

Julia Ahlfeldt **CCXP**

Rogerwilco

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you

The 2023 South African Customer Experience Report

2023

FOREWORD

In this, the fifth annual edition of The South African Customer Experience Report, digital agency Rogerwilco, market research company, ovatoyou and Julia Ahlfeldt CX Consulting take a deep dive into South African sentiment around the moments of delight and disappointment we experience in our daily lives.

As with the previous four versions of the report, we polled some 2 000 South African consumers to glean insights on the good and bad. While past iterations of the research interspersed the consumer feedback with commentary from senior marketing practitioners, for this year we issued a separate survey to business executives allowing us to compare and contrast the corporate view from the consumer one. The survey included an open invitation for all participating business leaders to provide additional follow-up commentary on our findings. Our expert panel this year is made up of those who opted to provide additional feedback on the record.

After a strong ecommerce skew in the 2022 edition, this year's report takes a more holistic look at the state of customer experience. While it retains a strong digital focus, it looks at CX in an omnichannel fashion that aligns with the blurred boundaries that most of us see in our engagements with brands.

One of our insights is that we've begun to settle in online and are close to reaching a plateau in terms of the number of South Africans who shop online. That's not to say that ecommerce spend isn't growing - more a reflection that

we're closing in on the peak of those who have the funds and connectivity to transact through online channels. Speaking to omnichannel, we see continued growth in the role that digital research and discovery has in influencing purchase - regardless of whether this is at a webcheckout or a physical point of sale.

But, arguably, the report's key finding is around a troublesome malaise - that good is fast becoming considered good enough when it comes to experience expectations. Perhaps it's the economy, perhaps the gradual decline of South Africa's infrastructure, perhaps a reflection of life in a world saturated with messages and distractions. Whatever the reason, it's evident that all too many of us have lowered our expectations of what a great customer experience is. Our

panellists report delight when receiving what many of us would consider to be very average experiences. This insight has informed the design concept of this year's report which, with a touch of irony as a hat tip to this feedback, uses visual elements showing a slight jar / unfocused imagery.

While it might not take much to thrill us, when we have really substandard service

experiences we're still prone to speak up. Indeed, we've seen a sharp rise in sentiment towards negative moments with more telling friends and family about poor experiences than in previous years.

Another troubling area is our attitude towards data sharing. Two fifths of our respondents claim to be comfortable with the amount of personal data that companies collect on them. With phishing and ransomware at an all time high (as are fines to corporates who 'lose' or misuse this data), we hope this will correct over time as people become more aware of the risks of oversharing.

The final section of our report looks at levels of consumer satisfaction across various industry verticals, including the public sector. It'll be no surprise to our readers that government fares particularly poorly. What is interesting, however, is the disconnect between the sectors consumers rate highly (fast food and grocery retail) and the industries our business audience benchmark their CX efforts against (palpably not fast food and grocery).

'Good' is fast becoming considered 'good enough' when it comes to experience expectations.



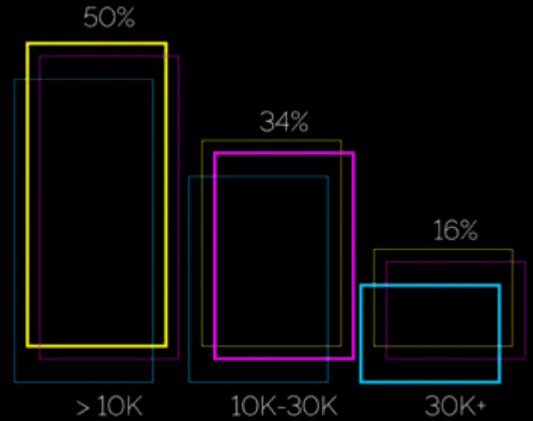
ABOUT THE RESEARCH

The 26 question consumer survey was served to ovatoyou's panel of 30 000+ online South Africans through its mobile and web apps and promoted on social media platforms during the second quarter of 2023. In total 2 000 consumers completed the survey. The sample's demographics are:

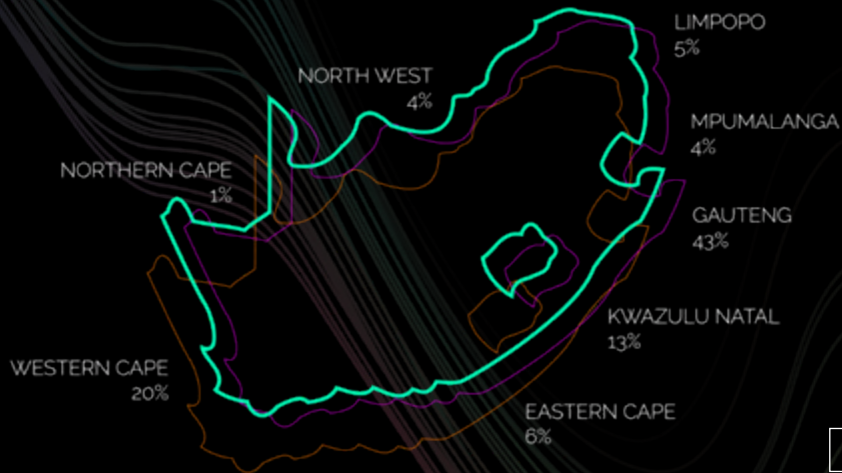
GENDER



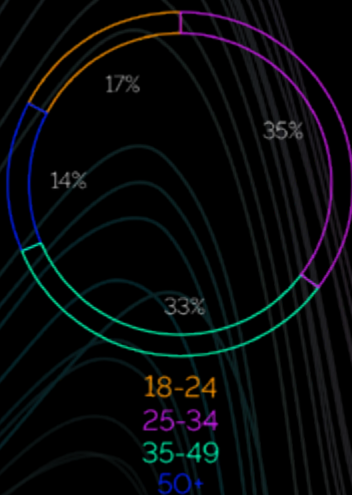
HOUSEHOLD INCOME



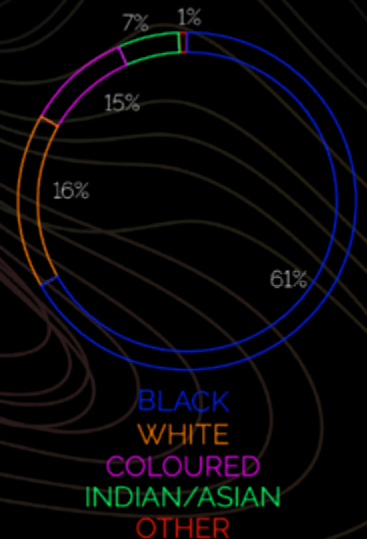
PROVINCE



AGE



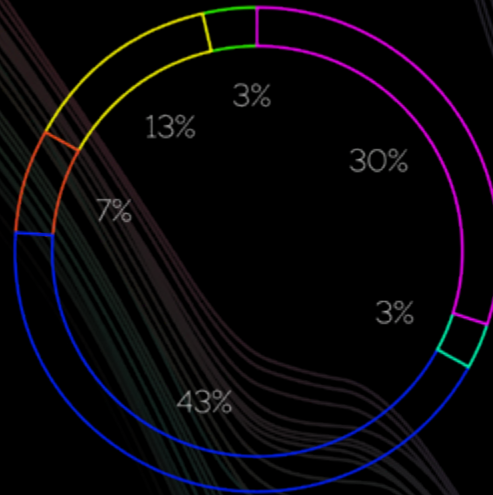
RACE



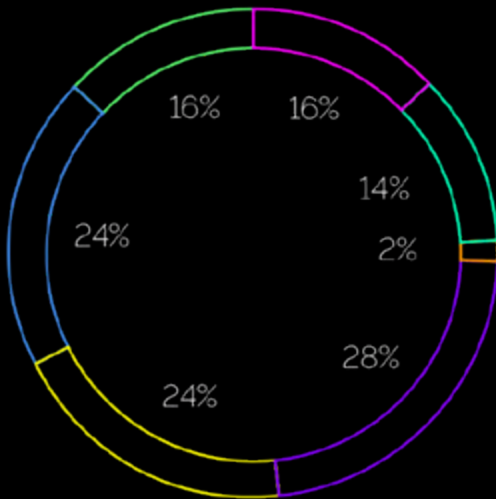
For our business survey, we posed 20 questions to senior executives holding roles in marketing, CX, operations, product and IT across a variety of industries. A total of 50 completed responses were received.

DEPARTMENT

CX
IT
MARKETING
OPERATIONS
PRODUCT
OTHER

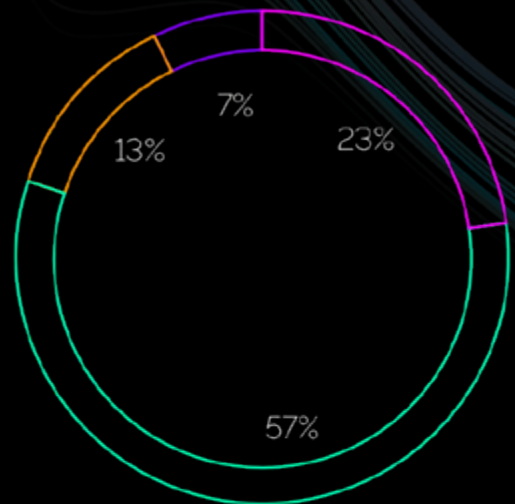


INDUSTRY



CONSULTING
FMCG
EDUCATION
FINANCE/INSURANCE
RETAIL
TELECOMS
OTHER

POSITION



C-SUITE
SENIOR MANAGEMENT
MID MANAGEMENT
OTHER

THE REPORT AUTHORS



Amanda Reekie

ovatoyou

Amanda Reekie is an experienced brand strategist and researcher who thrives on uncovering insight and wrangling meaning out of data. She has over 30 years of marketing and consumer insights predominantly in retail, e-commerce and in fast-moving consumer goods but works across all sectors. She is the founder of ovatoyou, an HTML and app based research tool with an associated panel of over 30 000+ online South Africans. Amanda was nominated for Shoprite/Checkers woman of the year in 2006 for the womenNATION project.



Charlie Stewart

Rogerwilco

Charlie Stewart is chief executive of Rogerwilco, the Financial Mail AdFocus 2021 Digital Agency of the Year. He has worked in the marketing industry for over 30 years. A Scot by birth, he began his career in London before moving to South Africa in the early 2000s. At Rogerwilco he takes a leadership role in crafting high impact ROI generating marketing interventions for the agency's multinational clients. His book on marketing strategy, co-authored by Mark Eardley, was published by Penguin Random House in 2016.



Julia Ahlfeldt CCXP

Julia Ahlfeldt CX Consulting

Certified Customer Experience Professional (CCXP), Julia Ahlfeldt has dedicated her career to helping organisations gain market leadership through customer-centricity. She has worked with the C-Suite of leading brands including Virgin, Old Mutual and American Express to deliver on their brand promise and foster customer loyalty through great experiences. Julia is also the producer and presenter of the podcast Decoding the Customer, which explores business trends and innovation in customer experience.

EXPERT PANEL



Clint Payne CCXP

Customer Experience Consultant

Clint is a certified customer experience professional. Prior to establishing his own consultancy he was CX Principal at MultiChoice Group and Executive: Customer Experience at Virgin Mobile. He's made it his mission to translate CX theory into actionable, practical advice.



Dominique d'Hotman

Chief Strategy Officer - ooba

Dominique is a seasoned strategy formulation and execution professional with a proven track record in the fintech and proptech venture spaces. He loves coupling design thinking methodologies with robust data analysis to deliver enhanced customer experiences.



Jennifer Coetzee

Executive: Customer Experience & Brand - BNP Paribas

Jennifer has 20+ year's general marketing management experience and has worked for brands including Old Mutual, Pernod Ricard and Capitec. She currently leads the customer experience and brand function at BNP Paribas (trading as RCS). Her life's mission is to put people at the centre of their business through strategy & collaboration so they can grow at scale.



Joshua Shimkin

Head of SME Growth & Marketing - Peach Payments

Joshua Shimkin is an accomplished business leader with nearly 20 years of digital experience. He has successfully built businesses from scratch in Fortune 500 companies and startups using design thinking and lean startup methodologies, driving significant revenue growth, profitability, and brand awareness. At Peach Payments Joshua is responsible for scaling marketing efforts and SME sales across Africa. He holds an MBA in Finance and Marketing from NYU Stern School of Business.

EXPERT PANEL



Kia Abbott CCXP

Chief of Customer Value - Virgin Active

Kia's a Certified Customer Experience Professional who's worked with some of South Africa's leading brands including Cape Union Mart, Capitec and Shoprite where she was involved with the company's Xtra Savings rewards programme. She has extensive consulting experience across strategy, innovation and communication, and is a passionate customer champion, using customer experience strategy and data-driven insights to solve business problems.



Madeleen van den Berg

Head of CX Measurement - Nedbank

Madeleen has been part of the client experience community for the past 15 years. Prior to banking, she was a research executive at a market research company, with clients ranging from FMCG to medicine and aviation. She was also part of the AMPS team and ran employee engagement and mystery shopping programmes for clients across a variety of industries.



Mumbi Odame CCXP

Head Of Customer Experience and Design - Rand Merchant Bank

Mumbi was one of the first three Certified Customer Experience Professionals (CCXPs) in Africa. She has diverse and significant experience in the financial industry. She has a passion for strategy and people giving her an edge in developing and implementing CX strategies underpinned by a truly human element.

1. RARE MOMENTS OF DELIGHT AS CUSTOMER EXPERIENCES SLIDE

South African consumers' expectations of what constitutes quality customer experience are disturbingly low. While this creates tremendous opportunities for organisations who invest in delivering quality customer care, it suggests that all too few companies have recognised how transformative an effective CX strategy could be to their bottom lines.

For the 2023 report, we posed an open-ended question to our consumer panel, asking them to tell us about the last time an organisation or brand delighted them with a service experience.

While there were pockets of excellence where companies really did go above and beyond to delight, in the main, the responses paint a demoralising picture, suggesting that we are so inured to failure and disappointment that delight is about little more than getting the fundamentals right.



Madeleen van den Berg, head of CX Measurement at Nedbank, believes that customer experience is directly correlated with socio-economic factors which become very visible in developing countries like SA. “We can try to influence culture to some extent, but it doesn’t help telling a cashier to ensure that she has a smile on her face when she has R0 left in her bank account and doesn’t know how she will afford a winter uniform for her child”.

She maintains that organisations should start by acknowledging the underlying reasons for poor service delivery: “I am stressed, I am overwhelmed, I am not paid enough to provide for my family. These are all daily concerns for so many. But we can work upwards with staff, to inspire excellent service. It will be a long road, but worth it.”

A direct quote from one of our respondents illustrates South Africa’s current state of mind perfectly: “It was when I ordered from a food delivery company. The service was fast and the food was still warm and in good condition”. Another noted that: “My insurance company replaced a blown geyser within the expected time”.

“It’s quite eye-opening how little it takes to delight South African consumers”

JULIA AHLFELDT, CCXP

This level of service would likely be considered table stakes by organisations operating elsewhere in the world and illustrates that, locally, all that needs to be done to delight a customer is to perform the basics. Deliver the product on time and be available to resolve complaints.

“It’s quite eye-opening how little it takes to delight South African consumers”, Julia Ahlfeldt observes. “But brands should not be lulled into a sense of complacency. The prevalence of mediocre experiences opens the door for disruption.”

Dominique d’Hotman, Chief Strategy Officer at ooba, feels that the problem may lie with process. “Too many CX professionals have gotten stuck in the process and lose sight of the business objective that exceptional CX has to offer. Journey maps, service canvas, design thinking, DVF and the like are helpful tools / frameworks. It’s easy to use these to the letter and fail to deliver improved CX outcomes because the tools themselves do not create better outcomes. Understanding the customer objective and how to genuinely connect with them to produce these outcomes as guided by the tools and frameworks is what makes the difference.”

While acknowledging that there is much room for improvement in the way basic service provision is managed, Clint Payne has hope: “We are a resilient lot and carve out our space in the sun against all odds. However, from these low expectations, the only way is up - the opportunity lies in flawless delivery. The first step is to just ‘get it right’ - the contrast will help you stand out”. He advises brands to focus on the basics and worry about the ‘nice to haves’ later.



This leads into another key insight. Many of the reported moments of delight were rooted in empathy and human connection. Respondents reported multiple instances where their interactions with a company's employees elevated their perception of the brand: from the KZN resident who lost his credit card at a petrol station but was allowed to refuel his car so he could go home to collect the money to pay them; to the lady who was escorted to the front of a retailer's queue when a store assistant noticed that her baby was crying; and the individual who encountered a pharmacist who went the extra mile to help her maximise the benefit from her medical aid savings.

“Consumers expect that brands they engage with understand them at a deeper level and not just at a functional level and when this does not happen, the reaction is at an emotional level.”

MUMBI ODAME, RAND MERCHANT BANK

First Rand's Mumbi Odame believes there is a Covid legacy at play. “The pandemic, which led to an increase in empathy in the way people engage with one another, has caused a permanent shift in consumers' expectations. The level of empathy expected from people generally has been heightened. Consumers expect that brands they engage with understand them at a deeper level and not just at a functional level and when this does not happen, the reaction is at an emotional level.”

