



The experience revolution

Digital disappointment – why some customers aren't fans

IBM Institute for Business Value

Executive Report

IBM Digital Strategy & iX

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Digital CX adoption – not a slam dunk

Companies are betting they'll reap significant benefits by digitally transforming their customer experience (CX). This is only possible, though, if customers adopt these new digital experiences, and our findings reveal that a sizable portion of consumers aren't enthusiastic about making the switch. Indeed, we found that many executives do not fully understand why consumers would be willing to try new digital ways of engaging with their companies. Two-thirds of executives have underestimated the role generational differences play in digital adoption, and too often digital CX initiatives have failed to meet customer expectations. Companies need to embrace their customers' point of view with empathy and boldly reimagine experiences that resolve true pain points, not just digitize customer interactions. Otherwise, they risk jeopardizing their digital investment and their brand.

Executive summary

Who doesn't hate waiting in line? Americans, for example, spend an astonishing 37 billion hours each year doing it.¹ So, when Amazon recently announced Amazon Go, its new grocery store concept that eliminates the dreaded checkout, it rocked retailers' world. Thanks to a complex set of capabilities, which Amazon refers to as "Just Walk Out Technology," customers scan their smartphones as they enter the store, select the items they want and simply leave. Their Amazon account is automatically charged when they exit, and a receipt is sent to their Amazon Go app.² The first store is being tested in Seattle with employees only, but already the concept has created quite a buzz.

Certainly, Amazon is far from the only company trying to apply digital technology to create breakthrough customer experiences. In fact, companies across sectors are launching a dizzying array of digital initiatives aimed at improving customer experience (CX). For instance, 85 percent of surveyed companies plan to offer mobile payments by this year. Seventy percent expect to introduce Internet of Things (IoT) capabilities, like connected cars or appliances. And 59 percent are implementing data-driven virtual showrooms. Executives are moving forward aggressively with digital CX because they believe it will result in substantial benefits to their business – improving their customer service, as well as their ability to capture customer data and customer insights.

Top reasons consumers are disappointed with companies' digital CX:



1. Didn't work as expected



2. Not convenient



3. Hard to use



4. Too confusing

Of course, success depends on customers adopting these new ways to engage and transact. But how eager are they, really, to experiment with new digital capabilities? Are customers even aware that companies are launching these digital initiatives?

Although we are well into the digital era, not all consumers are digital enthusiasts. In fact, we discovered that reaping the benefits companies seek may be more difficult than many executives realize. This report, part of our “Experience revolution” study series, reveals three serious misconceptions and disconnects between companies and consumers:³

- Companies are launching digital CX initiatives without fully understanding what would motivate their customers to try them.
- Executives have miscalculated the extent to which generational differences can affect consumers' interest in digital CX.
- For many consumers, their initial experiences using digital CX have been disappointing.

Why the misalignment? Despite the common refrain that companies need to be customer centric, they are still struggling to put this approach into practice. To win with digital CX, we believe companies must think big to create experiences that solve fundamental customer problems. Amazon's checkout solution, for example, doesn't just make a problem more tolerable, it eliminates it! But reimagining the experience is only part of the solution. Companies also need to bring their innovations to market by clearly highlighting benefits that resonate with customers, which may require a rollout strategy that includes plans for different customer segments.

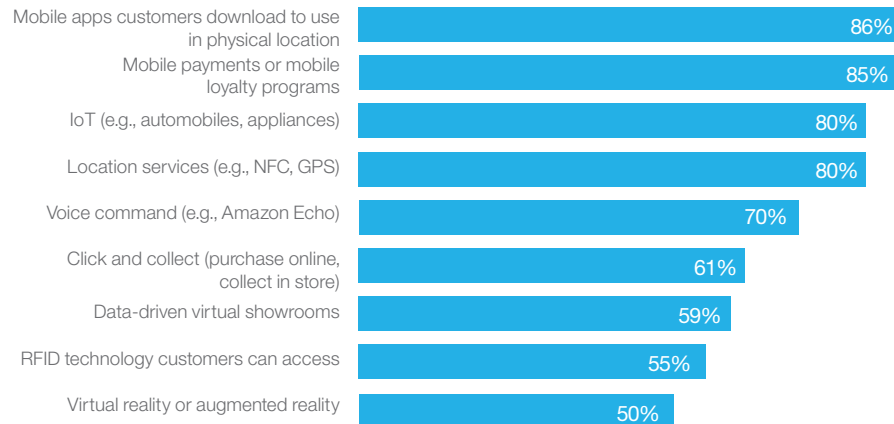
Executive enthusiasm – placing bets on digital CX

As we observed in the first report of this study series, “The game is on,” today’s disruptive business environment is driving companies to explore innovative ways to attract new customers and increase market share.⁴ As a result, companies are transforming their CX with new digital initiatives that have the potential to significantly change how customers will interact and transact with them. Executives surveyed are aggressively implementing a wide variety of digital technologies – from mobile payments, to augmented reality, to screenless interfaces that use voice command (see Figure 1).

