As enterprises explore new ways to do more with less, intelligent experiences offer a path to profitable growth.

# How AI-Powered Customer Experiences Can Deliver Customer Value and Business Outcomes

May 2024

Written by: Sudhir Rajagopal, Research Director, Future of Customer Experience

Introduction

Digital experiences are table stakes in the digital economy and have raised the threshold for enterprises to differentiate. IDC's seminal 2023 Future of Customer Experience Scorecard found that the enterprises surveyed are still "developing" and that only 11% of them globally are at an advanced stage of customer experience (CX) maturity (see Figure 1). The scorecard analyzed the correlation of enterprise capabilities in core CX technologies, operations, and CX strategy and execution against business outcomes to assess the organizations overall.

FIGURE 1: *Future of Customer Experience Scorecard*
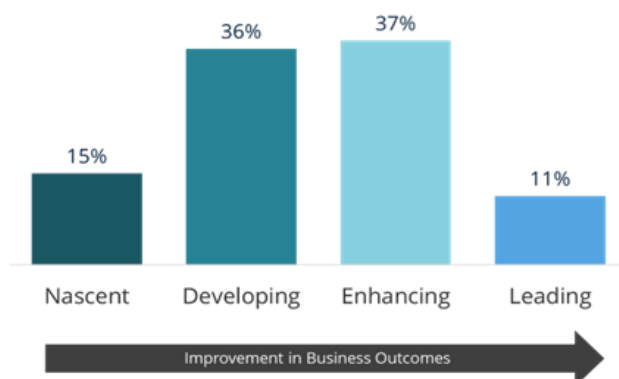
n = 868

Source: IDC's Future of Customer Experience Survey, June 2023

AT A GLANCE

KEY STATS

» IDC research found that 35% of CX executives agree that capabilities such as generative AI will have the biggest impact on their organization's future CX strategy.

» Leading CX organizations demonstrate improved year-over-year performance on metrics such as customer lifetime value (18%), customer satisfaction (18%), and repeat purchase per customer (16%).

WHAT'S IMPORTANT

To differentiate and capture value from intelligent experiences, enterprises must shore up trusted customer data infrastructure and industrialize a system of connected insights to fulfil customer-desired outcomes.

The Digital Economy's Impact on Future Experiences

Digital business models will create shorter customer decision cycles and raise customer expectations. Mitigating customer churn will depend on an enterprise's ability to innovate on the relational aspects of the experience life cycle, such as delivering empathetic customer outcomes and proving experiential value. As such, the pressure to prove value from CX initiatives is driven higher by the tougher economic climate. IDC's December 2023 *Future Enterprise Resiliency and Spending Survey* found that inflation due to vendor pricing, staffing/labor shortages, and revenue impact from recession are the top risks about which leaders are concerned. The biggest impact on future experiences is likely to come from AI. By harnessing value from customer and operational data, intelligent digital experiences powered by AI and automation can help enterprises scale empathetic customer outcomes through innovative products and services and new business models. A total of 35% of CX executives in IDC's 2023 *Future of Customer Experience Survey* agree that the acceleration of innovative capabilities such as generative AI (GenAI) will have the biggest impact on their organization's future CX strategy.

Driving Experience Differentiation

The initial phases of digital transformation created siloed experience improvements with islands of digital innovation. Companies are unable to trace ROI to strategic business objectives, and success is not scalable. In addition, these improvements have been limited to the engagement layer, with suboptimal fulfillment outcomes. Enterprises also reported that increased digital offerings from competitors have led to experience commoditization — a challenge that over 25% of companies surveyed globally by IDC plan to address as part of their future CX strategy.

Experience insights will drive value creation and differentiation in future experiences. Hence enterprises must:

» Prioritize process and systems integration between the front- and back-office operational functions (e.g., finance, supply chain/inventory, product engineering), connect insights throughout the whole customer journey, unify customer and operational data stacks, and explore opportunities to embed AI and automation to execute the customer journey.

» Address the experience fulfillment gap by putting foundational capabilities in areas such as customer trust, data security and privacy, AI, and automation, which is essential for digitalization and integration across the mid- and back-office functions. IDC's December 2023 *Future Enterprise Resiliency and Spending Survey* found that security, risk and compliance, and AI and automation initiatives are among the top technology investment areas most immune to budget reductions.

AI-Powered CX Requires a Technology-Driven Transformation

The future of CX is fueled by two fundamental areas: data and intelligence. Customer data and insights are crucial to create an intelligent customer context that will underpin value creation for customers and businesses. Technology becomes the foundation to understand and scale these continual interactions with capabilities including data and analytics and experience automation. Organizations more mature in their CX capabilities — based on IDC's Future of Customer Experience Scorecard — invest on average twice as much in customer intelligence and insights technologies. Combined with a disciplined approach to cross-enterprise experience transformation, these organizations achieve better business outcomes.

Leading practices that enterprises must adopt to deliver differentiated experiences in the future digital economy include:

» **Whole-journey customer data transformation:** In the digital economy, enterprises need to account for and harness insights from a greater volume of customer and operational data and larger, more frequent data flows during customer engagement. A unified customer data layer is crucial to enable real-time personalization, journey orchestration, and activation through all engagement channels. Enterprises must make their customer data more accessible in a contextual manner as an enterprise data service. Data sharing must span the data management and governance (e.g., data quality, currency, and compliance; maturing the central data lake/warehouse), organizational (e.g., building shared data metrics, implementing a data sharing infrastructure), and data sharing (e.g., security/privacy procedures, data quality maintenance) processes.

