



2020 Trends in Customer Experience



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As 2020 approaches, brands face a steeper challenge than ever. With Amazon on track to claim 47% of eCommerce revenues -- that's 5% of all retail sales -- and with other mass merchants claiming their own large slices of the revenue pie, the competition is tightening for the remainder.

As merchants vie for those dollars, they must break through the noise of the 10,000 advertising messages per day[1] shoppers consume, making differentiation essential. Investments in increasingly-sophisticated marketing engines that personalize messaging are now all but mandatory in order for brands to prove their relevance in a crowded field.

Luckily, merchants have another potential asset that can help set them apart from the crowded field, one that's built in to their operations already: the customer experience. In the coming year, how brands interact with shoppers as they travel along the path to purchase and into an ongoing customer relationship will be paramount to winning and retaining business.

This report examines the trends that are set to converge in 2020 to make investment in the customer experience a top priority:

1. **Service Moves to the Fore** - As competition increases, brands that provide a great customer experience see tangible gains.
2. **Two-Way Conversations Flourish** - Conversational commerce helps brands meet expectations for responsiveness and boost engagement.
3. **Both Free *and* Fast Matter** - As the pace of commerce accelerates, expectations grow for swift fulfillment and proactive messaging.
4. **It's Make or Break Time for AI** - With claims of AI prowess overabundant, 2020 will see the wheat separate from the chaff when it comes to technology solutions for integrating machine learning into the customer experience.



5. **Privacy Gets Real** - As new laws governing use of consumer data come into effect, merchants must strike a balance between personalization and privacy.

Service Moves to the Fore

Over nearly three decades, Internet shopping has ushered in many changes to the retail landscape -- one of which is that a growing number of product categories are now commoditized. Whereas previously, shoppers wishing to comparison shop had to travel physically to other stores, or seek out new catalogs, now it's easy to find multiple sources for even hard-to-find or niche products, all with a tap on a smartphone or click of a mouse.

Some brands have responded to this widening competition by lowering prices. But as mass merchants such as Walmart and Amazon move to the front of the pack with steep discounts, inexpensive private-label offerings, and free shipping, the race to the bottom is fast becoming a losing proposition for smaller retailers and brand manufacturers.

[1] Per the American Marketing Association

A more sustainable approach is for brands to make customer service -- or, more broadly, the customer experience as a whole -- their key differentiator. Not only does building service, rather than steep discounts, into the core of brand identity avoid eroding margins; but by promoting responsive, thoughtful service that complements their unique product offerings, brands demonstrate their expertise and position themselves as authorities within the category.

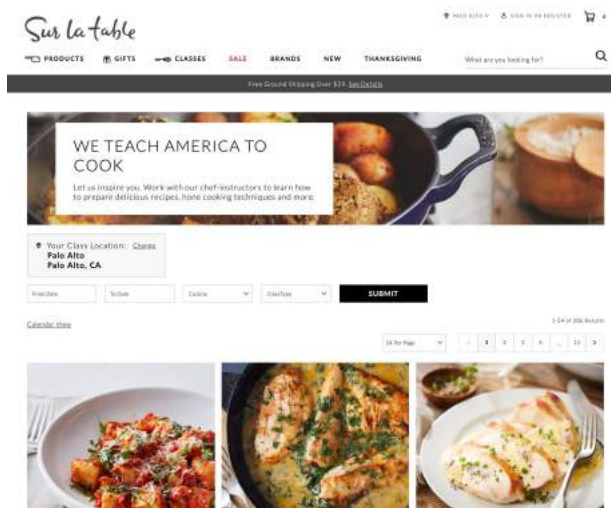
Furthermore, consumers acknowledge the value of the customer experience, and are willing to pay for it. Consulting firm PwC found [shoppers are willing to spend up to 16% more](#) for a positive customer experience,[2] and 73% said the customer experience influences purchase decisions, beyond product quality and price.

For these reasons, [four in five companies predict they'll be competing primarily on customer experience](#) by 2020, according to research firm Gartner.[3] But investments are still lagging behind this expectation: For more than half the companies surveyed by Gartner, customer experience budgets were set to remain flat or drop. And just 10% of firms told PwC they were prioritizing improvement in customer experience in 2017, a drop of 60% from the prior year.

