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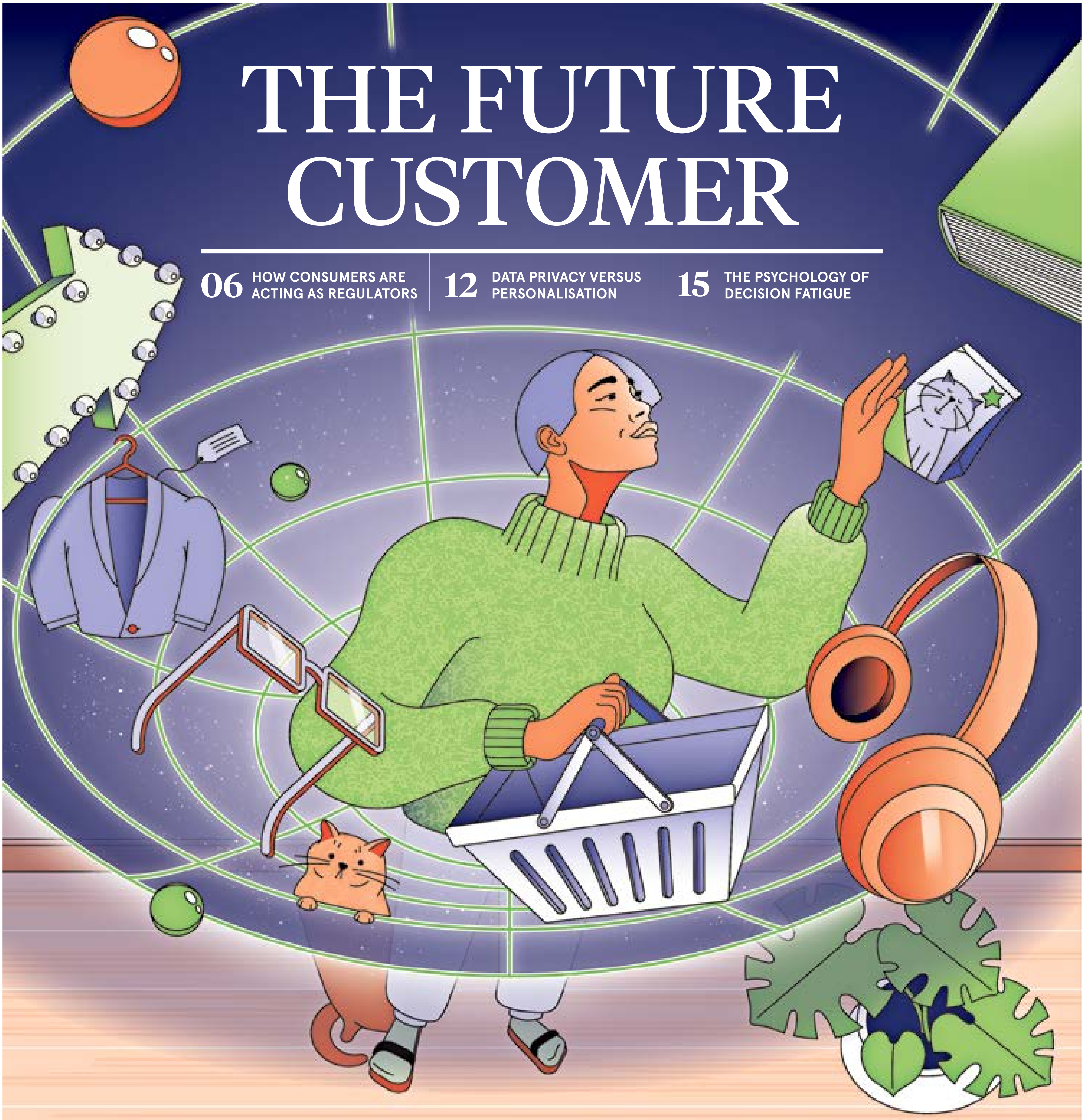
THE FUTURE CUSTOMER



THE FUTURE CUSTOMER

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WEB 3.0

Who's averse to the metaverse?

Some believe it will offer a cornucopia of heightened consumer experiences; others fear it will become a dystopia. But they're unlikely to find out for at least another five years

David Benady

How would you like to meet up with some interesting-looking new people at a virtual coffee shop? You'll sit at home sipping your own brew, but wear a virtual reality (VR) headset to experience the café and mingle with your new acquaintances as a cartoon avatar. Or how about wearing a waterproof headset and entering a swimming pool to simulate the sensations of space travel? Or letting your avatar walk round a clothes store and try items on for size? Virtual fitting will be an exact process, because your avatar will be measured up for all your vital statistics, from inside leg to collar size.

These are just a few of the experiences that will be made possible by the metaverse, the giant VR network that the tech industry is building.

"The metaverse proposes to transform the internet, which is largely a transfer of information from a server to a user, into a more immersive, real-feeling experience that can be shared by an unlimited number of users," says Doug Stephens, founder of consultancy Retail Prophet.

A space where you can exist as an avatar, character or player, the metaverse offers either an immersive virtual world or enables virtual experiences to be superimposed on to the real world. You'll probably need to wear a headset, which could be a deal-breaker for some people – 3D cinema has never really taken off because of those irritating glasses. But, for those willing to put up with this, the metaverse promises a profusion of experiences that could vastly improve consumers' lives. Inevitably, though, there could be some serious downsides.

"We have rampant problems on the internet, including bullying and fraud, that we haven't even begun to tackle," Stephens says. "To simply hurtle forward into a more immersive and persistent version of that would be reckless, to say the least."

Could the metaverse really turn out to be an unwelcoming world of virtual vendettas and 3D thievery? How will its inhabitants be protected from harm?

Stephens believes that we need to appeal to our "better angels" to create a positive vision of the metaverse. Jonathan Manzi, co-founder and CEO of blockchain provider Beyond Protocol, has just such a vision, foreseeing an autonomous virtual realm that will be democratic, decentralised and enabling. Manzi enthuses about the possibilities for building a

Westend61 via Getty Images

better experience than that offered by Web 2.0, which has been overshadowed by the dysfunctionality associated with some social networks. The metaverse will be part of the next stage of internet development known as Web 3.0, he says. This will use blockchain technology to create the truly egalitarian, participatory internet that was originally envisaged by its inventors.

The most recent wave of Web 3.0 hype was triggered by the renaming of the parent company of Facebook, Instagram, WhatsApp and Oculus from Facebook to Meta Platforms in October 2021. Meta's co-founder and CEO, Mark Zuckerberg, gave a presentation showing the possibilities offered by the metaverse, revealing that his company had invested \$10bn (£7.45bn) in developing the technology that year alone. This sparked an ideological battle between technologists and human rights activists about the nature of the metaverse. Would it be dominated by corporate interests? How would its users be shielded from invasions of privacy and the misuse of data? How could real consumer choice be enhanced?

Manzi says that new blockchain-based unions, called decentralised autonomous organisations (DAUs), will give consumers the power to control their private data and the experiences they have in the metaverse. A DAU would serve as a trusted intermediary, run democratically in the interests of its members, who join it through an immutable blockchain ledger and vote on their relationships with brands and retailers by means of so-called smart contracts.

Imagine that a group of employees are working in a virtual office space and lunchtime rolls around, Manzi says: "You could have those users' information flow through the DAU, which decides whether it's appropriate to serve them an advert about the food from trusted restaurants in the area. The ad is served, the food is delivered and money is exchanged to pay for it, all on a smart contract. That's something that adds value. It's good marketing – something that's helpful to my life."

This contrasts with the invasive advertising practices that have become a characteristic of Web 2.0. Some advertisers use psychological profiling to find people's weak points and target them with adverts for inappropriate or even harmful products and services.

"The DAU framework has checks and balances inherent in it all the way through – something that hasn't been possible in Web 2.0," he says.

But such developments are still thought to be at least five years away. The metaverse will be a native world for generations Z and alpha. It will require users to have an understanding of DAUs, blockchains, cryptocurrencies and non-fungible tokens, which will act as exchange systems. So it won't be everyone's cup of tea, sipped virtually or not.

The early indicators of how it will work are already available, though, in meeting apps such as Gather Town and gaming platforms such as Animal Crossing and Roblox.

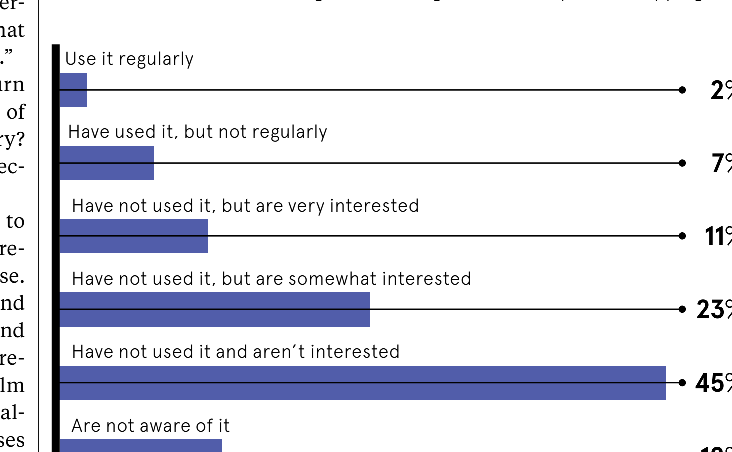
Kathryn Bishop is foresight editor of LSNGlobal.com, which highlights trends predicted by The Future Laboratory, a brand consultancy. She points to South Korea as a society that's already making strong advances in metaverse tech. It offers apps such as social network Zepeto, which uses facial recognition systems to create 3D avatars of users that can already interact virtually. Meanwhile, Ralph Lauren has released a collection on Roblox and even runs a virtual coffee shop. The fashion giant and other brands that have been getting involved in early metaverse spaces all view this as a way to connect with the next generation of customers.

