



The customer meeting of the future

Seamless, personal and at the right time

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About this report:

This report has been co-authored by Arthur D. Little and Telia as part of a series highlighting various aspects of digitalization and the impact on companies and organizations.

The customer meeting – at the center of digital transformation

The new wave of digitalization is driven by changes in customer behavior and rapid technology development that contribute to new business logic for companies and organizations. Being able to meet customers’¹ or citizens’ specific needs is central. This means a change of focus from specific customer channels to an optimized and integrated customer experience throughout the entire customer journey, from the store to customer service and online. Companies that focus on the customer meeting in their digital transformation can strengthen their competitiveness, increase customer loyalty and decrease costs. The public sector can provide better service to citizens and unlock resources to increase welfare.

In the future there are no channels – only a customer meeting

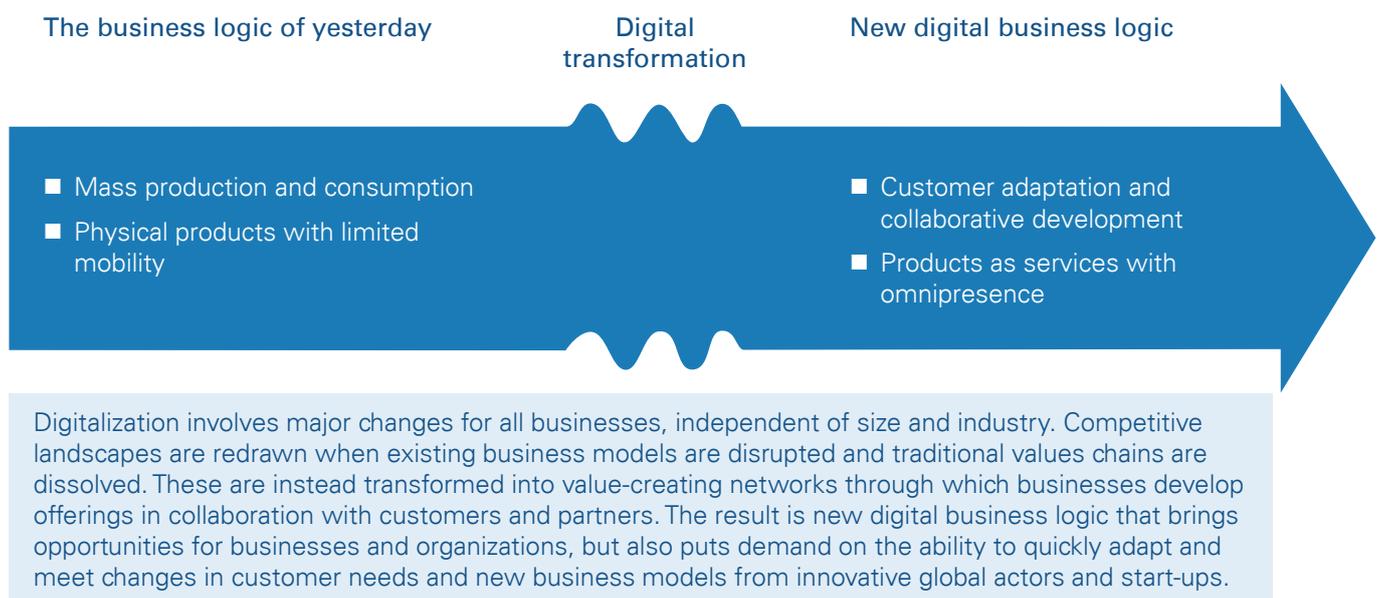
In business after business, the borders between physical and digital channels are becoming blurred. Services that previously were exclusively physical are now becoming increasingly digital. The online healthcare provider Kry challenges traditional primary care by providing doctor appointments online through video-conferencing solutions. Products that previously needed

to be tested physically can now be evaluated digitally; L’Oréal’s app, Makeup Genius, lets customers try on makeup on their smartphones. Using the camera, the customer can see the makeup applied and then order the product with the touch of a button.

