

Predicts 2016: Excellent Customer Experiences Hinge on Continuous Digital Experiences

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Delivering a great customer experience increasingly hinges on creating the best digital experience for users. Product managers should focus on the value and the integrated experience they bring to users, rather than the technology involved.

Key Findings

- The business-to-business (B2B) digital customer experience should be truly outside-in and comparable to the best business-to-consumer (B2C) examples because consumer apps and services are defining expectations of the digital experience for all types of buyers.
- Currently, users have various ecosystems in their homes that do not integrate with one another. By 2018, the various systems will increasingly start "talking" to one another, creating new digital experiences.
- Voice will be an increasingly utilized user interface on smartwatches, Bluetooth headsets and other communications-focused wearables because the small screen size, or the lack of a screen, on wearables makes a touch interface less convenient to use.
- During the next four years, app developers will advance their user experiences to create an app interaction model that removes reliance on icons and siloed app experiences to one that bridges apps into a seamless flow.

Recommendations

Product managers should:

- Be much more engaged with the business, marketing and product strategy, not as a "supplier," "procurer" or "maintainer" of technology, but as a leader and partner in the customer experience initiatives.
- Look to consumer products for examples of customer experience, regardless of whether you are providing B2B or B2C solutions.

- Start with an outside-in approach by understanding the wants, needs and expectations of the user, and then designing the connected-home solution that will create compelling digital experiences and ultimately demand.
- Use virtual personal assistants as a platform for new app interactions by transforming traditional app screens into interactive, responsive and personalized app content.

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Strategic Planning Assumptions

By 2020, poor customer experiences will destroy 30% of digital business projects.

By 2018, 40 devices and things per household in mature markets will talk to one another, creating continuous digital experiences.

In 2017, apps will always be listening for commands on 100 million wearable devices.

By 2019, 30% of mobile apps will disappear, and in their place will be a continuous experience of flow between app functionality and content.

By 2017, 75% of client devices will use multifactor authentication to access devices and systems.

Analysis

What You Need to Know

Product managers need answers to questions on how they should plan their next product or service portfolio and what type of experiences users are expecting in the near future.

What we do know is that the customer experience (CX) will become the new battleground for providers. Supplying a customer experience that is superior to your competitors will be key, and the enablers for a superior experience will hinge on creating seamless and continuous digital experiences. The users are at the heart of the shift toward the CX. They are demanding new

experiences and expecting to be able to use myriad devices, wearables and apps — and, in some instances, connected-home solutions that connect and seamlessly talk to one another.

Strategic Planning Assumptions

Strategic Planning Assumption: By 2020, poor customer experiences will destroy 30% of digital business projects.

Analysis by: Tiffani Bova, Christine Adams

Key Findings:

- The business to business (B2B) digital customer experience should be truly outside-in and comparable to the best business to consumer (B2C) examples because consumer apps and services are defining expectations of the digital experience for all types of buyers. Even experienced digital practitioners are still learning how to balance consumers' expectations of anytime, anyplace within B2B engagements. In a recent Gartner survey of digital business leaders, 59% of participants indicated the world of digital products, services and channels was *brand new* to their organization.
- When it comes to customer experience, B2B technology and service providers are at a special disadvantage in that they already lag their B2C peers in digital budgets, know-how and mindset. The imperative to get to market quickly by simply digitalizing existing processes, systems and customer engagement models further widens the capability gap for all organizations.
- For these providers, "newness" and some initial proof of concept (POC) projects might produce early interest, but buyers will ultimately "vote with their feet" if a subpar CX persists. These customer defections will be most prevalent in areas like loyalty programs, in which multiple options and relatively low switching costs exist.
- Competitive differentiation — achieved through a strategic decision to invent better products that are hard to imitate or by being the most efficient producer of a service — has diminished over time. What remains the same is how challenging it is to create a superior CX that will serve as a sustainable differentiator.

