

The future is frictionless

Why customer loyalty depends on a seamless journey, every time.

verizon^v

This report was produced by

FT LONGITUDE

Contents

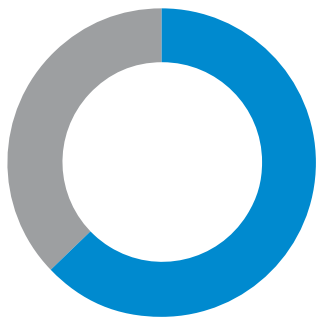
- Executive summary3
- Our key findings4
- Customers expect a seamless digital CX5
- Brands have three challenges8
- What leading organizations do differently13
- Conclusion: Emerging tech supports a seamless digital CX17
- About the research18



Executive summary

Fast, easy access to entertainment, information, communication and shopping is now the norm. By clicking a mouse, swiping their smartphone or tablet screen or even wearing a virtual reality (VR) headset, people around the world are spending more time interacting with the digital universe. Research has shown that the average daily screen time for 16–64-year-olds is now 6 hours and 37 minutes.

This has changed the way customers interact with brands, and it has raised expectations of the customer experience (CX). The result? Organizations might think they are doing a good job, but many customers are frustrated by outdated systems and processes that don't match up to the best-in-class experiences they have with other brands.



62%

of executives agree that the shift toward digital channels and AI-driven CX is having a profound impact on how consumers engage with brands.

Consumers are rejecting friction.

A seamless and frictionless customer journey is an important influence on loyalty today. Long wait times, ineffective chatbots and poor omnichannel experiences turn consumers off. And it's never been easier for consumers to shop around if they are dissatisfied. Through a quick Google search or by simply scanning a barcode, customers can complete their purchase through a competing brand as they chase the best experience and price. In such a competitive environment, how can organizations use emerging technologies to make frictionless CX a reality?

To find out, we surveyed 500 executives and 5,000 consumers across seven countries. We asked consumers aged 18 and over about the pain points they experience when interacting with brands. And we asked senior business leaders about the CX challenges they face and where they are investing to improve it.

We also drew on insights from a number of interviews. Our thanks go to the following experts:

- **Sunil Dadlani**
Chief Information Officer,
Atlantic Health System
- **Lance Koenders**
Vice President of Experience Products,
Verizon
- **Abhi Murarka**
IT Director,
Diesel
- **Gokul Nair**
Global IT Director,
Whirlpool Corporation

Some businesses are pulling ahead of the rest.

Most of the consumers we spoke to are frustrated by customer service processes. Many want faster responses to issues on all channels. Businesses are held back by the difficulty in integrating new technologies, accessing quality data, and attracting retainable talent.

Our research finds that some organizations are managing these obstacles better than others and that the top performers can increase revenue by as much as 5% in a 12-month period.

More than 70% of customers say that a poor digital experience will make them trust an organization less. So, if brands can identify and implement best practices, they will be in a better position to meet the challenges head on and create a seamless digital CX.

Our key findings

Strategic use of emerging technologies is the key to customer loyalty.

For example, 76% of organizations that are currently using 5G have seen an improvement in customer retention, and 81% report increased revenue. Organizations in our leader group are more likely not only to have invested in a variety of emerging technologies to improve the digital CX, but also to prioritize tools that best fit with their customer base and business model.

Data is the foundation of a customer-centric approach.

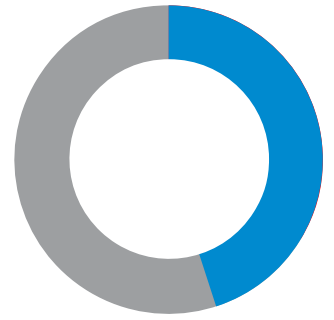
Only a third of organizations (32%) say their employees have fast and easy access to customer data, and only 24% say they can rapidly take steps to identify and address customer pain points. To overcome this, leaders are investing in tools such as prescriptive and predictive analytics that enable and empower both customers and employees.

Improved digital tools support a frictionless experience.

More than half (57%) of organizations across industries believe they are providing a better digital CX than their competitors, but less than half (48%) of consumers say they are satisfied with most of the organizations they purchase goods or services from. Much of this comes from an inability to resolve issues due to poor self-service tools and/or slow, infrequent or inadequate communication.

AI expertise can speed up CX improvement.

Almost half of organizations (45%) say they lack the IT/technical expertise to refine the customer journey and implement emerging technologies. But 64% of leaders say they do have the talent and skills they need to harness AI to improve CX. Much of this is thanks to a life-long learning culture that empowers employees to grow and develop.



45%

say they lack the IT/technical expertise to refine the customer journey and implement emerging technologies.



Customers expect a seamless digital CX.

Today's consumers increasingly want self-service tools, easy access to their accounts, smooth transitions between digital and human interactions, and streamlined communication between different parts of the process.

Most of the consumers we surveyed (72%) say that a poor digital experience will make them trust an organization less, and 72% also say that a poor or inconsistent digital journey would prevent them from making a purchase. "Good customer experience always ties to if they need help, how quickly can they get it?" explains Abhi Murarka, IT Director at luxury fashion brand Diesel. "That's why the moment a customer enters our website they are greeted by a chatbot. Then, after the first two or three questions they are connected to a customer care associate who can, if needed, connect them to a store clerk within their zip code."

Unfortunately for organizations, most customers are not happy with the digital service they currently receive. Less than half (48%) are satisfied with most of the organizations they purchase goods and services from. Even in the industries with the best CX (according to consumers, these are retail, financial services and healthcare), less than 40% of customers rate the CX as "good." So, organizations in every industry need to do more to meet customer expectations.

Retail, financial services and healthcare have the best CX.