Figure 1

Digital transformation of the customer experience: Companies are eagerly implementing a variety of digital initiatives

Percentage of companies implementing digital CX initiatives

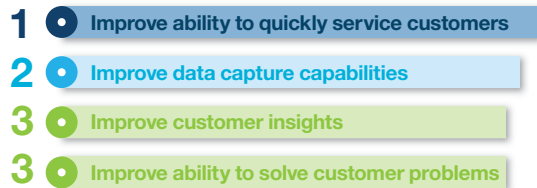


Source: “The experience revolution: The game is on,” IBM Institute for Business Value, n = 338.

Figure 2

Digital desires: Top benefits that executives believe digital CX will deliver

Executive ranking of top digital CX benefits



Source: IBM Institute for Business Value, n = 600.

Note: Multiple instances of the same ranking number represent a tie.

Executives are enthusiastically launching these initiatives with high hopes that their shift to digital CX will deliver powerful, positive results for their business. They are expecting digital CX will enable them to service customers more quickly and improve their ability to solve customer problems. They are also looking forward to their digital interactions generating new sources of data that will enrich customer insights (see Figure 2).

However, securing the benefits of digital CX may be more difficult than companies realize because, as our data illustrates, there are serious disconnects between companies' and consumers' expectations for digital experiences. We uncovered three areas where these miscalculations are particularly acute:

- Executives have misunderstood why consumers would be willing to try businesses' digital CX applications.
- Executives have underestimated the role generational differences play in consumer adoption of companies' digital CX applications.
- For many consumers, the initial experiences they have had using companies' digital CX applications have been disappointing.

Misunderstood motivations

How consumers interact with nearly any type of business often comes down to habit. People shop at the same grocery for many of the same items each week. To check into a hotel, they go to the registration desk. They pay for purchases with a credit card. After a few experiences, they discover what works for them and what doesn't, and they instinctively repeat these patterns. Why, then, would customers, particularly those who have been engaging and transacting the same way for years, if not decades, be open to doing something different?

The answer to this question should inform the foundation of a company's digital CX transformation strategy. So, we asked executives to tell us which factors they believe drive customers' willingness to try new digital CX initiatives. Most cited customers' need for more control and convenience and the desire to self-serve to avoid human interaction. Also at the top of their list was customers' digital savvy, the notion that consumers' comfort with digital technology, in and of itself, naturally draws them to use digital alternatives for engagement.

We then asked consumers the same question: Why would they be willing to try new digital initiatives to interact with businesses like retailers, hotels, airlines, banks or their mobile carriers? We listed the same factors that we presented to the executives and asked consumers to select the ones that mattered most to them.

When we compared the executives' ranking against the consumers', the results were alarming. With the exception of "convenience," all of the executives' top picks were near the bottom of the consumers' list. Consumers are far less concerned about who is in control, or whether or not someone assists them, so long as they get the results they want with speed and convenience. Saving money is another important consumer concern that executives significantly underestimated. Being digitally savvy, to consumers' way of thinking, is not a motivator for engaging digitally. Technology for technology's sake has little appeal, as further evidenced by the fact that consumers listed curiosity dead last (see Figure 3).

