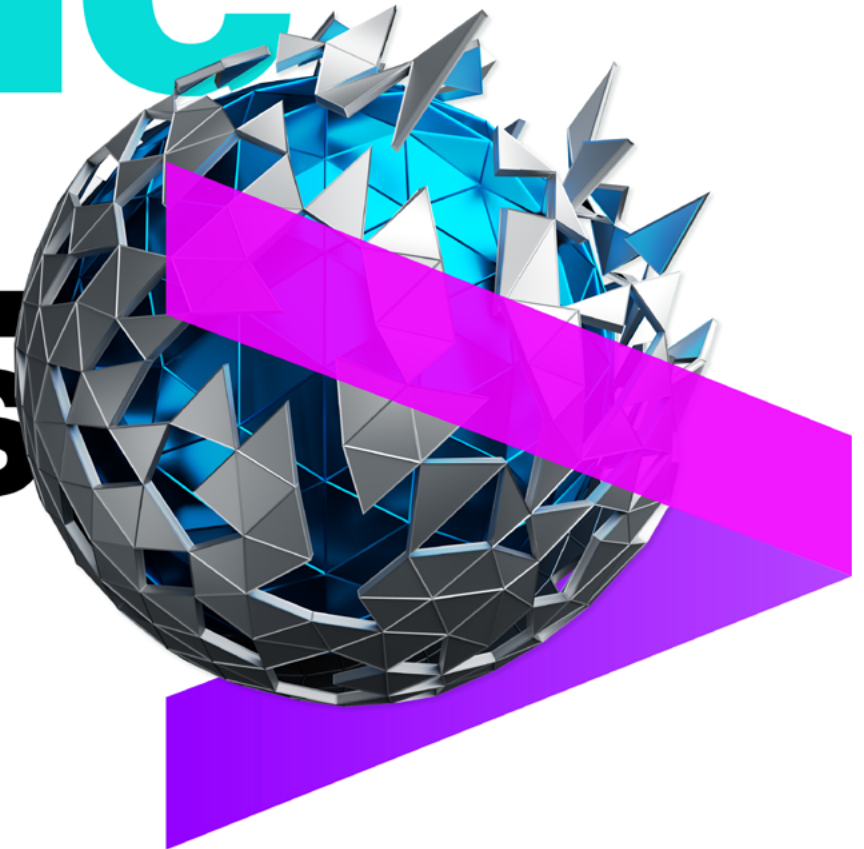


DYNAMIC DIGITAL CONSUMERS

**EVER-CHANGING EXPECTATIONS
AND TECHNOLOGY INTRIGUE**



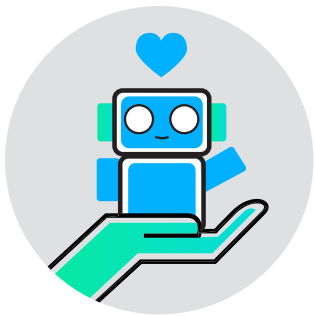
DYNAMIC DIGITAL CONSUMERS

EVER-CHANGING EXPECTATIONS AND TECHNOLOGY INTRIGUE

Digital disruption is reinventing consumer expectations. Factors driving this disruption include 'always on' connectivity, pervasive social media, the rapid rise of voice recognition and artificial intelligence, and increasingly interactive user experiences across the entire customer lifecycle and across all channels.

Consumers expect their experience to "automagically" adapt whenever they engage physically, digitally and emotionally. And now advanced computing techniques can harness expanding volumes of personal data (e.g. search, social, geo-tagged sensors, payments, shopping carts, speech) to create the magic behind new hyper-personalized experiences.

Insights from the 2017 Accenture Digital Consumer Survey of 26,000 consumers in 26 countries reveal four key findings about today's dynamic digital consumers and their technology intrigue:



Artificial Intelligence (AI)
is taking a central role
in consumers' lives



Engaging experiences
are spurring demand
for smartphones



New access models
are emerging



Consumers want to
be more engaged in
managing their data



AI CENTRAL

HYPER-
PERSONALIZATION

NEW ACCESS
MODELS

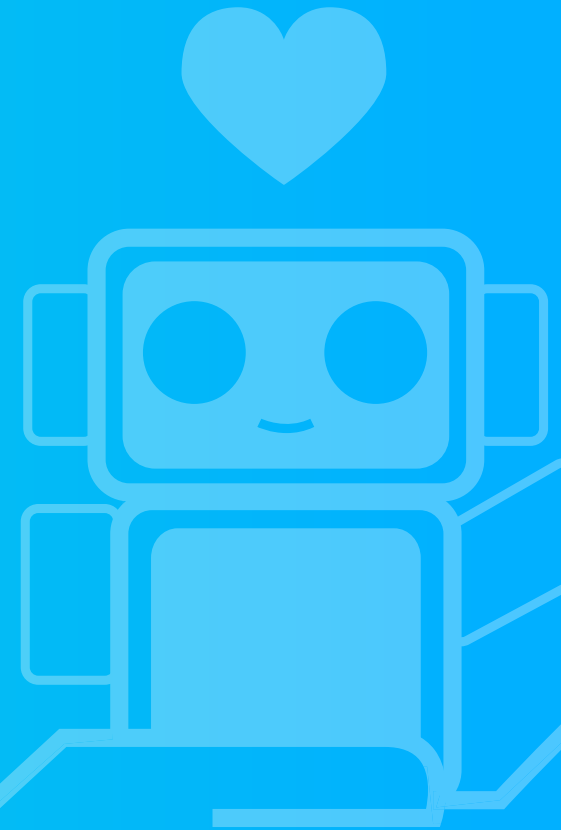
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WHAT NOW?



ARTIFICIAL INTELLIGENCE (AI)

**IS TAKING A CENTRAL ROLE
IN CONSUMERS' LIVES**



AI CENTRAL

**HYPER-
PERSONALIZATION**

**NEW ACCESS
MODELS**

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TRUST**

WHAT NOW?



ARTIFICIAL INTELLIGENCE (AI) IS TAKING A CENTRAL ROLE IN CONSUMERS' LIVES



Consumers now routinely use AI-driven features such as digital voice assistants. An impressive 84 percent of 14-to-17 year olds currently use or are interested in using the voice-enabled digital assistant in their smartphone.

