

ACX^{ION}

Where AI and Marketing Collide: 2024 CX Predictions

ACXIOM'S ANNUAL CX TRENDS REPORT



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Foreword: **AI-powered capabilities will supercharge CX in 2024**

Last year, when we launched our inaugural CX trends report, we looked at a few macro trends – automation, immersion, and intuitive tech – that are driving the customer experience revolution. This year, we’ve zoomed in on how AI is fueling emerging trends in the CX space.

Given the recent AI hype, it’s easy to think marketers can sit back, put their feet up, and let the machines take the wheel. No need to be concerned with prospect acquisition or customer retention when new generative AI models can do it all for us, right?

The reality is, of course, quite different. AI certainly has huge potential. Throughout this report you’ll discover numerous ways it’s being used to facilitate exciting new

marketing capabilities. But there are no silver bullets – AI included. Keep in mind, AI is an umbrella term for a wide range of complex, data-driven technologies. Brands need to think carefully about how they harness its power, in conjunction with the requisite human expertise, to deliver real long-term value.

This inevitably means starting with the customer. Rather than trying to force fit shiny new AI-powered tactics into their marketing mix, brands should be asking themselves how AI can help them understand their customers’ needs. That is what matters. Understanding enables meaningful, personalized experiences that meet those needs.

Whether it’s the 45% of 35-54 year-olds that actually prefer messaging with a chatbot than with a human, the 66% of shoppable ad users who find the format useful for product discovery, or the 44% of people who are willing to pay more for sustainable products (and you’ll meet all of them later on), brands must understand and cater to the needs of the individual to deliver exceptional CX.

AI provides the potential to do just that, if brands have the right infrastructure and expertise in place (spoiler alert – a strong data foundation is at the top of the list), the payoff is impressive. Here’s why – in a marketplace where brand

loyalty can seemingly be swayed by a coupon, we discovered 73% of consumers are willing to stay with brands that deliver a great customer experience.

In putting this report together, we wanted to tap into the experience, knowledge, ambitions, and concerns of brand marketers and their customers. We pinpointed five key trends that we expect to see developing in 2024 and then surveyed 200 businesses and 2,000 consumers across the US and UK to get their unique perspectives.

The result is an in-depth report that examines each emerging trend from both a consumer and brand perspective, and what brands can do to capitalize on them. It’s a fascinating exploration of the “art of the possible” for how brands can use AI to supercharge customer engagement capabilities to deliver exceptional CX in the year ahead.



Tate Olinghouse
Chief Revenue Officer

2023 will be remembered as the year generative AI hit the headlines

OpenAI’s ChatGPT might have been introduced at the end of 2022, but 2023 was the year its popularity exploded. In June, its website was visited 1.6 billion times. As of July, it had over 100 million active monthly users. With its introduction, generative AI has entered mainstream consciousness, giving rise to both excitement and trepidation.

39% of consumers believe AI has the power to solve some of the world’s biggest challenges, including wealth inequality and climate change.

But at the same time 63% are worried about the impact of AI reducing the number of jobs available to people¹.



Consumer survey: Customer sentiment toward Artificial intelligence (AI). Base = 2,051

AI itself isn’t new. A general-purpose technology that combines computer science and robust datasets to enable problem solving, AI is behind many of the advances in automation, personalization, and discovery that are already transforming customer experience (CX).

As it impacts every industry – in ways we can’t yet fully imagine – AI will continue to transform brand interactions with consumers. It won’t necessarily replace human effort, but will supercharge marketing capabilities and deliver better experiences for the customer, whether that’s by predicting what they will find useful, generating relevant content, or suggesting the right channel mix for the individual.



83% of companies agree using data and predictive analytics to improve the customer experience will be a key source of competitive advantage over the next five years².

Business survey: Base = 200

For now, generative AI presents exciting possibilities. Soon, it will become a business imperative. With wide availability and increased awareness of these applications, people’s expectations will grow. They’ll no longer accept clunky and unhelpful chatbots, for example, when they’re used to lucid exchanges with ChatGPT and Google’s Bard.