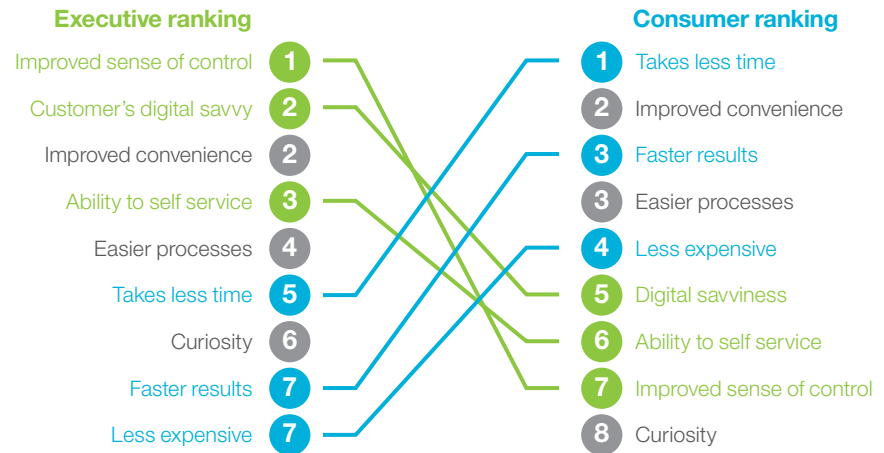
“Seeing the world through the eyes of the customer is not always easy. Yet it is vitally important. A team can amass all the money, talent, and technology in the world, but without also considering the customer’s perspective, any innovation risks failure.”⁵

Mark Hurst, founder and CEO, Creative Good

Figure 3

The big disconnect: Executives and consumers are seriously misaligned

Factors driving customers’ willingness to try companies’ digital CX initiatives



Source: IBM Institute for Business Value, Executive survey n = 600; Consumer survey n = 5,895.

Note: Multiple instances of the same ranking number represent a tie.

Since CX became a discipline more than 20 years ago, many executives have tried to put themselves in their customers' shoes emotionally. Yet, even with mountains of customer data at their disposal, executives are still susceptible to projecting their needs onto their customers with an inside-out point of view. Executives may be quite clear why they want to move to a more digital CX. But, unless they fully understand why their customers would change their current behavior to experiment with new digital experiences, companies risk designing initiatives that miss the mark.

Age matters, still

Age can be a sensitive topic when you're talking about digital acuity. On one hand, you don't want to stereotype people based solely on their age; instead, you should treat customers as individuals with the flexibility to engage with you using the channels they like best. On the other hand, it is important to be aware of the different characteristics and needs of each generation. The hype, of course, has mostly been about Millennials as the digital natives. Yet, as we move deeper into this digital era, older generations continue to increase their use of digital.⁶ Given businesses' intense focus on digital transformation, it is easy to see how executives would feel that we have all adopted a digital mindset by now.

In fact, when we asked executives if customers' age would determine how quickly they'd adopt digital CX, only 38 percent said age would have an impact. The remainder, which comprised the majority of respondents (62 percent), said age wouldn't make a difference (32 percent) or that they weren't sure (30 percent). However, our findings reveal executives have significantly underestimated the role that generational differences play.

Consider consumers' enthusiasm for the latest digital innovations. While almost two-thirds of Millennials are keen to see how companies will use digital to engage customers, less than half of Generation X and only 39 percent of Baby Boomers feel the same way (see Figure 4).

To further test the impact of age on adoption, we asked consumers a series of questions about specific types of digital initiatives that companies are employing to transform their CX. The initiatives we posed to consumers aligned to the list executives say they are implementing. We grouped these digital CX initiatives into three categories: Those that consumers would use to learn about a product or service, get assistance, or order or purchase a product or service.

We asked consumers if they had used any of these digital CX initiatives. Were they even aware companies were introducing them? And if they were aware, how interested were they in trying them?

Figure 4

Digital anticipation: Millennials are much more excited than Generation X or Baby Boomers

Percentage of consumers who are excited to see how companies will use digital CX technologies



