

Digital Customer Experience Trends, 2017

Landscape: The Digital Customer Experience Improvement Playbook

by Allegra Burnette, Tony Costa, Andrew Hogan, Deanna Laufer, and Kelly Price
February 7, 2017

Why Read This Report

In 2016's edition of this report about digital customer experience (CX) trends, Forrester identified the rise of conversational interfaces and concierge services. In this year's report, we examine how those trends are playing out and highlight two new ones gaining momentum as we enter 2017: 1) artificial intelligence (AI), voice, and biometric capabilities further transforming user interfaces and 2) companies becoming more disciplined in their innovation efforts.

Key Takeaways

Technology Change Is Recasting The Way Companies Interact With Customers (Again)

The spread of machine learning, conversational UIs, and biometrics is making interactions more human-centered. But AI talent shortages and the intricacies of designing for human conversation will challenge companies seeking to innovate.

Digital CX Improvement Is Extending To Employee Tools And Organization

Companies will reshape digital CX innovation efforts and processes as well as how they organize and integrate product and UX teams. And digital CX improvement will penetrate deeper than customer interactions, extending into areas where the employee experience impacts CX significantly.

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Forrester leveraged its analysts' knowledge to identify future CX trends.

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2016: Innovations Spread — With Some Adjustment To Business Reality

Technology opened new doors in 2016 for engaging, enticing, and supporting customers, while some new offerings corrected course in response to disappointing outcomes.

- › **The proliferation of physical-digital CX mashups accelerated.** The boundaries between physical and digital experiences kept getting blurrier. Ford's GoPark app finds parking on crowded London streets, while Amazon's Go retail store of the future has no lines and no checkout (see Figure 1). Pokémon Go brought augmented reality to the forefront and went viral, leapfrogging all the anticipation around virtual reality.
- › **Interfaces expanded to include natural language conversation.** Intelligent agents (IAs) like Amazon's Alexa, Apple's Siri, Google's Assistant, and Microsoft's Cortana became integrated into consumer products like Amazon Echo, Apple TV, Google Home, and Xbox One, letting consumers express their needs in words — not just in clicks, taps, and swipes. An alternative to IAs spread widely, too, and in much larger numbers: chatbots. Tens of thousands of them sprung up — Kik alone houses more than 20,000 bots. While they lack IAs' sophisticated speech-to-text conversion, they charm users by responding in words and actions to typed questions and requests about limited domains like ordering a pizza.¹ These new interfaces based on natural language processing are setting the stage for the spread of conversational user interfaces (UIs).
- › **Apps added APIs to become experience innovation platforms.** App makers Automatic and Lockitron opened the door for third-party developers to extend the functionality of their apps and link them to others. Apple Maps and Google Maps, for example, now let customers book a reservation through OpenTable and schedule a ride with Uber directly (see Figure 2). These new app platforms also help consolidate control over myriad internet-connected devices. For example, Apple's Home app harmonizes IoT devices in the home; Apple Health does the same for fitness technologies.²
- › **Concierge services shrank offerings and upped prices to survive.** Many on-demand concierge services scaled back, requiring that customers schedule services in advance — and, in many cases, at higher prices. Why? To build a sustainable business model that balances supply with demand in a profitable way. Valet Anywhere refocused its parking service on storing urbanites' cars who need them on weekends only and can therefore plan ahead, and it forced customers to pay more for its services on shorter notice.³ ClassPass, which lets customers attend fitness classes at multiple third-party centers, nearly doubled in price in less than a year for its unlimited monthly option, igniting a firestorm of customer ire, before eliminating the unlimited option altogether.⁴ And grocery delivery darling Instacart started 2016 by raising its fees 50% and laying off employees.⁵

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FIGURE 1 Amazon Go Eliminates Lines And Registers From Retail Shopping



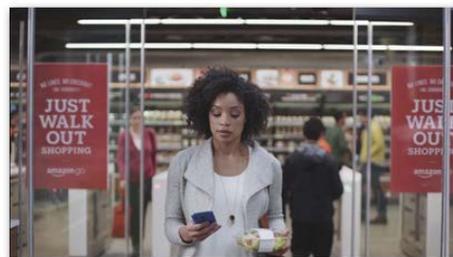
1. Visit an Amazon Go store.



4. Sensors and cameras manage your virtual shopping cart.



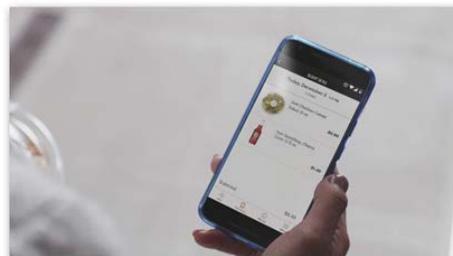
2. Scan your smartphone as you enter the store.