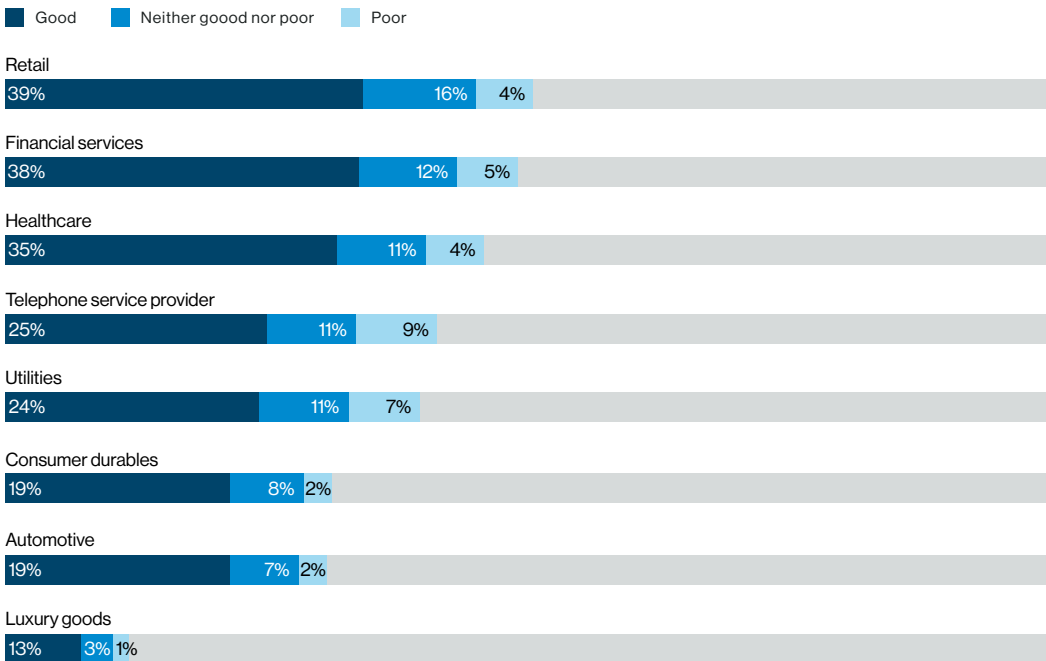


Figure 1: Share of customers who rate the quality of the CX provided by different types of organization as "good," "poor," or "neither good nor poor"

Customers value a quick response.

Most of the pain points mentioned by consumers in our survey are linked to slow and overcomplicated communication: long wait times for human agents, repeating the same information, or interacting with ineffective chatbots. “Customers don’t want to have to repeat themselves,” explains Lance Koenders, Vice President of Experience Products at Verizon. “They want to be recognized at every interaction across different channels.”

This aligns with our survey findings: 78% of consumers say they are most likely to stay loyal to organizations that respond to their inquiries quickly.

“This has required us to rethink processes,” says Koenders. “Now, we have an internal system that enables employees to identify customers and any recent interactions they’ve had with us on any channel—whether that is a customer service call, in-store or through the website.”

Customers of all ages value quick and effective communication.

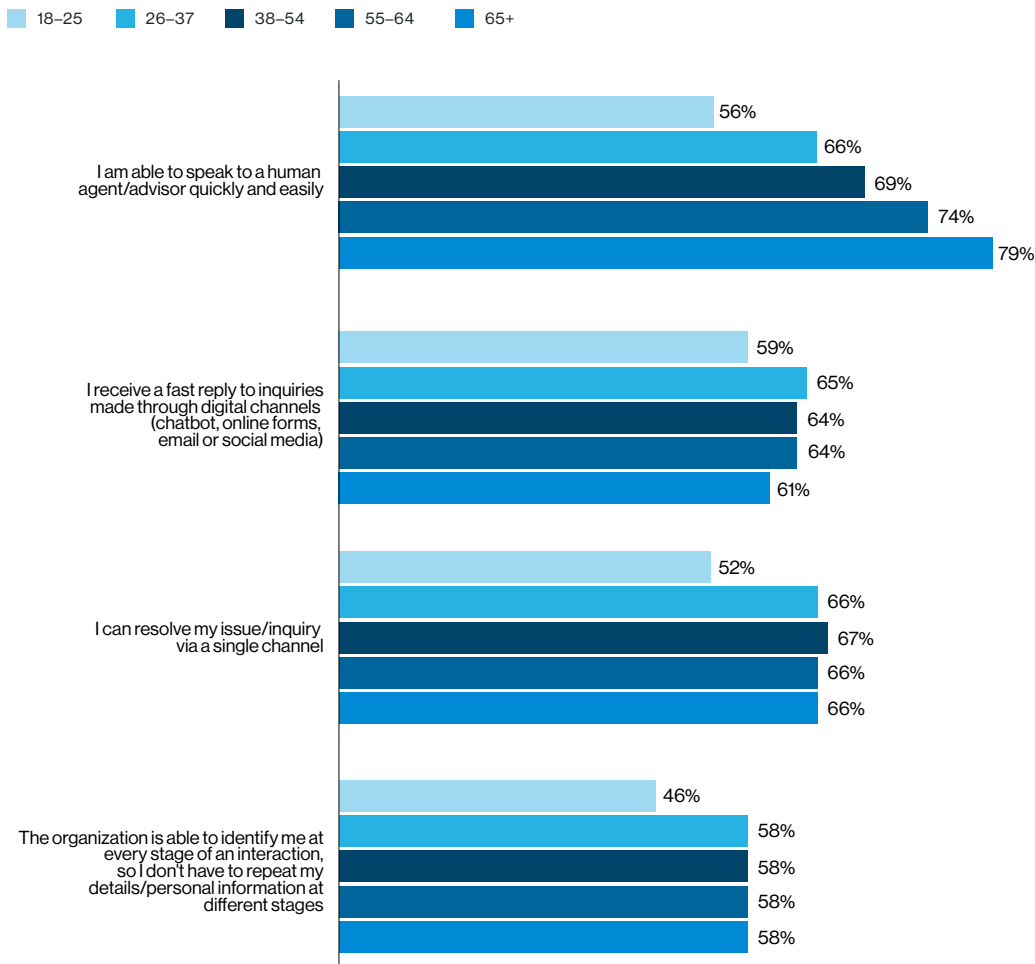


Figure 2: Share of customers who say these factors are “important” in influencing their loyalty toward an organization

According to our research, not enough organizations are making efforts to improve their communication processes:

- Only 20% are making it easier for customers to contact them via social media—63% of consumers would like a fast reply to inquiries made through digital channels
- Only 21% are prioritizing optimization of the mobile experience and only 22% are offering more channels for customers to interact with—64% of consumers would like to resolve their issues via a single channel
- Only 43% are prioritizing a seamless customer journey with the ability to identify a customer on any channel at any point of the process. This is a factor that influences the loyalty of more than half (56%) of consumers

These gaps between customers' pain points and loyalty drivers and businesses' priorities should act as a starting point for organizations that want to improve their digital CX strategies.