As a result, the opportunity is still ripe for brands to seize the lead when it comes to stellar customer service and customer experience. In 2020, merchants who make service a central brand offering will start to pull away from the competition -- a trend that will snowball in the coming years.

The Takeaways:

The offerings brands used to consider “valued added” -- from personal shopping services to



product how-to videos to special events -- are increasingly essential components of the customer experience. As they head into 2020, sellers should devise new ways to build service into their core offerings and prioritize frictionless execution across touchpoints. Among the to-dos:

- Boost investment in new services. Whether in the form of one-on-one stylist consultants, planning or design apps, or installation and assembly helpers, merchants should think creatively about how they can enhance their product offering in ways that appeal to their core audience. Sur La Table has transformed from a supplier of kitchen wares to a home chef resource, thanks to in-store programming that includes classes, product demos and test drives, and specialized services like knife sharpening. Online, shoppers can browse recipes and how-to videos alongside buying guides and gift recommendations.

[2] PwC, “Experience is everything. Get it right.”, 2018

[3] Gartner, “Key Findings from the Gartner Customer Experience Survey,” 2018

- Reward loyalty with exclusive access to services. As they develop new service-centric programs, brands should integrate a top-tier offering for loyal customers that can serve as a rewards perk. After-hours access to stylist or personal shopping services, a dedicated rep to handle questions and orders, discounts on events, and sneak peeks at new collections before items go on sale to the general public can all encourage loyalty and enhance the appeal of membership in rewards programs.
- Support offerings seamlessly across touchpoints. Once service offerings are in place, merchants should adopt a channel-agnostic approach to delivery and execution, and test rigorously to ensure smooth online/offline transitions. Processes for picking up and returning orders in-store should be frictionless; signups for events via mobile devices shouldn't involve too much keyboarding on small screens; and live chat events with style consultants must be able to accommodate anticipated traffic -- and then some. Target's recent rollout of remodels for 1,000 store outlets is [designed in part to make store pickups easier to navigate](#), and store staffing has been adjusted to include more fulfillment-oriented roles, according to Modern Retail.

Two-Way Conversations Flourish

The Internet has not only increased the importance of customer service as a differentiator; it's changed altogether the way shoppers and brands interact. Whereas in the past sellers relied on mass communication to communicate offers and announce new products, with a single "800" number -- or even simply a mailing address -- available to field customer service inquiries, now customers expect to have an active voice in conversations with brands.

The trend started with the advent of online reviews, and blossomed as social networks gave consumers new platforms to share their opinions about brands and products with peers. As more and more consumers accessed the tools to share word-of-mouth advice, recommendations from friends and family have become the type of endorsement shoppers trust most, with two-thirds saying they also trust reviews from other consumers they don't know personally.

As brands have joined the fray, expectations are growing for them to respond on social platforms and via live chat and mobile messaging -- and to respond quickly. Of the 39% of U.S. shoppers who use social media to interact with brands, [44% expect a response within an hour](#), according to Microsoft.^[4] On Facebook, brands must respond to 90% of queries within 15 minutes to earn a badge for responsiveness.

[4] Microsoft, "2018 State of Global Customer Service," August 2018



More and more platforms now exist for brands to communicate directly and instantaneously with shoppers. Facebook Messenger led the way in 2015 by offering businesses the chance to connect directly with users, and has since then allowed companies to use artificial intelligence (AI) chatbots to provide information on the platform. Apple followed suit in 2018 with the launch of Business Chat, while Google has experimented with various messaging formats integrated into search ads and business listings. The search giant is backing an industry-wide push for [adoption of Rich Communications Services \(RCS\)](#), which would bring features popular in messaging apps -- such as read receipts, stickers, and group chats -- to the default texting tools provided by mobile carriers.[5]

Even more revolutionary still is the rise of voice search and voice shopping. More than [two-thirds of U.S. consumers have already used a digital voice assistant](#), according to Microsoft,[6] which predicts that 75% of the nation's households will own a "smart speaker" by the end of 2020. Brands that are well-positioned for this shift will emerge as leaders in the year to come.