Meanwhile, previously separated channels such as telephone, email, chat, web and social media are being integrated in the same mobile apps. Facebook Messenger has features for voice calls, video, chat, file sharing and web browsing. This creates innovative opportunities to interact with customers and offering a first-class experience. The American “beauty box” company Birchbox uses Snapchat for customer service. Customers can describe their problems by voice, video and images and get help directly through the app.

Industries with a high degree of digital maturity are now interacting seamlessly with the physical room. The New York Times has developed a virtual-reality app for news that lets the user experience news in the same environment as it took place. The American e-commerce giant Amazon has opened a bookstore in Seattle, and at the end of 2015, the Swedish online

Figure 1: New business logic for companies and organizations



¹ The concept “customer” is used synonymously with “citizen” in this report.

bookstore Adlibris opened a store in Stockholm. These stores are more than another sales channel or a showroom; they are a way of achieving a seamless customer experience.

The same development is also present in the public sector. The program “Digital first” for Swedish authorities focuses on the citizen and the company and entails major investments in digital infrastructure and competencies. The city of Stockholm is developing the digital services of the future in collaboration with citizens through so-called “hackathons” and open data. The Swedish tax authority now offers the possibility to file tax returns by text message, telephone or mobile app, or as an e-service. In Estonia, every citizen has a digital ID and e-citizenship is even offered beyond Estonia’s borders to non-residents.

The transition to the customer meeting of the future involves major challenges for all businesses and organizations. Critical for success is the ability to create a coherent experience in which digital and physical meetings are integrated seamlessly, with the content and message adapted to the specific needs of customers and citizens. For those that succeed there is much to gain, but for those that do not prioritize the customer meeting, digitalization entails a risk of being overtaken.

Customer behavior and new technology are driving rapid change

The widespread use of smartphones has led to a customer that is always connected, with new mobile purchasing behavior. Today's customers are more spontaneous, have shorter attention spans and want to be able to complete purchases quickly. The moments when customers want or need something – knowledge, a product, a service, something to do – are becoming increasingly important. For companies and organizations this creates new opportunities to influence the purchasing decision. For example, a recent Google survey showed that 84% of smartphone users use their phones to make purchasing decisions in stores.

Changing demands on the customer meeting

A new generation of consumers drives the change to the customer meeting of the future. So-called millennials² constantly explore new possibilities to interact and shop, and their behavior creates new moments of customer interaction. For example, purchase requests made by millennials in Instagram comments resulted in the development of new functionality that enabled buying and selling. For millennials, messaging services are the fastest-growing means of communication, and hence, Facebook, Twitter and Snapchat have become important platforms for customer service and marketing. In the same way, this new behavior is driving demand for accessibility and simplicity of government services.

The customer meeting in a business-to-business context is also affected by changing consumer behavior. Decision-makers are bringing expectations from their private lives when they act in a business context. Simple digital interfaces that give an overview of information and services connected to a specific business partner are expected, as well as some degree of self-service. For the counterparty this development means that some administrative tasks can be digitalized. This saves time and money, which can be spent on developing customer relations in personal meetings. Business customers place high demands on unified interaction with partners and suppliers, independent of which function in the company they are in contact with. In order to create the right conditions for this, many companies are working on implementing digital tools that enable cross-functional ways of working throughout the customer journey

and across all points of contact, from sales to delivery and aftermarket.

Technical advancements create new opportunities

Constant access to mobile internet connection through 4G, and in the future 5G, contributes to increased smartphone usage, as well as development of new social media and live video streaming. Omnichannel solutions have enabled companies and organizations to meet customers in more and increasingly digital channels, in an efficient and coherent way – e.g. email, phone, chat and social media. Also, the technology behind self-service in online-based portals has become more advanced and is today the most important focus area for 29% of Swedish companies. Responsive web design has enabled a unified digital experience independent of the type of device the customer is using.