43%

of companies surveyed are prioritizing a seamless customer journey with the ability to identify a customer on any channel at any point of the process.

Streamlined self-service tools improve loyalty.

The less effective the self-service tools, the more customers call human agents, and this creates longer waiting times on calls. If the customer then has to repeat the same information, it creates more frustration and longer calls as agents struggle to identify and help them. This could explain why a third of organizations that reported a decrease in revenue over the past 12 months say their customers are frustrated by chatbots/AI tools that offer irrelevant information—which increases the likelihood of customers calling human agents for answers.

But organizations are trying to overcome this. One of executives' top three priorities is to provide more effective self-service tools. This is an especially important way to keep younger generations on board: a large minority of Gen Z (42%) and Millennials (42%) stay loyal to organizations that provide self-service options. Younger generations are also more likely than older generations to prefer interacting with brands through chatbots (29% compared with 6%).

But even when organizations have the right priorities and investments in place, most customers are still frustrated by the digital experience. So, the question remains: What can organizations do better to ensure a seamless digital CX?

Chatbots are more popular with younger generations.

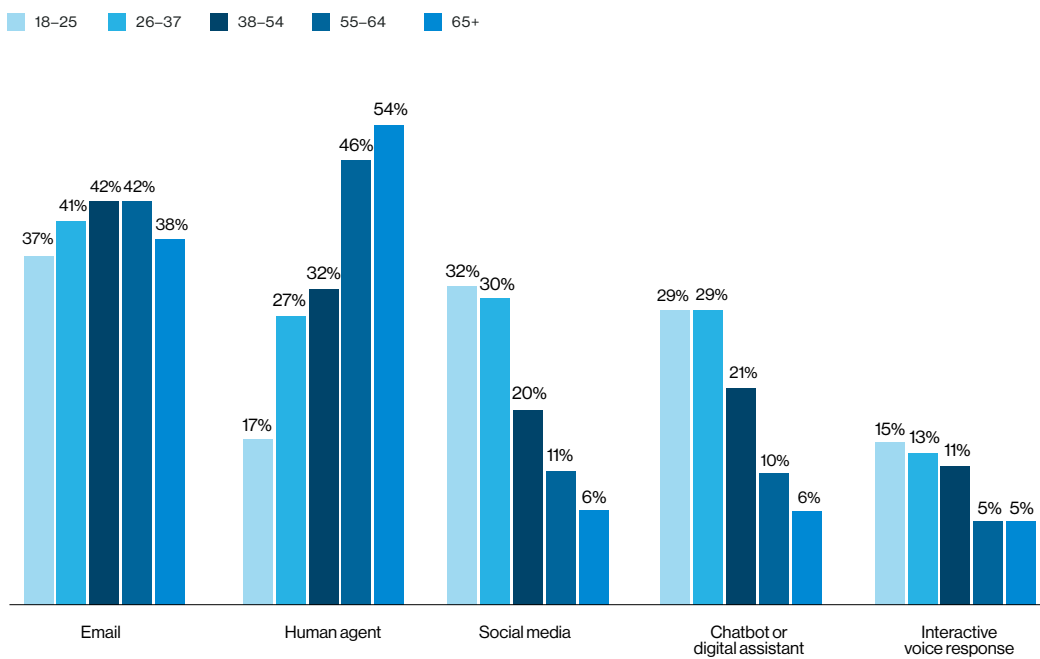


Figure 3: Share of customers who state which of these channels is their preferred option

Brands have three challenges.

Our research shows that if organizations use emerging technologies to support the customer journey, they can improve customer retention and increase revenue.

For example, 62% of organizations that are currently using chatbots report an increase in customer retention rates, and 66% report revenue growth. In contrast, 40% of organizations that are not currently using these technologies report a decline in customer retention, and 47% report a decrease in revenue.

We also find that, in most regions, customers will not shy away from fully automated interactions. Leaders have capitalized on this by implementing several tools and technologies to enhance CX and engagement. According to Sunil Dadlani, CIO at non-profit healthcare network Atlantic Health System, these tools include “telehealth platforms for virtual consultations, patient portals for secure access to medical records, mobile apps for on-the-go healthcare services and AI-powered chatbots for real-time responses to inquiries.”

Customers in most regions are happy to interact with organizations that are fully automated.