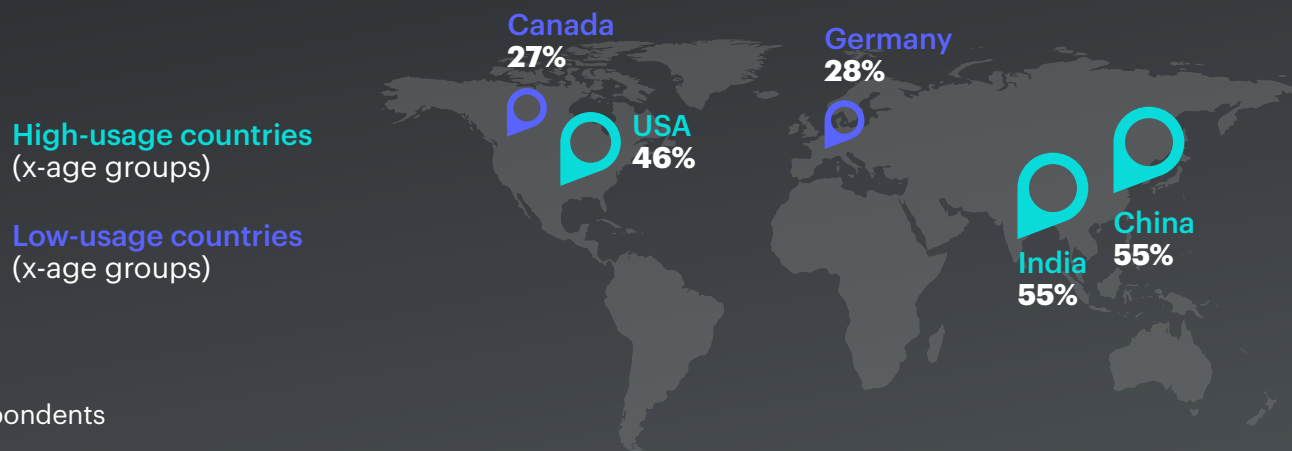
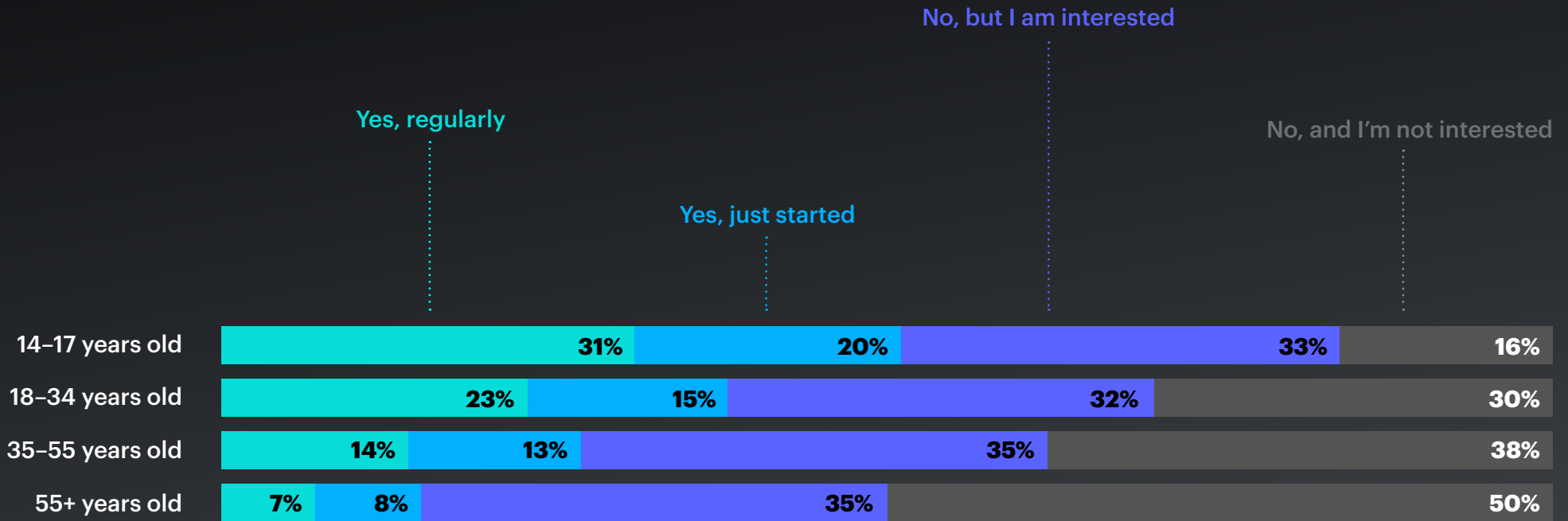
And, interest is not limited to younger generations. About **one-third** of consumers in every age group are interested in these features. Currently, stand-alone, digital voice-enabled assistants are more exclusively in the hands of early adopters, but a strong majority of early adopters are using them on a daily basis. Such pervasive usage should lead to advocacy and is a positive signal for this category as it represents a much more enthusiastic adoption pattern than many new product categories recently released.

Furthermore, consumers are increasingly comfortable interacting with AI-enabled capabilities. **50 percent** of all consumers interact with their service providers through live chats or mobile messaging apps on a monthly basis, and **85 percent** of those say it feels like it's easier to get in touch through these methods. These live chats and messaging apps are increasingly supported by AI-driven chatbots. While just a few short years ago many customers resisted chatbots and other computerized customer service features, now **62 percent** are comfortable with an AI application responding to their query. Consumers see big benefits over human advisers too: It's available any time; it's less biased; and, it's faster to engage. In fact, consumers appear to be readily accepting AI-enabled capabilities as long as they get their objective accomplished.



Current use and interest **per age group** for embedded voice-enabled digital assistants in smartphones and PCs/laptops

Are you currently using embedded voice-enabled digital assistants?



