Thanx

CUSTOMER ENGAGEMENT PREDICTIONS

2019 & BEYOND

We teamed up with five influential industry leaders to bring you our Customer Engagement Predictions for 2019 and beyond. From bleeding edge technology advancements to radical personalization efforts, the world of customer engagement is about to be rocked.

The importance of direct e-commerce

Noah Glass

Founder and CEO

2019 will be a pivotal year for restaurants to own the consumer relationship. The rise of third-party delivery opens up exciting potential, but can be a disaster for restaurant brands if not implemented properly. It's fundamental to understand the two types of ordering channels: direct (brand website, app, and other owned channels) and indirect (orders coming from marketplaces). Brands need to own and prioritize their own direct ordering channels to avoid lost customer relationship, perilously low margins, and a risk of conversion to other brands. Indirect channels can add meaningful incremental orders, but should never be used as the primary destination to send guests.

Why is this distinction important? Look at the hotel industry, where a 15-year battle has been waging between hotel brands and marketplaces like Expedia, Travelocity, and Kayak have captured the majority of the digital bookings at high costs to the hotel. The hotels and marketplaces "are in an absolute war for who owns the customer," as Marriott CEO Arne Sorenson recently said. You can imagine the sad path for restaurants: a world where a majority of their guests get sent away to marketplaces. Seventy percent of digitally booked hotel rooms are via Online Travel Agencies (OTAs), i.e. only 30% are booked direct. Restaurants that send customers directly to marketplaces are sending them to platforms where the restaurant is listed next to its competitors — and oftentimes, the marketplace lists the restaurants that pay the highest commission — and so negotiating a low commission may push you to the bottom of the list, which means that you're handing your customers directly to your most desperate competitors.

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The new measure of a brand's digital IQ is the percentage of off-premise sales coming from direct channels, such as the brand's website, app, and other brand-owned channels. By looking at the split between direct vs. indirect digital sales, we can see the percentage of digital revenue that is going to the restaurant commission-free and building the brand's owned guest engagement repertoire.

When establishing your delivery channels and negotiating with marketplaces, you must be clear about what you would like to get from the relationship. Marketplaces can add a ton of value in a supplemental fashion, but a marketing channel does not equal delivery enablement. The marketplace business model thrives on high commissions which will not decrease over time. Offers of exclusivity, lower commissions, and promotions are only temporary hooks that brands should be critical of.

A top-notch e-commerce experience and delivery enablement on the restaurant's terms is the bedrock of a program that is set up for success. Next, come marketing and ongoing guest engagement that protects engagement with loyal customers.

Gilbert Bailey

VP Analytics and
Customer Engagement

xenial

A customer engagement culture of convergence will arise

Businesses should be looking at how to connect all departments and points of customer interaction to create a "culture of 'convergence". When all systems, customer data, processes, product, service and development teams are unified, businesses can create a consolidated approach to understanding customers and provide personalized customer engagement opportunities to get an edge on the competition. The following are the microtrends I see that will contribute to this culture:
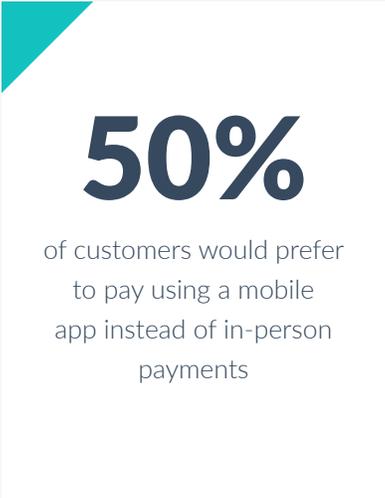
Hyper-personalization from customer data

When consumers allow businesses to have access to their data, they expect the business will do something with the data that will benefit them. This may include a scenario where evolving technologies and consumer demand will create a requirement for individualized products and services.

IOT-enhanced customer experiences

As customers become more and more comfortable using internet-connected devices and machines, like watches and fitness trackers, as well as objects like vending machines, connected cars, TVs, etc., marketers should be developing in-the-moment marketing opportunities.

With "20 billion 'things' connected to the Internet" in 2020, according to Gartner, marketers will be able to use the data captured from various consumer devices to create highly customized offers.

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50%

of customers would prefer to pay using a mobile app instead of in-person payments

Focus on Voice of the Employee (VOE)

There is a link between happy employees and happy customers. Companies that are successful in customer engagement have 1.5x as many engaged employees as their competition, according to the Temkin Group.

Mobile app and self-service payments become the norm

According to Deloitte, 50% of customers would prefer to pay using a mobile app instead of in-person payments. Millennials are a major segment of consumers that are expecting businesses to provide self-service payment options

Instant gratification expected

The speed of execution will be a powerful differentiator for brands going forward. With retailers like Amazon and Walmart already moving in this direction, customers will soon (if not already) expect the following:

- Fast delivery of product without expedited fees

- Immediate reply to questions or reviews

- Transactional discounts and offers without loyalty membership/ enrollment

- Fast "no-questions-asked" refunds

Artificial intelligence interactions become standard

Interacting with voice-responsive assistants to place orders or address customer service issues will be standard with the rise of in-home use of AI devices, such as Siri, Cortana, Google Home, and Amazon Echo.