The number of voice-controlled services is increasing both in the Nordics and globally. As an example, Google's CEO, Sundar Pichai, claims that 20% of mobile searches in the Google app for Android are done by voice, and that the share is expected to increase significantly.

On the horizon are technologies that can create completely new opportunities for the customer meeting: the development of artificial intelligence (AI) and the adjacent machine learning are currently driven, to a large extent, by ICT giants such as IBM and Google. Still, since Facebook launched its chat service for chatbots³ in the spring of 2016, simpler AI solutions have been launched, enabling more companies to use the technology for customer meetings. So far, these chatbots are largely controlled by linguistic rules or keyword searches, but the development is rapid, and over 10,000 chatbots have been developed. A good example of the development within AI is the bot Amelia, which has already helped both authorities and businesses to improve their internal support – e.g., in the customer service department of SEB, a large Swedish bank. Furthermore, Amazon recently announced the launch of a suite of cloud AI tools that are claimed to allow development of applications that have "human-like-intelligence".

The development of secure solutions for digital ID and biometric readings will enable identification of individual customers

² The group millennials should not be seen as a certain age group, but rather a group whose behavior, to a large extent, is linked to digitalization

³ A chatbot is a computer program that can communicate in various chat channels

in a multitude of new channels. This will make it possible to individualize messages at all points of contact, from stores to customer service and online.

The technology behind virtual reality (VR) and augmented reality (AR) has developed significantly in recent years. In particular, AR has captured the interest of many, not least through the popularity of Pokémon Go. More and more companies are now seeing the opportunities created by these technologies and how the digital and physical customer meetings can converge to a coherent experience and contact point. AR, as opposed to VR, does not require any dedicated hardware – a smartphone is sufficient.

However, the development of the customer meeting of the future is not without challenges. Privacy and security are increasingly important for customers who do not want their movements, searches and purchases to be registered. For companies, this kind of data creates challenges regarding secure handling and storage. Transparency and voluntarism are key questions, and the option to make active choices (opt-in) must always be present.

The customer meeting of the future is seamless, personal and at the right time

Simplicity for customers will be key for the customer meeting of the future, a unified experience independent of place, channel or platform, adapted to the specific need and delivered at the moment when the need is expressed by the customer – seamless, personal and at the right time.

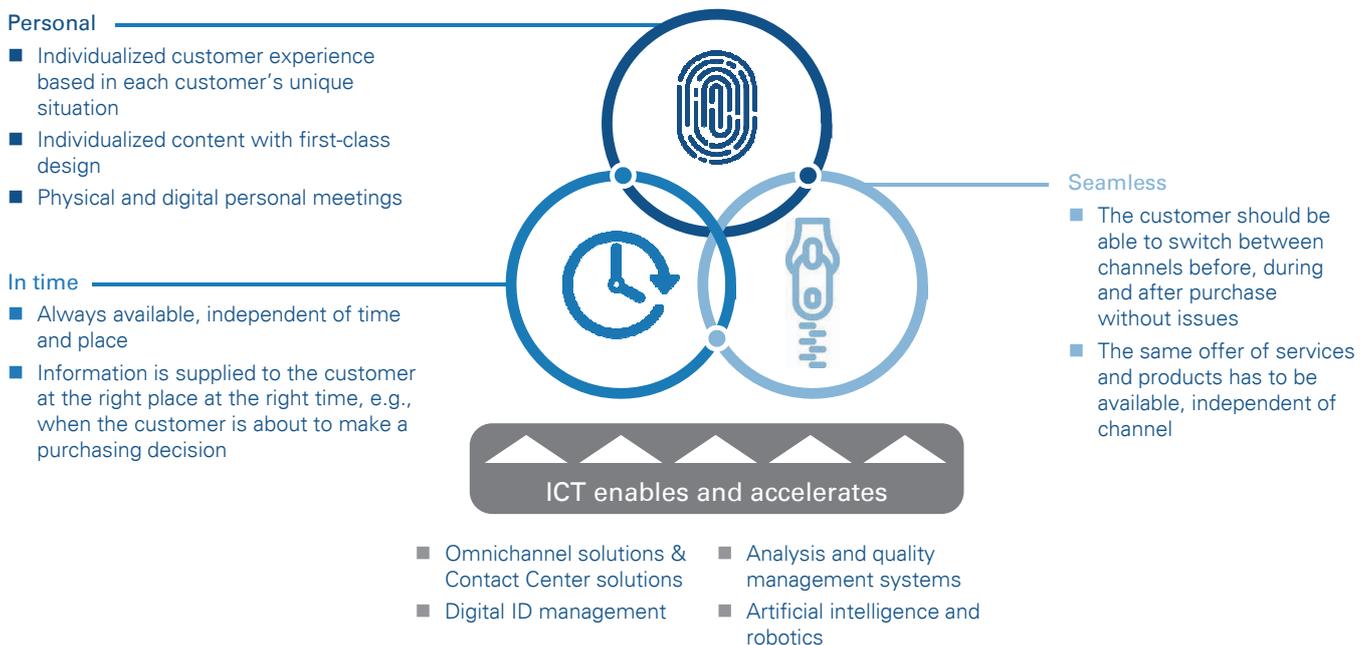
When the customer meeting becomes **seamless**, the customer can switch between channels throughout the customer journey – before, during and after the purchase. All information on the customer is accessible independent of channel. This means that the same range of services has to be available, independent of where the customer meeting takes place. Also, all points of contact have to reflect the corporate identity and brand. New, more interactive channels, such as social media and messaging services, as well as new technology, such as AI and chatbots, contribute to making the customer meeting increasingly more interactive. Regardless of the point of contact that the customer chooses, it is possible to interact with a digital or human representative from the company. The seamless customer meeting is also characterized by blurred borders between the digital and the physical room. For example, a customer will be