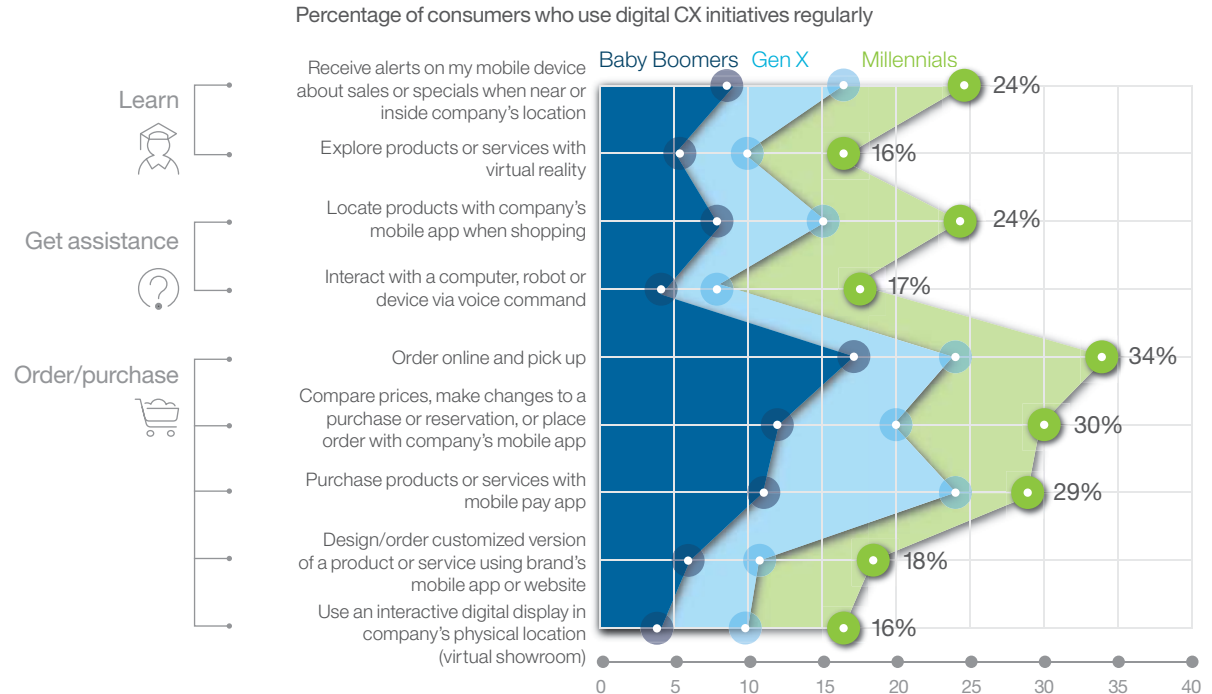
Source: IBM Institute for Business Value, Consumer survey n = 6,618.

Regular use

For each initiative in each category, Millennials are far more likely than Gen Xers or Baby Boomers to use companies' digital alternatives to engage and transact (see Figure 5).

Figure 5

Digital adoption: Millennials are much more likely to have adopted a variety of digital CX initiatives



Source: IBM Institute for Business Value, Consumer survey n = 6,618.

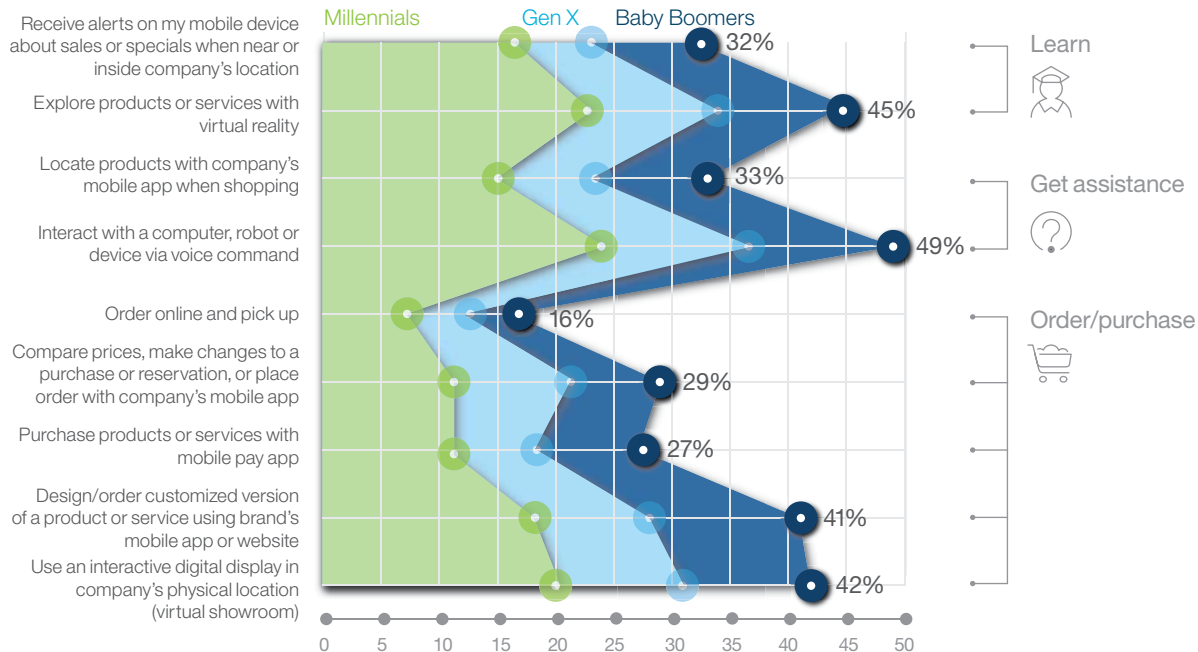
Initial awareness

Baby Boomers, more so than others, often don't even know companies are launching these digital CX initiatives. Millennials, on the other hand, are far more tuned in to the innovations companies are introducing to make engagement more digital (see Figure 6).