The Takeaways:

As shoppers take the reins of communication with brands and expect relevant information on demand, merchants should prepare by retooling their customer service content for conversational use, as well as their mindset as they establish meaningful two-way dialogue with consumers. They should:

- Focus on the right conversational platforms for the target audience. With so many ways to start a conversation with consumers, brands are in danger of stretching themselves too thin by trying to cover too many platforms -- a potential liability, given that swift response times are a must.

Instead, sellers should identify which mix of conversational services best match their customers, from social messaging apps to SMS text services to live chat on the eCommerce site. Starting small will help brands build and maintain a reputation for standout, responsive service; over time, the lineup of conversational platforms can grow and change as audiences shift usage.

- Automate for speed and satisfaction. Linc estimates that fully [70% of customer service interactions can be fully automated](#), from requests for store directions and hours to questions about products. By relying on AI-powered automated intelligence to handle these routine questions via a chatbot, merchants can deliver instantaneous responses and save their human customer service corps for complex situations. Consistency is another benefit: 1-800-Flowers, which pioneered conversational commerce with its GWYN (Gifts When You Need them) bot, discovered that customers actually preferred the automated service for placing orders, because the service was reliably uniform every time they used it. By contrast, "if you were to call a customer service department or sales line of any company, you're not necessarily getting one company experience," said CEO Chris McCann. "You're getting whatever the experience is delivered by any of those 400, 500 or 1000 people." [7] The company has now expanded its AI-powered services to Facebook Messenger.

[5] [The Verge, "Google in Finally Taking Charge of the RCS Rollout," June 2019](#)

[6] [Microsoft and Bing, "Voice Report," April 2019](#)

[7] [CIO, "Success Secrets for Conversational Commerce," August 2017](#)

- Start the ultimate conversation by inviting product input. Software companies have long relied on customers to help shape future product development through beta testing programs and user communities. Now other industries are applying the concept, using conversational commerce as an opportunity to learn what customers need and what products they want to see next. Cosmetics upstart Glossier is renowned for building a community around its products; the founders' blog, In the Gloss, was the source of inspiration for the Milky Jelly cleanser, which was developed after readers complained about needing a two-step process -- makeup removal followed by soap -- to wash their faces; Glossier combined both products into one, simplifying routines.

Both Free *and* Fast Matter

In addition to responding instantly to customer service inquiries, brands are expected to fulfill orders more quickly than ever. Given that four in 10 customer service contacts are related to "WISMO" ("Where Is My Order?"), merchants striving to deliver superior customer experiences face pressure for speed on two fronts.

For years, online shoppers prioritized free shipping over fast delivery by a wide margin. High shipping costs were a top cause of abandoned online shopping carts, and shoppers would add items to their carts to qualify for free shipping thresholds. Today, "free" still trumps "fast": more than half of shoppers say free shipping is of primary importance, compared with [10% or fewer who rank speed in first place](#), according to measurement firm comScore.[8]

But at the same time, expectations are rising for

The Glossier Cleanser: Milky Jelly Is Here!



INTOTHEGLOSS

Today, we're very happy to officially introduce you to the [Glossier Milky Jelly Cleanser](#). The making of it's been a collaborative effort, really (a year ago we asked you to [describe your dream face wash](#), and you very much delivered). At that point, we also asked who would play your ideal cleanser in a movie--well, if Milky Jelly was about to get its own biopic, this would be the script. The entire process--from the idea to the campaign to now, when it joins the ranks of the [Phase 1 Set](#)--is below, as told by us.

swift delivery capabilities. Four in five U.S. consumers expect merchants to be able to deliver items the next day if orders are placed by 1 p.m. -- and more than [a third believe items bought after 5 p.m. should still qualify for next-day delivery](#), UPS found.[9] And during the peak holiday season, expectations for speed are high: in 2017, Deloitte found that [just 42% of shoppers considered delivery "within 3-4 days" to be "fast" -- a drop of 33% compared with the prior year](#). [10] Similarly, two-thirds of shoppers said they would pay nothing extra to receive goods within two days, Deloitte found.

