



Customer 2020: Are You Future-Ready or Reliving the Past?

Ten Years of Accenture Research Highlights Real Opportunities for Providers to Better Meet Customers' Steadily Rising Expectations



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A lot can change in 10 years, but if you ask today's customers, a lot certainly has stayed the same.

The Accenture Global Consumer Pulse Research study, which has annually tracked the intentions and actions of consumers around the world for the past decade, reveals how digital technologies have continued to reshape customer behavior and needs to the point at which all customers have become digital customers—albeit ones who move at different speeds. Yet it also shows that companies have struggled to keep pace with these changes—so much so that customers still encounter confusing web sites, staggering call center wait times, and difficulty solving their problems no matter which channel they use. It all adds up to increased customer switching that has put an estimated \$6 trillion in revenue opportunity in play globally.

What can you do to capture a greater share of that opportunity? It starts by becoming a "multi-speed customer company." Such companies have moved beyond the one-size-fits-all customer agenda. They avoid incremental improvements in favor of more impactful "do-it-differently" programs that are guided by a test-and-learn competency. And most importantly, they master an integrated approach to both analog and digital channels that match the speed and preferences of multiple customer segments. By providing interaction capabilities that appeal to traditional as well as digital-savvy customers, these companies drive customer retention and attract new customers who are leaving slow-footed competitors.

The Emergence and Evolution of the Nonstop Customer

Our research provides a window into some of the dramatic changes that have occurred during the past 10 years in how consumers learn about companies and brands, purchase products and services, and access customer service and support as part of the customer journey. For example, consumers now:

- Use more digital channels than ever—and more than you might expect: Five years ago, 78 percent of consumers used at least one online channel when prospecting. Today, 88 percent do—and four in 10 want even more digital interactions than what companies are providing.
- Look for more options—and more companies to serve them: Two-thirds said the number of companies or brands they consider for purchase has increased significantly compared with 10 years ago.
- Do greater “due diligence” before buying—the first time and the next time: Compared with 10 years ago, seven in 10 agreed they make much more informed decisions about providers. Compared with two years ago, four in 10 consumers find themselves evaluating or considering other providers more often.

- Listen more to what others have to say—a whole new definition of “word of mouth”: Compared with 10 years ago, just over half rely much more on other people’s experiences or reviews to inform their purchase decisions.
- Seek quicker resolution and fewer hassles—and if companies don’t move faster, they’ll move on: Nearly two-thirds said they use online channels across sales, marketing, and service because of their speed and convenience, while just over half said they have become more impatient and want their buying decision process to be fast with minimal effort.

As these findings show, today’s consumer model—which Accenture calls the “Nonstop Customer” (see sidebar)—is significantly different from the one of 10 years ago in many ways. While consumers have embraced digital technologies to varying degrees, digital has become more important to consumers across the board. Some consumers have completely “gone digital”—they prefer to interact with their providers via online channels at every opportunity and are loathe to be forced into conversations with humans. At the opposite end of the spectrum are consumers who still lean heavily on traditional channels, but even they are likely to use available digital channels at different times for certain activities.

Many simply generalize this as a millennial phenomenon, but it is not that simple. Most companies’ customer strategies, fueled by customer analytics, will need to change to really take advantage of it. For example, our research shows that consumers between 18 and 34 years, those who have grown up immersed in digital technologies, are two to three times more likely than consumers older than 55 to want use more digital interactions than companies currently support. Yet our experience shows that the older group is surprisingly open to adding other channels to their portfolio and is experimenting with online interactions, using a wider variety of contact channels in specific industries and to meet select needs. So, by focusing on millennials, most companies are missing an important opportunity.

The point is, the rise of digital has given consumers many more options for interacting with companies they patronize. But companies have been slow to recognize when and how these channels fit the preferences of different groups of consumers in developing or mature markets and then change their operations and strategies accordingly. As a result, they continue to fall short of consumers’ expectations and, consequently, miss out on substantial revenue growth opportunities.

The Switching Economy Has Swelled in the Past Decade

One of the most compelling findings of our research is that digital disruption has caused a steady erosion in customer loyalty. In fact, many established companies have been experiencing an ongoing exodus of customers who represent an ever-expanding amount of revenue ripe for the taking. For example, only about one-quarter of consumers in 2014 feel very loyal toward their providers or are willing to recommend them—a figure that has remained consistent throughout the past several years. This distinct lack of customer loyalty manifests itself in action: Two-thirds (64 percent) of consumers in our study in 2014 said they switched provider in at least one industry due to poor customer service—a figure that hasn't changed materially in the past five years—and six in 10 said they are more likely to switch from one provider to another compared with 10 years ago.

