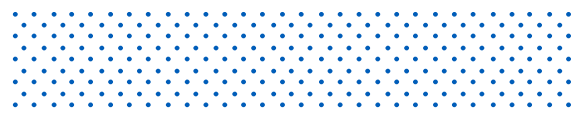# Meeting Consumer Expectations in 2023

CapTech

CAPTECH TRENDS PODCAST | EPISODE 33

Vinnie

Hello. Welcome back to CapTech Trends. Excited today to have Bree Basham back with us. We were discussing before we started recording. We don't know if this is three or four times that we've been together on the podcast, but it's certainly quite a few. And one of the things we like to continue to talk about… well, let me finish the intro first. Bree is a principal out of our Charlotte office and heads our CX practice and works pretty closely with me and a few others, innovation, thought leadership, and our services council. And as this relates to that, we're looking at the 2022 Consumer Innovation Survey. We're going to drill into a couple of the different items on there, but before we do Bree, why don't you remind the audience what that survey is, how long we've been doing it, who we're talking to, what we're asking, et cetera.

Bree

Yeah, happy to be here. Thanks. This is our third year of doing the consumer survey. We started it during the pandemic to really understand what was driving consumer preferences at the time. This year we had a lean on innovation, which is a trend we've been seeing for a couple of years, so we wanted to measure innovation as well as technology and how consumers are responding to both of those and how that affects their consumer perceptions and their purchasing behaviors. We do this to help our clients. We do this to share with our clients so we can help them anticipate near term solutions and just understand where the market's going and where consumer sentiment is.

Vinnie

Who participates in the survey? Is it targeted or is it broad?
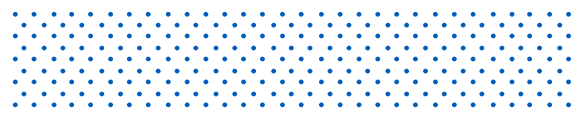
Bree

This is a survey that's done with a national sample size of the population. It is statistically significant. That's always a mouthful to say. And so we do get dynamic representation over many different age groups across the country.

Vinnie

Great. So let's jump into it. We'll go high level and then kind of dig into each one. What are some of the big things we learned?

Bree

It's always interesting what comes out of these. We see some trends that are somewhat similar year to year or build upon each other. This year as I was thinking about preparing for today and just thinking through what I found most interesting over this year's results, a couple things for us to the top. The first one is around brand loyalty. We've seen this coming out as something that's becoming

harder and harder for companies to achieve is brand loyalty from consumers. We're seeing the race for loyalty being very tight, and we're continuing to see that the definition of brand loyalty remains different than it used to be. We're also following the idea of the emerging technologies, AR, VR, metaverse, even crypto and NFTs. We're seeing that adoption trending upward, but we're seeing the need for companies to really rise to the challenge that's being presented by consumers in those spaces.

Vinnie

Yeah, I got a lot of questions on that one.

Bree

Okay. And then last but not least, we typically focus on technologies with the survey, but this year we saw a specific sort of area of focus and a couple of interesting insights around Gen Z. So we're seeing Gen Z rise to the occasion, especially in this area of innovation, and we're saying if businesses build it, Gen Z will probably come.
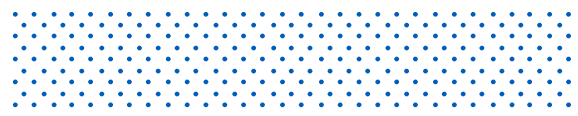
Vinnie

Great. So let's go through each of these race for brand loyalty. I know when Covid started and we did this survey, one of the things that we learned was, and I never really agreed with how we originally phrased it, that that brand is no longer important to people. I think it's every bit as important as it's always been, but what factors move someone to a brand? It has shifted during Covid. Did it shift back or are we in a hybrid of what people changed? What do people care about with brand now?

Bree

Right. So during Covid, you and I were joking that brand loyalty was dead and that was not actually the case, but it was given all the supply chain issues and all the uncertainty in the world. We were just seeing a lot of importance from consumers placed on availability, convenience, and price. And so those things of course have continued to be important, but what we're seeing, we saw some of that sort of wane after a while, is the deep dark pandemic sort of started to shift, but amid recession concerns, we're seeing some of that coming back.

