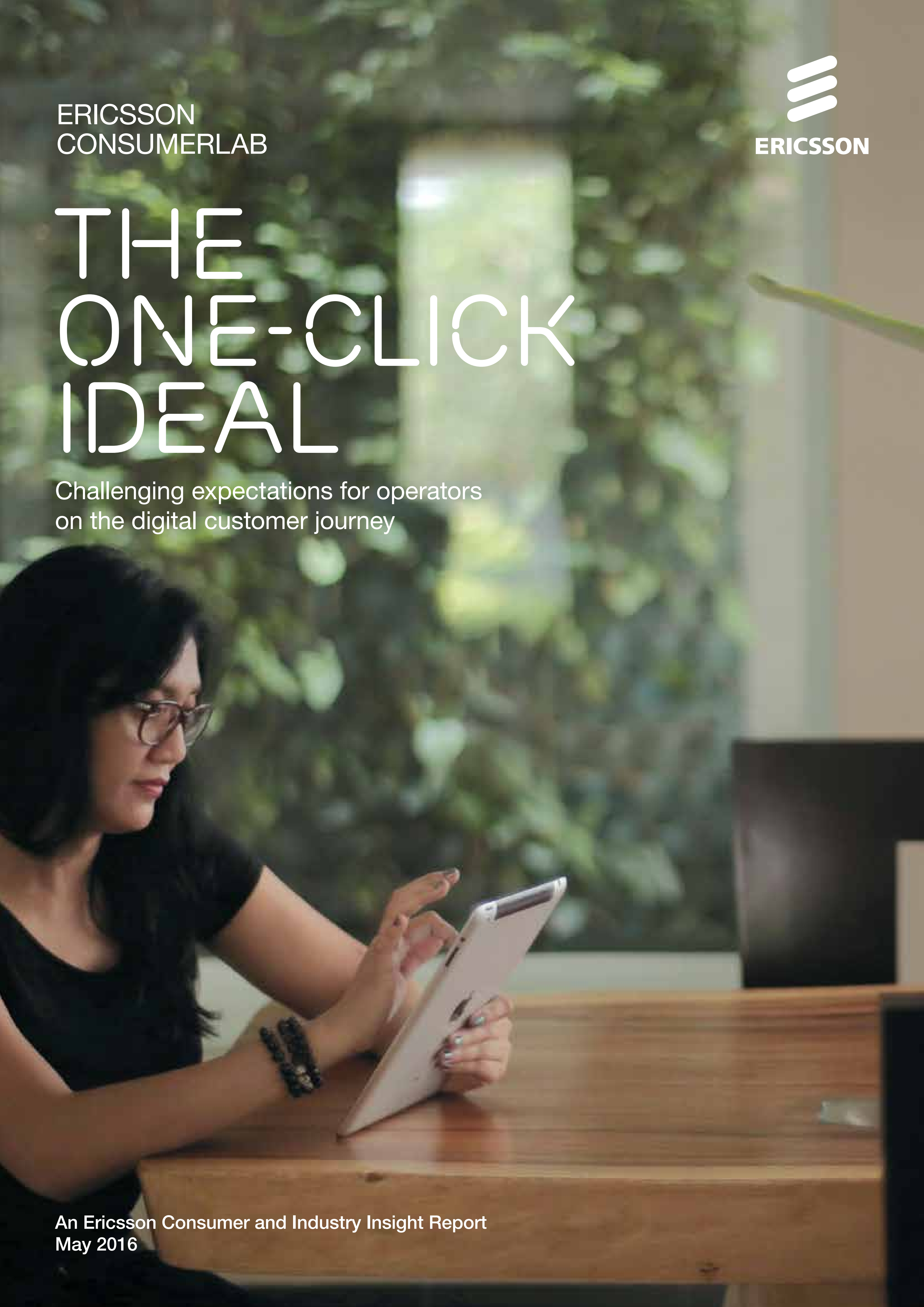


ERICSSON
CONSUMERLAB

THE ONE-CLICK IDEAL

Challenging expectations for operators on the digital customer journey

An Ericsson Consumer and Industry Insight Report
May 2016

CONTENTS

METHODOLOGY

Qualitative

Ericsson ConsumerLab carried out four focus groups containing participants with a high level of experience in online shopping. The focus groups were located in the US and China.

