2017 SAP Australia
Digital Experience Report
Introduction

Australian industries are experiencing digital disruption, with increasing competition from non-traditional and international competitors. This is forcing local brands to adopt transformational programs, especially towards customer experience. Customer experience is now seen as a priority by many organisations, and with it, digital experience (DX). Digital experiences now drive customer engagement, and can deliver valuable insights as customers touch every aspect of an organisation.

With this customer-centric view, brands are creating more digital products and services for their customers than ever before. So how are Australian brands performing in relation to the digital experience they deliver? In response to the demand of Australian organisations to understand how they can improve their digital experiences, SAP has once again worked on the Australian Digital Experience Report. Commissioned with AMR Research, the report captures more insights from more consumers, more industries, and more Australian brands. In short, it shows a clear link between investing in digital experience, attracting and retaining customers, and boosting advocacy.
The goal of this research was to understand the significance of digital experience on business outcomes, and how industries and individual brands are delivering on the digital expectations of their customers. The main insight from our research was that Australia’s overall DX score has increased by 10% since 2016. However, the score still remains negative at -4%. This shows that there is still a gap to bridge between what Australian brands are delivering and what their customers expect. Our research also shows how consumer sentiments have changed, and what they currently expect from their digital experiences. Digitisation has given consumers more information, better networks and greater choice – which has resulted in higher expectations, better networks and lower loyalty.

As consumers gain more power, organisations must acquire better resources to meet their demands. Our research highlights how the top performing industries and brands have achieved this. The strongest performing industry was the retail groceries sector, with a DX score of 10%. Grocery retail brands have driven huge innovations in the way they use customer data to generate deeper insights. This enables them to provide relevant offers and create engaging experiences that connect with each customer’s identity. The expectation is that this focus will increase and improve across all sectors as international brands like Amazon enter the market.

Grocery and consumer retail, along with banking, saw the biggest increases in their DX scores since 2016. The top performing brand was Netflix for the second year running, with a DX score of 41%. While Kogan was one of the top performing local brand with a DX score of 24%. These successful organisations unite their people and processes across multiple channels to cater to their customers’ increasing demands.

These omnichannel experiences are now an important consideration for Australian brands. 87% of engagements occur over two or more channels, while 43% occur across five or more. Now, Australian companies must be across many customer touch-points, and ensure the message and experience is consistent across every channel.
For the third year running, we’ve assessed Australia’s digital performance. The digital experience (DX) score in 2017 has increased by 10 percent to -4 percent, but the negative figure means there is still work to do.

The retail groceries sector was the strongest performing industry with a DX score of 10 percent. In terms of improvement, retail consumer, groceries and the banking sector saw the biggest uplifts.

87% of all engagements happen across two or more channels – while 43% of interactions take place over at least five – meaning the experience needs to be consistent across all channels a brand or organisation offers.

The top performing brand was Netflix for the second year running, with a DX score of 41%, while Kogan was the best performing local brand with 24%.
Slow improvements for DX in Australia

The study used a sample size of 4,000 consumers, building on the 3,500 consumers surveyed in 2016. Each respondent rated at least two and as many as three organisations by assessing 14 attributes on a scale from one to ten, one being poor and ten being excellent.

In this way the report gathered assessments of over 11,000 digital interactions, compared to 9,000 in 2016. Each DX score was then calculated by subtracting those unsatisfied from those delighted.

Year on year we’ve seen some significant improvements as brands have focused on improving their digital experiences. However, less than a third of respondents are delighted, and more than 35% are still unsatisfied.

In short Australian organisations have much to improve across all attributes that constitute the digital experience, especially those that appeal to consumers’ emotions.

- The study included a sample size of 4,000 consumers, who rated between two and three brands, meaning the report gathered assessments of over 11,000 digital interactions.
- The DX score is calculated by subtracting those unsatisfied by those delighted.
- There has been a sizeable increase in the Australian DX score from 2016.

