

A photograph of two women sitting at a desk, looking at a laptop. The woman on the left has curly hair and is wearing a patterned top. The woman on the right has long straight hair and is wearing a white shirt. They are both smiling and looking at the laptop screen. In the background, there are out-of-focus lights, possibly Christmas lights. A white mug is on the desk next to the laptop.

The Digital Tipping Point: How do Organisations in Australia and New Zealand Balance the Demands for Digital and Human Customer Service?

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Foreword

In the face of digital disruption, the future of business is uncertain. Ever-evolving technologies have carved out new and exciting platforms for businesses to engage with their customers. The rise of smart phones and the mobile web has helped organisations tailor communications to their target audiences like never before. Yet with great opportunities for engagement comes great challenges.

In 2016, Australia was placed 19th on the Global Innovation Index¹ – down from 17th in 2015. New Zealand overtook Australia, ranking 17th. Yet both Australia and New Zealand continue to lag behind leading innovation nations like Sweden, Switzerland and the UK. Evidently, we need to work harder to push Australia's innovation agenda into the top tier.

In today's global innovation community, basic digital services such as a website and social media presence are no longer enough. Businesses need to strive for continuous improvement and embrace digital solutions that deliver great customer service. However, if organisations adopt digital solutions at the expense of meaningful human interaction, they risk losing customer loyalty and engagement.

So how do brands know how, when and what to invest in when it comes to digital service channels? And when do they need to tip the balance in favour of a more personalised customer experience?

Verint's 2016 global research study, 'The Digital Tipping Point: How do Organisations in Australia and New Zealand Balance the Demands for Digital and Human Customer Service?' seeks to pinpoint how businesses navigate digital channels and human customer service in the modern age. This research paper presents key insights about digitalised customer service, spanning a total of more than 4000 consumers and close to 40 businesses in the Australia and New Zealand region.

Last year, Verint's research into 'Customer Centricity – The Rules of Engagement' showcased a clear disconnect between customers who want highly personalised service and those who just want the basics done well. This year, we found that while brands are looking to adopt cutting-edge digital platforms for customer service, automated services come at a price: meaningful human interaction.

Customers value the human side of customer service over digital interaction. Those who have good experiences via phone or in store are more likely to respond positively to a brand compared to good experiences via digital platforms. Yet there remains disparity between customer demand for human touch points and pressure for business leaders to embrace the latest and greatest digital platforms.

Ultimately, customers who receive tailored and personalised customer service are more likely to become loyal brand advocates, renew their product or service, and recommend the organisation to their networks. Human touch points can make or break business success and determine the level of engagement with a brand. Organisations that rely too much upon digital channels risk missing out on strong and meaningful relationships with their customers.

As the survey results indicate, there is a need to bridge the gap between digital service solutions and the human side of business. How can businesses today embrace digital disruption and cutting-edge platforms while delivering valuable customer experiences face-to-face?

I hope you find the insights in this paper valuable and I look forward to continuing to share the findings of Verint's research projects with you in the future.

Michael Stelzer, Vice President for Australia and New Zealand, Verint.

¹ <https://www.globalinnovationindex.org/analysis-indicator>

Key Findings

While cost is certainly an incentive for brands looking to adopt digital methods and automate elements of their customer service, it may come at a price. Organisations that rely too much on digital channels risk missing out on ongoing and meaningful relationships with customers. Overall, our research highlights that:

- Customers want a human element to remain part of customer service.
- Those who receive more 'human' or traditional customer service display more positive behaviours towards brands.
- The complexity of the request heavily influences whether a customer will choose a digital or traditional channel.
- Organisations are aware of the importance of human touch points in customer service, yet most business leaders are planning to implement more digital service options.
- The younger generations are driving demand for digital channels, but for digital customer service to really succeed, it needs to provide a meaningful human experience.

Defining Generations

This white paper explores the differences in responses between age groups. For the purposes of this paper, Millennials (also commonly referred to as Generation Y) are aged between 18-35, Generation X is aged between 36-50, Baby Boomers are aged between 51-70 and the Silent Generation is anyone aged over 70.



1. Understanding the Tipping Point

What Customers Want

With the rise of digital communications tools and social media, there has been a natural demand for customers to be able to communicate with brands via multiple channels. Now, they consider email and brand websites as basic-level service channels. However, when given the choice of how Australian and New Zealand customers would like to interact with organisations, picking up the phone (24 percent) or going in store (19 percent) are the most popular options. Customers like to be given the ability to manage their accounts online (22 percent of customers in the region), while email is the next most popular digital channel with 10 percent.

