

Current market conditions continue to put pressure on enterprises to do more with less, and as a result, the need to use customer experience (CX) solutions to differentiate themselves has grown only stronger.

The Role of Automation and AI in Improving the Future of Customer Experience

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Introduction

Enterprises are grappling with an accelerated rate of interconnected uncertainty driven by inflation pressures, the pinch across the supply chain, flattening customer growth, waning customer loyalty, and a tight labor market. Against the backdrop of these challenges, balancing customer experience (CX) with operational efficiency has become a greater imperative for enterprises. IDC research finds that over the past 12 months, while customer experience has been the number 1 priority for enterprises, operational efficiency has trended closely in the number 2 spot and has even held top priority in some months. This reflects firms' concerns about inflation and navigating the impending global recession.

Charting the Path Forward: Balancing CX with Operational Efficiency

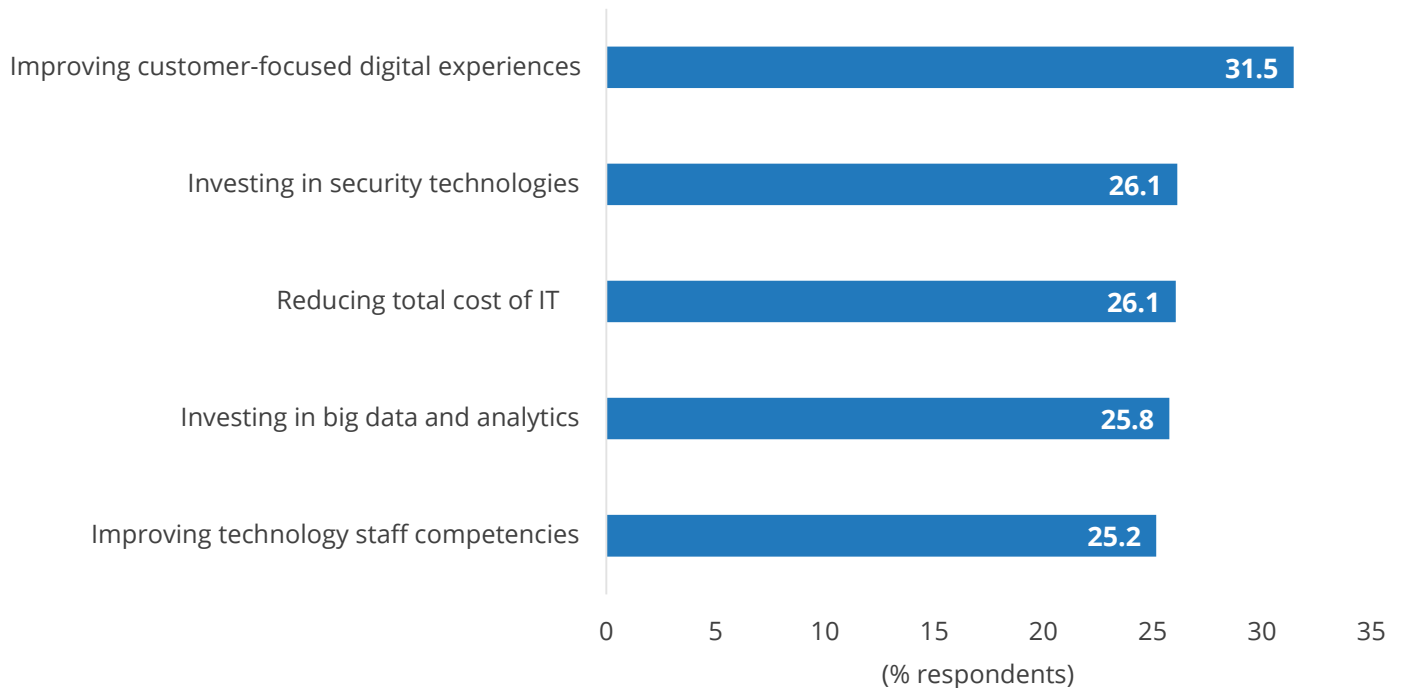
According to an IDC survey, close to a third of C-suite executives worldwide indicated that improving customer-focused digital experiences is their number 1 technology priority as they look to deliver on their strategic enterprise road map and transform their business to a digital-first model (see Figure 1).

