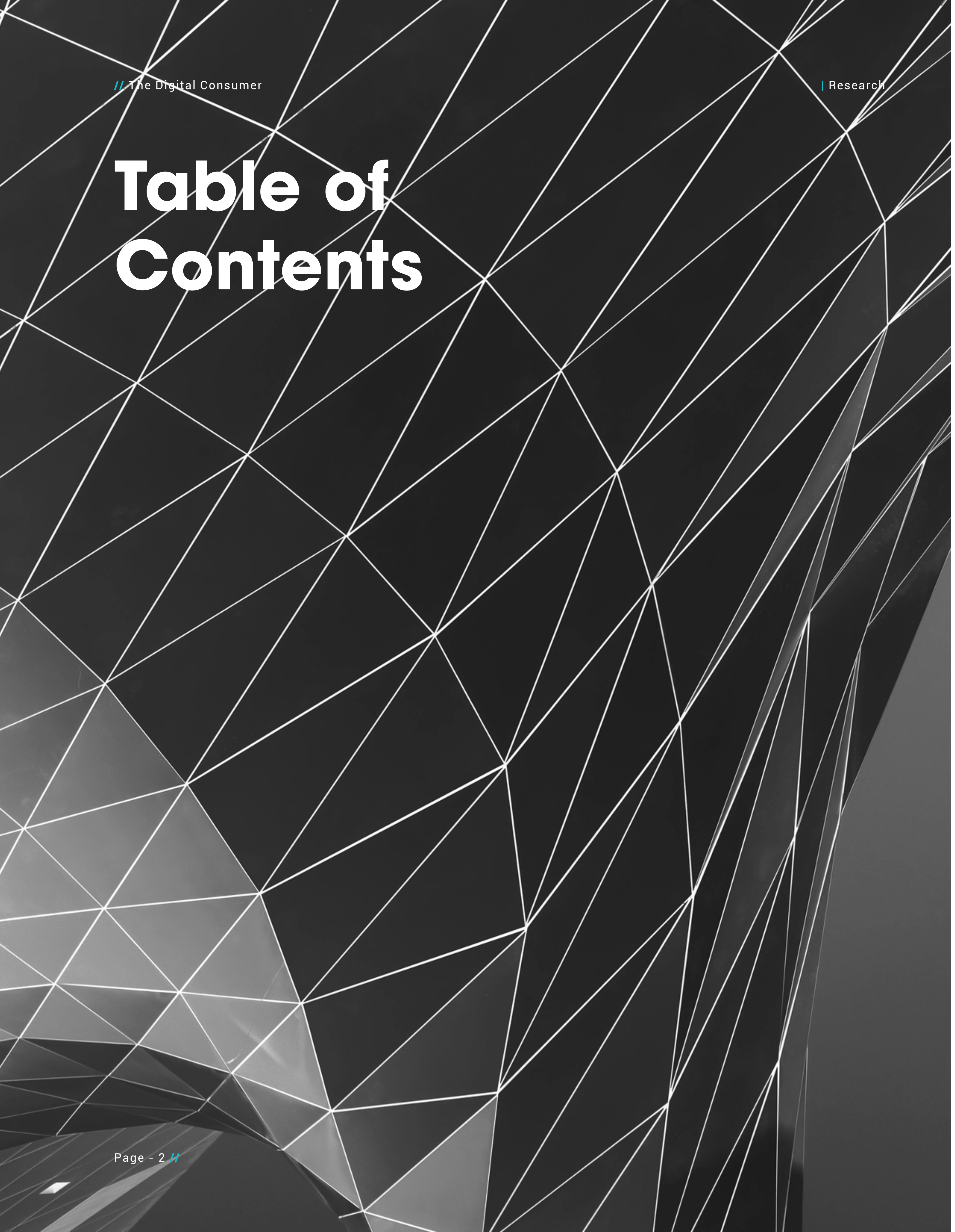
appnovation

The Digital Consumer

Shifting Expectations and Digital Readiness



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"2020 saw dramatic changes in consumer behavior and expectations out of necessity. These expectations will continue to grow and evolve today – and in the future. Brands will need to move with greater agility to not only meet, but exceed these expectations."

Scott Wassmer, GM of the Americas

A Pulse on Evolving Consumer Expectations and Digital Readiness

How ready is your brand to keep up?

Amidst the COVID-19 pandemic, how we interact with the world changed drastically out of necessity. Our expectations of the brands we interact with also fundamentally shifted. Though a digital transformation has been underway for some time, the pandemic accelerated consumers' adoption of digital far faster than what many brands were ready for. So, what are consumers' new expectations of brands and what is their digital readiness?

Appnovation's research measured Canadian and American consumers' digital readiness and future expectations of the brands they interact with. Our research uncovered four overarching consumer expectations across all verticals:

1 **Consumers expect and want more online brand interactions in the future.**

Across industries, online interactions have increased during COVID-19, and consumers state they'd like this trend to continue – even in industries like automotive and grocery, where interactions have traditionally been in-person.

2 **Millennials' expectations for a seamless digital experience surpass those of other generations.**

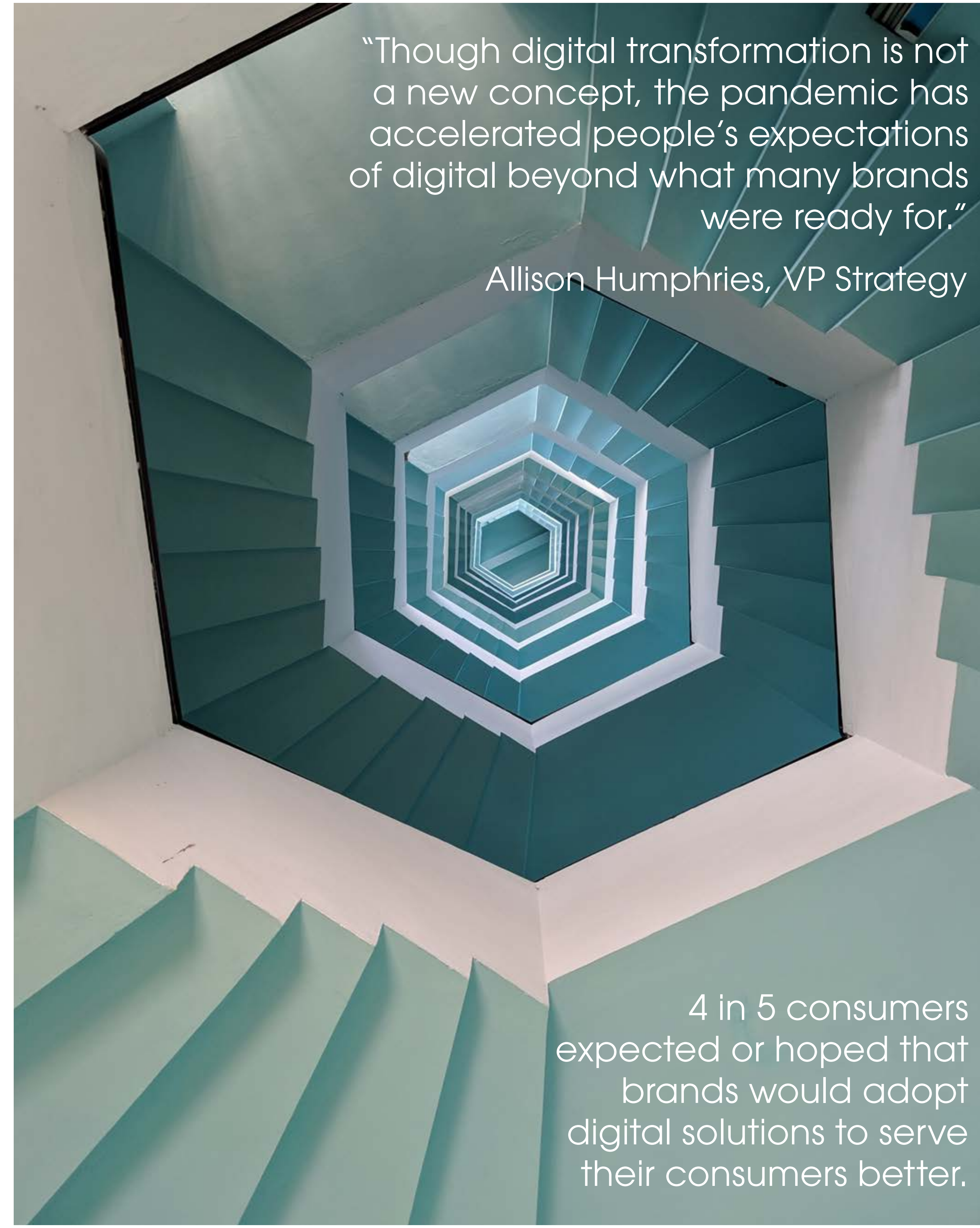
Though Gen Z is not far behind, Millennials are the cohort of consumers that have the highest expectations for smooth and efficient digital experiences, no matter the industry. Expectations for a seamless digital experience run through various industries that include, but aren't limited to, health & wellness, retail, travel & tourism, and more.