The communications channels that are generating buzz, such as Facebook, Twitter or mobile apps, do not perform so well when it comes to customer contact. Only 3 percent of customers in the region say they prefer to contact organisations via social media and 9 percent via mobile apps.

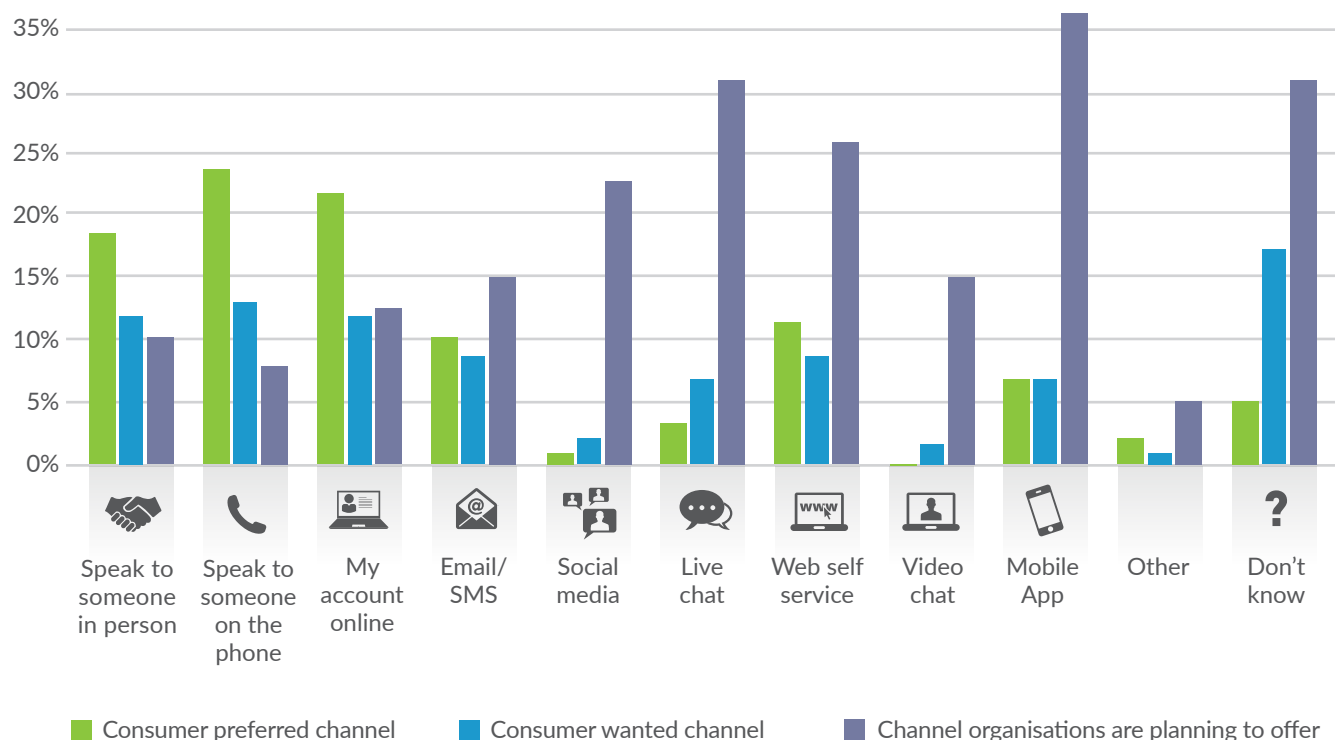
Looking across verticals at preferred channels, online account management platforms are most popular with banks and credit card providers – not surprising given the maturity of online banking in the region. Using the phone, however, is most popular for insurance providers, home telephone, broadband and cable operators, as well as utility companies, such as electricity, gas and water (see table overleaf).

When asked which communication channel customers would prefer brands to offer, the most common responses are in store (12 percent), online account management (12 percent) and speaking on the phone (13 percent) – a clear indicator that customers in the region want an element of human interaction to remain part of the customer service experience. On the whole, people are getting used to the idea of live chat (7 percent) and mobile apps (7 percent), while demand for other digitally-driven tools is much lower, with 2 percent of consumers wanting brands to offer video chat and 2 percent wanting social media channels to engage with brands.