Sample: 25,996 respondents



AI CENTRAL

HYPER-PERSONALIZATION

NEW ACCESS MODELS

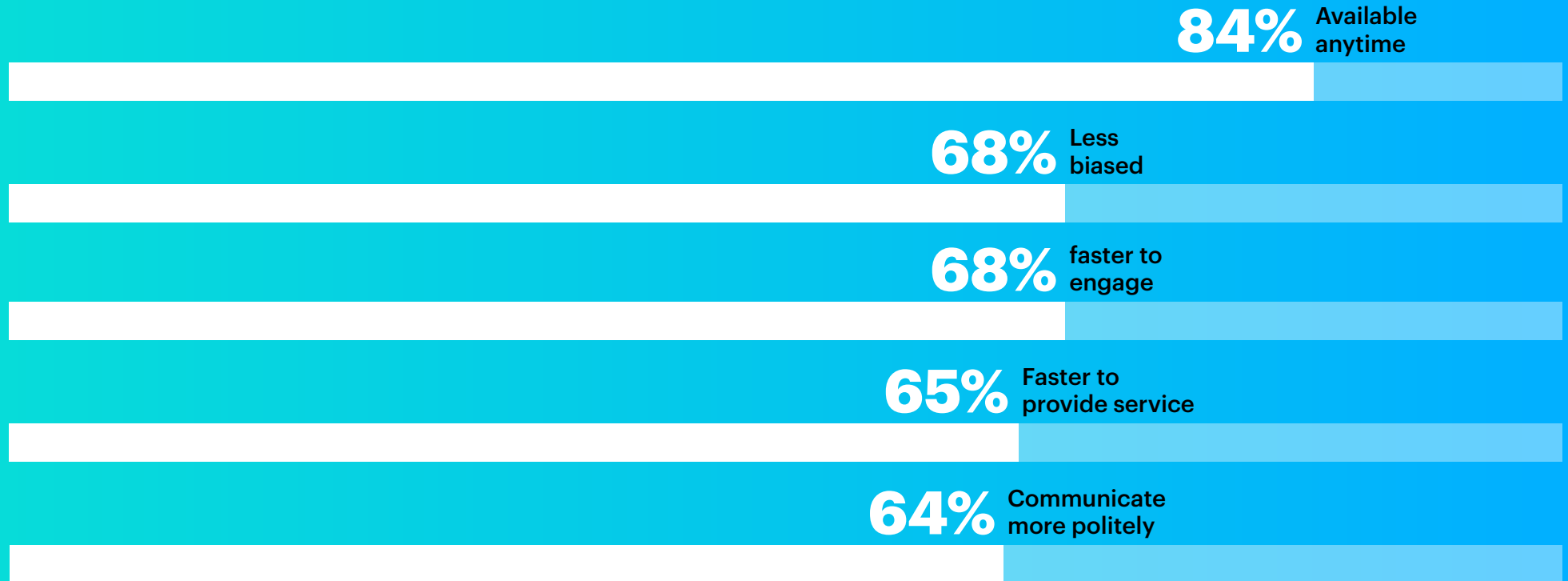
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Benefits of interacting with computer based applications rather than human advisors

Percentage of respondents selecting "Completely Agree" or "Agree"



Sample: 25,996 respondents



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NEW ACCESS
MODELS

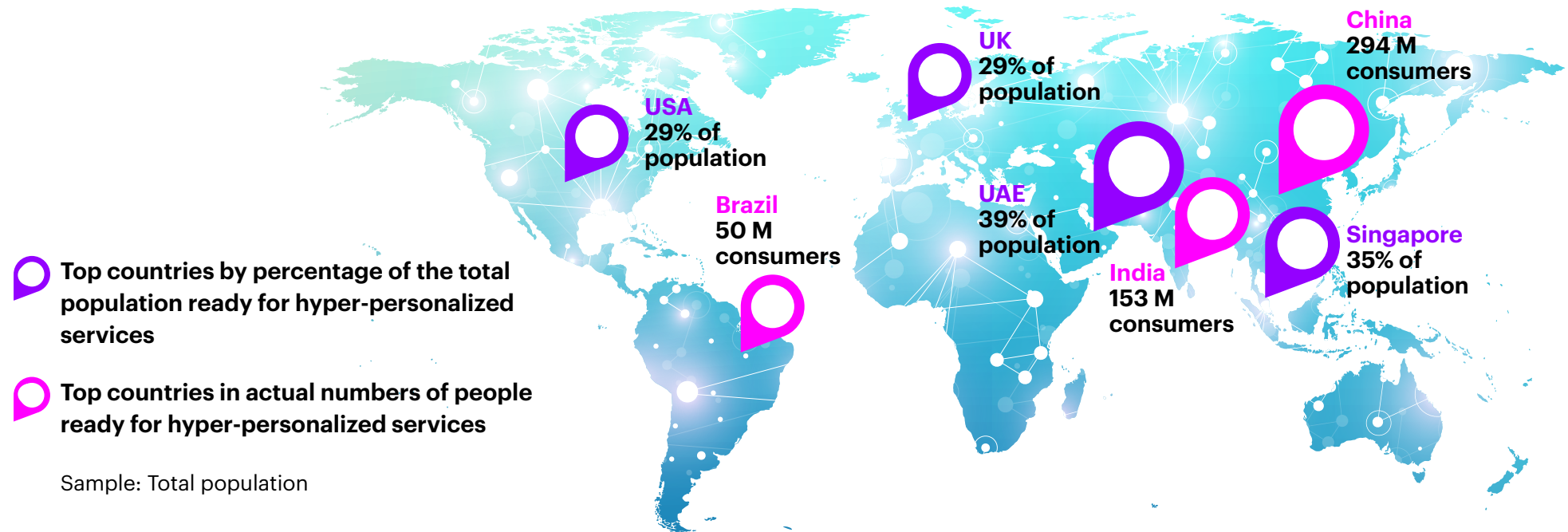
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The Engage Me Index based on total population ready for hyper-personalized services

Consumers in UAE and Singapore are most ready for hyper-personalized services, but when inclusive of the size of the population, China, India, US and Brazil top the readiness list.



The growing acceptance of AI-enabled functionality is one significant indicator that today's dynamic digital consumers are ready for far-reaching hyper-personalized services. But truly understanding consumer readiness for hyper-personalized services is a more complex algorithm than what is expressed just by interest. Readiness is influenced by attributes such as connectivity, the density of personalized data the consumer generates, how much consumers trust providers

and how enthusiastic they are toward services they currently use. By analyzing survey data across these factors Accenture created the **Accenture Engage Me Index**,¹ a tool to help service providers to more deeply understand the readiness of specific consumer segments for hyper-personalization. From a global perspective, this index shows that consumers in **UAE** and **Singapore** are most ready for hyper-personalized services, but when inclusive of the size of the population, **China**, **India**, **US** and **Brazil** top the readiness list.



ENGAGING EXPERIENCES

ARE SPURRING DEMAND FOR SMARTPHONES



AI CENTRAL

HYPER-PERSONALIZATION

NEW ACCESS MODELS

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WHAT NOW?