Market Implications:

- By 2016, 89% of marketing leaders expect to compete primarily on the basis of customer experience, up from 36% four years ago, and they are looking for CX to be the next competitive battlefield.
- By 2018, more than 50% of organizations will implement significant business model changes in their efforts to improve customer experience.

Recommendations:

- Product management must be more engaged with the business, marketing and product strategy, not only as a supplier, procurer or maintainer of technology, but also as a leader and partner in the customer experience initiatives.
- Look to consumer products for examples of customer experience, regardless of whether you are providing B2B or B2C solutions.
- Double the amount of time you spend externally facing to better understand customer expectations. While surveys and feedback loops are important, getting in front of customers to see how they experience your brand may provide otherwise hidden insights.
- Define what success looks like for your organization and measure success using meaningful CX metrics and ROI. These metrics are essential tools for driving improvements across the organization.
- Ensure you bring cross-functional stakeholders to the table in the planning and execution of your CX projects. This will ensure you are aligned around a common set of goals, metrics and requirements.

Related Research:

"Build a Better B2B Customer Experience Program"

"Customer Experience Is the New Competitive Battlefield"

"2015 CEO Survey: Committing to Digital"

Strategic Planning Assumption: By 2018, 40 devices and things per household in mature markets will talk to one another, creating continuous digital experiences.

Analysis by: Jessica Ekholm

Key Findings:

- The installed base of Internet of Things (IoT) units in the home will reach 10,553 million by the end of 2020. These things and devices will range from health and fitness products, to IoT-enabled home appliances, to home automation hubs.
- Users currently have various ecosystems in their homes that do not integrate with one another; for example, one ecosystem for fitness and health and one for the connected-home services. By 2018, we expect the various systems to increasingly start talking to one another, creating new digital experiences.
- The increase in the adoption of IoT-enabled things in the home will be fueled by several factors. These include an increased supply in things that will be enabled by IoT, such as home appliances, and also a greater demand from users to be able to integrate more things.

Market Implications:

- Device and home appliance manufacturers will increasingly enable their products for the IoT, not only to stay ahead in the race toward IoT supremacy, but also to reap new revenue opportunities.
- Connected-home providers will focus on integrating an increasing number of things and sensors in the home to create an integrated digital experience for the user.

Recommendations:

- Product managers should start with an outside-in approach by understanding the wants, needs and expectations of the user, and then designing the connected-home solution that will create compelling digital experiences and ultimately demand.
- Focus on the true value you bring to users, not the technology, and clearly communicate to users the value of your connected-home solution.
- Focus on your competencies but identify partners that already excel in connected-home solutions, such as D-Link, Essence or Bkav, which can help propel your solution in the connected home.

Related Research:

"Forecast Alert: Internet of Things — Endpoints and Associated Services, Worldwide, 2015"

"Mobile Apps Survey: What Do App Users Want?"

"Hype Cycle for Consumer Services and Mobile Applications, 2015"

"IT Leaders Should Drive to Perfect the Customer Experience Through Mobile Apps"

Strategic Planning Assumption: In 2017, apps will always be listening for commands on 100 million wearable devices.

Analysis by: Angela McIntyre

Key Findings:

- Voice will be an increasingly utilized user interface on smartwatches, Bluetooth headsets and other communications-focused wearables because the small screen size, or the lack of a screen, on wearables makes a touch interface less convenient to use.
- Smartwatches with advanced versions of the Watch OS and wearables with advanced Android Wear OSes will enable users to give commands, query virtual personal assistants (VPAs) and send short texts.

- Smartwatches will connect directly to cloud services and VPAs via Wi-Fi when users are out of Bluetooth range of the smartphone. Users will become used to having their smartphones out of reach when at home, so they will often use the voice user interface on their smartwatches.
- Apple Watch apps for business using voice became available in 3Q15. For example, voice notes can be made through the Apple Watch with Evernote and Salesforce Analytics Cloud, and TaskRay enables voice dictation to create new tasks.