able to see whether a new piece of furniture would fit well in their apartment by just holding out their smartphone.

The customer meeting is **personal** when the experience is adapted to the specific needs of the individual customer. This means a requirement for unique content and personal meetings, both digital and physical. Digital ID solutions enable identification of specific customers, while AI and chatbots will enable automated personal treatment on a scale not previously possible. The physical meeting remains important as a premium service, and some organizations will use it to differentiate. But even in these meetings, representatives will be geared up with unique customer insight based on data analysis in order to create an individualized experience.

Finally, the customer meeting of the future will be at the **right time**, which means that the meeting occurs whenever it is relevant for the customer, independent of time and location. But this also means that information reaches the customer at the right place at the right time, e.g., when the customer is about to make a purchasing decision. So-called beacons will enable a person who has searched for sunglasses to receive information if these are on sale in a store close by.

Figure 2: The customer meeting of the future

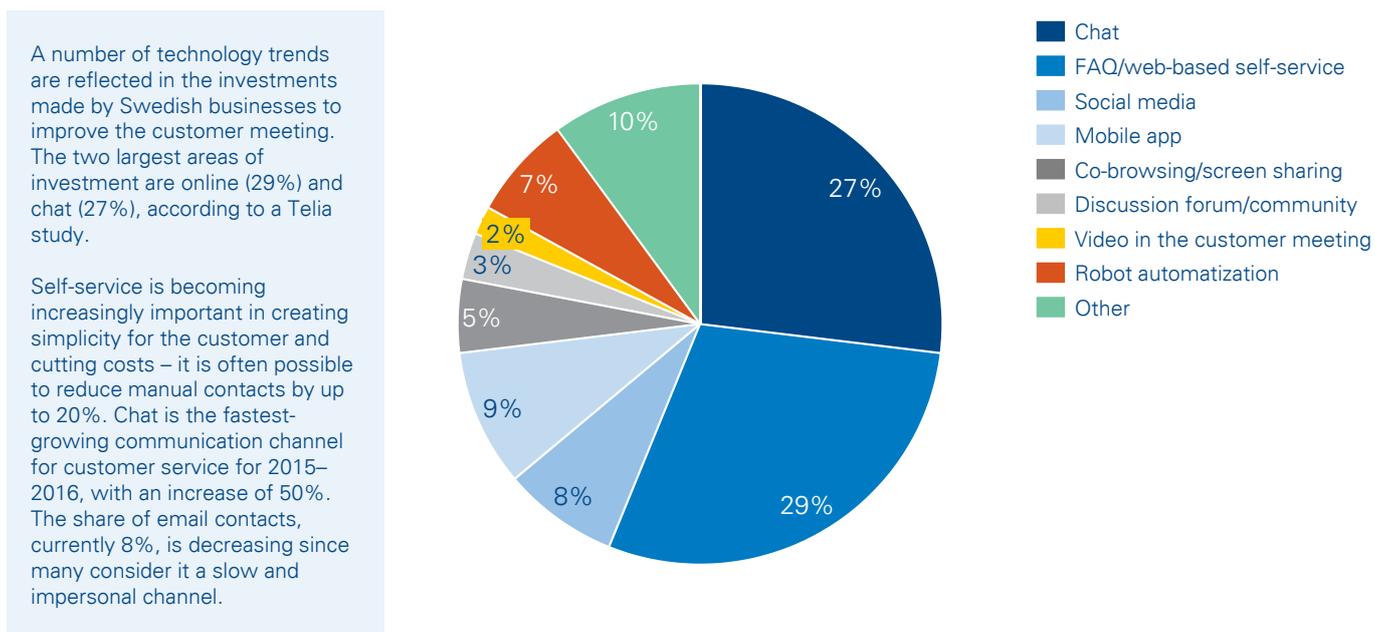


An improved customer experience has high potential

An improved customer experience in mobile units can improve the conversion rate for mobile users, which today is often just one-tenth of the rate for PC users. According to a DIBS report on Swedish e-commerce 2016, 41% of customers have canceled a purchase because a website was not adapted for mobile.

The customer meeting of the future also brings possibilities to create new competitive advantage. Businesses will be able to build such a high degree of customer insight that it will be difficult for competitors to match their offerings. We can already see how leading digital actors, such as Amazon and Spotify, can offer superior personalized recommendations to customers. Giving the customer information at the right time will lead to increased sales, e.g., by increased conversion rates. One in three smartphone users have purchased from another company or brand than they initially planned because of information given to them when they needed it.

