

# **Customer Experience and Innovation:**

the new world order

**AA**

# Foreword

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The world in which we live, and work, is evolving rapidly. We've all experienced great uncertainty and unprecedented challenges due to the pandemic but, as is often the case, with adversity comes opportunity.

Customer experience and innovation are two areas where we've seen some of the greatest examples of opportunity reshaping the landscape. When businesses saw their 'normal' operations turned on their head, many adapted quickly and thrived. Some of these adaptations came about purely from societal changes, and others were brought forward from future plans. Either way, we're seeing changes in customer interactions, in customer expectations and a general rise in digital retailing.

Many of these developments are relieving the pressure of uncertain times on drivers, businesses and fleet managers, as greater convenience and customer control are pushed to the top of the agenda. We've certainly been striving to do this at the AA. Our customers have always been at the heart of everything we do but we're constantly reviewing and adapting our business to meet their changing needs.

It can't be ignored that these evolutions are happening alongside significant planned changes in the automotive sector – some may say the most significant changes in driving history. With the government's date for zero emissions set for 2030 – the date when new petrol and diesel car sales will be banned – there's less than a decade for the automotive industry, businesses, and drivers to adapt to the opportunity this milestone brings.

With so much in the mix, we've created this paper to explore some of the key factors of the current customer experience and innovation landscape, and to shine a light on some of the exciting developments coming up and their impact on businesses. Importantly, we hope to inspire businesses to embrace change and the opportunities, as we have been inspired to do. I hope you find this an interesting read.




**Edmund King OBE**  
AA President

# Executive Summary

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**Customer experience and innovation go hand-in-hand as two of the most important elements of business success today. Customers, whether consumers or other businesses, demand the best products and services, along with the highest levels of customer support. Put simply, customers want an experience like no other.**

We're now at a landmark time where the world is beginning to navigate its way out of the Covid-19 pandemic, which has had a monumental impact on society. As the UK completes Brexit and continues on its journey to 2030, the government's date for electrification, it's clear there's a lot at play and we're seeing a rapid evolution for consumer expectations.



**This paper explores the current customer experience and innovation landscape and highlights examples of best practice and inspiration from within and outside the automotive world. It brings together useful advice on managing customer touchpoints and measuring satisfaction levels, offering food for thought and inspiration.**

# The evolving customer experience

As consumers today, our expectations are not only high, they're vast. We've moved beyond seeing purchases as merely commodities and we're beginning to surpass the expectation for consumer goods and services to offer us an experience alone. We desire more.

As Joseph Pine II and James H. Gilmore predicted over 20 years ago in their landmark paper '*Welcome to the Experience Economy*', we're entering the transformation economy. Consumers are now willing to pay for experiences that transform their lives in some way and the automotive sector is no exception to this.

## Factors for change

How we consume purchases constantly evolves over time but we're now at a point where factors such as technology and the COVID-19 pandemic are accelerating this change at a far faster rate.

When the pandemic started in early 2020, none of us knew what would unfold over the coming months, and the impact it would have on our lives. Today, it's still too early to assess and appreciate the full extent of how it's re-shaped society but many changes are evident.

One clear change is the rise of online retailing. A recent Ofcom report '*Online Nation 2021*' evidenced this, showing how the pandemic has accelerated the digital shift. During the pandemic UK adults spent an average of three hours and 47 minutes online every day, with online shopping sales rising 48% to £113bn.

Food and drinks have been central to this. Monthly food delivery sales are still almost 300% higher than in 2019, showing that demand for grocery deliveries and dining experiences delivered to our doorstep is here to stay.

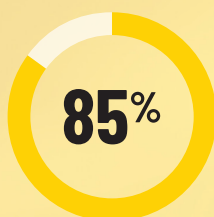


**Monthly food delivery sales are still almost 300% higher than in 2019**

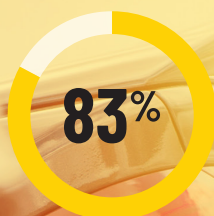


## Automotive insight

Our recent research report 'New Horizons' looked at the views of UK SME Fleet Managers and gave us a really interesting picture of evolving customer experience expectations in the automotive sphere. There's a clear trend for personalisation of experiences and flexibility, such as home delivery and one point of contact.



expect a service which is **tailored** to their organisation's own needs



expect a service that matches the **agility and flexibility** that an individual consumer would expect



expect one **integrated solutions provider** for service, maintenance, and repair

# The rise of digital

We can't talk about customer experience today without mentioning the rise of the digital platforms which have delivered significant change and innovation to the entire customer journey.