Australia’s 2017 DX Score
(2016 Score: -14%)

- Delighted
  (vs. 26% in 2016)
- Ambivalent
  (vs. 34% in 2016)
- Unsatisfied
  (vs. 40% in 2016)
Industry performance is improving across the board

Across the industries surveyed, the overall score was pulled up by sectors focused on improving digital experience (namely banking, insurance and consumer retail). Interestingly, these sectors are not purely digital; they also have strong brick and mortar channels to market.

Grocery retail, banking and consumer retail saw strong growth since 2016, while the telecommunications and utilities sectors continued to post poor results, with utilities being the worst performers.
It is important to note that by virtue of the research design, the brands represented in the index are relatively large organisations. This is because brands with a larger customer base were more likely to achieve a statistically significant sample size.

The report highlights that despite their strong improvement over 2016, nearly all insurance brands had a negative score. Contrastingly, the media and entertainment sector held the best and worst performers in the entire study: Netflix, a digital native brand whose differentiation lies in their technology; and an established player, currently venturing into a digital first model with varying levels of success.

Similarly, there was one air travel brand which performed poorly and one which vastly outperformed all others in this industry. The most concerning issue is that no Australian brands really stood out. They all scored at essentially the same level, with the exception of Kogan and some of the banking institutions.

While Australian brands are focused on customer experience, they are not differentiating themselves in terms of digital experience. With digital native brands bucking this trend, local brands must address where they’re lacking in the customer digital experience by making big strides in personalisation and fostering meaningful engagement.

These results show that digital native brands that offer consumers a delightful digital experience will benefit from increased loyalty and higher advocacy scores.
Respondents rated brands’ DX performance based on 14 DX attributes

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<td>1</td>
<td>Listens to me and is interactive</td>
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<td>2</td>
<td>Use preferences without infringing on privacy</td>
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<td>3</td>
<td>Creates a customized journey</td>
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<td>4</td>
<td>Associates with my identity</td>
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<td>5</td>
<td>Makes me love the company</td>
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<td>6</td>
<td>Knows me as an individual</td>
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<td>7</td>
<td>Excite and engage me</td>
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<td>8</td>
<td>Makes me feel important</td>
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<td>9</td>
<td>Makes me feel unique</td>
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<td>10</td>
<td>Is safe and secure</td>
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<td>11</td>
<td>Allows me to interact anytime</td>
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<td>12</td>
<td>Is cohesive, integrated</td>
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<td>13</td>
<td>Respect my time</td>
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<td>14</td>
<td>Fits in with my life</td>
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Survey respondents rated brands’ performances on 14 digital experience attributes. Their responses show that brands must make a meaningful connection with their customers. This means going beyond basic functionality by using data and technology to make meaningful connections.

While many brands strive to provide the human touch, the scale and spread of their customers means technology must play a leading role. Advanced analytics enables markets to be segmented down to the individual level. This means communications can appear tailored and relevant, which customers demonstrate a strong preference for.

Best of all, by combining this data with predictive analytics, brands can make assumptions about a customer’s future behaviour to improve their offers.

Emerging technologies can also bring consistency to customer experiences across channels, such as in the use of artificially intelligent chatbots. While these technologies are commonly seen online, they can also be utilised in store through kiosks or smart devices in the hands of staff. This enables real-time decision making leveraging the customer’s complete history with that brand.

Other technologies, such as Blockchain-based systems and robotic process automation, can be used to streamline existing processes. This creates a faster flow of information, which leads to greater customer satisfaction.

Overall, SAP has found that digital transformation leaders begin their programs by looking outward, with the goal of delivering value to the customer in a different way. They consider customer empowerment a necessary component of their journey, rather than their destination.
But DX performance by attribute is still lacking in key areas

From the graph we can see that three attributes which consistently score highly are “Is safe and secure”, “Allows me to interact anytime” and “Is cohesive, integrated”. These rankings have changed little over three years, and there are no significant differences across industries. However, rankings for “Excite and engage me” and “Makes me love the company” are higher for retail as well as media and entertainment.

