



ON THE PLATFORM

BLURRED LINES: DIGITAL MEETS PHYSICAL

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Martin: Hello, welcome to *On the Platform*, where we're talking to the most influential and innovative thinkers in platform technology on the hottest topics and trends. My name is Martin Stoddart, and in today's episode we're going to explore some of the evolving business models that some of the largest Internet and platform companies are moving towards. I'm joined by Paul Johnson from Accenture Research. Paul, can you just say a few words about the work that you do?

Paul: Sure thing. Hey, Martin. Thanks for having me. I lead research for the Software & Platforms industry here at Accenture. And we cover the industry from a variety of different angles. One area that we've really been focused on recently is around consumer research, which I think gives us a great perspective on how

consumers are adopting various technologies and services.

And just over the past couple of months we've released results from a couple of our consumer surveys, one being the CMT Digital Consumer Survey, which includes data from more than 22,000 consumers across 20 plus countries, and then we've also completed research on a topic that we call digital edge with consumers here in the U.S., which again gives us a unique perspective on adoption of some current and forward-looking offerings in the market.

Martin: That's great, that's great. And maybe just worth saying that when we talk about digital edge here, I think we're talking about the way that companies are touching customers moving forwards, right?

Paul: Absolutely.

Martin: Yeah, so let me sort of dive in and then we can sort of get into the questions here. So I guess the backdrop is that what we're seeing here is that the lines are starting to blur between the physical and the digital worlds and more and more of the Internet platform companies are evolving their business models to go far beyond the pure digital routes where they started.

If you think about Amazon with the Alexa and Echo devices, Google Home, both moving their ways into the consumers' homes. Or Alphabet recently launched a driverless taxi service, Waymo One, in Arizona. So there are lots of shifts going as these companies move from just digital to increasingly thinking about physical and human touch points as part of these services.

So Paul, love to get your thoughts, big picture here, on what's your perspective on all of this? Is this a major structural shift and trend that we're seeing in the market or is this just going to be a passing fad?

Paul: Well, I think companies in the software and platforms industry have always been a bit unique in that they operate across a wide range of industries. And in many cases the leading companies often lead in a core market that they're very good at. But we've seen a real diversification of their business models over the past several years.

I mean, not long ago Amazon would have been seen exclusively as an e-commerce company, Google seen as a search advertising company, Microsoft would have been seen as a software company. But as you just mentioned in the examples you gave, all of these companies are moving beyond those core capabilities and shifting their business models, which I do think is reflective of a real structural shift in the industry.

Martin: Let's dive into one which I'm particularly interested in. If we think about ride share, I think it's a good example. So if you think about a ride share company, when they're taking a service to market, when a user uses the service they will dial it in, call it up from an app on their phone, so there's definitely a digital component there. Then the vehicle arrives, so there's a physical component. They're actually going to be driven to where they're going inside of a vehicle. And of course at the moment there's a human driver sitting behind the wheel doing the driving. So this is a service where all three of these edge elements, these touch points, are combined into the service—digital, physical and human.

What do you think, how do you think the users view this? Where do they view the value as coming from in some of these mixed business models?

Paul: Yeah, from a consumer's perspective I think ride share is a really good example of this where all three elements are combined, because ordering the ride initially

and getting matched to a driver is all about the digital experience, and then the physical dimension which you mentioned around the actual vehicle that you're riding in, and then finally the human element, where the most impactful perceptions from the consumer's perspective is actually the human interaction when it comes to ride sharing.

And we've seen that there's a lot of challenges with this for ride sharing companies in particular, but I don't think it's unique to them, especially as it ties to what we often call the gig economy. And we've seen ride sharing companies challenged to recruit and retain good, reliable drivers. They put a lot of investment behind doing this, and rightfully so. Our research shows that nearly one in three consumers say that they've decreased their use of a digital business after a negative human interaction.

Martin: And I could argue that ride share is a good example where they started with this human element and this human challenge right from the start. Presumably, though, there's going to be other services where other companies are standing up a human element where they may not have that same level of experience right from the get-go. Is that right? Are there other examples where kind of the human end of this is going to be the most important from the user's perspective?

Paul: I mean, there are other examples, but I think it depends on the actual service being provided. I

think consumers see the value in having their digital providers move into the physical world, and along with that some of those human interactions. But the data shows that if consumers want convenience, then they are comfortable relying on a digital provider to provide that one click shopping or an online subscription service for clothing that really doesn't include any human element, and the human element means very little. But if there's some type of click and collect service where a customer has to go to a physical location and pick something up out of a locker, then that physical element is the most important to them.

And then another thing that we've found in the research is that the human element was actually most important for a few different scenarios in addition to ride sharing, things like placing a food order online, then having it delivered to your door, or an experience where selecting a city tour online, but then experiencing it in person. In those cases the human element was actually considered the most important dimension of that interaction.