In both the business to business (B2B) and business to consumer (B2C) markets, we're increasingly used to being 'sold to' through social media channels which blur the lines between entertainment and retail. We see something we like, and we can click to purchase in a matter of seconds. Over the course of the pandemic, we saw TikTok's popularity boom. The social platform recently announced that it has hit more than a billion monthly active users globally. While not a direct sales channel, it's having an impact on retail through ads and influencer marketing, including in the B2B space.

Millennials (those born between 1981-1996) and, with increasing purchasing power, Gen Zers (1997-2012) are beginning to dominate consumer markets – a trend that will only increase over the coming decade. McKinsey estimates that millennials will represent more than 45% of potential car purchases by 2025, becoming the largest demographic for new vehicle sales. For these younger generations, some form of digital integration is expected as part of almost all purchases – including significant ones, like vehicles and property.



According to research by Appnovation, **89% of millennials** expect brands to use technology to shape their customer experiences, regardless of product or business type.

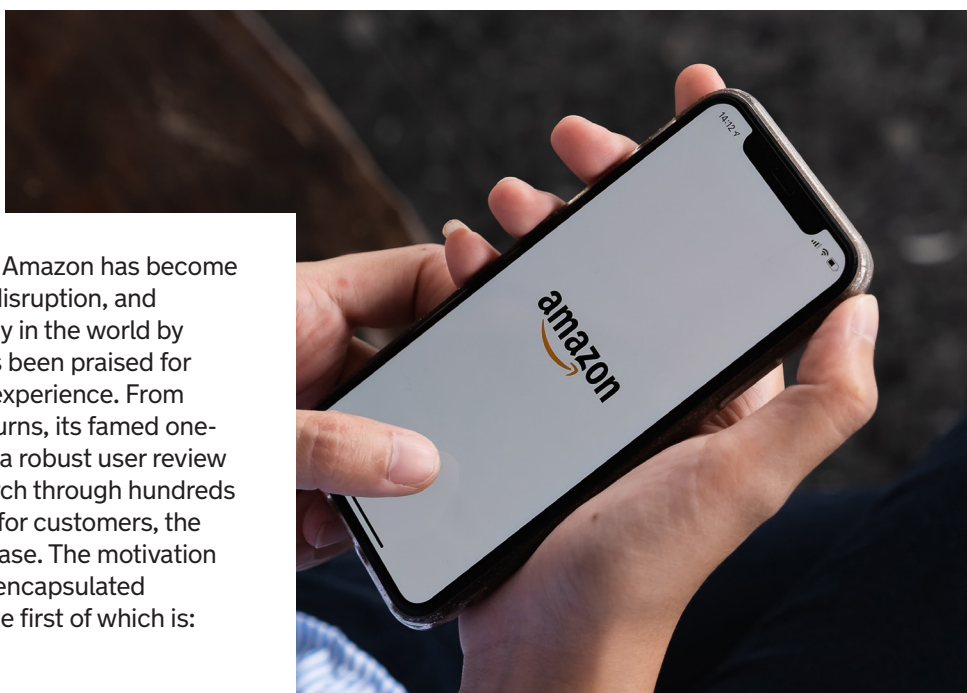


## Digital innovation in practice

# amazon

### Lessons from a world leader

Evolving from a pioneering online book retailer, Amazon has become a world-leader in digital customer experience, disruption, and innovation. Currently the fourth largest company in the world by market capitalisation (\$1.71 trillion), Amazon has been praised for continuing to innovate and refine its customer experience. From straightforward and transparent refund and returns, its famed one-day delivery system Prime, diversity of options, a robust user review system and, of course, the ability to rapidly search through hundreds of thousands of items in an instant, means that for customers, the experience is one of unparalleled streamlined ease. The motivation and drive behind these features are effectively encapsulated within Amazon's six customer service tenets, the first of which is: "Relentlessly advocate for customers."



# Uber

### Building consumer trust through innovation

With a game-changing innovation that would revolutionise the taxi market, Uber knew that to be successful, it would have to build consumer trust. Its approach was centred on quality, collaboration, and transparency. The vehicles had to meet high quality and safety standards, and it collected driver and rider feedback through the app, which was visible to customers. Taking the network of drivers it had on the move and a well-recognised app, Uber launched Uber Eats in 2014. It is widely recognised that the brand's constant desire to innovate the customer experience is the reason why it is so successful.