Quantitative

Online interviews were held with 2,015 smartphone owners in the US and China – 1,013 in the US and 1,002 in China. The study represents 290 million smartphone users in both markets; out of which, the sample in the US represents 134 million consumers aged 18-65, while the sample in China represents 156 million urban consumers aged 18-55.

THE VOICE OF THE CONSUMER

Ericsson ConsumerLab has more than 20 years' experience studying people's behaviors and values, including the way they act and think about ICT products and services. Ericsson ConsumerLab provides unique insights on market and consumer trends.

Ericsson ConsumerLab gains its knowledge through a global consumer research program based on interviews with 100,000 individuals each year, in more than 40 countries – statistically representing the views of 1.1 billion people.

Both quantitative and qualitative methods are used, and hundreds of hours are spent with consumers from different cultures. To be close to the market and consumers, Ericsson ConsumerLab has representatives in all regions where Ericsson is present, developing a thorough global understanding of the ICT market and business models.

All reports can be found at: www.ericsson.com/consumerlab.

THE DIGITALIZED CONSUMER JOURNEY

From our initial product research to the way in which we make a purchase and through which channel, the consumer journey refers to every interaction a consumer has with a brand. Today, this journey has become increasingly digitalized[1], which adds new points of contact or "touchpoints". This has enabled companies to become more accessible to consumers.

In addition, activities that were traditionally performed through traditional channels, such as phone or in store, are now being reinvented digitally. This transition has led consumers to change the way they shop.

For instance, Ericsson ConsumerLab research shows that product information searches have transformed the way consumers look for products and services on a global level. In this sense, the internet has become an important interface for consumers to evaluate all kinds of brands, products and services. How digitalization is affecting consumers, the characteristics that define the consumer journey, and how this in turn may affect operators, are questions we studied in this research.

In this study, carried out in the US and urban China, we explore the digitalized consumer journey in general, and more specifically in relation to operators.

KEY FINDINGS

1. The "one-click" challenge

The one-click purchase process represents an ideal journey for consumers. Rather than being an actual one-click process, it represents the desire for a truly intuitive consumer journey. This ideal challenges operators to improve the customer journey with a better digital experience.

The one-click ideal, excellent customer service and proactivity are among the top five drivers of brand satisfaction in both markets; however, less than half of consumers in both markets associate their operator with these drivers.

2. Operators lag behind leading brands

Operators consistently lag behind best-in-class brands in creating a digital experience, in terms of overall brand favorability and satisfaction.

Best-in-class brands are associated with effortlessness and making consumers' lives easier, as well as offering the best online experience and being innovative in general.

3. Consumers want an omnichannel[2] experience

Around half of respondents in both markets reported that they do most or all of their interactions with their operator online.

A majority also agree that offering better online tools would increase overall favorability towards a provider. A seamless experience of channels is among the top five features of the ideal consumer journey in both markets.

Although consumers want more digitalization, they still want the ability to use traditional channels. Over half of consumers in both markets state that they would never want their customer service to be solely online.

4. The consumer journey as a brand builder

The consumer experience with best-in-class brands puts pressure on operators to improve their digital brand. However, the one-click ideal is only a starting point.

Digitalization opens up new avenues for operators to create innovative, valuable services and touchpoints across the customer journey. This in turn may allow for a developed and differentiated brand experience.

[1] Digitalized channels or touchpoints refer to online interactions, rather than traditional channels, such as phone or retail store.

[2] The term omnichannel is an evolved form of multichannel retailing, where the same message, look and feel is offered across all channels and touchpoints – digital and analogue.

ADDED COMPLEXITY

Today's consumer journey with an operator relies on a mix of online and offline interactions. Figure 1 illustrates the six major steps in the operator consumer journey.

There is a vast array of possible touchpoints within the present omnichannel experience. In this study alone, 35 touchpoint interactions were tested – for example, chatting with customer services or visiting a store – that were chosen from a wider selection.