3 **There's an expectation that in-person consumer experiences get more digital, too.**

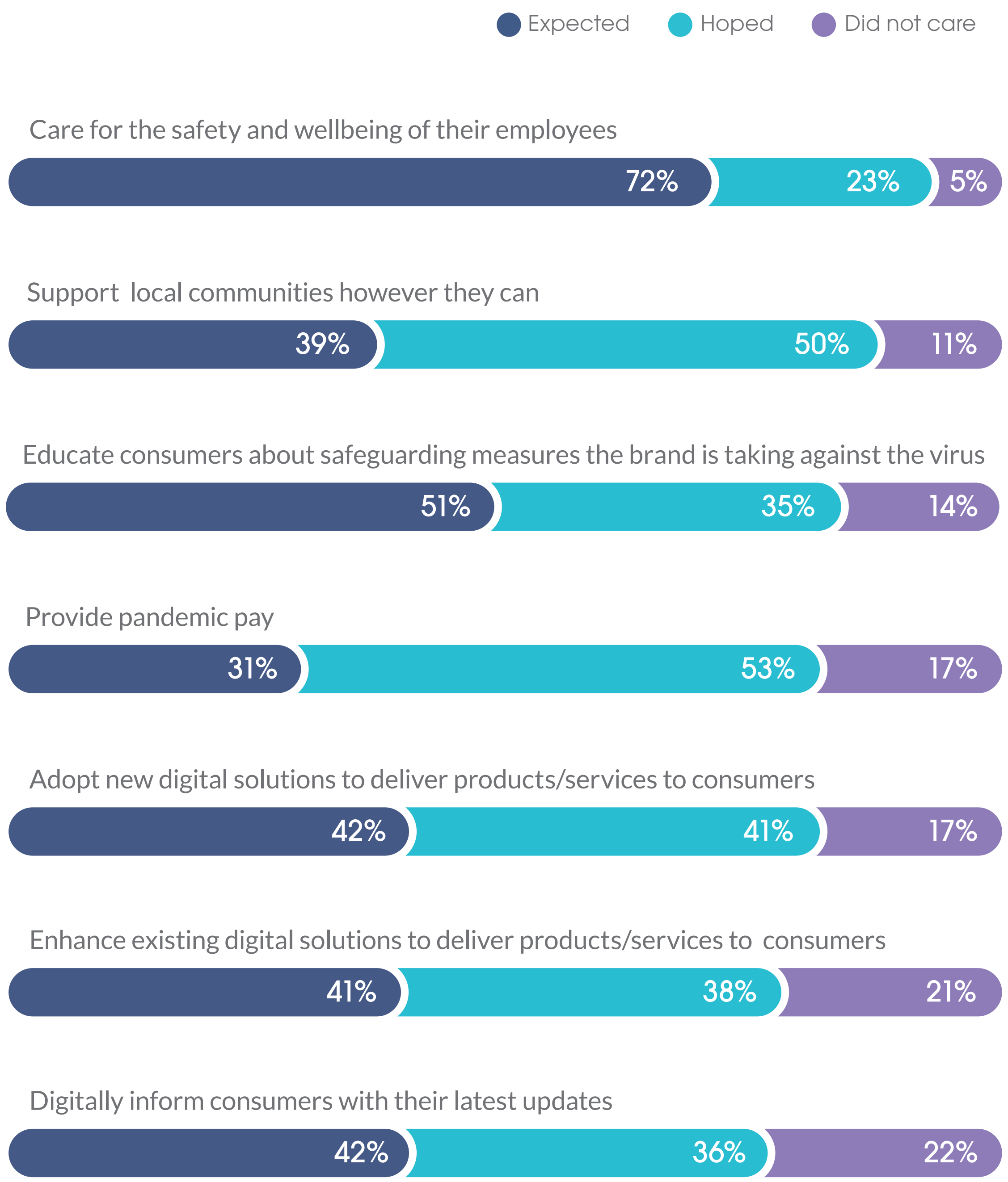
As people begin to safely venture out of their homes and into public spaces, they're looking for hybrid human-digital experiences. An increased comfort with touchless technologies propels this – though that comfort varies by industry, with consumers citing places like hospitals, airports, and hotels as the spaces they're most comfortable in.

4 **There's an appetite for touchless technologies, though brands need to address concerns like security in order to make consumers feel comfortable.**

Consumers like the convenience, security and accessibility that voice recognition offers, but have mixed feelings surrounding facial recognition. With an increased focus on delivering personalized experiences, brands will walk a fine line in leveraging the right technology while ensuring it's not intrusive to the experience.



Consumer Expectations from Brands During COVID-19



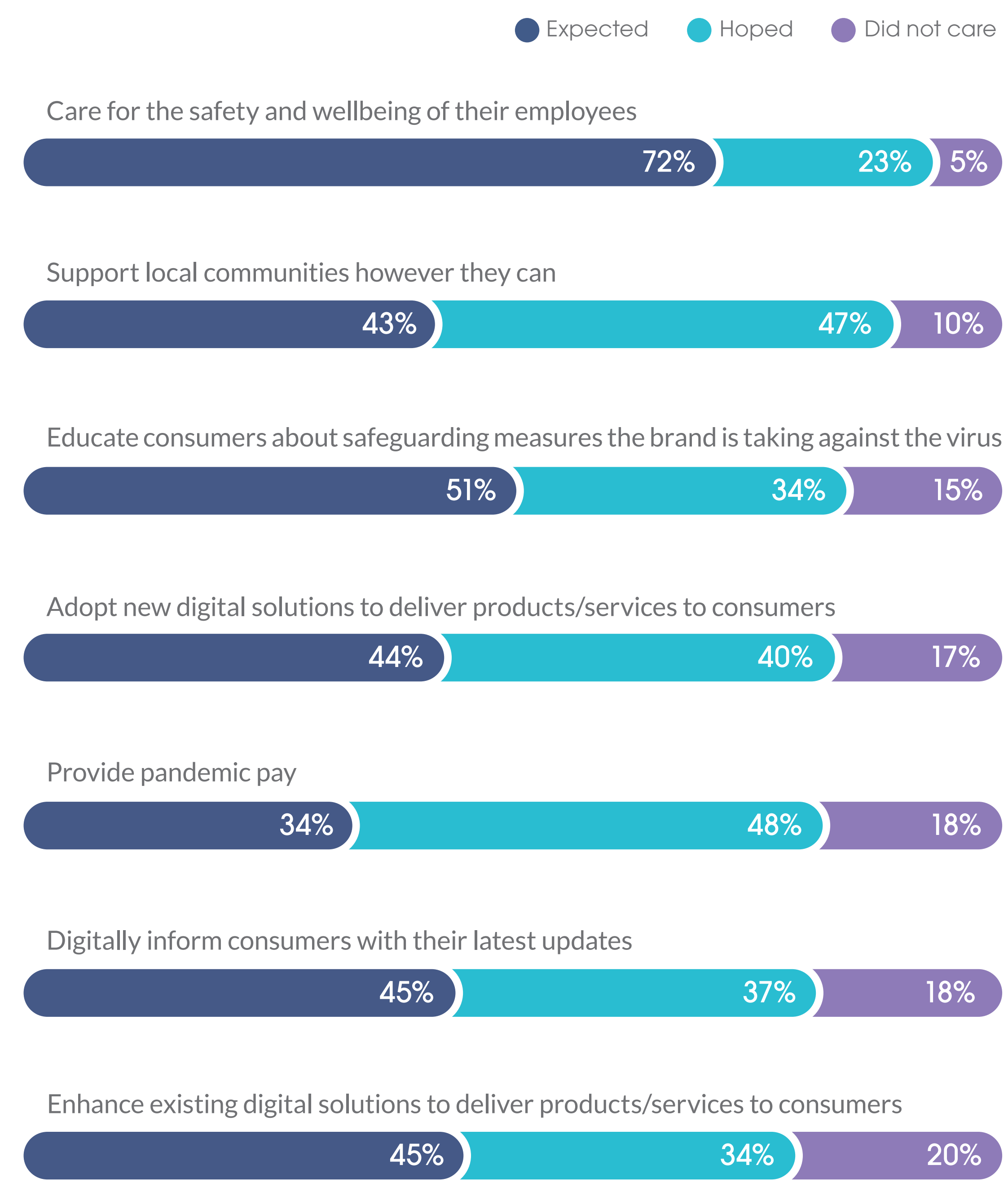
Millennials have higher expectations that brands use technology to shape their customer experiences.

Consumer expectations of brands are expected to continue along the same lines for the next year or so.

This means just under half of consumers expect or hope the brands they interact with will adopt or enhance digital solutions to better meet their demands.

Other top expectations of brands continue to be caring for the safety of employees and communicating its safety measures publicly.