# Digital transformation in automotive retailing

When it comes to digital integration of the customer experience, the automotive sector is in the earlier stages of its digital journey, compared to industries of a similar scale. This is particularly true when you consider the innovations in online shopping and the preferences of digital consumers.

Although the efforts of some newer, disruptive manufacturers have attempted to close this gap, the industry is still heavily reliant on traditional sales models. This is understandable with the complexity of the sales and service network, but with the spending power of digital natives now increasing rapidly, now is the time to re-evaluate the digital opportunity.

## Where are we now in automotive

In comparison to many other large industries, the automotive industry is unique. While vehicle manufacturers spend billions in developing and producing new products and marketing them, they have almost no contact with consumers. Instead, vehicle dealership networks form the customer-facing element of the industry.

Now, with the rise of digitalisation, vehicle manufacturers are finding new ways to engage with end-users, with some exploring direct-to-consumer online sales. The driving force behind this is the historical discontent with the traditional automotive sales model, with many expressing a desire for a more streamlined and transparent experience including comprehensive aftersales support – similar to their experiences in other sectors.

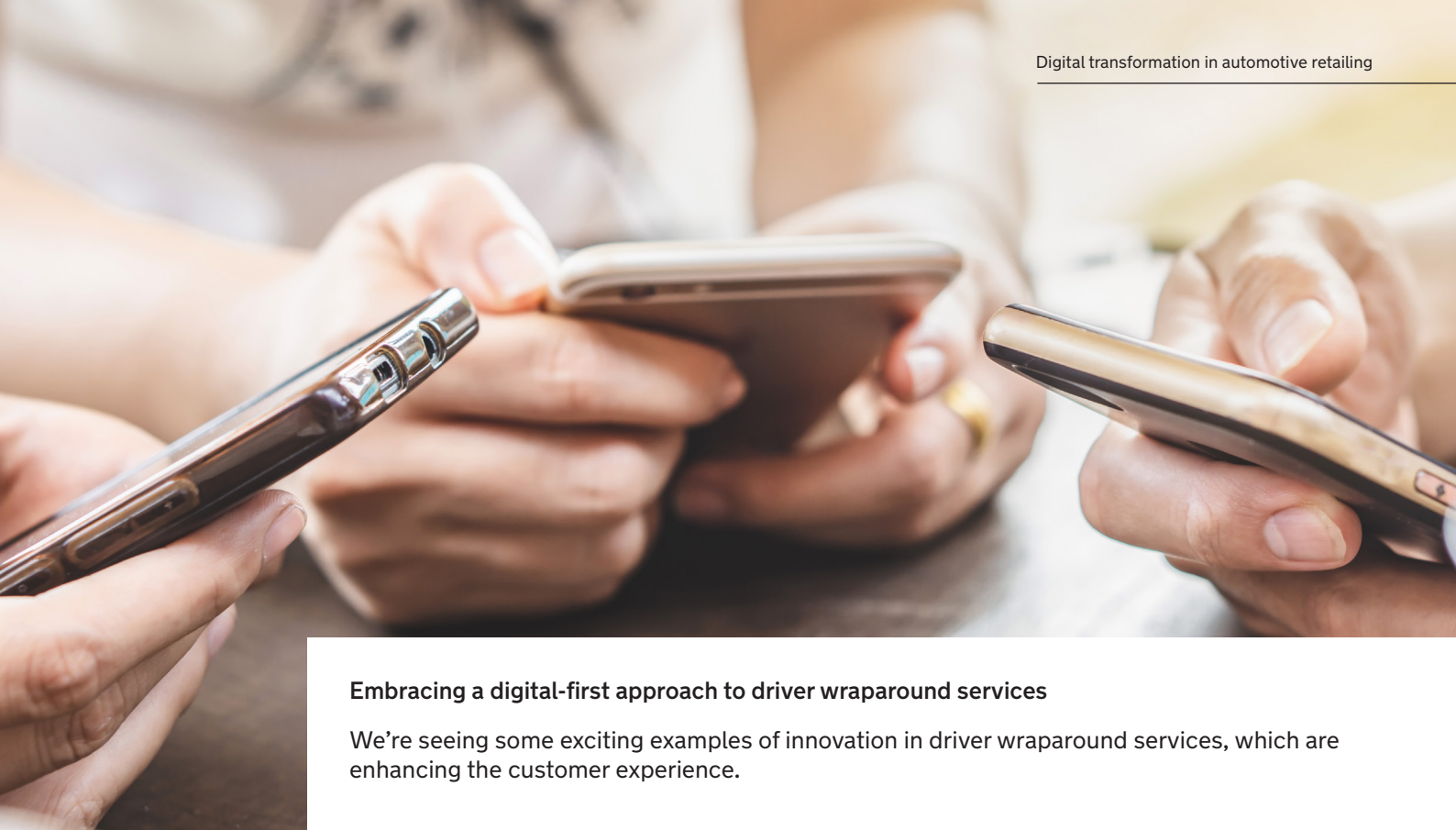
An example of this can be seen when you look at the vehicle service experience. It often involves the driver having to make a considerable time commitment to get their vehicle to a garage and pay a significant cost for the experience. Drivers don't feel like they get anything from the experience, no added benefits to their vehicle for example, and the whole process is a planning nightmare. The 2018 Service Industry Study from Cox Automotive found that drivers spend approximately 15 hours buying a car but up to 50 hours having it serviced. This is a key example of where customer experience can be improved. Digital integration, through proactive programmes, can make a real difference.