As a consumer using such spaces, "you can meet other people and have a completely alternative brand experience from one you've been used to," Bishop says. "It's a great way to discover new products or perhaps unlock some kind of loyalty bonus."

Stephens acknowledges that the shopping experience could be vastly improved by Web 3.0. In essence, ecommerce is "digital catalogue shopping" in its current form, he says. "It's not social, it's not engaging and it's certainly not fun. The metaverse could change that."

DESPITE THE HYPE SURROUNDING THE METAVERSE, MOST CONSUMERS ARE UNINTERESTED OR UNAWARE eMarketer, 2020

US consumers' interest in using virtual or augmented reality while shopping



Thomas Barwick via Getty Images

CUSTOMER EXPERIENCE

Turned back, tuned out, logged off: don't discount the digitally disconnected

A small yet significant proportion of consumers still haven't joined the online shopping revolution. Any firm that ignores these analogue laggards does so at its peril

Chris Stokel-Walker

One of the most obvious socioeconomic effects of the Covid crisis has been the way it has boosted the ascent of ecommerce. Online channels now account for about £3 of every £10 in retail sales in the UK, compared with £2 before the pandemic started, according to the Office for National Statistics.

To match this increase in digital spending, retailers have been working to enhance the customer experience they provide online. Yet a laser-like focus on ecommerce can come at the expense of the many consumers who still shop the analogue way. Research published by Deloitte in August 2021 revealed that 21% of UK consumers don't have access to a laptop PC and 8% of consumers still don't own a smartphone. Companies that disregard the needs of this group risk alienating many potential customers.

"If brands make choices based purely on economics without considering their impact on certain stakeholders, it could prove a problem in the medium term," warns Ross Sleight, chief strategy officer at Somo Global, a digital product agency. "Such considerations are particularly important in key areas of the high street. For instance, the closure of a local bank branch can evoke high emotion among those in the affected community who feel disenfranchised and on the wrong side of the digital divide."

He continues: "One of the biggest barriers to a company's successful digital transformation is how to change customers' behaviour. Consumers who are so accustomed to undertaking certain tasks in a particular way cannot be expected to change them immediately and embrace digital methods."

Sleight suggests that, in order to ensure that no one gets left behind by this transformation, brands should work with customers to help them develop digital literacy skills.

> The pandemic has taught us that digitalisation can be a huge asset in reaching new people, but also that it leaves many others behind

More than 1,200 of the 2,000 consumers who responded to an online poll by YouGov for Metro Bank in August 2020 agreed with the suggestion that British banks had given up on having a high-street presence. Just over half of those surveyed said that they still liked to speak to someone face to face when making a bank transaction. Among respondents aged over 55, the proportion rose to 62%.

"There has clearly been a huge acceleration towards digital channels throughout the pandemic," says Kat Robinson, Metro Bank's customer experience director. "The digital revolution in services could be felt most profoundly by older people, who tend to be less digitally literate. Falling on the wrong side of this digital divide could be a life-changing worry."

Dr Angelika Strohmayer is a senior lecturer in the design school at Northumbria University, where she studies interactions between humans and computers. She notes that "the pandemic has taught us that digitalisation can be a huge asset in reaching new people, but also that it leaves many others behind. For the latter group, it's not only a question of having access to an internet-enabled device such as a smartphone or a personal computer. It's also about having the ability to use them."

Katie Thomas, lead at the Kearney Consumer Institute, agrees that the digital divide is not only a function of the "growing income and wealth gaps across the UK", although these are clearly a strong contributory factor. People who are getting left behind by the online revolution may well be able to afford the latest smart devices and high-speed access to the internet. It's a matter of choice too, she stresses.

Some people simply shun digital technology, choosing not to participate in online transactions because they prefer a traditional, in-person retail experience, which could include using cash instead of card payments. A brand may take a calculated risk, knowing that these consumers are generally older and will eventually be replaced by new generations of digital natives. But choosing to ignore their preferences could damage its standing, Thomas warns.

"Racing towards the future but losing customers' loyalty on the way is not a sustainable strategy," she argues. "If a business's motivation to be innovative is making the firm outpace the slow process of consumer change, it's time for it to slow down."

Moreover, while companies may have a strong desire to race ahead with their digital transformations, cheered on by their most IT-literate customers, they need to remember that the laggards whose needs they're ignoring are being left a long way behind. According to research published in September 2021 by Comdata, 29% of Britons "have very low digital engagement". People in this group aren't necessarily lacking an internet connection. Many of them have online access and digital skills, but they simply don't want to use them. They're the type of high-street shoppers who, when asked at the till if they want to be sent a digital receipt rather than a paper one for environmental reasons, will decline to share their email address.

An independent poll of 2,100 UK adults by YouGov in January 2021 found that 8% had shopped solely at bricks-and-mortar stores over the previous 90 days. While that was half of the number who'd shopped exclusively online during that period, this finding indicates that a significant number of consumers remain tied to a non-digital world.

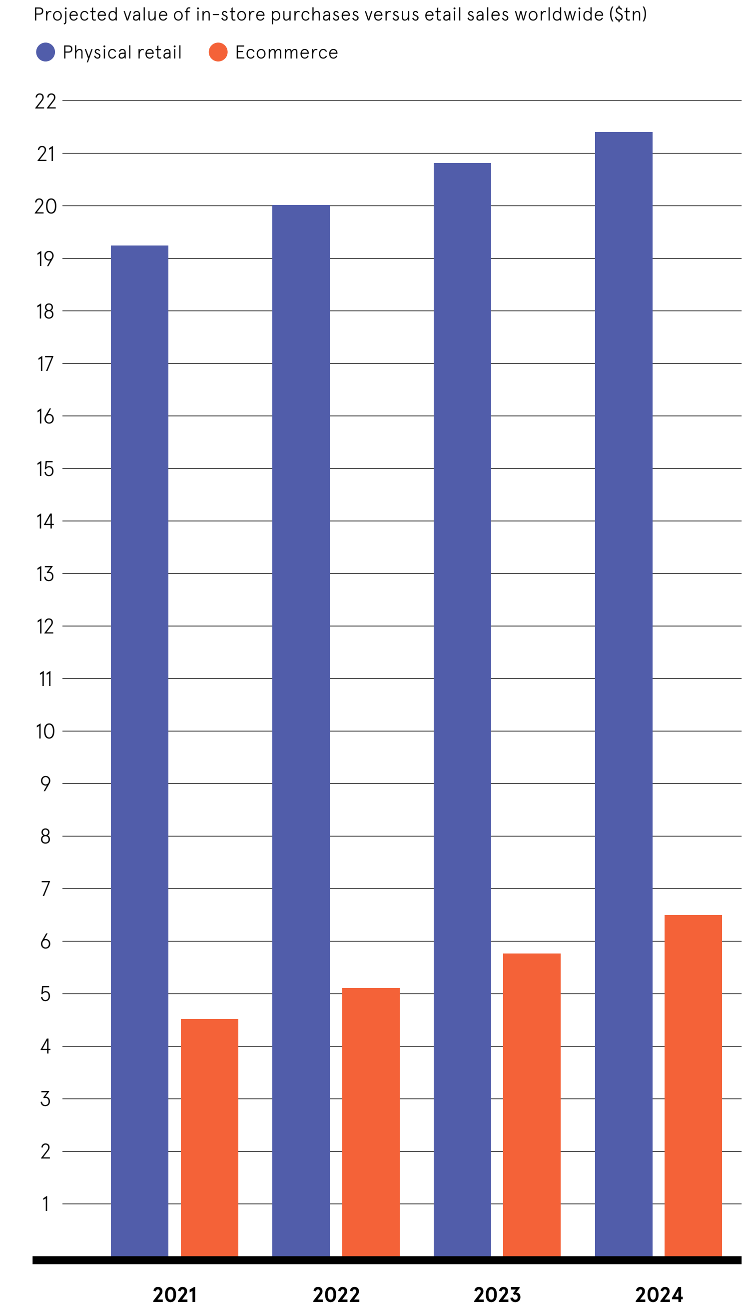
The study found that consumers' inability to interact physically with products was the second-highest barrier (after their unwillingness to pay delivery charges) dissuading them from shopping online, with 45% of respondents citing this as a deterrent. By contrast, only 5% said a lack of web access was an obstacle. In the medium term, the emergence of virtual and augmented reality offers a potential solution. But, as businesses look forward and start adopting these new technologies, they also risk widening the gap between the digital natives and the analogue holdouts, further alienating a significant cohort of potential customers.