How This Differs Based on What Organisations Plan to Implement in the Future

When we asked Australian and New Zealand businesses what channels they are planning to invest in, live chat (31 percent) and mobile apps (36 percent) score highest. And in contrast to consumers' preferred options, businesses in the region reported they are investing least in traditional channels – that is in branch and telephone contact – demonstrating a desire to lead customers to a digital experience.

Figure 1: Consumers' preferred communications channel compared with the channels they want organisations to offer more of in the future and what businesses are planning to offer.



The findings emphasise that brands must continue to invest in more interpersonal channels, such as the phone or in store, three quarters (75 percent) of Australian and New Zealand respondents say they don't like dealing with companies that don't provide a phone number for them to contact. There is also a healthy dose of scepticism towards some digital channels with almost half (50 percent) of customers in the region admitting that they think their enquiry is likely to get lost or ignored when they contact a provider over email.

Clearly customers prefer a human element within customer service. The question is why?

Approximately two thirds of customers in the region say it is because they are more likely to negotiate a better deal, and receive good service generally, when engaging with a service provider in person. Meanwhile, businesses appear to be overestimating their

customers' preference for digital channels. In contrast, just under a half (49 percent) of ANZ organisations believe customers get better customer service when speaking to someone in person, either in store or on the phone. In addition, nearly 9 in 10 ANZ (87 percent) businesses think customers prefer to use mobile apps, email or SMS because it allows the customer to contact them 'on the move,' compared to just 33 percent of customers who said this.

It's hard to argue with the popularity of digital tools and social media, given that Facebook has more than 15 million monthly active users in Australia² and nearly 2.5 million in New Zealand³ If these tools are so popular to communicate with friends and family, why do we still prefer a human element in customer service situations?

It all comes down to complexity.

² Social Media Statistics Australia - August 2016 <http://www.socialmedianews.com.au/social-media-statistics-australia-august-2016/>

³ Nielson (2015), Facebook, <https://timezoneone.com/2016/04/arent-new-zealand-businesses-using-facebook/>

Man vs. Machine?

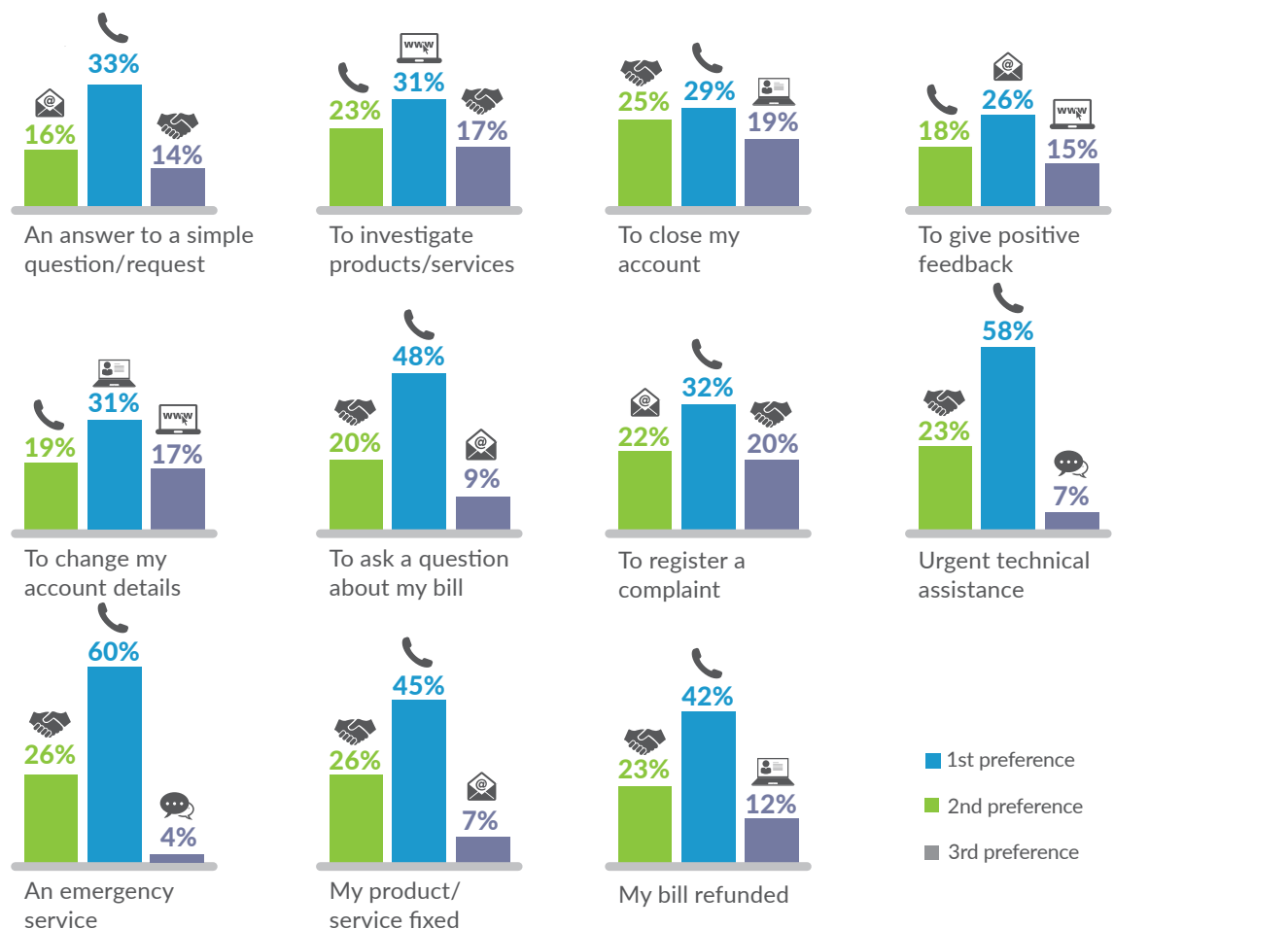
Interacting with a brand or service provider can be complicated, and it requires empathy, emotional intelligence and an ability to process information with a broad set of parameters. When we take into account the complexity of a request, we start to see more scenarios where digital customer service becomes the preference.

