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Intelligent Context Will Fuel Value Exchange in the Future of Customer Engagement

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Introduction

We are experiencing a technology (r)evolution. Organizations should expect rapid changes in how customers will interact, buy, and consume in the future. IDC's September 2022 *Future of Customer Experience (FoCX) Survey* found that the acceleration of digital technologies is the primary factor that will most impact enterprises' future CX strategy. As organizations shift to digital business models, the future value exchange between customers and brands will be anchored on data. This will increase the need to create ubiquitous and continuous experiences for customers. It will also help drive the adoption of concepts such as "everything as a service," completely transforming the way customers engage with a brand. Business models should be nimble enough to be technically intelligent and prepare for macro events that influence the future of the organization. Enterprises that continue to focus on the utilitarian elements of CX — such as speed, ease, and efficiency — will find themselves falling behind market leaders. In fact, IDC's *FoCX Survey* found that 26% of CX executives report that experiencing commoditization will have the largest impact on their future CX strategy.

The future of customer engagement can be broken into two areas: data and intelligence. Customer data and insights are the lifeblood of the future digital enterprise. Using this data and the associated insights will create an intelligent customer context that will become the primary foundation for value creation for both customers and businesses. Artificial intelligence (AI) and automation will be the main accelerators of business change for both internal and external processes, including customer engagement, employee experience, and product and services development.

Key Priorities for the Future of Customer Engagement

To prevent delivering commoditized experiences in a digital economy, enterprises will need to differentiate themselves by optimizing the customer's total experience across their whole engagement with a brand — a journey in which they will have different needs and expectations at different times, depending on the context of the interaction. Technology becomes the foundation to understand and contextualize these continual interactions, with capabilities including but not

AT A GLANCE

KEY STAT

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limited to data and analytics, AI, and experience automation. Crucially, sustained success will require organizational customer centricity — and this must be activated across employees, business processes, and operations. IDC refers to this as "empathy at scale."

IDC's September 2022 *Future Enterprise Resiliency Survey (FERS)* shows that enterprise leaders see the roles of contextual customer insights, analytics, and experience automation as important or critical for CX transformation. Survey respondents wanted to implement contextual insights and experience automation in the following ways:

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

There are several foundational priorities that enterprises must emphasize to scale customer empathy and build context-based awareness. These include being able to:

- » **Consider customer engagement beyond the front office.** Enterprises that focus on delivering digital experiences that only address the engagement layer can expect to see suboptimal customer outcomes and experience metrics. Fulfilling CX outcomes depends on mid-office and back-office data within functions such as finance, procurement, logistics, and product development. Valuable insights such as customer feedback are frequently found in the often-overlooked customer services organization. According to IDC's 2022 *CEO Sentiment Survey*, CEOs globally say that direct to consumer (59%) and the industry digital ecosystem (50%) are priority business models. Further, 85% see active participation in digital ecosystems as important for accelerating revenue growth. As such, enterprises need to connect customer insights from throughout the organization. Federated but joined-up enterprise technologies will play a crucial role in this.
- » **Prepare for the growing importance of customer consent and data privacy.** To be perceived as an empathetic enterprise, organizations need to stop treating customer data as a commercial entitlement and instead gather, use, and apply this data with explicit permission from the customer. IDC research found that 60% of enterprises are currently addressing regulations for collecting, using, and storing customer data as a top priority. In addition, 40% of enterprises globally are prioritizing customer trust and privacy initiatives, with 15.3% reporting it as their number 1 priority.
- » **Address gaps in data, and harness value from insights.** A unified customer profile that is continually updated is required to power the large language models (LLMs) behind the necessary AI and analytics for context-aware customer engagement. That means that an AI-based engine can actively learn and can optimize engagements in real time, not only in self-service channels but also in agent-assisted channels based on a customer's previous

actions and conversations. However, IDC found that only 16% of organizations report that they find value from more than 75% of all data collected across all sources (i.e., customers, applications, and operations).

- » **Amplify new technology innovations.** The ever-accelerating digital technologies will have the largest impact on customer expectations and thus on enterprises' ability to meet customers where they are to better understand and act on the context of these interactions. Advances such as generative AI can function in the role of a collaborator to help facilitate higher-quality experiences, while also increasing cost efficiencies for the organization and automating administrative and routine tasks to free up employees' time for more valuable activities.