Figure 3: Prioritized areas of Swedish businesses

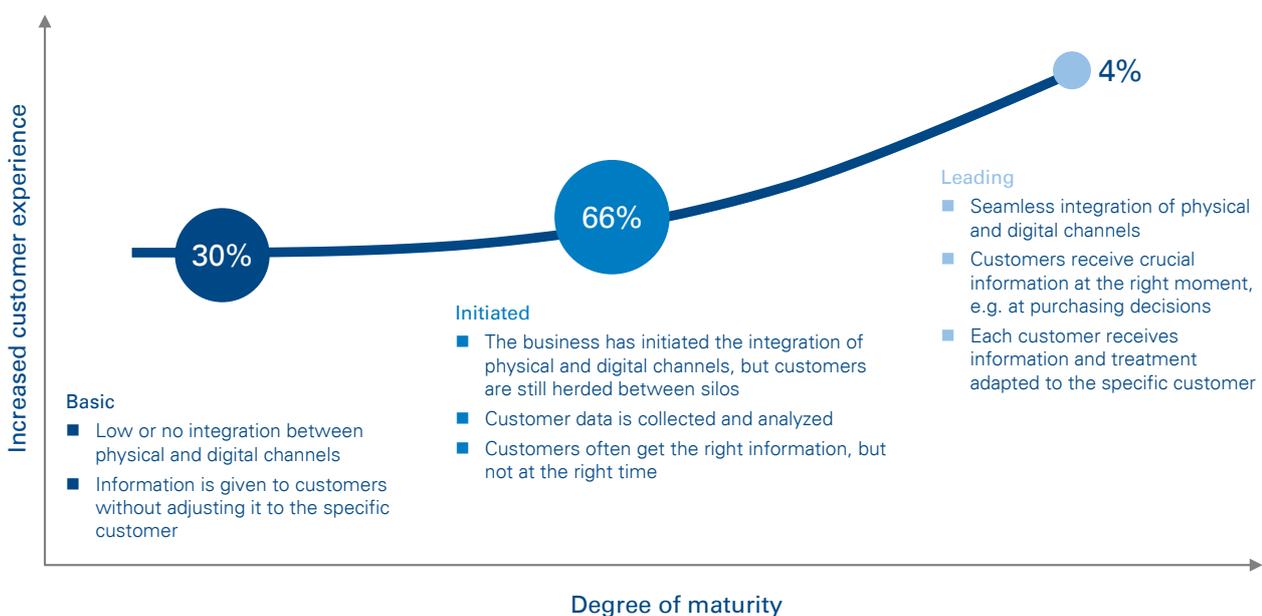


Source: Telia contact center index 2016 and a survey based on 180 businesses and organizations in the private and public sectors

The maturity of businesses today

Many businesses are still struggling with the transition to the customer meeting of the future. Two in three large European companies are actively working with the question, but only four percent can be considered leaders. Today, most businesses employ a mix of digital and physical channels, but few have achieved seamless integration, and customers are still herded between various