This wide array of possible interactions enables the consumer to move back and forth across different stages in the process. All these possible interactions reflect the complexity of the consumer journey, which runs over multiple touchpoints, and involves many parts of the organization with whom the consumer interacts behind the scenes. Digitalization has the potential to even further increase the number of channels and touchpoints available to the consumer, adding to this complexity.

Figure 1: Share of consumers using specific interactions with operators

Source: Ericsson ConsumerLab, The One-Click Ideal, 2016 Base: Online shoppers aged 18-65 in the US and 18-55 in China

Higher use of digital channels among young urban Chinese

Overall, the Chinese sample reports a higher preference for online shopping and digital tools than in the US. This may be explained by differences in the two samples. The US sample is more nationally representative, while the Chinese sample encompasses a younger, urban population. Further, 78 percent of Chinese respondents reportedly use their smartphone as their main shopping tool; compared to only 14 percent of the US consumers.

As different samples were used, the markets should not be compared directly. Rather, this report focuses on the similarities between the results reported from the two different markets. However, as the Chinese sample is younger and more urban, and consistently reports higher usage rates of digital devices, tools and channels, they may be seen as frontrunners in digital adoption.

THE ILLUSION OF SATISFACTION

In terms of overall consumer satisfaction levels and expectations, it appears that operators are doing rather well. The majority of consumers in both markets state that they are satisfied with their experience, as well as interacting with their operator.

However, our study shows that there is room to significantly improve the consumer journey. This finding emerges when turning attention to how consumers describe their expectations of an operator, how well the operator performs in relation to best-in-class brands, and how many associate their operator with top drivers of brand satisfaction.

Not in the same league

When the consumers in the focus groups discussed operators in relation to other industries, low expectations emerged as a reoccurring theme. Compared to more innovative brands, consumers described infrequent and very "old world" interactions with operators through phone or in-store channels. When described, these interactions come across as being negative, either due to the reason for contact (e.g. service issues) or quality (e.g. long waiting time).

Consumers in the focus groups commented that they have little awareness of operator's existing digital capabilities. They stated that other industries were setting expectations, but also that the current digital interfaces used by operators were just not good enough.

> Cell phone companies do not measure up against other industries. The problem isn't that [digital channels] are unavailable; it's that the experience is not accessible or seamless."
>
> A US consumer compares digital experiences with operators to other industries

This suggests that although consumers state they are satisfied with their operator, there is still potential to develop. In order to explore how operators can improve the online experience with consumers, we asked consumers to identify best-in-class brands outside of the industry and measured how they perform in comparison.

> I usually handle my data plan by phone, but the self-service operation is complicated to use. The line is always busy or the timing inconvenient. On one occasion, I decided to go directly to a service office. The attendant was nice, and provided detailed information, but there were many people waiting and the process was time-consuming. I had to apply for a half-day leave from work."
>
> A Chinese consumer describes an experience with an operator

OPERATORS LAG BEHIND LEADING BRANDS

In this study, we asked consumers to list the best-in-class brands in creating digital experiences. Figure 2 illustrates how best-in-class brands outperform operators when it comes to both brand favorability and satisfaction.

Overall favorability measures how favorable consumers feel towards a brand. Brand satisfaction implies how satisfied consumers are with their experience of a brand. This shows that there is still significant room for operators to improve the digital experience for consumers.

Figure 2. Best-in-class brands identified by consumers vs. average of operators ranked top three in brand favorability and satisfaction

Source: Ericsson ConsumerLab, The One-Click Ideal, 2016
Base: Online shoppers aged 18-65 in the US and 18-55 in China