Leading Practices to Scale Emotionally Intelligent Experience Outcomes

Enterprises should consider the following practices to bolster their capacity for emotional intelligence:

- » **Evolve beyond customer interactions to customer conversations.** Customers want enterprises to listen to what they are signaling — and crucially respond in context to those signals. Signals include behavior, actions, sentiment, and intent. Organizations must develop and demonstrate engagement continuity in both synchronous interactions (such as voice) and asynchronous interactions (such as email or social media). Firms must sense, detect, listen, and apply context in each interaction to adapt to a customer's situation and needs. Fortunately, the technology in marketing and customer relationship management (CRM) systems exists to do this, but organizations need to understand the challenge and firmly grasp the nettle. For example, enterprises can now introduce dynamic content/messaging where content is contextualized for each interaction with the customer based on current and prior actions, current/past behavior, sentiment, preferences, location, or channel. Another example is outcome-based targeting, where firms can use analytics (AI/ML) to distinguish between and act on customer desired outcomes (implicit) versus customer tasks or actions (explicit).
- » **Balance the dichotomy between privacy and context.** With customer data as the fuel for intelligent and contextual experiences, digital trust is the currency that facilitates future innovation and prosperity. Getting a deeper understanding of customer context must happen in a secure manner from data acquisition, all the way through storage, management, and usage. IDC research shows that customer trust is significantly shaped by companies' actions around security, privacy (including how customer data is used and protected), and environmental, social, and governance (ESG) efforts. The good news is that with zero-party and first-party data, organizations can operate with unique customer insights (i.e., knowledge that their competitors don't have access to). With an active portfolio of customer intelligence, enterprises can offer more contextualized offers, products, and services, and they can work across their partner ecosystem to amplify the value exchange for both customer and brand. Further, to harness value across the broader CX ecosystem, firms will need to integrate proprietary first-party data with external second-party and third-party data in privacy-safe environments, using technologies such as data clean rooms that allow the collaboration and matching of data while preserving privacy and ownership.
- » **Establish a unified customer data fabric.** Data is the fuel that powers intelligent, contextual customer experiences. With more enterprises adopting digital business models, it is data and insights that will anchor the future value exchange between customers and brands. Enterprises will require a unified view of the customer, the organization (e.g., operations, finances, services, systems, and products), and the broader experience ecosystem in which both customer and brand participate. Implementing a central data repository with unified customer profiles makes all permissible data available to customer-facing teams in marketing, contact centers, customer success, sales, and

digital commerce. This will reduce technical debt and help to break up silos of enterprise data, thus generating better customer insights. Future business resiliency will be awarded to those enterprises that can effectively thread together these collected insights across the ecosystem to shape each micro-moment and whole-journey customer experience outcomes.

- » **Build a customer-centric connected enterprise.** To deliver truly contextualized conversations with customers, organizations will need to transform the way that they work. They will have to create, digitalize, and automate workflows; reskill workers; and break down the silos between teams. According to IDC's research, 41% of enterprises globally are adopting automation technologies to improve customer satisfaction. When capabilities such as natural language processing (NLP), ML, and generative AI technologies are applied to contextualized customer engagements, enterprises can dynamically adapt and personalize responses based on customer behavior and intent. Fluid, multidisciplinary teams will replace the siloed units of today. Organizations will also need to ensure that they operate in an agile and proactive way, so that they can anticipate changes in customer needs — or at least react quickly to these changes. Creating truly contextual conversations with customers involves a mixture of technology, process, and cultural change.

Trends

IDC offers the following predictions on the forces that will shape CX in the near future:

- » By 2023, 20% of brand equity will be tied to privacy and trust policies, adopted by enterprises as part of their CX efforts.
- » 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, 40% of total revenue for Global 2000 organizations will come from digital experiences, products, and services.
- » By 2027, 25% of global brands will abandon customer satisfaction (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.

Benefits

Organizations are implementing technology strategically to enhance customer experience and prepare their workforce for significant technological advancements. Leveraging intelligent context provides a series of benefits to organizations. These include:

- » **Enabling intelligent customer engagement.** Organizations need to develop the agility to keep up with customer journeys that are becoming more nonlinear. Conversations between brands and customers can scale without losing the human touch through purposeful use of AI-based experience automation that considers customer context, agent effectiveness, channel effectiveness, and the wider picture of the full customer life cycle. Globally, enterprises report an average of 30% improvement in customer experience by using AI capabilities, according to IDC research.