Switching due to poor service is especially prevalent among retailers, banks and internet service providers, which have been consistently the most likely to have the highest consumer switching rates in the 10 years of our study. It's not a coincidence these industries also have been among the most highly disrupted by digital technologies in recent years—a fact that perhaps shows what the future holds for other industries when digital penetration there becomes more pervasive.

The research also finds that partial switching, whereby consumers add new providers to complement existing ones, has remained a strong trend across most industries in the past several years, making it all the more difficult for companies to detect customer defection. Last year alone, about half of the customers who encountered a poor service experience shifted a portion of their spend from existing to new providers.

The tangible result of consumers' actions is a growing "switching economy" that accounts for an estimated \$6.2 trillion in revenue opportunity for providers across 17 key markets today—up 26 percent, from \$4.9 trillion, in 2010. Switching economy growth is somewhat more prevalent in emerging-market countries covered by our analysis, where the revenue potential rose 29 percent (from \$1.7 trillion to \$2.2 trillion) over the last five years compared with a 25% percent boost in mature markets (from \$3.2 trillion to \$4.0 trillion). Ignoring the growth potential of the switching economy means you may have been walking past a new consumer market equal to the size of China, India and Brazil combined—and it comes at a time when new sources of sustainable, profitable revenue growth are becoming more scarce. (Figure 1)

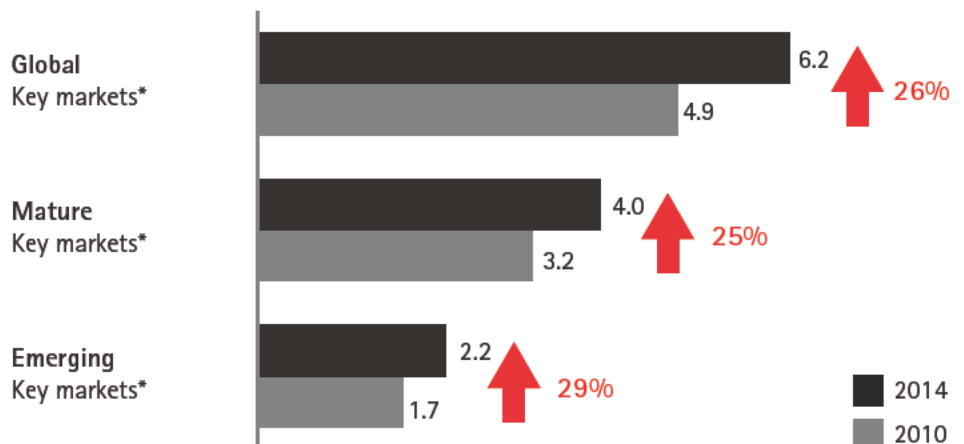
The "Switching Economy" potential and its growth rate is estimated based on Accenture's analysis of customer switching rates patterns—provided by the Global Consumer Pulse Research—as well as consumer spending evolution across utilities, communications, financial services, insurance, consumer goods retail, consumer electronics and hotels and lodging across 17 countries.

Source: Accenture analysis, based on consumer spending and market sizing forecast data (Euromonitor International, August 2014 and other sources) for countries and industries in scope. Year-on-year comparison is based on constant values and fixed exchange rate.

Countries included: Australia, Belgium, Brazil, Canada, China, France, Germany, India, Ireland, Italy, Japan, Mexico, Singapore, South Africa, Spain, UK, USA.

Figure 1. The Switching Economy has Swelled over Past Decade
Global Switching Economy estimated at \$6.2 trillion in 2014

Switching Economy – 5 year growth
(total potential estimate, in trillion US\$, constant values)



The Nonstop Customer

A customer's path to purchase used to be generally predictable, flowing through stages of awareness, consideration, evaluation, purchase, and use. However, our research shows that this traditional sales and marketing funnel has been supplanted by a new model that's driven by digital technologies. Today's customer journey is dynamic, accessible and continuous because the digital touch points consumers are exposed to are always on, and customers can constantly re-evaluate their purchase options (Figure 2).

Enabled by technology, customers expect to easily control and vary their routes within and across channels to suit their needs at any given moment. While customers move at different speeds and take different paths, every customer is now a digital customer, from the traditional customer to the digital-savvy one (Figure 3).