As McKinsey & Company has noted: "It is likely that the next customer generation, accustomed to instant gratification in the digital space, will potentially opt out of car ownership altogether if it entails a time-intensive and inconvenient service experience."

When it comes to overhauling the automotive customer experience, McKinsey outlines five key 'levers' to proactively improve and lay the foundation for future innovation:

- Define a common purpose and a customer-centric behavioural framework
- Build capabilities via forum training events and digital tools
- Identify and digitise key customer touchpoints
- Establish a closed-loop customer-feedback management process
- Establish test-and-learn experiments to validate radical new customer experience ideas





### **Embracing a digital-first approach to driver wraparound services**

We're seeing some exciting examples of innovation in driver wraparound services, which are enhancing the customer experience.

#### **There's an app for that**

As our population of smartphone users continues to grow, apps are now big businesses. In 2020, there were 218 billion downloads of mobile apps worldwide, with over 2.79 million apps available in the Google Play Store in Q3 of 2021 (Statista). They're a pivotal part of the customer journey.

Our member app allows drivers to be rescued without even making a phone call. The award-winning app forms part of our digital customer journey, which is enabled across all devices, including mobile, tablet and desktop. It's being widely adopted by business customers, including one of the UK's largest banking groups. Since the launch of the online reporting journey in 2020, for this customer more than 5,500 breakdowns have been reported using the online channel, with all uptakes of the app to date being organic. With the customer experience the key focus, the app has added benefits to make driving life simpler, including route planning, parking timers and a tracking system to keep note of MOT and service requirements.

#### **Proactivity and prevention – they're not just buzz words**

As the goal posts on customer experience keep shifting, our focus on excellence moves with them. Claire Mallinson, UK Roadside & Mobility Business Manager, Jaguar Land Rover, explains: "We've gone past those days where the technician just goes out. It's all about technology and telematics. We should be able to be more proactive and more preventative, as that's the direction of travel." Working collaboratively with Jaguar Land Rover, we introduced a proactive approach to managing telematics data and contacting customers if there are issues which need to be resolved or updates to be installed. This has included a proactive management programme to handle campaign work, such as DPF replacements. Sharing information with drivers, including YouTube videos, has reduced the number of unnecessary callouts by preventing problems before they happen.

This form of data sharing also helps us on the proactive and preventative side of things too. If we know that a customer's vehicle requires a part fitting, we can resource that job before the customer even knows they need it, like the soft DPF recall programme. A proactive call to the customer to let them know that we're on top of their vehicle's needs means we can arrange to send a technician out to a convenient location for them, rather than requiring them to attend a dealership site which may not suit their needs.

"The more technology there is within the vehicle, the more possibilities there are to deliver customer service directly through them." Claire Mallinson, UK Roadside & Mobility Business Manager, Jaguar Land Rover



# Meeting customer expectations

Through better understanding of customer expectations, we can meet and continue to hit high customer satisfaction levels. Today, customers expect an experience which is seamless across business units, personalised to their exact needs and available when they need it. Last year, as part of its 'State of the Connected Customer' report, Salesforce found that 80% of customers consider the experience a company provides to be as important as its products and services.