We can also see that much of these gains can be credited to improvements in functional attributes like availability, security, and safety. Still, brands are struggling to provide positive emotional experiences, particularly in personalisation. For example, while the response to the attribute “Makes me feel unique” climbed 11 points, it still languished with an overall score of -18%.

The response for “Excite and engages me” and “Makes me feel important” also reported gains, but still reported net results of -15% each. Other emotionally connected responses, such as “Makes me love the company” and “Associates with my identity” also reported scores of -12% and -8% respectively.

While providing a functional digital experience is vital, it is not enough to win over customers. Simplicity and cohesion have a big impact on performance, as well as creating integrated experiences which respect consumers’ busy lives. Similarly, while brands are using technology to increase engagement through mobile apps and adding ‘fun’ tools to websites, they must go above and beyond basic functionality. That means using data and technology to create meaningful customer connections.

Because few brands have done this, few brands stand out.
SO WHY IS THIS IMPORTANT?

Alone, these DX scores provide limited insight. However, when brought into context with measurable business outcomes, their importance becomes clear.

The results show that brands which provide a better digital experience earn better advocacy and loyalty. When brands provide negative experiences, consumers are quick to take their criticism to social media. Still, loyalty is consistent with 2016 results, with the unsatisfied group growing by 5%.

There is still a lot of risk around the ambivalent group. Brands that provide an average digital experience lose their chance to create loyal advocates, leaving the field open for Amazon, Netflix and other international brands.
At least **5 channels used in most interactions**

Except for most basic transactions, the customer journey is rarely linear. Most consumers engage with brands across multiple channels. In fact, 87% of interactions now happen across at least two channels, with nearly half happening across five or more.

This means brands must offer consistent experiences across every channel, both digital and non-digital. Today’s consumers don’t see brands in silos. They want to be able to interact with the brand online, in-store, through social, and mobile. Most importantly, they want each of these interactions to feel unified.

**NUMBER OF CHANNELS USED BY CUSTOMERS**

- 5 channels: 43%
- 4 channels: 17%
- 3 channels: 15%
- 2 channels: 12%
- 1 channel: 13%
Our research focuses on the experience score for the nine key channels shown on the graph. We can see that it is not enough for brands to just keep up with new channels. They must ensure that all new channels are consistent in quality, while still improving their traditional avenues.

**HOW DO THEY IMPROVE?**

We know consumers want to have experiences that fit their busy lives. They also want to be able to access the information they need wherever and whenever they want.

While they want choice, they demand quality. Clearly, brands who unify and integrate digital services to deliver a seamless cross-channel experience stand to improve the most.
A single channel approach creates a more satisfying experience

Interestingly, consumers who engaged on only one channel were more satisfied with that experience than those who engaged with brands on multiple channels. This shows the need to focus on providing a more consistent experience across all channels, and ensuring that all channels are valued by customers.

Today’s consumer will script their own journeys across multiple channels, and each channel matters. Providing inconsistent experiences or making consumers start over when switching channels only frustrates them.

Although single channel experiences scored better, an omnichannel approach drives better DX scores, loyalty and advocacy. We can see this in the overall scores of brands whose customers deal with them through one channel or many.

The experience provided by brands is stronger in a single channel environment than an omnichannel one.

Brands need to focus on providing a more consistent experience across all of their channels to market.

53% 22%

Single Omni

The channel experience score is calculated by subtracting the percentage of consumers unsatisfied by their experience of that channel (0-6), from those delighted (8-10).
But an **omnichannel approach** drives better DX, loyalty and advocacy

Brands whose consumers interact through multiple channels have **better DX scores, advocacy and loyalty**

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<tr>
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<th>DX Score</th>
<th>Advocacy</th>
<th>Loyalty</th>
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<tr>
<td>Single</td>
<td>-21%</td>
<td>-1%</td>
<td>-38%</td>
</tr>
<tr>
<td>Omni</td>
<td>-1%</td>
<td>8%</td>
<td>43%</td>
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If consumers use a single channel, they give the brand a DX score of -21% on average. However, if consumers use more than one channel, the average score is -1%.

