2022 Consumer Innovation Survey Insights

Thought Leadership

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Just as companies and consumers felt comfortable placing the pandemic in the rearview mirror, a new economic threat emerged. After enduring declining revenues, workforce shortages, supply chain issues, and other challenges brought about by COVID-19, reports of high inflation and low unemployment have given rise to fears of a forthcoming recession.

While CapTech's third Consumer-Driven Innovation Survey confirms that consumers are, in fact, wary of an economic downturn, a common thread from 2020 and 2021 carries over to 2022: companies ahead of the technological curve stand a better chance of weathering the storm. Even when staring down a potential recession, our study found that 74% of consumers are likely or somewhat likely to purchase from a company invested in innovation. In addition, consumers are still motivated by a company's commitment to social and ethical responsibility.

At the heart of these findings is the fact that brand loyalty is as fragile as it's ever been. From modern to emerging to bleeding-edge tech, consumers are paying attention, and preferences and opinions—though always evolving—ultimately become behaviors. While modern conveniences like smart device payments and online chat have respectively reached an adoption tipping point, newer tech like augmented and virtual reality (AR and VR), along with the Metaverse, still has its skeptics—but for how much longer?

Throughout our three years of research, we continue to hear a common refrain. To get ahead, companies need to invest in innovation. It's arguably more important now, as the pandemic spurred innovation in several industries. In healthcare, telehealth services have gained significant steam. In retail, online grocery markets only added to the e-commerce craze. And for Fintech, contactless payments aren't going away anytime soon.

Though consumers might have recession fears, their emotions haven't materialized into action yet: the most recent estimates released by the U.S. Department of Commerce's Bureau of Economic Analysis state that personal income, disposable personal income, and, most importantly, personal consumption expenditures (PCEs), have all increased.

Companies that hope to capitalize can find encouragement in these industry examples and personal consumption stats.

CHAT SHIFTS FROM CONSUMER HESITATION TO EXPECTATION

Over the past year, consumers have become increasingly comfortable using conversational technologies.

> The numbers tell a clear story: **54%** of survey respondents have used live chat in the past six months, **60%** feel like it makes a company more accessible, and **38%** prefer to utilize live chat over calling a company.

In last year's survey, just 29% of respondents were very interested in continuing to communicate via online chat, so this year's responses show that conversational technologies continue to enjoy a steady increase in adoption.

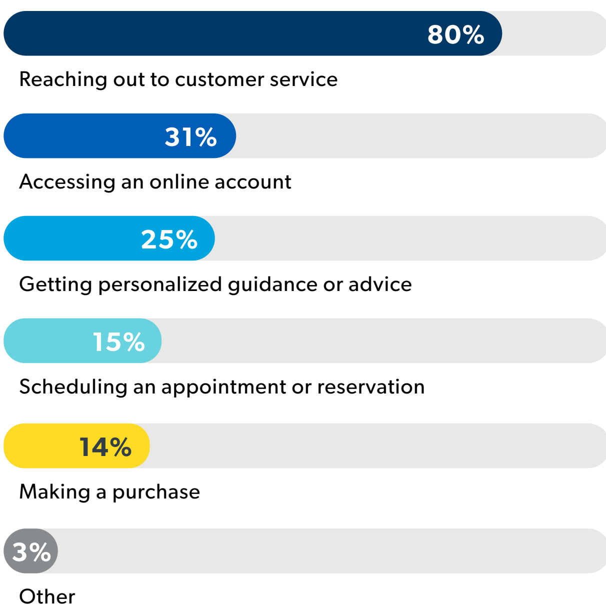
Based on our survey, 63% of respondents showed a strong preference to use live chat over a chatbot. However, when asked which activities they would choose to use a chatbot for, reaching out to customer service was a clear winner at 80%. All of these statistics coalesce to tell a clear story: consumers appreciate the convenience of chat, live or simulated, and are leveraging it instead of picking up the phone.

In a post-pandemic world, this is a logical development; consumers' expectations have changed, and they expect 24/7 access to a company. While it's a preference for convenience, it's a win-win for companies since this can lead to a significant return on investment when compared to costly call centers.

While the other activities listed in Figure 1 lag behind reaching out to customer service, conversational tech's role in the customer experience will only increase in importance. We don't have a crystal ball, but if the numbers continue to track in the same direction, some of the lagging activities will surge in a short span of time. And companies that haven't adopted chat as a critical channel will miss out on the consumers who have.

