



The Relationship Economy: Customer Engagement in the Digital Era



Foreword

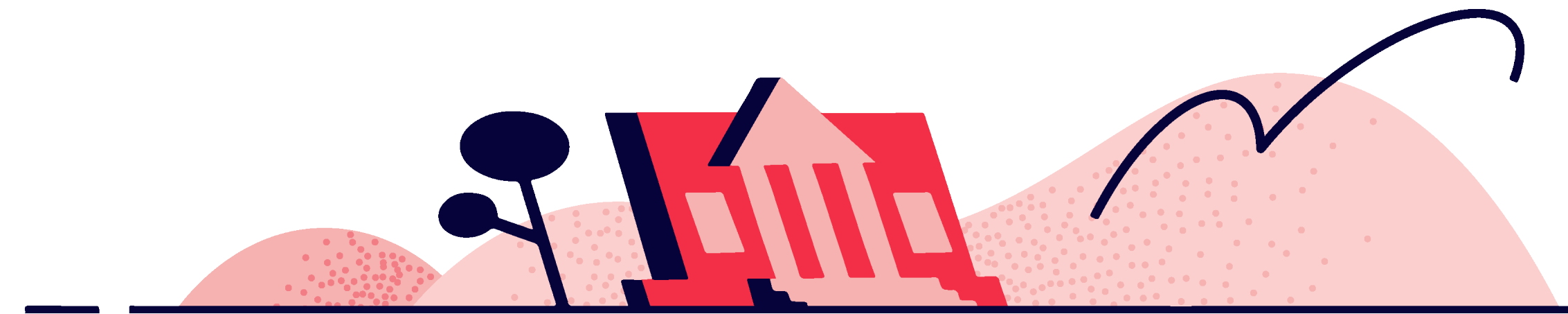
Professor Andrew Stephen
Deputy Dean & L'Oréal Professor of Marketing
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The tumultuous world in which we live provides businesses with many challenges. A critical one relates to how they can best engage with customers who themselves are challenged by the rapidly changing and uncertain world. Customers nowadays want more from companies. Yes, they still want (as they always have) high quality products and services at a fair price, as well as prompt and courteous service. But in today's world they also want relationships with businesses that engender trust, are personalised, are responsive and flexible. Successful businesses know how to go from transacting with customers to building and maintaining positive relationships and, more importantly, see that having great customer relationships is strategically vital for driving growth in turbulent times. To win in the current economic climate, companies must invest in building and maintaining valuable relationships with their customers.

The Relationship Economy: Customer Engagement in the Digital Era provides clear guidance, backed by data, on what trust-based customer relationships should look like today and into the future. The study by Twilio featured in this report suggests that customers want more than simple

transactional convenience or efficiency, which very often equates to things happening quickly. While the study shows that “speed” is still an important aspect, it is not the only one and in my view is a “table stakes” element. Customers expect speedy responses, quick turnarounds, and rapid solutions to their problems. Businesses need to do this but, in my view, rarely these days can just “being quick” be a source of competitive advantage.

What, then, should businesses focus on to build trust with customers and, thus, develop lasting customer relationships? The study suggests that expertise (or knowledge) and emotion are two additional aspects that businesses need to focus on. Knowledge to me is more than expertise. Rather, it is providing the most appropriate information to customers at the right time and in the right formats. It was very interesting to me to see the survey showing a distinct preference for customers talking to companies in real-time, i.e., voice calls.



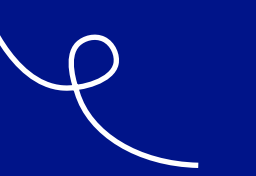


This is presumably because customers see this form of communication as a way to tap into knowledge. Talking to a human – actually hearing their voice! – appears to be important today even when we have other (seemingly more efficient and less time-consuming) modes such as email and live chat. However, this old-school preference for voice-based interactions needs a level of sophistication to be relevant and valuable. Company representatives have to be able to offer their expertise and provide knowledgeable answers to customers’ questions in a personalised, tailored manner. This requires the use of first-party customer data behind the scenes to help guide human-to-human conversations. In this sense we should think of service agents on the other end of a call as being hyper-knowledgeable experts, as their own knowledge can be augmented in real-time by data-driven insights and recommendations gleaned from analytics and machine learning on customer data.