Let's talk about convenience for a second. Some of those things we saw start and really just continue to rise. So when we talk about convenience, one thing we're still seeing is the adoption of chat. So that started up, more widespread during the pandemic. People have gotten used to that immediacy and being able to contact a company and get in a response 24/7 and thinking back on it, I mean Chat has really gone from something you used to avoid to something you now expect and you want that immediate response from it.

Vinnie

Yeah, and I think one of the things that's helping there is how it's maturing. And if you think of generative AI and ChatGPT's been getting a lot of press, so if you don't know what that is, check it out. It's interesting. But the ability for models to generate meaningful content goes to personalization, goes to convenience. And one thing that I find interesting as it relates to brand, and I'll kind of tie this back in, is we hear from our clients now, past four or five months about loyalty programs, reward programs. I relate that a bit to stadiums who sports teams trying to get butts back in seats, right? Theaters trying to get people to come back out the theaters. And all of those to me are how do we get people to come back to an old model that we prefer as opposed to a new model that the consumers are preferring. I think both are important. I don't want to get me wrong. I realize you make a huge investment in a stadium or a theater. It makes tons of sense to try to increase engagement there, but not at the expense of meeting consumers where they are as well. So I kind of think of these loyalty programs as reach backs to how do we recreate the same brand loyalty we always used to do as opposed to what's the new way to get brand loyalty. Does that resonate with what you found in the survey?

Bree

It resonates with what we are seeing and hearing, and that aligns with our practice certainly. So I think the part that resonates with the survey is we're absolutely seeing brands needing to meet customers where they are. And that's what you're talking about is the fact that brands might be hoping customers will return to channels that they would like them to or trying to force a customer into a certain place. And that's just not the way, especially younger consumers are wanting to be found by brands. They want brands to find them exactly where they are. We are, to your point, hearing a lot from our clients around the idea of re-instituting loyalty programs to solve for this challenge that we're all seeing around the brand loyalty and the race to win that. I agree with you and we believe in how we address these challenges with our clients, that user-driven insights is really what should drive any customer engagement, decision making or strategy. And so brand loyalty programs may be the answer to that, but starting with the data you have around your users, building that up into insights, really understanding what those customers are looking for and where and how to best reach them. And then developing a strategy that's going to meet them exactly where they are and deliver exactly what they want. And whether that's a loyalty program or something else, we believe in making sure that's ground in those insights from data.

Vinnie

And that leads us to the companies need to rise to the challenge of this. The previous podcast we just recorded spoke a lot about moving from basic analytics to advanced analytics. So to all this points you just made, it's more than just reporting on the data you have, it's taking that data applied to intelligent modeling that makes predictions about how people will behave, and that's advanced analytics. But I think a lot of people are still stuck in the reporting data visualization side as opposed
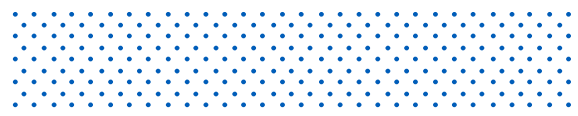
to the prediction making side, right? And what if analysis, if I change this or we do this instead, or we invest in that and A and over B, how will our customers respond? That type of modeling I think is really powerful, but you have to have all the correct data to do that.

Bree

You have to have that unified data foundation. I think that's so important to have in place. And then a lot of people think that's the end of the journey, but that is just the foundation that you then need to build that 360 degree view of your customer. And that's where things start to get really interesting because to your point, that's where the personalization comes in. Deep rich understanding, building the personas that then can help you personalize and then you can layer in AI and ML to really help to automate and take that to the next level.

Vinnie

All these things interrelate. There's a idea, I'm trying to boil up into an easily understandable phrase, so I'm going to struggle through this a little bit, but I believe that there's going to be more and more technology in our lives during all our normal transactions, but it's going to feel like less and less, it's going to be more integrated. It's going to be more behind the scenes.

So we've all had that situation where you buy something, you know, you buy a pair of shoes, and then for the next two months Facebook is spamming you with ads for shoes, but you've already bought them. It's like it's stupid customer, it's not doing it the right way. These things as they get better and better and better, we're going to notice those mistakes less and it's going to seem more fluid.

Bree

Correct. It'll seem more inherent to you as a user. It will seem like it's tailored for you, it's customized for you, and you almost will notice it, right? Yeah. That's the idea, is to have it be seamless and to not notice the technology that's in play, it should be almost invisible.