Martin: Now when I think about these companies we're talking about at the moment, all the time in the news there are stories around trust and safety and some of the challenges that some of these companies are facing. Usually those stories relate to the digital part, the more traditional parts of some of these businesses. But presumably

trust is going to be very important in some of these new services as well. Is that the case? And when I think about trust with respect to physical and human elements, is it different? Is it different in some way to when I think about trust on a digital platform today?

Paul: Is it different? I mean, that's a great question. I think that trust is absolutely a key component across all elements of this new model. And we see from a digital perspective just how important the concept of trust has become and the risks involved with that. But if you get more specific into something like sharing personal data, or let's just say location data, I think what's unique about consumers sharing location data is that there's certainly a digital element to it, right? But there's also data about where the consumer is physically, so it sort of combines those two.

And what we see is that in general most consumers are willing to make that tradeoff of providing something like their location data as long as it's with a trustworthy provider and that there's value in doing so. One of the things that we tested with our research is a concept that we like to call the doorstep delivery, or doorstep of the future, which involves letting someone enter your home to deliver a package while you're not there. And there was quite a bit of concern, understandably so, about allowing companies to do that, but it wasn't necessarily evenly spread across different types of platforms. We saw the consumers were most concerned with allowing

social media brands physically into their home, but they were more willing to allow other types of companies, like an e-commerce provider, into their home.

And I think, as you've touched upon in some of your questions, Martin, we're starting to see trust as a differentiator. We see leading consumer brands like Apple now running their own advertising on a platform of privacy and trust, which we've never really seen before. So trust matters. It matters across digital, physical, and human, and it's absolutely essential when rolling out some of these new business models.

Martin: There's kind of a table stakes element to it, right, with all, across all of these kinds of services, that there may be an opportunity to differentiate, as a vendor, around trust going forwards.

Paul: Yes. And we're starting to see brands recognize that. And not only put more emphasis and technology behind ensuring that data is secure and that privacy is ensured, but they're actually starting to deliver that message to consumers as well.

Martin: We've sort of delved into quite a lot around the human parts of these services, and we've touched on the physical. I just want to spend a couple of minutes and dive into the digital part of these services. And in particular one thing I think we've seen a lot of movement and growth and evolution in is around the notion of voice, right, of interacting with these services through voice

interface. How do you see user perceptions maybe changing with respect to voice and the level of interest moving forward?

Paul: Well, in our Digital Edge research we tested perceptions around various digital edge end points for engaging these services, and it's clear that globally smartphones are still the most preferred device for engaging with digital services. But one thing that really stood out is that voice is growing rapidly as a preferred way of interacting with these services.

And we just hit a key threshold where more than half of online consumers are now using some form of voice to connect to different services, whether that's voice capability embedded into their smartphone or a standalone voice assistant. And these types of activities range everything from initiating a voice call, to listening to music, to accessing news.

But one thing that really stands out is that there's appetite for even more complex capabilities through voice interactions, and that appetite's quite high. But again, Martin, one thing I would note here is that again trust is an important element to this as well. Forty-one percent of consumers have serious concerns about privacy related to who's listening with regards to voice assistance.

Martin: That interest in voice, are you seeing it across the board or is it certain demographics that are standing out?

Paul: It is slightly skewed towards younger, more affluent consumers, but that's quickly changing. And now that we have, we've sort of passed that threshold of more than half of online consumers using voice capabilities, we're really starting to see that difference really erode, so it's becoming much more mass market consumers with not early adopters anymore.

Martin: When we think about moving beyond the digital only world, what do you think are some of the, or maybe the top one or two challenges that these companies are going to face as they move off from sort of a digital starting point and move beyond that?

Paul: Well, I think more than anything digital companies cannot simply feel like they're extending their digital capabilities into the physical and human world and think that will suffice. We saw the physical retail companies really struggled with their digital offerings initially because interactions in the digital and physical worlds are not the same. And this is quite true just in the opposite direction here.

So I think one of the biggest challenges will be how to master some of these physical and human interactions, because consumers have clearly made it clear that they perceive these interactions to be quite important. So the implication is that it's not just business as usual, and although many of these platform

companies have experienced tremendous growth and success in standing up new capabilities, the opportunities ahead in introducing a physical and human element will not be without its challenges.

Martin: Well, unfortunately, that's all we've got time for today. But Paul, thank you so much for taking part in today's conversation.

Paul: Thanks, Martin. Thanks for having me.

Martin: Yeah, you're welcome.

So we hope you all enjoyed this episode, and please help us get the word out and be sure to subscribe, share, rate and review our series. We'd love to hear from you and hope you tune in again for the next episode of *On the Platform*.

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