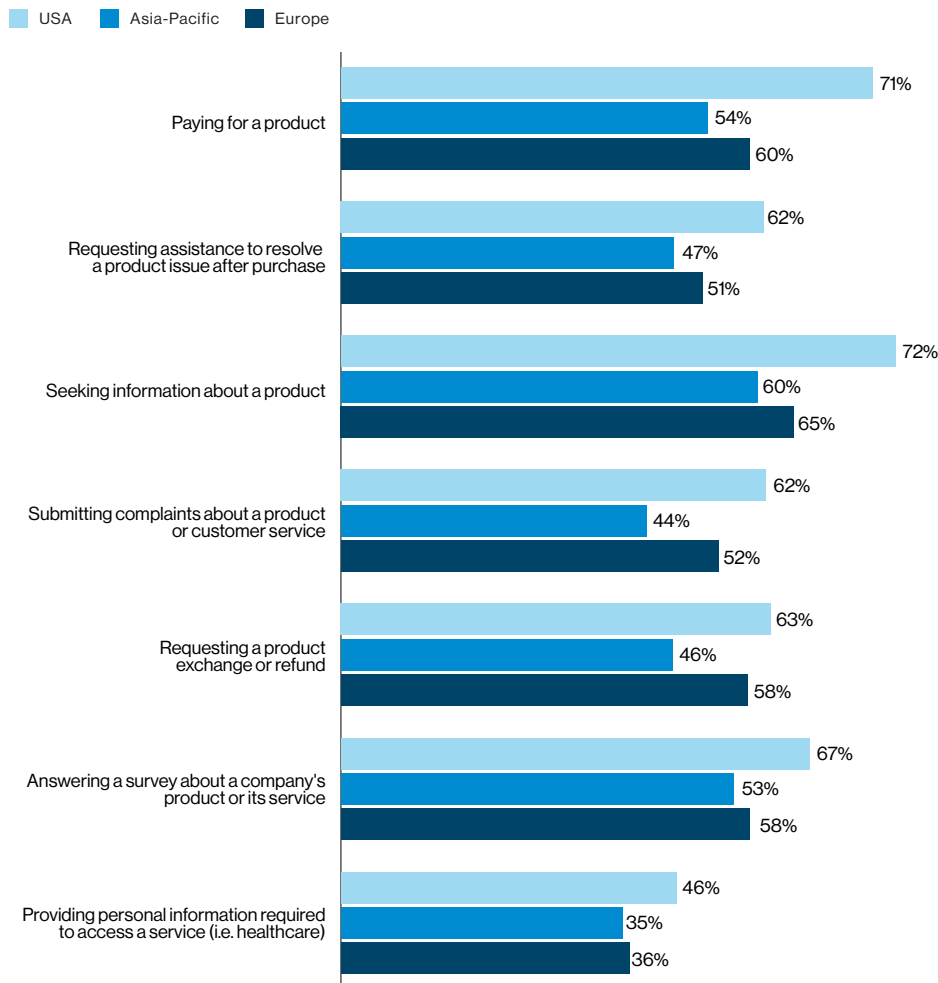


Figure 4: Customers who say they would be comfortable interacting with a company that is fully automated

Many industries are feeling the benefits of the digital transformation. “Now, we can actually see how revenue growth directly correlates to the changes we’ve made,” explains Murarka. “The number of calls our stores and customer service associates receive has also dropped and customer feedback is more positive than it was in the past.”

Gokul Nair, Global IT Director of Whirlpool Corporation—a multinational consumer goods company based out of the USA—says that technology has to be an enabler: “It might not be a solution for all our problems, but as long as we are utilizing technology and digitization as enablers to fuel our growth and to get us to our strategic objectives, then we are doing pretty well.”

Yet organizations are failing to provide a seamless digital CX. Why? Our research shows that they face three challenges:

1. Many are finding it difficult to integrate new technologies into their systems and processes
2. Limited access to or understanding of data is preventing organizations from identifying opportunities or areas for improvement
3. Brands are struggling to hire and train the talent required to refine the CX

Integrating emerging technologies is proving difficult.

Organizations are struggling to integrate new technologies into legacy systems: 36% say there is insufficient integration between the digital technologies they have adopted, and 42% say they struggle to use new technologies to attract new customers or to engage with prospective customers before point of entry. This is affecting customer retention.

Poor integration can damage customer loyalty.

■ Total ■ Customer retention improved ■ Customer retention declined

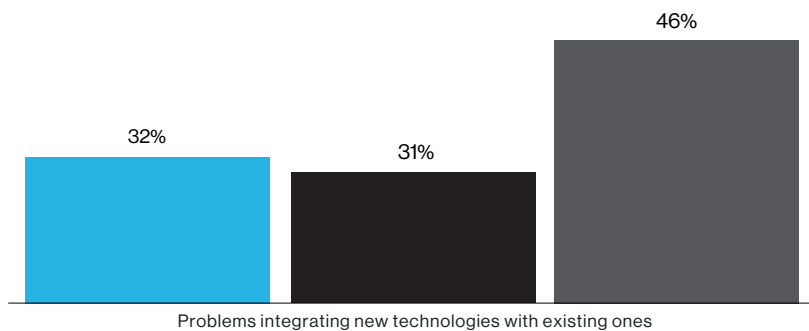


Figure 5: Share of organizations who say that integration is the chief barrier to making effective use of emerging technologies to improve customer loyalty

For Whirlpool Corporation, fostering an ever-evolving culture that takes into account each department’s maturity is important for digital integration and adoption. “Digital adoption is a significant challenge,” says Nair. “You can have the technology in place, but if employees or end-users can’t use it properly then it’s a waste of an investment. To my mind, customer experience matters most, so it’s important to recognize the varied levels of maturity within your organization and keep evolving into a better way of working.”

Brands are not using data to their advantage.

Without access to their data, organizations will struggle to understand how to improve their services, identify customers and their pain points, and provide a seamless digital CX. Our research shows that many organizations do not have the right infrastructure in place to deliver the experience customers expect: 32% say their employees do not have fast and easy access to customer data, and only 24% say they can rapidly take steps to address or resolve customer pain points.

“Customers have come to expect that companies are going to tie things together for them,” says Verizon’s Lance Koenders. “They don’t want to have to answer the questions that brands should already know the answers to. That requires us to be much better at keeping track of interactions and customer data.”

But when we asked organizations to rank which activities they do most effectively, using data efficiently did not rank highly. Out of the activities that were ranked in the top three, only 16% of executives say they can rapidly identify new customers on all channels, and only 11% say they can effectively predict what customers are likely to want or need in the future and respond proactively.

This last point is especially problematic, according to Atlantic Health System’s Dadlani: “Engaging new customers at the point of entry is vital for setting a positive tone for the entire customer journey.” For Dadlani, an effective strategy includes personalized welcome communications, onboarding support, prompt responses to inquiries and offering incentives and educational content: “This approach fosters a positive first impression, builds trust and cultivates lasting relationships with new customers.”

More effort needs to go into interacting with new or potential customers, predicting needs and ensuring a seamless experience.

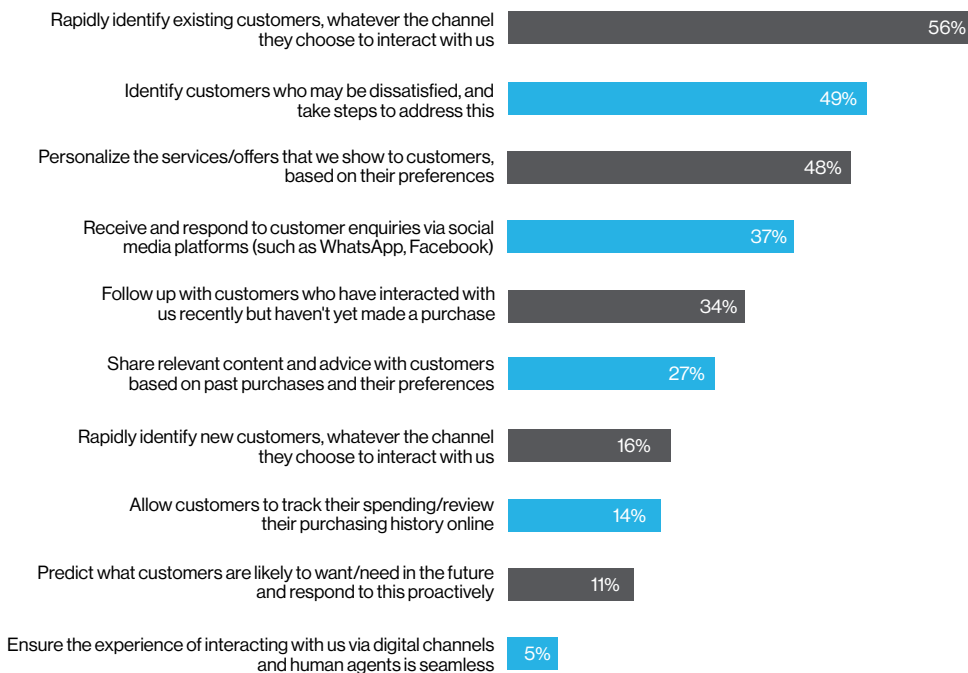


Figure 6: Respondents were asked to rank which top three activities their organization are able to do most effectively