As a result of these trends, today's Nonstop Customers find it easier to compare a provider's promise with its delivery and how the overall customer experience meets their own expectations—and subsequently make changes if they find their provider isn't as "digitally intense" as they would want it to be.

Figure 2. The New Customer Journey

Nonstop customer model: capturing new dynamics

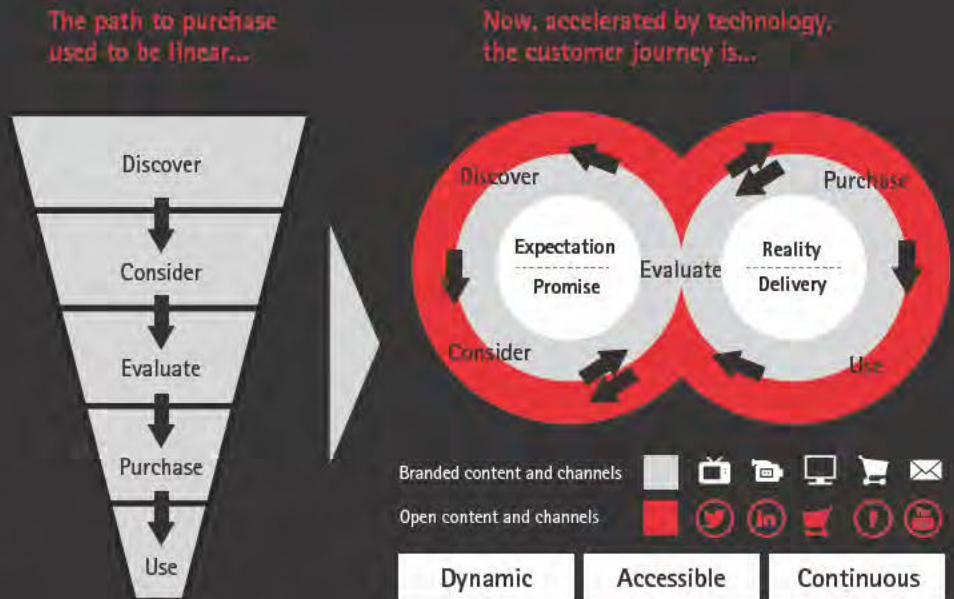


Figure 3. Every Customer Is a Digital Customer

Different Customer, Different Intensity, Different Speed



Eight Trends Highlight Providers' Struggles to Keep Pace with Consumers

Established companies around the world are not blind to what's at stake. They continue to invest in customer retention, as well as making themselves attractive to other consumers who are leaving their providers in search of better alternatives. Yet our research shows that, instead of acting, many companies are still "admiring the opportunity" that comes with consumer switching. Others may be trying hard to capture some of the opportunity, but are focusing mostly on "doing things better" (which often means doing the wrong things better).

Our research has identified eight trends that vividly illustrate the ongoing struggles companies face in keeping pace with a consumer base that seems to get further removed from them with each passing year.

Trend #1: Customers are buying less from current providers, always keeping one eye open for something new

Out of the downturn, consumer spending across most major industries and key markets has been growing in the past six years. Yet during that time, the proportion of consumers in our study who expressed their intention to buy less from their current providers has increased, indicating that most companies have failed to tap into this spending growth.

Trend #2: Companies are still inviting customers to leave by failing to improve first-contact resolution

Of the consumers who switched to another provider due to poor service, more than 80% said they could have been retained, mainly if their issue had been resolved on their first contact with the company. Yet first-contact resolution has consistently remained the top frustration factor for consumers in the past five years (generally cited by around eight in 10), and the percentage of consumers expressing satisfaction with how companies have handled it has increased only marginally since 2009 (from 41 percent to 45 percent).

Trend #3: Companies aren't capitalizing fully on their own website and other channels they control to make it easier for customers to prospect

Consumers continue to rely on multiple channels when prospecting, with the corporate website and physical outlets remaining the preferred primary source of information. Yet the impact of the corporate website and in-store information on consumers' purchase decisions has been consistently weak or declining in the past five years—despite the fact that these are channels companies can directly control—while the "voice of others" channels have become more impactful. Worse, only 14 percent of consumers overall strongly agree that companies are effectively providing a positive customer experience through convergence between new digital, mobile and social channel interactions and more traditional ones.