silos. In 2015, 64% of large European companies said that they had low or no integration between physical and digital channels. Businesses are also unable to create a personalized meeting, partly because data is not collected and partly because the processes and technology needed to analyze the data are not in place. In a global study performed in autumn of 2015, only 28% of the participating companies answered that they were currently investing in personalization.

Figure 4: Maturity of companies for the customer meeting of the future



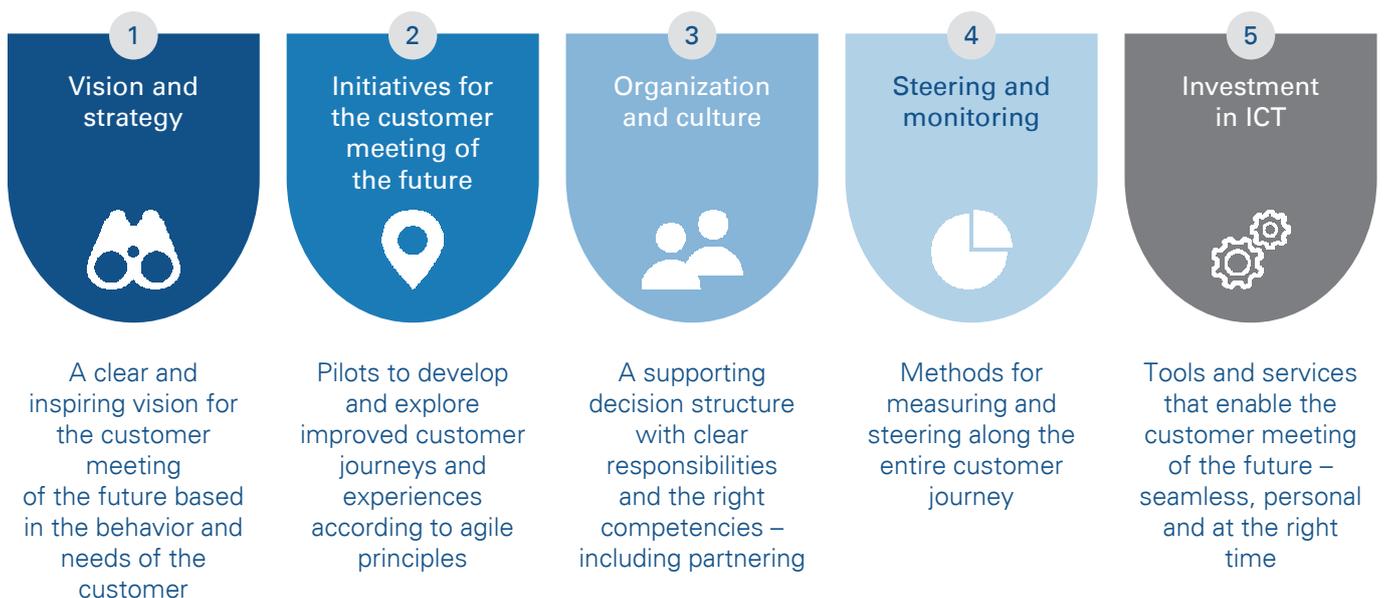
Source: Arthur D. Little Digital Transformation Study 2015