Only 53% and 44% of organizations are currently using predictive and prescriptive analytics, respectively. These tools provide organizations with essential real-time insights for predicting future trends and events, and they enable decision-making.

“Data is crucial for harnessing insights and to understand where the next opportunity lies,” says Nair. “To my mind, one of the key foundations that almost all companies need to work on is the quality of data. Without this, the technology implemented is basically useless. So, when I think of technology, for every dollar that I put toward it I would like to carve out about 20 cents to cleanse and improve data quality—because that’s the key to continuous improvement.”



Organizations lack the expertise to use emerging technologies effectively.

Less than half (46%) of the executives we surveyed say their organization has the talent and skills it needs to harness AI in improving the CX. And 45% say they lack the IT and/or technical expertise to refine the customer journey and implement emerging technologies, which negatively affects customer retention.

45%

say they lack the IT and/or technical expertise to refine the customer journey and implement emerging technologies, which negatively affects customer retention.

The skills gap is impacting CX strategies across industries.

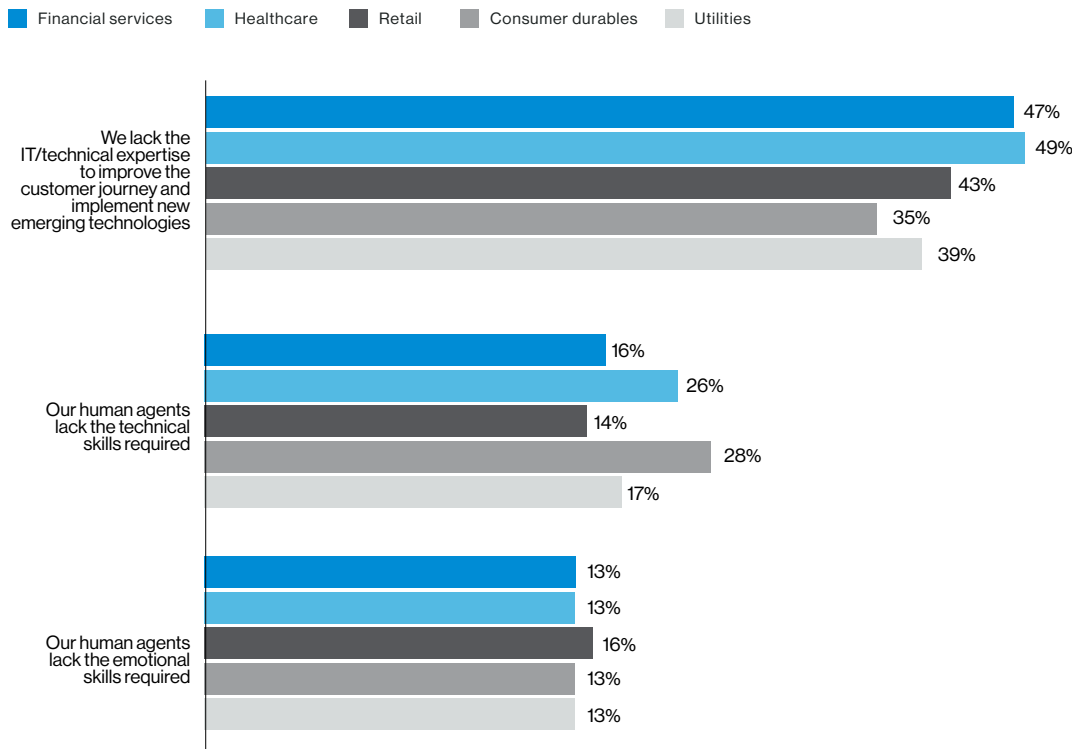
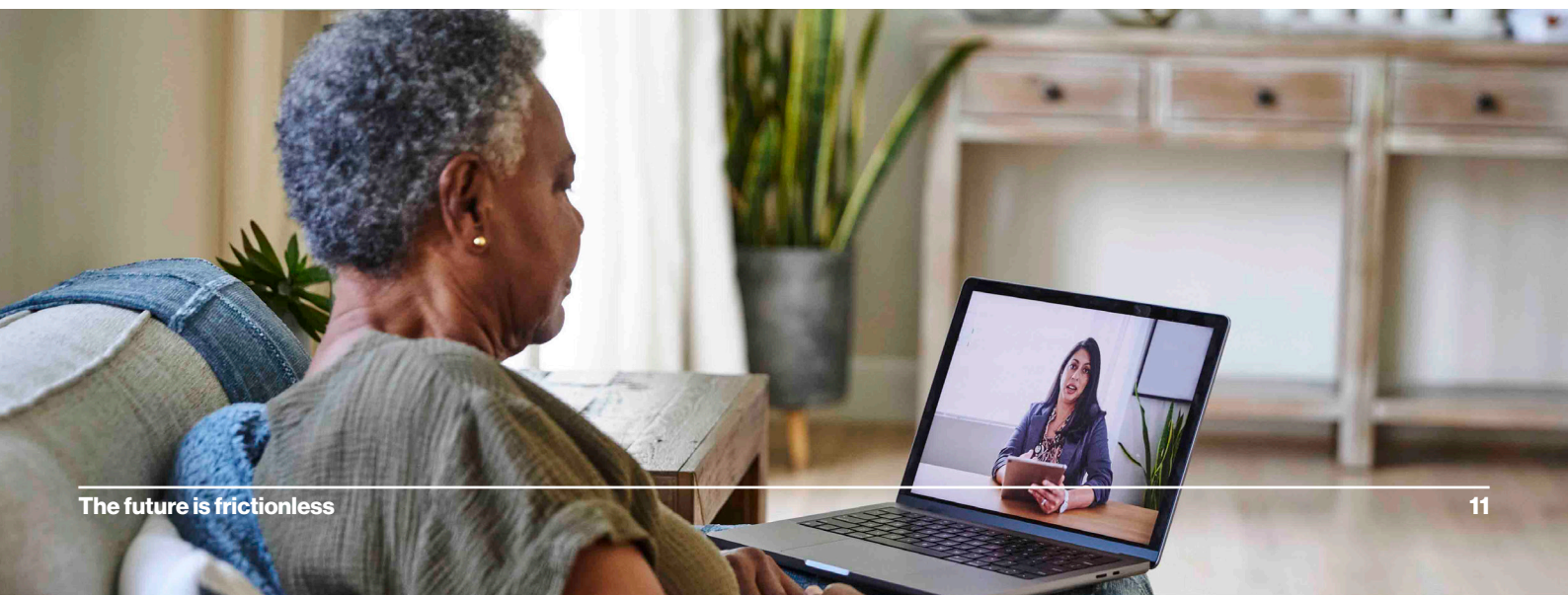


