys conducted between 2016 and 2018.

Finally, the report was written and designed by the DMA Insight department and in-house design team.

If you have any questions about the methodology used in the report, you can contact the DMA's research team via email: research@dma.org.uk

/ About the DMA

The DMA represents the UK's data and marketing industry, and a DMA membership is a recognised badge of accreditation.

Membership will help you grow your business alongside our network of more than 1,000 UK companies. You will access a suite of services, including complimentary legal advice and lobbying, industry leading research and insight, and IDM training courses.

Our members connect at regular events that inspire creativity, innovation, and responsible marketing, while upholding a code that puts the customer at the heart of all we do.

We are proud to lead the data and marketing industry towards new standards for customer centric business practice, creativity, and innovation.

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/ About our sponsor

Pure36O

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

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