When asked how they would interact with their service providers in a fairly simple customer service request, 59 percent of customers in the region will choose digital channels. While the phone is the most popular option (29 percent), email comes a close second (18 percent), while online account management (11 percent) and web self-service (13 percent) round out the most popular channels for simple requests. As the requests become more

complicated, the reliance on human interaction becomes even greater. For fairly complex enquiries, 75 percent of Australian and New Zealand customers will choose human interaction. Phone is the most popular (45 percent), while going in store ranks second (30 percent), still way ahead of the leading digital channel – email (8 percent).

When the request is considered complicated, 82 percent of customers in the region prefer human customer service. More than a third (41 percent) go in store, or make contact by phone (41 percent). The nearest digital channel is email (6 percent). However, when we look at very specific customer service situations, we start to see digital tools become more prominent, and the relationship between complexity and dependence on human interaction becomes clearer.

Figure 2: Consumers' channel preferences based on certain customer service situations





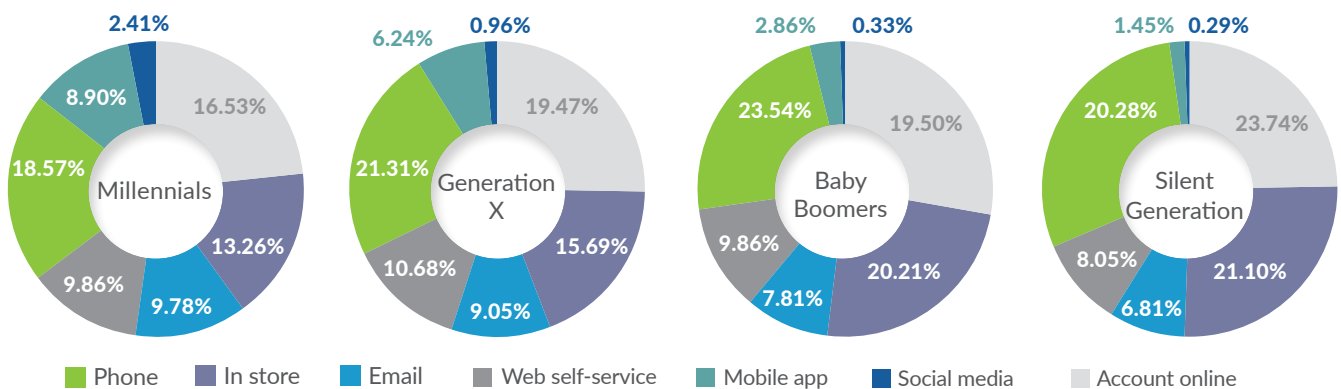
2. What is Influencing the Tipping Point?