The other “pillar” highlighted in this report is emotion. Just like knowledge, another inherently human element. It seems from the study that the emotional aspects of business-to-customer interactions continue to be important to people. Customers want that “human touch”, even when engaging via digital channels, and emotion is possibly what makes things feel more human. Friendliness is important, of course, and I would also suggest that it

is vital for businesses to find ways to communicate that are emotionally attuned to customers and empathetic. This requires businesses to really know their customers – and know each customer – since what one person needs, emotionally, in an interaction may very well be different to what another person needs. Similarly, what a customer at one stage of a journey needs will invariably be different from what they would need at a different stage. Emotionally attuned, personalised customer experiences may not be the easiest thing for businesses to provide, but it appears from this study that it will be worthwhile to businesses and their customers if this can be achieved.

This study’s findings are thought-provoking. They serve as a reminder that the human touch is vital in business, even when technology plays such a central role in how businesses interact with their customers and deliver services. In fact, the way forward for businesses in an increasingly technology-enabled world – let alone during tough, turbulent times – does appear to be about finding clever ways to give customers a more human experience. Human centricity in a digital world is how businesses must think and act in order to grow, build trust with their customers, create loyalty, and, ultimately, thrive in challenging times.



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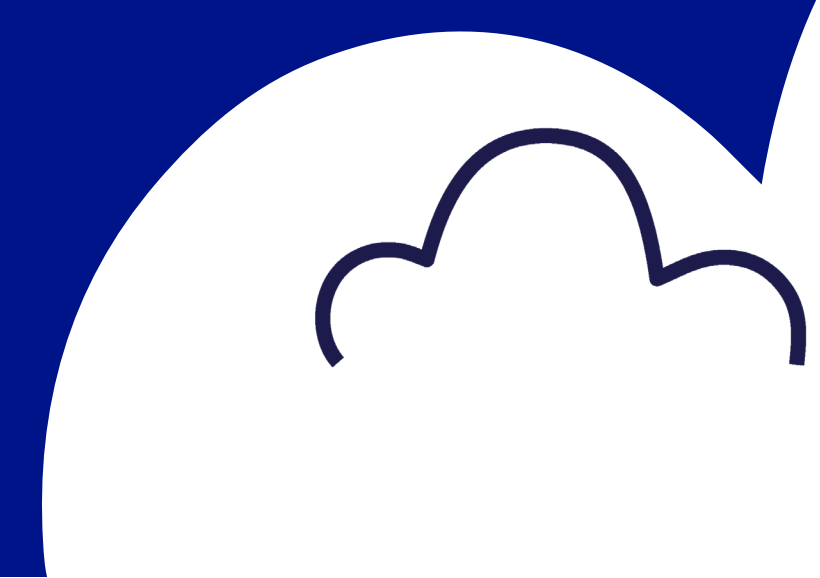
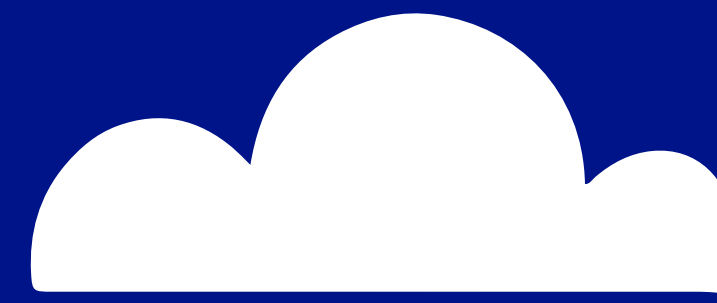
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Introduction

The last couple of years have been extremely turbulent for consumers. The pandemic forced people everywhere to spend more time online than ever before, and now rising living costs and fears of an economic recession are placing new strains on tight household budgets.

The price of goods is high, and there has already been a downturn in discretionary spending on goods and services that were previously considered indispensable in the pandemic. This has given rise to a relationship economy, in which the businesses that win are the ones that build genuine, personalised relationships with their customers. Businesses that focus on developing these relationships, by providing the information their customers need quickly and thoughtfully, will in turn see a benefit to their bottom line as they gain trust and loyalty.





But what do these relationships look like? And how can businesses get them right? Are consumer habits shifting further towards digital instead of human interaction? What makes consumers more likely to recommend a brand, trust it, or buy from them again? And are organisations making investments in the right areas to respond?

This is what we wanted to explore and bring to light with the first iteration of The Relationship Economy: Customer Engagement in the Digital Era. Twilio surveyed over 8,700 people across the UK, Spain, Germany and France, to understand the key priorities for customers when interacting and cementing relationships with brands in 2022.