Contributing to this time pressure is Amazon, which earlier this year announced one-day delivery would be the default for members of its Prime subscription club. In response, rivals Target and Walmart are stepping up efforts to offer one-day delivery and same-day store pickup, while smaller

[8] comScore, "2018 State of the U.S. Online Economy," March 2018

[9] UPS, "Pulse of the Online Shopper 2018," April 2018

[10] Deloitte, "2017 Holiday Survey," October 2017

brands that were already straining to match Prime's long-held two-day timeframe are now scrambling harder to keep pace. As the race continues into 2020, retailers that can execute seamless fulfillment -- and provide up-to-the-minute updates on order status -- will have an advantage.

The Takeaways:

To meet shoppers' rising expectations for both free and fast fulfillment, merchants should explore all possible avenues to make their operations as nimble as possible, while communicating capabilities clearly at every stage along the path to purchase. Priorities include:

- Fully integrated order management and inventory tracking. Together with the eCommerce site, these back-end systems can enable services such as Buy Online, Pickup In Store (BOPIS), now used by [seven in 10 consumers](#), according to Business Insider,[11] along with ship-from-store capabilities, which can speed last-mile fulfillment while potentially keeping costs lower than relying on a distribution center.
- Shipping rewards for loyal customers. Offering free or discounted expedited shipping to frequent buyers, to loyalty club members for special occasions (such as birthdays or around the holidays), and/or to social media advocates gives VIPs access to the swift delivery they expect, without making margin-destroying mass offers to all shoppers.
- Selective acceleration for key categories. Merchants selling products in multiple categories may want to throttle shipping speed to match buyers' expectations and avoid being outgunned by the competition. Perishables, high-consideration products,

and large items incurring higher shipping fees are all candidates for swift delivery, as are need-it-now staples such as diapers and toilet paper. More than 20% of shoppers expect household essentials to arrive within two days, as do 15% of those buying baby products, according to a study from Internet Retailer and Bizrate. [12]



Source: Digital Commerce 360

- Comprehensive, frequent customer service messaging. More than [4 in 10 consumers say they research delivery costs prior to purchase](#), while 56% actively track every order, UPS found[13] -- so merchants should begin messaging estimated delivery dates and fees early on the path to purchase. Once an order is underway, more than 60% of WISMO customer service requests occur before orders have been assigned a carrier tracking number, according to Linc, so it's essential to communicate pre-shipment updates and deliver them via customers' preferred channel. When it comes to in-store pickup, retailers should send multiple messages to help customers navigate the process.

[11] [Business Insider](#), "Almost 70% of US Consumers Use BOPIS," February 2019

[12] [Digital Commerce 360](#), "Consumers want free shipping, and they're not willing to wait very long for delivery," March 2017

[13] [UPS](#), "Pulse of the Online Shopper 2019," August 2019



Image Credits: Delmaine Donson / Getty Images

The Quality of AI Makes or Breaks Brands

As pressure mounts to differentiate with swift and superb service via interactive channels, more and more brands are turning to machines for help delivering that service at scale. Technology researcher Gartner predicts that by 2021, [7 out of 10 companies will rely on AI to boost productivity](#).^[14] Consulting firm McKinsey found that [47% of companies have already implemented some form of AI](#); within the retail sector, 52% of companies have implemented AI to help with marketing and sales, while 23% are using machine intelligence to enhance customer service.^[15]

Thanks to big data processing capabilities and innovations in machine learning, more and more vendors are touting AI-enhanced solutions to meet the needs of merchants who are scrambling to implement intelligent solutions. But it's been a bumpy ride so far. Not all AI tools are created

equal: some feature rigid algorithms that can't take into account individual business rules, while others fail to integrate well with other systems. Additionally, execution depends largely on the quality of data being input to "teach" algorithms how to behave. Stories of poor AI-driven experiences are commonplace; some are merely annoying, such as persistent remarketing ads for products already purchased, while others are more sinister -- such as instances of [algorithms displaying racial and gender bias](#).^[16]

When it comes to applying AI in meaningful ways to commerce, even the tech giants are struggling. Technology researcher Forrester tested the four major intelligent agents -- Alexa, Siri, Google Assistant, and Cortana from Microsoft -- across six commercial industries and found that just 35% of queries were answered; instead, the machines struggled with context and failed to arrive at direct responses.