Figure 7: Barriers organizations face in improving the CX



Failing to find the right talent could damage customer loyalty.

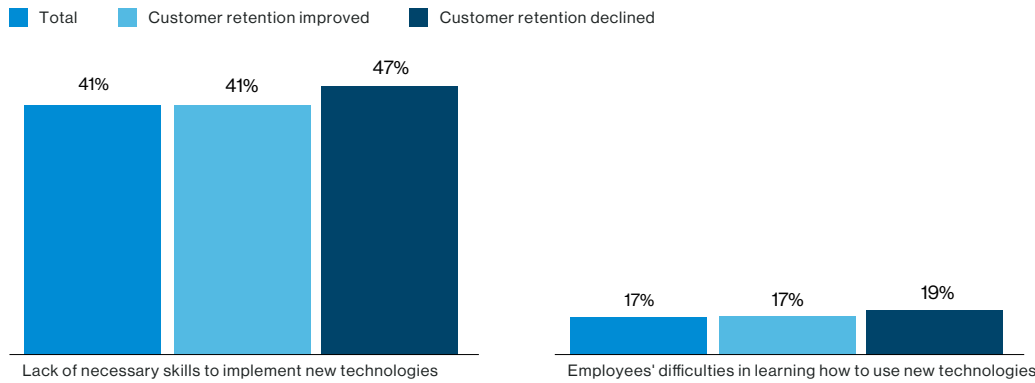


Figure 8: Barriers organizations face in making effective use of emerging technologies to improve customer loyalty

Industries such as healthcare, financial services and manufacturing operate complex systems and handle sensitive data. With 70% of customers saying they are loyal to organizations they feel they can trust with their data, the struggle to find the right talent becomes even more pronounced.

According to Dadlani, healthcare organizations seek specialized expertise that combines technology, healthcare knowledge, ethical considerations and regulatory compliance:

“[We need] a multifaceted approach that includes investment in tailored education and training, partnerships with educational institutions, creation of appealing career paths, an organizational culture that fosters innovation, and collaboration with external experts.”

Verizon’s Koenders, meanwhile, highlights the rise of specializations: “Historically, the notion was that anything technical could be solved by the IT team. But, in reality, what a coder can do is different from what a data scientist can do, and so on. The key is to recognize these emerging domains of expertise.”



“We need a multifaceted approach that includes investment in tailored education and training, partnerships with educational institutions, creation of appealing career paths, an organizational culture that fosters innovation, and collaboration with external experts.”

Sunil Dadlani
CIO,
Atlantic Health System



What leading organizations do differently

Our research identifies a small group of firms that have already addressed these challenges and are seeing better revenue growth. This CX leader group consists of organizations that have reported an increase in revenue of 5% or more in the past 12 months—which appears to be tied to growing customer loyalty.

Leaders are better at using and integrating emerging technologies.

Only a minority (29%) of the leaders say they have problems integrating new technologies with existing ones. In contrast, this is a significant challenge for 42% of the organizations that have experienced a decrease in revenue in the past 12 months. In addition, 36% of our executives overall say the digital technologies they have adopted do not work together effectively—only 29% of our leader organizations say the same.

CX leaders are better at integrating new technologies.

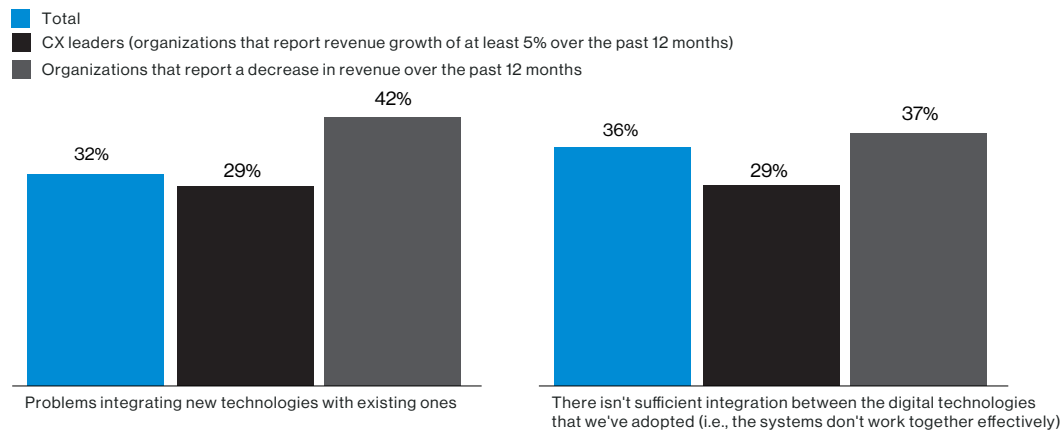


Figure 9: Share of respondents who list these issues as barriers to improving customer loyalty and the CX

Leaders have overcome the challenge of integration through careful strategy, patience and communication, as well as in-house and external expertise. Abhi Murarka acknowledges that one of the toughest challenges for Diesel in their digital transformation was to integrate new technology stacks into their legacy systems. “It’s a lengthy process,” says Murarka. “Every year, we would target a system to migrate a new tech stack to and then start building our frameworks. It took us almost three years to get into a position where information became real-time across multiple systems.”