Salesforce: "As disruptive companies leverage breakthroughs in cloud, mobile, social and artificial intelligence technology to deliver personalised, valuable and immediate experiences, customers have more choices than ever. As a result, they grow to expect this superior experience from any business they engage with."

In the automotive sector, we are very used to customer satisfaction surveys telling us how drivers feel about vehicle models. One example being The Auto Express Annual Driver Power surveys which give UK car owners the chance to give their verdict on how they're finding their cars. What we need to know more of is how drivers want to be interacted with, and how we can surprise and delight them.

A recent What Car? survey of used in-market buyers looked at how receptive used buyers are to buying their next vehicle entirely online. The findings showed 94% of respondents stated they are either very or fairly confident in buying their next used car from a franchised dealer, compared with 63% from a car supermarket, 55% from an independent dealer and 20% from an online-only provider.

Measuring the customer experience that we deliver is crucial to our understanding of how well we are doing as a business, and we have an extensive survey system in place to understand the end-to-end customer experience. This ensures that we can identify pain points and improvements across the customer journey for our products and channels. The insight which we gather is used by the business to drive forward changes, and to better understand what our customers need from us.

How receptive used buyers are to buying their next vehicle entirely online

**94%**

from a franchised dealer

**63%**

from a car supermarket

**55%**

from an independent dealer

**20%**

from an online-only provider

Data provided by What Car?

“We primarily measure customer experience using Net Promotor Score (NPS) within our customer journey surveys. NPS asks a simple question to customers around their likelihood to recommend the AA to a friend or colleague and is well established across industries. NPS has been measured by us for the last four years across most of our core products and channels. However, we recognised that the program was not delivering the insight that the business needed to drive really meaningful changes and improvements to the customer experience, so this year we started a transformation project. We set out to add more depth to the insight that we generate, improving the way we measure and understand our customers and how that insight is shared to the business owners who have the ability to drive change.

“Once a review of how we measure customer experience was completed, we looked for opportunities to maximise the insight we could gain from the customer journey surveys, which covered the end-to-end lifecycle from joining the AA, through to using our products and services and then renewing or leaving. Each survey questionnaire was rewritten with two aims in mind – firstly to understand the customer experience end-to-end, across our products and channels, what is it like to take out insurance or breakdown cover, how easy is it to renew, or to cancel a renewal, etc. The second priority was to understand what our customers think of our products and services more broadly and at a brand level, why they decided to become customers of the AA and what can we do to improve.

“The final phase of the project was to move to a new reporting mechanism using a new dashboard tool which was provided by our customer experience partner Confrontit – this gives us a dynamic and customisable live results tool which is accessible by stakeholders from across the business. Results can now be seen as they come in, and data can be filtered in many ways, providing us with powerful reporting and analysis to deliver meaningful data and drive forward changes.” Darran Taylor, Group Customer Experience Senior Manager at the AA

### Top tips for improving the customer experience

Customer expectations are evolving all the time but there are some clear steps we can all take to improve the customer experience.

**Look at your customer journey as a whole, across your entire business -** don't focus just on individual business units, look at the full picture of how all interaction with your customers impacts them.

**Talk to your customer -** keep asking them how they find your service, so you can truly understand where there are areas for improvement.

**Add value to every customer interaction -** surprise and delight your customer.

**Keep it moving forwards -** today, the business and social landscape is moving fast, so it's vital to keep innovating and looking one step ahead.



# Customer experience innovation in practice

## A seamless customer experience – the first Electric Forecourt®

Customer support at the world's first Electric Forecourt® near Braintree, Essex, is delivered by us via a dedicated team of electric vehicle experts. Drivers using any of the 24 high power ABB electric vehicle charging points can call the helpline and receive industry-leading advice on technical questions related to the charging station itself, or their vehicle, enabling them to get back on the road quickly.

The need for a seamless EV customer experience was highlighted in our recent New Horizons research – 59% of MPs agree that investing in good customer service for electric vehicle charge points is just as important as increasing the number of charge points.



## Convenience on the customer's doorstep – reimagining recalls

Each year, around a million vehicles are called back for safety checks or repairs under the DVSA's vehicle safety recall scheme. In fact, one in every 13 vehicles in the UK is subject to a recall notice. If a make or model is affected by a recall, manufacturers are legally obliged to contact the owner to offer a resolution.