"At Metro Bank, we see lots of people who want to use both channels – and there are certain customer experiences that I would still rather have in person," Robinson says. Keeping that in mind is crucial, as is not getting carried away by the endless promise of technology.

"In this business, we always start with our customers. What kinds of customers might come through the journeys we are offering? Can we put ourselves in their shoes? We need to know how these journeys look from their perspective," she stresses, adding that the online and offline experiences offered by the bank ideally offer the same quality. "This is about how organisations stand up and ensure consistency across their channels."

REPORTS OF THE HIGH STREET'S DEATH ARE EXAGGERATED

Projected value of in-store purchases versus etail sales worldwide ($tn)



CONSUMER ACTIVISM

Ganging judges: how the court of public opinion rules OK

Consumers have gained tremendous power over businesses that meet their disapproval. Many firms should have more to fear from concerted activism on social media than they do from a regulatory knuckle-rap

Oliver Pickup

SOPA Images / Contributor via Getty Images

The closing lyrics of *Beyond the Son*, a song by Swedish electro-jazz duo Koop, offer the perfect sign-off for any cordial correspondence: "May the winds be at your back, the dice be kind and the gods turn the occasional blind eye."

The track was released in 2006, the year of Twitter's birth. To brands, the millions of consumers who use the social network have become the gods who never turn a blind eye. They constantly demand transparency from organisations and are incredibly quick to upbraid any whose behaviour falls short of their expectations.

If the online clamour isn't handled adroitly by those on the receiving end, it can soon turn into hysteria. At that point, the traditional media will often notice and pile on too. Eventually, if the furore is sufficient, an industry regulator may get involved. But the serious reputational damage will already have been done by then. Boohoo, Nestlé and Zara are among a number of brands that have been shamed on social media for various reasons and boycotted by consumers in recent years.

"Social media is vital in bringing bad practices to the notice of a wider audience, including industry regulators," says Rick Evans, strategy director at marketing company R/GA London. "Because social media enables the impact of consumer action to be amplified, companies will often change before the slow wheels of regulation and legislation move."

Evans cites the case of buy-now-pay-later (BNPL) finance as an example of how public pressure can help to trigger legislative action. The £2.7bn sector had attracted a storm of criticism on social media for failing to prevent vulnerable consumers from running up high levels of debt. In October 2021, the Treasury published a consultation paper setting out its plans to impose tight regulations on BNPL credit agreements and put the Financial Conduct Authority (FCA) in control of the UK market.

Abbie Morris is co-founder and CEO of Compare Ethics, a search platform that helps eco-conscious consumers to find brands that match their values. She is pleased that the authorities have started catching up with organisations that have been publicly criticised as exponents of greenwashing. Only recently have "governments started to impose tougher legislation following the reaction of consumers", she says, citing BP's "Possibilities Everywhere" ad campaign as a recent example.

"The energy firm caused public outrage when it highlighted its solar and wind energy projects, having also revealed that about 96% of its annual spending went on fossil fuels. This prompted authorities to step in and present the case that 'fossil-fuel companies' should not be able to buy a good reputation for their climate-damaging products through advertising," Morris says.

In terms of consumer pressure prompting firms and legislators to act, advertising is an interesting topic, says Vikki Williams, customer experience officer at Starling Bank. "Phishing attacks are on the increase", she notes, "and many of these attempted frauds are generated through ads on social networks including Facebook and Instagram, which don't require financial services providers such as crypto platforms to be regulated by the FCA."

> The trading and compliance landscape has changed dramatically. Companies must wake up to this fact and respond accordingly

Starling Bank has recognised that this lack of regulation is problematic, which is why it no longer pays Meta (owner of Facebook and Instagram) for advertising. Moreover, Williams and her colleagues have lobbied the government to extend its online safety bill to cover fraudulent ads. They have also spoken to "tech giants directly, to encourage them to follow in Google's footsteps and rethink their advertising practices".

Williams has noted "encouraging signs of progress" on both fronts. A recent parliamentary report strongly advised amendments to the draft legislation, while Meta has announced that it will change its advertising policies. "It's proof that businesses and their customers can achieve real change working together," she says.

Consumers are more willing than ever to praise good experiences and carp about bad ones on social media. Recent research by reviews platform Feefo indicates that we are 29% more likely to leave feedback about our dealings with businesses than we were before the pandemic.

Businesses and regulators alike have little choice but to listen as the public become increasingly vociferous about a range of key topics. This year, data privacy will be one such topic, predicts Rafi Azim-Khan, partner at law firm Pillsbury Winthrop Shaw Pittman and leader of its cybersecurity practice in Europe.

"In the digital economy, even if a regulator in one country is slow to respond to a complaint, regulators in other nations will take direct action. For instance, France's data privacy regulator has recently fined Google and Facebook in the US," he says.

In addition, more "US-style class actions" are being brought in jurisdictions where previously such cases were rare. Take Lloyd v Google, for instance, which reached the UK Supreme Court last year. Richard Lloyd, a former director with the Consumers' Association, brought a representative compensation claim under the Data Protection Act 1998 on behalf of about 4 million people who, he argued, had been affected by a workaround enabling Google to collect browser-generated data from their iPhones in 2011. The court found unanimously for Google, overturning the Court of Appeal's landmark ruling, but Azim-Khan argues that the direction of travel is clear.

"The trading and compliance landscape has changed dramatically. Companies must wake up to this fact and respond accordingly," he says. "When the court gave its verdict, several newspapers and commentators trumpeted that it slammed the door on the possibility of US-style class actions in the UK. But they were missing an important point: even though Google was victorious on the facts before the court on this occasion, the verdict wasn't a bar to anyone bringing representative actions that take a different approach."

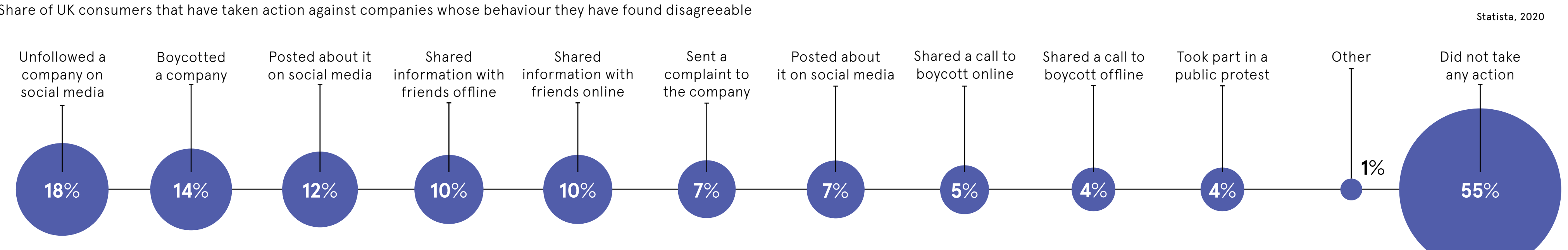
Stressing the significance of the case, Azim-Khan says: "The upshot is that firms are facing a kind of double jeopardy: if regulators don't punish their missteps, customers could still do so through the courts. We're at the start of a new phase of increased liability for businesses. It's the calm before the storm – and companies are sailing into dangerous waters."

Given that the consumer gods are becoming even less inclined to turn a blind eye to any firm that veers off the approved course, businesses will be hoping that they'll at least have the winds at their backs. ●

ACTIVISM ASIDE, MOST CONSUMERS ARE PASSIVISTS

Share of UK consumers that have taken action against companies whose behaviour they have found disagreeable

Statista, 2020



OPINION

'To build peripheral vision we need to use the smartest shortcuts'

Business has been talking about a 'volatile, uncertain, complex and ambiguous' world since 1985 when the acronym Vuca lurched into common parlance via the economists Warren Bennis and Bert Nanus. These features of life were magnified in 2007 by the smartphone revolution. Since then, political upheaval, a climate emergency, changing attitudes to the concept of work and, of course, the Covid pandemic have made volatility and uncertainty the norm. In business, leaders have to be comfortable with constant change. With full irony, this seems likely to be the one thing that won't change.

Good marketers have always led through uncertainty, so our roles as leaders are essential right now. But how do we equip ourselves for what's next when we don't know what that will be?

My conversations with successful leaders have revealed that ambitious, thoughtful change-makers have been working on honing a particular skill: vision. It's not necessarily the leadership doctrine of 'vision', which articulates strategies, goals and the dreams of teams. While that is critical for decision-making and motivation, those who want to connect with the customer of tomorrow need to sharpen something else.

Leaders in organisations must be the ones looking forward, up and around. This type of foresight is difficult, because it's easier to lean on experience and yesterday's data. As Warren Buffett puts it: "The rear-view mirror is always clearer than the windshield." The danger in a fast-changing world is that pattern recognition can place you in the past.

Recombinant innovation occurs when two ideas from different areas come together to form something new. David Epstein's book *Range* demonstrates the benefits of cross-category skill building, and, indeed, game-changing entrepreneurs repeatedly find inspiration in different areas. Phil Knight's waffle-iron technology made Nike a winner, Steve Jobs' calligraphy class in college helped lead to the clear design aesthetic of Apple.