Zach Goldstein

Co-founder and CEO

Thanx

It will become more important than ever to build an "owned audience" of customer relationships given the continued disruption of third-party delivery and e-commerce

Over 75 percent of consumers say the average merchant doesn't understand them as an individual, which is highly problematic because nearly 80 percent of revenue comes from just 20 percent of customers. You should probably know who they are. Most restaurants and retailers we speak with have been flying blind when it comes to their most important asset: customers. And the result is 5x more marketing spend to acquire new customers even though it's significantly more cost-effective to squeeze an incremental visit from an existing customer.

Retailers have been under threat from e-commerce for years with the online entrants using customer data and personalization as one of their fiercest weapons. Meanwhile, third-party delivery in restaurants has given a shot in the arm for near-term revenues (though at questionable profitability), but also represents further disaggregation for restaurants from their customers...customers who become owned by the GrubHubs, Ubers, and DoorDashs of the world as soon as they place their first order.

This must and will radically change in 2019 and beyond. Email and social simply are not cutting it anymore; brick-and-mortar businesses are accelerating the adoption of customer relationship management (CRM) tools and fully embracing personalized customer engagement. Winners will become defined by their personalized "outside the four walls" experience as much as by their in-store offerings, using data to drive customers from unknown to personal relationships (who they are, what they buy, when they visit, when they don't visit, their lifetime value, their customer satisfaction level and so much more).

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In "The Ultimate Question", Fred Reichheld demonstrated that higher customer satisfaction (via Net Promoter Score) strongly correlated to higher long-term growth and profitability. The underlying principle here is a focus on delighting your best customers. Through data, winners like Starbucks, Panera, Sephora and Amazon (Prime) have been doing this for years. Technology is making such technologies accessible to the next wave of brands. And even brands that have vehemently denied the need for investment in customer retention (think Chipotle) are embracing the concept with open arms.

Merchants will be back in the driver's seat and in control of their bottom line vs being held hostage to third-party apps, review sites, and delivery services that erode their margins and disrupt the customer experience. They will no longer feel like they are throwing money in a hole and hoping for the best with their offline marketing tactics. Through personalized customer engagement, merchants will be able to measure the impact of their efforts in real revenue and prove the massive value that comes with data-driven personalization.

Nick Francis

Co-founder & CEO

Help Scout

Customer engagement and satisfaction will skyrocket as a result of better customer data

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Customer engagement and satisfaction is more important than ever to businesses looking to grow and thrive in today's highly competitive environment. We've all fallen prey to looking for the next great tool to add to our tech stack that will be a game changer and we're all eager to implement various forms of AI (machine learning, natural language processing) that positively impact the customer experience. But up to this point, technologies like chatbots haven't really provided the right UI or capabilities to get the job done well.

In 2019, and beyond I expect customer-facing technologies to improve, but for AI-powered tools to have a much greater impact on customer service professionals. Give them the ability to provide human customer service at greater efficiency, with better customer data, and satisfaction has the potential to skyrocket.

The evolution of design and self-serve will take off

Tim Young

CEO

Delivery will drive an evolution in restaurant design

With the popularity and availability of order ahead and food delivery continuing to grow, we'll see an evolution in restaurant design to accommodate these new types of orders including:

- Shifts in store flow to allow for easy pickup of orders

- Dedicated spaces in stores like cubbies and smart shelf systems

- Digital signage to aid in wayfinding — allowing customers to know when their food will be ready and where to pick it up

- Reimagined drive-thru experiences and external, dedicated pick-up points

Self-serve kiosks will become the norm

Self-serve kiosks are no longer something that is being tested; with proven labor efficiencies and higher average tickets, next-generation kiosks will become the norm. We will begin seeing UX improvements and more personalization features in kiosk apps including:

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- Personalized menus — We all love walking into our neighborhood coffee shop and being greeted by our favorite barista, the one who knows our name, our favorite drink and is able to suggest new items based on our past ordering habits. Now imagine that that experience could be replicated at all other stores in that chain; you walk into a cafe in London and you get the same personalized experience that you do in your neighborhood store in Chicago. Personalized menus will make your favorites easy to reorder and the menu will make suggestions of new items based on your previous orders.

- Personalized loyalty — instead of the same deals for all customers. Rewards will be personalized for individual customers based on their purchase habits and likes.

Conclusion

2019 and beyond promises to be full of amazing opportunities for merchants as they blaze trails into a new age of customer engagement. Merchants will be empowered with data to fuel highly-targeted and personalized messages to engage consumers and own their audience. In addition, technology and design advancements will skyrocket allowing merchants to do things they never dreamed possible. Merchants that embrace evolution and execute well will experience increases in customer satisfaction in a highly competitive environment where they will rise to the top.

Thanx is Customer Engagement Done Right.

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