50% of consumers have used generative AI tools (such as ChatGPT or Bard) in a personal context, and 22% have used them in a work context³.

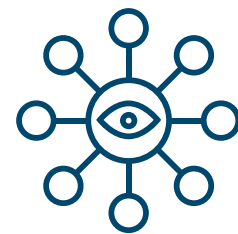


Consumer survey: Consumer familiarity with AI. Base = 2,051

So, what will separate the businesses that are able to transition into this new era of AI-enabled CX from those who fall behind? An effective data strategy will be crucial. Having the right data on which to train AI models, and knowing what to do with it, will ensure brands are ready to deliver the next generation of AI-powered CX.

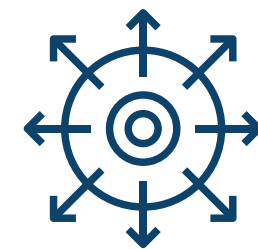
AI is a collection of capabilities that will drive advances in customer experience

AI isn't a single technology. It's a collection of different capabilities that can enable multiple CX use cases. Here are four types of AI and why they're relevant to CX:



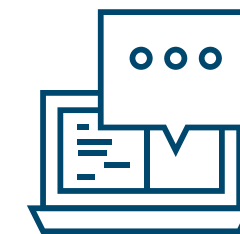
Generative AI

Creates new, original content based on patterns or characteristics in existing data. Powered by large-language models (LLMs), it helps brands deliver tailored ad creative and content.



Machine learning (ML)

Learns from data to improve performance over time, without the need for explicit programming. This helps brands make effective recommendations based on customer interactions across different channels.



Conversational AI

Uses technologies such as natural language processing (NLP) to process, understand, and generate human language. It can be used in chatbots and virtual assistants that are designed to understand and respond to customer queries.



Computer vision

Derives meaningful information from images and videos. It can be used for facial recognition or object detection to understand a wide variety of customer cues and deliver personalized outputs.

AI can be a massive source of competitive advantage

As long as brands play to AI’s core strength – which is real-time processing of huge quantities of data to identify patterns – it can help them create seamless customer experiences that are personalized and engaging. By allowing them to understand what people want, need, and prefer, AI helps brands deliver experiences so relevant and respectful, people feel as if they’re finding and engaging with brands on their terms.



Imagine an AI-driven retail experience in the future: A customer enters a clothing store and is greeted by an AI-powered virtual shopping assistant that can recognize their face and mood. Using this information, combined with conversational input, data on previous purchases, predicted future style preferences, and a real-time analysis of the customer’s body shape, the assistant makes recommendations. The customer tries these on virtually, using augmented reality (AR), and the assistant analyzes the customer’s response to suggest alternatives. The transaction is ultimately completed using biometric authentication, and a drone transports the items to the customer’s home.

While the above scenario is still somewhat futuristic, many of the AI-powered elements within it are already being used to enhance CX. They include:

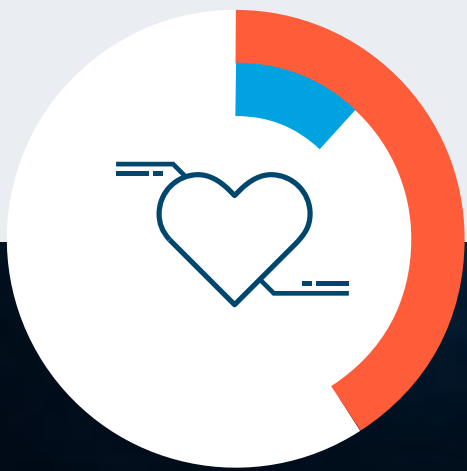
Examples of AI Powered CX

Sentiment analysis

AI is used to analyze and understand positive or negative sentiments in written content, including social media posts, website reviews, and surveys. This helps organizations determine customer satisfaction and identify areas for improvement.

For example, Amazon’s generative AI product review feature summarizes customer reviews to deliver a short paragraph on overall sentiment.