But even a carefully thought-out strategy like this can crumble when adoption is low. As organizations incorporate new tools to meet evolving customer demands, they need to ensure that all stakeholders can use the technologies effectively. “Getting people to adapt to the new technology was one of the biggest hurdles for us,” says Murarka. “That’s why we implemented new training programs and have an open channel of communication, so we can continuously develop and adapt as needed.”

The top three tools used by the leaders show that they recognize the importance of quick and effective communication and empowering the customer to resolve issues:

1. WhatsApp and other mobile messenger apps (88%)
2. 5G (84%)
3. Chatbots (64%)

CX leaders are more likely to be using emerging technologies.

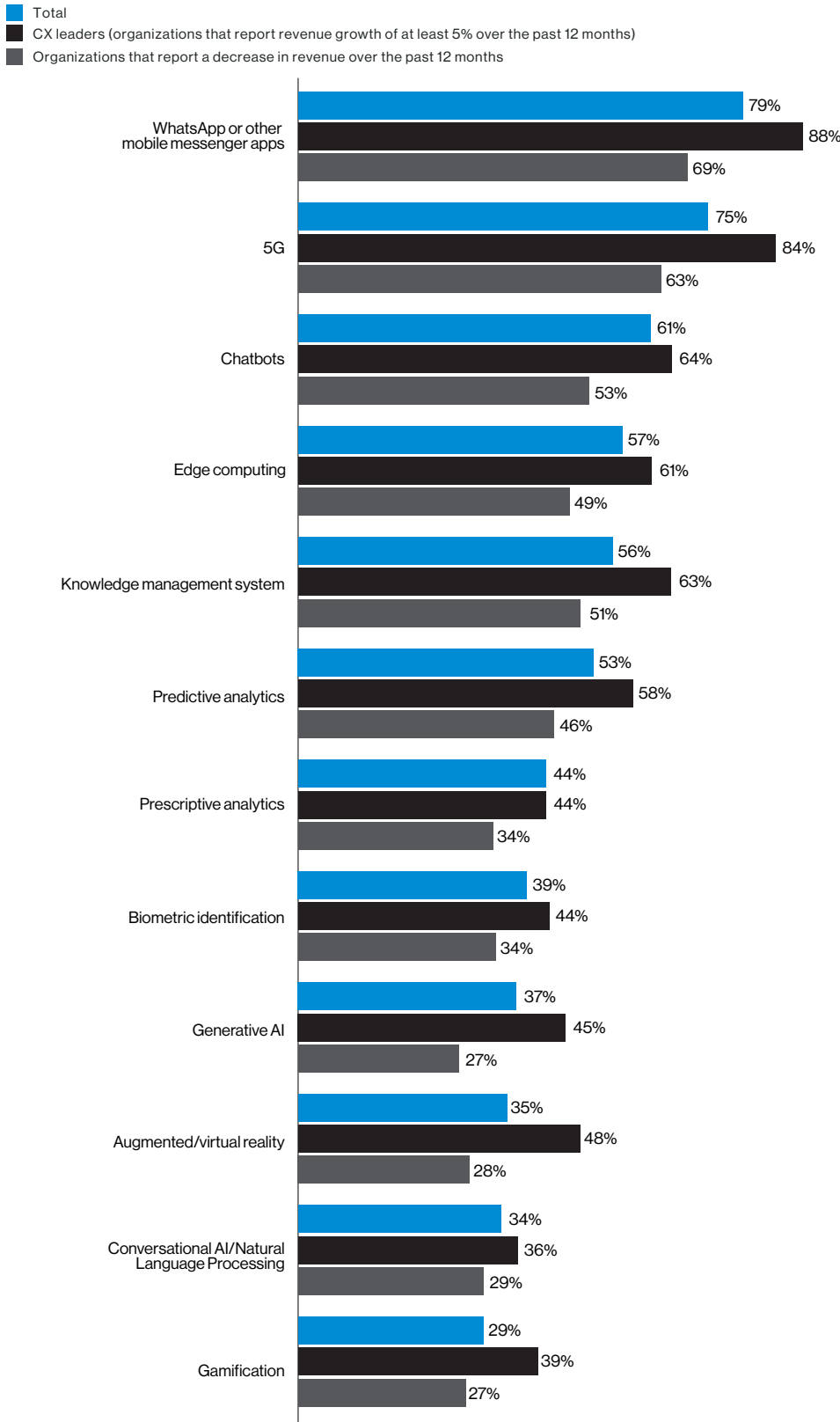


Figure 10: Share of respondents who indicate which technologies their organization is currently using to support the customer journey

Half of our leader group say they are investing in self-service tools. “AI and machine learning are tailor-made for customer experience,” explains Nair. “Chatbots, for example, self-improve. They learn preferences, what kind of questions to expect and what the best answers are.”

Emerging technologies can also improve ways of working. Verizon, for instance, uses AI to optimize calling experiences. “AI can detect when people are talking over each other and when customers are frustrated, prompting agents to listen and show empathy,” says Koenders. “It can also schedule a reminder when a rep says they’ll call a customer back.”

Atlantic Health System has invested in technologies that include AI and machine learning for data analysis and automation, a telemedicine platform for remote care, internet of things (IoT) devices for monitoring and Blockchain for secure transactions. “These investments aim to leverage technology for a differentiated, personalized and efficient healthcare experience,” says Dadlani.

Leaders are getting more out of data.

“Data can predict customer needs and frustrations,” says Koenders. “For example, we can use data to model how likely a customer is to churn to a competitor. We can also deliver more personalized experiences, as it allows us to focus on what’s most valuable to an individual.” CX leaders appear to recognize this: 58% are using predictive and 48% are using prescriptive analytics tools.

“Data is the key,” Murarka agrees. “It enables us on so many levels. Our philosophy is that if the data exists, we can overcome any challenge. For example, our employees can use data to make quick decisions and identify customers, and customers are aided by analytics when they shop online through personalized suggestions.”

But only 32% of organizations overall say their employees have fast and easy access to customer data, and 22% do not trust the quality of their data. Leaders, in contrast, use advanced data analytics to empower both their employees and their customers.

“Our multifaceted strategy integrates CRM systems with EHRs, utilizes patient segmentation, predictive analytics and intelligent automation to ensure targeted and proactive care plans,” says Dadlani. “This comprehensive approach enables personalized care, enhances efficiency and improves patient outcomes.”