Vinnie

So as the amount of technology thrown at us goes up the amount that we feel it should be going down.
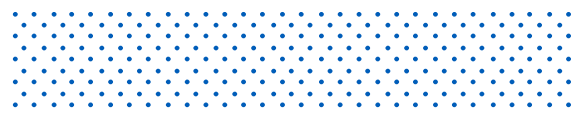
Bree

It should. Yes.

Vinnie

I mean that's CX, right that.

Bree

A frictionless consumer experience right there.

Vinnie

I wanted to come back to that generative AI part, ChatGPT. I think this is the year on a small scale and maybe even a medium scale that we passed the touring test. And for those in the audience who don't know what that is, I believe it was 1950, Alan Turing basically constructed a test that a machine is intelligent when it can perform actions that are indistinguishable from a human doing them. So I think from a content generation standpoint on these chat engines, I think we're there. If not, we're really, really, really close and I think we're going to be there. Again, it's more frictionless because you're not questioning is this a bot or is this a person? You know I want to talk to a real person. When all that haze is removed from you and you're just having a positive experience, you feel the technology less.

Bree

Yes, and I think that comes from a couple things. The technology certainly is one of them, and I think advancements like ChatGPT and others are taking that to the next level certainly. But I think there's still an element of a well-designed user experience and really anticipating the right intents set, setting that up the right way from the ground up for the technology to be able to perform in its best light. And then on the back end, testing that. And just refining over time. So getting the user feedback and optimizing as you go. And I think that's key in any customer experience, but certainly ones where we're trying out new technologies and really looking to achieve that 2.0, getting that consumer feedback's going to be important.

Vinnie

Well, the human is still the expert. Right? So when you use AI machine learning to look at x-rays of lungs to determine if there's cancer, yes, it's going through computer models first now, but you still have experts, medical professionals doing the final review. And if I think of generative content, generative AI, that's already happening in a dumb way. And I'm sure everyone has experienced this when you go into a chat. The first two or three paragraphs is just cut and paste of absolutely welcome this, I see that this is your question. Basically buying them a little bit more time and they cut and paste responses. The content generated AI is just doing that smarter and better, but the human still needs to read it and review it. But looking at something like that, and maybe sometimes not, but reading and reviewing that is so much faster than having to assemble the cutting and pasting yourself or writing it yourself. So it's not like we're getting people completely out of it. I just think the efficiency goes way up.

Bree

And I think there's less room for error, but there's more risk for how it lands as well, or more risk for maybe sort of misunderstanding or miscommunication to be involved. So the risk is just a little bit different there.
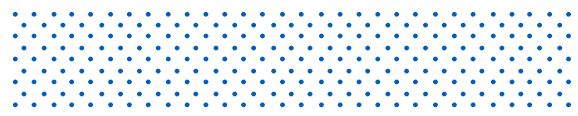
Vinnie

So going into the last one, if businesses build it, gen Z will probably come, I want to start with the AR, VR. I want to start by saying I did a VR paper in college in 1991 and I visited the UVA lab that was doing the basics, the building blocks of this technology. And when HCC five came out with the first real headset, I was an early… I'm on the waiting list.

Bree

Right. Early adopter.

Vinnie

Then I got the quest. So I've got four or five headsets, I've been in it and I enjoy it from an entertainment perspective. But I've used it less over time, but then every once in a while I get re-energized about it. But where I think it conflicts with something I said earlier is really important where I think there'll be more and more technology in our lives, but we'll feel it less. And obviously AR on your phone is you feel it less, but having to put a headset on, navigate that is a lot of friction. So I think we're going to have sports and entertainment lead the way, but I think the draw for it needs to be super high because the friction's also high.

Bree

So I think we've seen a rise in AR, certainly AR has been around a while. To your point, both of these have, but I think we've seen AR go mainstream and you're touching on when is that tipping point for VR. What you and I think have talked about before is that we feel like most of the use cases around AR are still on the visualization side. They're people that have done that really well. I think it started in retail, interestingly coming out of the survey most of-

Vinnie

And with retail, I'm sorry to interrupt, that's like visualizing furniture in your room, changing the color of your walls

Bree

Exactly. That sort of thing. We're also seeing that in big and real estate as well as retail. And then on the visualization side, even things like cultural experiences like museums. I know we had a partnership with-

Vinnie

Artglass.