These missteps partly explain why so far, shoppers are still wary of purely automated interactions. [Four in five consumers say interacting with real people will become more important](#) -- not less -- as technology improves, according to consultancy PwC.

As the technology improves to close the gaps, brands with quality AI solutions built on foundations of sound data will begin to realize critical gains in 2020. For others, the seams will begin to show -- and customers may defect if they lose patience with poor automated experiences.

[14] Gartner, "Gartner Predicts 70 Percent of Organizations Will Integrate AI to Assist Employees' Productivity by 2021," January 2019

[15] McKinsey, "Adoption of AI Advances, But Foundational Barriers Remain," November 2018

[16] TechCrunch, "Bias in AI: A Problem Recognized, But Still Unresolved," July 2019

The Takeaways:

In order to deliver customer experiences that seamlessly blend AI-powered information and recommendations with human insight, merchants must do their utmost to ensure automated services deliver on their promises. To maximize the success of AI implementations:

- Avoid the “black box.” Merchants should build accountability and transparency into AI-powered offerings -- both internally and when it comes to vendors’ technology solutions. That means creating internal guidelines for data governance and ensuring AI-driven results are explainable and provable. External vendors’ toolsets should accommodate business rules, segments, and other pre-existing constraints; given that [merging data with analytics is companies’ number one AI data priority](#), according to consultant PwC,[17] technology providers should also provide help interpreting activity and results so that brands can build meaningful AI metrics. As business goals change, merchants should have the means to adjust algorithms and set new guardrails for AI interpretation.
- Start with the right set of solid data. AI tools are only as good as the data the machines interpret, so merchants must collect, parse, label, and clean up information before it reaches the AI layer. Selecting the right data points is also crucial; sellers should focus on the input that’s most meaningful to the AI-enhanced task at hand. For example, in-store traffic patterns are less relevant to an AI implementation that tracks shipments of online orders for home delivery, but that same data may be crucial for reducing delays and confusion surrounding BOPIS order pickup.

- Be transparent about human/AI transitions. Merchants should clearly delineate the types of interactions AI-powered services can handle, and then identify and test a variety of escalating situations to ensure a seamless transition to human help. And since [shoppers react negatively to machines masquerading as humans](#), according to SAP, chatbots and avatars should be explicitly identified as such, with handoffs to humans clearly flagged.



Privacy Gets Real

Even as brands turn to automated intelligence to meet expectations for great customer experiences, new restrictions are being placed on the data collected to inform those experiences.

In 2020, California will enact the nation’s strictest data privacy law, following on the heels of Vermont, which has been regulating online data brokers since January of this year. In Europe, the

[17] PwC, “2019 AI Predictions: Six Priorities You Can’t Ignore,” December 2018

first wave of enforcement actions of the GDPR have been making headlines -- including [a fine for British Airways totalling more than \\$200 million](#).^[18] While the particulars of these laws vary, they all require companies to request consumer consent prior to collecting data, and to provide the tools for retracting the agreement as a whole as well as individual pieces of information.

On the surface, privacy legislation would seem to be at odds with consumers' willingness to share information. Plenty of headlines tout shoppers' preference for personalized products and offers, which they acknowledge can only be relevant if they share information. For example, Accenture found that a whopping [91% of consumers are more likely to shop with brands that recognize and remember](#) them.^[19]

But even as they expect relevant products and offers, shoppers are leery of experiences that cross the line from "cool" to "creepy." The same Accenture survey found that more than a third of customers found it "creepy" when brands display social media ads for items they browsed earlier on the eCommerce site -- an extremely common remarketing tactic. And when Forrester drilled down to discover what, precisely, consumers are willing to share in exchange for personalized products and offers, the range of information turned out to be limited: [the only data type](#) the majority of consumers said they'd be willing to share was "products I like," at 60%; just over 35% said they'd be willing to share other shopping information, such as prior purchases

and style and color preferences. By contrast, personal data such as social media information, online activities, and friend networks all ranked in the single digits.^[20]