Staring down at a spreadsheet won't make revenue grow. Sparks of innovation rarely come from focusing on the category in which you're already competing. And your ability to anticipate what's next can come from cross-category understanding. So those who want to lead change in a fast-changing world will succeed not by looking down or back, but by sharpening their peripheral leadership vision to spot risks and opportunities more quickly.

It's hard to explore tomorrow when the pressures of today take up all our time. Looking up and around is challenging when we have our heads down. To build the peripheral vision we need to use the smartest shortcuts – other stories, other ideas and other people's experiences. Mark Earls, fellow of The Marketing Society, explains that intelligent marketing decisions often come from adapting others' ideas: "copy, copy, copy". The easiest, fastest way? Connect yourself with smart, like-minded peers. Members of The Marketing Society help each other with ideas and inspiration, for instance. A network of connectors helps you look ahead, around corners and relish the exciting potential of change.

Dealing with something new? A different perspective helps with your navigation. Someone you connect with may have seen a parallel situation. People from diverse backgrounds approaching similar challenges might give a sideways perspective for your thinking. We are stronger together than alone. Whatever is coming next, insights and inspiration will reach us faster and our peripheral vision is strengthened by being part of a community of the curious. Isn't that an idea worth looking at? ●

Sophie Devonshire
CEO, The Marketing Society

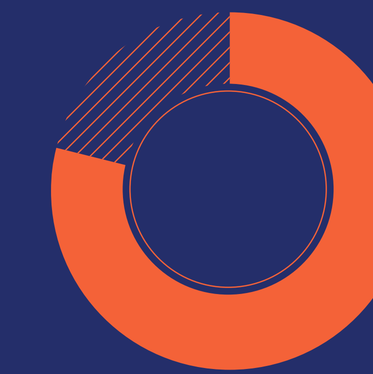
PATIENCE AND EXPECTATIONS

In the competition for patronage, businesses are finding that consumers are more demanding and less forgiving than ever before. Customer loyalty is dwindling, while research suggests that an overwhelming majority of consumers are unwilling to offer a second chance to any company falling short of their expectations. Firms do say that the customer is king – and customers have indeed become accustomed to being treated like royalty

9 in 10 consumers expect omnichannel service

1 in 3 customers expect businesses to respond to negative reviews within three days

72% of consumers expect companies to know their purchase history regardless of the method of communication



79% of consumers will stop doing business with a brand after only one bad customer experience

CXToday.com, 2019

THE FICKLENESS OF YOUTH

Loyalty behaviour towards brands among generation Z since the Covid crisis started

37% will abandon a purchase and/or post a negative review after a poor digital shopping experience

57% have become loyal to brands

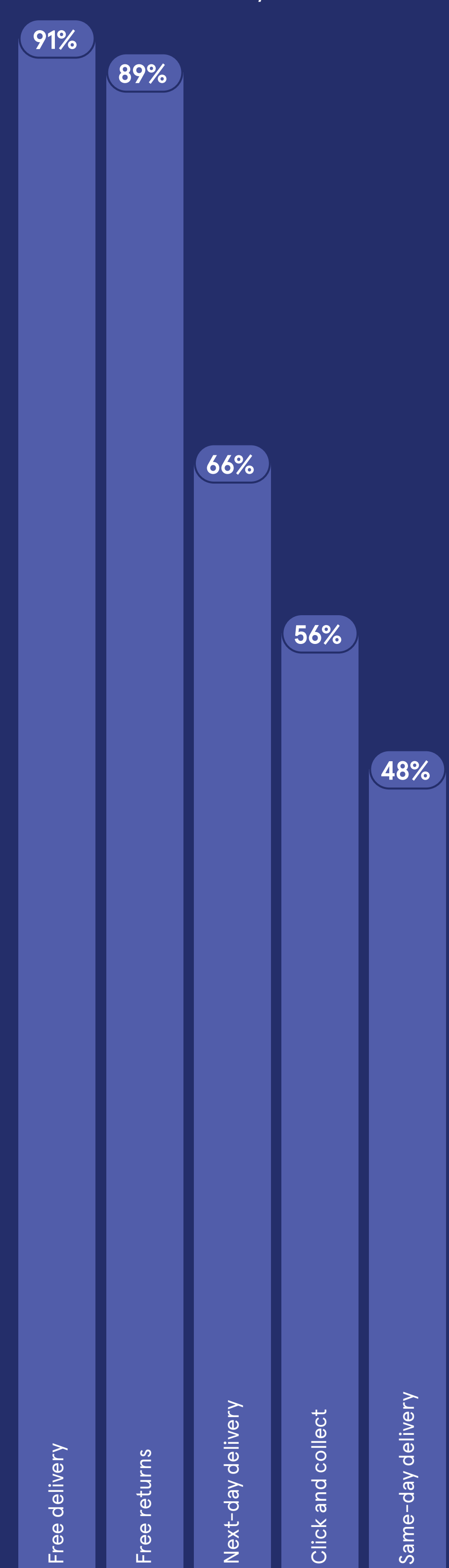
63% have become less patient with poorly functioning websites

80% have become more willing to try new brands online

PR Newswire, 2021

ONLINE CLOTHES SHOPPERS EXPECT FREE DELIVERY

Share of UK respondents indicating the following are 'important' or 'very important' for online fashion delivery and returns



TheIndustry.fashion, 2020

ON A SCALE FROM ZERO TO 10, HOW WAS YOUR EXPERIENCE?

Customers' evaluation of businesses' customer experience capabilities, by region

	0	1	2	3	4	5	6	7	8	9	10
Americas	0%	0.3%	0.3%	0.7%	3.6%	4.6%	11.2%	13.3%	24.8%	24.1%	17.1%
Asia Pacific	0.8%	0.2%	0.4%	1%	3.3%	7.9%	14.7%	18.3%	27.2%	17.9%	8.3%
Europe	0.5%	0.3%	1.1%	1.3%	2.8%	6.4%	10.9%	23.3%	26.8%	18.6%	8%
Middle East and Africa	0%	0%	0%	2.8%	1.1%	7.2%	12%	22.7%	23.2%	15.5%	15.5%
Other	0%	0%	10%	0%	0%	10%	40%	20%	10%	0%	10%

Nippon Telegraph and Telephone, 2021

EIGHTY-THREE PER CENT OF CUSTOMERS EXPECT COMPANIES TO REPLY WITHIN 24 HOURS TO QUERIES SUBMITTED THROUGH SOCIAL MEDIA CHANNELS

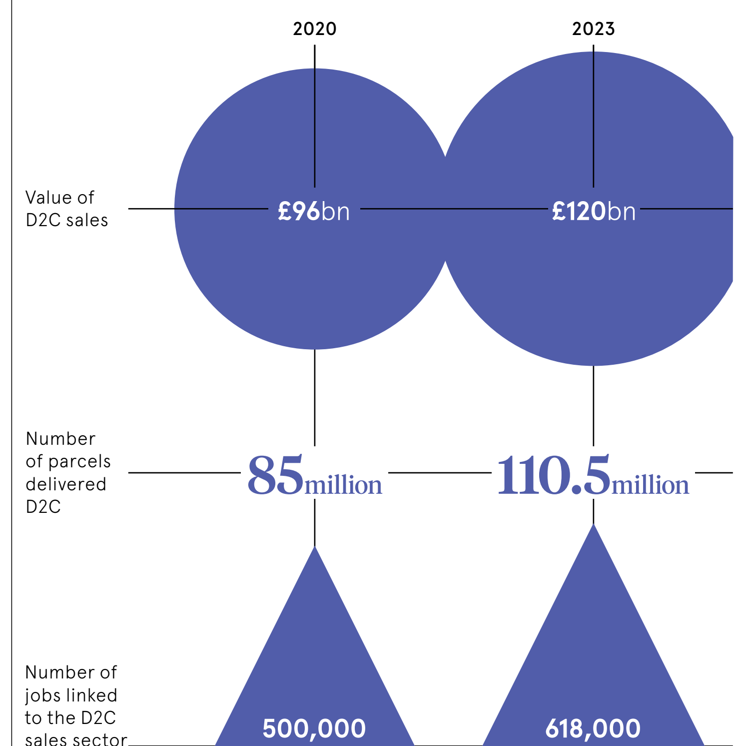
Customers' expectations of response times to social media questions or complaints, global average

Microsoft, 2019

Kmatta via Getty Umages

THE RISE OF D2C RETAIL

Projected development of D2C retail sector in the UK between 2020 and 2023



Barclays, 2020

SALES CHANNELS

Straight-line appreciation: when D2C is the A1 choice

The lockdown restrictions on high-street retail have obliged many manufacturers to start selling directly to consumers. Their new channel is proving valuable to them in some unexpected ways

David Stirling

One of the main effects of the Covid crisis has been the way it has separated people, yet many manufacturers have treated this existential threat as an opportunity to get closer to consumers and understand their changing preferences. Who knew that some families preferred holding perfume parties to playing board games last Christmas, for instance, or that the humble pencil case has become hot property among schoolchildren?

Manufacturers have gained such insights by cutting out middlemen such as retailers and adopting a direct-to-consumer (D2C) business model. This is based mainly on ecommerce but can also include telephone sales and even standalone stores, from pop-up shops to less temporary outlets. Some brands, such as sportswear group Nike, are generating a third of their sales income through its D2C channels.