Conventional wisdom is that speed is the only thing that customers truly care about. But our research undercuts this idea: in fact, positive brand relationships are built through an equal mix of fast and slow interactions to meet the three key pillars of consumer convenience: efficiency, expertise, and emotion.

Our results show that at their core, customer expectations for rapid service haven't changed. Customers expect quick acknowledgement at a minimum, and the longer they wait to hear from you, the more likely they are to become frustrated.

However, in periods of crisis, the organisations that succeed will be the ones that combine speed with demonstrable engagement and care. They are the ones that capture attention effectively, personalise their services using first-party customer data, and ensure they are available in the ways that customers want. In other words, businesses must go beyond internal improvement initiatives, show that they understand who they're targeting, and invest in addressing their customers' emotional needs. This report will detail how brands can achieve this.

The three building blocks of consumer convenience:

- **Efficiency** – you can solve the customer question or issue in the fastest possible time.
- **Expertise** – you have the knowledge and understanding to know the answer to customer questions across every part of your business, from product details, to stock levels, shipping information and more.
- **Emotion** – you speak to customers with understanding (i.e. as a human), are flexible and empathise with customer needs and issues.



1. Efficiency

1. Efficiency

We instinctively understand why speed is so important to customer experience because we are all consumers ourselves. We want our issue to be addressed quickly, whether it is a delivery, solving a problem or being able to access the information we are looking for. Speed builds consumer confidence, trust and advocacy because it shows that an organisation is efficient, well run and experienced. And getting your customers the answers they need quickly is the first step to building that all-important relationship.

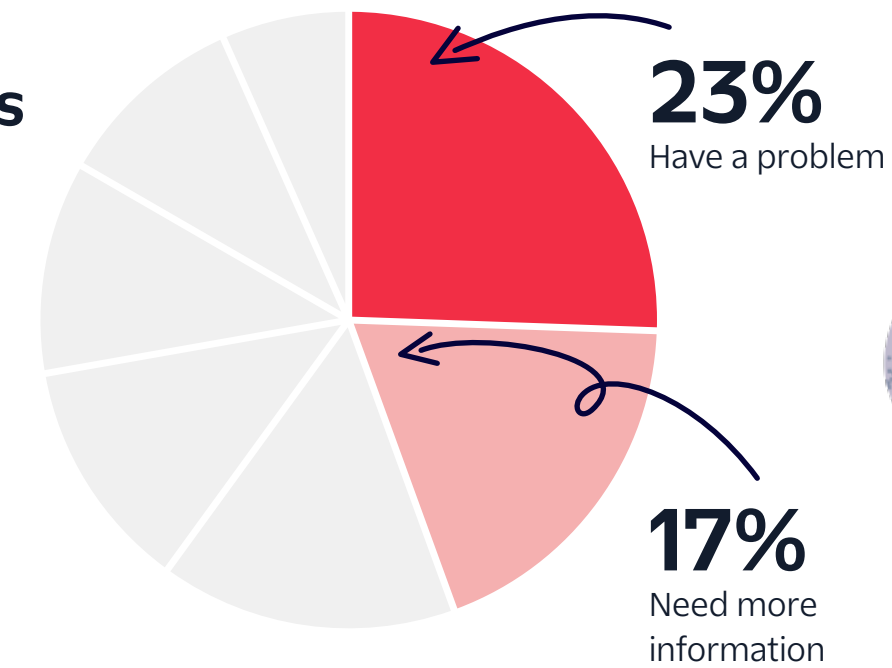
But where is speed most relevant? While brands understand speed is important and are constantly trying to improve it, they might face resource restrictions, such as

a skills gap and lack of contact centre staff. Understanding where and how to apply speed will be key to serving customers and deepening their relationships in the long term. Our research shows that when customers contact a company, it is most commonly because they have a problem [23%], followed by 'need more information' [17%]. Consumers contacting a brand have a sense of urgency because they have likely either tried to resolve it themselves or it requires an immediate response. This explains why 'getting an answer ASAP' was identified as the most important thing for consumers when contacting a brand [25%].

“Customers expect speedy responses, quick turnarounds, and rapid solutions to their problems. Businesses need to do this but, rarely these days can just “being quick” be a source of competitive advantage.”