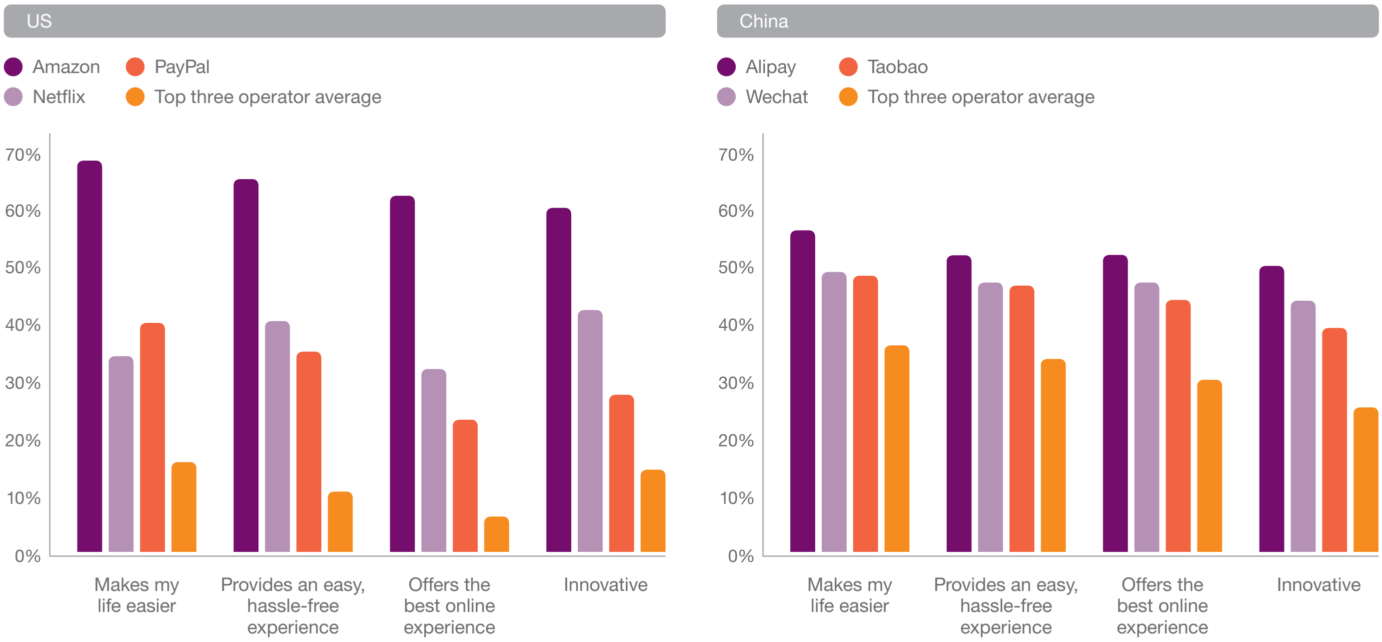
Best-in-class brands in the US and China outperform operators in overall favorability and satisfaction rates

CREATING DIGITAL BRAND VALUE

When it comes to improving the digital experience for consumers, operators may find an important clue by looking at what attributes consumers associate with the best-in-class brands. These brands are associated with experiential dimensions, as illustrated in Figure 3.

Figure 3. Top consumer associations with best-in-class brands vs. average of operators ranked top three in brand favorability and satisfaction

Best-in-class brands identified by consumers



Source: Ericsson ConsumerLab, The One-Click Ideal, 2016
Base: Online shoppers aged 18-65 in the US and 18-55 in China

The top two associations are linked to effortlessness, i.e. "makes my life easier" and "provides an easy, hassle-free experience". Interestingly, these two associations relate directly to the value that digitalization could create for consumers, rather than being linked to the digital tools per se.

Adding value via an optimized consumer experience is mutually beneficial

In fact, the vast majority of consumers in both markets agree that online shopping helps to save time and energy, as well as money. This indicates that digitalization and online shopping could add value for consumers, leading to an improved, more efficient daily life. Given that a superior digital experience seems to create value for consumers, it is interesting to further explore how the digital consumer journey can be utilized to build brand value.

DRIVERS OF BRAND SATISFACTION

Figure 4. Consumer ranking of top drivers of brand satisfaction

Rank	US	China
1	Provides a simple 'one-click' online experience	Excellent customer service
2	Innovative	Cool brand that I am proud to tell others I use
3	Makes my life easier	Knowledgeable
4	Excellent customer service	Proactive
5	Proactive	Provides a simple 'one-click' online experience

Source: Ericsson ConsumerLab, The One-Click Ideal, 2016
Base: Online shoppers aged 18-65 in the US and 18-55 in China

When evaluating drivers of satisfaction with an operator, providing a simple one-click online experience, excellent service and proactivity are among the top drivers in both markets (Figure 4).