In response to demand for greater convenience and flexibility from drivers, we've worked closely with one manufacturer in the Scottish islands to help them reach remote customers who needed a hassle-free recall repair. The Scottish islands pose a unique challenge – they're remote, have a low population density, and don't have a dedicated manufacturer's garage within a reasonable drive time for customers. Despite this, the manufacturer obviously had a legal obligation to carry out their recalls no matter where the customer and their vehicle were. The solution had to be cost efficient for the manufacturer and give the customer an easy and convenient way to have their car repaired.

We sent two of our dedicated mobile technicians to customers on the islands. Having the mobile technicians come direct to the customer for the repair meant the manufacturer met their legal obligation in a cost-efficient way, and customers received a highly convenient service.

# Thinking outside the box – beyond breakdown

Towards the end of 2019, we became the first UK breakdown provider to partner with inventive location technology company, what3words. It means drivers who break down in an unfamiliar location can tell us exactly where they are. It forms part of our continued commitment to enhancing service through innovation.



We respond to around 10,000 breakdowns a day. One thing drivers all have in common is the need for the breakdown location. While members who report their breakdown via the AA app or website (theaa.com) can share their location information, those who report their breakdown via their phone may not be able to communicate their whereabouts as easily. How do you describe where you are when there are no visible landmarks on a large stretch of road?

what3words has divided the world into a grid of 3m x 3m squares, and given each one a unique what3words address, made up of three words from the dictionary. Instead of having to give approximate descriptions of where a breakdown has happened, our customers can now give the operator their exact what3words address when calling - and help will be sent to that precise 3m x 3m square.

For example, instead of saying, 'I'm on the M6 near Seabridge, past a wooded area, heading South', customers can find their location either using the what3words app, which is available to download for free, or via the online map at [www.what3words.com](http://www.what3words.com). By simply saying the three words that correspond to their location (in this case, 'audit twins cute') we can send help straight to them.

Chris Sheldrick, CEO and co-founder of what3words, explains: "what3words has been rolled out by emergency services across the country. One of the key areas in which our system proved invaluable was on long stretches of motorways and unnamed rural roads. These locations can be incredibly difficult to describe and when responding quickly is crucial to keep people safe, the precision and ease of three words can save vital time in locating someone in need of help. We've been quick to see this same benefit, ensuring that their control rooms are trained to use what3words to locate callers and dispatch help exactly where it's needed."

Millions of people around the world use what3words to make life safer, more efficient, and less frustrating. It's used in 193 countries daily and the system is available in over 45 languages with more in development.

Over 85% of the UK's emergency services now use what3words in daily operations. Leading utilities and infrastructure companies are now using the system to improve their health and safety processes, streamline project planning, easily locate assets and worksites, and facilitate incident reporting by staff and members of the public. These include UK Power Networks, Openreach, Thames Water and Network Rail.

Author Neil Gaiman summed up his experience in a Twitter post: "Just blew a tyre on a lonely highland road. I am hopping onto Twitter to say that the What3words app is the best thing ever and instead of me umming and erring about where I am to the AA I just said "magical unsigned spaghetti" (not the actual 3 words) and they are on the way."



## A case study in innovation

# The Freewheeling Hub: An inventor's dream

Facing the challenge that it was not possible to tow some vehicles with seized brakes, failed bearings, electric handbrakes or 4x4s, we set out looking for the answer. We wanted to speed up the recovery process for these vehicles and get drivers to safety quicker. It was the brainchild of Chief Engineer, Steve Ives, who came to the rescue in a story of innovation and ingenuity.

## Where it started

Determined to find the seemingly impossible solution to be able to tow un-towable vehicles, Steve set to work. Many manufacturers recommend that you shouldn't tow their EVs as the car's motor is always mechanically connected to the wheels and does not have a true 'neutral' gear. With this in mind, he developed an exciting concept to transform the breakdown process. Following months of work on his concept, he eventually crafted a wooden prototype which was further developed with our partners, presswork and prototyping specialist AS Oscroft.

After extensive testing and development over a 10-month period with 200 patrols, the design was finalised and the Freewheeling Hub was born.