ENGAGING EXPERIENCES ARE SPURRING DEMAND FOR SMARTPHONES

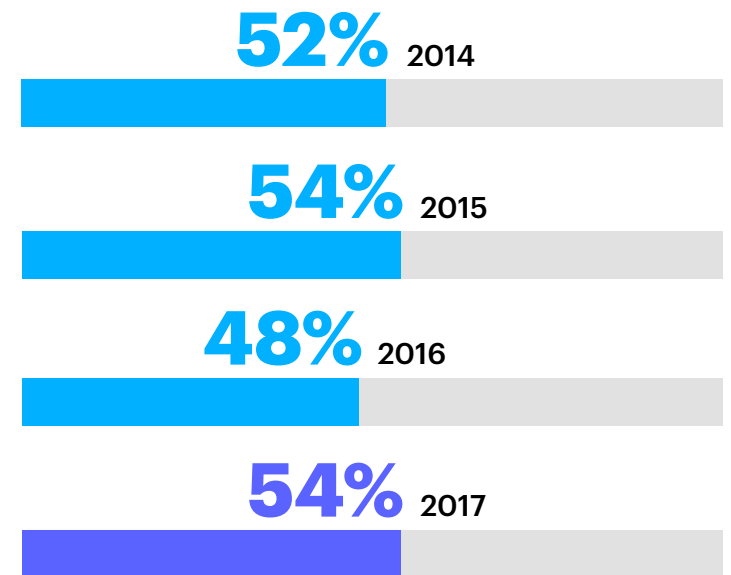
After dropping to a five-year low of 48 percent in 2016, consumer purchase intent rebounded six percentage points globally in this year's survey.

A combination of factors could be contributing to this, but new experiences enabled by **augmented** (AR) and **virtual reality** (VR) are central. New features and functionality are key drivers for smartphone purchases. In fact, "accessing the newest and most innovative features" rose **10 percentage points** as a primary reason why consumers are planning to purchase a new smartphone next year.

Consistent with their interest in hyper-personalization, consumers have shown strong enthusiasm for AR and VR-enabled games for smartphones. And they are interested in a range of AR/VR applications beyond gaming, including learning new skills, meeting virtually with remote friends/family, getting localized information about places they are visiting and viewing 3D manuals.

Consumers value personalized services that make life easier and seamless and **50 percent** are comfortable with services becoming increasingly personalized through the use of large amounts of personal data. Services such as a health assistant, a smart trip assistant and a personal assistant are ranked most useful by both young and older consumers, are perceived to be more "cool" than "creepy" and, correspondingly, enjoy the highest overall purchase intent. While the monetization model for hyper-personalized services is still being determined, pragmatic services that simplify increasingly hectic lives seem to have universal applicability and enthusiasm.

Smartphone purchase intent in the next 12 months



Sample: 25,996 respondents



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**HYPER-
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NEW ACCESS
MODELS

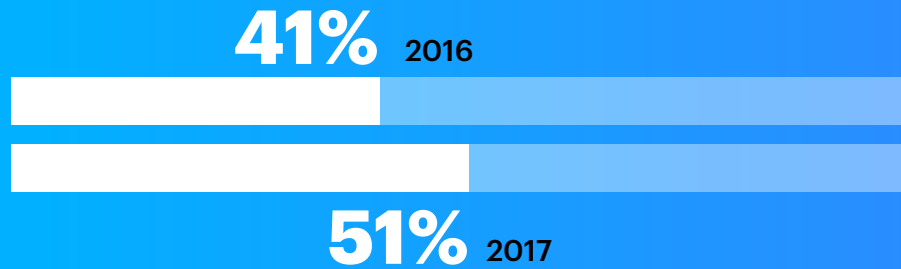
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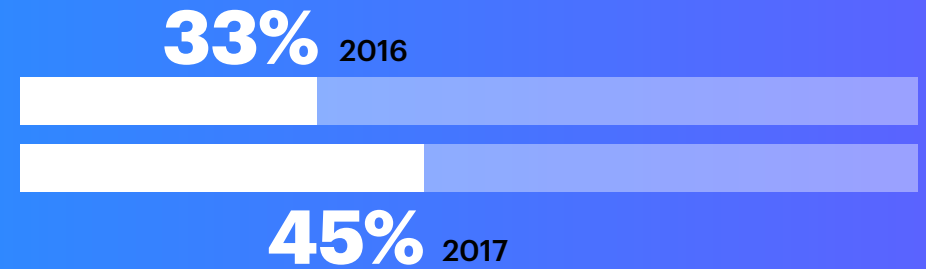