FIGURE 1

How consumers are using chatbots



AR CONTINUES TO FIND ITS FOOTING IN SPECIFIC INDUSTRIES

While AR has not quite reached the heights of popularity that chat has, the technology is certainly making headway. Right now, our survey indicates that consumers are mostly utilizing AR for entertainment purposes or to inform purchasing decisions (see Figure 2). Of the respondents who have used AR in the past year, 43% have used it four to nine times, while 19% have used it more than 10.

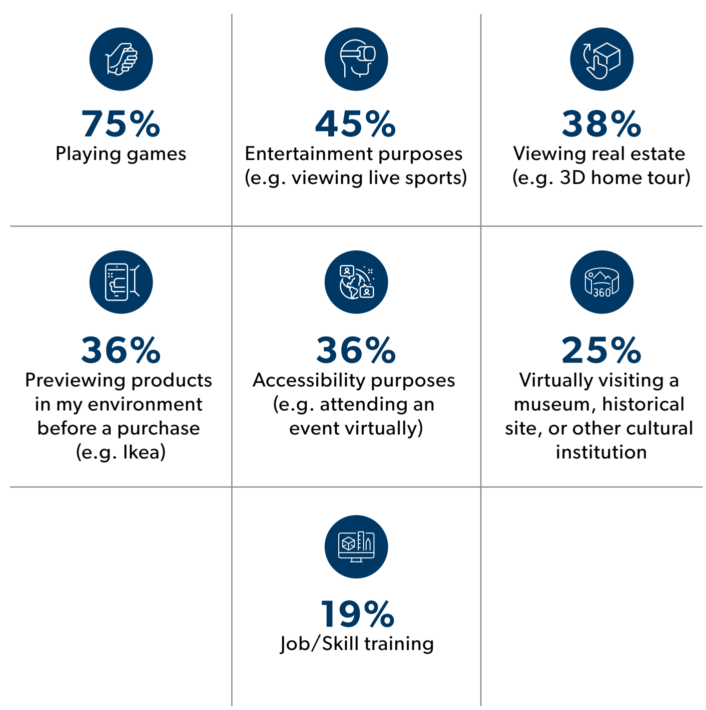
In our experience, many companies are hesitant to adopt AR, and they have valid reasons: development can be costly and it can be difficult to deploy. Yet consumers are growing increasingly comfortable with AR, and that's why the application matters so much.

Entertainment, such as live sports, gives companies opportunities to engage with consumers in a novel way. The ability to preview or evaluate products, such as the IKEA Place app, gives consumers confidence to make a purchase. Educational opportunities are also increasing in prevalence; for instance, Lowe's has leveraged AR for an in-store navigation app that can lead consumers to specific products—and highlight special promotions along the way.

To receive a solid return on your AR investment, companies have to find that sweet spot, which will vary based on their products or services. When asked why they might be hesitant to use AR, 63% of respondents simply noted that they didn't feel the need to use it. To capture the hearts and minds of those that haven't yet adopted it—and especially those who have fully embraced it—simply means companies need to apply the technology strategically, and creatively, to meet specific needs.

FIGURE 2

How respondents have used AR



VR SHOWS POTENTIAL, BUT COMPANIES MUST ADDRESS COST

Our study indicated that VR is still primarily used for gaming. However, there are signs of a future revenue stream for companies: we saw an upward trend in the number of consumers who are comfortable using VR. As with AR, the technology has the potential to serve as a new path to purchase.