Professor Andrew Stephen, deputy dean & L'Oréal professor of marketing,
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When customers contact a brand or organisation, it is most likely because they:



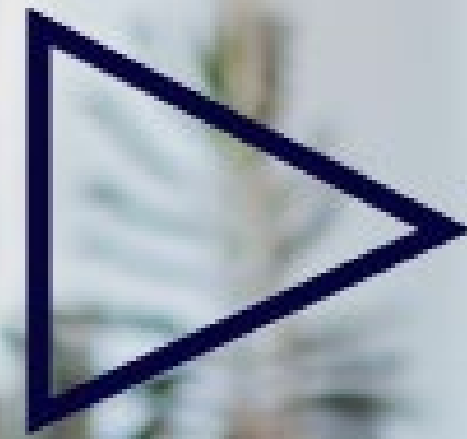
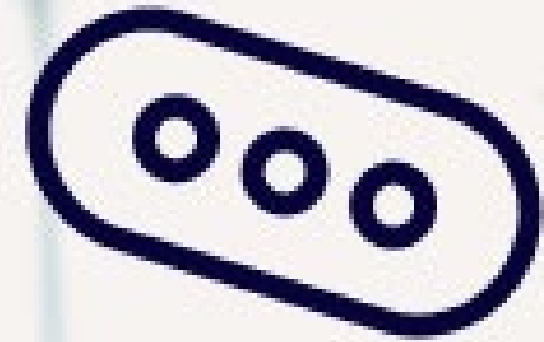
It is also no surprise to see the importance of speed to organisations hoping to obtain repeat business and recommendations too. 'Efficient service' was the second most popular answer when asked why customers would use a company again [39%], and again for 'what would make you most likely to recommend a brand to a friend, family member or colleague' [37%].

But there is more than meets the eye here. One of the most revealing results was what consumers felt to be the most important thing when contacting an organisation. Survey respondents weighted expertise and attitude (i.e. emotional connection) as equally important to speed. This suggests that speed is not the be-all and end-all that companies often assume it to be. Speed may be the first thing on consumers' minds when approaching a brand, but in terms of building lasting connections, it is far from the only critical element to engaging in the relationship economy.





1. Efficiency



Businesses are aware of and understand the importance of speed. The real surprise is how often they fail to address the other key needs of their customers - expertise and emotion. Organisations need to consider their full portfolio of customer touchpoints to ensure speed is applied where it is needed most, for instance in the case of credit card fraud or emergency medical support. And as we will later explore, they also need to deploy deeper and more human engagement that fosters stronger consumer relationships in other areas. These elements are at the heart of engaging customers in the relationship economy.

Solutions and case studies

- **Twilio Flex** - the programmable contact centre - gives brands the tools they need to deliver personalised customer experiences, all on one powerful platform - visibility on a single platform for agents goes a long way to ensuring that they have the background to issues and conversations when speaking to a customer, avoiding the need to repeat the issue over and over again.
- **Case study: TravelPerk** - The Barcelona-based global travel management platform uses Twilio Flex to enable it to build a personalised experience which is customisable for agents. Customised tools aligned to agents' workflow allow TravelPerk's agents to more quickly serve customers - with context for each customer housed all in one place. The simplified agent workflow was immediately reflected in TravelPerk's NPS scores, which reached 95%.



2. Expertise

2. Expertise

“Investments that companies have been making into tech alone haven’t been working. Relationships are the most important thing they need to invest in.”

Sam Richardson, customer engagement consultant, Twilio

If speed is the first building block of the relationship economy, knowledge is the element that begins to cement that relationship between consumer and organisation. In our previous section, we saw how some elements of customer service have not changed: consumers want fast interactions. But more surprisingly, they equally want knowledgeable and friendly human interactions where appropriate.

Our survey results show that consumers prefer voice calls – it was the most popular response when asking about preferred communication methods [36%], with email a distant second [25%]. Calls are also seen as the easiest option to engage [30%]. However, for many businesses, voice is unlikely to be the preferred method, as it is people-