41% of organizations are aware of sentiment analysis – and **12%** are currently deploying it.⁴



Business survey:
Base = 200

Speech recognition and virtual assistants

AI-powered speech recognition technology gives customers more ways to communicate, including through hands-free, voice-activated interactions with virtual assistants.

For example, Mercedes-Benz is trialling a ChatGPT-powered voice assistant as an optional beta feature in its new MBUX infotainment system.

39% of organizations are aware of voice recognition – and **10%** are currently deploying it.⁵



Business survey:
Base = 200

Recommendation systems

AI algorithms are used to analyze customer data – including past purchases, browsing history, and demographic information – to suggest relevant products and services.

For example, IHOP is using an AI-powered recommendation engine to personalize its online ordering system based on past food preferences and ordering habits, which might reveal, for example, an affinity for specific flavors.

62% of organizations are aware of AI-powered recommendation - and 24% are currently deploying it.⁶



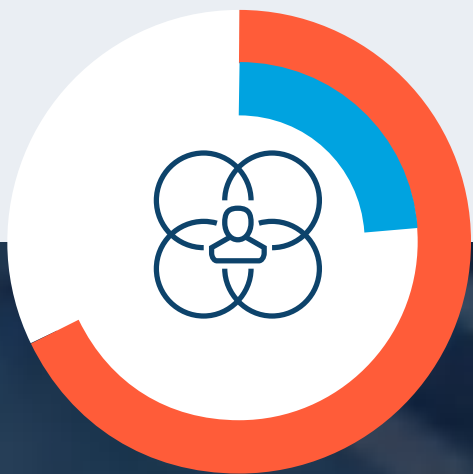
Business survey:
Base = 200

Predictive analytics

AI can be used to predict future outcomes based on historic and real-time data. This may mean anticipating customers’ needs before they are even aware of them, and delivering solutions to pre-empt those needs.

For example, US telecom company Sprint uses predictive analytics to identify customers with a high-churn risk and proactively deliver personalized retention offers.

68% of organizations are aware of predictive analytics - and 24% are currently deploying it.



Business survey:
Base = 200

Customer segmentation

AI algorithms can be used to analyze customer data and automatically identify patterns and audience segments, to ensure brands are reaching the right people.

For example, ScottsMiracle-Gro used look-alike modeling technology to scale audience segments and retain the customers it gained during the pandemic.

54% of organizations are aware of AI-powered customer segmentation - and 17% are currently deploying it.



Business survey:
Base = 200

“Most of our clients are still talking about the machine learning side, so predictive modeling, and getting the business to actually put the foundations in place for AI. One of our key philosophies is around thinking about how you want to apply AI in the future - starting small and proving its value in those specific areas really quickly, and then that helps drives adoption across a business.”

Simon Chung, Director Strategy, Consulting, & Analytics, EMEA, Acxiom

These use cases are just the tip of the AI-enabled iceberg. Brands are beginning to appreciate how AI can help them understand and deliver what their customers want or need, in the right place and at the right time, resulting in better experiences.

And they’re increasingly using AI technologies to power a variety of strategies and tactics that will take CX to another level.

We’ve pinpointed five emerging AI-powered trends that we predict will transform the CX landscape in 2024. And we’ve surveyed professionals from 200 brands, as well as 2,000 consumers, in the US and UK, to gain an in-depth view of those key trends.

Let’s find out what they are.

Introducing 5 CX trends for 2024

Surging innovation will continue to progress the macro trends we explored in last year's CX trends report, including automation, immersion, and intuitive technologies.

For our 2024 report, we're focusing on five emerging trends within the CX space that are facilitated by AI technologies and use cases.



#1

Shoppable Ads

Bringing together AI-informed digital advertising and ecommerce so people can explore and purchase products directly through ads. Two-thirds (66%) of consumers who have purchased through shoppable ads say it enables them to find products and services they're interested in more easily⁷.