Digital pioneers are leading the transition to the customer meeting of the future

The businesses that have succeeded in developing the customer meeting create innovative ways engaging with the customer, which in many cases (re)define the entire customer experience. They stand out by working in a structured way and by always putting the customer at the center. The following steps are needed to make the transition:

1. In order to transform the customer meeting, a clear vision and strategy need to be developed based on what is most important for the customer. Jeff Bezos, the founder and CEO of Amazon, states that one of the ideas that define the company is customer focus – Amazon puts the customer at the center of everything it does. Apple, one of the leaders in customer experience, has a training manual for its employees that covers everything from role play with the customer to forbidden words. The vision of the British chain of grocery stores Sainsbury’s is to make the life of the customer easier by providing high-quality products and services at reasonable prices, independent of time and place.
2. To develop the customer meeting at the pace of changing customer behavior and new technology, successful businesses are conducting fast and focused pilot projects. These projects can easily be scaled up to enable companies and organizations to work continuously on improving the customer meeting. This also means that the risk for the business as a whole is lower. In order to create value, these projects must always be focused on the needs of the customer. Canada Post demanded that anyone who sought financing for a project, independent of department, answer 10 customer-focused questions in their business case. IKEA is also investing in developing the customer meeting through pilots, e.g., an app with which customers can experience IKEA’s kitchens with VR technology. With just a click the customer can change the color of the cupboards or see the kitchen from a child’s perspective by adjusting their virtual height. IKEA is continuously processing feedback and suggestions to improve the service and evaluate the potential of a full-scale launch.

Figure 5: Five steps to an improved customer meeting



3. Organizations need to have a collective responsibility for the customer experience and have a “customer-obsessed” culture. Organizations have to focus on the customers, not channels, increasing the need for a cross-functional way of working. Individuals from different departments, such as marketing, development and sales, have to create teams that work together on customer-related questions. In order to create a customer-obsessed culture, the management needs to communicate stories of good customer meetings and make sure that the efforts behind those meetings are rewarded. The American web-hosting company GoDaddy.com has used several methods for this. For example, it rewarded one of its employees with a full-year’s rent for their apartment for achieving a particularly high degree of customer satisfaction. Amazon’s acquisition of the American clothing company Zappos was motivated, to a large extent, by the customer-obsessed culture of Zappos.
4. Clear steering, with defined roles, mandates and responsibilities, is required to succeed in the transformation of the customer meeting. Continuous monitoring of the transformation of the customer meeting is enabled by establishing KPIs along the entire customer journey. The American logistics company FedEx has used a model in which a steering group, which includes the CEO, meets monthly with the sole purpose of reviewing and following up on projects related to enhancing the customer experience.
5. Improving the customer meeting often requires large ICT investments. Companies have to secure sufficient digital resources and competencies. A first step is investing in multichannel solutions, such as contact centers, FAQ and online self-service. Businesses also need tools for advanced data analysis. These have to be combined with tools for analyzing data extracted from other support systems, such as customer service. Going forward, businesses need to continuously evaluate whether new technology, such as AI and chatbots, VR, AR and voice control, create value for their customers.

Successful companies have efficiently adapted to new trends. They have also developed their offerings by analyzing customer data so they can predict what the customer meeting of the future looks like, and involve customers in the development phase. The ideas resulting from this have to be tested and evaluated prior to a full-scale roll-out. These three steps – predicting, testing and implementing, as well as not being afraid of dismissing ideas that do not work – should be the foundation of transforming the customer meeting.