Top reasons for buying a smartphone in the next 12 months

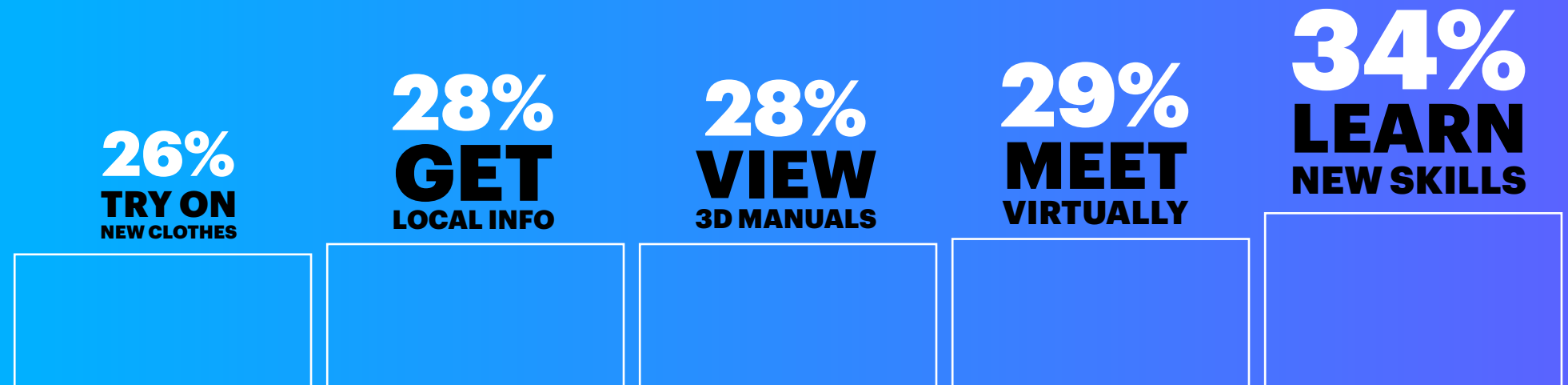
New features



Improved functionality



AR/VR-enabled services driving most consumers interest



Sample: 25,996 respondents



AI CENTRAL

**HYPER-
PERSONALIZATION**

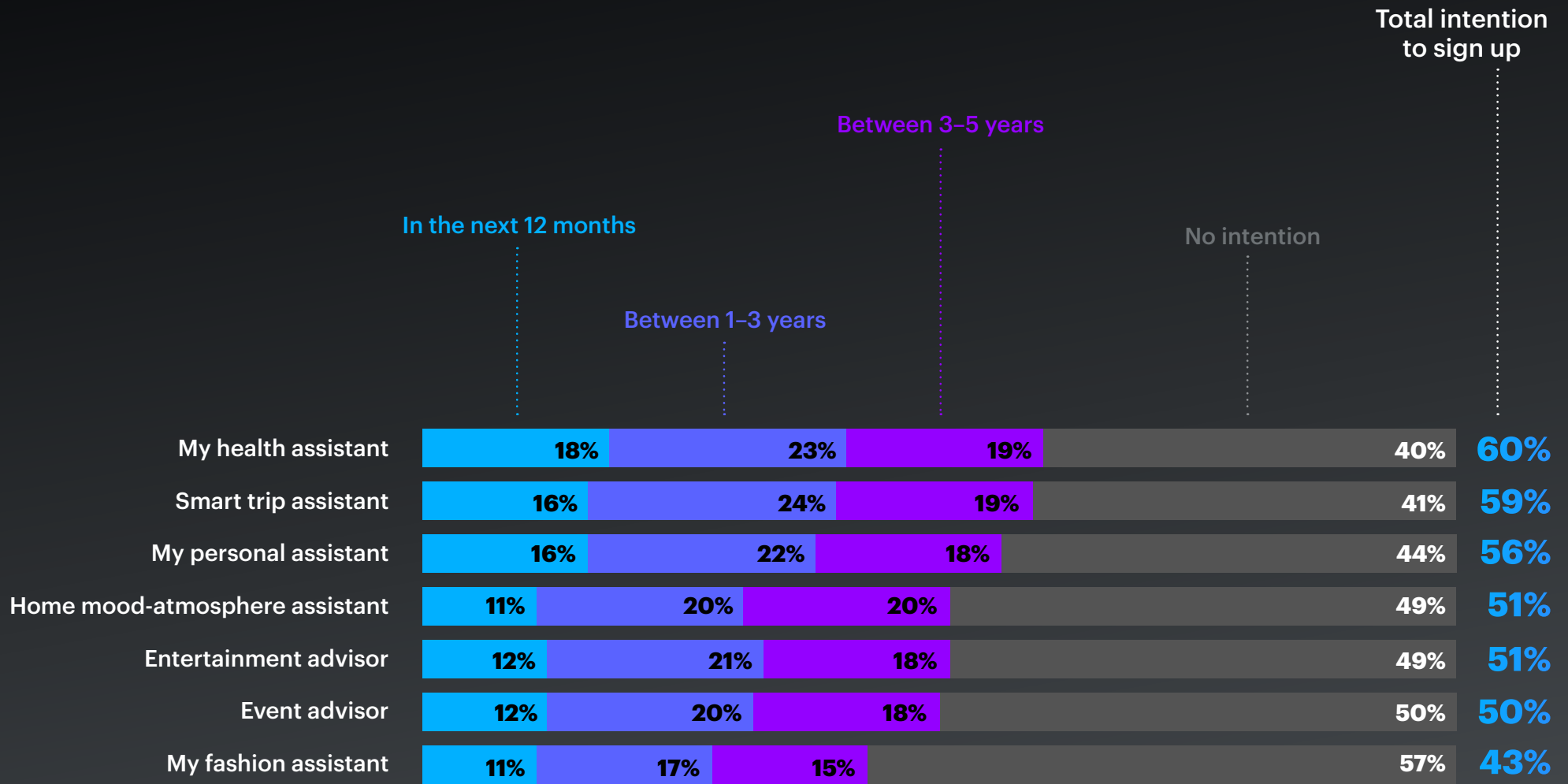
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Purchase intent for personalized services



Sample: 25,996 respondents



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NEW ACCESS MODELS ARE EMERGING



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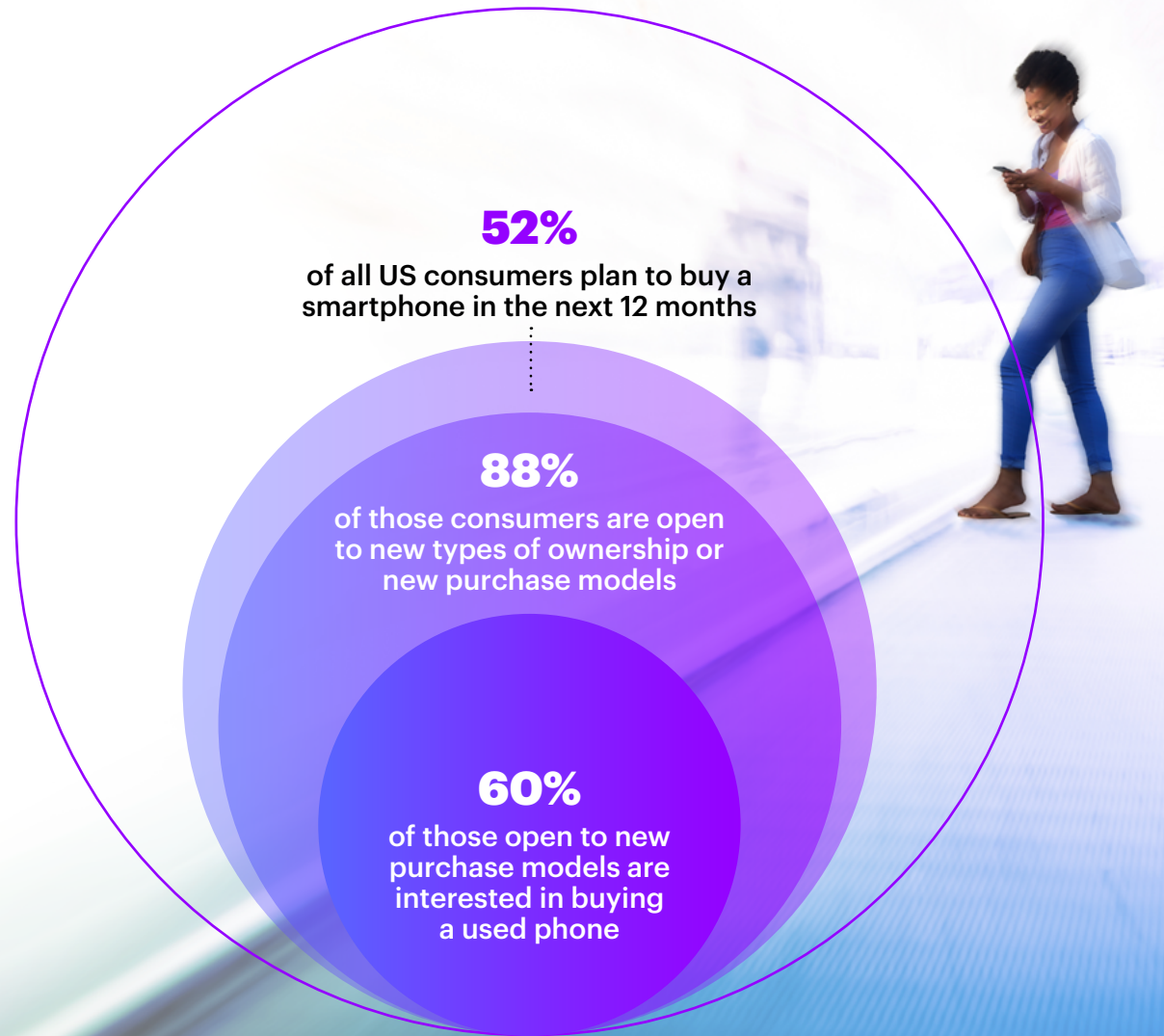
NEW ACCESS MODELS ARE EMERGING