Consumer Expectations from Brands in 2021



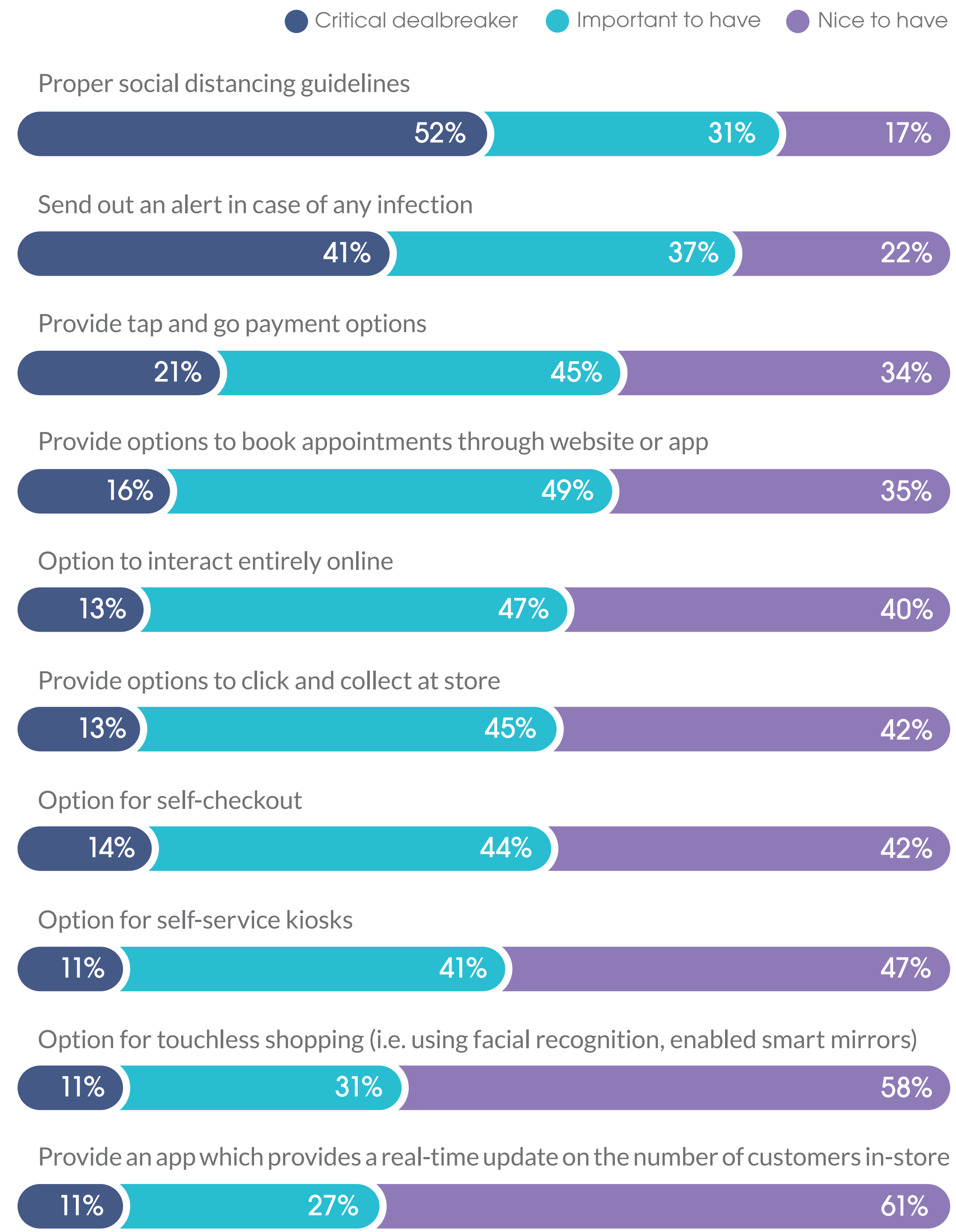
Consumer Expectations and Digital Readiness

Apart from following proper social distancing guidelines, over half of all consumers perceive technology-based services as important to have, if not a **deal-breaker.**

There's also appetite for digitally-enabled self-service options in-store, signalling that the in-person experience will get more digital in the future.

51% of consumers want to see self-service kiosks and **58%** want to see self-checkouts.

Importance of Services and Amenities



Consumer Attitudes Towards Brands During COVID-19

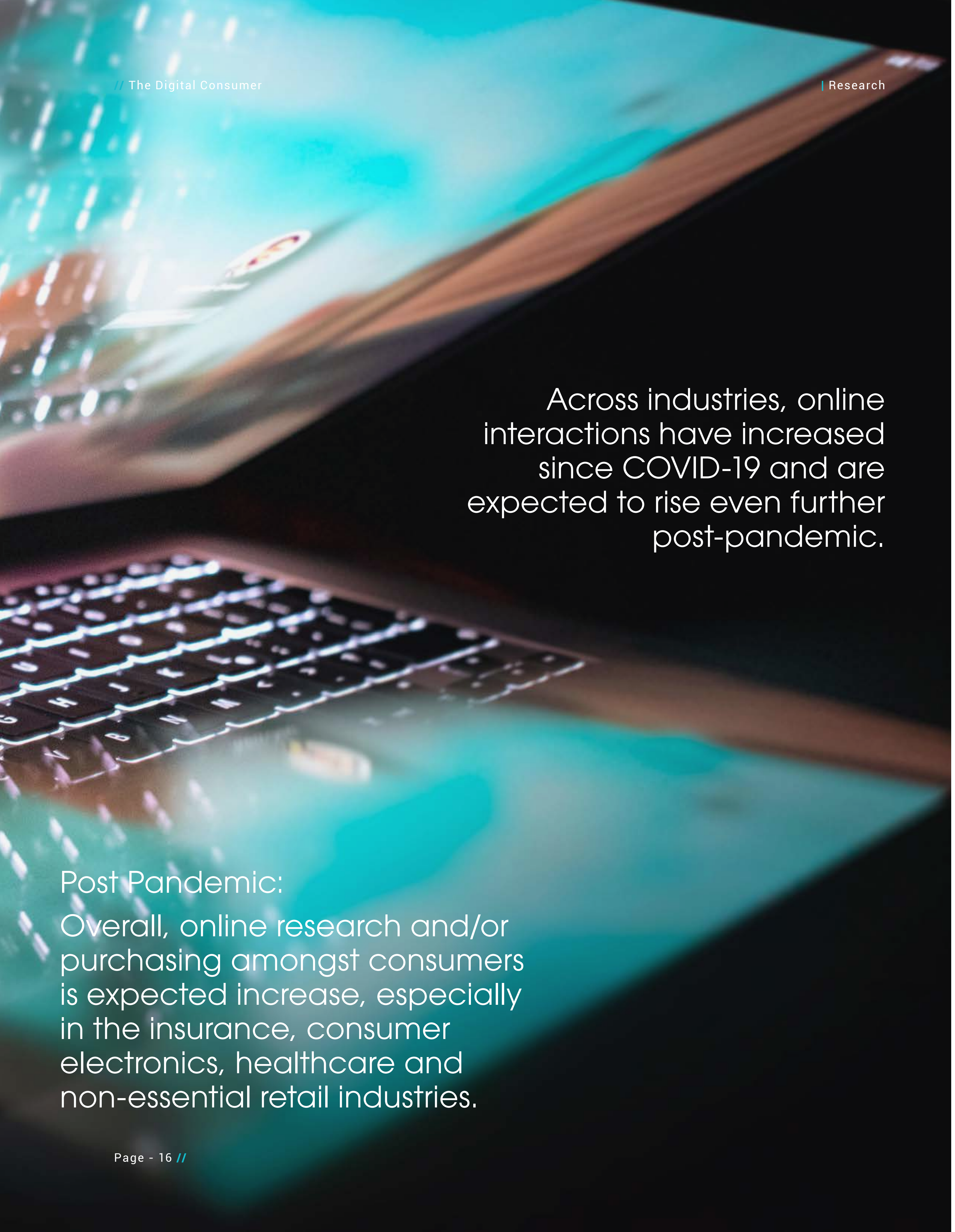
Though the majority of consumers understood that brands struggled to adapt their online experience during COVID-19, the majority of consumers believe brands should have been better prepared. In fact, **half of all Millennials switched to new brands based on the innovation the brands used to respond to the pandemic.**

	Total	Millennials	Boomers
Many brands and companies struggled to adapt their online/digital consumer experience during COVID-19	**70%**	71%	72%
Brands and companies should have been better prepared for consumers' online/digital needs	**58%**	69%	50%
Online consumer experiences are now more important than in-person experiences.	**61%**	73%	50%
I was less likely to engage with a brand that did not offer online experiences	**51%**	65%	39%
COVID-19 has highlighted we can do everything online, we will not need in-person interactions for great customer experiences	**48%**	63%	36%
I switched to a new brand/company because of the innovative way they used technology to respond to COVID-19	**34%**	49%	21%

Consumer Expectations for 2021

Looking to the future, **more than 4 in 5 consumers expect brands to offer a seamless experience between online and in-store experiences** within the next year or so.

Canada	United States	Total	
46%	60%	**53%**	Online consumer experiences will be more important than in-person experiences
81%	88%	**84%**	I expect brands to offer a seamless experience between online and in-store shopping
83%	84%	**84%**	For me, online shopping experiences will never fully replace in-person shopping experiences
56%	66%	**61%**	I will have more and more of my brand experiences online
87%	86%	**86%**	Brands and companies will be responsible for keeping their consumers safe when shopping in-person
48%	52%	**50%**	I will be less likely to engage with a brand that does not offer online experiences



Across industries, online interactions have increased since COVID-19 and are expected to rise even further post-pandemic.

Post Pandemic:

Overall, online research and/or purchasing amongst consumers is expected increase, especially in the insurance, consumer electronics, healthcare and non-essential retail industries.

Level of Online Interactions – Pre, During and Post COVID-19

	Pre COVID-19	Since COVID-19	Post COVID-19
Banking and financial management	64%	69% +5%	74% +10%
Travel and tourism planning	54%	49% -5%	69% +15%
Searching for healthcare & wellness information/advice	48%	54% +6%	69% +21%
Insurance claims, information & purchases	39%	46% +7%	63% +24%
Purchasing consumer electronics	34%	43% +9%	57% +23%
Non-essential purchases like clothing/ retail purchases	28%	42% +14%	48% +20%
Essential purchases like groceries	15%	23% +8%	31% +16%
Buying a car	14%	20% +6%	35% +19%

Expected Level of Increase in Online Interactions – Post COVID-19

The increase in online interactions with brands is expected to be significantly more pronounced among 25-54 year olds.