Numbers 1-5 show the top drivers of brand satisfaction in each market. Less than half of the respondents in both markets associate their current operator with the main drivers of satisfaction.

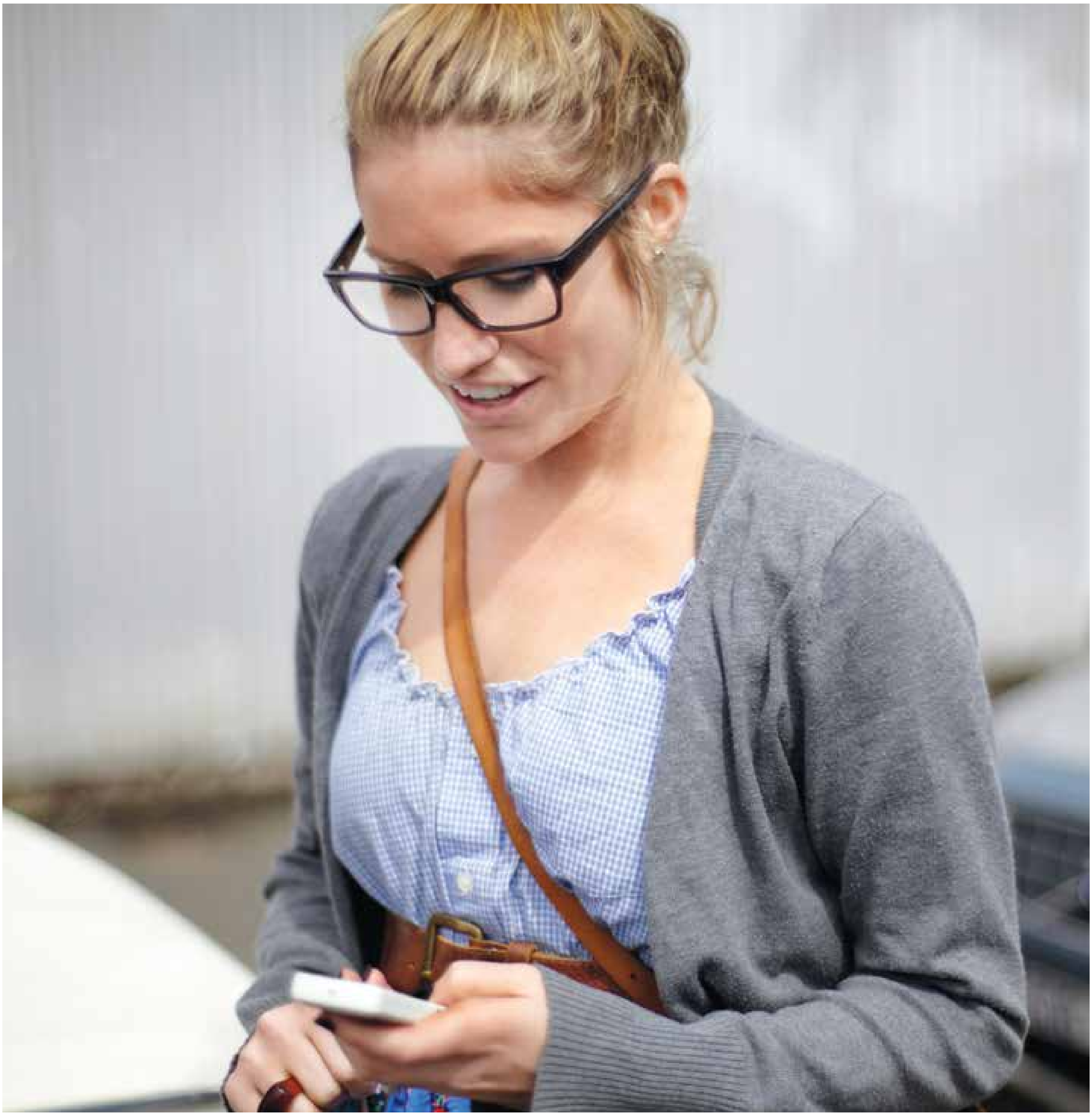
The top three drivers marked with green in Figure 4 are particularly noteworthy, as they rank among the top five in both markets. Low satisfaction rates indicate that operators could make significant improvements from a consumer point of view by enhancing these dimensions.