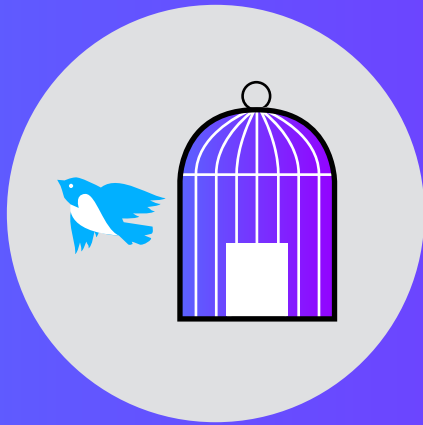
Considering historical patterns in used device purchases, a **potentially dramatic shift** in how people are buying and accessing devices and services is on the horizon.

Consumers have strong interest in new device acquisition models, such as leasing/renting and used phone purchase. More than **three-fourths** of global consumers planning to purchase a new smartphone are open to other ways to access a new phone. Among US consumers this figure reaches **88 percent** with the majority interested in the used phone market.

eSIM² may also affect purchase cycles and carriers' relations with consumers as the chip gives device owners the ability to compare networks and select services at will, directly from the device. More than **two-thirds** of consumers are interested in using a device with an eSIM in the next 12 months, if available, and the top reason for interest in an eSIM card is "the ability to switch service providers more easily."

CONSUMERS PLANNING TO BUY A NEW SMARTPHONE
that are interested in another type of ownership access or purchase model





68%

**ARE DEFINITELY OR PROBABLY INTERESTED
IN USING A DEVICE WITH AN eSIM IN THE
NEXT 12 MONTHS IF AVAILABLE**

Main benefits of using devices with eSIM cards

33% **AVOID HAVING
TO CHANGE
OR USE DUAL
SIMS**



40% **BACKUP OF
PERSONAL
INFORMATION
FILES**



50% **ABILITY
TO SWITCH
PROVIDERS
MORE EASILY**



Sample: 25,996 respondents



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**CONSUMERS WANT TO
BE MORE ENGAGED IN**

MANAGING THEIR DATA



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CONSUMERS WANT TO BE MORE ENGAGED IN MANAGING THEIR DATA

87%

of consumers believe it is important to be able to review and control their personal data online.

3/4

however, do not find it easy to manage that data.

Despite companies' concerted efforts and successes in increasing data security, this year signals that **consumer confidence in the security of their personal data is eroding. In fact, when it comes to personalized services, top consumer concerns include the security of financial data and identity theft.**

Accenture's survey shows that one important way to increase consumer confidence is to engage consumers more in managing their data. Nearly all (**87 percent**) consumers believe it is important for them to be able to review and control their personal data online. However, **three-fourths** do not find it easy to manage that data.

Consumers also indicate they are in flux over whom to trust as providers considered most trusted in the past declined in consumer confidence. The good news for device manufacturers is that consumer trust in them has grown, while consumer trust in other types of service providers has decreased. It is a critical time for companies to reexamine how to maintain trust as consumers sort out whom to trust and how to operate in a digital world that is increasingly dependent on their sharing of personal data.



Main concerns about using personalized services

Percentage of respondents saying a potential concern is “Very Important” or “Important”



Sample: 25,996 respondents



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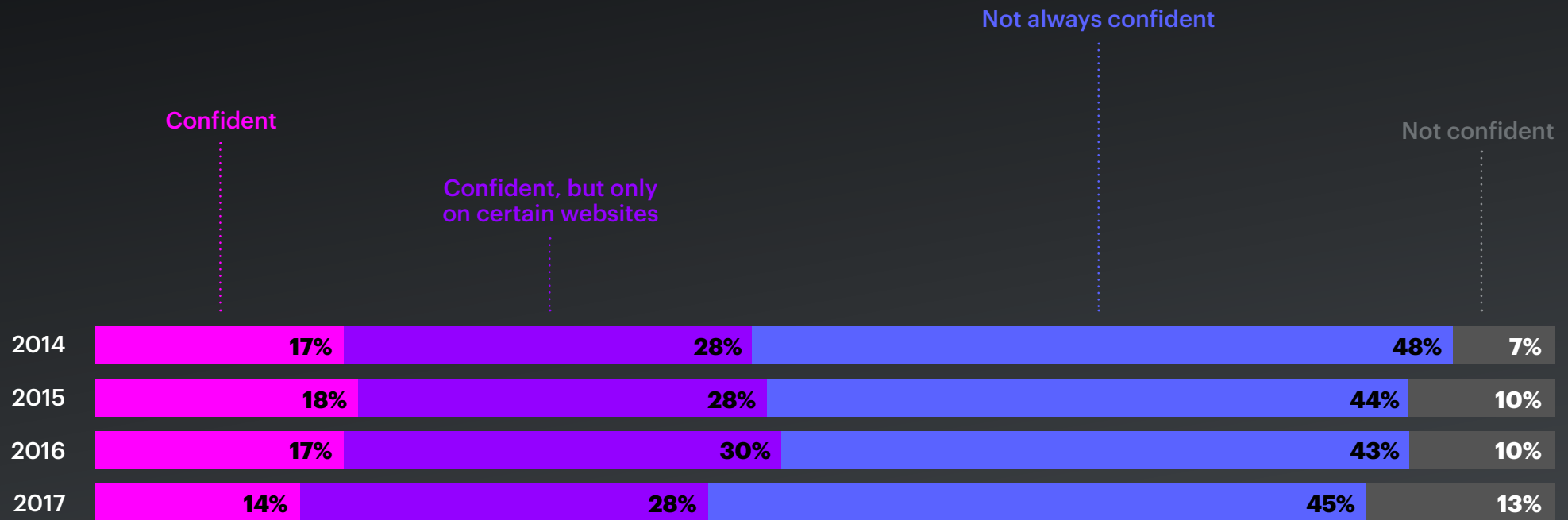
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Consumer confidence in security of their online data