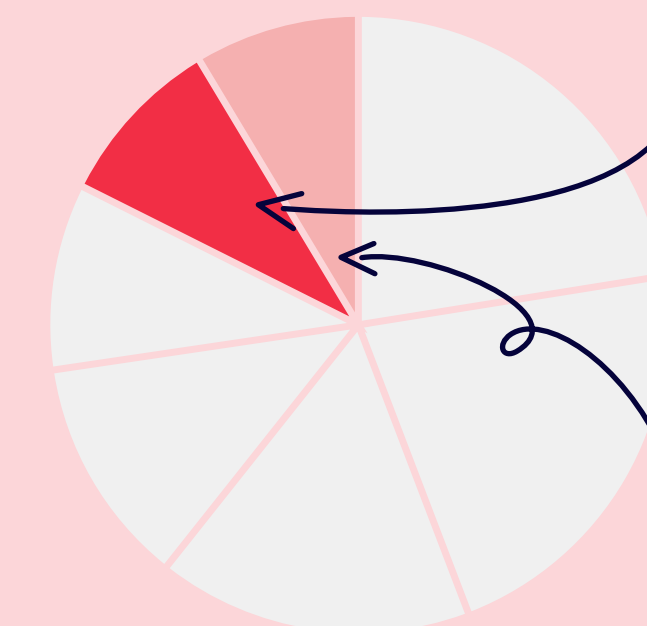
heavy and expensive. Those that offer a diverse range of engagement channels will know that a customer service agent supporting on WhatsApp, chatbots or via SMS, is likely able to provide a similar level of customer support, while handling several customer conversations at once, improving the overall speed of resolution. More importantly, having a person behind written communications means the end-user can still feel a genuine connection with the person they’re interacting with.

So why the preference for this communication option? In part, it comes down to knowledge. Our results clearly highlight that in addition to speed, consumers desire informed communication. Customers call because they

need help. They’ve generally tried other avenues to resolve the problem, and by the time they reach someone in a contact centre they are frustrated. This is a difficult situation for both the agent and the customer. If speed is what customers feel is the basic requirement for achieving their goals, knowledge and expertise are what help move them from a transactional purchase to a deeper, longer-term relationship. Slower engagements are crucial in creating a lasting connection that goes beyond mere functionality. It is what enables customers to make informed decisions and to do so comfortably. Put simply, by demonstrating your knowledge and expertise to existing and potential customers, you are inviting them to trust your brand.

Our results show that despite expertise being strongly desired by consumers [24%], it is often the most challenging aspect of engagement. All of the knowledge-based tasks performed worst across the survey. For example, finding out more about a company appears to be a consistent barrier for consumers. Only 13% found it easy to ‘find out who is the logistics partner for delivery of an item’, despite ‘need tracking information’ being one of the top three reasons why customers contact a brand. Similarly ‘finding out about an organisation’s diversity, equity and inclusion credentials’ and ‘sustainability credentials’ were identified as difficult, with respectively just 12% + 11.5% finding this easy, despite the topics’ rapidly growing importance.

When engaging with a business or organisation, what tasks are the easiest to do?



12% finding out about an organisation’s diversity, equity and inclusion credentials

11.5% sustainability credentials





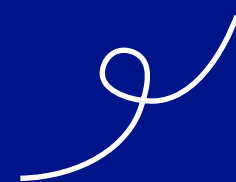
2. Expertise

Finding this information will continue to rise in importance for customers in the initial research phase, and those that aren't able to provide it risk losing out.

This knowledge gap also extends to organisations' staff and their understanding of their customers. 'Knowledgeable service' was identified as one of the three key reasons for using a company again [31%]. In 2022, attrition rates in contact centres are high. One of the top reasons cited is that queries have become more complex, and support agents often do not have the tools or support to resolve those trickier issues. This is adding to ongoing challenges such as staff shortages, increased volume of calls and longer average call times.

Businesses must therefore ensure that customers have access to staff with accurate information at their fingertips - from what a customer has ordered previously, through to sizing, preferred price brackets and interaction history. Contact centre agents must be armed with the knowledge and tools they need in order to solve customer issues. On top of this challenge, pricing and quality will always play a key role in developing a relationship with consumers. The two most popular answers to the question of what would make consumers most likely to trust a brand were 'fair pricing' [44%] and 'good quality of products' [43%]. So it is important to understand customer preferences in these areas in order to point them to the right products.

To foster consumer relationships that last, businesses should not be blinded by overly focusing on speed of response, and instead also address the need to better surface the information that people are looking for. Using first-party data is an essential piece of this puzzle, allowing organisations to direct customers to well-organised information during the research phase of their purchase. It also allows them to better understand customer preferences, and equip customer service agents with the knowledge they need to more quickly and accurately resolve queries.



Solutions and case studies

- **Twilio Flex and Twilio Segment** – a leading Customer Data Platform (CDP)¹ – make it possible for brands to gain a deeper understanding of their customers to power personalised communications across every channel, driven by their own first-party data.
- **Case study: Vista** – A global leading design and marketing partner – uses Twilio Segment to create compelling personalised experiences for customers and embrace a culture of experimentation across its business. Twilio Segment provides Vista with a centralised, single source of truth for customer data, so they can continually test new messages and offers to engage customers with enhanced personalised experiences.