Fragrance maker Pairfum London started selling its own products D2C online after the government's lockdown restrictions obliged its 100 high-street retail partners in the UK to close their doors.

"The main benefit has been the direct contact it's given us with our customers," reports Huib Maat, the firm's founder and perfumer. "We're no longer just a bottle on a retailer's shelf. We've had people calling us to say how our perfumes are affecting their lives. They feel closer to us."

Callers have included the couple who told a bemused Maat how much they loved his "dance perfume". They explained that this was the nickname they had for a particular fragrance they would put on before going out to their dancing classes.

"We've even heard from people who told us that they had swapped playing their usual family board games at Christmas in 2021 for spraying perfumes from our gift boxes on each other's wrists," he says.

Stationery manufacturer Pukka Pads reports that its creation last year of a D2C site aimed at British consumers – after two decades of selling through intermediaries – has strengthened its ties with customers and even with the retailers it has started to circumvent.

"By putting our entire catalogue online, we have given our customers the pick of everything we have to offer," reports the company's procurement director, Darryl Corbin-Jones. "We've been seeing particular demand for our pencil cases from schoolchildren – they hadn't been aware that we had offered these before. Retailers have also been getting in touch with us to say that they have seen something new on our website that they want to display in their stores."

Barclays Corporate Banking has predicted that UK manufacturers' total D2C sales income will increase from £96bn in 2020 to £120bn in 2023. It's found that consumers are becoming more inclined to buy directly from manufacturers where this is an option, in the expectation of finding better prices.

Chris Dunn, an independent business consultant, notes that consumers using the D2C channel have a better chance of finding what they want in stock than they would if they went to a retailer. They're also likely to receive more knowledgeable after-sales service, given the manufacturer's expertise in the workings of its own products.

Adopting a D2C model requires a significant outlay. In 2020, Barclays estimated that the average investment required to set up such a channel was £288,000.

Pukka Pads had to set up its ecommerce function from scratch, says Corbin-Jones, noting that the company's products "used to market themselves to retailers. We've had to hire both internal and external teams to run the website and now we pick individual items in the warehouse. This has been a big investment with no savings as yet. But this is a long-term strategy."

Dunn would advise any manufacturer considering the D2C route to examine the likely costs, benefits and risks in great detail beforehand. One key advantage of the model, he adds, is that it enables producers to put new items on the market more quickly, as it frees them from retailers' standard purchasing cycles and costs such as slotting fees.

Maat reports that selling directly to consumers has improved his firm's cash flow. All sales it makes this way are sales for which it won't have to wait three months to see the money after invoicing a retailer. Cash freed up this way can then be reinvested in D2C-focused activities such as social media marketing.

Despite this, both Pukka Pads and Pairfum view maintaining a mix of D2C and retail as their best long-term channel strategy.

"We're looking to expand our website to cover the whole of Europe, but we have no plans to use fewer retailers," says Jess Stott, online account manager at Pukka Pads. "We don't want to become reliant on just one route to market."

Maat says that he would miss interacting with customers and getting to know them better if Pairfum were ever to abandon its D2C channel. "We used to receive infrequent calls from our retail partners," he says. "Nowadays, our phones are lighting up, but the conversations we're having with customers are much more beautiful."

Cycle path: how Kidvelo is taking the direct route to success

Kidvelo, a manufacturer of lightweight no-pedal bikes to help children learn to cycle, was launched last year by two couples: Karen and Gary Wood, based in the UK, and Nicole and Anthony Kotarac, based in Australia. They chose to sell D2C to give them full control of the process that brings products from the factory in Asia to their customer base, which includes cycling instructors and schools as well as parents of young children.

"We can deliver them into the hands of riders quickly and in perfect condition," says Karen Wood. "With no middlemen, we have a direct line to our customers and can get to know them. If they have a query, they'll get answers from us much more quickly than they would if they had to ask a retailer's shop assistant."

Wood adds that the cost savings her company has achieved through bypassing wholesalers and retailers have been passed directly on to the customers. "This has made us more competitive and flexible with our offers."

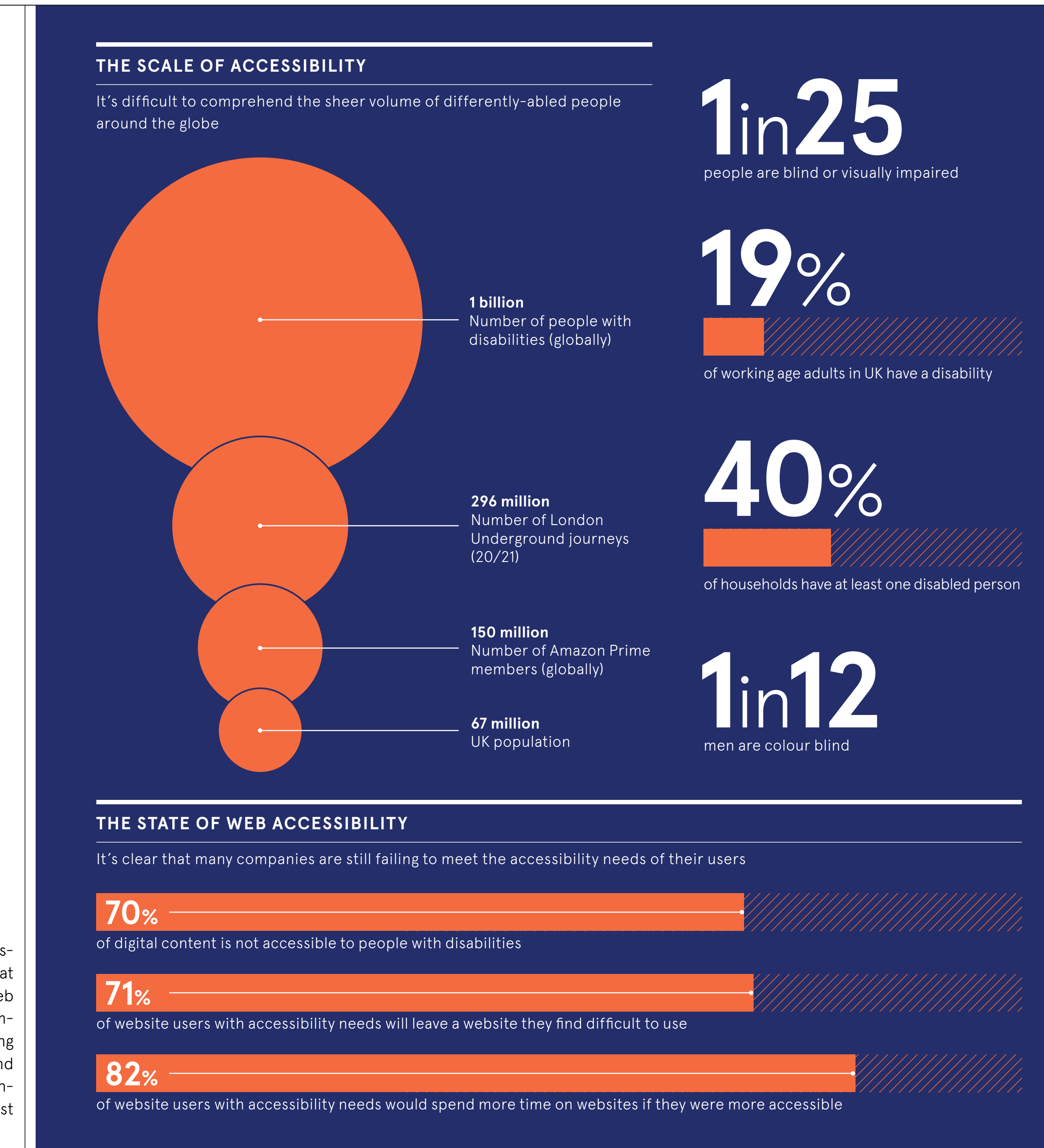
She reports that finding affordable space to store stock has been one of the main challenges that Kidvelo has had to deal with in the UK.

"We're less able to move quantity in bulk to, say, a retailer to reduce the amount of warehousing space we require. This obviously means high costs, but our approach is ultimately still cheaper than going through retailers," Wood says. "Nobody has more passion for your own product than you do. Nearly everyone remembers learning to ride a bike – and we can help to share that feeling."

Commercial feature

Making the web accessible to the world

Companies that fail to address web accessibility are missing vital opportunities to engage with an audience that wants to connect with their brand



A seamless online customer experience has become increasingly important for businesses, especially during the last two years of the pandemic when digital interactions have soared. While most of us take ease of access for granted, around 1 billion people live with a disability, including conditions that may affect their ability to navigate the web.

According to a survey by Nucleus Research, as much as 70% of web content is not sufficiently accessible, preventing millions of potential customers from interacting with brands online. This flies in the face of World Wide Web inventor Tim Berners-Lee's belief that 'the power of the Web is in its universality.'

Digital experience analytics platform Contentsquare is on a mission to help brands build great digital experiences that are accessible to all. In 2020 the company acquired tech startup AdaptMyWeb, and in 2021, it launched a non-profit organisation, the Contentsquare Foundation, with the aim of raising awareness about the issue and helping to shrink the accessibility gap.