Sample: 25,996 respondents



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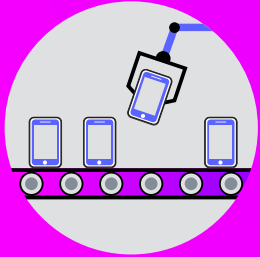
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Companies consumers trust most with their personal data



Device manufacturer

31% 2016

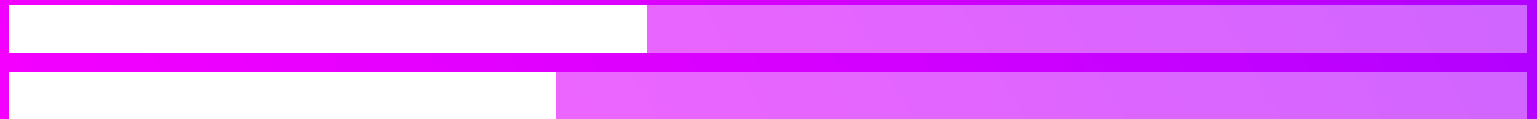


37% 2017



Telco/broadband provider

42% 2016

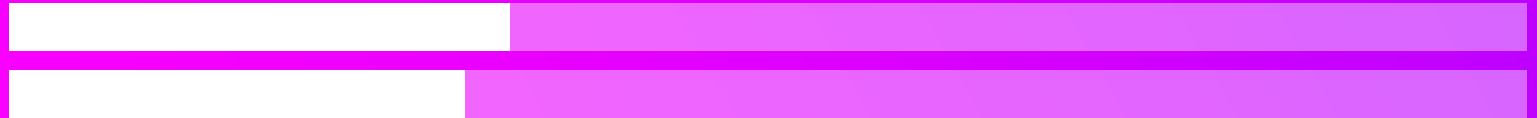


36% 2017



Bank

33% 2016



30% 2017

Sample: 25,996 respondents



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WHAT NOW?



As the collective voice of today's dynamic digital consumers grows louder, how can providers respond?

Serving today's consumers requires organizational agility across all parts of the business. It means **connecting the dots across the organization, aligning digital capabilities with operations, technology and strategy.**

In addition, Accenture's research points to **three specific building blocks that will help providers best serve today's dynamic digital consumers.**



01



Take advantage of AI to make the right personalization plays

Companies have an unprecedented opportunity to tap ongoing advances in AI and machine learning to be much more dynamic as new trends emerge. According to Fjord Trends 2017 report, “while A.I. has evolved exponentially, in 2017 we will see a shift in organisations’ approaches to developing products and services as emotional intelligence (EQ) becomes a critical A.I. differentiator.” AI is central to understanding the needs and desires of different consumers, personalizing services, and driving demand.

Consider, for example, **Stitch Fix**, a service that might, at first glance, seem implausible. Customers fill out style surveys, provide measurements, offer up Pinterest boards, and send in personal notes. Machine learning algorithms digest all of this eclectic and unstructured information. An interface communicates the algorithms’ results along with more-nuanced data to the company’s fashion stylists, who then select five items from a variety of brands to send to the customer. Customers keep what they like and return anything that doesn’t suit them. By using AI, Stitch Fix is hyper-personalizing retail fashion shopping and it is projected to achieve **50 percent** growth on a base of \$250 million in 2016.⁴ While a fashion assistant doesn’t rank among the hyper-personalized services of most interest in our survey today, a segment of the population is clearly already embracing Stitch Fix and setting a new expectation for tomorrow.



02



Embrace new access models

Now is the time to stake a position in an as-a-service consumer market. As consumers increasingly resist being locked into hardware purchases, providers can create more dynamic operations and customer relationships if they look beyond the hardware purchase.

Several providers are already well down this path. Through the **iPhone Upgrade Program** Apple spreads the cost of iPhones over 24 months and provides access to early upgrades.⁵ Samsung offers a similar option through its leasing program for some of its devices offered through company-owned stores in South Korea.⁶ Consumers can use the phones for a year after paying monthly fees, then upgrade to newer models. Even companies whose primary consumer offering is rental of furniture and home electronics are now including smartphones in their product portfolio.



03



Help consumers manage their data

Seize the opportunity to build further trust, being more transparent to create a strong relationship with consumers. Greater transparency is required as consumers now expect to be able to control what data is shared with whom. Make data security “personal” and “easy” to drive adoption of new devices and services.

Google is in front of this trend with its website communications regarding privacy and data. With a title of “We want you to understand what data we collect and use” the web page clearly and simply explains what data it collects and how it uses personal data to improve its services. Importantly it also offers three tools for consumers to manage their privacy and take control of their Google experience⁷.



CAPTURING DYNAMIC DIGITAL CONSUMERS

As AI takes center stage as a key enabler, hyper-personalized services that deliver on today's dynamic digital consumers' expectations will need to constantly learn and evolve.

They will intuitively learn consumers' habits, likes and dislikes and become tailored to our individual and changing needs. As consumers rapidly adapt to these heightened experiences, their intrigue with AR/VR-enabled functionality can pull device demand along—at least in the short term—although it may not materialize in the form of brand new devices. As new access models evolve, the door opens to new types of interaction with consumers and new ways to nurture the customer relationship.