Market Implications:

- App developers for smartwatches will include more features that can be controlled via voice. Users could ask questions with natural-language speech. If so, most of the speech recognition might need to be analyzed in the cloud through an engine, such as one from Nuance or Audience.
- OS developers for smartwatches are likely to add the capability to launch and navigate through apps on the devices through voice commands. The apps may be awakened through the VPA after hearing a key phrase, such as "Hello, Siri. Show me my workout dashboard," or "Ok Google, update status of Task 1 to complete."

Recommendations:

- Product managers should provide a list of audible commands that will wake up the app to capture and analyze voice data from the smartwatch, such as, "make a note," or "translate this to English." Similar audible prompts are found on Bluetooth headsets, such as the Plantronics Voyager.
- Product managers and app developers will need to trade off the potential speed of processing commands on the wearable device versus in the cloud with the limitations of speech analytics and storage on the device itself.
- The settings menu for the app should allow users to customize the maximum number of seconds the voice capture records after one prompt and let users disable voice as a user interface. As a best practice, enable users to give permission for voice commands, similar to how users can customize which apps can use location tracking data.

Related Research:

"Wearables: New Interactions and New Opportunities"

"Bank CIOs Must Address the Security Risks of Wearables Now"

"Semiconductor Forecast Database, Worldwide, 3Q15 Update"

Strategic Planning Assumption: By 2019, 30% of mobile apps will disappear, and in their place will be a continuous experience of flow between app functionality and content.

Analysis by: Brian Blau

Key Findings:

- During the next four years, app developers will advance their user experiences to create an app interaction model that removes reliance on icons and siloed app experiences to one that bridges apps into a seamless flow. The change of user interface won't impact all apps initially, such as video games, which tend to be singular experiences with high session times. But most apps will benefit from new OS platform features that allow app developers to link apps together, or they will integrate with one of the emerging VPA or messaging platforms, which will also provide a simplified user interface for apps that connect with those services.
- As this transition unfolds, the change in app usage means bypassing traditional app interfaces. Today, that interface consists of finding an app, touching the app icon, launching the app, and then navigating to the correct screen. In this future scenario, the app screen is the central focus, and its links to other apps will mean skipping the process of finding the next app to use, as the link will take users directly to the next app. That experience of flow, going from one app to another, will make app usage more efficient and quick and will result in developers being able to address user needs without adding extra steps or screen clutter.
- There are a number of emerging technologies that will allow app developers to advance their user experiences: deep linking, VPAs and messaging platforms. All three, and their advanced features coming in a few years' time, will enable app developers to significantly alter how their users interact with virtual content, cloud services and personalization. These new technologies allow app developers to link one app to another without the need for the user to exit the app or start from the device's home screen.
- Direct app linking will allow for a more refined app experience and will allow app developers to connect one piece of app content to another one in a separate app. VPAs and messaging apps will leverage deep linking, but they will also become important platforms on their own. These new communication platforms will recruit app developers with full-service APIs and offer them opportunities to integrate their services into very popular mobile messaging systems, such as Facebook Messenger, WeChat, Google Now, Cortana or even Siri.

Market Implications:

- The market for mobile apps will significantly transform as apps compete for their place across the domain of deep links. This indicates that app interfaces will now depend on those links as the conduit for user engagement, compared with today's app interface, in which users rely on app store discovery as the main mechanism for finding app content.
- For app creators, this opens another new opportunity for user engagement, but it is also one that will challenge them to discover new ways to find digital touchpoints with their users. The problem lies within the app store discovery mechanism. Today, app developers can't get noticed in the app store, as there are more than 1.5 million apps in each of the iOS and Android app stores. The stores themselves can show only a tiny portion of available apps, and those without a growing user base, front-page app store exposure or a well-known brand find it very difficult to attract and maintain app users.