#2

Proactive Customer Service

As conversational AI becomes more common and a new generation of chatbots emerges, customers will expect seamless experiences and greater transparency. 35% of consumers actually prefer to talk to a chatbot than a human customer support agent⁸, yet only 15% of businesses are currently using AI-powered chatbots⁹.



#3

Healthy Acquisition and Retention

An emphasis on growth at all costs is being replaced by a focus on reaching high-propensity prospects and super-serving loyal customers. Almost three-quarters (73%) of consumers are willing to stay loyal to a brand if they deliver great CX¹⁰, which illustrates incredible potential for AI-powered retention tactics.



#4

Predictive Personalization

We're entering an era of hyper-personalization, powered by the new generation of generative AI applications, with businesses anticipating people's needs before they even know they have them. The majority of consumers say personalized ads help them easily find relevant products. With only 13% of brands currently using predictive personalization, quick adoption can drive competitive advantage¹¹.



#5

Sustainable CX

AI can help companies become more sustainable by minimizing costs and maximizing efficiencies. And a genuine commitment to sustainability can help brands differentiate themselves from their competitors. 44% of consumers are willing to pay more for a product they think is more sustainable. And 47% won't make a purchase if they have concerns about a company's environmental impact¹².



TREND 01

Shoppable Ads

Shoppable advertising exists at the intersection of digital advertising and ecommerce, and presents exciting new opportunities for customer engagement.



The prevalence of shoppable ads is growing rapidly.

Thanks to investment from global tech companies and media owners looking for a share of the expanding ecommerce market, shoppable ads are already available on social, search, streaming TV, and programmatic, and there are emerging augmented reality (AR) and virtual reality (VR) use cases.

Born out of a recognition that people are increasingly looking to their favorite digital media platforms for inspiration, shoppable ads allow them to explore and purchase products directly through advertising. Unlike traditional online ads that redirect to a brand’s website, shoppable ads mean people can complete their purchase without leaving their immediate environment.

For consumers, shoppable ad formats offer novel shopping experiences and convenience in purchase. For brands, they offer a new channel for ecommerce sales, a streamlined purchase journey, and effective attribution – which will be especially important in 2024 as brands look for new ways to close the loop between impressions and conversions.

Shoppable ads are part of a wider move toward social commerce, where digital media platforms blur the lines between social and commercial features to keep users within their platforms, increase engagement, and ultimately boost revenues.

And the social commerce opportunity is huge. Sales through social platforms are expected to reach \$82 billion in the US and \$7 billion in the UK by 2026¹³.

Industry commentators predict social commerce will revolutionize the way people shop and interact with brands, and livestream shopping is a perfect example¹⁴. This experience, which already enjoys huge popularity in China, sees brands embed shoppable links into livestream content so viewers can make direct purchases, often with exclusive access or a discount. As it gains traction in the US and UK, livestream shopping will help brands engage in more meaningful customer interactions, and achieve conversion rates that can be 10 times higher than standard ecommerce, according to McKinsey¹⁵.

As brands increasingly blend commerce and content across a variety of channels, shoppable ads – which are frequently powered by AI – will help them deliver interactive experiences that increase customer engagement, cultivate deeper relationships, and give them a competitive edge.

“The main risk that businesses need to be wary of is surfacing products in your shoppable ads that are not in stock, and so you lose that conversion and potentially damage brand perceptions as well. Businesses also need to ensure that the customer can experience the brand somewhat through the ad. Otherwise you run the risk of converting a customer who might not even know what the brand is, or remember it for future purchases.”

Head of Performance Marketing, multinational retailer



Social Commerce Opportunity

The state of shoppable ads in 2024

Social media: On Facebook, Instagram, TikTok, Pinterest, and YouTube, brands can create shoppable ads that link directly to a digital storefront.

User-generated content and sponsored posts:

On Instagram, brands and influencers can add shopping tags to sponsored posts and reposts of customer-created content, so users can purchase featured products through a digital storefront.