In this fraught privacy landscape, customer service is an arena of opportunity. Brands engaging in helpful exchanges with consumers are building on a record of past interactions with online and offline

content; if they prove responsiveness and relevance by addressing shoppers' questions, they can earn precious behavioral insights. In 2020, establishing two-way communication that puts consumers in control of the conversation will be more important than ever for building the trust that leads to sharing information and driving relevance.

The Takeaways:

Customer service offers merchants a valuable roadmap to navigating the tricky terrain surrounding consumer privacy. Even as they comply with evolving legislation, sellers who engage in one-to-one opt-in conversations with shoppers have an opportunity to form lasting connections that open the door to sharing more information in the future. To walk the line, brands should:

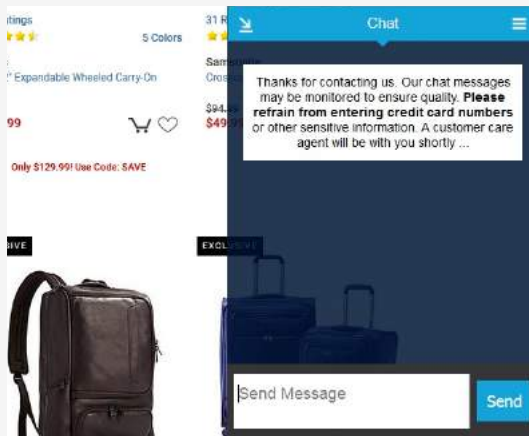
- Work with vendors to ensure compliance with relevant laws. AI-based personalization and customer service tools should provide enough visibility and control of data records to enable control of individual data points within individual profiles. Additionally, to "future-proof" the solutions, merchants should quiz vendors closely as to their plans for keeping abreast and ahead of new legislation that may appear on the horizon.

[18] [PaymentsSource, "British Airways' GDPR fine shows regulators are getting serious," August 2019](#)

[19] [Accenture, "Personalization Pulse Check," May 2018](#)

[20] [Forrester Research, "The State of Retail Online 2019" presentation, slide 11](#)

- Prominently and plainly explain practices -- and repeat often. Merchants should parse the legalese in their privacy policies into plain English, and develop a succinct version that can be used in a pop-up box or even on-page to quickly summarize their company's data collection practices and obtain consent. The emphasis on privacy should extend to live chat and social messaging, with links to privacy policies and controls such as transcript downloads always accessible. eBags offers a privacy tip once the chat is initiated, reminding shoppers not to share payment information via the chat window. The message demonstrates that the company is concerned about protecting consumer data.



- Develop comprehensive preference centers. Leading merchants have always offered shoppers the ability to throttle email messaging cadence and content via self-service personalization forms, where subscribers could check and uncheck email types of interest and indicate which frequency best suited their needs. Now sellers can apply the same concept to a broad set of data preferences from email and SMS subscriptions to stored style profiles and browsing history data. Access to these controls should be easy from any touchpoint, whether through a "STOP" command sent via text message or a prominent link in email campaigns.

- Prepare for worst-case scenarios -- before they happen. Consumers are hesitant about sharing data in part over security concerns; [fully 60% of shoppers say that current security is inadequate](#) to protect their information on eCommerce Web sites, Forrester found,[21] so alongside privacy information merchants should also highlight data security. Legislation now requires companies to communicate with customers in the event of a data breach, so merchants should have a response plan at the ready that spells out not only the nature and extent of the breach, but what steps the brand will take to repair security in the future, and what services will be offered to data theft victims.

Conclusion

In 2020, brands that prioritize the customer experience will emerge as winners. With the right tools, merchants can deliver on growing expectations for responsiveness, speed, and privacy across touchpoints, earning customer trust and loyalty.

[21] [Forrester, "Top Cybersecurity Threats for Retailers in 2018," November 2017](#)

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