Virgin Active's Chief of Value, Kia Abbott, offers guidance for companies as to how they can retain a human connection: “The businesses who get this right consistently see their digital and physical touchpoints as part of a single customer experience. They give customers the power to choose the right channel for their needs along each step of the journey. For a late-night password reset, an instant reply from a WhatsApp-bot might be ideal, but when navigating a complex financial decision they'd prefer a human interaction. Importantly, the data from both these channels needs to be attributed to that customer record so that whichever channel the customer chooses next, their experience is seamless.”

Discounts, promotions and reward programmes - which are mostly a core component of corporates' value propositions - were called out frequently as customer experience highlights. This is perhaps unsurprising given the pressure on household income. It was also true of companies' willingness to quickly resolve issues such as addressing mistakes and handling swap outs or returns.

Get the basics right and brands have the opportunity to unleash a band of micro influencers - as we will see in chapter four, South Africans continue to share news of good experiences with friends and family. But imagine the opportunity for those companies who go above and beyond.

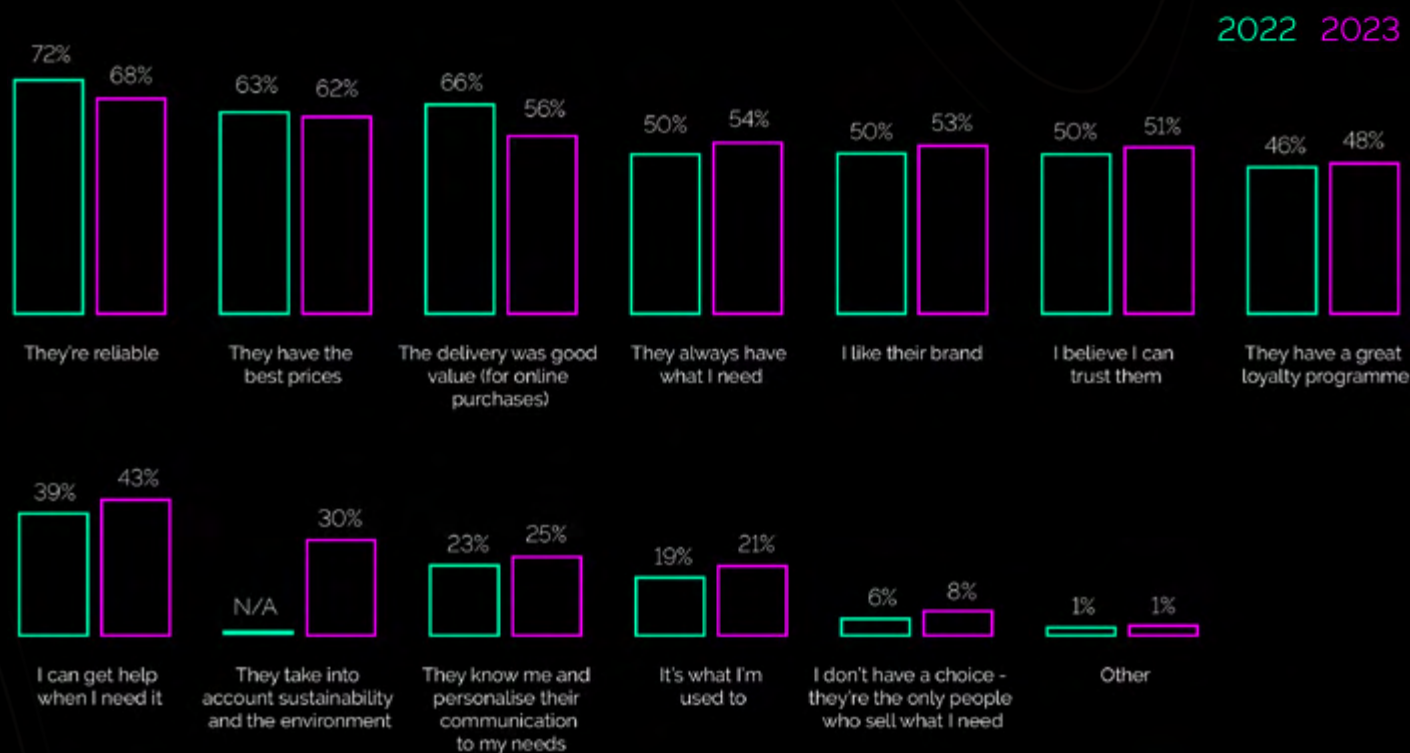
Despite this 60% of our business respondents report that they spend the majority of their time addressing known pain points in the CX journey with just 36% able to split their effort equally between resolving current issues and integrating moments of delight that could elicit strong advocacy into the customer experience.

Nedbank's van den Berg believes that while most businesses intend to integrate moments of delight, internal hurdles such as legacy systems and non-agile processes prevent them from getting ahead of the curve. As a consequence, she acknowledges that 95% of effort still goes towards fixing pain points. "It is possible to effectively use the 5% capacity to acknowledge and celebrate moments of delight. As time goes on, we will get to 10%, then 20% and hopefully one day 95% moments of delight and only 5% pain points."

With repertoire shopping (where loyal buyers are infrequent and purchase is spread across several brands) fast becoming

the new normal, delight is, we believe, an important lever in terms of not only switching but even retaining customers. Our data reaffirms, however, that reliability is the most important consideration consumers have when choosing to make a repeat purchase from a brand with 66% citing it as their key "factor". Although this was down from 72% in last year's study (perhaps speaking to the earlier observation that good enough is good enough), it still trumped value - having the best prices ranked in second place with 62% of respondents acknowledging the role of pricing in building loyalty.

Q: What encourages you to make repeat purchases from the same company? (Multiple select)



While good value delivery for online purchases remains important, its significance in driving repeat purchase fell from 66% in 2022's data to 56% this year. Other factors - from brand affinity to always having items in stock; and trust to the availability of loyalty programmes tracked in line with previous studies.

This year, we introduced a new factor into the question set: the role of ESG. Although corporate contribution to environmental, social and corporate governance only ranked in 9th position out of the 12 considerations, a full 30% of consumers acknowledge the role of sustainability in building loyalty.


In contrast to this consumer expectation, just 16% of our business audience confirmed that they consistently factor ESG into customer experiences. This reality may be a practical one in that trading conditions are tough. With businesses fighting so hard for margin and to keep the lights on, softer elements of the customer experience like ESG become less important. That said, if the consumer demand is there, it suggests that businesses are missing a sustainability trick that could create a positive point of differentiation and drive repeat purchase behaviour.

Consumers who would like companies to invest in ESG vs corporates factoring it into customer experiences



30%

The percentage of consumers who take sustainability into account when making a repeat purchase



16%

The percentage of business respondents who factor sustainability or ESG into their customer experiences all of the time

Kia Abbott, notes that it's hard for some businesses to invest in ESG when it's a layer on top of all the other requirements. "But for brands where it is woven into their core value proposition, it amplifies the rest of the messaging to deliver exponential impact. Simple Truth is a good example – it's about making life easier, so that the customer doesn't have to choose between cheap, convenient, and good for you and the planet. If you can give a customer all three together, 1+1+1=10."

In keeping with previous years, we asked our respondents what they would like e-tailers to do to enhance their online shopping experience. While the barriers to buying were down against all 13 measures (signifying the growing maturity of online consumers we speak to in the following chapter), logistics remains a critical consideration with customers calling for reduced fees and quicker delivery times. Although many e-tailers have successfully addressed this, some - particularly smaller merchants - still lag.

Interestingly, perhaps disturbingly so, last year's second most important consideration - the protection of consumer data - fell to third place and saw a decline in relevance amongst our consumer panel from 60% to 47%. This is happening at a time when social media platforms like Meta are being fined record amounts for mishandling personal data¹. There are demographic skews at play here - the older and wealthier you are, the more you're likely to worry about data privacy.

Given the ever escalating cost of customer acquisition and the evident benefits that accrue to organisations who, by virtue of delivering experiences that delight, generate consumer loyalty and retention, we asked our corporate respondents whether their businesses place greater emphasis on acquisition or retention. While 40% reported an equal split between the two, a mere 14% claim that customer retention is the key focus. It appears that

corporate South Africa continues to operate a leaky bucket business model, hoping to grow revenues by bringing in more customers than it loses. This is a troublesome state of affairs. It is, perhaps, fortunate for businesses that consumer expectations are as low as we suggested earlier in the chapter. But it also creates an environment that is ripe for disruption, where challenger brands can provide experiences that truly do delight.

Abbott explains that one of the possible reasons for this is that organisations need a better way to quantify the value of retention. "Acquisition is off a zero base, so the net gain is clear. When investing in an existing customer, you need to demonstrate the value of a sale that wasn't going to happen regardless of the intervention."

"If you can give your customers a reason to choose you one more time over a competitor, it can deliver significant uplift at far less cost than acquiring a new customer."

KIA ABBOTT, VIRGIN ACTIVE

She suggests that brands shift the narrative from retention to increasing share of wallet. "For most industries, from groceries to banking, very few customers are monogamous. If you can give your customers a reason to choose you one more time over a competitor, it can deliver significant uplift at far less cost than acquiring a new customer."

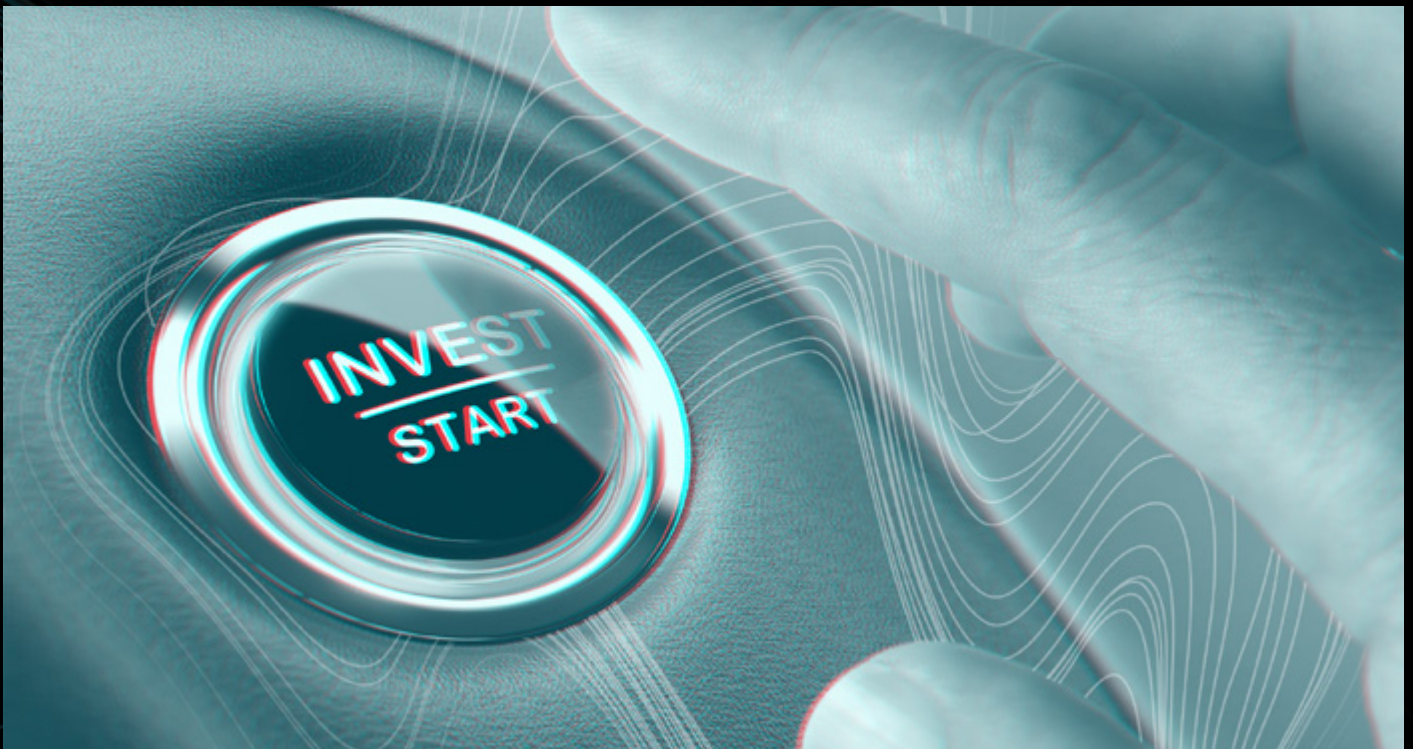
Clint Payne maintains that the holy grail of ROI is frequently illusive to organisations. "We often seek to understand the value of 'doing'.

CX ROI is not the value of doing something. CX ROI is the value in doing something well, a subtle but important distinction! Once you understand and can measure these distinct concepts, it will be clearer that the ROI of 'doing' is acquisition, but the ROI of 'doing' something well is retention."

This point is not lost on BNP Paribas' Jennifer Coetzee who acknowledges that for many businesses new customers are perceived to spend more than existing ones. "The sum of the lifetime value of a customer is never calculated. Or, like the depreciation of a new asset, the value of a customer is written off over a period of time, so their longer term, retained value is perceived to be less than their value at acquisition."

"...the ROI of 'doing' is acquisition, but the ROI of 'doing' something well is retention."

CLINT PAYNE, CUSTOMER EXPERIENCE CONSULTANT



Key Insights

- South African consumers are easy to please when experiences live up to expectations and reliability is the most important consumer consideration for repurchase
- Moments of true delight are often rooted in empathy and human connection
- South African businesses seem more focused on acquisition over retention, despite the acknowledgement that the latter has the power to deliver great business value

Actionable Outcomes

- Go beyond the basics and you'll lock customers in for life. Small, unexpected, moments that delight - think YuppieChef with its handwritten notes - will stand out amongst the experiences most deliver
- Use automation where it can improve efficiency, but ensure that human-to-human contact options remain available to improve customer experience
- Relook retention strategies. A well structured approach to CRM will likely be more effective - and less costly - than a full focus on net new customer acquisition

2. SETTLING IN ONLINE

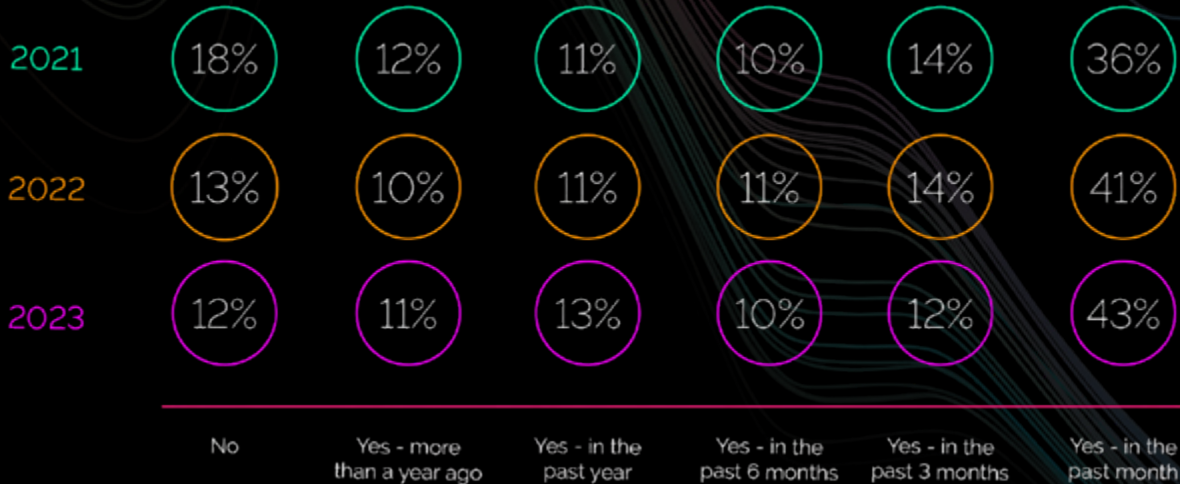
Over the past couple of years we've written much about the democratisation of ecommerce and the impact that factors like Covid-19 and work-from-home had in driving South Africans online.

With digital connectivity having almost reached saturation point - there are almost two SIM cards per capita in South Africa with 72% of the population being regular internet users¹ - this year's data suggests that while the overall value of ecommerce transactions continues to grow (Euromonitor anticipates that retail ecommerce sales will hit R60bn in 2023, a climb of 15% on 2022), the number of people who shop online has begun to plateau with 88% of our respondents having bought from a virtual store (last

year's number was 87% - a five percent climb on 2021). More than half (55%) have made a purchase in the last three months with 43% buying in the past 30 days. Our data suggests that frequent shoppers are more likely to be older and have a household income above R10 000.

Joshua Shimkin, Head of SME Growth & Marketing at Peach Payments makes the observation that the pandemic-related rush to move in-store commerce to digital channels is clearly over: "Most businesses have already taken that leap. The current economic climate has, in our experience with businesses of all sizes and industries, affected SMEs the most."