¹ Twilio is IDC's leading customer data platform based on 2020 market share.



3. Emotion

Human connection underpins the relationship between organisations and people. One might expect that if customers can find accurate information quickly, then they would be satisfied. But our results show that something is often missing. Despite (and in some cases, perhaps because of) advances in technology and several years of reduced human contact during the pandemic, consumers still desire human interaction to achieve certain goals. In fact, **62% of consumers** now expect personalisation from a brand. Organisations need to become adept at bridging the online/offline gap to provide the magic moments that shop visits used to. Some examples include loyalty schemes to incentivise your customers to place bigger orders – similar

to a ‘gift with purchase’ display at a department store. Or creating a personalised website dashboard view for returning customers – like when a local shopkeeper used to know your order and remembered to hold back specific items for you.

In our survey, we looked at consumer preference for ‘more human’ or ‘more digital’ interactions for a variety of tasks. Time and time again, we can see a narrow preference for more human interactions over more digital ones, even in areas where more digital might mean quicker outcomes. Some of the strongest weightings included ‘ask a question’ [74% v 26%] ‘ask for product or service support’ [69% v 31%]

and ‘connect with a community’ [62% v 38%]. The question for companies is how to build human connection into every part of their digital interactions.

Customers want to feel they are buying from a brand operated by people with similar values to themselves. Digging deeper, we asked what organisations consumers would be happy to receive personalised communications from. Personal interests and topics which are more likely to reflect a particular ideology such as travel and holiday [35%], health and fitness [29%], recipes and food [27%] and fashion [24%] were ranked highly, while more functional and everyday tasks, such as financial wellbeing [19%] and utilities [16%] were ranked lower.

“Organisations must not become focused on digitisation at the expense of inclusivity. They need to take a thoughtful, human approach, personalising the options available depending on the needs of individual consumers.”

Sam Richardson, customer engagement consultant, Twilio





3. Emotion



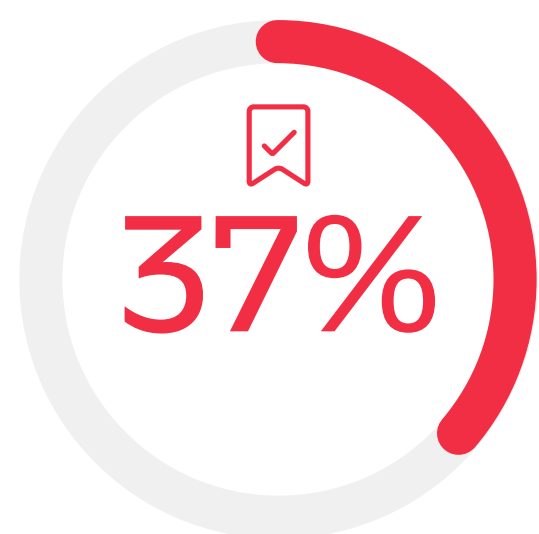
To be successful, it is essential for businesses to personalise to optimise, using first-party data to get the most out of customer support staff, and creating more human connections by building emotional intelligence (EQ) into the right kinds of digital interactions. More repeat purchases mean more first-party data, which helps to drive the availability of more knowledgeable channels for communication, which in turn drives speed. Getting all of these elements to work in tandem is at the heart of developing a strong relationship with your customers.

What makes you most likely to use a company again:



friendly service

What would make you most likely to recommend a brand:



efficient service

What would you be more happy to share details for:



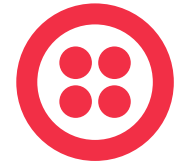
loyalty programme

Our survey showed that there is perhaps no more important factor in determining repeat purchases than emotion. Friendly service was the most popular answer for determining if consumers would reorder from a company [42%] and for determining if they would recommend the brand to a friend, family member or colleague [37%], as well as being a common motivation for sharing personal information [22%].

These results should give organisations that have prioritised automation-driven speed pause for thought. With inflation pushing the cost of goods up, customers are likely to expect more from brands. That means greater price sensitivity and higher expectations of customer service.

Solutions and case studies

- Twilio Segment enables businesses to create personalised experiences that will go a long way to adding the emotional intelligence (EQ) element consumers want so that they feel organisations truly understand their desires and interests.
- **Case study: Skilling** - a Scandinavian-owned fintech company - uses Twilio Segment to create a single source of truth for customer data, enabling teams to deliver personalised marketing campaigns and support the company's strategic focus on customer retention.