Through a structured way of working with the customer meeting, businesses can efficiently adapt to new behavior and technology – and hence create new value for their customers.

Case example: Digital banking at Swedbank

Lotta Lovén, Head of Digital Banking, Swedbank

Swedbank, Sweden's largest bank, with more than 4 million private customers in Sweden, has around 1 billion customer interactions through digital channels annually. Today, 99% of all payments and transactions are completed digitally. Swedbank was also one of the first banks in the world to introduce internet banking, and the first bank in the Nordics to launch mobile banking.

But in an industry in which the personal meeting and long-term customer relationships have long been key to success, digitalization also brings challenges in creating and developing customer relationships. The traditional customer meeting in offices has been changing for a number of years. Complex questions and advisory are still being carried out in offices, but simpler questions have, to a large extent, moved to self-service channels. Swedbank is therefore reinforcing its efforts to keep a leading position in the digitalization of the banking sector.

The development of new services is done in increasingly closer cooperation with customers. This is achieved in part by asking customers ahead of development projects about everything from functionality to customer experience, as well as by allowing customers to participate in the actual development. Additionally, Swedbank has transitioned into a more agile way of working, with short projects and more frequent launches. This is to decrease the risk of projects becoming too large and resource demanding.

“One of the major benefits of developing digital tools is that we can use them everywhere, whether the meeting is in a physical office or via the internet and mobile bank. Customers who visit our offices can either get help to complete their queries on their own, or perform them together with the advisor directly via their mobile or internet bank.”

Going forward, Swedbank is planning to develop the use of customer data, including how it can be used to provide customers with offers that are relevant in content, time and place. Swedbank also believes that the development of chatbots will influence its customer meetings, and progress in AI will enable a more personal digital customer meeting.

“Many customers see the advantage in being able to get help with all questions regarding their economy in one place, since this saves time and gives a better overview.”

Building trust in the bank via digital channels requires innovation and a new type of attention and service.

“We have to do everything we can to make the customers have a deep trust for us, regardless of if they meet us in an office, in a chat or by logging on to the mobile bank.”

The customer as a guiding star

When customer needs and behavior are changing ever more rapidly and the competitive landscape is constantly changing, traditional business models are being challenged. In order to create the customer meeting of the future, the business needs to revolve around the customer. This “customer obsession” is critical for successful leadership in digitalization, and ultimately to secure future competitiveness and relevance for the business.

Shifting focus from products and channels to the customer journey puts high demands for change in the entire organization, along with a new cross-functional way of working. The companies and organizations that do not succeed in shifting focus risk losing their position to competitors that have succeeded or completely new players.

Hence, leaders in all industries have to seek answers to five strategic key questions:

- What needs does the customer have, and what will the customer meeting look like in the future business model of the company?
- Which prioritized initiatives can most quickly accelerate the creation of a unified experience of the company’s brand throughout the customer journey?
- How does the organization need to change to enable a customer-focused business and a customer-obsessed culture?
- How do the steering and review processes of the business need to change in the transition to the customer meeting of the future?
- What choices in technology have to be made, and what technological capabilities have to be developed?

Companies and organizations, such as Swedbank and Järfälla municipality, are now facing the challenges of digitalization and are transitioning to the customer meeting of the future. Järfälla municipality has created a unit with general responsibility for the customer journey and uses digitalization to eliminate unnecessary queries, which saves money that can be spent on developing other services and future investments in welfare. Swedbank involves the customer at an early stage in development and has implemented an agile way of working for

the introduction of new initiatives for an improved customer meeting.

The most important criterion for creating momentum in the transformation is to identify the parts of organizations where employees and leaders have high willingness to change. New initiatives can then be implemented and proven in collaboration with management for increased cross-functional engagement. When benefits are created for the customer, the organization’s willingness to change will also increase.

“The customer meeting of the future is a management question that involves the entire business. In order to stay competitive, companies and organizations have to meet their customers in a way that is seamless through all channels, personal and at the right time.”

Notes



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