Q: Have you ever shopped online? (Single select)



Illustrating that South African consumers have begun to settle in online and are comfortable using digital channels, we saw sharp upticks in the number of people who use the internet to get ideas or discover products (61% - up from 46% last year), obtain customer service / resolve issues (rising to 45% from 37%) and post reviews. While we cover this final observation in more detail in chapter four, the growth from 32% to 38% suggests that not only are reviews continuing to support purchase decisions

but we're paying it forward by sharing feedback of our own experiences and creating a culture of shared value.

As Julia Ahlfeldt suggests: "Despite the plateau in the numbers of online shoppers, we're seeing a deepening of engagement with the way that consumers engage with brands online, especially during product research and discovery."

Q: Which parts of your process of purchasing a product are happening online? (Select as MANY as APPLY)



One of the key benefits of using the internet for research is that it offers those with the time and inclination the opportunity to hunt out bargains - many of our respondents indicated that they regularly scour ecommerce platforms, retailer sites and social media pages for deals. This aligns with feedback from one of our business contributors who runs an ecommerce site and affirms the growing popularity of bargain hunting.

“Shopping trends spike when products are discounted and we see increased use of coupons or other discount redemption methods.”

ECOMMERCE SITE OWNER

“We continue to see growth in customer acquisition but it’s very much in the mid to higher LSM market which supports the finding that we’re reaching something of a plateau in terms of access to ecommerce. Shopping trends

spike when products are discounted and we see increased use of coupons or other discount redemption methods.”

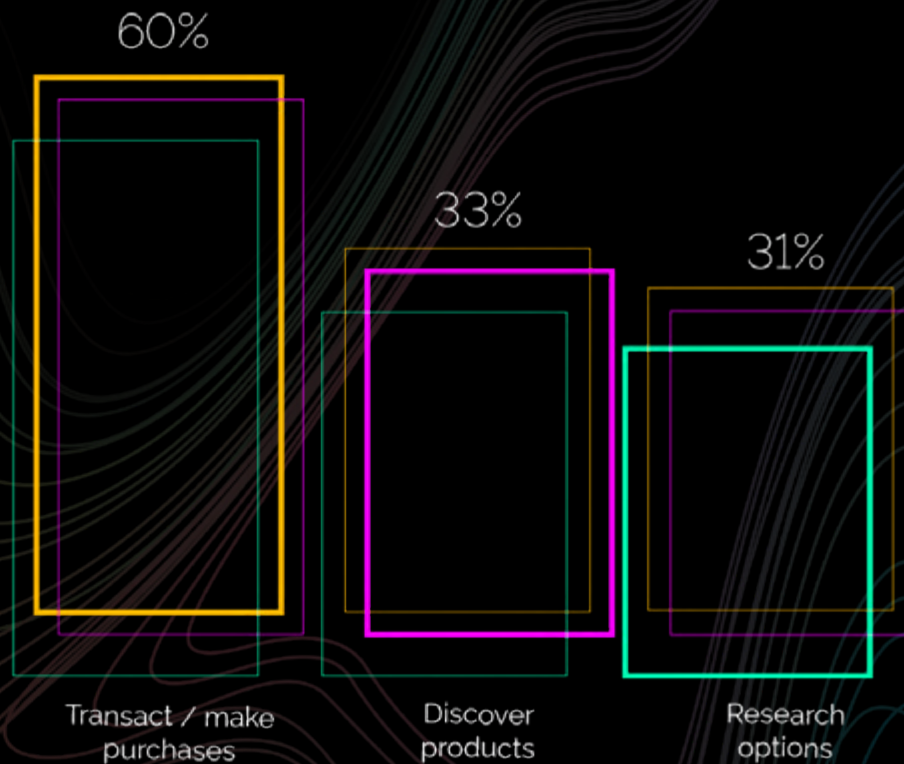
In last year’s study we linked the value of online research and discovery to the broader retail economy by utilising StatsSA’s standard industry classification of retail trade. This year we conducted a further analysis of how our panel uses digital to inform purchase decisions across six core consumer categories - groceries; non-grocery retail; restaurants and fast food; domestic travel and accommodation; communication (largely cellular and fibre connectivity); and automotive. In aggregate the total market spend in these categories for the full 2022 year (the most recent period for which StatsSA and our other reference sources have data²) was just under R2 trillion which represents some 43% of GDP.

The restaurant and fast food sector saw the largest proportion of online transactions with 60% of our respondents having made online purchases. While takeaways have always been popular in South Africa, loadshedding has driven demand to even higher levels with restaurants reporting sales volumes rising by as much as 60% during levels 5 and 6³.

Q: Thinking about your interactions with different types of organisations and businesses, when do you primarily use online channels? (Select as MANY as APPLY)

RESTAURANTS & FAST FOOD

Consumers' digital engagement



¹ <https://datareportal.com/reports/digital-2023-south-africa?rq=digital%202023%20%3A%20south%20africa>

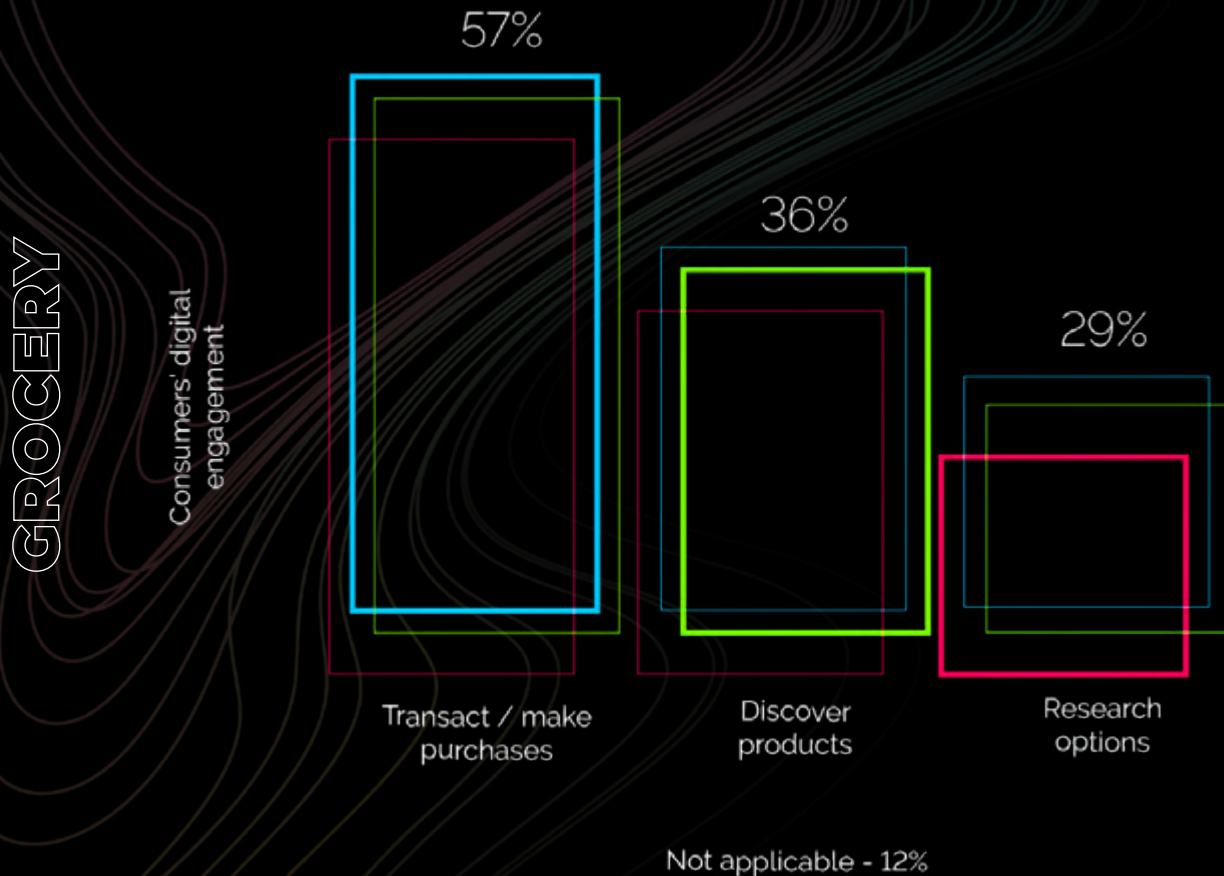
² See explanatory notes to calculations in appendix

³ <https://www.iol.co.za/lifestyle/food-drink/blackout-take-out-are-people-spending-more-on-fast-food-during-stage-6-load-shedding-a1bb152b-9edc-41b8-9296-a2ad2d5d71ce>

Interestingly, this segment reported one of the lower rates of product discovery (33%) and research (31%), suggesting that effective advertising is driving consumers straight to the online checkout. Even so, an extrapolation of the data infers that online product discovery influences as much as R15.1bn and online research up to R14.2bn of South Africans' restaurant and fast food spend. The sector is estimated to account for around 14% of the country's GDP⁴.

In terms of purchase propensity, the restaurant and fast food category was followed closely by the grocery segment where 57% had made online transactions. Just over a third of grocery shoppers (36%) were using the internet to discover products with 29% using it for research.

Q: Thinking about your interactions with different types of organisations and businesses, when do you primarily use online channels? (Select as MANY as APPLY)

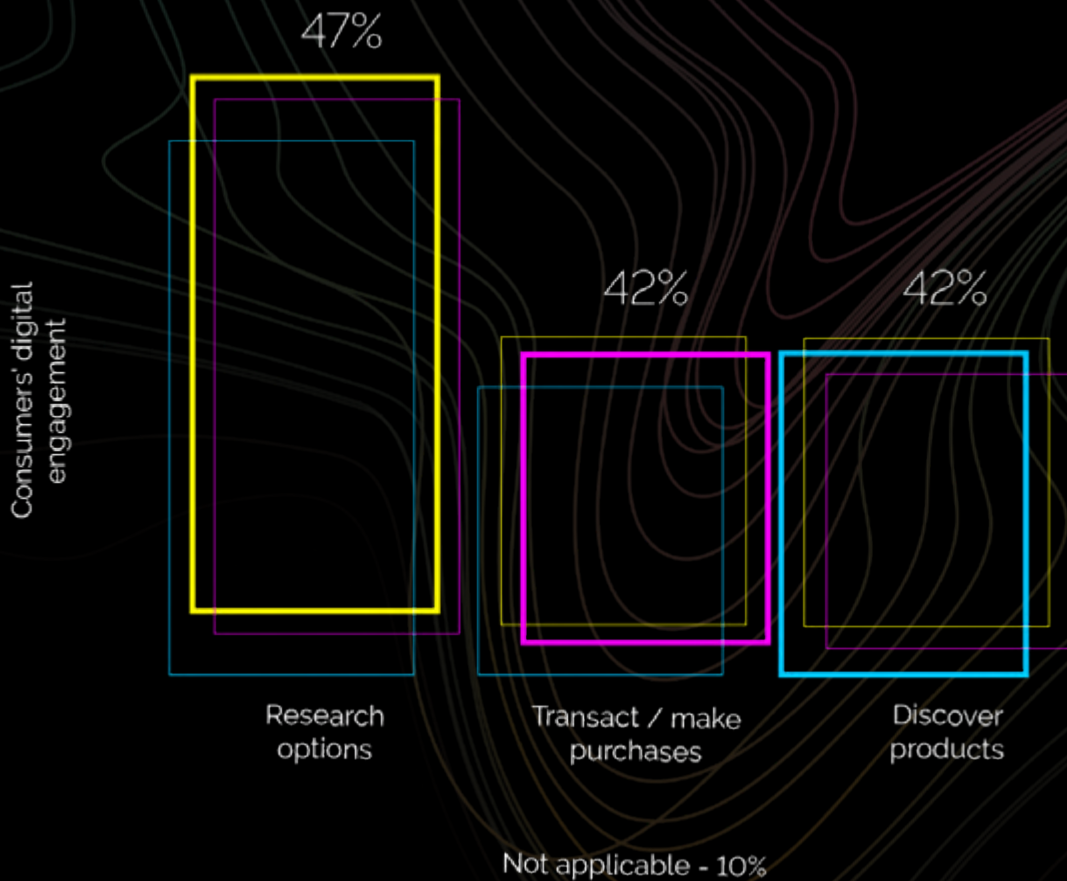


⁴ <https://www.businesslive.co.za/redzone/news-insights/2023-06-15-fast-food-brands-prove-their-agility/>

COMMUNICATION (MOBILE PHONES & INTERNET)

The numbers were flipped in the communications segment where 47% claimed they researched services online with 42% making purchases or discovering products. The higher level of research could be due to the confusing price points and airtime / data plans that typify the communications sector.

Q: Thinking about your interactions with different types of organisations and businesses, when do you primarily use online channels? (Select as MANY as APPLY)

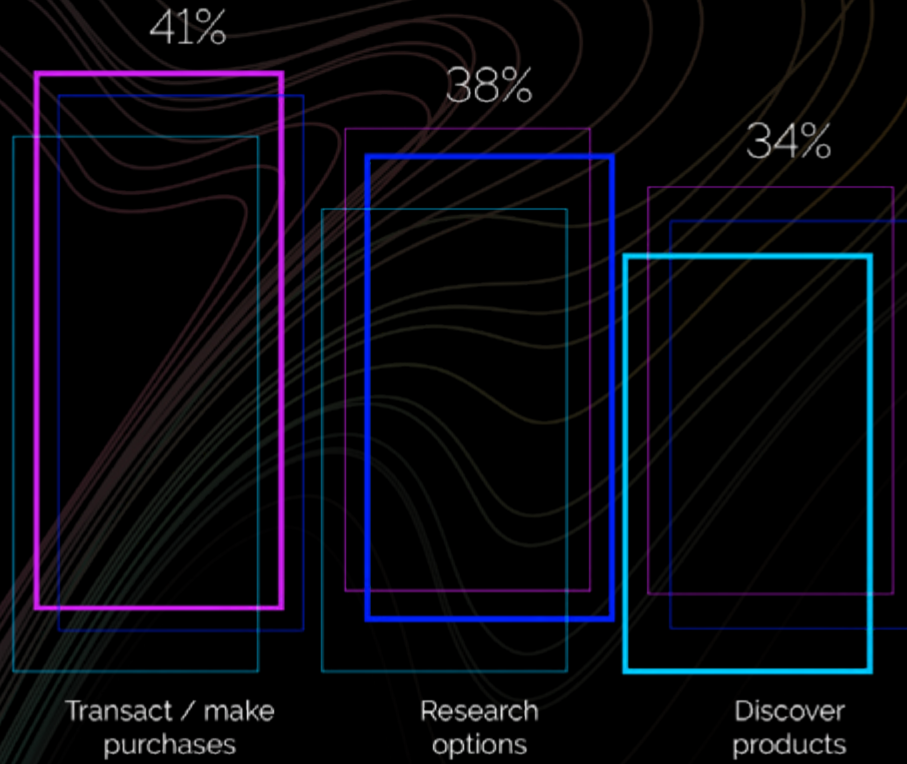


In the non grocery retail sector, 41% had bought products online with 38% researching their options and 34% discovering new products.

Q: Thinking about your interactions with different types of organisations and businesses, when do you primarily use online channels? (Select as MANY as APPLY)

NON-FOOD RETAIL

Consumers' digital engagement



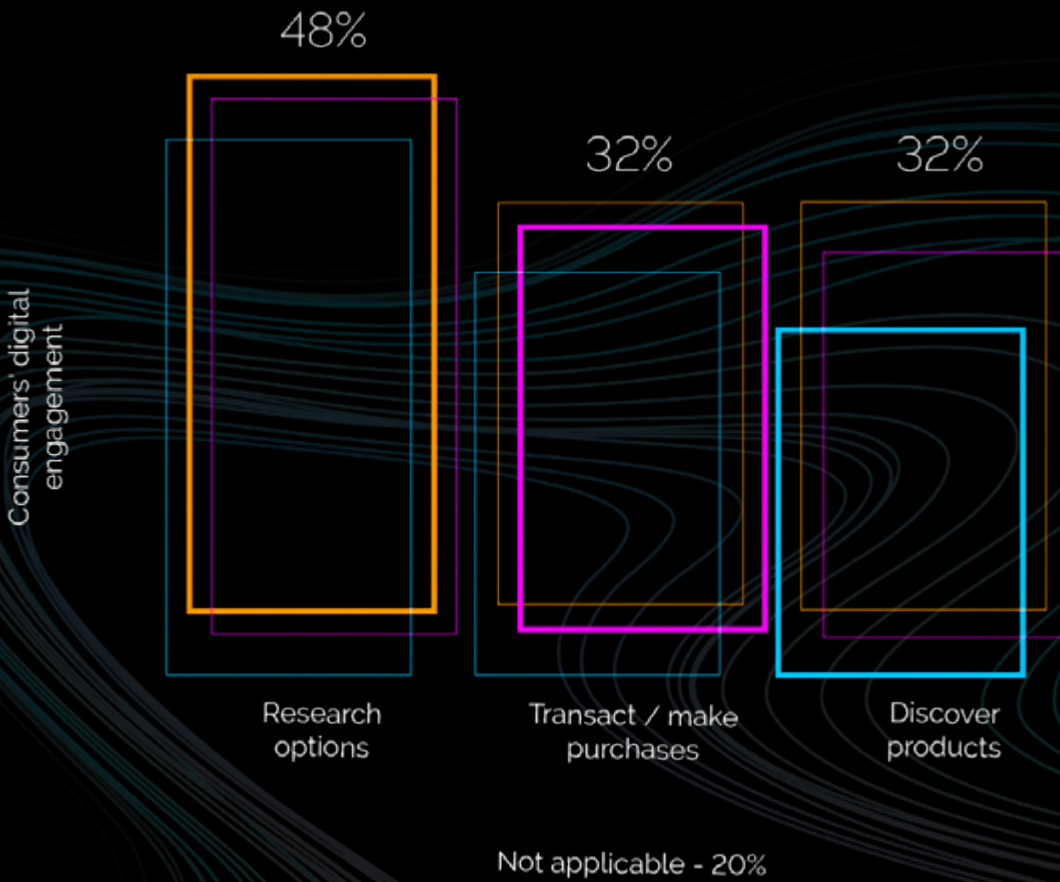
Not applicable - 19%



Domestic travel and tourism reported the highest level of online research at 48% - perhaps not surprising given the incredible variety of offerings in this sector - while a third had both bought and discovered services.