Percent Change Pre-COVID
● Negative ● Positive

	18 - 24 Yr. Olds		25 - 34 Yr. Olds		35 - 54 Yr. Olds		55+ Yr. Olds	
Travel and tourism planning	70%	2%	76%	8%	74%	20%	58%	5%
Banking and financial management	69%	14%	79%	7%	78%	13%	67%	5%
Insurance claims, information & purchases	68%	36%	72%	19%	68%	28%	51%	6%
Searching for healthcare & wellness information/advice	61%	20%	74%	20%	72%	23%	62%	7%
Purchasing consumer electronics	56%	12%	71%	21%	62%	27%	43%	9%
Non-essential purchases like clothing/ retail purchases	49%	16%	62%	17%	53%	25%	32%	14%
Essential purchases like groceries	39%	17%	44%	16%	37%	22%	15%	8%
Buying a car	33%	12%	50%	24%	39%	26%	20%	6%

What this Means for Brands

"It's not just consumers' digital behavior that has changed. Their expectations of digital experiences have dramatically shifted, too. Gone are the days when consumers measured and compared your digital experience to experiences in the same space. Today, they're comparing you with the very best digital experiences across completely different industries."

Anton Morrison, VP Experience Design

You shouldn't be waiting for a return to normal – it isn't coming

2020 was a year where all things digital gained greater importance in our lives and the day-to-day running of society. In 2021, brands need to make sure they're creating a valuable customer experience – digital or in-person – based on long-term, fundamental strategies, knowing that consumers' digital readiness and expectations are growing fast and are here to stay.

Get back to basics

Content management, personalization and data-based decision-making are all core to creating consumer-driven experiences. Businesses will benefit from taking a step back to look at their technological infrastructure through the lens of whatever digital transformation they're on, and making sure their experience isn't a temporary fix but a beautiful end-to-end system built around customers first.

Prepare for the increasingly digital consumer

Through these changes, some organizations realized that the systems and infrastructure they had in place weren't capable of handling the influx of human digital behavior. Many also realized that their user experiences weren't mature enough to meet the needs of their consumers and employees alike. The things people expect when they're shopping in-person – personalized service, talking to a human, help finding what they need – don't change when the experience moves online. Your customers expect the same things. The potential of technology is obvious, but if your core experience strategies don't live up to it in a customer-centric way, there's a clear risk of simply surfacing poor experiences faster and a decrease in brand loyalty.

Consumer Digital Experiences

Our research found that about half of all consumers between 25-54 consider digital experiences to be extremely or very important across industries.

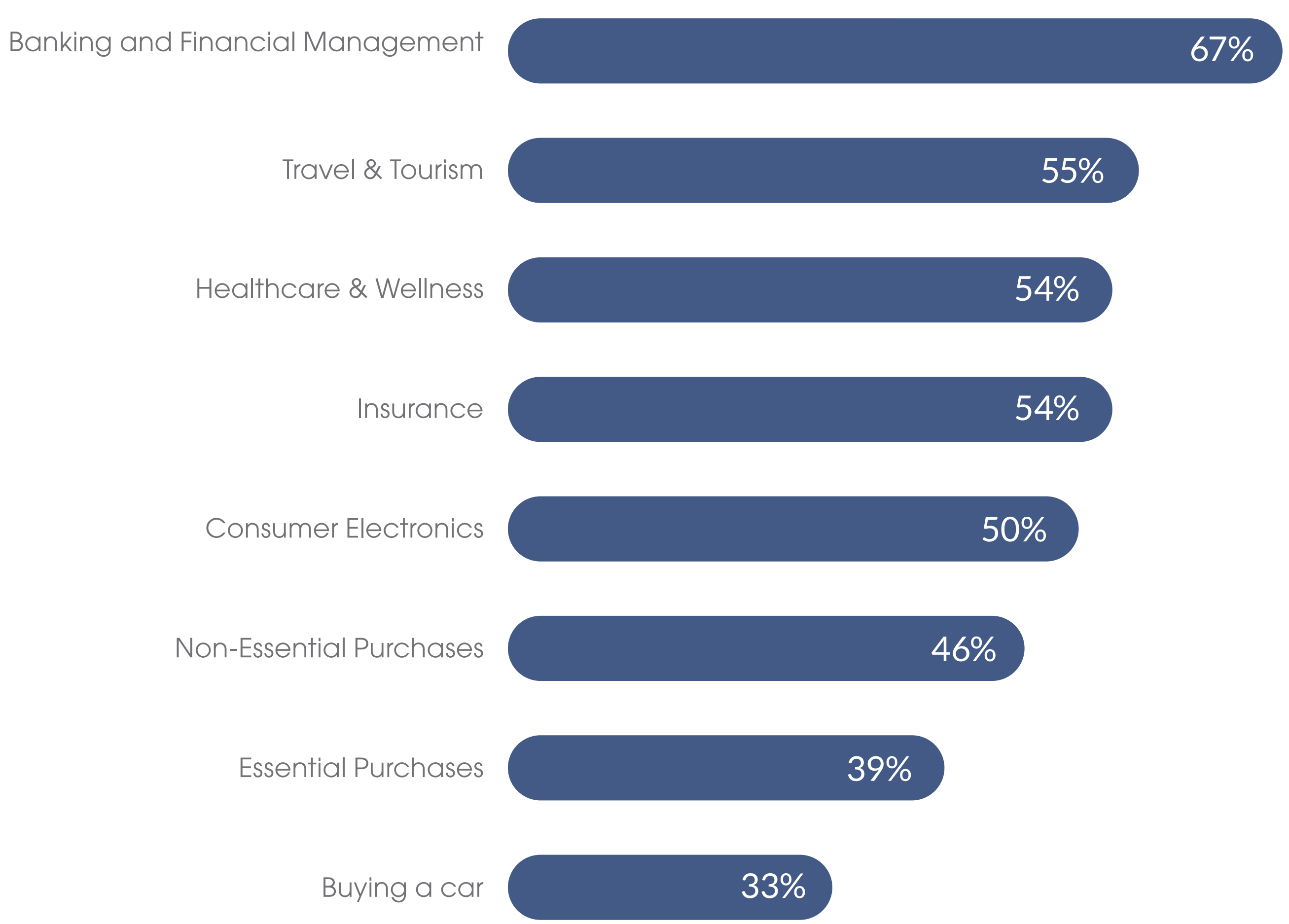
However, consumers' digital readiness is higher in some industries than in others.

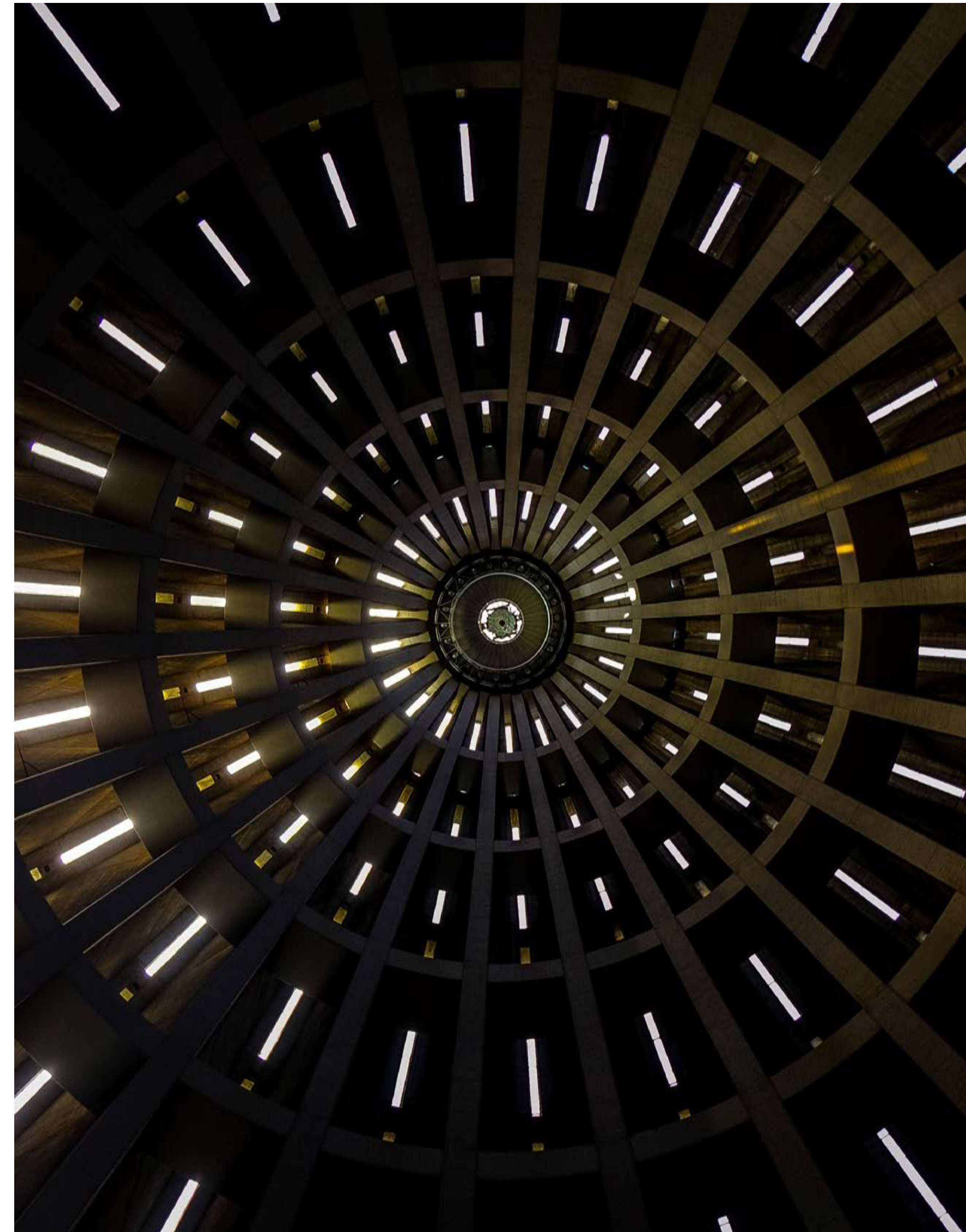
Among consumers aged 25-54, digital readiness is highest in the Financial Services, Travel & Tourism, Health & Wellness and Insurance industries. Digital readiness is lowest when purchasing a car or when shopping for essentials like groceries. However, it's the industries where digital readiness is lowest that consumers say are most in need of technological improvements.