» **Intelligent conversations:** Predictable customer engagement stems from two-way customer conversations, such as interactions across multiple media and channels. Customers want enterprises to listen to what they're signaling (explicitly and indirectly) and respond in context to those signals. This requires enterprises to demonstrate context and engagement continuity through both synchronous and asynchronous interactions. Firms must sense, detect, listen to, and apply context in each interaction to adapt to each customer's situation. As such, enterprises must build up an active portfolio of applied customer intelligence to foster active learning. Real-time, AI-driven insights and automation enable enterprises to manage and execute adaptable customer journeys at scale. These insights also augment frontline employees with real-time support from mid- or back-office teams, enabling them to act as a trusted advisor, which can strengthen customer relationships.

» **Secure/permissible experience orchestration:** Data trust is among the biggest inhibitors to leveraging AI to drive intelligent experiences. IDC's June 2023 *Future of Customer Experience Survey* shows that customer satisfaction and trust initiatives are the top investment priorities for enterprises globally (69%). Privacy is one of the pillars of trust, and high trust is a prerequisite for customers' willingness to share the personal data required to generate high-quality and meaningful AI/ML insights for relevant, context-driven customer engagement.

» **Customer-focused outcomes and value:** Future experiences call for an outcome-based approach to experience design. Many organizations still measure outputs because they are focused on efficiency and productivity (e.g., task completion or click-throughs). For example, by tracking employee task completion, organizations incentivize customer support teams to close out tickets in the least amount of time without tracking the customer's experience during issue resolution or whether the customer's outcomes were met. Alternatively, organizations must begin with the customer's intended purpose or outcome and measure such outcomes by tracking whether employees were able to successfully meet the customer's expectations versus just checking the box on task completion.

Benefits

IDC's Future of Customer Experience Scorecard evaluated organizations' year-over-year performance improvement across key performance indicators (KPIs) for CX. Leaders demonstrated higher year-over-year percentage improvement in KPIs such as:

» **Customer lifetime value:** 18%

» **Customer retention rate:** 18%

» **Customer satisfaction:** 18%

» **Customer effort score:** 17%

» **Repeat purchase/renewal per customer:** 16%

Considerations

Existing legacy infrastructure and proving business value/ROI from CX transformation initiatives are among the top 3 challenges that impede organizational success in CX transformations, according to IDC's *Future of Customer Experience Survey.* Building a sustained, comprehensive experience management program will require CX and business leaders to tie CX metrics and KPIs directly to business outcomes that align with strategic business objectives. Enterprises will need to identify and demonstrate measurable proof points on how customer and employee value can have a direct financial impact (e.g., revenue potential or cost savings). Previous waves of CX and digital transformation have resulted in organizations accumulating a lot of tech debt. To benefit from AI and automation, organizations must prioritize integrations across mid- and back-office functions, applications, and systems to resolve the challenges of legacy infrastructure.

Trends

Predictions from IDC FutureScapes for 2023 and 2024 identified the following trends:

» As sentiment and intent AI improve real-time contextual awareness, 55% of Global 2000 firms will fulfill all customer journeys by 2025, primarily through conversations, boosting revenue and customer loyalty.

» By 2026, 40% of the Global 2000 will incorporate employee experience (EX) initiatives into their core CX strategies to compete in CX, talent acquisition, and retention but will struggle to measure EX + CX.

» By 2026, to differentiate and drive loyalty, 30% of organizations will undergo structural and technological changes to deliver value outcomes, shifting the focus from providing experiences to value parity.

» By 2027, 60% of F500 firms will leverage ubiquitous experiences, edge analytics, and GenAI to enable customers to create their own experience journeys, improving customer-desired outcomes and value.

» By 2027, one-fourth of global brands will abandon CSAT as a measure of customer experience and adopt a customer effort score correlated to the outcomes as a key indicator of journey satisfaction and success.

Conclusion

As enterprises explore new ways to do more with less, intelligent experiences offer a path to profitable growth. To successfully drive experience differentiation, organizations must resolve the tech debt on their legacy infrastructure; shore up customer data management and governance; apply AI insights purposefully to drive contextual, intelligent customer conversations; and prioritize trusted experience orchestration. Above all, they need to deliver experiences that meet the customer's desired outcomes and provide value for the customer.

About the Analyst

Sudhir Rajagopal, Research Director, Future of Customer Experience

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.

MESSAGE FROM THE SPONSOR

Make Every Customer Interaction Exceptional with AI-Powered Automation

The UiPath Business Automation Platform enhances and streamlines the complete customer experience. Combining state-of-the-art artificial intelligence (AI) and automation, you can expand self-service, boost agent productivity, and eliminate inefficient processes, leading to stronger customer relationships, higher margins, and lower operational costs. UiPath AI insights provide full visibility into agent performance and the complete customer experience, pre-, live, and post-contact. All levels can be analyzed, from the performance of a single agent or interaction to the performance of an entire contact center, closing the loop on the customer experience and revealing opportunities for continuous improvement. UiPath AI-enabled automation takes over transactional requests, and rapidly extracts relevant data for agents fielding more complex queries, helping them resolve customer issues faster and offer more personalized service. What's more, taking advantage of the UiPath-Amelia partnership, customers have the option to scale up self-service via intelligent chatbots. Call volumes will dip, reducing the need for extra recruitment, training, and admin work. See automation solutions at https://www.uipath.com/solutions/industry/customer-experience-automation.

IDC Custom Solutions

The content in this paper was adapted from existing IDC research published on www.idc.com.