Rise, Digital Natives

With more than 17 million internet users in Australia and New Zealand⁴ and more than 13 million smartphone users⁴, digital communications represent a valuable gateway for brands to reach new customers. But clearly, customers prefer to engage with brands in person, such as the phone and in store. So who is actually driving demand for digital tools? Is it a case of customers looking to engage on new channels, or is it organisations trying to move customers on to new channels in a bid to save costs? Actually, it's both.

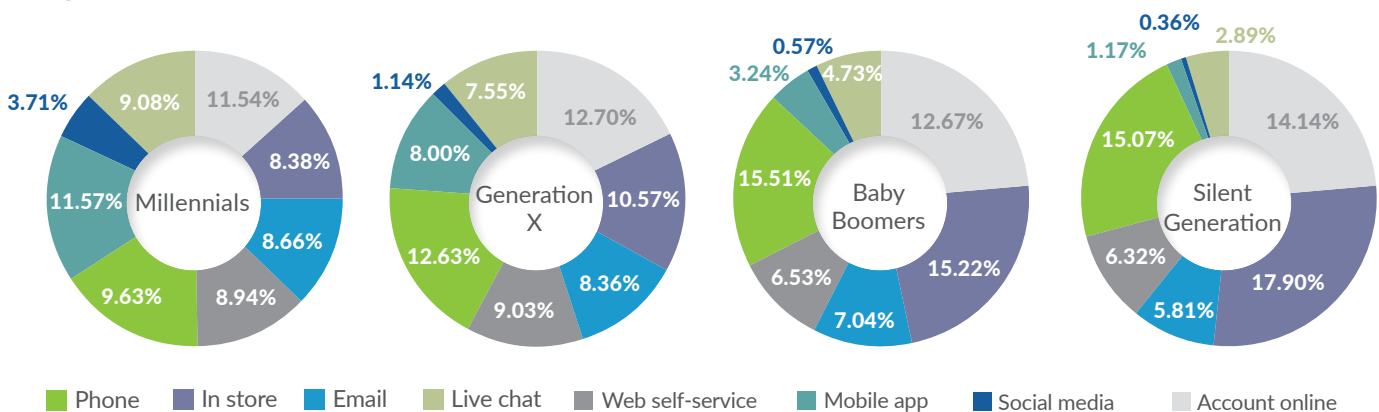
The research shows that, perhaps unsurprisingly, younger people are the driving force behind the shift towards digital communications channels. While on average, the most popular first preference across generations is to pick up the phone or to go in store, digital channels rank much higher in second and third preference for Millennials and Baby Boomers.

Figure 3: Preferred Channel by Generation



The same trend can be applied to channels they want brands to offer. Millennials want more digital tools such as mobile apps and online account management tools, while Baby Boomers and the Silent Generation prefer more phone and in store services.