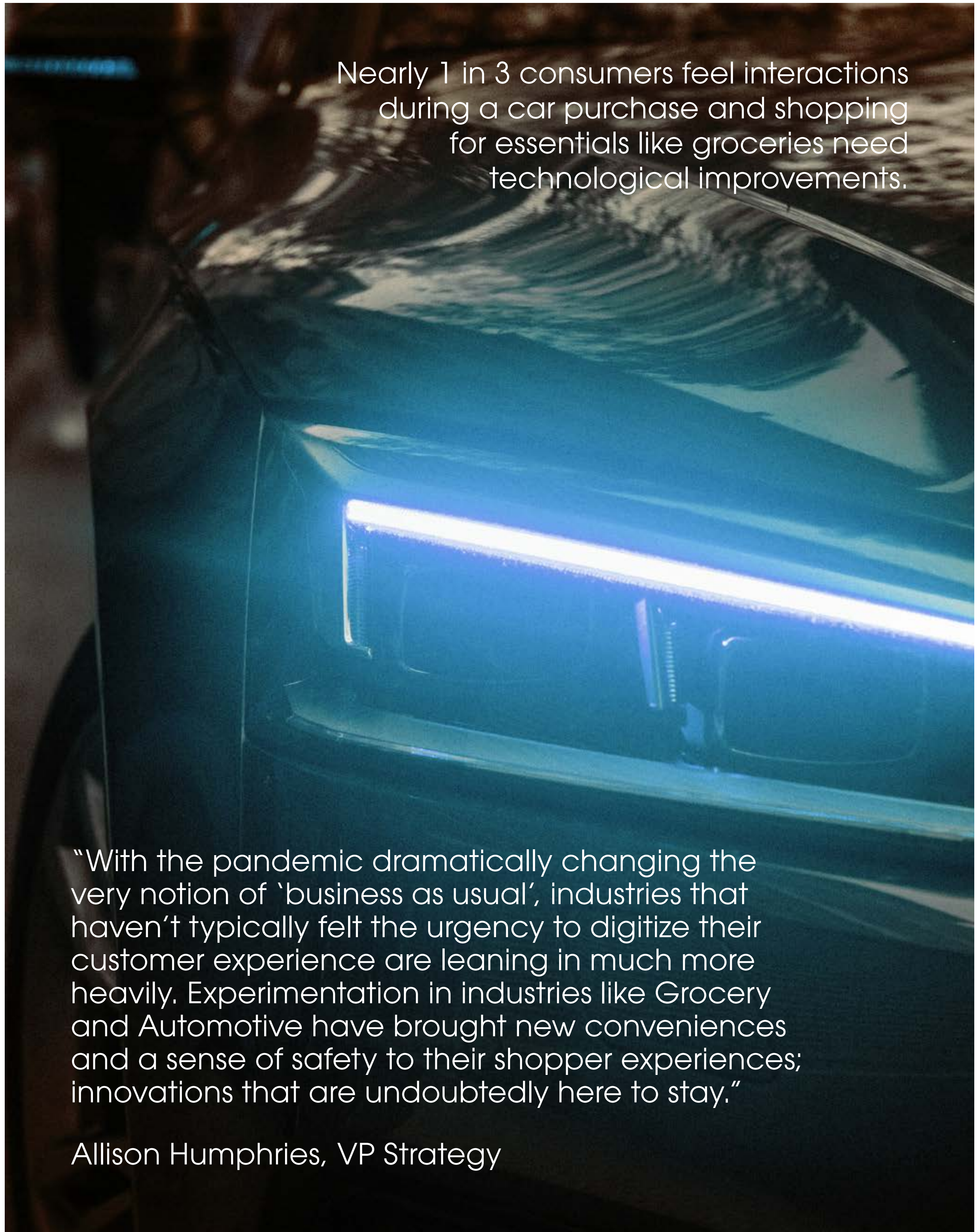
Consumers' Digital Readiness

Digital readiness is especially strong in the Banking, Travel & Tourism, Healthcare and Insurance industries. This is especially true among consumers aged 25-54, who consider digital experiences to be extremely or very important across all industries.

Importance of a Digital Experience





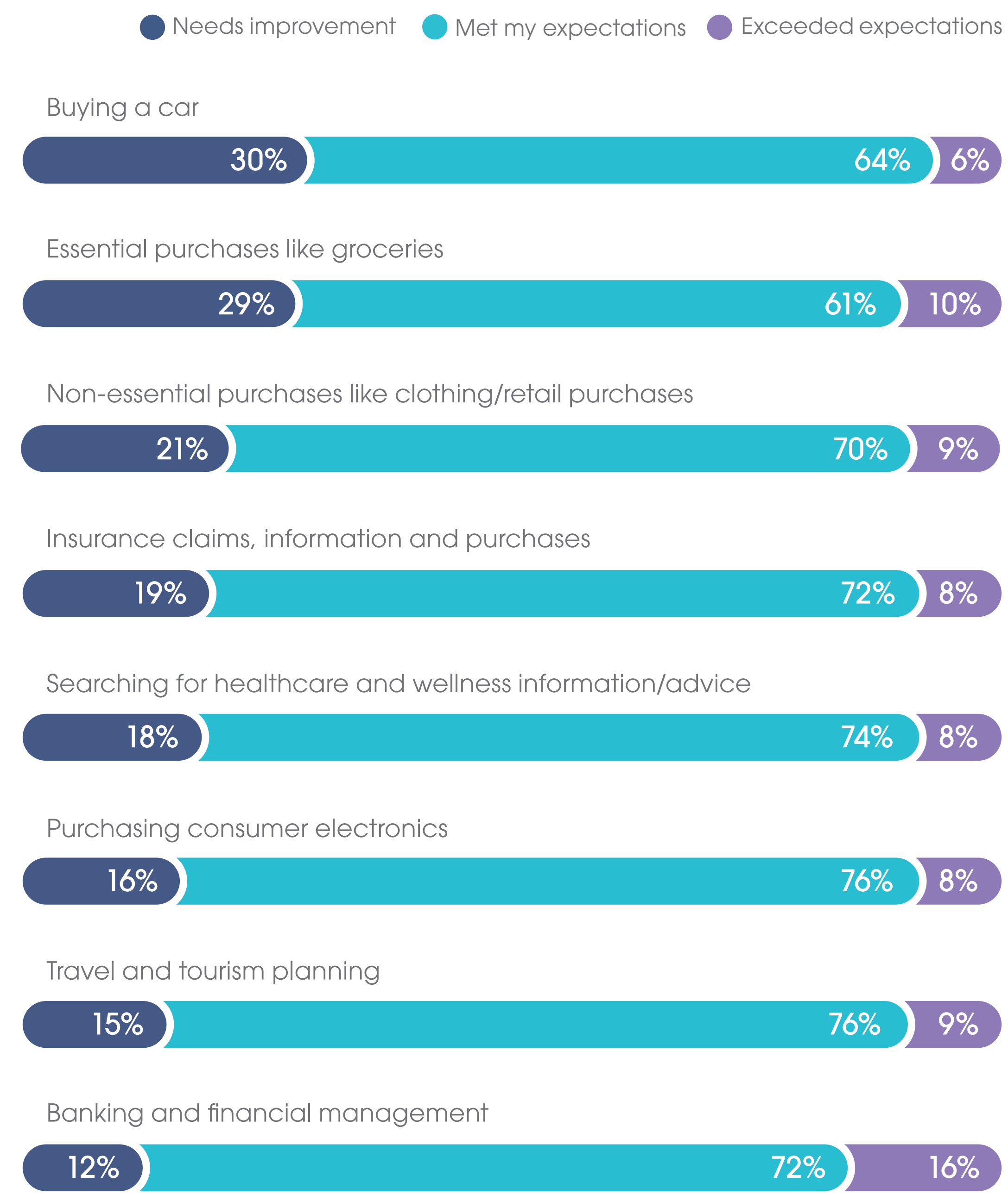


Nearly 1 in 3 consumers feel interactions during a car purchase and shopping for essentials like groceries need technological improvements.

"With the pandemic dramatically changing the very notion of 'business as usual', industries that haven't typically felt the urgency to digitize their customer experience are leaning in much more heavily. Experimentation in industries like Grocery and Automotive have brought new conveniences and a sense of safety to their shopper experiences; innovations that are undoubtedly here to stay."

Allison Humphries, VP Strategy

Current Technological State – By Industry



Touchless Interactions

Technology that enables touchless interactions between consumers and the brands they interact with will be increasingly important as people venture out of their homes. In short, the in-person experience is getting more digital.

Our research found that a little more than half of all consumers are completely comfortable with sensor & gesture recognition and touchless technology. Of note, Canadian consumers are more comfortable than American consumers in terms of using devices with sensor or gesture recognition and touchless technology while Americans feel more comfortable than Canadians when it comes to voice and facial recognition.