Q: Thinking about your interactions with different types of organisations and businesses, when do you primarily use online channels? (Select as MANY as APPLY)

DOMESTIC TRAVEL & TOURISM



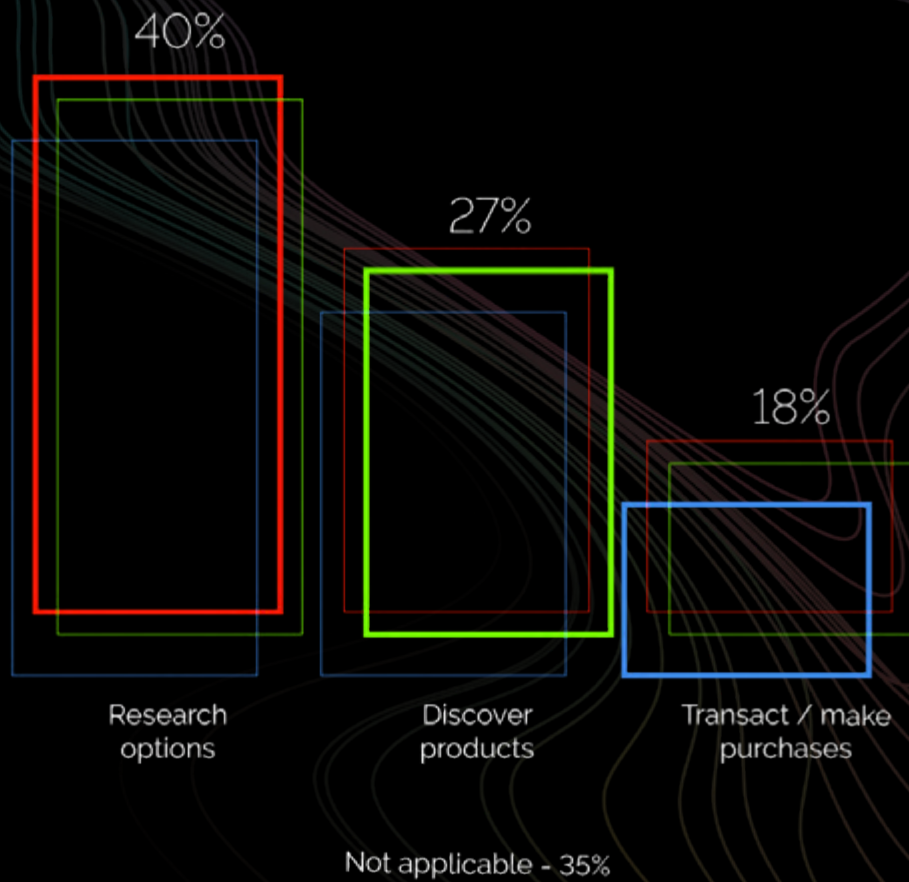


Unsurprisingly given the ticket price, only 18% had made payments for cars, parts or services online while 40% had researched options online (influencing a huge R142.6bn in spend) and 27% had discovered products.

Q: Thinking about your interactions with different types of organisations and businesses, when do you primarily use online channels? (Select as MANY as APPLY)

AUTO

Consumers' digital engagement

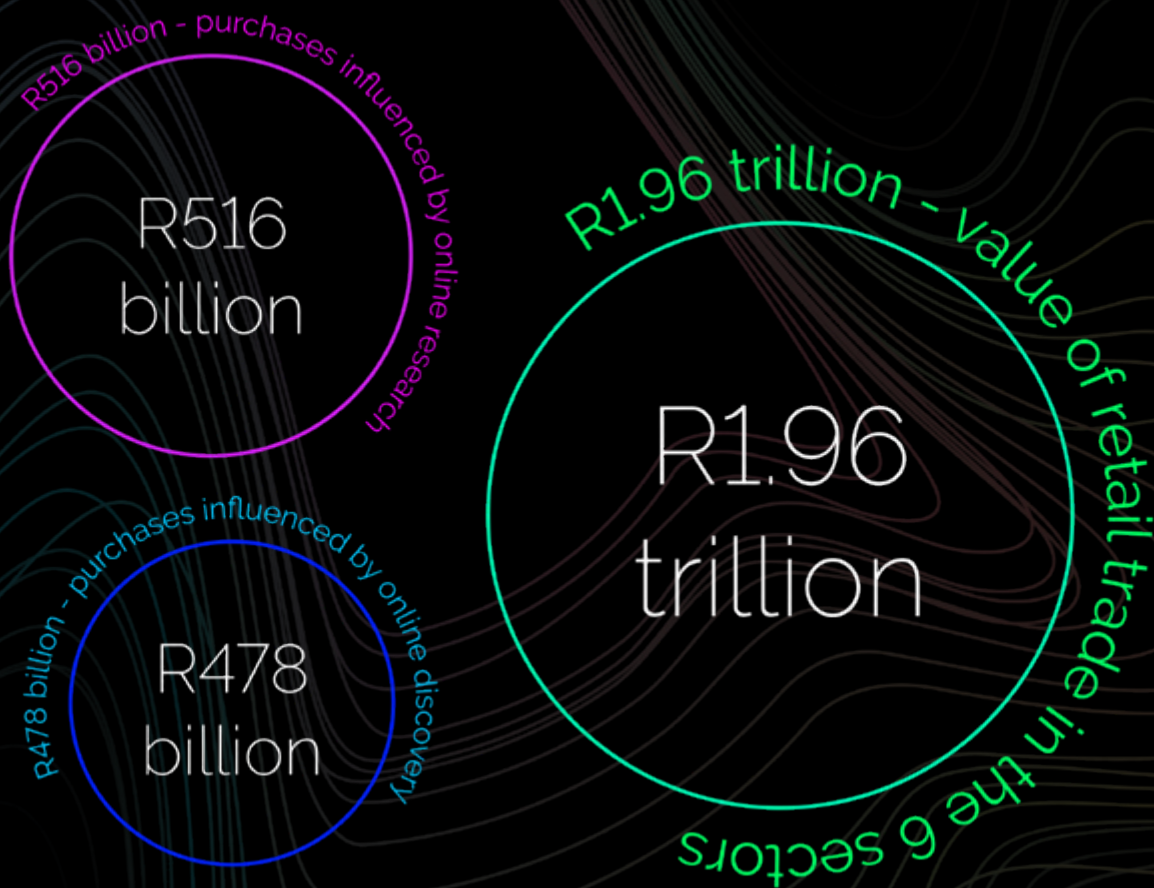


In aggregate, our data suggests that online research influences as much as R516bn in retail sales both online and in physical stores, while digital product discovery could play a contributory role in driving sales worth some R478bn. So while we posit that the frequency of online purchases may be stabilising, online activity continues to rise albeit that it's happening earlier in the journey. In chapter three, we'll explore how and where this activity is happening online.

“Omnichannel is omnipresent, so digital’s impact needs to be measured long before the checkout.”

CHARLIE STEWART, ROGERWILCO

Estimated physical retail spend from digital research and discovery

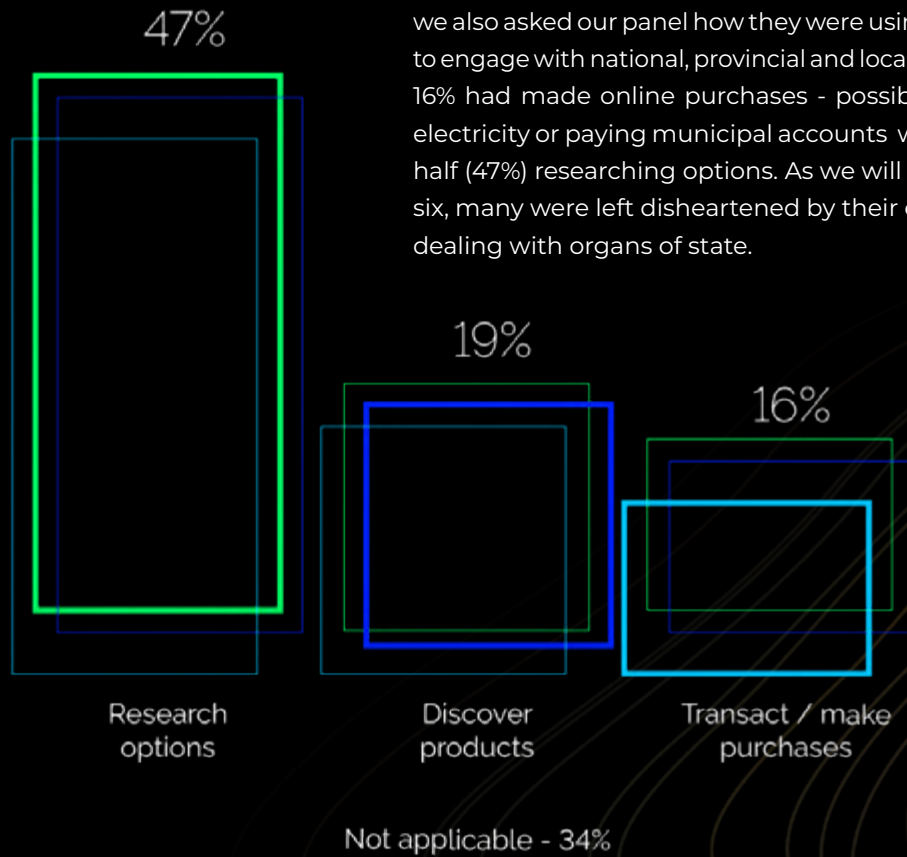


Rogerwilco CEO Charlie Stewart points to the reality that digital has become so entwined with our daily lives that all customer journeys go online at some point. “One only has to walk through a shopping mall to see the impact of the internet. If consumers aren’t gazing at their phones,

they’re being bombarded by messages on digital screens. Omnichannel is omnipresent, so digital’s impact needs to be measured long before the checkout.”

GOVERNMENT SERVICES

Consumers' digital engagement



While its data is not represented in the StatsSA classifications, we also asked our panel how they were using the internet to engage with national, provincial and local governments. 16% had made online purchases - possibly purchasing electricity or paying municipal accounts with just under half (47%) researching options. As we will see in chapter six, many were left disheartened by their experiences of dealing with organs of state.

Q: Thinking about your interactions with different types of organisations and businesses, when do you primarily use online channels? (Select as MANY as APPLY)

If additional affirmation was needed to land the point that South Africa has settled into a routine of using the internet to buy products and services, this year our panellists' data suggested that there was a growing acceptance of the costs and realities of paying for online delivery with far fewer (56% vs. 66% in 2022) claiming that the delivery being good value was important for loyalty and repeat purchases.

In addition, the number of respondents suggesting that reducing shipping fees or offering free delivery was a barrier to them shopping more online fell to 62% from 71%. This likely points to significant improvements in ecommerce logistics.

Key Insights

- The number of South Africans who shop online has begun to plateau, but ecommerce still shows potential for growth
- Online product discovery and research has massive influence on offline spend, becoming even more influential than in previous years
- Online and offline customer journeys are distinct across different sectors. In some industries, online product discovery and research are pivotal parts of the journey for most consumers, for other sectors digital purchases are high but consumers find information from a mix of online and offline sources value
- As last mile delivery options have improved and customers have become used to shopping online, shipping fees and time slot availability have become less of a differentiator and barrier to online purchase decisions

Actionable Outcomes

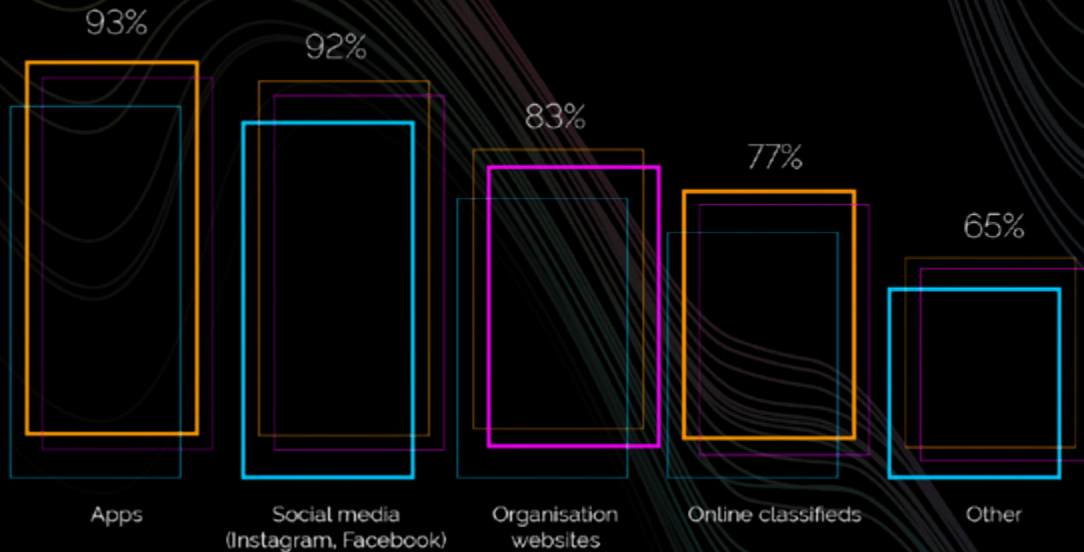
- Organisations should invest in omnichannel offers and recognise that consumers increasingly expect harmony between online and offline
- Brands whose primary sales channel remains in physical bricks and mortar outlets must make significant investment in digital to aid product research and discovery
- The public sector should baseline service delivery against the best ecommerce and corporate brands

3. SPOILED FOR CHANNEL CHOICE

When it comes to determining the channel of choice for online shopping, our panel was unequivocal.

A full 93% reported that they engaged with brands via apps. This was closely followed by social media platforms like Instagram and Facebook (92%). Organisational websites came in third as the channel for 83% of our respondents. Online classifieds sites were used by 77%.

Q: Which online channels do you normally use? (Select as MANY as APPLY)



In keeping with our interest in understanding the three components of the buying journey, we asked which platforms were used for product discovery, for research and for the actual purchase transaction.

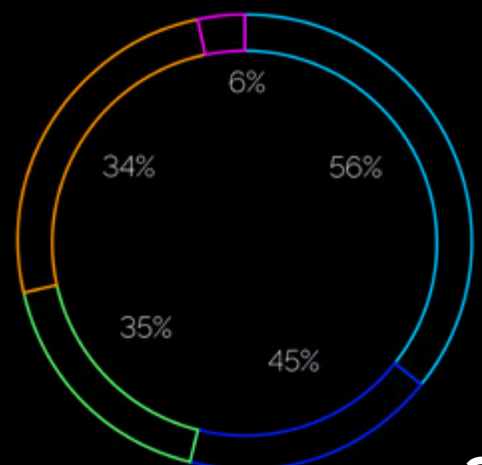
For product discovery, social media trumps all other channels with 56% of respondents starting their journey on social platforms. This compares to the 45% who begin on an app and the third whose first port of call is a company

website. Again, there are age skews at play with the 50+ year old grouping being more inclined to use websites. There's a juxtaposition at play here between consumer desire - with a clear preference for social media content - versus the view held by many brands that social media is a particularly ineffective channel for support and service. It's possible that companies are missing an opportunity to use social platforms to engage and build a rapport with consumers at different points in the buying journey.