Trend #4: Customers still encounter significant barriers that prevent them from more widely adopting the digital service channels they want

Satisfaction with online customer service channels is relatively solid compared with traditional channels. A little over half of consumers said they were satisfied with online text chat, online video chat, and other online forums or social media channels, and exactly half said they were satisfied with the mobile channel. But consumers' adoption of digital channels as part of the overall channel mix is low due to several barriers companies have not addressed completely—including the lack of the right information provided by the channels, lack of trust in them, and lack of knowledge of how to access and use them.

Trend #5: Customers' service expectations are rising faster than companies are willing to adapt

While consumers' expectations for customer service have increased greatly since 2007, growth is slowing, which gives companies a chance to catch up. Unfortunately, the percentage of consumers switching due to poor service has decreased only slightly during that time, indicating that most companies are still not giving consumers the kind of service they want. Indeed, the percentage of consumers saying their biggest frustrations with providers—failure to deliver on their promises, inefficient and slow customer service, and lack of interaction convenience—have remained consistent in the past few years.

Trend #6: Customer loyalty program adoption is rising, but it's still not preventing customers from switching

Across industries, the percentage of consumers saying they participate in at least one customer loyalty program has increased since 2009, as has the percentage indicating such programs persuade them to stay with a provider. However, program adoption is primarily driven by the desire to gain access to the "best deals," indicating a sort of short-term loyalty that fails to keep customers committed for the long haul. While consumers stated increased loyalty due to such programs, their actual behaviors indicate they continue to leave providers at a high rate.

Trend #7: Lack of compelling offers prevents companies from winning back customers

About one-third of consumers who switched from a provider said they would consider returning within two years for better pricing or a superior product. That's the good news, and a real mindset shift for single-speed companies that miss this opportunity. But today, only about one in four consumers said they are satisfied with the pricing or product quality offered by the companies they do business with.

Trend #8: "Non-traditional" competitors are gaining ground with consumers

Globally, 44 percent of consumers would be open to consider products and services from companies that are not generally considered part of traditional industry definitions. Take Google, as an example, other Accenture research recently showed that 23 percent would consider buying purchasing insurance products from this online service provider¹ and 35 percent would consider the company as provider of in-home broadband services, should these be available.²

Taking Action to Keep and Win Customers

The preceding trends from our study indicate that companies need to stop admiring the opportunity, or doing (the wrong) things better, and use the source of their challenges—digital—as an enabler and catalyst to help them begin doing things differently to tap into new revenue growth potential. In other words, they need to adopt new customer-centric practices that can help them become a multispeed customer organization, one that acts at the same pace as consumers now act. That requires taking three fundamentally new actions:

- Striving for targeted digital experiences not simply scale. Companies need to stop chasing scale and, instead, work to improve how they interact with customers. Key to that is understanding the right mix of channels—both digital and analog—for each customer profile and developing a new front-office operating model based on customers' new needs and preferences.
- Focusing on the ecosystem versus the enterprise. Rather than continuing to emphasize the traditional "customer-to-company" model, providers need to use digital capabilities to create a seamless, omni-channel and an end-to-end customer experience across today's new relationship model—one that comprises a broader ecosystem of stakeholders including dealers, brokers, distributors, co-consumers, co-producers, influencers, and institutions.
- Investing to address the customer's needs, not the organization's problems. Instead of pursuing programs geared toward improving internal metrics, companies must strive to increase the value generated by the customer experience. This involves more sharply focusing investments and metrics on only those initiatives that are truly relevant to and desired by customers, as indicated by customer analytics.

Rethinking the business in this way could enable companies to reverse the trends they've been experiencing in the past decade: continually falling short of consumer expectations, losing customers to other providers, and missing out on significant revenue growth opportunities. With a more robust mix of digital and analog capabilities—driven by a deep understanding of what today's nonstop customers truly want and which customer-experience initiatives really create value—providers will be much better positioned to keep more of their own customers while competing more effectively for those who are looking for a better choice.

References

¹ <http://newsroom.accenture.com/news/insurance-customers-would-consider-buying-insurance-from-internet-giants-according-to-accentures-global-research.htm>

² <http://www.accenture.com/us-en/Pages/insight-new-digital-operator.aspx>

About the research

The Accenture Global Consumer Pulse Research is an annual research project that assesses consumer attitudes toward the customer experience (including marketing, sales and customer service practices) and consumers' behaviors in response to companies' practices. Accenture surveyed 23,600+ end consumers in 33 different countries via the Internet in 2014. Respondents were asked to evaluate 10 industry sectors (up to four industries per respondent).

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