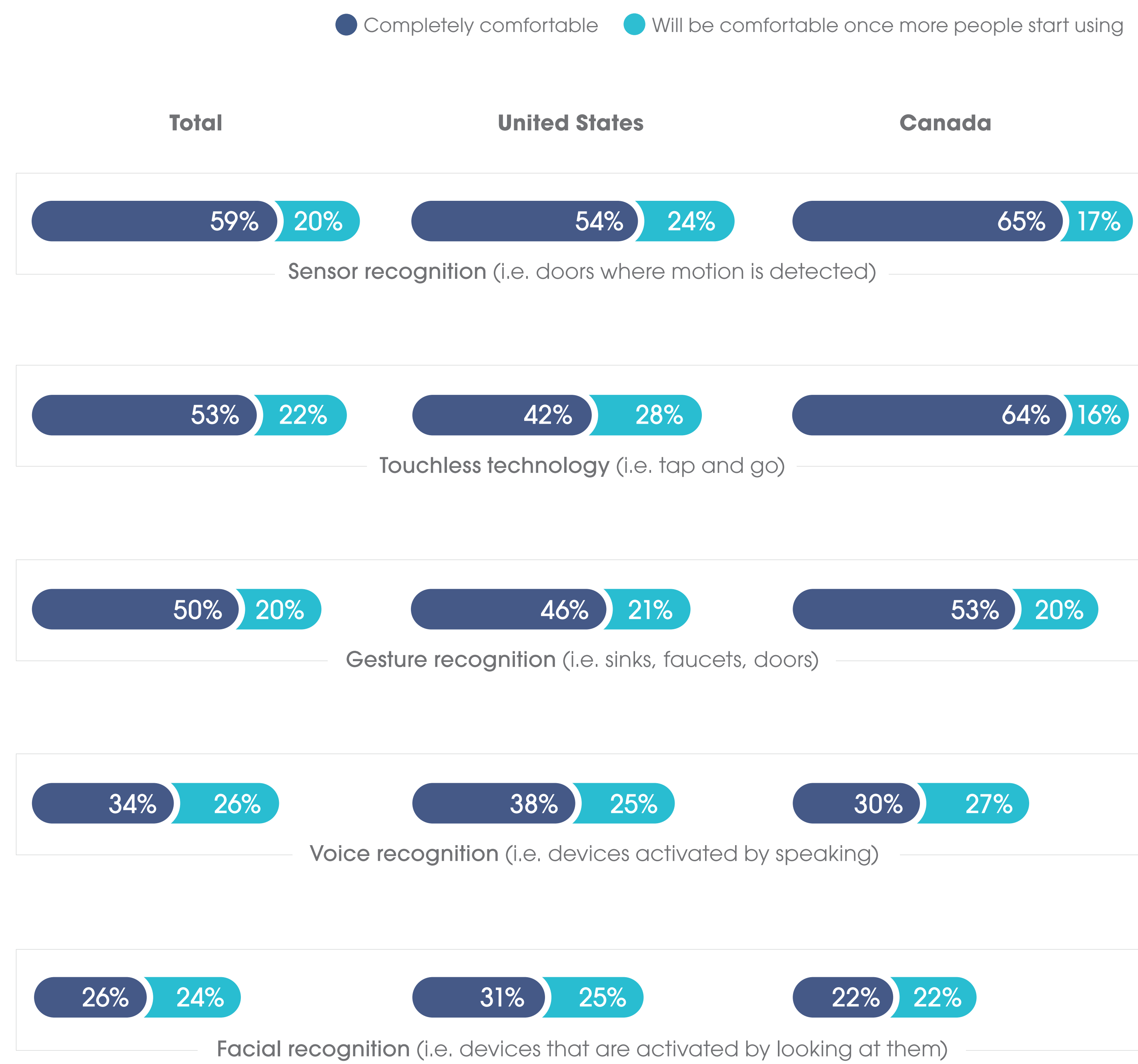
More than half of all consumers implicitly agree that touchless technologies will become more popular as people begin interacting with brands outside the home. With regards to ideal usage locations, consumers perceive a stronger fit for gesture and sensor recognition technologies at public spaces like hospitals, airports and hotels.

Consumers like the convenience, security and accessibility that voice recognition offers while there are mixed feelings surrounding facial recognition.

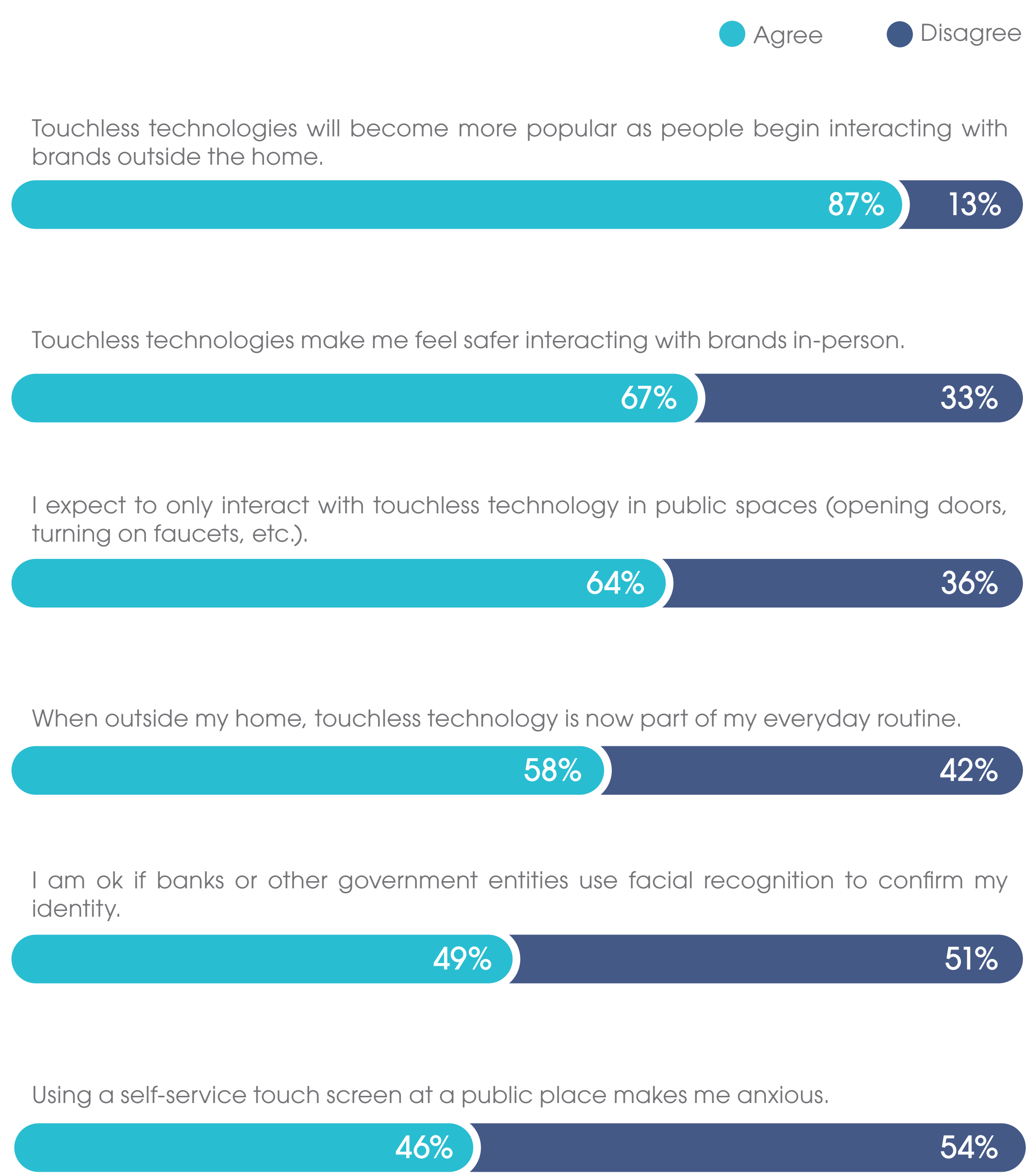
A little more than half of all consumers are completely comfortable with sensor and gesture recognition and touchless technology.