Figure 4: Service Channel Wanted Across Generation

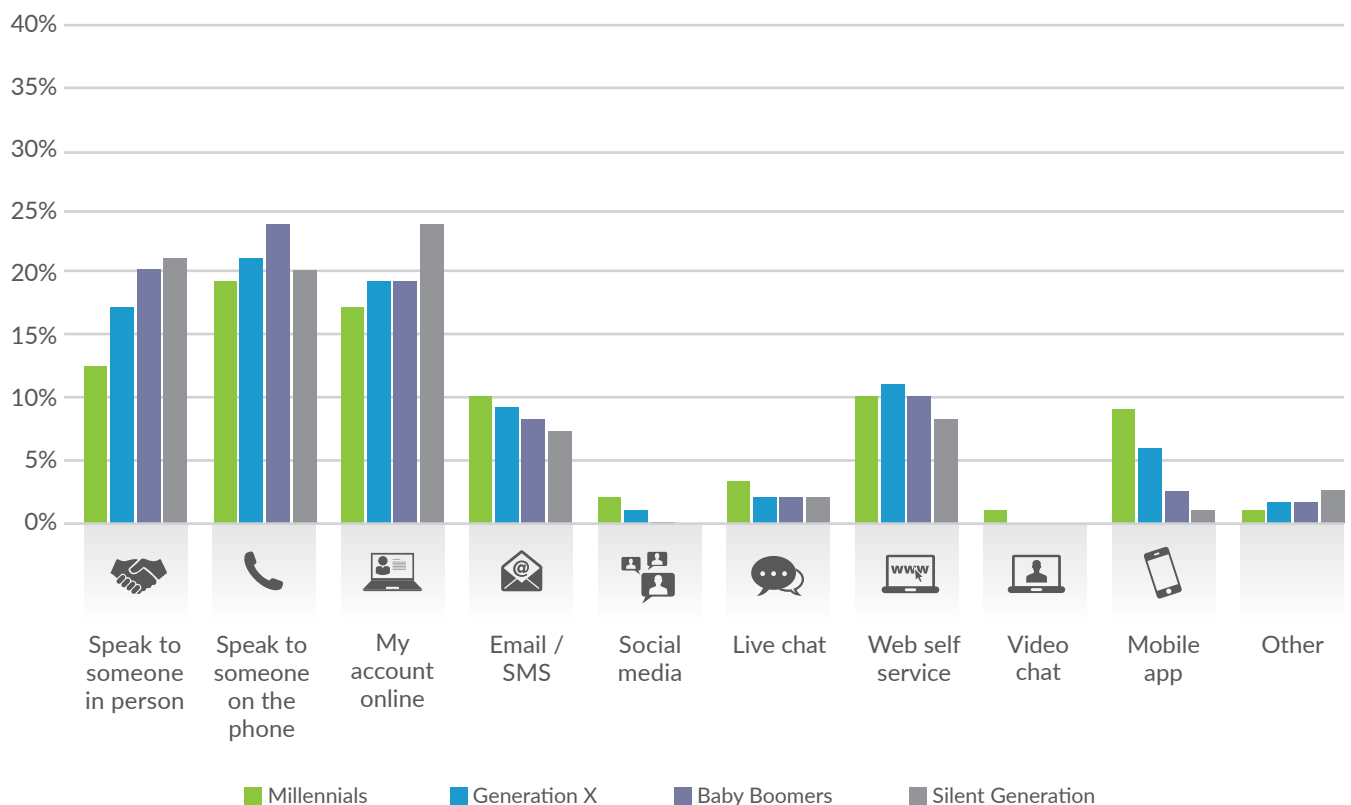


⁴ (ACMA, Statistics New Zealand 2015)

Looking at customer service situations, 42 percent of ANZ Baby Boomers and 41 percent of the Silent Generation will pick up the phone when they are looking for an answer to a simple question or request. In fact, 17 percent of Baby Boomers and 24 percent of the Silent Generation will go and speak to a person in store or a branch for the answer to a simple question. For Millennials, the most popular option when addressing a simple request is to either phone (22 percent), use live chat (19 percent) or send an email (18 percent) to their service provider. Generation X also prefers the phone (31 percent) and email (14 percent). Similar trends are found when investigating new products, Baby Boomers and the Silent Generation are happy to pick up the phone or go in store, while Millennials and Generation X prefer web self-service.

There is more convergence between the generations as customer service requests become more detailed or intensive. For example, when closing an account, the most popular choices across generations are email and the phone. Similarly, when it comes to giving feedback, email and phone are the most popular channels across generations. However, ANZ Millennials are far more likely to use social media to give feedback (10 percent) while Baby Boomers (16 percent) and the Silent Generation (22 percent) will still go in store. When it comes to asking questions about a bill, seeking a refund or urgent technical assistance, picking up the phone is the clear preferred channel across all generations, as illustrated in the table below.

Figure 5: Channel preferences of generations, averaged across customer service situations



What's Holding the Digital Experience Back?

Given that Millennials are the long-term customers of the future, it makes sense that digital channels are implemented to appeal to them. However, our research shows that not everyone is ready to embrace digital. Nearly two thirds (67 percent) of customers in the region polled say they believe that it is more convenient and they get better service when engaging with organisations on the phone or in store. Additionally, 72 percent of consumers are likely to negotiate a better deal when they engage with a service provider over the phone or in store.

The overall experience needs to improve before more customers will fully participate on the digital journey with organisations. When asked, 58 percent believe that customer service online and via mobile devices should be “faster, more intuitive and better able” to serve their needs. Meanwhile, only 33 percent of customers say that digital and self-service customer service options provide a better overall experience.