- This situation may be improved by app linking, as more apps will have the opportunity to promote the specific content they want interaction on. But linking also has its drawbacks for unknown apps, as linking alone won't solve the discovery or app branding issues. Integrating with VPAs and messaging apps will help with discovery, as new apps and brands will appear in line with content. While this represents a new chapter for discovery, it could limit app interaction time, as the continuous flow means users focus on a task versus a branded app experience.

Recommendations:

- Investigate and integrate with mobile OS deep linking technology capabilities to position apps for all possible endpoint use cases.
- Use VPAs as a platform for new app interactions by transforming traditional app screens into interactive, responsive and personalized app content.
- Leverage messaging platform technologies to add short-form content, service and advertising extensions to existing app experiences.

Related Research:

"Mobile Apps Survey: What Do App Users Want?"

"Predicts 2015: Connected-Home Experiences Will Center on Video and Apps"

"Hype Cycle for Consumer Services and Mobile Applications, 2015"

"Virtual Personal Assistant Use Is Growing, but Usage Functions Are Still Limited"

"Market Trends: Smartphone App Users Are Concerned About Privacy, but Are Conflicted Over How to React"

Strategic Planning Assumption: By 2017, 75% of client devices will use multifactor authentication to access devices and systems.

Analysis by: Werner Goertz, CK Lu

Key Findings:

- The combination of voice and facial recognition, biometric analysis, and other disruptive technologies in the human-machine interface enable device authentication and user authentication that is secure, less error-prone (false acceptance rate [FAR] and false recognition rate [FRR]) and more user-friendly.
- Multifactor authentication schemes support user device portfolios and optimize the authentication process according to the device form factor.
- Biometrics will deliver a personalized experience for household members based on their preferences and habits. It will be used for easy authentication for security, safety and parental control.

Market Implication:

- Silicon vendors, such as Intel; OS platform providers, such as Apple, Microsoft and Google; and end-user organizations are embracing methods of authentication that can replace the password. A combination of multiple authentication factors is being adopted as a secure and viable alternative.

Recommendation:

Product managers must equip devices with the hardware (cameras, microphones and biometric readers) and software (object recognition and noise cancellation/reduction) to optimize reliable, error-free multifactor authentication.

Related Research:

"Hype Cycle for Human-Machine Interface, 2015"

A Look Back

In response to your requests, we are taking a look back at some key predictions from previous years. We have intentionally selected predictions from opposite ends of the scale — one where we were wholly or largely on target, as well as one we missed.

On Target: 2013 Prediction — By 2015, most apps will sync, collect and analyze deep data about users and their social graph.

Analysis around users and their behaviors has become common practice among the majority of apps, not only to relay information about users for segmentation purposes, but also to make apps more contextual to users. VPAs such as Siri, Amazon Echo and Google Now are only a few examples of how data analysis has developed since 2013.

Missed: 2011 Prediction — By 2015, mobile payments will account for 5% of consumers' electronic transactions worldwide.

With the introduction of Apple Pay and retail banks increasingly transforming themselves into digital businesses to keep up with user demand, mobile payments now account for up to 10% of consumers' electronic transactions worldwide.

Gartner Recommended Reading

Some documents may not be available as part of your current Gartner subscription.

"Forecast Alert: Internet of Things — Endpoints and Associated Services, Worldwide, 2015"

"Mobile Apps Survey: What Do App Users Want?"

"Hype Cycle for Consumer Services and Mobile Applications, 2015"

"Wearables: New Interactions and New Opportunities"

"Bank CIOs Must Address the Security Risks of Wearables Now"

"Semiconductor Forecast Database, Worldwide, 3Q15 Update"

"Predicts 2015: Connected-Home Experiences Will Center on Video and Apps"

"Hype Cycle for Consumer Services and Mobile Applications, 2015"

"Virtual Personal Assistant Use Is Growing, but Usage Functions Are Still Limited"

"Market Trends: Smartphone App Users Are Concerned About Privacy, but Are Conflicted Over How to React"

"Hype Cycle for Human-Machine Interface, 2015"

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