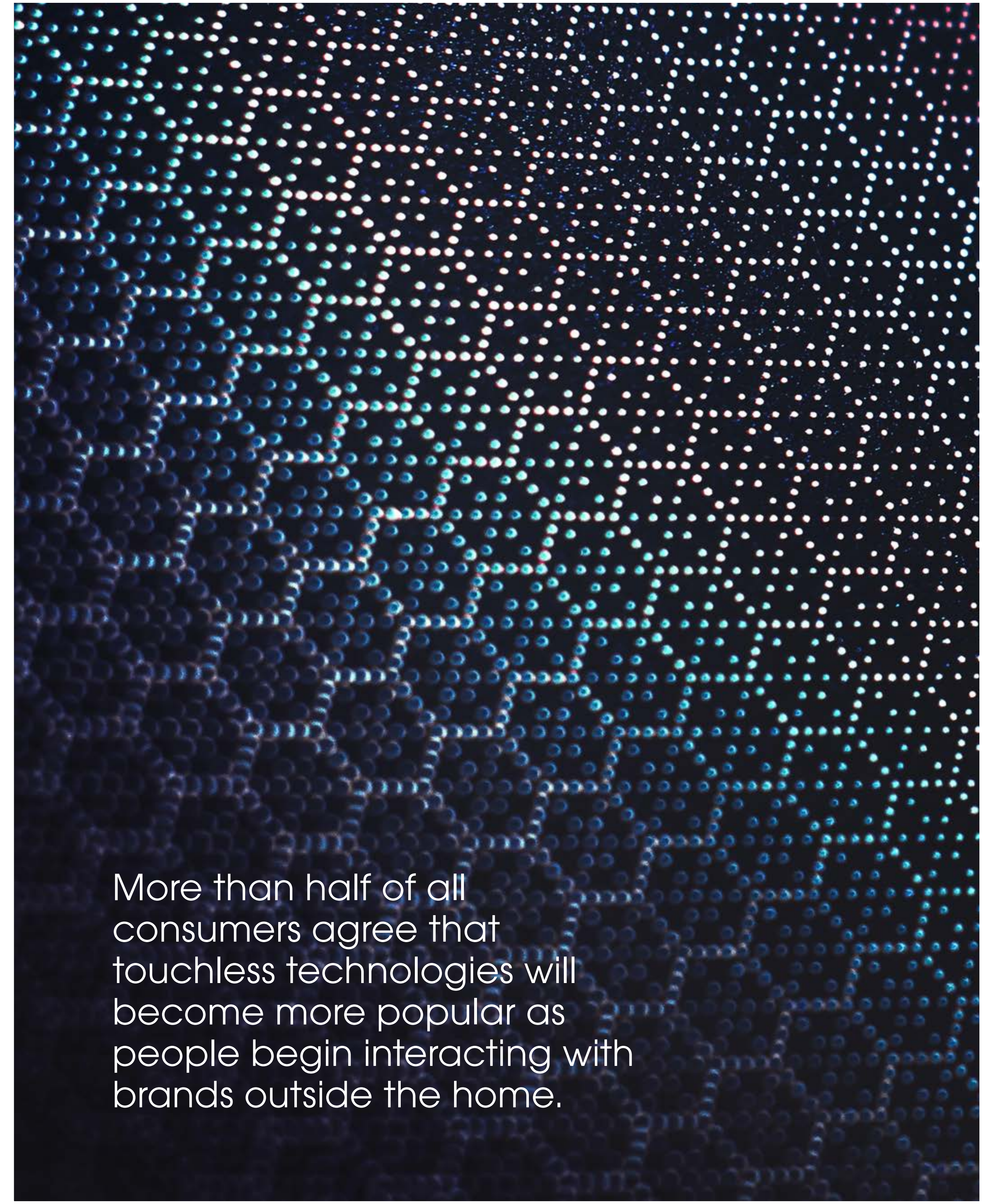
Canadian consumers are more comfortable with sensor and gesture recognition and touchless technology, while Americans are more accustomed to voice and facial recognition.

Consumers' Current Comfort Level with Touchless Technologies



Consumer Perception of Future Use of Touchless Technologies





Perceived Usage Locations – By Technology Type

	Gesture	Sensor	Voice	Facial	Touchless
Home	19%	15%	34%	20%	16%
Work	36%	36%	17%	18%	26%
Car	15%	13%	28%	14%	15%
Hospitals	60%	64%	16%	16%	36%
Schools	38%	38%	11%	11%	21%
Airports	60%	63%	16%	24%	46%
Retail Stores	47%	59%	11%	9%	61%
Banks	45%	57%	19%	28%	50%
Hotels	56%	59%	16%	13%	49%

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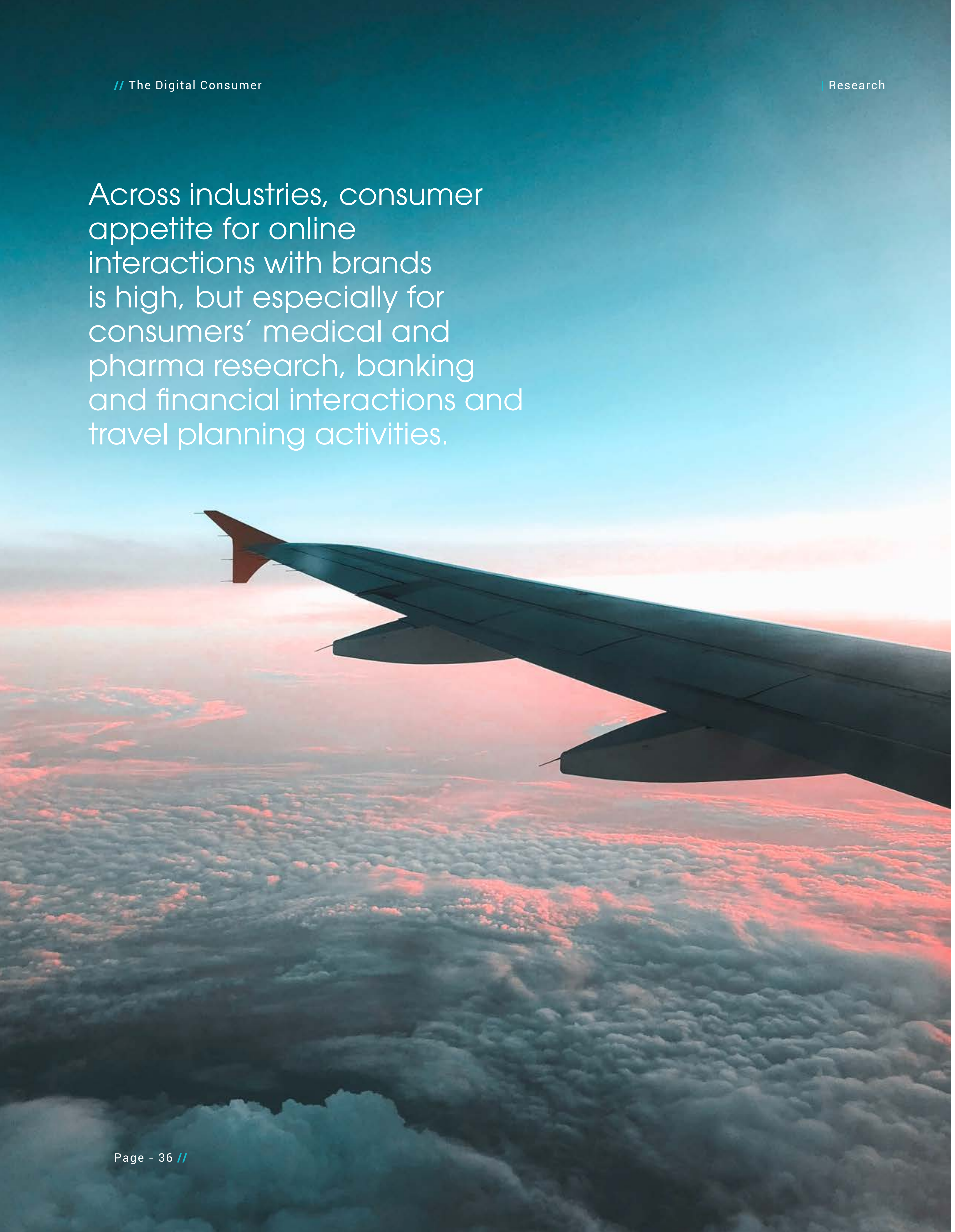
3 in 5 consumers see themselves using more gesture and sensor recognition, while touchless technologies also see receptivity for use in retail stores, banks and hotels.



Across industries, consumer appetite for online interactions with brands is high, but especially for consumers' medical and pharma research, banking and financial interactions and travel planning activities.

Perceived Future Usage Occasions – By Technology Type

Meeting a Doctor
Online: 12%
In-Person: 44%
Mix of Both: 36%
Other: 8%

Banking & Finance
Online: 38%
In-Person: 16%
Mix of Both: 37%
Other: 9%

Shopping for Fashion
Online: 21%
In-Person: 30%
Mix of Both: 38%
Other: 11%

Shopping for Electronics
Online: 29%
In-Person: 23%
Mix of Both: 38%
Other: 10%

Pharmaceutical Research
Online: 53%
In-Person: 12%
Mix of Both: 26%
Other: 9%

Booking/Planning Travel
Online: 55%
In-Person: 12%
Mix of Both: 25%
Other: 8%

Medical Research
Online: 52%
In-Person: 11%
Mix of Both: 29%
Other: 8%

Shopping for Insurance
Online: 42%
In-Person: 20%
Mix of Both: 30%
Other: 8%

Buying a Car
Online: 10%
In-Person: 48%
Mix of Both: 34%
Other: 8%

Consumers' Perceived Future Usage Occasions

Across sectors and occasions, consumers aged 55+ show a stronger preference for in-person interactions with human assistance. Consumers aged 25 - 54 generally show a lower intention for in-person interactions with brands.

Meeting a Doctor

	Age 18-24	Age 25-34	Age 35-54	Age 55+
In-Person	45%	34%	41%	54%
Online	16%	15%	14%	7%
Mix of Both	30%	35%	37%	37%
Other	9%	16%	8%	2%

Medical Research

	Age 18-24	Age 25-34	Age 35-54	Age 55+
In-Person	12%	11%	11%	12%
Online	39%	47%	51%	56%
Mix of Both	32%	28%	29%	31%
Other	17%	14%	9%	1%

Shopping for Insurance

	Age 18-24	Age 25-34	Age 35-54	Age 55+
In-Person	26%	14%	17%	28%
Online	29%	46%	43%	39%
Mix of Both	36%	26%	31%	31%
Other	9%	14%	9%	2%

Buying a Car

	Age 18-24	Age 25-34	Age 35-54	Age 55+
In-Person	40%	34%	47%	61%
Online	14%	13%	12%	7%
Mix of Both	39%	38%	34%	30%
Other	7%	15%	7%	2%

Banking & Finance

	Age 18-24	Age 25-34	Age 35-54	Age 55+
In-Person	12%	13%	13%	21%
Online	24%	42%	40%	33%
Mix of Both	56%	31%	38%	40%
Other	8%	14%	9%	6%

Significantly more consumers aged 18-24 think a mix of online and in-person is ideal for banking and financial management.