5. As you exit, items are charged to your account.



3. Find the items you want to buy.

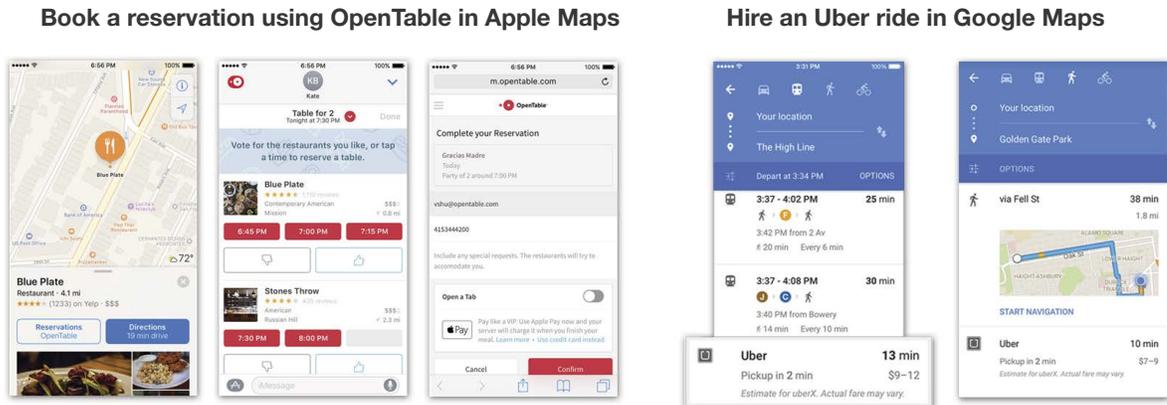


6. A receipt for all the items is sent to your smartphone.

Source: Amazon Go website

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FIGURE 2 Map Apps Are Now Platforms For Third-Party Service Integration

Source: OpenTable and Uber website

2017: Experiences Will Evolve For Customers — And Inside Firms, Too

The ups and downs of 2016 are steering companies toward smarter, more customer-centric interfaces and toward better processes for crafting and rolling out innovations in their products and services.

Trend 1: Technology Advances The User Interface

Interface design is not just about the surface of a digital product or service; it's about the design of *interactions* that make interfaces come alive. That's where we'll see the biggest leaps — and repercussions — in 2017.

- › **AI unlocks a new UX arms race, leaving a talent shortage in its wake.** Big tech firms are in an all-out race to add more smarts to experiences, with companies like Facebook, Google, IBM, Salesforce, and even Uber snapping up the smaller guys. Their streak — more than 40 AI-related acquisitions in 2016 — will continue.⁶ And Apple promises to open up its AI research to the masses in an effort to recruit AI talent.⁷ Even the National Security Agency (NSA) is feeling the pinch: Defense department insiders report that its top technical talent is jumping ship as private-sector firms offer prospective developers double their government salaries to come onboard.⁸ But AI isn't just for the big boys. Smaller players like wit.ai and Bonsai offer tools for developers without machine learning chops to make their own bots smarter.
- › **Conversational interfaces blend with existing UIs instead of just replacing them.** We're benefiting from much-improved speech-to-text conversion, but that just means the hardest work is about to begin: weaving human conversational logic into interaction design. As designers try to sort out these challenges, the familiar interfaces of websites, apps, and screens won't be disappearing this year. They will weave conversational options into the mix — and the opposite will happen, too: Rumor has it that the next Amazon Echo will have a screen.⁹

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- › **Biometrics (finally) go mainstream to speed up and ease customer experiences.** Fingerprint readers let people log in without passwords and easily make payments with their smartphones. And thanks to Apple Pay, paying by fingerprint is spreading to third-party apps. Airport security startup Clear validates travelers using fingerprints, speeding you through airport security in 5 minutes or less (see Figure 3). Nuance’s speech IVR system helps NYC311 increase its call center capacity by more than 20% during high-demand days and emergency response periods.¹⁰ And Eastern Bank, Manulife Financial, and Santander, among others, have adopted active and/or passive voice biometrics to authenticate their customers. Barclays decided to roll out voice biometrics to all its customers after finding that 93% of its wealth management group customers rated it a 9 or 10 for speed, ease of use, and security.¹¹

FIGURE 3 Clear Speeds Customers Through Airport Security In 5 Minutes Using Biometrics

Source: The Wall Street Journal, Clear

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Trend 2: The Process Behind The Product Evolves