Contentsquare Foundation director Marion Ranvier says: "Knowing where to start to make your digital properties accessible can be overwhelming, but we need to raise awareness on this topic. One of the challenges is the fact that 80% of disabilities are invisible, so we need a much better understanding of what disability is, and how it impacts peoples' lives and their ability to access websites."

The scale of accessibility challenges

Web accessibility issues affect people with many conditions, including visual, auditory, physical and cognitive impairments, from colour blindness and cataracts to deafness and dyslexia. There are some simple steps that organisations can take to improve web accessibility quite quickly, for example, increasing text font size, including alternative text to website images, and adding subtitles to videos. But maintaining an accessible website must become part of a long-term strategy.

"Things are constantly changing," says Ranvier. "Even when a website has been audited, and had its accessibility issues corrected, the company still needs an ongoing focus on accessibility to ensure any new digital content can be accessed and navigated by everyone."

The case for improving digital accessibility extends beyond the moral obligation of building accessible websites for all. Given that the global population currently stands at 7.9 billion, the global figure of 1 billion people with disabilities is immense. To give a sense of its size, it would take 32 years to count to 1 billion. Research has shown that 71% of customers with a disability will leave a website they find difficult to use, while 81% of consumers will pay more money for the same item on a competitor's website if that site is more accessible.

Missed opportunities

Companies that fail to address web accessibility are missing a huge opportunity to engage with an audience that fundamentally wants and needs to connect with their brand. A brand that demonstrates a commitment to accessibility for all can enjoy a strengthened brand presence and an increase in positive sentiment and word-of-mouth recommendations.

"The world has never been more connected or more reliant on digital, as so many people have experienced over the past two years of the pandemic," says Ranvier. "Daily life without access to the internet has become very hard to imagine."

Many companies have understood the need to prioritise accessibility as part of their commitment to diversity, equity and inclusion (DE&I), and the importance of building accessible environments, both offline and online.

Regulation is another important factor, as governments worldwide are now implementing web accessibility standards for online content. In the UK, owners of commercial websites are required to make 'reasonable adjustments' to ensure access to people with disabilities in line with the Equality Act 2021. Compliance benefits everyone, including businesses.

Designing for inclusion

The work of the Contentsquare Foundation is focused on three pillars: equal access to education and culture, advocating for inclusive design, and social responsibility with tangible impact. The Foundation plans to work closely with the community to support external projects that will help people with disability in their daily lives.

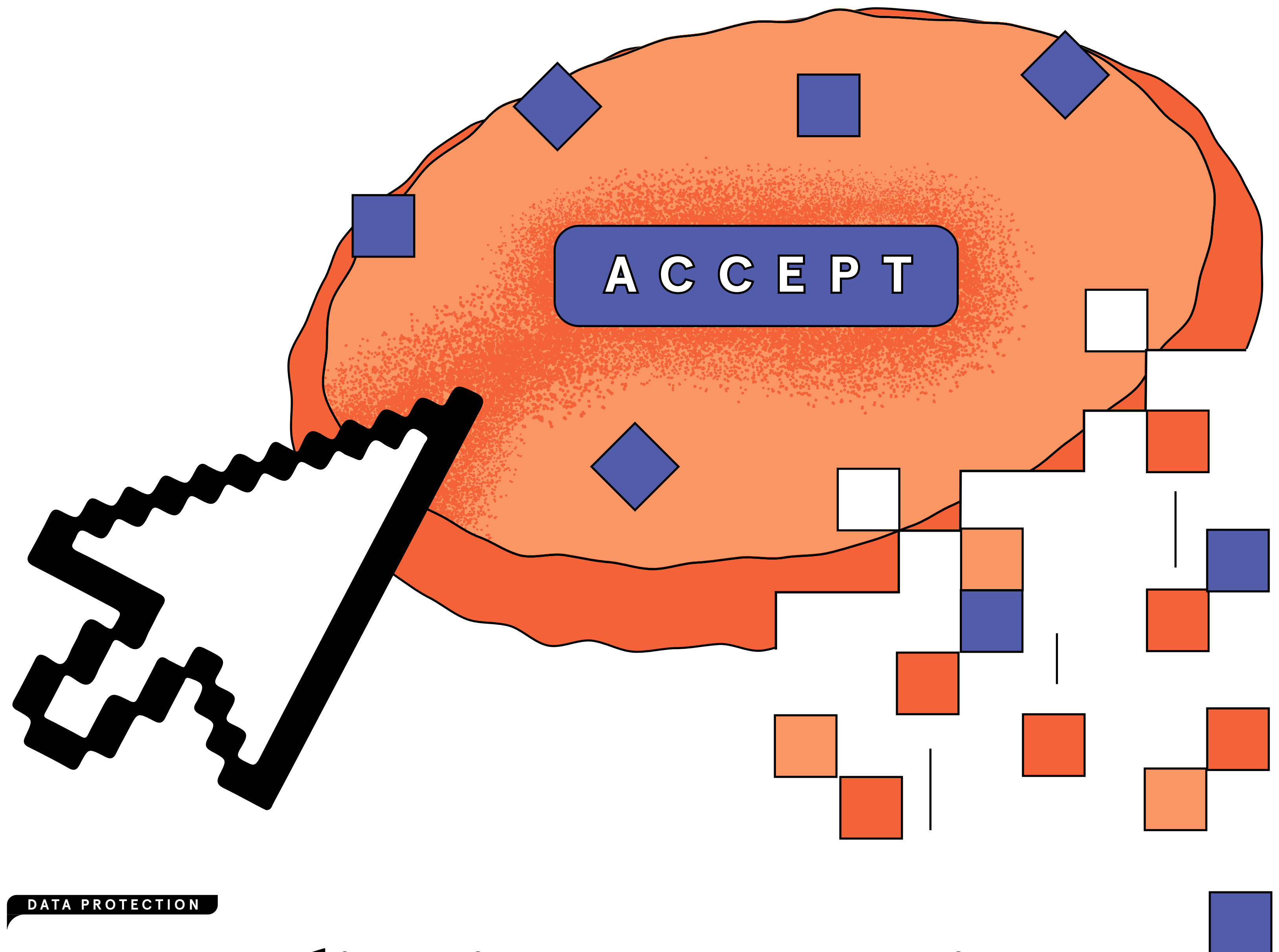
One of the challenges for businesses is understanding the difficulties of those who have to deal with access barriers in their everyday lives. "It's important to try to put yourself in the shoes of someone for whom digital content is inaccessible," says Ranvier. "Encouraging businesses to speak to some of their differently-abled customers about the experiences they have on their website will make it easier to address the issues, and also speaks volumes about the company and its brand."

Ultimately, the Foundation's goal is to raise awareness about digital accessibility among businesses and public institutions to drive change on a much larger scale, as Ranvier explains. "Companies today understand that they have the potential to impact society for the better, and putting digital inclusion at the heart of your business model recognises the fact that everybody is entitled to online access," she says.

Over the last two years of the pandemic and successive lockdowns, digital has become more important than ever, allowing people to maintain some form of continuity amid large scale disruption, from retail to telehealth and online learning to remote work. To stay abreast of the rapid pace of change, many organisations have embarked on major digital projects to re-platform and reposition their brand. This also presents an opportunity to make accessibility a foundational part of the design of their new platform or website, rather than having to completely re-engineer something that is already well established.

Ranvier says: "My dream is to create a digital world that is accessible to everyone, and we all have a role to play in achieving that. But we have to do it step by step and gain a real understanding of the needs of people with disabilities and impairments. Access by everyone regardless of disability is an essential aspect. It is a fundamental human right."

> "Access by everyone regardless of disability is an essential aspect. It is a fundamental human right



DATA PROTECTION

Personalisation versus privacy – how the cookies are crumbling

Online shoppers crave convenience, yet they're becoming less willing to share information that would help etailers to refine their customer experience. Can they have it both ways?

Emily Seares

Retail has entered a new era: consumers want more than products; they also want experiences that connect them with their chosen brands.

To meet this demand, retailers and marketers must discover more about who their customers are. They are using data and personalisation methods to engage with shoppers in meaningful ways, helping to build relationships that feel authentic. Yet at the same time, consumers are generally becoming more cautious about sharing their personal information, as their concerns about ensuring data security increase.

"The ability to personalise allows a brand to differentiate, creating more experience and value around its product in a competitive, price-driven market," notes Andrew Frank, research vice-president at Gartner. "But consumers are realising that they have been giving up more data than intended – and that they have little control over how it's being used."

Personalisation is an effective marketing strategy, but the feeling that a brand is following you around online, or even eavesdropping on your conversations, is a disconcerting one. The negative response from consumers to what many view as surveillance, rather than benign attentiveness, has prompted some remedial reaction from the tech industry.

Google has announced that it will stop the use of third-party cookies in its popular Chrome web browser by the end of 2023, for instance. In the process, it will fall in line with Apple and Mozilla, which have already ditched the tracking technology from Safari and Firefox respectively. Apple has also introduced a privacy feature called App Tracking Transparency to iOS 14.5, the mobile operating system used by its latest iPhones. And Facebook has deprecated the Advanced Mobile Measurement programme, which means that advertisers on the platform receive far less detailed information about users than they had grown accustomed to.