Attaining future business resilience will hinge on delivering empathetic experiences (i.e., customer outcomes that are based on enterprises accurately recognizing customer intent, needs, and objectives and meeting those needs). Doing so will require enterprises to move beyond transaction-level experiences and anchor business outcomes to relationship-based experiences. However, CX executives who were already beset with CX transformation-related issues now find themselves having to do more with less as operational efficiency edges up as the number 1 challenge enterprises face as an impediment to transforming and improving their customer experience.

AT A GLANCE

KEY STATS

- » 74% of organizations surveyed want to use customer experience transformation to achieve real-time decision making as it relates to customer engagement, financial operations, and/or operational activities.
- » 76% of organizations surveyed want to use customer experience transformation to attain contextualized data for customer engagements, financial operations, and/or operational activities.

FIGURE 1: **Organizations' Top Technology Priorities in 2023****Q What are your organization's top technology priorities for the next 12 months?**

n = 858

Note: The figure shows the top 5 of 12 priorities.

Source: IDC's Worldwide C-Suite Tech Survey, August 2022

Siloed data, legacy infrastructure, and numerous CX point solutions continue to impede CX success as a result of the changing nature of customer journeys, the multitude of channels, and evolving customer needs and experience expectations. Industry sectors such as financial services or healthcare must also factor regulatory constraints into their customer experience initiatives. However, customers expect contextual and intelligent conversations, want to engage via seamless journeys regardless of channels, and expect interactions to deliver the desired outcome(s). IDC sees this as the future of customer experience — where the customer relationship with brands in the future will be built on cognitive empathy and scaled through the lens of data and technology.

Future customer experiences must evolve beyond the confines of functional silos (i.e., just marketing or customer service) and become part of the customer's whole journey experience. Technology becomes the foundation to scale with capabilities such as, but not limited to, data and analytics, artificial intelligence (AI), digital self-service, and experience automation. Crucially, sustained success will require organizational customer centricity — activated across employees, business processes, and operations — to achieve whole journey customer experience outcomes. This cultural and operational transformation is crucial to achieving what IDC refers to as customer-focused "empathy at scale."

Scaling Empathetic Experience Outcomes

The following responses from IDC's September 2022 *Future Enterprise Resiliency and Spending Survey* show that enterprise leaders see the role of contextual customer insights, analytics, and experience automation as very important or critical for customer experience transformation:

- » 74% want to use CX transformation to achieve real-time decision making as it relates to customer engagement, financial operations, and/or operational activities. Executing real-time decisions requires AI/ML insights that can be rapidly delivered to engage with customers across channels, customer journeys, and life-cycle stages.
- » 76% want to use CX transformation to attain contextualized data for customer engagements, financial operations, and/or operational activities. IDC research finds that two-thirds of customers engage with a company only if the engagement is contextual and relevant.
- » 72% want to use CX transformation to holistically manage customer engagement processes, financial processes, and/or operational activities. Orchestrating a dynamic, adaptable, whole journey customer engagement is predicated on leveraging customer data and insights to fuel the analytics engine to power customer journeys enabled by automation and artificial intelligence.

Delivering customer experiences that are contextually aware, respect customer consent and privacy, and align with desired outcomes requires a connected customer data ecosystem.

Essential guidance and leading practices that enterprises must adopt to successfully scale empathetic experiences include the following:

- » **Begin from the data layer up.** Delivering customer experiences that are contextually aware, respect customer consent and privacy, and align with desired outcomes requires a connected customer data ecosystem. CX and IT executives should identify gaps in data collection, aggregation, and analytics to eliminate organizational data silos and unify insights across zero-, first-, and second-party customer data. This enables business functions across the enterprise to understand the customer and calibrate the customer journey effectively — holistically and at the individual micro-moment level.
- » **Power two-way intelligent conversations.** IDC's 2022 *AI Path Survey* found that improving customer experience is among the top 5 primary business drivers for executives in using AI for enterprise initiatives. With customer data that fuels the applied intelligence engine, enterprises can actively learn — that is, develop the ability to listen, synthesize, and act in near real time to build and apply a unified portfolio of customer intelligence, powered by AI insights, into business processes to execute inbound and outbound customer engagements at scale.
- » **Reduce customer effort.** The "cognitive load" or level of effort that customers expend on an action significantly impacts their perception of customer experience and satisfaction. Forward-looking experience metrics such as Customer Effort Score (CES) enable organizations to measure level of customer effort and determine tangible actions to iteratively adjust the customer journey in real time to improve and optimize the experience to deliver a successful outcome to customers. 41% of enterprises globally are adopting automation technologies to improve customer satisfaction (CSAT). When capabilities such as natural language processing (NLP) and machine learning (ML) technologies are applied to contextualized customer engagements, enterprises can dynamically adapt and respond based on customer behavior and intent. As such then, enterprises can address customer intent at the micro-moments and meet customer-desired journey outcomes.