Amidst all of this hyper-personalization effort, transparency is key. Personalization is only relevant if it accurately assesses and meets customer needs—and this is dependent on understanding the personal data shared by consumers. Transparency and security in how customer data is collected, used and shared will be mandatory to gain consumer confidence, as will empowering consumers by giving them simple and easy ways to maintain data control.



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AUTHORS

Dave Sovie

Senior Managing Director,
Global Electronics & High Tech
david.a.sovie@accenture.com

John Curran

Managing Director,
Communications, Media, and Technology
john.p.curran@accenture.com

Margaret Schoelwer

Senior Manager,
Communications, Media, and Technology
margaret.s.schoelwer@accenture.com

Agneta Björnsjö

Senior Principal,
Electronics & High Tech
agneta.bjornsjo@accenture.com

Key contributors from Accenture Research

Philippe Roussiere

Research Director,
Communications, Media and Technology

Mélina Viglino

Survey Research Senior Principal

Katarzyna Maczkowska

Economic Value Modelling Manager

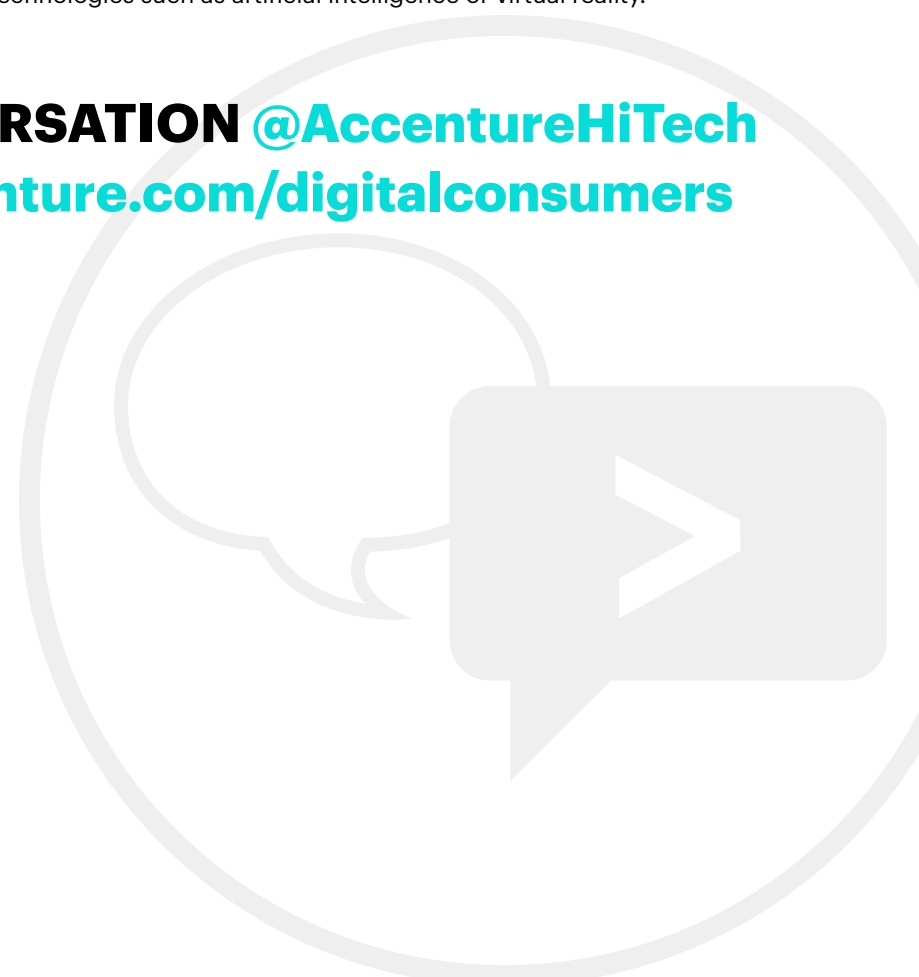
Alba Nuñez

Research Specialist,
Communications, Media and Technology

ABOUT THE ACCENTURE DIGITAL CONSUMER THOUGHT LEADERSHIP PROGRAM

The Accenture Digital Consumer Thought Leadership program for communications, media and technology companies is based on a survey which was conducted online between October and November 2016, with 26,000 consumers in 26 countries, including Australia, Brazil, Canada, China, Czech Republic, France, Germany, Hungary, India, Ireland, Italy, Japan, Mexico, the Netherlands, Poland, Romania, Saudi Arabia, Singapore, Slovakia, South Africa, Spain, Sweden, Turkey, the United Arab Emirates, the United Kingdom and the United States. The sample in each country is representative of the online population, with respondents ranging in age from 14 to 55 plus. The survey and related data modeling quantifies consumer perceptions of digital devices, content and hyper personalized services, purchasing patterns, preference and trust in service providers, the future of their connected lifestyle and appetite in new technologies such as artificial intelligence or virtual reality.

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FOOTNOTES

1 Accenture Engage Me Index

The Accenture Engage Me Index assesses four dimensions of consumer readiness for hyper-personalized services: connectivity (both broadband connectivity and connected device ownership); data density (connected device usage frequency and social application); trust level (data privacy concerns, willingness to share personal data and data control level needed) and engagement (enthusiasm for personalized services, relationship with service providers, payment readiness and AI readiness). For more comprehensive detail on the Accenture Engage Me Index, please contact the authors of this paper.

2 e-SIM

An integrated SIM chip is one that cannot and need not be removed from a device. A user can decide to change operators with a simple phone call. A new SIM will not be required, nor should there be any time delay in switching the e-SIM to its new purpose. eSIM gives device owners the ability to compare networks and select services at will—directly from the device.

3 Fjord Trends 2017 Report—Digital Developments to Watch

Accenture releases Fjord Trends 2017, December 15, 2016.
<https://trends.fjordnet.com/trends/>

4 Stitch Fix—How One Clothing Company Blends AI and Human Expertise

James Wilson, Paul Daugherty, Prashant Shukla, Harvard Business Review, November 21, 2016.

<https://hbr.org/2016/11/how-one-clothing-company-blends-ai-and-human-expertise>

5 iPhone Upgrade Program

<http://www.apple.com/shop/iphone/iphone-upgrade-program>

6 Samsung Leasing Program

Cho Mu-Hyun, “Samsung to start S7 leasing program”, ZDNet, March 1, 2016.

<http://www.zdnet.com/article/samsung-to-start-s7-leasing-program/>

7 Google—You Have the Controls to Manage Your Privacy

<https://privacy.google.com/take-control.html>

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