But such decisions present challenges for both businesses and consumers, according to Gartner's senior principal for marketing research, Mike Giblin.

"We are at an interesting point, where customers think they can get a good, personalised experience while also being very protective of their data," he says. "By pulling away data access, they will make their experience less personalised and reduce its quality."

> **Customers are concerned about the way their data is being used, sold and otherwise profited from**

A global survey published last year by US software firm Acquia found that 40% of consumers did not trust all brands to handle their personal data properly. Moreover, 82% of the respondents reported receiving marketing communications that they couldn't recall ever being asked to allow.

"Customers are concerned about the way their data is being used, sold and otherwise profited from by firms that they don't believe have a right to it." So says Jennie Gerum, chief marketing officer at software firm Voyado, who adds that people have little recourse beyond choosing to shun a given service, since these firms often do have a legal right to use their data.

So how do retailers get the balance right? Developing customer experience (CX) strategies that do not rely on third-party cookies and 'surveillance marketing' will show your customers that you have heeded their concerns and it's also the best way to future-proof your business, argues Niki Hall, chief marketing officer at web analytics specialist Contentsquare.

"Online customers are providing a constant source of feedback on your brand's digital experience as they navigate your website or use your app," she says. "How they browse, what paths they take to achieve their goals, where they get stuck – all this data provides clues as to how good an experience they are having."

Using such information wisely and being transparent about requests for further customer data should be the cornerstone of an approach to personalisation that's based on digital trust and CX excellence. While there isn't a firm answer for how much material customers are willing to hand over, Hall says that the consensus is that they'd prefer not to share overly personal data. Rather, they want to know more about what is being collected from them and how it's being used.

"Brands must closely scrutinise what data they're asking for and why," says Stephen Gilbert, loyalty solutions director at CX specialist Collinson in EMEA. He adds that retailers need to ask themselves what the purpose of each piece of data is – and also what the customer gains from sharing it. This added value could come in the form of targeted offers and exclusive rewards – or simply a better shopping experience.

"It's crucial that each data point serves a tangible purpose that ultimately adds value to the business and/or its relationship with the customer," Gilbert says.

It's a strategy that's working for Victor Lugger, co-founder and CEO of restaurant group Big Mamma and hospitality payment app Sunday. He reports that he uses opt-in data purely to improve the CX his businesses offer.

Lugger explains: "A vegetarian may want to see only the vegetarian options on a restaurant's menu. Someone with a particular food intolerance will be keen to look only at the dishes they can enjoy. Does the restaurant need to have their full personal data for this? No. But a customer who dines there regularly may benefit from a loyalty programme and be rewarded with special offers, so they may share their email address. Each case is different and so must be treated differently."

This is where striking a balance between a tailored approach and one that might be considered invasive is key.

One of the privacy functions of Apple's iOS 14.5 obliges apps to seek permission before they can collect tracking data from iPhone users. Of those users with the new operating system installed on their devices in September 2021, about one in five (21%) opted to allow such tracking, according to Statista. Companies such as Facebook have been hit hard by the strengthening of privacy requirements, yet there has also been a boom in hyper-personalised subscription services over the past 12 months. These businesses rely on collecting personal data from customers and, in many cases, far more sensitive data than Facebook has access to, including information about people's health.

"The difference is that they're not collecting data to target adverts," explains Lee Wilson, head of services at marketing agency Vertical Leap. "They're doing it to build unique experiences for customers and help individuals to find the perfect products for them."

Wilson cites the example of subscription company Vitamin Buddy, which uses information supplied by customers to build a two-way relationship. "Every piece of data submitted by a user improves the quality of the products they receive. At the same time, this allows the company to increase the relevance of each recommendation and so retain the customer for longer," he says. "Intent is important – and so is value perception."

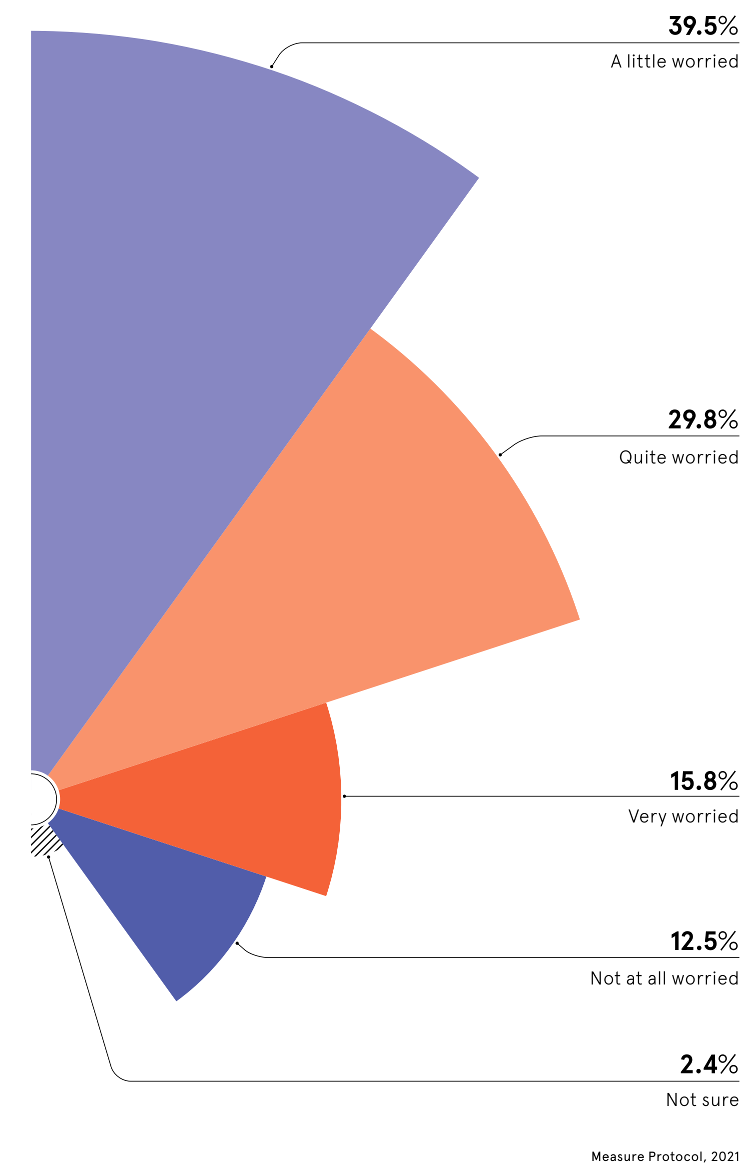
One of the ways a business can tackle the issue of relevance head on is by conducting a data audit, suggests Rodolpho Cardenuto, president of applications at US telco Vonage. This would entail an exhaustive review of all the points at which it obtains and processes personal data, along with the legal justifications used and permissions gathered, he says. This can provide an informed starting point to ensure that any data collected is seen to be serving the customer first and foremost.

In addition, Cardenuto advises companies to give customers the option of deciding when their data is erased. This can empower them to manage their compliance requirements more easily and reframes the collection of data as a consensual element of the relationship between business and customer.

Although privacy measures will only become more stringent in the coming years, businesses that are already building relationships around the exchange of data and showing the value of personalised experiences are likely to gain a competitive edge.

DATA ANALYTICS FACES RELUCTANT CONSUMERS

How worried are UK adults about the collection of their personal data?



Measure Protocol, 2021

> **It's crucial that each data point serves a tangible purpose that ultimately adds value**

How AI makes customer conversations more human

Conversational AI allows brands to connect with consumers in a more personal way on the messaging channels they use most

CONSUMERS WOULD RATHER INTERACT WITH A CHATBOT INSTEAD OF A HUMAN FOR ACTIVITIES SUCH AS

60% providing their account balance

56% updating their address

50% finding a product for them

53% booking an appointment

CONSUMERS HAVE ALSO BECOME MORE COMFORTABLE WITH USING CHATBOTS TO HANDLE COMMON INTERACTIONS SUCH AS

60% Reordering regularly purchased products

54% Reminding them to order presents for upcoming holidays

51% Renewing a contract

Imagine a company that treats you like a valued friend. Instead of putting you on hold, they use the same messaging channels that you use every day. And instead of depersonalized interactions, they offer meaningful, emotionally rich conversations. Wouldn't that be a more human way of engaging?

The answer, of course, is 'yes'. But it's hard for businesses to interact in a more human way when they're dependent on call queueing systems, generic websites and robotic-sounding emails.

"Human beings are inherently social and share a need to connect, but the experiences we have with brands are becoming more and more faceless," says Rob LoCascio, founder and CEO of LivePerson. "Consumers are looking for deeper, more meaningful connections, so any brand that can provide them will differentiate themselves."

Somewhat surprisingly, the best way to do that at scale – and shift from clicks and cookies to more natural-feeling conversations – is to introduce some automation. LivePerson's AI-powered chatbots, for instance, work together with human experts to fulfil consumer intentions at scale. This helps create a direct link between companies and their customers, and results in a more human approach to doing business.

Thousands of companies around the world now use LivePerson's technology to create these conversational relationships with consumers. It gives them the ability to tap into the convenience and comfort of the messaging channels consumers use to chat to their friends and family, such as SMS and WhatsApp. This quick, intuitive way of interacting can also be customised to suit the overall tone of the brand, or deployed through their own app or website.