Bree

… in Richmond, Artglass who built a tool to help the museum experience. So we've seen that go well and we've seen a lot of adoption with AR. Through the survey we also got some feedback that
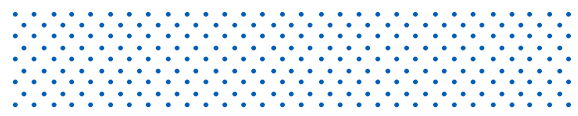
people were really using this in the gaming and entertainment space, which I think we figured that might be the case. I think where we're seeing the customer sort of pushback here is like, give me a reason to use this. So if they can preview their furniture in the home, that's helpful. Or if they can visualize a house before they buy it, that's helpful, but they're really looking for VR to be able to start to deliver that next thing and really AR as well. So the interest is there. What I found really interesting coming out of the survey was consumers were saying 76% of consumers, over two-thirds saying they're more likely to purchase from a company that is innovative. And we saw the numbers very high in VR as well. I believe almost two thirds of customers said they are interested in purchasing a product through a VR experience. So the desire is there, but companies need to figure out a way to meet these customers again where they are and deliver these experiences that customers are looking for. I think companies are behind here and the adoption curve continues to go up on the technologies.

Vinnie

Yeah, I think we always make the same mistakes over and over again. And maybe they're important, maybe they're not mistakes. You can educate me on this. Maybe they're important stepping stones, but when the iPhone first came out, the notes app looked like a sheet of note paper. It was all skeuomorphic, and so everything looked like the thing it was supposed to be, and then over time it flattened out. And was that a mistake or was that to get people there? And the reason I bring that up is when I talk to some people about retail, it's like, oh, we can go into a store. And I'm like, no, no, no, no, no, no. That's skeuomorphic. I can go on Amazon, type in three words on exactly what I want and be done. I don't want to put a headset on and virtually navigate through a virtual story that seems incredibly cumbersome. But if I was watching a sporting event and I saw a golfer with a particular club and I said, how would that look in my hands? And now it's in my hands. Now you're changing the experience to something that I couldn't do through Amazon or something else. And I think that where a lot of people are making the mistake is they're going very linearly down a path as opposed to saying what's a completely different use case, right?

Bree

I agree with you. I think that where companies need to go is to think about this very strategically and that's what you're touching on finding, again, using the data from consumers to understand what it is that their customers are looking for in those spaces and think to strategically and deliver creatively on these solutions.

Vinnie

Look, I have done work for several retail stores, so you take a large retail store, a large home improvement store, et cetera, they have over a million items. The cost to take a 360 degree orbital outside in photograph and use photogrammetry to build 3D models. We've Looked into that. It
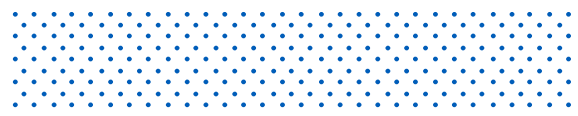
takes time. Everything needs to be refined, so your cost per item goes… it's just stupid. You wouldn't do that for a million products. You wouldn't do it for a hundred thousand products. So choosing where and how you're going to promote your brand and maybe your halo items or whatever like that to get in. I think that kind of strategy needs to be thought through. Right now it's not going to be part of a full equal retail platform, so what is it?

Bree

Yeah. And anything else to your point, maybe you start with a few and you test those out and see how the adoption is, and you could always expand from there.

Vinnie

And I also think it's important to separate metaverse from VR. So I've been using VR for, gosh, almost 10 years now I guess, and Metaverse is from a book many years ago, Snow Crash, good book, cyberpunk book. So it's a borrowed term. But the idea of it being a social second life esque virtual reality to me is complete and distinct from using VR applications and engagement.

Bree

To transport you somewhere.

Vinnie

Exactly.

Bree

It's more than that I think.

Vinnie

Right. And there's still some friction. I mean, I was on the Steam site and I was going to go into their metaverse. I've been to concerts on Steam and I certainly played a bunch of games and whatever else. But to get into the metaverse, the first thing I had to do was create digital currency and take money out of my bank account and put it into a digital Bitcoin kind of style, Ethereum style. And I was like, whoa, I just kind of wanted to jump in and see it.
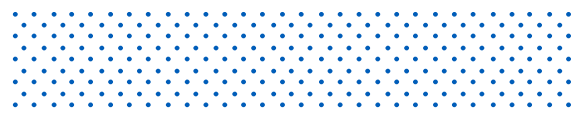
Bree

That's the friction again. It just is the barrier for entry. It's too high.