> "Services should be timely, concise, friendly, kind and tailored to individual needs."
>
> A US consumer describes an ideal customer service

THE ONE-CLICK CHALLENGE

One of the key takeaways from this study is the one-click ideal. While the full realization of the one-click purchase process may stilll be considered utopian, the one-click ideal can be used to symbolize consumer demands and needs when it comes to digital interfaces – a step-by-step service that is effortless, seamless and easy to use. This message is highlighted repeatedly by consumers throughout the study and during focus group discussions.

The one-click consumer journey may also symbolize the consumer's desire for their operator to take a more active role in synchronizing the entire consumer journey, as well as the complexity occurring behind the scenes. This challenge is far from simple to resolve, yet it may become necessary if operators want to keep up with consumer expectations of a superior digital experience.



CUSTOMER SERVICE AT ITS BEST

The second driver of brand satisfaction, excellent customer service, is not only dependent on direct personal service but also on the consumer experience as a whole, across all channels. Consumers in the focus groups describe the ideal consumer journey as being a synchronized mix of on- and offline channels.

When analyzing which services are ranked highest as part of an ideal consumer journey, the one-click ideal is again repeated among the top five most important features in both markets (Figure 5). Secondly, a seamless experience is important in both markets. Thirdly, self-care solutions also scored highly. The main channel for service and support in both the US and China is the operator's website – 9 out of 10 consumers record a preference for this interface.

Figure 5. Top five ranked service features in the ideal consumer journey with an operator

	US	China
1	Have a seamless experience whether in-store, online or talking to representative on the phone	One-click service
2	Easily compare provider offerings online	Have a seamless experience whether in-store, online or talking to representative on the phone
3	Use self-care and self-provisioning solutions	Access information on any device
4	Access information on any device	Easily compare provider offerings online
5	One-click service	Use self-care and self-provisioning solutions

Source: Ericsson ConsumerLab, The One-Click Ideal, 2016
Base: Online shoppers aged 18-65 in the US and 18-55 in China

Although consumers seem to be transitioning their activities to digital tools, there are still some issues they wish to handle via analogue channels. For billing disputes, and service and support problems, consumers say they have greater comfort and trust when speaking to a person directly. In fact, half of the consumers in both markets agree that they would never want their customer service to be conducted solely online.

Proactivity for value

The third main driver of brand satisfaction in both the US and Chinese samples is proactivity, which includes what the consumers describe as a "comprehensive and considerate personalized service."

In the focus groups, the following suggestions for usage of digital tools, in order to be proactive and provide personal recommendations, were made by consumers:

- Recommendations that minimize service cost based on usage patterns or past consumption
- Advance notification of account limit
- Availability of a customer loyalty rewards program

Each of these suggestions was related to decreasing or controlling the cost for the consumer. Proactivity related to value was also a prominent discussion topic.

THE CONSUMER JOURNEY AS A BRAND BUILDER

The consumer message from the research is clear: digitalization alone is not enough. It is all about how the experience of digitalization delivers value to the consumer. This applies to both markets in the study.

At the present stage of the consumer journey, consumers have low expectations of operators in providing a superior digital experience. Consumers describe their operators as always present through connectivity and smartphone usage, which increases in their everyday lives. However, although the consumers maintain a consistent connection with their operator, they seldom take notice of the brand working behind the service.

In the near future, consumers are expecting their digital interactions with operators to increase. However, consumers in this study do not expect operator retail stores to become obsolete, or that all customer care calls will cease. Rather, the digital evolution creates pressure for these channels to also change. Through the demand for a seamless omnichannel experience, consumers encourage operators to think about how to address the totality of the consumer journey in creative and efficient ways.

Beyond the one-click ideal

Presently, best-in-class brands create hassle-free digital experiences for consumers that are sometimes even pleasurable and exciting. Consumer expectations have transitioned from digital availability to how digitalization creates value for them. This puts pressure on operators to move towards the one-click ideal.