In light of the many challenges and failures that startups and established firms faced in 2016, companies are becoming shrewder in their investments — with a “shape up or ship out” attitude. Google foreshadowed this move by reorganizing itself in late 2015 as Alphabet, in an attempt to transform its vast array of “moonshots,” ventures, and experiments into a set of more disciplined and accountable business units.¹² In that spirit, companies in 2017 will:

- › **Go beyond the innovation lab for developing new products and services.** Many well-known innovation labs have closed down recently, from Nordstrom to The New York Times. Why? To move innovation closer to the heart of the organization. Nordstrom lab staff shifted into the retailer’s Customer Experience Center, while The New York Times diffused its innovation crew into the newsroom and product teams.¹³ Firms are focusing on better collaboration across CX and UX, iterative improvements with impact, and using partnerships strategically.

In response to these moves, agencies big and small — BCG Digital Ventures, Deloitte Greenhouse, Dialexa, Maki Fund, and MU/DAI, among others — are lending their innovation skills to firms looking for innovation without the overhead or separateness of a lab. By running innovation-focused design sprints and the like, they offer firms a fast and affordable way to prototype and test new ideas in a few weeks before committing to them as ongoing projects.

- › **Support employee needs that advance CX.** Forrester is seeing a growing focus on digital tools to help employees do their jobs better, increase retention, and improve CX. SMITH built a mobile site for a major telecommunications company’s employees to help customers configure plans, replacing a complex point-of-sale demonstration and archaic paper-based walkthrough in the process. It proved so effective that its stores everywhere adopted the tool, despite the absence of any edict from management. It now configures close to a million plans a month.¹⁴ And Oak Labs piloted Oak Stockroom — a screen-based tool for retail store associates that reduced the time it takes to get an item to a customer from an average of 6 minutes to 1 minute and 39 seconds (see Figure 4).¹⁵

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FIGURE 4 Oak Labs Reinvents The Fitting Room



Customers use a display in the fitting room to request clothing items in different sizes or colors.



Store associates use a tablet app that alerts them to the request instantaneously.



Items are then delivered by store associates to waiting customers in the fitting room.

Source: Oak Labs

What It Means

Winning Firms Will Become More Human

As companies strive to polish existing digital customer experiences and pilot new ones, successful firms will distinguish themselves by:

- › **Learning from early tech mishaps and putting human needs over technology.** Technology has become the easy part. The hard part? Finding a compelling use case. Smartwatches are a case in point: Unclear or narrow use cases resulted in a 32% year-on-year decline in sales and prominent failures like Pebble.¹⁶ To understand customers, smart firms will sharpen their focus and invest in ethnographic studies and other forms of exploratory research. And they'll reward designers and savvy digital product owners who know how to deepen customer understanding to ensure that the shiny new objects their firms build actually help customers and the business.
- › **Reconciling siloed teams to support innovation.** Bringing innovation into the heart of the business rather than tinkering at the periphery is the first step. But to succeed at CX innovation, firms must bridge the CX/UX divide — either by merging the teams together or amplifying their efforts by applying smarter collaborative processes like design thinking. Without that connective tissue between the big picture of holistic CX, a backbone of customer understanding, and the details of UX execution, innovation efforts will go nowhere.
- › **Recognizing that with data comes responsibility.** Not every decision can or should be outsourced to AI without thoughtful human oversight. To avoid embarrassing repercussions, businesses will steer their algorithms away from short-sighted decisions, recognizing that some key metrics fail to factor in the bigger picture. Already, Facebook has added “reactions” — ways of responding to others' posts that encompass a range of emotions beyond “like.” It has also changed its wording about suicide prevention to express more empathy and enabled users to identify a “legacy contact” — a person permitted to manage the user's profile after he or she dies.¹⁷ Facebook also stopped using race as a selectable factor in targeting ads for housing, employment, and credit.¹⁸ Amazon faced a public outcry over the fact that it planned to offer same-day delivery in every Boston community surrounding the minority enclave of Roxbury but not Roxbury itself — and corrected course in response.¹⁹
- › **Striking a balance between customer needs and those of employees and society.** Companies pushing new business models that challenge the status quo often bump up against established laws and the expectations of their employees and partners. Tesla Autopilot got slapped down by German courts, while Uber drivers joined minimum-wage protests in a fight for higher pay.²⁰ Airbnb is losing some of the goodwill of its user base after dropping a lawsuit with the city of New York about advertising illegal short-term rentals — it left renters holding the bag.²¹ Firms that hope to survive these turbulent waters will do so by finding ways to meet customer expectations without compromising the needs of their employees, partners, and governments.

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Endnotes

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