What's more, LivePerson's tools allow companies to harness the asynchronous messaging we take for granted when we're conversing with our friends and family. Put simply, this means you can easily start a conversation with a brand, put your phone down, and continue it later on right where you left off.

As LoCascio says, this means "putting consumers, not companies, in charge of conversations." In fact, LivePerson's Conversational AI is purpose-built for these kinds of customer interactions. "We've been laser-focused on understanding consumer intent and behaviours in the natural flow of conversations, and we have decades of conversational data underpinning our technology," adds Joe Bradley, chief scientist at LivePerson.

Creating community

BELLA, a messaging-based challenger bank, exemplifies this approach to customer engagement. LivePerson, which works with some of the largest banks in the world, designed it to demonstrate a new kind of financial service – one built around the human qualities of love and empathy, and the immediacy and personalisation of cutting-edge AI.

The user-interface system is fully conversational, so there are no menus to navigate. Instead, users simply type in what they want to do and BELLA carries it out.

As with any bank, BELLA accounts check all of the standard boxes for safe and secure banking. But they also offer some unique experiences that aim to build a community, and then take care of that community's financial wellbeing.

"For example, BELLA includes Karma accounts for random acts of kindness," says LoCascio. "These 'pay-it-forward' accounts let members set aside any amount at any given time to cover other members' expenses, ranging from springing for a surprise treat when a member buys coffee, to a donation to someone you've never met who happens to be in need."

BELLA also includes 24-hour messaging support with real people that get to know and care for the community. Members can message with the BELLA team anytime, anywhere, about everything from TV show recommendations to completing everyday tasks, or help planning for long-term goals.

Last but by no means least, BELLA features an algorithm that rewards members with random surprise cashback of between 5% to 200% when they use their BELLA debit card. It's an important offering, as "rewarding members is at the heart of the BELLA DNA and creates the advocacy to build a community of members," says LoCascio.

83% of consumers worldwide would browse or buy products in messaging conversations

63% of consumers say messaging with a company would make them feel a more personal connection

61% have a positive view of chatbots, up from 31% in 2020

Building conversations

Conversational AI doesn't only change things for consumers – it changes them for contact centre agents too. "Just a few years ago, everyone thought that bot builders needed to be highly technical, or even data scientists," says Joe Bradley. "The reality is far different: contact centre agents, the people who know how to have productive, empathetic conversations, are the best people to design bots."

The trick is to make it easy for them to do so through tools like LivePerson's Conversation Builder. "When you take a low-to-no code approach and combine it with a point-and-click interface, you can help any contact centre agent become a bot manager or conversational designer," LoCascio explains.

In other words, conversational AI isn't removing jobs – it's making them more rewarding. "It's true that traditional contact centre jobs, where people pick up the phone or type responses to customers, will go away as automations increasingly take over these functions," says LoCascio, "but the world is going to need many, many more bot builders and conversation designers."

He points to the internet of things, or even the much-touted metaverse, as potential drivers of these new jobs. "Every brand with a product you interact with via a conversation, or a presence in the metaverse you talk to, will need people to design and optimise those interactions," he says. "They will need to understand your language, your emotion, and even your personal language quirks to interact with you. That's where contact centre agents come in, and being able to build these high-empathy, high-satisfaction experiences will be invaluable to their future careers."

Ultimately, the combination of conversational AI and people power opens up new experiences for both consumers and call centre agents. It makes the former happier, as they're no longer left on hold or forced to wait days for a response to an email; while the latter are able to develop more varied and fulfilling careers that align with the future of communication technology. In short, conversational AI simply makes life more human.

For more information, please visit liveperson.com/blog/the-customer-engagement-people-prefer

PSYCHOLOGY

Slimline tonic: why retailers are finding out that less choice is more

The UK's big four supermarket chains have stopped stocking thousands of products in recent years. What's behind this move – and will it prove a win-win for them and their customers?

Virginia Matthews

"When people have no choice, life is almost unbearable," wrote American psychologist Barry Schwartz in his 2004 book *The Paradox of Choice*. "But, as the number of choices keeps growing, negative aspects of having a multitude of options begin to appear… At this point, choice no longer liberates, but debilitates."

Ever since Schwartz argued that having too much choice is not good for our mental health, there has been a seemingly relentless proliferation of products ranging from energy drinks to smartphone apps. Yet, among UK supermarkets at least, the tide has been turning in recent years.

Spurred by the success of their no-frills competitors Aldi and Lidl, the nation's grocery giants have been calling time on unnecessary shelf-blockers, quietly abandoning many of their less popular offerings and streamlining their product ranges in the process.

According to market research firm Kantar, the UK's four biggest supermarket chains – Tesco, Asda, Sainsbury's and Morrisons – have delisted about 5% of their products a year since 2018, consigning thousands of items to retail history.

"Rationalisation is a trend that began before Covid. Taking stock out of the mix is the only direction of travel," says Kantar's head of retail and consumer insight, Fraser McKevitt. "As low-assortment discounters Aldi and Lidl continue to ride high, despite having smaller stores and offering far less choice, the days of building new hypermarkets to house vast numbers of products is well and truly over."

Asda, which has ditched about 6,000 lines since 2019, believes that there is demand from its customers for "a simpler, streamlined shopping experience". Its move towards "smaller, more carefully curated ranges" is freeing up space in stores for the company to expand its partnerships with third-party fashion brands such as New Look and Missguided.

"All retailers are after that perfect Goldilocks scenario: not too much choice, not too little, but just the right amount. Yet there are several competing forces at play," says Bryan Roberts, founder of retail consultancy Shopfloor Insights. "Stocking fewer product lines means that there are fewer suppliers to negotiate with, fewer trucks to manage and less work to do on gap-scanning and maintaining price integrity. But it also means a reduction in lucrative listings fees from suppliers. And, if you cut the wrong things, it may even lead some shoppers to desert you."

For example, any supermarket chain that ignores the increasing demand for genuine innovations, such as allergen-free products or plant-based meat substitutes, will do so at its peril, Roberts adds. "If research tells you that most of your customers are clamouring for the latest wheat-free craft beer or must-have veggie burger, you need to find room for it, even if that would mean jettisoning other reasonably profitable stuff," he says.

With ongoing supply problems hindering many foreign brands from reaching the UK, shortages on shelves have been joined by an inflation-fuelled decline in living standards. Given this combination of factors, there may not be a better time for retailers to drop more of their weakest lines and adopt a 'short-term pain, long-term gain' approach to choice overload. So says Dr Cathrine Jansson-Boyd, consumer psychologist and reader at Anglia Ruskin University.

"Aldi and Lidl have capitalised brilliantly on the prevailing 'buy British' mood among consumers," she notes. "With international supply still a key issue in fast-growing categories such as dairy, they are working to replace hard-to-source foreign brands with locally produced equivalents that will cost them and their customers less."

The ultimate responsibility for introducing brand extensions, bigger sizes, new flavours and innovative packaging formats lies with the brand owners, nearly all of which view product innovation as the key to growth. But are they taking a different approach of late, having realised that there is such a thing as offering consumers too much choice?

Jansson-Boyd points out that "Unilever is streamlining its entire product portfolio in a bid to boost efficiency, while there are signs that other fast-moving consumer goods firms are also taking advantage of the current state of the supply chain to take stock of the situation. Consumer attitudes may not be their prime motivation for all this rationalisation, but customers and brands are on the same page on this occasion."

> **All retailers are after that perfect Goldilocks scenario: not too much choice, not too little, but just the right amount**

Humans are creatures of habit – we tend to buy the same items again and again. But we also crave convenience. So, while a small proportion of customers may complain about the delisting of a preferred product or simply vote with their feet, most will swiftly forget yesterday's favourite ice cream or tinned soup and instead seek out the closest alternatives.

In the case of most everyday products, six options are the upper limit when it comes to our ability to handle the cognitive pressure involved in choosing one, psychologists have found. But, when it comes to items that we might use to make a statement about ourselves – clothes or cars – for example, we both expect and relish a far bigger selection.

Humans are "cognitive misers with limited attention spans", declares Patrick Fagan, co-founder and chief scientific officer of Capuchin Behavioural Science, a consultancy that uses psychological principles to show its clients how consumers mentally process and conceptualise brands and products.

"Given that one-third of the products in a big supermarket stocking up to 50,000 items are not even looked at, there is a lot of wasted space that could be used to improve the shopping experience," argues Fagan, who was lead psychologist at Cambridge Analytica before it went into administration in 2018. "The thing about shopping as an experience is that it's far more emotional than rational. If a retailer can genuinely make our lives easier by offering us fewer, better-chosen products that we actually want to buy, we will become incredibly loyal."

NATURAL DESELECTION ON THE SUPERMARKET SHELVES

Product delistings by UK grocery chains between March and June 2020

	Stock-keeping units (SKUs)	Share of total SKUs
Asda	3,847	16%
Morrisons	2,906	14%
Ocado	2,714	7%
Sainsbury's	1,811	7%
Tesco	1,712	7%
Waitrose	734	4%

Associa Price & Promotion Analytical Platform, 2020