Digital video or audio: YouTube and TikTok offer shoppable ads for video content, with pop-ups or links embedded in the video description enabling users to purchase featured products. For example, [Milk Bone dog treats](#) ran an audio campaign on Amazon Music that allowed listeners to add the product to their cart through a voice command to Alexa while the ad was playing.

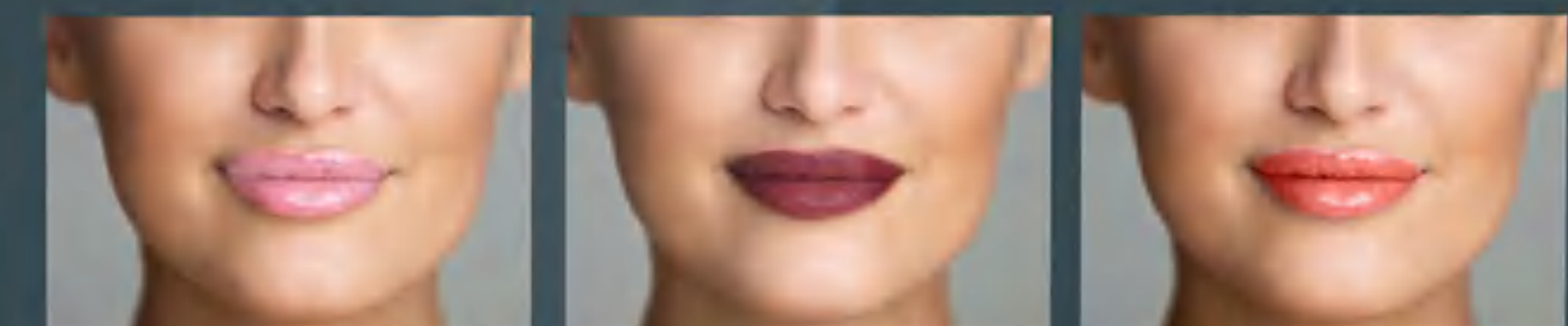
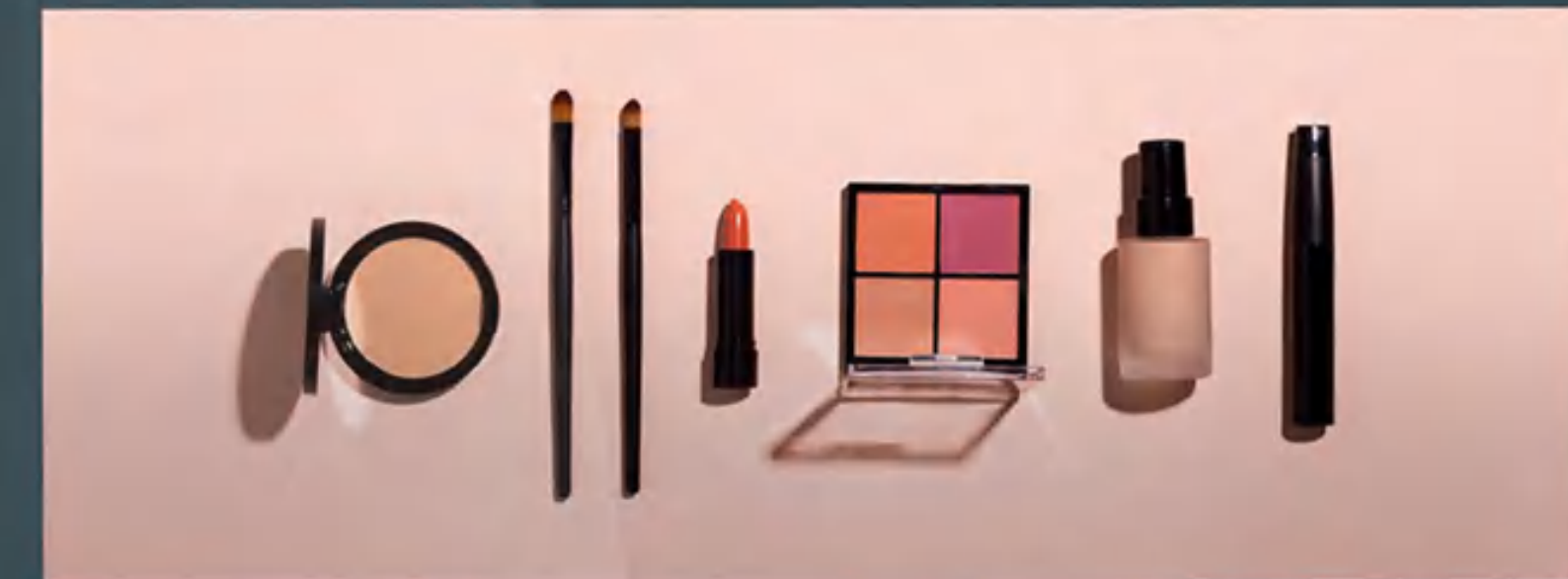
Livestream shopping: TikTok and YouTube allow brands and influencers to overlay shoppable links for the products that are featured in live video content.