Q: Which online channels do you normally use when discovering products? (Select as MANY as APPLY)

DISCOVER PRODUCTS

- SOCIAL MEDIA
- APPS
- ORGANISATION WEBSITES
- ONLINE CLASSIFIEDS
- OTHER



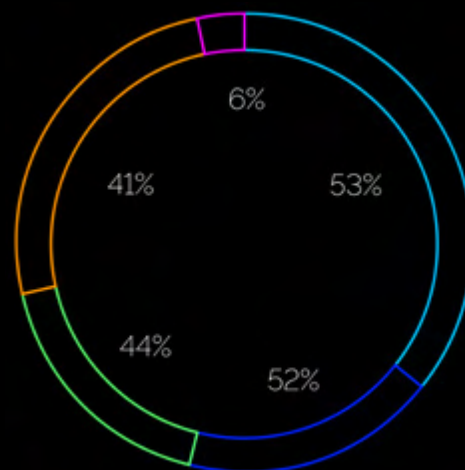
For those marketers questioning whether they should continue to invest in that cornerstone of their digital arsenal, respite can be found in the fact that websites come into their own for research being the favoured channel for 53%, closely followed by social media (52%) and online

classifieds sites (44%). While apps were the least preferred channel, they were still used by 41% of our respondents for research. And as we saw in chapter two, research plays a pivotal role in not only driving ecommerce sales but also in directing consumers into bricks and mortar stores.

Q: Which online channels do you normally use for research? (Select as MANY as APPLY)

RESEARCH PRODUCTS

- ORGANISATION WEBSITES
- SOCIAL MEDIA
- ONLINE CLASSIFIEDS
- APPS
- OTHER



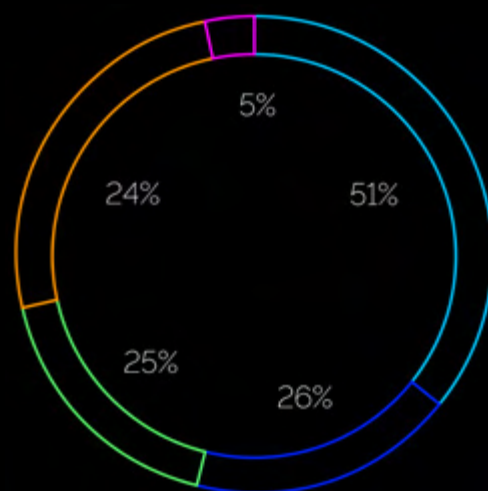
Apps led the way when it comes to parting with cash with half of our respondents using them to complete transactions. While this had a skew towards wealthier individuals and those aged under 50, apps were used twice as frequently as social media (26%) and organisational websites (25%). While this may seem counterintuitive as, historically, websites have dominated ecommerce, it perhaps points to the ease of use and prevalence of online shopping for fast food and groceries (categories dominated by apps) as we discovered in chapter two.

Rogerwilco's Stewart, suggests that brands are cautious in their interpretation of this finding and don't ignore the significance of their primary web platforms. "Although grocery and food apps may account for high transaction volumes, websites still play an important role in the customer journey and are likely to be favoured for more expensive or considered purchases."

Q: Which online channels do you normally use when making purchases? (Select as MANY as APPLY)

MAKE PURCHASES

- APPS
- SOCIAL MEDIA
- ORGANISATION WEBSITES
- ONLINE CLASSIFIEDS
- OTHER



Although convenience means that apps have become incredibly popular, as Madeleen van den Berg points out, not everyone is an avid app user. Like many, she's platform

agnostic: "As long as I can make a secure purchase, receive a confirmation and have someone to contact whenever I need to, I don't mind which platform is used."

Human centred problem solving

The journey does not end after purchase. Engagement and support before, during and after purchase is key to retention, and ultimately loyalty.

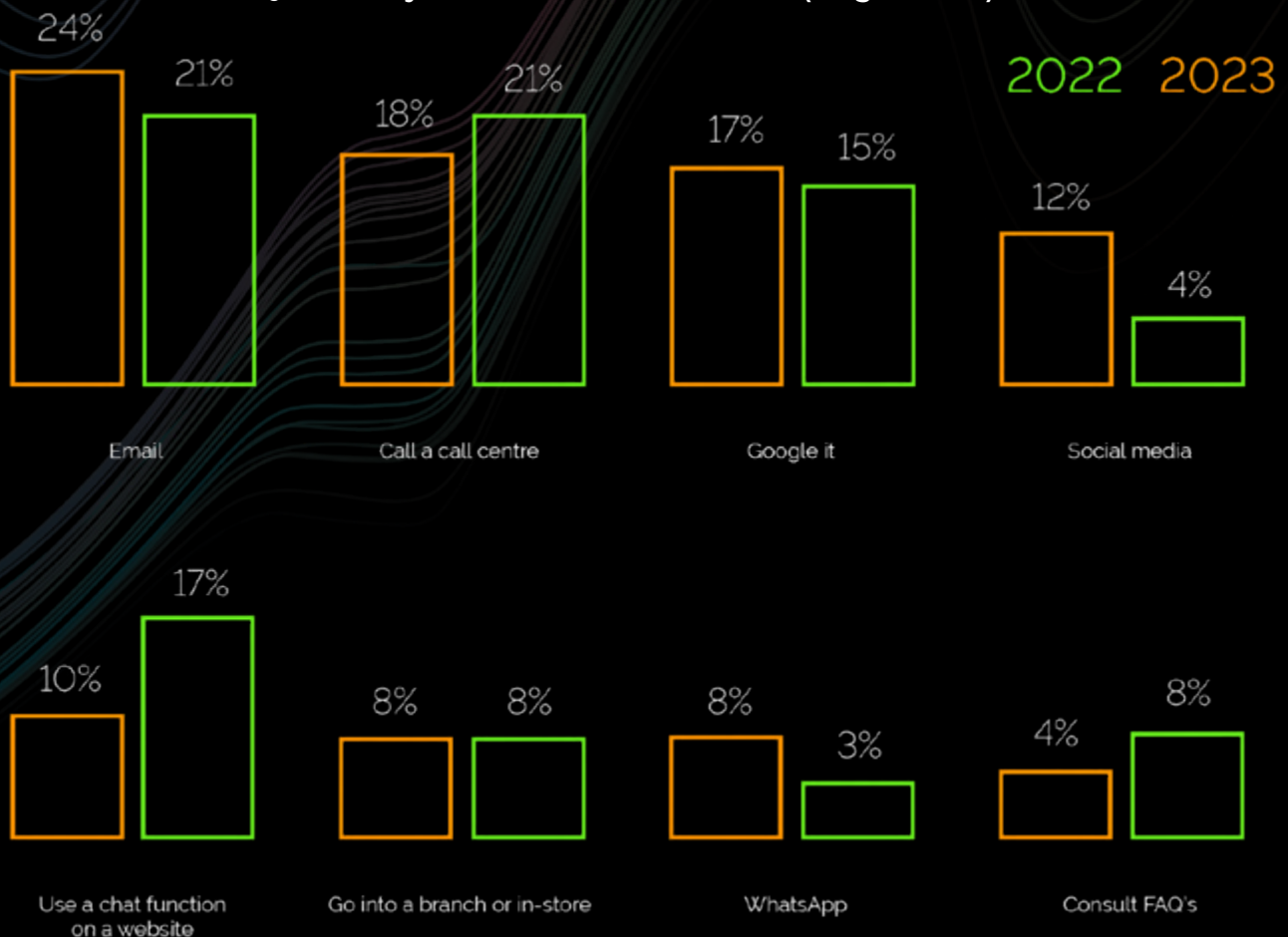
An analysis of the preferred channels for service and support confirms that consumers still favour human interaction with email and call centres topping our respondents' preferences. Almost a quarter of those surveyed (24%) would like to be able to send an email as their first choice if they encounter a service issue. Contacting a call centre remained the second most popular choice.

BNP Paribas' Jennifer Coetzee believes that, in many respects, the SA consumer is time rich but cash-poor.

"Consumers will be prepared to queue/stand in line if it will save money. This includes self service where they may not have data to help themselves on an app but will be ok to go into stores to transact or engage with a human for the time needed to resolve their query."

Googling sits in third place with 17% going straight to the search engine to seek help / answers, but a potentially concerning revelation for businesses investing in self help channels is that the use of website chat features fell markedly from 17% to 10% as did people's willingness to consult FAQs (down to 4% from 8%).

Q: What is your first choice of channel? (Single select)



Although only 8% of respondents would go into a physical store branch as a first port of call, this proved to be the most effective channel for first time problem resolution.

The top two channels for successful problem solving both had strong levels of human interaction - going into a branch or store was rated as the best way of resolving issues first time round by 67% of respondents, while calling a contact centre resulted in 47% of issues being fixed in the first instance. As Coetzee notes, "Culture is probably

the single best driver to improve customer experiences."

She continues: "The magic of the human connection is only needed when things go wrong. People don't mind dealing with a bot if their query is resolved. The key is to know when to hand over the reins to a human/allow intervention."

Indeed, despite email's popularity, it's far less effective - at 44% - than other routes in solving issues from the get go.

Q: Which channels resolve your issues? (Select as MANY as APPLY)

Channel	Top Channels (Resolved every time)
Go into a branch or in-store	67%
Call a call centre	47%
Email	44%
WhatsApp	40%
Google it	38%
Social media	38%
Use chat function on website	34%
Consult FAQ's	26%
Other	20%

Mumbi Odame points to a difference in the way that B2Bs engage customers versus their consumer facing counterparts.

“B2B businesses have the greatest opportunity to engage their clients at the start of the journey due to the long lead times in sales processes. These engagements are often however aimed at keeping the relationship going as opposed to deepening the relationship for the long term. Often when business is won, the information and client understanding gained by the sales person is not shared with the rest of the organisation to ensure a superior client experience”.

By contrast, Odame explains that in the B2C environment, brands still engage consumers with a sales mindset as opposed to any relationship building engagement. “Organisations are yet to make this an important part of their marketing approach and have therefore not put sufficient resources behind it. A relook of marketing and advertising strategies is required to move from traditional methods to using engagement with consumers or potential clients as a way of understanding needs and wants. Additionally, the whole organisation must be committed to responding to these needs and wants as part of their strategy. This requires a different mindset, where organisations are willing to be informed by consumers rather than their own internal views of what the market needs”.

Our business panellists confirmed that, for the most part, their organisations are set up to mirror the channels

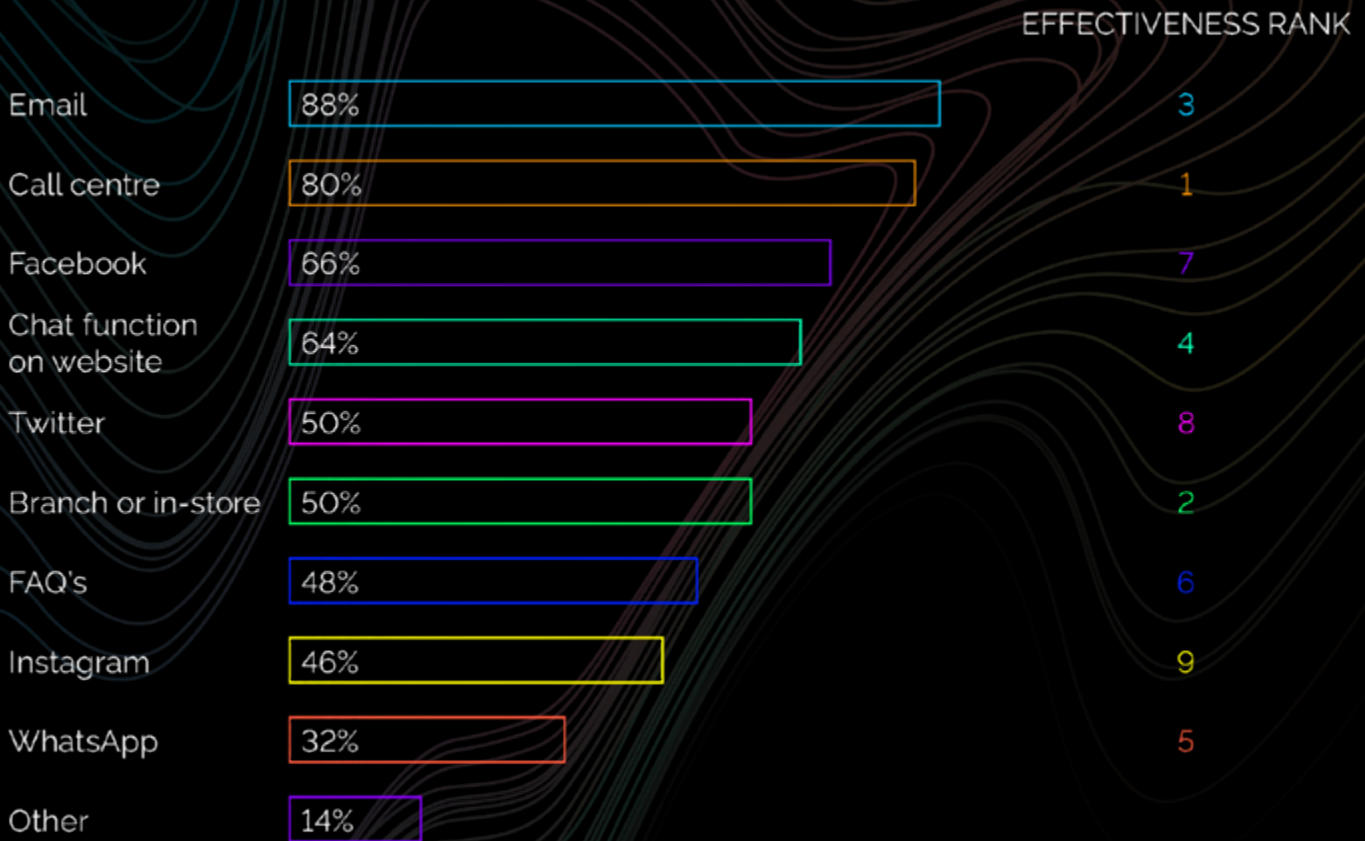
requested by customers. As a senior CX manager in the telecoms sector notes: “Most of our customers still prefer talking to a warm body” - a sentiment echoed by a senior grocery marketer: “Much as we’d love to automate all steps, we recognise that there’s a human element and that’s often the best way to understand the customer’s needs.”.

It may be that there’s an opportunity for them to step up their use of WhatsApp - although 40% of consumers felt it was the best way of securing a satisfactory outcome, fewer than a third of businesses offer it as an option even though they weight it as the 5th most effective channel after call centres, branch visits, email and web chat functions.

A word of warning though from a technology consultant participant who contributed to the business study: “Quick, instant responses are useful at the time when the information/support is needed. But they are only effective when they are properly serviced, otherwise they are completely disappointing. As they are ‘instant messaging’ services, expectations around quick responses are high. Don’t offer it if you can’t deliver on it.”

“Businesses need to consider how to use the lower cost channels such as FAQ’s, social media and efficient chatbots enabled by AI’s large language models to eliminate some of the pressure on higher cost channels such as call centres, email and branch as respondents were comfortable self-serving to start off their resolution journey” says ovatoyou’s Amanda Reekie.

Q: Which of the following channels is your business currently providing support and services through? (Select as MANY as APPLY) [Business survey]



We noticed some slight disconnects between what companies prioritise and the personal preferences of our business contributors.

While both brands and their executives consider delivering effective customer service outcomes as their most important goal, there was a notable conflict between organisations' desire to offer customers the ability to utilise their preferred customer service channel versus the stakeholders' personal view of how issues should be addressed.

Q: Rank in order of importance which of the following aspects of customer support channels are the most important to your organisation and to you personally [Business survey]



Comfortingly, despite the economic cycle likely placing growing pressure on corporates to scale back expenditure, this was the least important consideration for both organisations and their executives.

Cost is secondary to service, notes a senior marketer in the fashion retail industry: "Going the extra mile to provide support to our customers is never a fight in the boardroom - it is a non-negotiable. Some of our efforts that are high cost / resolution are also often the most effective."

to re-create a digital version of the IVR switchboards we all hated in the late 90's". His advice is to: "Rather, first deploy AI and machine learning to backend (non customer facing) environments where it can empower our people and automate processes."

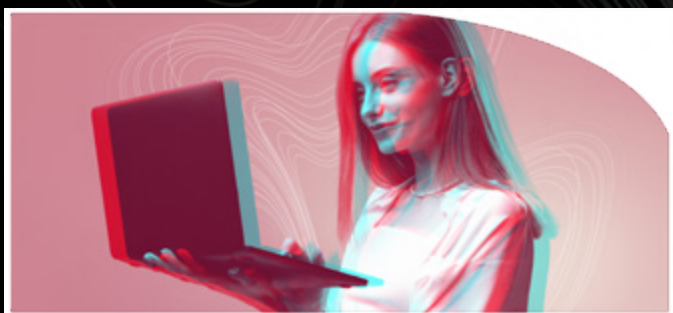
"Going the extra mile to provide support to our customers is never a fight in the boardroom - it is a non-negotiable."