Essentially, the more channels a brand engages consumers on, the better their digital experience. In turn, this omnichannel engagement creates greater loyalty and advocacy.

However, brands must focus on delivering the basics well before introducing new channels like social media. Brands must research the customer, and design everything to suit their holistic journey.

They also need to be able to quickly transfer consumers from one channel to another, as consumers are frustrated by a lack of information and consistency.

Traditional channels can also be enhanced through digitisation. Brands can use digital technology to improve customer experiences in non-digital channels. For example, brick and mortar stores can offer a digital experience via touch kiosks, and enable salespeople to check stock levels using mobile devices and tablets.
Where to from here?
Improving the digital experience

TO IMPROVE THEIR DIGITAL EXPERIENCES, BRANDS MUST:

Create end to end consistency across the customer journey:
• Have a company-wide vision, with one group or person responsible
• Instead of patching, redesign based on customer journeys
• Research both digital and offline touch-points

Start with the basics:
• Ensure their customers can access information and tools quickly and easily.
• Make sure their digital tools are useful to a customer’s needs.

Identify actionable insights (the most critical step for engagement and personalisation)
• Identify internal and external data sources (such as social listening and partners).
• Break down data silos.
• Use predictive and machine learning to find patterns.
• Use patterns to predict needs and behaviours.

Move faster:
• Get tested content out quickly and regularly.
• Utilise mobile and social to give customers useful information in real-time (for example, insurers giving mobile alerts about major weather incidents).
• Stay on top of changes to the market and customer desires.
• Analyse data in real-time.
• Train all parts of their business in how to manage updates.

Increase engagement through interactivity:
• Be dynamic, not static.
• Employ more chat, video and social response (but only once they’ve mastered the basics).
• Provide useful interactive tools, such as superannuation calculators.
• Develop for augmented and virtual reality, such as using Google Glass in-store or creating virtual tours of physical sites.

Make everything more accessible:
• Create a consistent experience customers can access on almost any device.
• Make the transition to a non-digital journey easy for customers who need to switch.
How SAP transforms the customer experience
How SAP transforms the Customer Experience

Finally, before brands can integrate their digital experience with their customer experience, they must consider everything that sits behind it. This includes:

**Workforce engagement:**
How they manage the cultural change internally, ensuring employees have new skills to serve new markets.

**Spend management:**
Structures which ensure companies can finance this integration comfortably and ethically, with ethical procurement now of great importance to consumers.

**Effective supply chains:**
The last step in customer service, and the most at risk. If a delivery doesn’t show up, consumers now have more power than ever to generate damaging word of mouth.

Once these are established, brands can enhance their customer experience through a number of innovative technological developments. These include:

- **The internet of things (IoT):** The movement of connecting various devices and data streams to provide a new level of service, such as health providers taking data from fitness devices.
- **Artificial Intelligence:** Autonomous software which can interact with customers and provide the information they seek, such as ‘chatbots’ responding to international customers in multiple languages 24/7.
- **Blockchain:** A digital system which enables greater security and transparency for online transactions. This can increase consumer trust, reduce their transaction times and give them more control over how personal information is gathered and used.
- **Machine Learning:** Software that enables computers to compile and process data from multiple sources, then extrapolate insights from it. For example, a computer could use app data to suggest optimisation processes.

At the heart of their digital experiences, brands must have the technology platform in place to pull their data together, make sense of it and distribute it to customers. Brands must also treat each customer as an individual, understand how to engage them, and predict what they will want and need next.

**By taking this advice, Australian brands will be able to:**

- Precisely segment customers,
- Predict customer churn,
- Personalise their messaging, and
- Predict customer lifetime value

By continuing as they are, Australian brands will struggle to make strides in all areas.
Thank You

If you’d like more information about our research at an industry or brand level, visit us online at www.sap.com/australia