## How it works

Our Freewheeling Hub is a game-changing addition to our Multi-Fit Wheel kit and a clever way for our Patrols to safely tow vehicles, such as electric vehicles (EVs), 4x4s and SUVs, which normally cannot be 'lifted' and towed on two wheels.

Working in conjunction with the Compact Recovery Trailer (CRT) which is automatically deployed from the back of patrol vans, the Freewheeling Hub works with a wide variety of vehicles, as well as enabling the movement of vehicles in confined spaces which cannot be reached by larger recovery vehicles.

## A true innovation

The industry-first Freewheeling Hub really has transformed the landscape of how we recover EVs from the roadside. Exclusive to us, it has been rolled out to all Patrols and the innovation further strengthens our support for our business customers that are making the transition to EVs.

John Curtis, Presenter of the EV Café and Go Ultra Low Ambassador, said: "The introduction of the Freewheeling Hub to AA Patrols' roadside capabilities is an important addition to the future of EV recoveries in the UK. It is making a real difference to a number of drivers who are already on the road and giving confidence to those who are in the early stages of transitioning to EV. As well as its recovery benefits, the Freewheeling Hub will reduce CO<sub>2</sub> emissions which is an added bonus! It really is a fantastic piece of innovation!"



# AA innovation roadmap

We're continuously looking ahead to evolve and adapt our business to best meet our customers' needs and our ambitions.

Over this decade there's going to be a huge amount of change for the automotive sector, so we thought we'd take a look at what innovation could look like for us.



# Conclusion

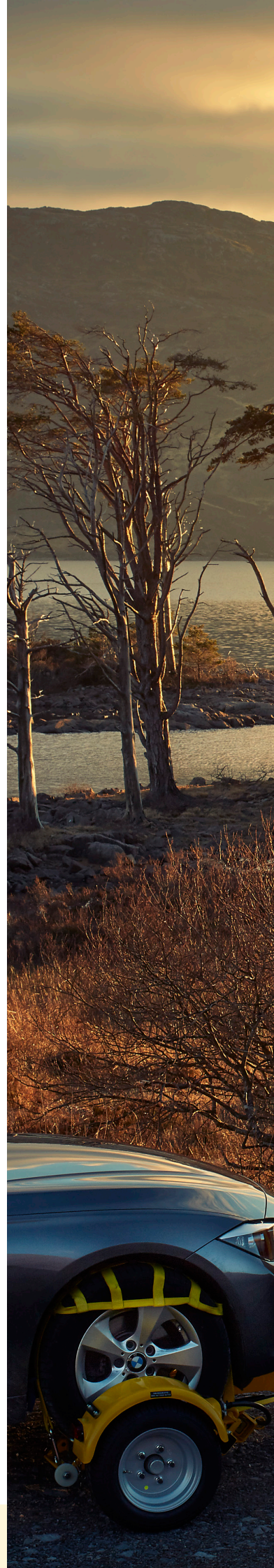
There's a real buzz around innovation, it's infectious. I think for a lot of us, it's innovation – in whatever form that may take, from a small idea, through to a new invention – that drives us in our working lives. That's certainly the case for us at the AA. We're constantly striving to build on our offering to our customers through our own products and services and through the right partnerships.

We've all witnessed a rapid evolution of customer expectations as society has shifted with the impact of the pandemic and the automotive industry is no exception. With net zero a priority across industries and government, as we move further towards 2030, the government's date for electrification, we're all living and breathing innovation. It's exciting, as well as daunting for many, and that's why partnerships and close collaboration within the industry is more important than ever.

I'm optimistic as we move forwards and hopefully, we'll see many of the challenges businesses have faced recently behind us. It's only through continued innovation and investment in the customer experience that we'll best navigate any future bumps in the road, but also be able to embrace the opportunities that uncertainty brings. I hope you'll be there with us on the journey, just as we'll be there for our customers.



**Gavin Franks**  
Director of Business Services, The AA







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Gavin Franks  
Director of Business Services, The AA

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There are more than 4 million vans and trucks on UK roads. As the UK's number one breakdown service provider, we cover 65% of the UK's top 20 car and van fleets.

We serve almost 10 million business customers, attending 3.5 million business and personal breakdowns each year. Offering 24/7 assistance, we also support more than a quarter of sole traders who operate vehicles and invest in breakdown cover. We have more highly skilled Patrols than anyone else, with almost 3000 of them.

Our cutting edge technology and expert Patrols means that we can fix 8 out of 10 cars at the roadside.