SENIOR MARKETER IN THE FASHION RETAIL INDUSTRY

The role of AI and digitisation in CX

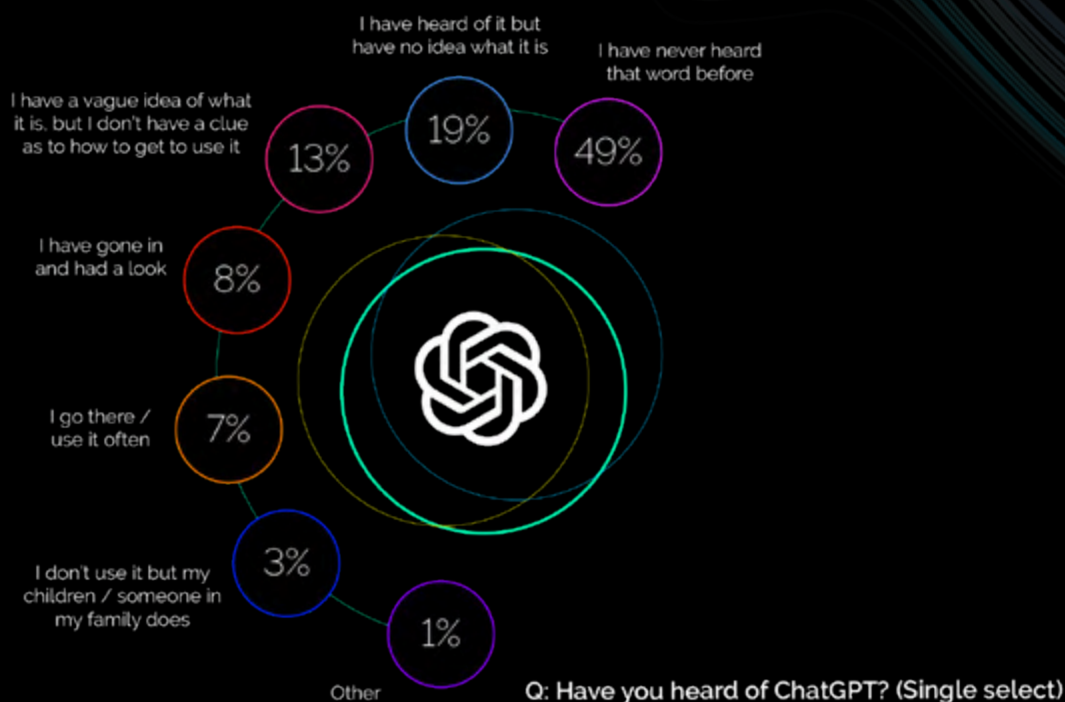
Globally, customer support is leaning hard into large-language models like OpenAI to improve efficiency - by 2030 businesses will spend more than \$58bn on customer service software¹.

ooba's d'Hotman echoes this, believing that digitisation can lead to dehumanisation and loss of empathy. "LLM driven chatbots are the next iteration of this which will enhance the experience of users but unless they genuinely connect with and are able to understand what the consumer is trying to achieve they run the risk of being no more than a dressed up contact form that gets no response. My view is that organisations should be thinking about how digital can be used as an enhancer of human performance and not a replacement for it - in some ways the question could be what does the "post-digital" experience look like and how could we move beyond the coded path optimisation which is prevalent today."



Clint Payne sounds a warning note maintaining that as businesses pursue digital leadership, they can be distracted by trends like AI and machine learning. "We're tempted to push these technologies out to customers to solve business problems like efficiency, cost and volume, just

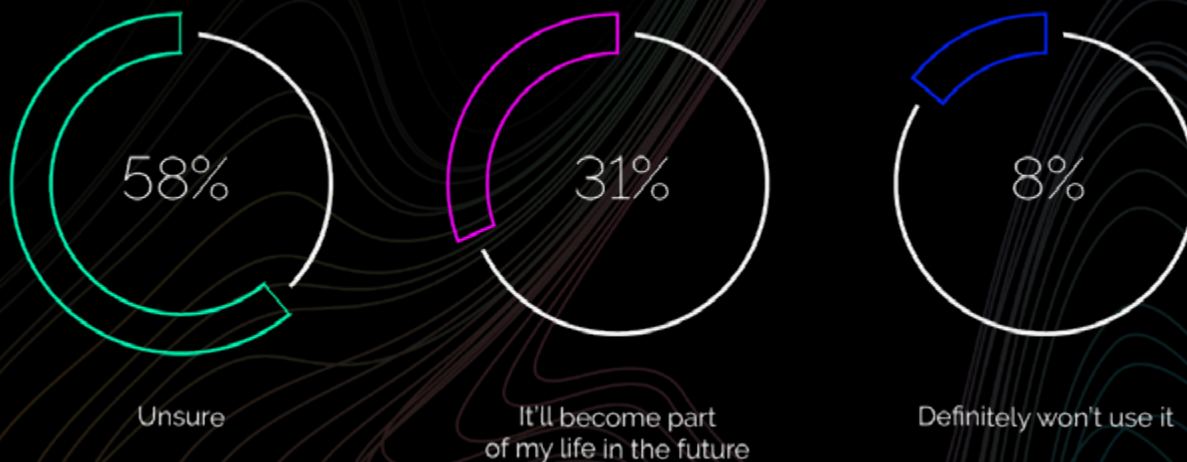
Despite generating acres of newsprint and dominating media headlines in recent months, locally, the jury remains undecided on the role of ChatGPT as a customer service channel or how consumers may use this technology in the future. Only 15% of our consumer panel had used it and many, just under half (49%) had never heard of it.



¹ <https://www.chbc.com/video/2023/06/02/how-a-i-is-reducing-customer-service-costs.html>

Interestingly, nearly a third (31%) believed it will become part of their lives in the near future. This suggests that ChatGPT may be a tool that South African consumers use in their lives, but that adoption lags behind developed economies, such as the US, where 47% of consumers had used it for fun or learning², and global trends, where 68% of regular ChatGPT users consistently chose it over a search engine³.

Q: Do you see yourself using ChatGPT in your day-to-day life? (Single select)



In a business context, 46% of the organisations we surveyed are considering using it to enhance customer experience and service delivery although only 30% believe it will be effective or completely effective in improving CX. Given the powerful potential of ChatGPT to enable better experiences and augment the efforts of CX and marketing teams, these findings suggest that the local business community may be missing out.

“ChatGPT should not be underestimated as a game-changing tool in the hands of consumers and businesses alike.”

JULIA AHLFELDT, CCXP

Julia Ahlfeldt is encouraged that businesses are exploring it but urges those that are yet to do so to start investigating it: “ChatGPT should not be underestimated as a game-changing tool in the hands of consumers and businesses alike.”

Key Insights

- Apps are the primary way that consumers engage with brands, and the #1 channel of choice for making digital purchases
- Social media is the top digital channel for product discovery. For online product research, consumers primarily turn to brands' websites or opt to stay on social media
- Human-backed support channels such as email and contact centres are consumers' top choices. Businesses largely acknowledge the efficacy of these channels and the support options offered generally mirror customer preferences
- It is early days for ChatGPT in South Africa, the jury is still out among consumers and businesses about the role it might play in future customer experiences

Actionable Outcomes

- Recognise the role social platforms play in engaging consumers at different points in the buying journey
- Although email may require a heavy human touch to handle responses, don't exclude it from your customer service channels
- Start exploring and investing - if you haven't already - in large language AI models

² <https://savanta.com/knowledge-centre/view/chatgpt-how-are-consumers-using-it-and-what-issues-do-they-face/>

³ <https://blog.gwi.com/trends/chatgpt/>

4. THE REVIEW REVOLUTION

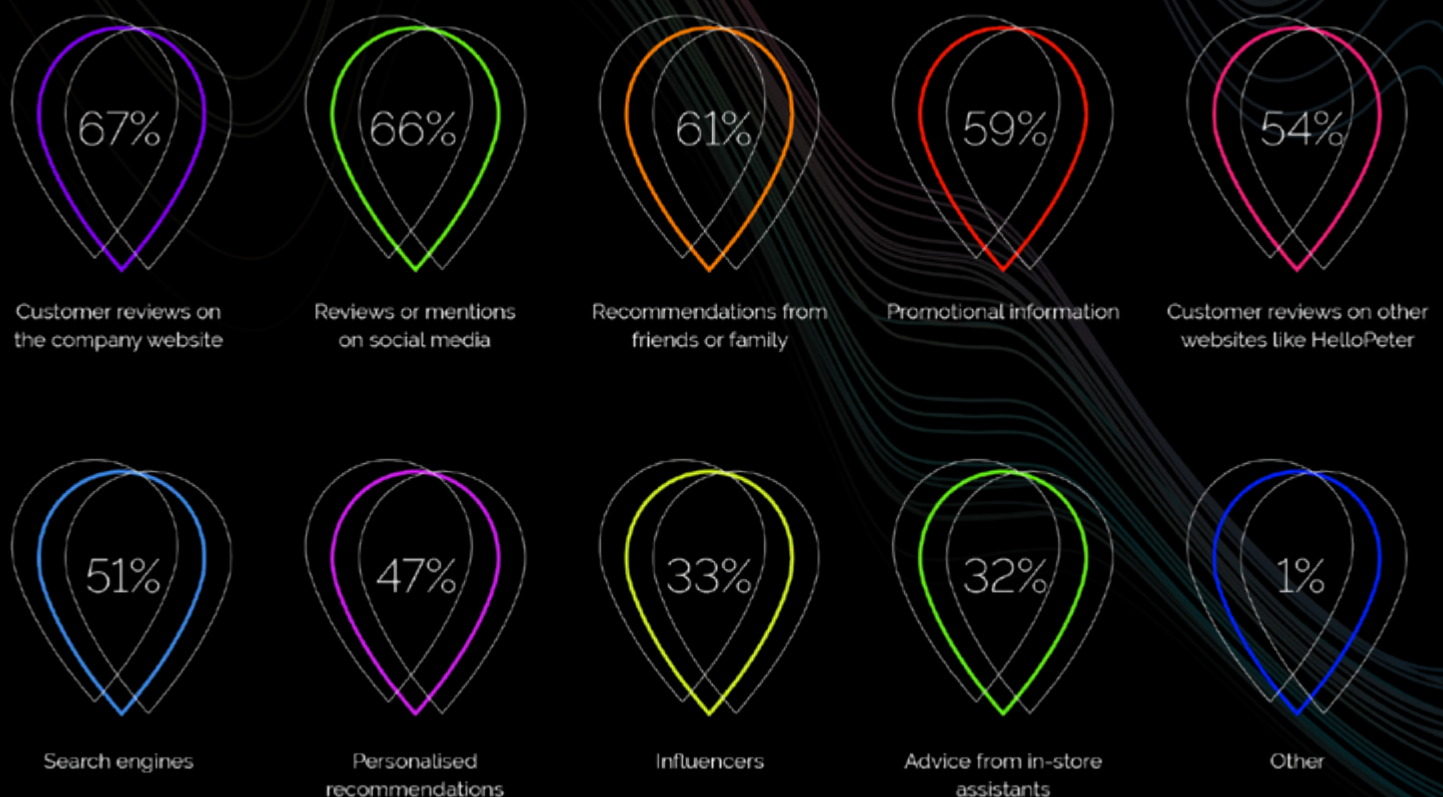
The previous three editions of this research have reported on the role of positive (and negative) feedback in influencing buying behaviour. This edition of our report confirms that savvy consumers are placing ever greater credence on the experiences of others before committing to a purchase.

Across almost all metrics, our survey respondents indicate that they are conducting significantly more due diligence before they shop than has been the case in the past. This

is particularly true in the research phase of the buying journey where access to credible online information can make or break a transaction.

Two thirds of our sample (67%) read reviews on corporate websites - this is up from 54% in 2021. A similar number check out mentions on social media, an increase from 57% last year.

Q: What information sources do you find most helpful when looking for products or services? (Select as MANY as APPLY)



If we build on this 67% number (which is lower than the global norm which suggests reviews influence 77% of online purchases) - the value of reviews to South African e-commerce spend could be as high as R40.2bn this year¹. Given that online research plays a significant role in driving offline (instore) purchase, the value of customer feedback to overall retail sales is likely to be much, much higher than this, contributing to the R516bn in consumer spend that is influenced by online research.

ovatoyou's Amanda Reekie observes that consumers often turn first to the advice of their peers. "This is telling about their levels of trust in corporate messaging. Brands that focus on authenticity, transparency and living up to their

promise are more likely to thrive amid the landscape of the tech-empowered consumer."

Van den Berg, Head of CX Measurement at Nedbank builds on this, suggesting that to harness the power of reviews and word of mouth companies should start with their employees: "Your staff are in all likelihood also your customers. Employees can be the best brand ambassadors."

Scepticism appears to be on the rise with 54% checking out review platforms like Hello Peter which typically report on poor experiences - this has grown significantly since 2021 when just 35% of respondents visited 3rd party review platforms.

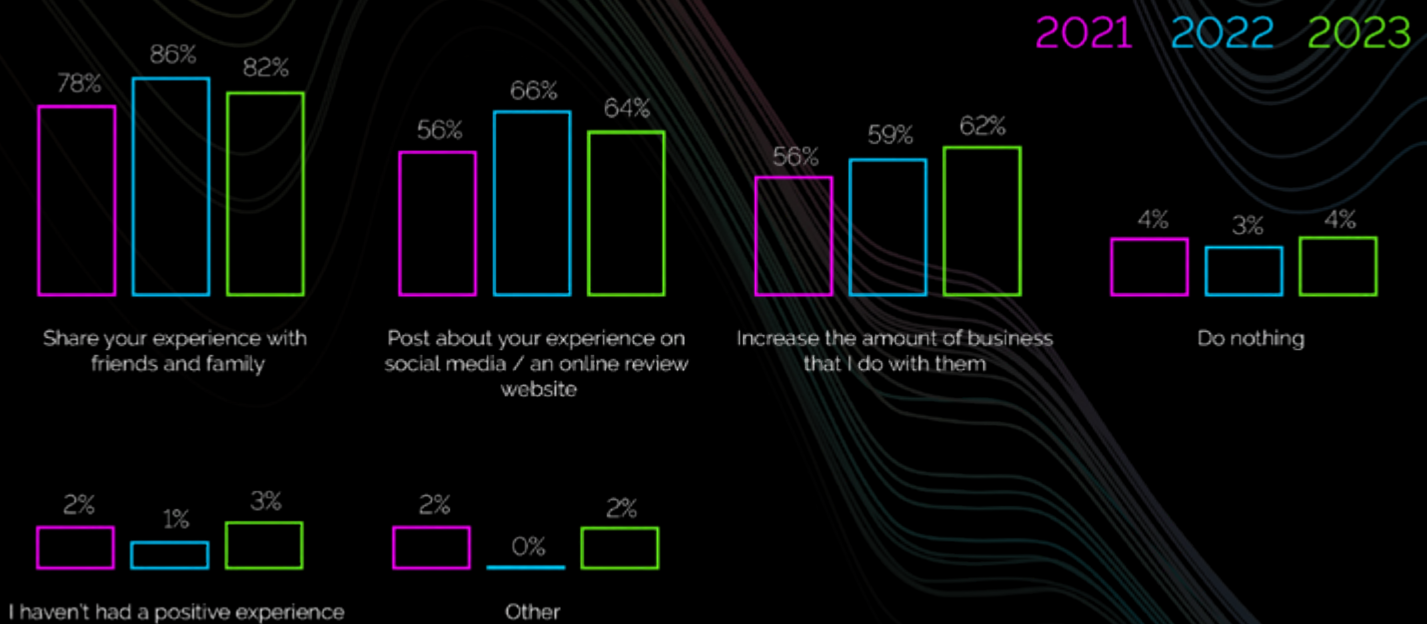
There's also been a rise in the use of search engines to inform decision making with more than half (51%) of respondents turning to sources like Google, an increase from the 39% who reported doing so in 2022.

Influencers, too, appear to be shining. Back in 2021, a mere 21% of our audience claimed that celebs, key opinion leaders - or perhaps more realistically given the way the advertising industry has oriented to using them in campaigns, relatable micro-influencers - guided their purchase behaviour. Today exactly a third rely on their recommendations.

Personalised recommendations, perhaps historically seen as something of a gimmick, have come of age as technology has improved accuracy and targeting. Two years ago just 34% reported that these were helpful when looking for products or services. In last year's report this had grown to 41%. For 2023, almost half (47%) cite them as adding significant value to their decision making.

As with past reports, we see that positive experiences continue to be shared widely with 82% indicating that they will tell friends and family after a good interaction with a brand.

Q: When you have a positive experience, what do you do about it?



As alluded to in chapter two, there's a very clear desire to pay it forward with 64% of respondents stating that they would post about their positive experience on social media or leave a review. This affirms the notion that consumers are feeding into the review ecosystem and illustrates just how important it is for organisations both to encourage post-purchase feedback on public platforms and to remove obstacles that stand in the way of customers providing useful observations that could drive others to buy.