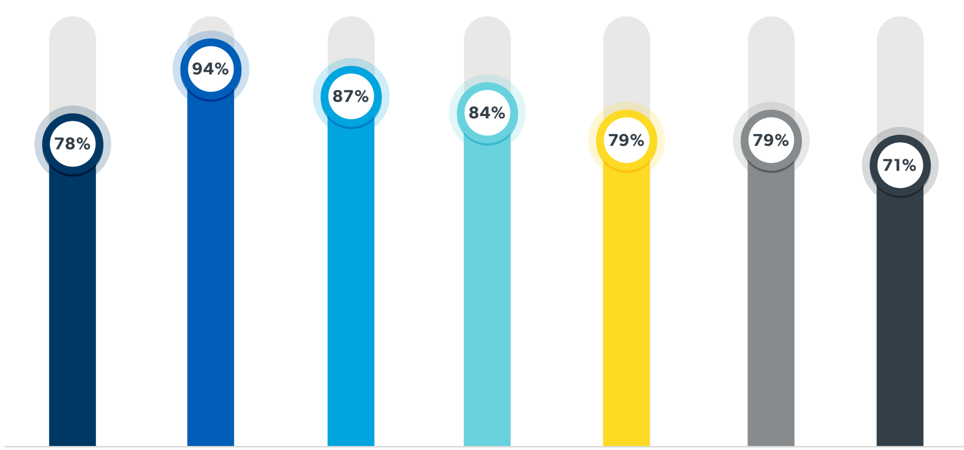
Only a small contingent of our respondents own a VR headset (14%) or used a VR headset device in the past six months (13%). As far as reasons why some respondents haven't used VR, two reasons stood out: they view it as expensive (42%) or don't feel the need to use it (62%). That latter statistic dovetails with AR, which once again signals that the onus is on companies to apply VR to the correct applications to achieve success.

But the opportunities are there, even if this is still an emerging technology. Our data (see Figure 3) indicates that the respondents who use VR do so similarly to AR; but the intriguing number lies in the 71% who would be very or somewhat comfortable making a purchase, and 50% of that "very comfortable" number are between the ages of 27 and 37.

Along with pairing the tech with the right product or service, companies who would like to move into this space need to think about cost feasibility. However, with younger consumers more open to adoption, companies need to think three to five years ahead. If VR tracks like chat has, it can be a valuable—and conceivably lucrative—channel.

FIGURE 3

Respondents who are very or somewhat comfortable completing a full transaction or experience in VR



- Somewhat or very comfortable with travel (e.g., visit a different state or country)
- Playing a game with others (e.g., board games, video games)
- Attending a social/entertainment event (e.g., concert, sporting event, conference)
- Attending training or a class (e.g., take a college course)
- Going to work (e.g., office setting with coworkers)
- Meeting with a friend or family member (e.g., having coffee or lunch together)
- Making a purchase (e.g., shopping and purchasing clothes)

IF BUSINESSES BUILD IT, GEN Z WILL PROBABLY COME

While we've focused on specific technologies up until this point, our last section locks in on a specific consumer segment. With increasing buying power, Gen Z is quickly becoming a critical target market for companies, especially in relation to the aforementioned technologies.

As noted in Figure 4, this younger consumer block is more likely to utilize chat, AR, and VR (and these Gen Zers are most likely to be interested in the Metaverse, too). These insights, combined with the knowledge that Gen Z is motivated to purchase from social media influencers, paint a clear picture that this is a generation living more and more online.

Last year, Sara Wilson of *Harvard Business Review* noted that younger audiences were shifting to more intimate online platforms, which she dubbed "digital campfires." These tiny communities enjoy participating in shared experiences online. Though many of these campfires are focused around games or gaming platforms, the concept serves as a playbook for companies that want to attract this audience.

As the article notes, some brands are using gamified approaches on popular platforms like Discord and Switch; the NBA's Sacramento Kings on the former, and Pizza Hut on the latter. Tapping into these audiences will take creativity and foresight. But if companies only remain content with leveraging established technologies, it's obvious they'll be missing out on a significant demographic.

FIGURE 4

Gen Z survey highlights

- The younger the consumer, the more likely they are to be motivated by product recommendations from people they know and from social media influencers
- 78% of Gen Zers believe live chat makes a company more accessible, higher than any other age group
- 18- to 26-year-olds represent the age group that has used AR the most
- Ages 18–37 are most likely to own a VR device
- Younger consumers are most likely to be interested in the Metaverse

AS ADOPTION TRENDS UPWARD, COMPANIES STAND AT A CROSSROADS

Much like in the investment world, past performance doesn't guarantee future results. But studying the trends in consumer behavior can give us a roadmap to prepare for the next generation of consumer innovation. Consumers continue to adopt technologies for a variety of reasons, and these reasons have proven powerful enough to shift brand loyalties. If adoption numbers continue to trend upward, more and more emerging technologies will eventually become established ones. And ambitious companies—the ones who stay the innovation course—will win hearts and minds, and subsequently, wallets, once this mainstream acceptance occurs.

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