Businesses acknowledge they need to work harder in this regard too. A significant 85 percent of ANZ organisations surveyed in our B2B survey said that customer service online and via mobile devices needs to be faster, more intuitive and able to better serve customer needs.

Convenience has been touted as one of the greatest drivers of the digital revolution, allowing people to contact organisations whenever they want – in the comfort of their own home or on the move. The popularity of internet banking and mobile banking apps is testament to this.

However, the research shows that, given that the digital customer service experience needs improvement, customers' expectations have changed. Less than half (41 percent) prefer to use email, SMS or mobile apps, so they can contact organisations whenever they want or while on the go. Similarly, 72 percent of customers like the option of using virtual assistants and online chat because they get faster resolutions to their queries. Perhaps one of the major barriers that is holding back the digital customer service experience is the issue of authentication, although advancements in fingerprint authentication and voice biometrics are helping to improve this. Nearly 6 in 10 (58 percent) wish password and authentication processes could be easier and faster.

A Resounding Call for a Human Element to Remain

When asked about the future of customer service, the results are clear. The vast majority (87 percent) of customers in the region believe that speaking to a customer service representative on the phone or in store will always be important. This is because, ultimately, humans are able to process many pieces of information at once. They are able to manage requests with broad parameters, while picking up on non-verbal cues and displaying empathy and emotional intelligence.



3. The Influence on Customer Behaviour

The Human Connection

But what influence do digital or more human channels have on customer behaviours? Retention is one factor that could indicate loyalty, but there are several other important actions that organisations want their customers to perform in the journey to building ongoing relationships. The research reveals there is a discernible difference in terms of positive customer behaviours between digital and human customer service channels. People are far more likely to respond positively towards a brand after engaging on the phone or in store. This may not seem all that surprising, as few people feel compelled to thank a computer for doing something for them. Nonetheless, when a customer service agent goes the extra mile to help, consumers are much more likely to express some gratitude.

While it's a given that the human touch has positive effects, it doesn't stop there. Customer expectations have increased, for example 4 in 5 customers now want services personalised to them and their interests. This creates a challenge for many organisations because, in order to provide a highly personalised offering, they need to have a greater understanding of their customers' needs, histories and preferences. By

collecting, analysing and acting upon the data gathered from customer and employee interactions, organisations are better equipped to provide. However, it is clear that customers are concerned about the use of this data and their privacy. Almost 9 out of 10 customers (89 percent) want to know how secure their personal information is, while 89 percent want to know whether their data will be passed on to third parties for marketing purposes.

Businesses seem to understand the role that trust and transparency play in building positive relationships with customers. A substantial 90 percent of ANZ businesses polled agree that it is important to inform customers that their data is being kept secure, and 100 percent say they understand the need to tell customers if their data will be passed on to third parties for marketing purposes. They need to help ensure these high standards are maintained, as one misstep with a customer's data can have disastrous effects.

Looking Closer at Digital Natives

These results may sound alarm bells for organisations that have invested heavily in digital channels in order to reduce costs or to appeal to new customer segments. However, if we take a closer look at those who are more disposed towards digital customer service, the results start to look a little different.⁵

When they have a good experience, the 'digital native' customer is more engaged when interacting on a brand's digital channels than those consumers interacting with a human. After a positive customer experience online, Australian and New Zealand digital natives are 62 percent more likely to 'talk' positively on social media, 50 percent more likely to sign on to a loyalty programme, 27 percent more likely to leave a review and 66 percent more likely to renew their product or service even if it's not the cheapest option.

Similarly, digital natives are more aware of the exchange of data that takes place in order to receive personalised service. When asked about wanting to know if their data will be passed on to third parties, 89 percent responded "yes." Meanwhile, an equal number (89 percent) of digital natives want to know how secure their personal information is, (compared with the global average of 89). However, in a warning shot for brands, the digital natives are more prone to

switching service providers. On average, 60 percent has been with their service providers for more than three years. In fact, 15 percent have been with service providers for less than a year, compared with the national averages of 70 percent and 9 percent respectively.