- » **Empowering an optimized workforce.** Automation can also streamline routine tasks and free up talent for more complex, human-centered work. Unifying workflow systems and platforms as well as incorporating agile organizational design can create the efficiencies needed to boost productivity and profitability. Robust data insights can deliver important clues about which service improvement initiatives an enterprise should pursue and how to pursue them. IDC research also shows that improvement to the employee experience is among the top 5 business goals for companies undertaking CX initiatives. The reverse is also true: According to IDC research, 30% of enterprises reported that improved customer experience is an important business driver behind the work transformation initiatives in their organization. IDC predicted that by 2022, 35% of organizations would be running active employee experience programs that incorporate modern and enjoyable digital experiences and support brand affinity, which is consistent with how enterprises are maturing in their ability to correlate employee experiences to improve customer experiences.
- » **Engaging the whole enterprise on a common CX goal.** As new tools, platforms, and functionalities proliferate across the enterprise to expand CX capabilities, the reality is that new technology makes delivering customer experiences more complex and challenging. Companies are understandably implementing a technology that serves a specific silo, such as marketing or sales, but they are failing to make the connection between these functions. This overcomplicates the experience for the user, without achieving the utility that the technology promises. IDC refers to this as a "complexity tax." An integrated CRM system allows businesses to reduce this technical debt and make data-driven decisions, leveraging insights from both customer-facing and operational data. The integration of CRM and ERP systems can provide a single source of truth for customer and operational data, streamlining communication between front-office and back-office functions and facilitating better decisions.

Considering PwC

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Key annual thought leadership from PwC includes its Global Digital IQ report. The firm has joint business relationships with tier 1 technology vendors including Adobe, AWS, GCP, Microsoft-Azure, SAP, Oracle, and Salesforce.

Challenges

Enterprises are at a crossroads in the way that they use CRM to communicate with and serve their customers. For too long, personalization has stalled and has not delivered the expected benefits. For these organizations, CX is too static and sterile, and often, their communications and offerings don't hit the mark.

Personalization by itself is neither good nor bad; it all depends on how it's done. Some hyper-personalized experiences are poor quality and can be actively brand degrading because they naively assume the enterprise knows everything it

needs to know about the customer, thus treating this personal information as static and definitive. Poorly personalized communication ignores the critical context in which the communication occurs.

The very real risk is that many enterprises will overfocus on the quantitative aspects of personalization, which are granularity and volume, because they are not focusing enough on the qualitative aspect of personalization, which is context. But by thinking carefully about the changing context of customers' needs and desires, by deploying the right technology, and by ensuring that this technology is integrated and coherent, enterprises can escape the trap of sterile and mechanical personalization by satisfying customers with contextually personalized communications and offerings.

New forms of AI, notably generative AI, have enormous potential to build profitable empathy at a scale for enterprises. But if implemented incorrectly, they could just as easily degrade customer experiences by making communications over-frequent and undifferentiated if, for example, algorithms trained on similar data sets replace the human creativity of people who understand a brand and its customers. So before powerful new technologies such as generative AI are deployed, it's essential to step back and think through the "human side" of personalization at scale. Educating their customers in this way is the challenge facing firms such as PwC.

Conclusion

IDC believes that organizations have an important opportunity to drive greater engagement through next-generation personalization based on contextualized, relevant, and useful two-way conversations with customers.

To grasp this opportunity, companies need to rethink the way that they approach customers. They will need to ensure that the architecture of their data and applications is optimized for use by agile interdisciplinary teams working across organizational boundaries.

Enterprises can escape the trap of sterile and mechanical personalization by satisfying customers with contextually relevant engagement and offerings.

About the Analysts



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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 experiences.



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According to the PwC 26th Annual Global CEO Survey, a staggering 40% of CEOs worldwide believe their organizations will no longer be economically viable within the next decade. In addition, unprecedented technological disruption driven by game-changing advancements in AI is creating a need for (re)invention. The growing urgency to address critical issues such as climate change and trust is also changing how companies approach customer needs. Against this backdrop, delivering sustained client outcomes has become a pressing priority for businesses to stay competitive and thrive in the years ahead. These factors will fundamentally shift how companies manage customer relationship management (CRM).

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