AR/VR: Brands are exploring shopping within AR and VR experiences. For example, customers of global makeup brand Charlotte Tilbury can select and buy products in its virtual world.

Streaming TV: NBCUniversal enables on-air shoppable moments, where viewers can scan a QR code to purchase using their smartphone. [Roku has partnered with Walmart](#) to enable shopping directly from the TV set, with viewers' payment details pre-populated from Roku's payments platform.

Search: Google and Microsoft enable users to purchase directly through the ads that appear in search results. In some cases, users are sent to merchants or other marketplaces to process payment.

Visual search: Shoppers can use their smartphone camera to perform a visual search for an item they see (online or offline) and receive shoppable ads for that product or similar products.

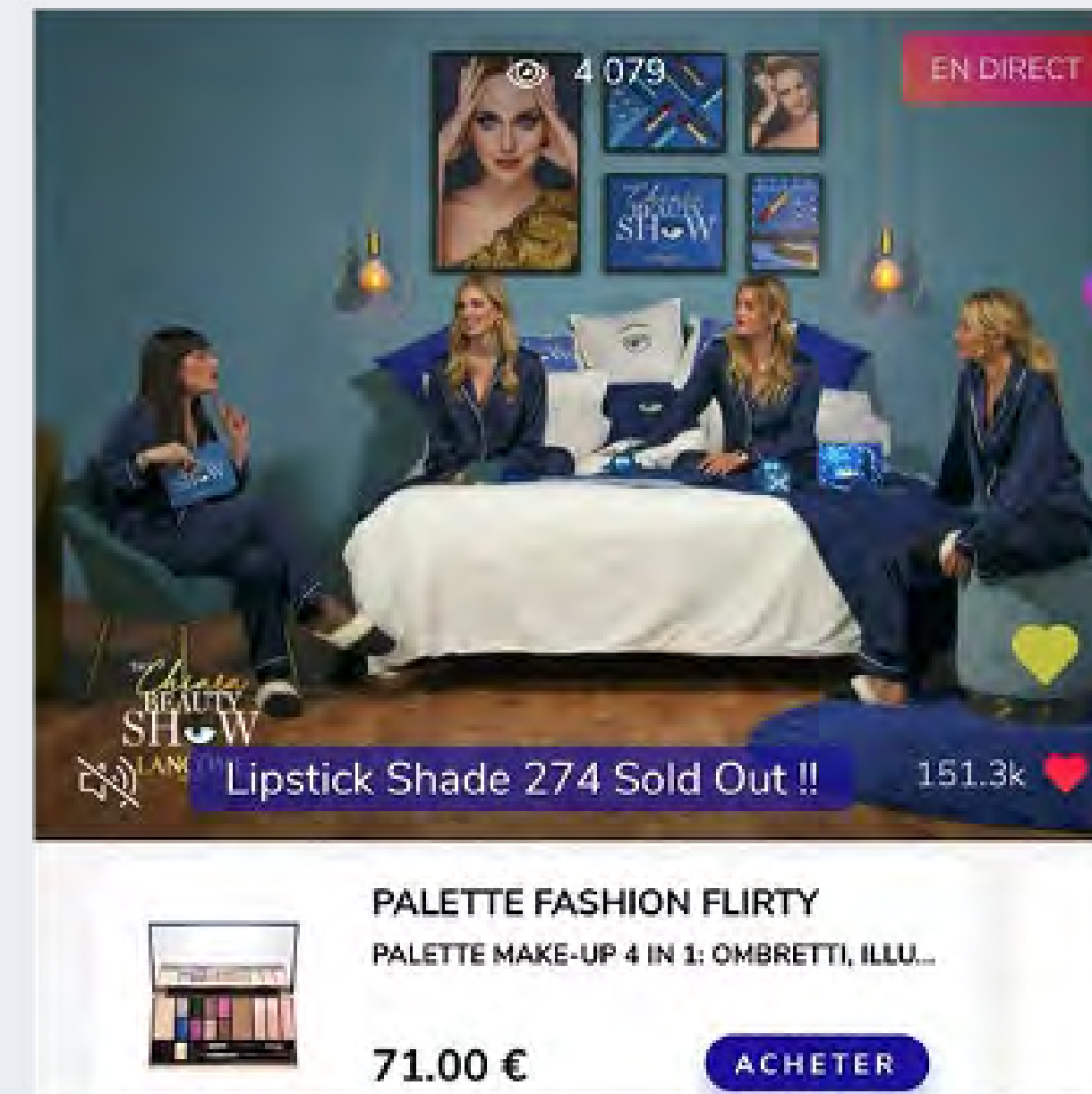


CASE STUDY

L'Oréal increases sales with livestream shopping

L'Oréal has introduced livestream shopping into its marketing mix with great success. The brand runs livestream makeup tutorials across YouTube and Instagram with senior makeup and skincare experts, who show viewers how to achieve specific looks using L'Oréal products, and popular influencers, who answer questions and provide additional advice. During the livestream, L'Oréal encourages participants to purchase featured products by seamlessly integrating shopping links. It creates hype with calls to action like “almost sold out” or “click link for a 20% discount.”

L'Oréal has already held 50 livestream shopping experiences across five countries, which feel like a one-on-one consultation at a makeup counter. The unique, personalized experiences increase reach, customer engagement, and of course sales.