- » **Organize around customer-focused outcomes and value.** Future experiences call for an outcome-based approach to experience design. Beginning with the customer's intended purpose, or outcome, results in journeys being created to meet the customer's expectation and not the organization's vision of the journey outcome. Further, customer context needs to be preserved across each stage of the customer journey to demonstrate recognition of the customer's effort and time.

Benefits

Implementing automated and integrated CX technology offers several operational benefits:

- » **Engages customers intelligently.** Organizations develop the agility to keep up with the evolving nature of customer journeys that are becoming more nonlinear. Through purposeful use of AI-based experience automation that considers customer context, agent effectiveness, channel effectiveness, and nature of customer engagements that span the full customer life cycle, conversations with customers can scale without losing the human touch. Enterprises worldwide report an average 30% improvement in customer experience by using AI capabilities.
- » **Spurs business innovation and growth.** Data from IDC research shows that 27% of enterprises globally prioritize business innovation as one of their organization's top 3 business priorities. Cost economies gained through optimizations in customer engagement enable the organization to allocate additional investments for strategic business innovation and growth and improve market competitiveness.
- » **Empowers a more optimized workforce.** In addition to digital self-service use cases, AI-based insights and automation, when employed purposefully to intelligently augment an enterprise's workforce, can broadly impact the employee experience. As a result, employees graduate to becoming a source of competitive advantage to the enterprise. For example, IDC research shows that in the case of customer care teams, two-thirds of organizations reported that the use of AI technologies has improved employee productivity and 64% of organizations reported that their employees perform better at their jobs. Frontline employees in this example are augmented with contextual insights or real-time support from mid- or back-office teams and thus are elevated to take on the role of a trusted advisor, which can strengthen customer relationships.

Considerations

Before capabilities such as AI and automation can scale empathetic experiences, enterprises will need to address two primary challenges:

- » CX and automation executives should gain consensus and alignment from across business units and stakeholders to champion a unified whole journey experience. To deliver an empathetic experience even in the micro-moment, enterprises will need to rely on continuous customer context and insights that are computed with customer profile/transaction data. Such analytics requires data from across multiple business functions and operational processes.
- » Enterprises will need to address the challenge of integrating their automation and AI platforms into their existing technology ecosystems without disrupting critical investments. By substantiating data pipelines between existing departmental solutions, organizations foster an ecosystem of intelligence — sharing data and insights across functions in a permissible manner. While most enterprises agree that sharing customer insights results in positive business outcomes, few do so. Moreover, sharing insights for AI-based automation across functions will need to happen in a permissible, trusted manner that respects customer data privacy and consent.

Key Trends

Buyers of AI-based CX should be aware of several market trends, including:

- » By 2026, 45% of the Global 2000 will use AI/ML to elevate context and nudge customers into unfamiliar and novel experiences that simultaneously improve sentiment metrics and brand upselling potential.
- » By 2026, AI-driven features will be embedded across business technology categories, and 60% of organizations will actively use such features to drive better outcomes without relying on technical AI talent.
- » By 2026, 40% of total revenue for Global 2000 organizations will come from digital experiences, products, and services.
- » By 2027, one-fourth of global brands will abandon CSAT as a measure of customer experience and adopt a Customer Effort Score correlated to outcomes as a key indicator of journey satisfaction and success.

Conclusion

Current market conditions continue to put pressure on enterprises to do more with less, and as a result, the need to use CX solutions to differentiate themselves has grown only stronger. IDC has demonstrated that enterprises that apply AI-based automation in a purposeful manner achieve strong business outcomes and profitable growth. However, an effective strategy for business outcomes will require enterprises to organize around customer-focused outcomes and value, design experiences upward from the data layer, and scale customer empathy by powering two-way intelligent conversations with AI and automation.

About the Analyst



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Sudhir Rajagopal is IDC's research director for the Future of Customer Experience program. Mr. Rajagopal is responsible for research focused on how end-user brands should consider evolving technologies to create and deliver empathy at scale in the ever-changing relationship between customers and brands. In his role, Mr. Rajagopal monitors the continual innovation of technologies to produce research that discusses the impact that these technologies will have on customer and brand experience.

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