Figure 6

In the dark: Baby Boomers are more likely to be unfamiliar with companies' digital CX initiatives

Percentage of consumers who are not familiar with examples of digital CX initiatives



Source: IBM Institute for Business Value, Consumer survey n = 6,618.

Interest in trying

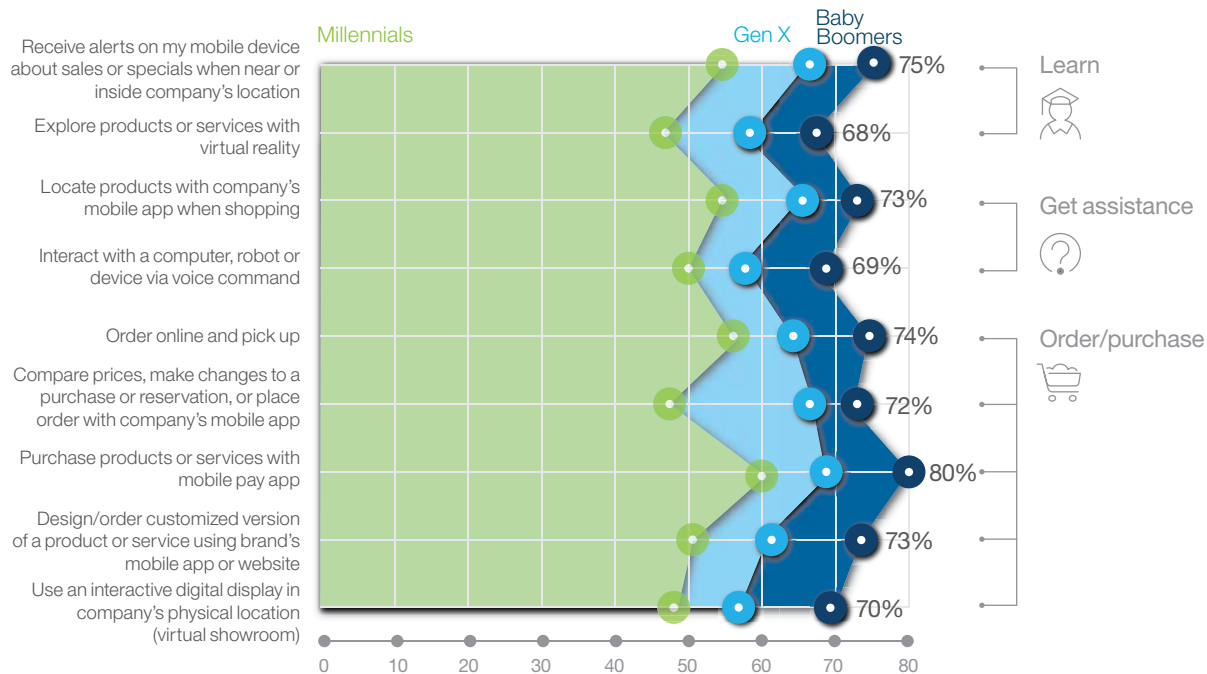
Even more troubling than Baby Boomers' lack of awareness, however, is their indifference. A portion of consumers in our survey said they were familiar with these types of initiatives but hadn't yet tried them, and we wanted to know why. Was it because they weren't interested in doing so? Or were they interested, but the opportunity to try these digital alternatives wasn't available at the stores, banks, hotels or other businesses they frequent?

Indeed, an overwhelming number of Baby Boomers in this group – as many as 70 to 80 percent in some cases – were simply not interested enough in the digital CX initiatives to try them. Despite the fact that 39 percent said they were eager to see what companies do with digital CX, they, themselves, were not inclined to experiment with new ways to gather information, ask for assistance, place an order or make a purchase. The majority of Gen Xers – almost two-thirds – were also uninterested, though to a lesser extent than the Baby Boomers. Even roughly half of the Millennials who answered this question indicated a degree of apathy. Apparently, the longer people have been using traditional channels to interact with businesses, the less interested they are in changing (see Figure 7).