The individual we referenced in chapter one, who expressed delight at being moved to the front of a retailer's queue because her baby was crying, told us: "As a thank you, I took to the store's Google info and left a raving review there detailing everything. I even included the cashier's name"

It is interesting to note that complacency barely features with a mere 4% saying they'd do nothing, but understandably, good service delivers rewards to those who provide it with 62% confirming that when they have a positive customer

service experience they will increase the amount of business that they do with the company. This loyalty factor has been on the rise since 2021 and shines a bright light on the observation made in chapter one around customer retention. It is far more cost effective to keep an existing customer than it is to acquire a new one - and consumer loyalty comes down, in large part, to one factor of value: delivering great customer experiences.



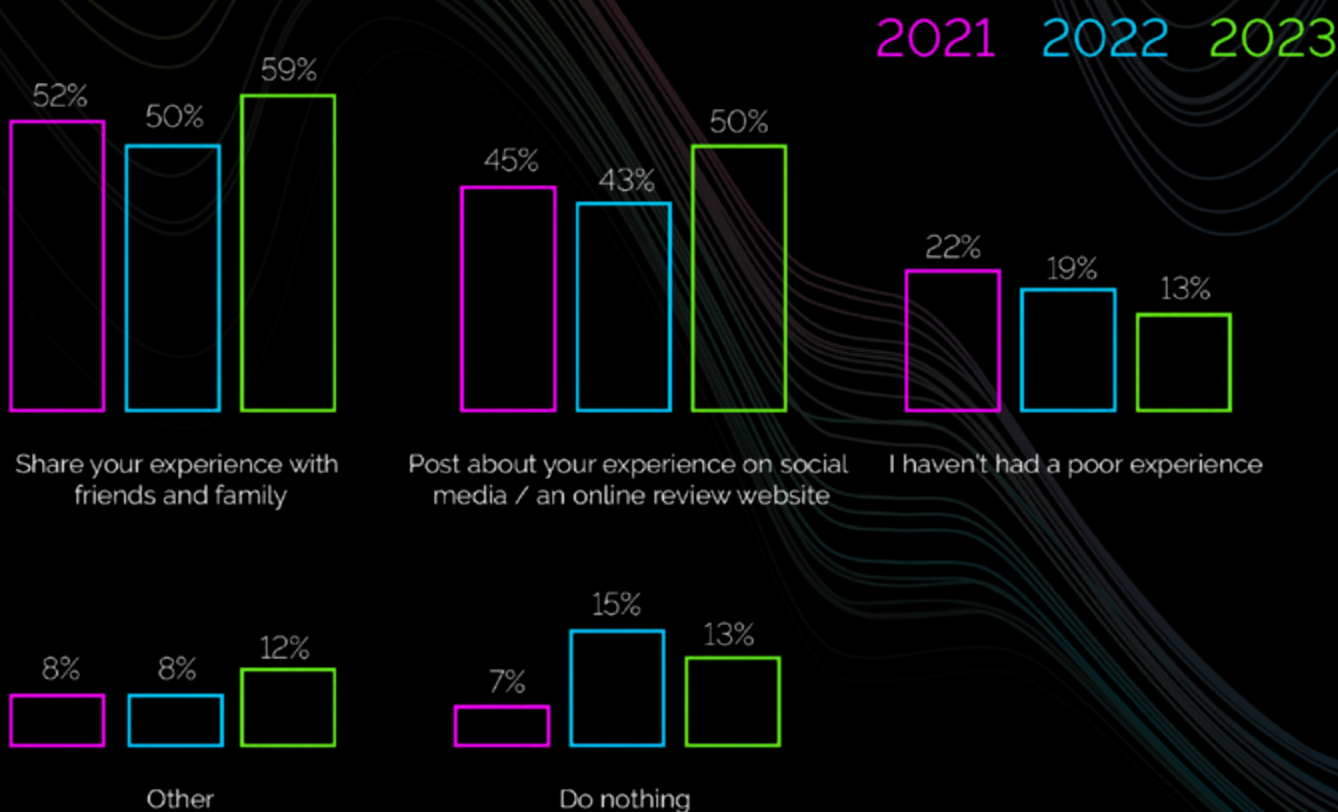
When it comes to poor service, however, a different picture emerges. Over the past two years we postulated that the pandemic may have made South Africans more forgiving of bad experiences. If that was the case, now that we've collectively shaken off the Covid hangover, normal service has resumed. As we saw in chapter one, it may not take much to delight SA consumers, but they are remarkably easy to disappoint.

This year's data revealed sharp rises in sentiment - and action - towards negative moments. Some 59% of

respondents will tell their friends and family if they have a poor experience, up from 50% last year. They are also far more likely to air their grievances in public with 50% confirming they'd post on social media / an online review site which is a meaningful increase on the 43% who indicated they'd have done so in 2022.

"I complain to the company and if they ignore me, I post a complaint on Hello Peter which means I then receive faster service", one of our consumer panellists tells us.

Q: When you have a poor experience, what do you do about it?



A couple of years ago a surprising 22% of respondents said they'd never had a poor experience. This year that's fallen to just 13%. In chapter one we suggested that South African consumers' expectations of what constitutes quality customer experience are disturbingly low. While getting the basics right may delight many of us, it's evident from the data that many organisations aren't even managing to even get that right.

As Julia Ahlfeldt notes: "It's fascinating, and a bit paradoxical, that South African consumers are so easy to delight, but also so easy to disappoint. The margin for error is very thin."

"It's fascinating, and a bit paradoxical, that South African consumers are so easy to delight, but also so easy to disappoint. The margin for error is very thin."

JULIA AHLFELDT, CCXP

Key Insights

- Online reviews continue to become an increasingly important source of information for consumers, influencing on and offline spend
- Customer loyalty, following positive experiences continues to rise year-on-year, and consumers are even more actively contributing to the review ecosystem
- South Africans have become less tolerant of negative experiences, becoming more likely to share these sentiments publicly and among their networks

Actionable Outcomes

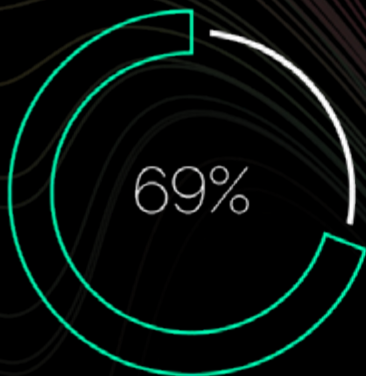
- Encourage shoppers to post reviews - the recognition that consumers are more willing to 'pay it forward' and leave a review to assist fellow shoppers opens a door for brands to use a little psychology - an email nudge to post a review after a customer has had a chance to utilise a product or service could elicit a strong response
- Be aware of growing levels of scepticism to brand statements - respond actively to negative reviews on platforms like Hello Peter service channels
- Double down on personalisation, but check your data integrity



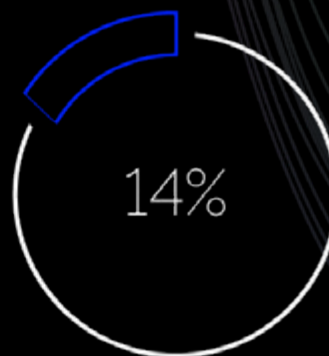
5. DEALING IN DATA

Although companies collect somewhere in the region of 2.5 quintillion bytes of data every day¹ (expressed in distance that would be the equivalent of making the 5.8bn kilometre return journey from Earth to Neptune a staggering 431 million times) there is growing recognition that despite their rapacious appetites, businesses are simply not capable of processing or utilising all that they capture.

Just 14% of respondents to our business study claimed to always use the data gathered from consumers. By contrast, 69% of the consumer respondents believe that the companies they deal with are listening to and responding to their feedback.



Consumers who believe brands listen to and respond to their data feedback

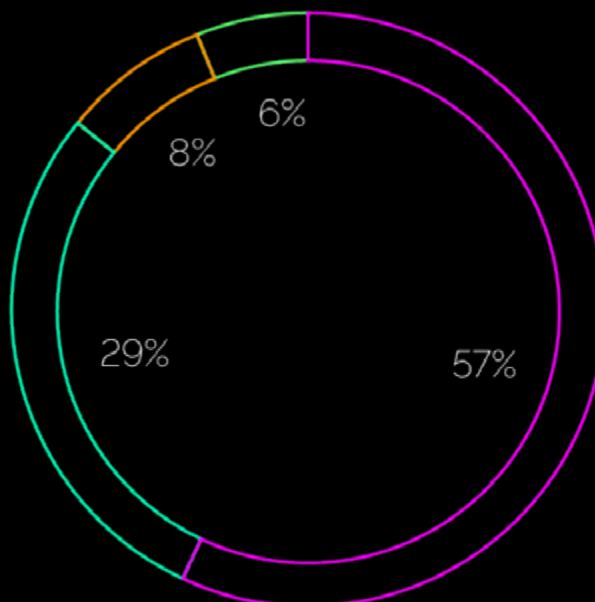


Brands who always use consumer data feedback

When questioned whether they believed that brands were using the purchase and other information that they gather about them to improve customer experiences, 57% felt this was the case. The older and wealthier were more sceptical - as one of our respondents put it: "I know they gather and use my information, but whether it improves my experience is still in question."

Q: Do you feel that brands are using the purchase and other information that they gather about you to improve your experience? (Single select)

YES
MAYBE
UNSURE
NO

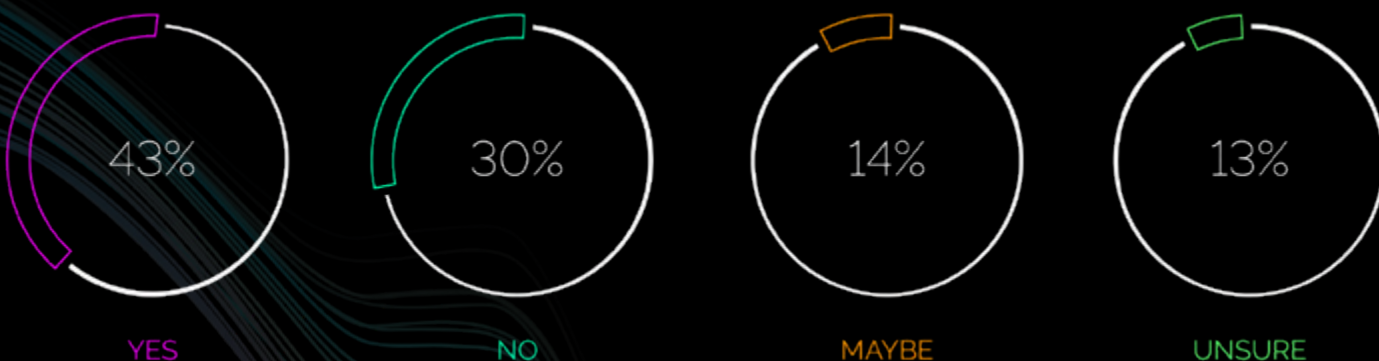


For the time being, a key driver in consumers' willingness to share information is complacency.

Consumers remain ambivalent about the amount of personal data that companies glean from them - 43% of our sample indicated that they were comfortable with current levels of information gathering while just 30% said they were not. Once again, we see skews with younger, less affluent males appearing more carefree.

Amanda Reekie, founder of ovatoyou, cautions that with data being in oversupply, businesses are sometimes a bit wasteful with it and under-utilise it. "That needs to shift to be seen as really valuable - they need to treasure it and use it effectively. They ought to focus on collecting the right data, data that will move a key business lever"

Q: Are you comfortable with the amount of personal data that companies are gathering on you? (Single select)



As awareness of the extent of corporate surveillance grows this may change. A recent report² by the Irish Council for Civil Liberties (ICCL) suggests that digital advertising technology using real time bidding systems tracks and shares what people view online a staggering 294 billion times a day in the U.S. and 197 billion times in Europe. While the report does not contain details of how frequently South Africans have their personal data shared, it speculates that, despite measures such as GDPR, each and every UK citizen sees insights about their browsing history shared 462 times a day.

sharing. It remains unclear whether continued reporting of events like these or the fines being levied on big tech companies for data breaches will, eventually, shift consumer sentiment and change some of our behaviours when it comes to the sharing of personal data.

Even where information that businesses consider to be actionable is gathered with good intent, few are able to use it all due to a complex combination of human and technology related factors. Issues include the way data has been gathered, the way it's been structured, the sheer volume of information on hand and challenges in communicating it internally.

As one of our business panellists who works in the payments sector said: "It is easy to spend lots of time measuring but not actually spending time learning. You need to make sure you have the systems to measure and the time to learn."

Similar constraints were noted by a senior marketer in the grocery retail sector: "We likely gather more data than necessary / than we have the opportunity to use. Use cases for data have built up over time but not all of these have been viable to execute."

Other challenges relate to skill level and systems integration.



The ICCL is currently engaged in a landmark court battle with the Data Protection Council to impose limits on data

As a marketing executive in the fashion retail industry pointed out:

“Technology is probably your biggest friend or hurdle when it comes to using customer data well - how well your team is set up with the tech at their disposal directly impacts the ease of use and speed of scalable insights. A lot of the richest customer data is not necessarily in a format that is easy to quantify or even derive insights from beyond a ‘sample of one’ - but if you get it right, it is worth its weight in gold!”

“Technology is probably your biggest friend or hurdle when it comes to using customer data well”

MARKETING EXECUTIVE IN THE FASHION RETAIL INDUSTRY

Key Insights

- Consumers are still relatively trusting when it comes to sharing their data and most feel that companies are using this to improve experiences
- By contrast, only a fraction of businesses claim to always use customer data for these purposes
- Business leaders, who now have access to vast quantities of data, sometimes struggle to leverage the formats or tease out the right insights and translate these findings into change

Actionable Outcomes

- Identify the gaps and obstacles that prevent you from structuring, analysing and using your data
- With the pace of business and capacity to communicate, businesses can't address all data so they need to prioritise and action the data that has the biggest impact then move through the other useful data points. Sometimes data use can be automated but sometimes a change in targeting or business processes is needed



1 <https://www.rudderstack.com/guides/different-types-of-data-companies-collect-whats-the-catch/>

2 <https://techcrunch.com/2022/05/16/iccl-rtb-report-google-gdpr/>

6. A FAILED STATE OF CX

In the final chapter of this year's South African CX Report, we take a look at levels of consumer satisfaction across various industry verticals, including their perception of the quality of service and experience offered by government departments.

Of the 10 sectors under review, the State comes stone last. Given the well documented scandals that have befallen many national, provincial and local governments as well as the country's SOEs, it's perhaps surprising that only 50% are either dissatisfied or extremely dissatisfied with service delivery. While 27% are neutral, 23% report being satisfied or extremely satisfied.

Q: How satisfied are you with your service and experience in the below industries? (Ranking)

Channel	Extremely satisfied	Satisfied	Neutral	Dissatisfied	Extremely dissatisfied	Top ranking
Grocery	28%	45%	17%	6%	4%	1ST
Restaurants and fast food	26%	46%	19%	5%	4%	2ND
Banking	28%	41%	19%	7%	5%	3RD
Communication	22%	38%	20%	11%	9%	4TH
Non-grocery retail	15%	43%	30%	7%	5%	5TH
Domestic tourism, travel, accomodation	15%	38%	35%	7%	5%	6TH
Medical aid	15%	30%	37%	11%	8%	7TH
Automotive	12%	32%	44%	7%	5%	8TH
Insurance	12%	30%	39%	11%	8%	9TH
Government departments	7%	16%	27%	25%	25%	10TH

As a nation, we are often lauded for our resilience, and it appears that one positive experience may outweigh multiple lapses. In chapter one we alluded to the possibility that we've become so inured to failure that we're delighted when an organisation actually gets the fundamentals right.

A comment from one of our consumer panellists sums this up: "I was struggling with my UIF claim after applying online. One of the consultants gave me a call and guided me step by step to complete my claim so I can get my pay out in record time". In many societies, this level of support would be assumed as basic experience delivery. In a South African context, it's understandable that many would see it as remarkable.

Notwithstanding the likelihood that some may have given government a free pass, the State significantly underperforms the lowest ranked business sector - insurance - which saw just 19% express dissatisfaction with their service experiences. While 39% were neutral to their dealings with insurers, 12% were extremely satisfied.

Topping the customer satisfaction charts were the grocery and restaurant / fast food sectors. The former reported extreme satisfaction among 28% of our respondents

and general satisfaction from a further 45% with just 10% expressing dissatisfaction. Numbers were broadly similar for restaurants and fast food providers.

BNP Paribas' Coetzee believes the sector has made great strides. "Fast food used to have a terrible reputation but

the industry has worked hard at creating great experiences – they know who their customers are and what they want. Everything is focused on the needstate and satisfying it quickly. The whole service chain is broken down into small segments and measured as such. Other sectors like financial services haven't done this yet."

As Kia Abbott (who prior to joining Virgin Active was involved with Shoprite's rewards programme) suggests grocery and fast-food

brands have an advantage when it comes to providing great customer experience:

"With high frequency, low complexity transactions these brands often engage with their customers multiple times a week, and result in a tangible moment of value delivery. For more complex transactions, brands need to think about how they simulate these tangible achievements within the client lifecycle. Think about an Uber Eats delivery tracker applied to your insurance claim"

“Everything is focused on the needstate and satisfying it quickly.”