Vinnie

Right. So I wanted to close out the build it and Gen Z will come. I want to be convinced of that. It's just not that simple. Right? So what's the point behind the point here?

Bree

So this group came in loud and clear through the survey. They're the ones with the sort of highest response rates around all these innovative technologies we've talked about. They're most interested

in chat, AR, VR, and even the metaverse. When you take that and you combine them with the fact that they're also a group that we learn from the survey that is highly motivated to purchase from social media influencers and get recommendations online that paints a clear picture that this is a crowd that's living online. And I saw recently the term digital campfires that was dubbed by the Harvard Business Review, and it's these online communities where people are gathering and sharing and experiencing things together. And it feels, again like, this is where Gen Z is, that they're primed and ready. They're interested in using technology. We know where to find them, and so businesses can figure out how to do that. This seems like the rewards could be big here.

Vinnie

It's like everything we've said before with when we come with these trends, it's not one trend. It's the intersection of several trends. And I think that kind of campfire mindset to me says, don't go all in and try to solve your metaverse problem top to bottom. Don't go all in and try to solve your advanced analytics top to bottom. Go into those things and go into them hard, but focused around certain objectives as opposed to trying to boil the ocean.

Bree

Yeah. Absolutely. I think tapping into these audiences, to your point, will take some creativity. It's going to take some foresight, but the payoff seems like it could be large here, and I know this is going to be a place where a lot of businesses are clamoring for this wallet share.

Vinnie

So is there anything in this survey that was more than evolutionary from the previous one?
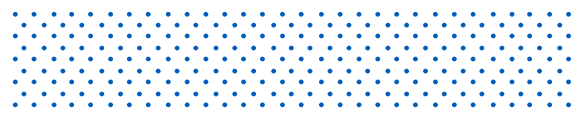
Bree

I think we've never seen a segment come out quite like we did with Gen Z this year. That may be because we dug in a little more specifically onto innovation and technology than we did before. Largely, I think we still continue to see that studying these trends can give us a roadmap that helps us to prepare for that next gen of consumer innovation. I think we're seeing that technology is one of those things that does have the power to shift brand loyalty, and that's I think more possibility and more of an interesting sort of opportunity than we've seen out there before.

Vinnie

I think the takeaway there is, yes, continue to invest in these huge assets that you have, but not at the expense of meeting the customer where they are as well. And to the extent you combine those things, even more powerful.

Bree

Yeah, I think compared to past surveys, and a lot of this is just due to the climate out there, the social climate and being out of the pandemic for the most part. But I see more hope and possibility this

year than we have in years past. And it feels like the companies who really are going to stay the innovation course, either focusing on pulling in new audiences or just as important, I think focusing on those audiences that are already there with AR and they're primed and ready to go to the next thing. Companies that are going to focus on those audiences and are going to be the ones that wins the hearts and the minds here, and ultimately their wallets as well.

Vinnie

So if I'm trying to summarize which I am, the first one was race for brand loyalty. I see that as a lot of companies are seeing more movement between what was once you had a tighter grip, I think with brand loyalty and that's slipping. And so people are looking for traditional ways and new ways to try to regain that tight grip they have on their customers and also take advantage of this and get more.

The second part that relates to that is there's a series of technologies that are being introduced that a lot of companies don't know how to fully embrace or use or take advantage of. Oftentimes it goes to old models or skeuomorphic type of linear stuff as opposed to being really creative in that.

And the third thing is if you do rise to that challenge, we're seeing from the survey results that there will be a reward, it kind of goes back to their brand loyalty. That's what they're valuing. And that's what they're choosing. So I think those three tie together nicely. Did I do an okay job summarizing?

Bree

You did, and I think one of the themes we're seeing come out pretty strong that ties them all together is just meeting these audiences where they are, really understanding what it is they're looking for and not trying to deliver what you believe is correct, but really delivering on what that data is showing you is what customers are looking for.

Vinnie

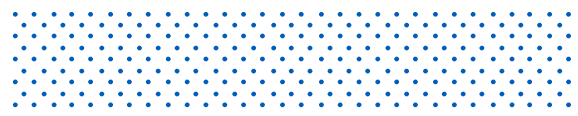Got you. Well, thanks again for joining me. Always great chatting with you.

Bree

You too.

Vinnie

And for the audience, thanks for listening in, and we'll be back soon.

use this podcast or the information presented in it.