Pharmaceutical Research

	Age 18-24	Age 25-34	Age 35-54	Age 55+
In-Person	23%	11%	12%	11%
Online	35%	48%	54%	56%
Mix of Both	30%	25%	25%	28%
Other	12%	16%	9%	5%

Shopping for Fashion

	Age 18-24	Age 25-34	Age 35-54	Age 55+
In-Person	22%	18%	26%	45%
Online	29%	26%	20%	16%
Mix of Both	42%	39%	42%	33%
Other	7%	17%	12%	6%

Shopping for Electronics

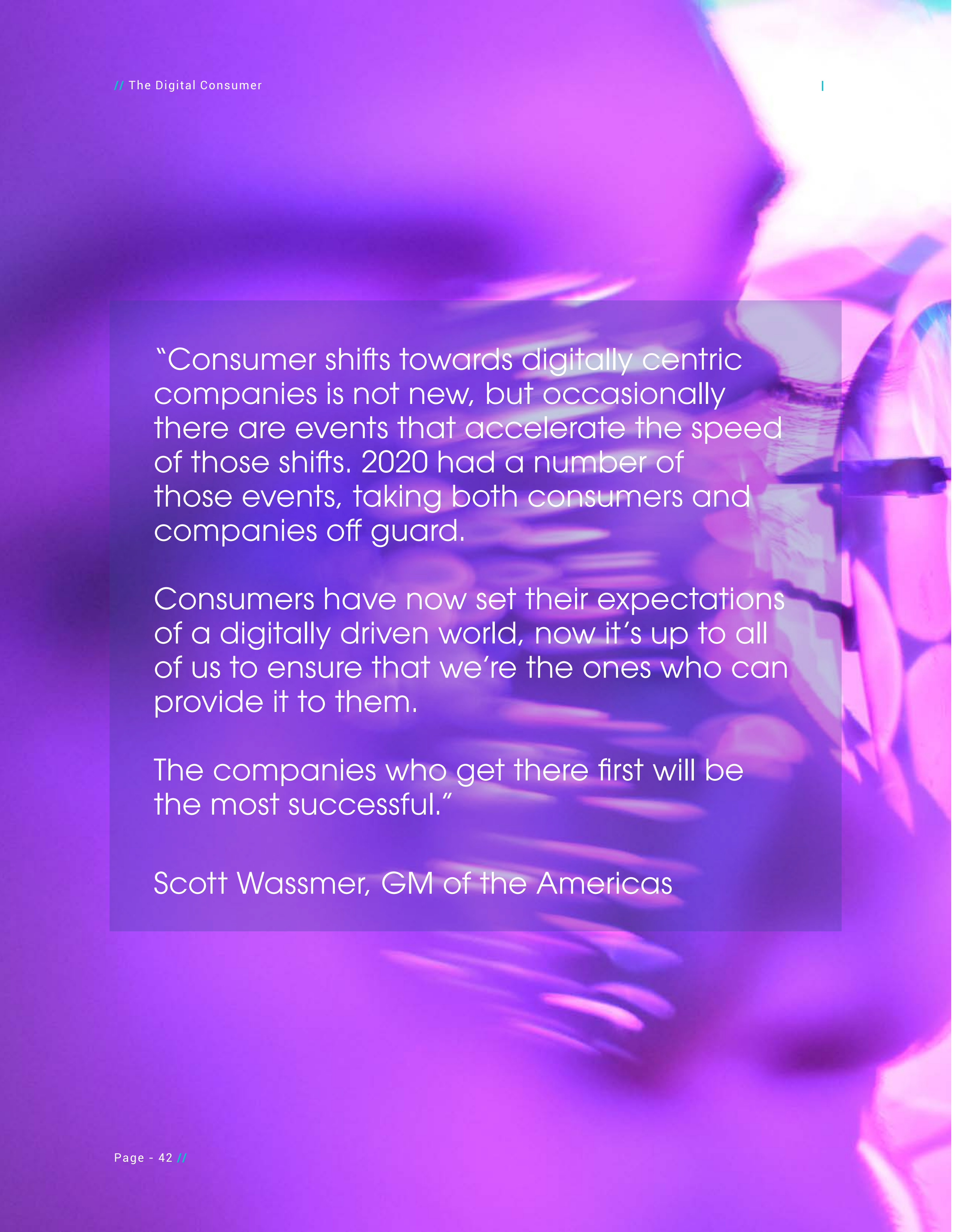
	Age 18-24	Age 25-34	Age 35-54	Age 55+
In-Person	18%	15%	19%	34%
Online	23%	34%	31%	22%
Mix of Both	42%	35%	39%	40%
Other	17%	16%	11%	4%

Booking/Planning Travel

	Age 18-24	Age 25-34	Age 35-54	Age 55+
In-Person	8%	9%	12%	16%
Online	63%	58%	57%	50%
Mix of Both	21%	19%	23%	31%
Other	8%	14%	8%	3%

Attitudes Towards Touchless Technologies

	Total	United States	Canada
Companies using touchless technologies come across as modern.	**83%**	87%	79%
Companies using touchless tech are futuristic.	**77%**	81%	72%
Companies using touchless technologies are caring towards their customers.	**74%**	80%	68%
I expect my use of touchless interactions through voice assistants will continue to increase in the next year or so.	**62%**	66%	58%
I expect my use of touchless interactions through facial recognition will continue to increase in the next year or so.	**56%**	63%	49%
I increased my use of touchless interactions, through voice assistants during COVID.	**40%**	47%	32%
I increased my use of touchless interactions, through facial recognition during COVID.	**35%**	43%	26%



"Consumer shifts towards digitally centric companies is not new, but occasionally there are events that accelerate the speed of those shifts. 2020 had a number of those events, taking both consumers and companies off guard.

Consumers have now set their expectations of a digitally driven world, now it's up to all of us to ensure that we're the ones who can provide it to them.

The companies who get there first will be the most successful."

Scott Wassmer, GM of the Americas

What this Means for Brands

Everyone is a direct competitor in the experience economy

Digital experience is an equalizer. Many brands may be surprised by this when thinking of their competitive analysis and identifying peer brands. Focusing too narrowly on the products you sell, rather than the experience you create, will leave your brand vulnerable.

Lead with empathy, not technology

Above all, brands should be connecting the dots to ensure consumers' needs are being met at every stage of the customer experience. This isn't only about creating new products, but also about being aware of every aspect of your customer journey and the emotions it creates when you engage with your audience. Technology for technology's sake isn't effective, but technology that enables people to feel safe and satisfied, when engaging with your brand, is perhaps the biggest human differentiator in the near future.

In conclusion...

Spurred on by the COVID-19 pandemic, consumers' digital readiness has grown quickly and permanently. Across industries, consumers expect brands to provide ways to seamlessly interact online, both now and increasingly in the future. This is especially true in industries like automotive and shopping for groceries where interactions have traditionally been done in-person.

There's also an expectation – particularly among millennials – that the in-person experience gets more digital as well. This means brands should consider touchless and future technologies to enhance the experience, especially as people look to brands to keep them safe, provide efficiency, and upgrade experiences at each touchpoint.

The digital consumer has arrived. Brands have the opportunity to meet these new consumer needs through long-term, consumer-first strategies rooted in the right combination of technology, design, and experience.

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Appnovation delivers people-inspired digital business solutions.

We're relentless innovators, constantly looking for new ways to connect the dots and connect people. We become your valued partner with a commitment to your business goals.

Always looking to take an experience-led approach, we help you understand how digital can enable strategic opportunities, solve real-world business problems and deliver measurable results.

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Methodology

A 20-minute online survey, fielded to a nationally representative sample of 750+ consumers (18+) in each country – Canada and U.S.

The research was conducted online with samples sourced from Maru/Matchbox's proprietary national panels in the U.S. and Canada respectively – Spring Board America and Maru Voice Canada.

Fieldwork was conducted between:

October 4-14, 2020

The study sample has been weighted on age, gender and region in accordance to the U.S. and Canadian populations. Additional insights among generations have been included wherever we see meaningful differences:

Gen Z : Ages 19-23
Millennials : Ages 24-39
Gen X : Ages 40-55
Boomers : Ages 56-74
Silent : Ages 75+

Sample Demographics – United States

Age

18-24: 1%
25-34: 29%
35-54: 33%
55+: 36%

Gender

Female: 51%
Male: 49%

Children in Household

Yes: 43%
No: 57%

Education

University or Higher: 53%
College/Associate: 31%
Highschool or Less: 15%

Household Income Level

Under $25K: 13%
$25K to under $50K: 17%
$50K to under $100K: 39%
$100K to under $150K: 16%
$150K or more: 11%
Undisclosed: 3%

Sample Demographics – Canada

Age

18-24: 4%
25-34: 25%
35-54: 35%
55+: 36%

Gender

Female: 51%
Male: 49%

Children in Household

Yes: 27%
No: 73%

Education

University or Higher: 47%
College/Associate: 36%
Highschool or Less: 16%

Household Income Level

Under $25K: 7%
$25K to under $50K: 16%
$50K to under $100K: 32%
$100K to under $150K: 20%
$150K or more: 10%
Undisclosed: 16%

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