JENNIFER COETZEE,
BNP PARIBAS

“ For more complex transactions, brands need to think about how they simulate these tangible achievements within the client lifecycle. Think about an Uber Eats delivery tracker applied to your insurance claim”

KIA ABBOTT, VIRGIN ACTIVE

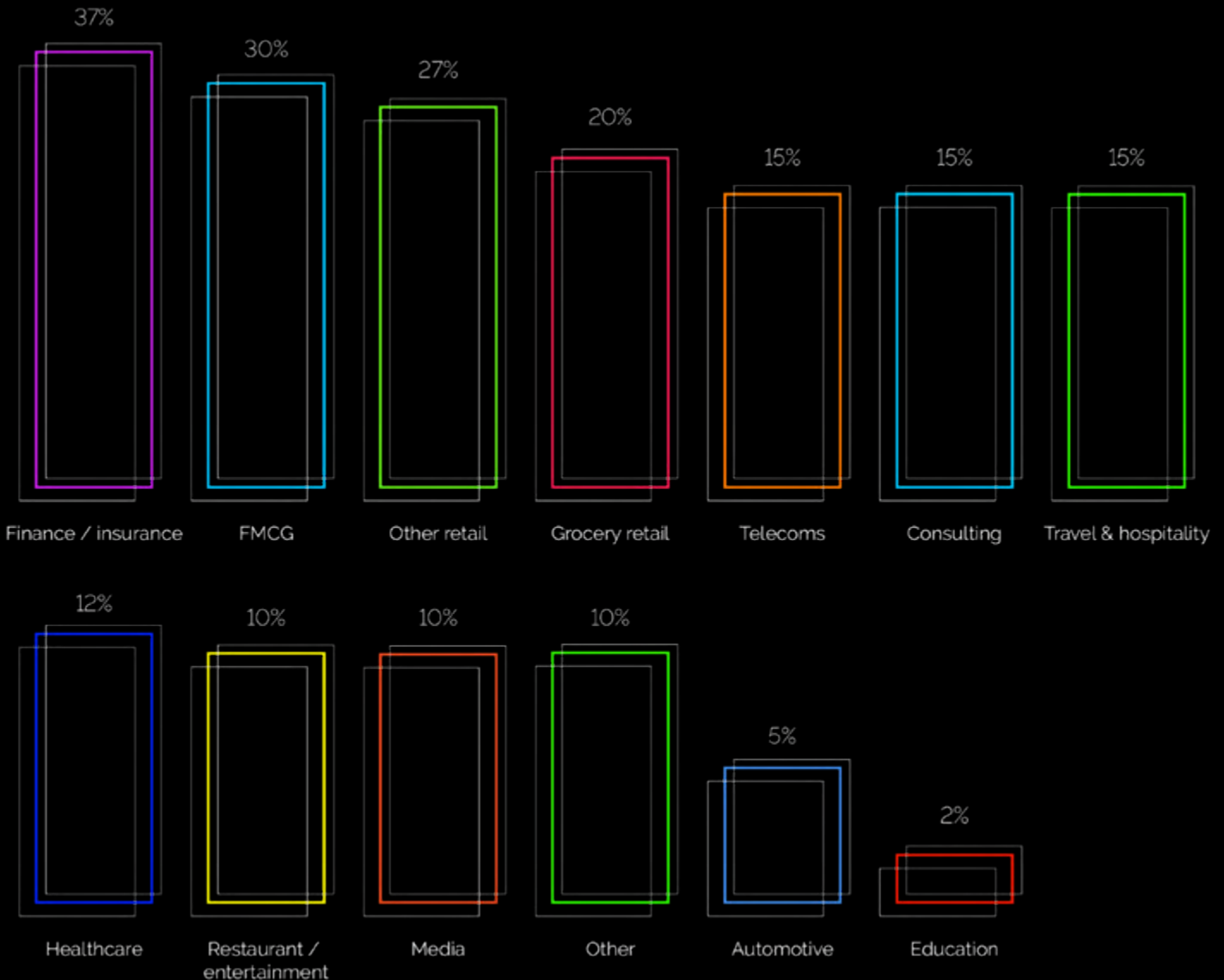
Banking occupied 3rd place in our table with an aggregate 67% satisfaction score, leaving just 12% of our sample dissatisfied with their service experiences.

The sector garnering the most neutral sentiment was automotive (44%).

Interestingly, when we asked our business audience which industries they benchmark their customer experience against, finance and insurance came out as the leader by some margin, with 37.5% of respondents using it to baseline their own performance. This sits at odds with the sentiment expressed by consumers.

A meagre 10% report that they benchmark against the service experience offered by the restaurant segment, the darling of our consumer panel. None of our business representatives claimed to be gauging themselves against the public sector or the manufacturing industry.

Q: Which industries do you benchmark your customer experience against? [Business survey]

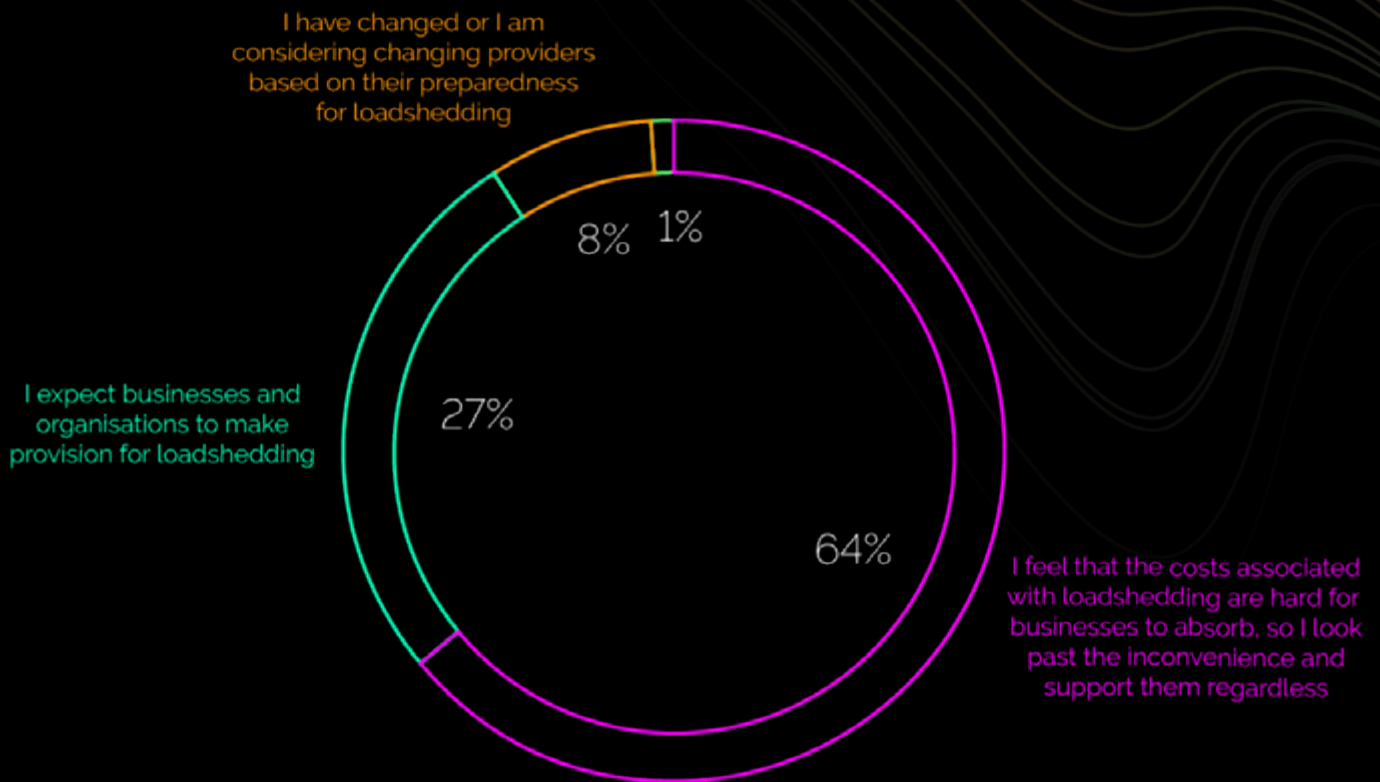


With loadshedding becoming the new normal, we wanted to understand what expectations consumers have of the businesses they transact with. We asked our panel to indicate their agreement with one of three statements:

- I have changed or I am considering changing providers based on their preparedness for loadshedding
- I expect businesses and organisations to make provision for loadshedding
- I feel that the costs associated with loadshedding are hard for businesses to absorb so I look past the inconvenience and support them regardless

Almost two thirds (66%) expressed empathy with businesses when it comes to loadshedding and selected the third option - possibly because they have had to adapt their own behaviour and understand the complexity of addressing our national power situation should be a challenge for government rather than the corporate sector. This statement did see an income skew with households earning upwards of R30 000 being less forgiving than lower income groups.

Q: How do you feel about businesses' response to loadshedding? Which of the following statements are most applicable for you? (Single select)



Just over a quarter expect organisations to make suitable efforts to prevent loadshedding from impacting their ability to deliver experiences while a mere 8% were, or were considering, voting with their wallets and making a switch to a service provider with effective backup solutions.

From the corporates' perspective, 38% of the business sample agreed or completely agreed that their organisation's

focus has had to shift to deal with failures of the state like loadshedding at the expense of improving customer experiences. This suggests that while the business world has taken some significant - and widely reported - knocks in setting up alternative power infrastructure, for the most part they believe that this hasn't adversely affected their ability to service their customers.

This was reflected in some consumer commentary with a number of respondents voicing their appreciation of the efforts companies have made to install generators or solar plants.

As one of our respondents stated: "Where the shop does not have electricity, I choose to either wait or come back some other time - it's not their fault and has now become a way of life"

Clint Payne warns organisations that despite consumers' apparent forgiveness, loadshedding is no longer a free pass for poor or slow service. He anticipates that "as load shedding has become the norm rather than the exception, load shedding mitigation (i.e. uninterrupted power from solar installations) is now a customer expectation."

While many did report service lapses - such as long queues in stores, difficulties with online or point of sale payments,

slower than usual customer service response times and delays in orders being delivered - for the most part, South African consumers recognised that while loadshedding brought a personal impact to their daily lives, the effect on the broader economy was a greater cause for concern.

"load shedding mitigation is now a customer expectation."

CLINT PAYNE, CUSTOMER EXPERIENCE CONSULTANT

Once again, our resilience and willingness to focus on the big picture, even if it brings a level of discomfort at an individual level, comes to the fore. It seems consumers are willing to forgive poor experiences where they see mitigating circumstances.

Key Insights

- South African consumers rate grocery and fast food/restaurants as providing the best experiences. By contrast, business leaders look to banking and insurance as the leading industries
- Failures of the state have impacted businesses and consumers alike, but South Africans are mostly understanding of the challenges facing businesses from disruptions such as loadshedding
- Businesses have remained resilient in the face of failures of the state, with some reporting that they have had to shift their focus, but most stating that it hasn't eroded their ability to deliver customer experiences

Actionable Outcomes

- Make sure you're baselining your customer experience against the best exemplars of service delivery - these may not be in your industry vertical
- Prioritise your loadshedding contingency plans but only if you can afford it - consumers are willing to forgive service lapses brought on by the State's inability to provide a stable operating environment



CONCLUSION

For South African consumers and the businesses that serve them, 2023 looks to be a particularly challenging year. While a recession was narrowly avoided in Q1, reports suggest that corporate confidence has collapsed to its lowest level since 2020¹.

A combination of a Covid hangover, low - if any - economic growth, high inflation, the worst levels of loadshedding in history and gloomy news on the geopolitical front make for tough trading conditions.

But despite these challenges, opportunities continue to exist for companies who delight their consumers. With expectations of what comprises good service falling, those organisations who prioritise the customer experience will find themselves competing in an environment where the bar is exceptionally low.

While there may be storm clouds all around, the sun will shine on those who get it right. This, surely, is a time for savvy companies to outperform their peers by doubling down on their efforts to exceed consumers' expectations, lock customers into repeat buying cycles and activate armies of micro influencers who will share news of their good experiences far and wide.

Broadly speaking, this edition of the report which brought in the voice of business for the first time, found few disconnects between the street and the boardroom with corporates, for the most part, prioritising many of the factors that consumers value.

Three areas where gaps appear to exist were in providing a strong human touch, the collection and utilisation of data and attitudes towards ESG.

To the first of these, it's evident, from both the quantitative data and the more qualitative opinions expressed by our consumer panel, that moments of delight are often based on empathy and human connection. While it's tempting to automate systems and processes, consumers continue to express a preference for old school support channels like email, call centres and direct face to face contact. As companies begin to experiment with AI and large language programmes like ChatGPT, they would be well advised to put proper and effective peer-to-peer escalation mechanisms in place.

Data remains a conundrum. Companies collect way more than they can use and consumers - with the exception of higher income earners - appear complacent about this digital land grab. Regardless of whether individual attitudes and behaviour change, it's likely that increased legal scrutiny will apply pressure to the type and volume of data gathered and mechanisms through which corporates obtain it. Now would be a good time for organisations to realign their strategies and give due thought to what they should be collecting and storing and how they'll analyse and use it.

And then there's ESG. While the need to procure diesel and invest in alternative energy sources may have stretched corporate spend, taking budgets away from non critical areas, consumers want the companies they buy from to have purpose and be solid corporate citizens. While 30% of consumers view ESG as a key factor in winning their loyalty, just 15% of our business respondents said it played a key role in the customer experience journey.

A particularly troubling statistic from the business survey was the revelation that a mere 14% see customer retention as their key focus. In tough times, consumers will be ever more diligent about where they spend their hard earned money. And they'll vote with their feet when they receive what they deem to be poor experiences. With acquisition costs continuing to rise, a strong retention play centred in customer delight seems essential to business success.

While the commentary in chapter two suggests that ecommerce growth is slowing and the number of potential online shoppers starting to plateau, it's important that business continues to invest in digital marketing given the role it plays both in enabling organisations to deliver exceptional experiences but also in driving footfall to bricks and mortar stores - online product research could influence as much as R516bn in retail sales.

But the overriding message coming from this year's survey is that, as South Africans, we still have far too many ordinary experiences. Brands that go above and beyond to delight us will be the companies we invest in.

Now would be a good time for organisations to realign their strategies and give due thought to what they should be collecting and storing and how they'll analyse and use it.

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Rogerwilco, the 2021 Financial Mail AdFocus Digital Agency of the Year, is a multi-award-winning staff-owned marketing agency with business units in Cape Town, Johannesburg and London.

The company offers a full range of digitally-led marketing services including strategy, creative, social, performance, development and marketing technology solutions to enterprise level customers and leading non-governmental organisations.

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OVATOYOU

ovatoyou is an online market research platform with a panel of well over 30 000 online respondents in South Africa. ovatoyou also has panels in Kenya, Uganda, Nigeria, Tanzania and Mozambique.

The company has the ability to give businesses and brands both the qualitative, immersive insight they need to understand their markets, as well as the quantitative data they need to make decisions. The platform and responsive panel allows ovatoyou to get results swiftly from a broad spectrum of online South Africans. Surveys can be scaled to meet the needs and budgets of clients with rapid project turnaround times.

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APPENDIX - CALCULATION METHODOLOGIES

In chapter two we make projections of the value of digital research and discovery in six retail consumer categories. These are derived from data provided by StatsSA, Euromonitor, Statista, ICASA and the SA government's national tourism report.

These sources indicate that some R684 660 000 000 was spent on groceries in 2022. Non grocery retail saw spend of R455 894 000 000 while the restaurant and fast food category accounted for R63 332 300 000. Domestic travel and accommodation witnessed purchases to the value of R56 300 000 000 while the communication sector was worth R208 145 000 000. A smoothed average of data from Euromonitor and Statista valued the passenger vehicle, service and parts market at R493 962 000 000. We then conservatively estimated the amount of spend attributed to "online" South Africans, as 72.3% of these totals, based on findings from the 2022 We Are Social global digital study which reported that this percentage of South Africans are digitally connected and active online.

Our respondents indicated that they use online for research:

- 48% of the time in the domestic travel and accommodation sector, equating to a purchase influence of R19.5bn

- 47% of the time in the communication sector, equating to a purchase influence of R70.7bn
- 40% of the time in the auto sector, equating to a purchase influence of R142.8bn
- 38% of the time in the non food retail sector, equating to a purchase influence of R125.3bn
- 29% of the time in the grocery sector, equating to a purchase influence of R143.6bn
- 31% of the time in the fast food and restaurant sector, equating to a purchase influence of R14.2bn

In aggregate this suggests that online research could contribute to a spend value of slightly over R516bn. A similar extrapolation indicates that the value of online discovery sits at some R478bn.

In chapter three we make a calculation on the potential contribution of reviews to ecommerce. This is derived from the number of our respondents who read online reviews (67%) multiplied by Euromonitor's projection for ecommerce sales in 2023 (R60.03bn). This infers that some R40.2bn of ecommerce transactions are influenced by reviews.