On the whole, digital natives are also more content with a brand's efforts to engage with them online. Over a half of ANZ digital natives (56 percent) believe digital channels, such as self-service and online chat, provide a better overall customer experience, compared with the national average of 33 percent. While it is not surprising that digitally engaged people are going to have a better view of the current customer experience, organisations can take some comfort in the fact that their digital channels are appreciated. As the spending power of Millennials and the next generation grows, the customer preference for digital channels as a means to engage with brands will become even more popular.

⁵ For the purposes of this study, Verint grouped together customers whose first preference was to use a digital channel to engage with an organisation if they have a simple, fairly complex or complicated enquiry, to create a clear picture of how these digitally disposed customers behave. This group has been labelled digital natives for the purpose of this study.



4. How to Improve the Customer Journey in an Increasingly Digital World

While there clearly are noticeable differences between digital channels and customer behaviour, there is an appetite for digital service amongst customers. The human touch is likely to remain paramount in the short term, however, organisations need to act now to get their digital infrastructure in place so that the online experience meets their customers' expectations. While investment sounds challenging, there is an incentive for brands to do so as digital channels represent a cost-effective way to automate

customer service and/or provide customers with the ability to manage requests themselves. This represents a huge opportunity for organisations to reduce costs if they can successfully offer a digital service that all customers embrace. For example, digital customer service can help to reduce reliance on labour intensive elements of service, and even eliminate the need for branches or shopfronts which are expensive to build and maintain.

How can organisations successfully manage their customers' journey?

1

Listen to your customers – place the voice of the customer at the heart of everything you do.

Companies need to understand which channels their customer groups prefer to use and at which point of the customer journey they wish to use them. By putting a voice of the customer strategy in place, organisations can understand what customers require and offer the appropriate digital or human customer service to meet their needs.

2

Improve digital services, but not at the expense of traditional engagement offerings.

The customer branch, store and contact centre will continue to play a key role for some time to come. Customers want more choice in how they contact service providers, but while digital opens the door to new customers and allows organisations to automate elements of the customer experience, a human touch and personalised service is key to loyal and ongoing customer relationships.

3

Empower your staff to provide exceptional service and give them the tools to succeed.

Human interaction plays an important part in achieving customer satisfaction and service excellence. Employees play a vital role in facilitating loyal behaviours and delivering personalised service. Employees need the tools and data at their disposal that will enable them to understand the customer, apply a personal touch and go the extra mile when they can, while effectively managing workloads in busy periods.

4

Evaluate the customer experience to better understand customer satisfaction.

Companies need to analyse the customer journey, including customer metadata, key buyer behaviours, purchase histories, interactions, previous survey scores and customer journeys, from both structured and unstructured sources. This will give a more rounded picture of their customers and help provide the insights necessary to deliver personalised, more human customer service even on digital channels. It will also help the company monitor improvement trends and customer satisfaction on an individual level.

5

Align your organisation to optimise customer engagement.

In an increasingly competitive marketplace where customers expect brands to be available on more channels, it is more important than ever to make sure the organisation is operating as efficiently as possible. Organisations should use customer insights to improve operations, as well as analyse and benchmark to align internal processes with customer service. In most cases, by benchmarking what optimal customer service looks like, organisations will not only improve service and their bottom line, but also improve employee engagement.

6

Understand transparency to build trust.

More than ever, customers now want personalised service. However, for organisations to effectively provide this, they must collect and analyse pertinent customer data. Concerns about trust have risen in the past 12 months, so organisations must be open and honest with how they collect and use their customers' data or risk breaking their trust. Adding new, more secure and faster authentication processes, such as biometrics, can help.

Conclusion

This research paper explores the differences in responses between age groups. For the purposes of this paper, Millennials (also commonly referred to as Generation Y) are aged between 18-35, Generation X is aged between 36-50, Baby Boomers are aged between 51-70 and the Silent Generation is anyone aged over 70.

About the Research

The research was commissioned by Verint from 23 June to 20 July 2016 in association with Opinium Research LLP, a UK-based research company. Interviews were conducted amongst 24,001 consumers in the following countries: Australia (2,000), Brazil (2,000), India (2,000), France (2,000), Germany (2,000), Japan (2,000), Mexico (2,000), Netherlands (2,000), New Zealand (2,000), South Africa (2,000), UK (2,001) and US (2,000). The research was conducted online, in the local language for each area and respondents were incentivised to participate. 1019 organisations participated in an online survey, conducted by Verint from 27 June to 23 September, these respondents were not incentivised to participate.