Figure 7

Indifference: Lack of interest, not lack of availability, is why so many Baby Boomers and Gen Xers haven't tried digital CX

Percentage of consumers familiar with these digital CX initiatives, but not interested in trying them



Source: IBM Institute for Business Value, Consumer survey $n = 1,875$ to 2,449.

The lesson here is that even though we are well into the digital age, and the pace of change is accelerating, eager adoption of digital CX by all should not be assumed. Companies that simply launch new digital points of engagement and expect customers to flock to them are putting their investment at risk, especially if there are significant numbers of customers who aren't inclined to shift to digital on their own.

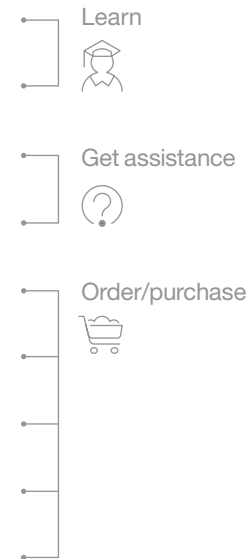
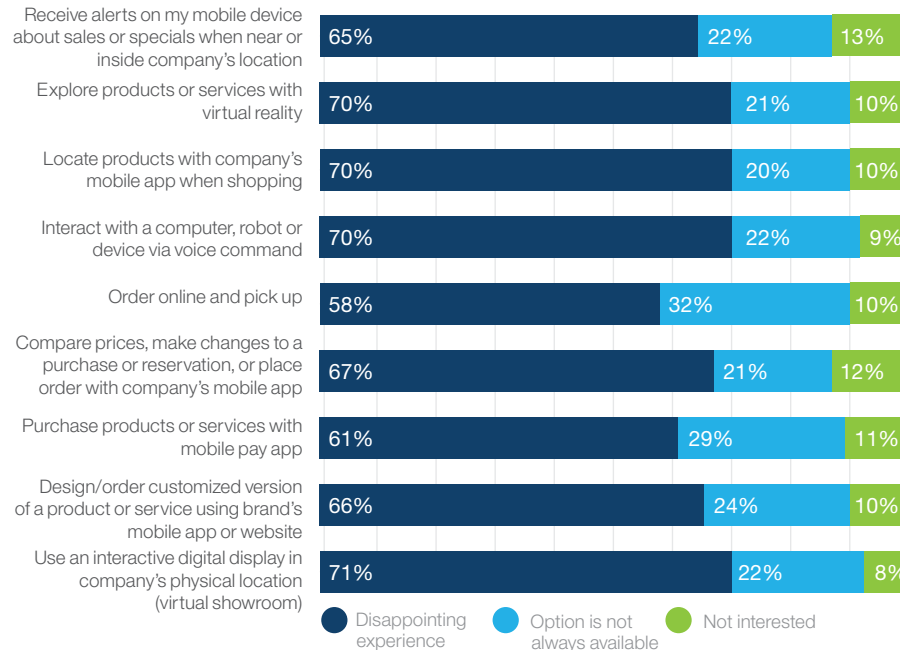
In fact, any digital CX transformation strategy should include a comprehensive understanding of different customer segments' unique needs, purchasing behaviors, attitudes and emotions. Segmentation has fallen out of fashion as personalization becomes more viable with advanced analytics. But building empathy for distinct types of customers through practices such as Design Thinking and persona development is an invaluable part of the digital CX transformation process. Having this insight helps companies further refine their approach with micro-segmentation and, when coupled with personalization, enables them to zero in on what customers truly need from digital CX and the different types of marketing strategies that can help them get engaged.

Unmet expectations

We also analyzed the results from the portion of consumers in our sample who had tried businesses' new digital experiences but decided not to adopt them for regular use. When we asked why, it wasn't because most had lost interest, or the option wasn't available, but that their initial experiences had been disappointing (see Figure 8).

Figure 8

Digital downer: Most consumers who tried digital CX, but didn't adopt it for regular use, said it had disappointed them
Percentage of consumers citing why they didn't adopt digital CX after trying it



Also interesting was how similarly the different generations responded to this question. Among this group of consumers – those who had tried digital CX – age was not a factor. These consumers all felt comfortable enough with the technology to see how it would work for them. But, regardless of age, far too many found the initiatives lacking.