Spotlight on the UK

UK consumers are finding it harder to reach organisations than ever before, and when they do make contact, their top priority is a knowledgeable advisor.

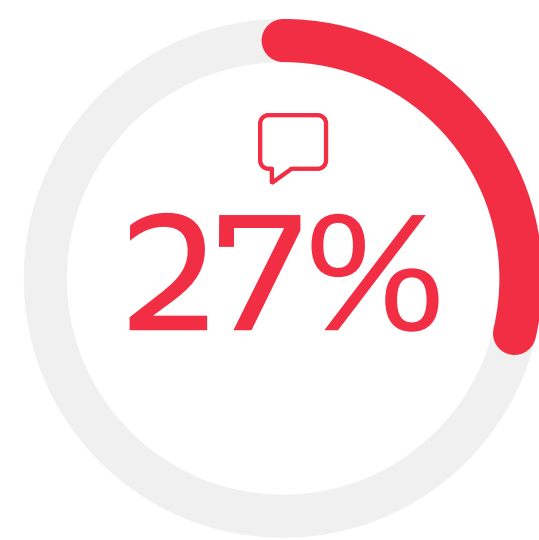
Compared to the other countries surveyed, the UK was the only country to find that businesses are now harder to reach than before, with nearly two fifths [39%] of respondents selecting this. The data also suggests that the reason for this could be that it takes too long to get a response, with 27% expressing this view, and 30% also citing that everything is online now. This final point hints at a negative perception of digital interactions, which could be improved by more thoughtful engagement, based on first-party data insights into consumer priorities.

But the survey suggests that this could be exacerbated by businesses taking too long to provide a response, with over a quarter of UK consumers [27%] expressing that this was the reason for their negative view. Concurrently, UK

respondents cite 'friendly service' as the most common reason to use a company again [44%]. The interplay of efficiency and emotion again comes to the fore here: channels like WhatsApp can help pick up queries more quickly, while human interactions with contact centre staff can cement the customer relationship over the longer term.

UK organisations looking to weather the coming economic storm should therefore target resources at enabling quicker responses in the first instance, but prioritise the training of customer-facing staff to maintain relationships with buyers through slower, more human connections.

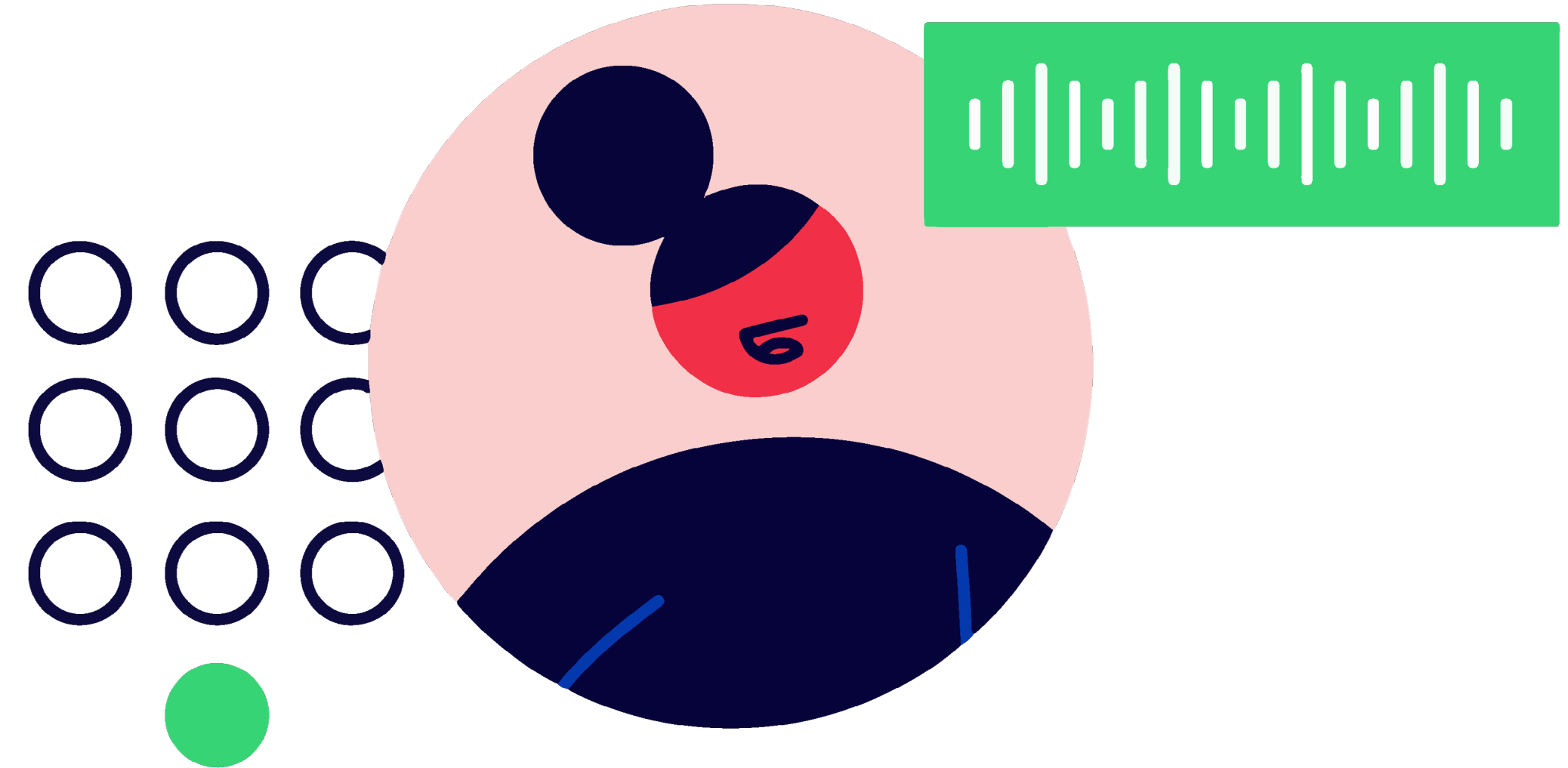
What is the most important reason that you think it is harder to contact brands:

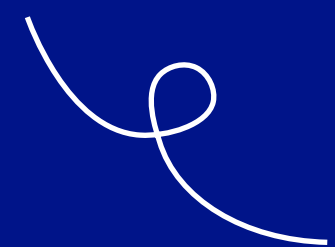


it takes too long to get a response



everything is online now





Conclusion

“Perhaps counterintuitively, the more digitally enabled businesses become, the more vital it is to adopt a human-centric approach in order to successfully acquire and retain customers. Even in digital channels, ensuring that all interactions with customers are as “humanised” as possible is critical.”

Professor Andrew Stephen, deputy dean & L'Oréal professor of marketing, Saïd Business School, University of Oxford

The results of our survey make it clear: in the relationship economy, the success of a business is built on the strength of the connections it creates with customers. Customers want speed, but this hides two other key attributes to building a strong relationship in challenging economic times: expertise and emotional connection. In the relationship economy, customer service and brand loyalty drive customer decisions. Despite this revolution in the business-customer relationship, many businesses still need to make significant progress toward developing their ability to engage with it. **Recent research** shows 52% of consumers still want better engagement from the brands they interact with - despite many industries delivering improved response times during the course of the pandemic.

Customers expect to have friendly interactions with organisations they engage with, but this often only blossoms in the face of expertise and human interaction. A large part of those human connections are ultimately built upon your customer support agents. As the primary human face of your business, customer support staff will remain among the most important business assets. In many ways, customer expectations haven't changed at all: if they have a problem, the people buying from you simply want a solution. Businesses' key priority should be to deploy their support agents across multiple touchpoints, armed with the best tools and information - to ensure successful customer interactions.

Delivering on customer expectations will create the kind of customer satisfaction and loyalty that hinges on great customer engagement. As we enter more challenging economic times, the businesses that prioritise this relationship building will see the greatest rewards. Trust and loyalty are not things that can be built rapidly. It takes investments of both time and resources. But businesses challenged by the ongoing economic conditions will feel its absence more acutely. **Twilio's State of Customer Engagement Report 2022** found that 61% of consumers say they'll stop using a brand if their experience isn't personalised. Similarly, a report by **Deloitte** found that companies that focus on the human experience are twice as likely to outperform their peers in revenue growth over a three-year period and have 17 times faster growth than those that do not.

In other words: human connections matter.

Ultimately, these great connections begin with great data. Unlocking the power of first-party data is key to better understanding customer journeys and improving support agents' access to insights and data, which will ultimately foster the deeper connections businesses need to thrive in the relationship economy.





**To learn more about how you can
deepen your customer relationships,
contact Twilio today**

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