Leaders are bridging the skills gap.

Leaders have the capabilities in place to attract, retrain and retain talent: 64% say they have the talent and skills required to harness AI in improving the CX. Contrast that with executives overall: just 46% say the same. Among organizations that report a revenue decrease over the past 12 months, the percentage falls to only 36% who say they have the talent required.

How are the leaders different? They train talent to enhance the customer journey. Atlantic Health System, for instance, has invested in education and training and partnered with educational institutions. “This multifaceted approach can enable healthcare organizations to harness AI’s potential effectively in enhancing customer care,” says Dadlani.

These initiatives also build a culture that attracts talent. “People should think that this is the best place for them to be spending the next few years learning, developing and also contributing to creating a competitive brand,” says Nair. “Salary is not the most important factor anymore. Competitive benefits, exciting projects, opportunities to train and/or work on upcoming research and development for products or services—all of these are increasingly becoming a priority for prospective employees.”

Koenders agrees: “Employee satisfaction is essential. Think about the humans in each role and what they want for their career progression. Then build your processes and ways of working around that to allow for good interdisciplinary teamwork.”

And leaders are not afraid to seek external help. They recognize that, in some instances, the best strategy can be built with the help of a firm that is experienced in the digital CX. “We understand what we are and what we are not,” says Murarka. “We are a fashion house. We have a tech team, but it’s more geared toward running the business model or implementing a new project. It’s therefore normal for us to go to vendors or consultants when we undertake any major transformation project.”



Conclusion: Emerging tech supports a seamless digital CX

The message is clear: the organizations that are using emerging technologies have found ways to keep customers loyal and revenues high.

Why? Because AI-enabled self-service tools give customers the satisfaction of quickly finding solutions to their problems. Chatbots and mobile messenger apps give customers the prompt responses they want. And prescriptive and predictive analytics enable organizations to adapt to current and future customer needs in real time.

Customers are ready for fully automated interactions, but the tools must be effective: faulty chatbots and AI tools turn customers off. So, the transformation process has to be a careful one, with adoption taken as seriously as every other step. Here is how to do it.

1. Implement the right tools for your business, and consider your customers.

Remember: While a seamless experience is expected, what that experience looks like varies from business to business. A retail customer of an affordable clothing brand will have different expectations from a luxury goods customer who may require a highly, more personal touch. Know your customer base and invest in the technologies that work for them to ensure as frictionless an experience as possible.

Curate your CX journey to your customers and to your business's capabilities and needs. Integrating new technologies doesn't happen overnight. The best-in-class introduce new tech stacks slowly to instill confidence in employees to use these tools seamlessly across channels.

2. Base your CX strategy on data-led insights.

You need a strong understanding of your data. Without that, it is impossible to continuously improve your services and adapt to customers' demands. A good grasp of data will also enable you to integrate emerging technologies. This is where predictive and prescriptive analytics can play a big role.

However, these tools can be hard to implement, and it can be difficult to train teams to use them correctly. This is where an external partner with expertise in collecting, analyzing and cleansing data could help. Using such experts will boost your chances of successfully rolling out a seamless digital CX.

3. Seek out talent and engage external support.

You cannot implement and integrate emerging technologies without the right expertise. Recruit the talent and skill sets you need to operate AI-enabled tools and provide a rapid response to inquiries or frustrations.

And acknowledge when tasks or projects are too difficult for your teams to undertake. Consider seeking help from external experts to guide your teams through your transformation strategy. There are specialist companies which have the talent and experience to deliver a seamless digital CX. By relying on their help, you can overcome the talent challenge and deliver the best experience for your customers and employees.

About the research

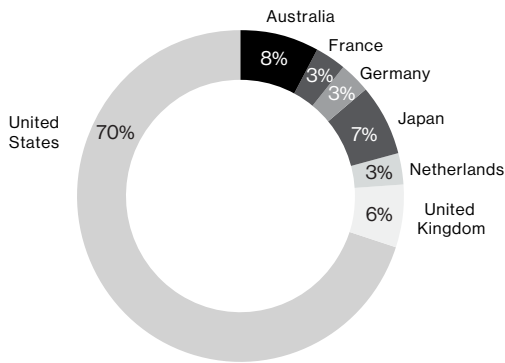
The analysis in this report is based on two surveys of 500 executives and 5,000 consumers across seven countries. Both were conducted in August 2023.

The respondents in the executive survey work across six industries and hold senior roles in their organizations (one-fifth are C-level executives). The respondents in the consumer survey are over 18.

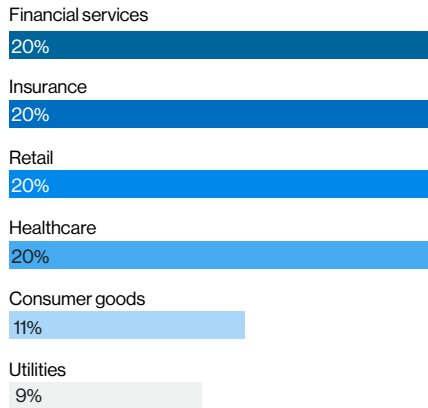
The surveys were carried out by Longitude, a Financial Times company, on behalf of Verizon.

The executive survey

In which country do you live?



In which sector does your organization primarily operate?

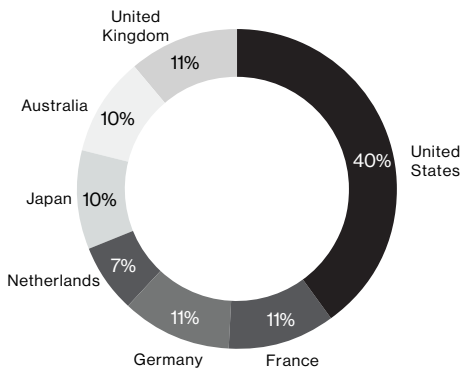


What best describes your role in your current workplace?



The consumer survey

In which country do you live?



And please confirm which age group you fall into



For statistical purposes, please would you confirm your gender?





© 2024 Verizon. All rights reserved. The Verizon name and logo and all other names, logos and slogans identifying Verizon's products and services are trademarks and service marks or registered trademarks and service marks of Verizon Trademark Services LLC or its affiliates in the United States and/or other countries. All other trademarks and service marks are the property of their respective owners.