Further, the reasons for consumers' disappointment were varied, but the answer that resonated most with respondents was "it didn't work as I expected it to." Considering that consumers' expectations are being set by digital leaders like Google, Amazon, Apple, Uber and others, the bar is high. Companies need to clearly demonstrate the functionality and communicate the benefits of their digital CX so customers understand precisely what they can do and why they should give it a go.

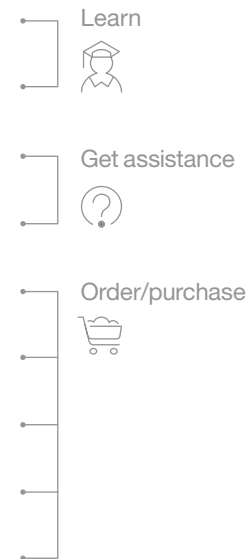
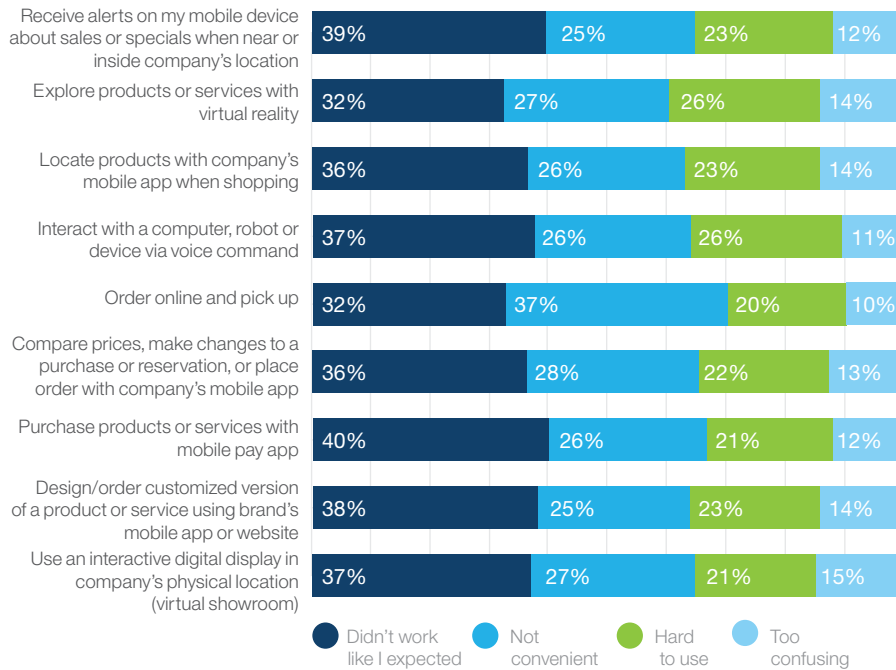
Consumers also cited inconvenience as a reason for their disappointment. Given that convenience is one of consumers' top motivators for trying digital CX, this is a deal breaker. Other responses included "hard to use" and "too confusing." Customers have little patience with digital alternatives that seem to be more trouble than the traditional interactions they are used to using (see Figure 9).

Like store windows, digital first impressions matter. If your digital experience falls short of expectations for any reason, even interested customers may be slow to adopt or, worse, refuse to give you a second chance. It's important to remember: The easiest thing for customers to do is continue to do what they have always done.

Figure 9

Breaking down digital dissatisfaction: Consumers' expectations aren't being met

Percentage of consumers citing why they were disappointed using a company's digital CX initiative



Source: IBM Institute for Business Value, Consumer survey 922 to 1,321.

Recommendations: Turn digital disenchantment into delight

Design digital experiences to meet customer expectations, not your own

It may be tempting to launch digital technologies that work around the margins of your CX and provide incremental improvements, especially if you have legacy systems, processes and regulations that you believe limit how much change you can introduce. But if your digital CX doesn't eliminate underlying customer pain points, getting consumers to adopt digital will be difficult – especially if they don't perceive it to be faster, easier or more convenient than traditional channels. Use this transformation as an opportunity to reinvent your CX – from the customers' point of view – and make it a game changer.

An example of “working around the margins” is self-checkout in retail. If customers' root motivation for using self-checkout is speed, it isn't always the best option. Lines can still be long. Scanners can be wonky. Associates often need to be called to complete a purchase.

Whereas Amazon's approach – removing checkout completely – establishes an entirely new model for the shopping experience, with excellent potential to deliver the business benefits companies are seeking from digital CX.