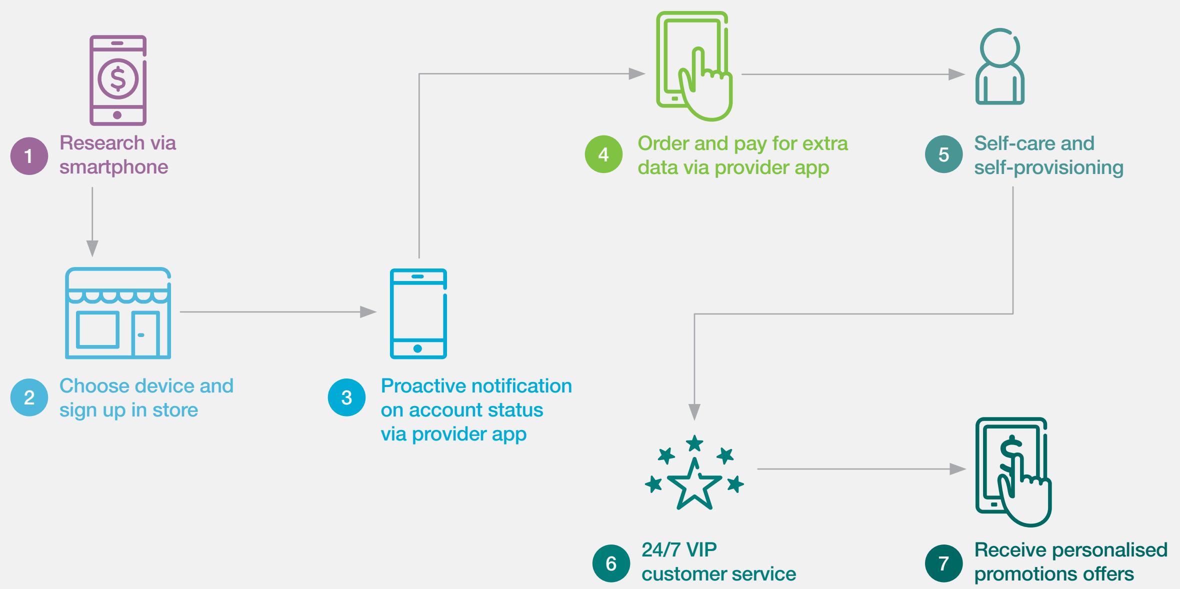
However, when more and more operators adopt this strategy, it will become standard in the future. Then, brands will need to think through the totality of the customer journey and how it may be used to differentiate themselves from the competition. This may include incorporating new services and touchpoints in order to add value to a digitalized brand experience.

Adding value through the consumer journey

The way in which touchpoints and services might add value will differ for each operator – depending on their market situation and their desired position in the market place. As a result, each operator needs to think through the possibilities to use the consumer journey as a brand builder and differentiate from the competition.

For some operators, this may entail digitalizing the whole consumer journey, and decreasing the number of touchpoints to a bare minimum. For others, building a superior brand experience is essential. Innovation in digital services and channels is likely to be crucial to create a truly differentiated consumer experience. Therefore, it is essential for operators to persistently explore how consumer needs are evolving and match them with new value adding services in the consumer journey.

Figure 6. Example of a possible consumer journey for an operator



Source: Ericsson ConsumerLab, The One-Click Ideal, 2016

Leading transformation through mobility

We are a world leader in the rapidly changing environment of communications technology – providing equipment, software and services to enable transformation through mobility.

Some 40 percent of global mobile traffic runs through networks we have supplied. More than 1 billion subscribers around the world rely every day on networks that we manage. With more than 39,000 granted patents, we have one of the industry's strongest intellectual property rights portfolios.

Our leadership in technology and services has been a driving force behind the expansion and improvement of connectivity worldwide. We believe that through mobility, our society can be transformed for the better. New innovations and forms of expression are finding a greater audience, industries and hierarchies are being revolutionized, and we are seeing a fundamental change in the way we communicate, socialize and make decisions together.

These exciting changes represent the realization of our vision: a Networked Society, where every person and every industry is empowered to reach their full potential.

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