Analyze customers' root motivations, desires and pain points

Assuming that you instinctively know what drives customers to change their behavior can lead to misconceptions and misdirected initiatives. As our data demonstrates, Millennials, Gen Xers and Baby Boomers, generally speaking, have different levels of interest in digital CX. Recognizing that not all customers may be eager to adopt digital CX is an important step. But, your customer base will always include people within each generation who defy the norm. This is why having a detailed, multidimensional understanding of your customers, including their propensity to use digital, is essential. By applying advanced analytics and cognitive technologies to synthesize both structured and unstructured customer data from a

variety of sources, you can build a nuanced profile of your customers that will help you determine the right digital CX initiatives to invest in and the best approach for customer adoption.

When a large North American telecommunications company wanted to reduce operational costs, it toyed with the idea of charging customers to place a call to customer care. But, recognizing this was not a customer-centric approach, and would only introduce new customer pain-points, the company instead invested in online customer service capabilities that would make it easier for customers to get the information they needed. But how to gain adoption? Taking an analytically driven approach, the company combined unstructured data gleaned from recordings of customer service calls with structured data from traditional telecom sources like billing records to develop an online service propensity score. Based on this analysis, the company determined that this propensity score could be used to indicate which customers would need an incentive to use the new online tools.

Make customer utility and simplicity the core values of your digital CX transformation

Due to the outsized influence of companies like Apple, Facebook, Google and other digital leaders, customers have already formed ideas about what engaging or transacting digitally with your business might be like. Conduct thorough research to understand what these expectations are and iteratively test your digital experience with customers to make sure it provides the utility they want and is simple and elegant to use.

When Uber launched, the simplicity of its app's user interface helped drive mass adoption. The real genius was showing customers where their Uber vehicle was in real time, along with an estimated time of arrival. This feature eliminated two of customers' top anxieties: Where is the car, and how long will I have to wait?

Design marketing strategies aligned to the specific needs of your customer base

When you launch your digital CX initiatives, it is vital that you clearly promote the benefits that customers value, such as time savings, convenience and faster results. However, the campaigns and channels you employ to convey these benefits could be quite different. This is an instance when segmentation and personalization can both be put to good use. Those customers who aren't especially motivated to try digital CX may need additional communications, demonstrations or incentives. The digitally savvy may require less hand-holding, but even they need to be informed and enticed.

For example, when a U.S. mobile wireless provider wanted to improve sales to customers through its direct acquisition channels, it developed a needs, attitudes and behavioral (NAB) segmentation and used machine learning to assign each potential "prospect" to a NAB segment. Then, the mobile carrier personalized the messaging and call center scripts used for each prospect such that each received exactly the right selling points. The result was a 50 percent higher sales conversion rate over traditional targeting methods.

Ready or not? Ask yourself these questions

- Do the digital CX initiatives you have introduced (or are considering) truly address customers' pain points, or have you designed them principally with internal ("inside out") considerations in mind?
- Is innovation in your company limited by the experiences offered in traditional channels, by legacy systems, regulations or conventional wisdom? How can you break through these barriers to design experiences that change the game?
- What analytics are you tapping to understand why your customers would be willing to embrace your digital CX over traditional channels?
- What types of experiences do your customers expect your digital CX technologies to deliver, and how can you ensure you exceed these expectations?
- How are you making customers aware of your new digital CX initiatives, and how do you determine if different segments within your target market(s) will require separate go-to-market strategies?

For more information

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- 2 Introducing Amazon Go and the world's most advanced shopping technology. YouTube. <https://www.youtube.com/watch?v=NrmMk1Myrxc>
- 3 Data findings in this report are based on two 2016 online surveys from the IBM Institute for Business Value. The first survey was issued in partnership with The Economist Intelligence Unit (EIU) to 600 CEOs, CMOs and other members of the C-suite, including Chief Customer Officers, Chief Digital Officers, as well as line of business executives in China, Germany, India, Japan, the United Kingdom and the United States. Industries represented include banking, retail, telecommunications and travel, each with a business-to-consumer (B2C) focus. All participating companies are currently engaged in the reinvention of their customer experience by introducing new digital ways for customers to engage and transact with them. The second survey was issued in partnership with Survey Monkey to 6,618 consumers in the same countries listed above, who responded to questions about their attitudes and experiences as customers with one of the industries addressed in the executive survey. Consumers' answers were then compared to executives' answers to gauge the degree to which the two groups were aligned, or not.
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