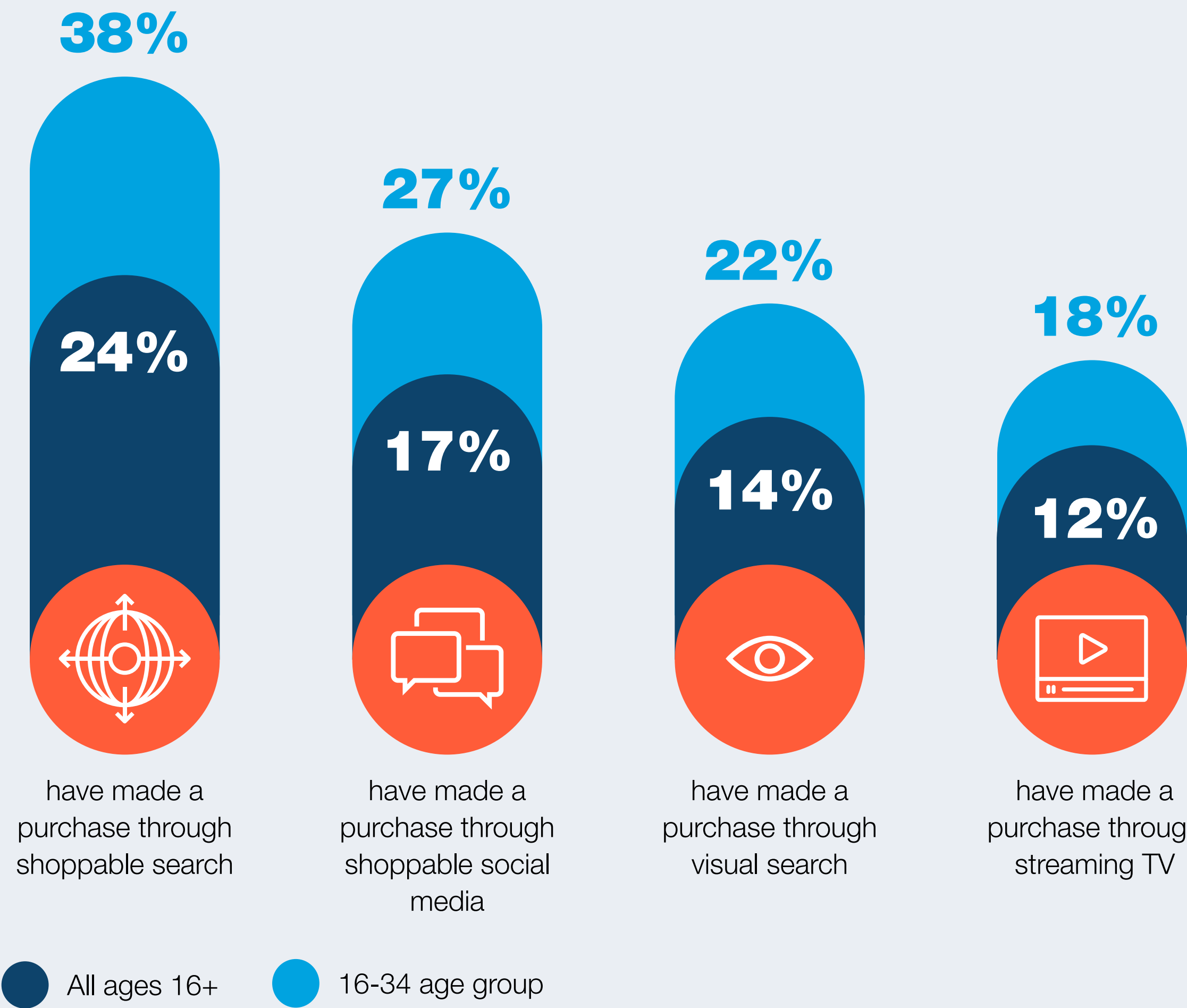


Consumer perspective:
Shoppable ads provide a more immersive and interactive shopping experience

Shoppable advertising is still relatively new to people. While the majority of US and UK consumers (62%) are aware of shoppable ads¹⁶, only a small percentage have purchased through them (see right). Perhaps unsurprisingly, use of shoppable ads tends to be higher among younger age groups, but even there shoppable ads only account for a small proportion of ecommerce sales.

“The overall performance and ROAS that we’ve seen from shoppable ads across Meta has been stronger than our other campaigns. Especially for customers on their mobile, they want to be able to click straight through an ad and shop products.”
Head of Growth, home hardware retailer

Uptake of shoppable ads among consumers¹⁷



Consumer survey: Base = 2,051
Base 16-34 = 588

While the use of shoppable ads may still be low, most of the consumers who have used them feel that they enhance the online shopping experience in multiple ways.

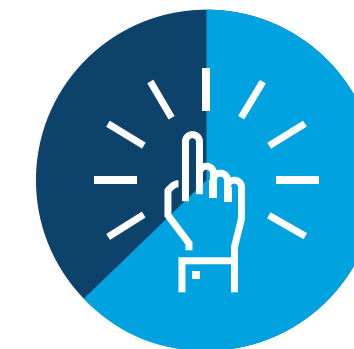
Discovering products that are relevant to their interests.

66% of consumers who have used shoppable ads say the ads enable them to find the products and services they're interested in more easily¹⁸. With 58% of 16-34 year olds saying they like it when companies recommend products or services that are tailored to their personal preferences¹⁹, this is a notable benefit of shoppable ads.



Making shopping easier and more convenient.

63% of consumers who have used shoppable ads say they enable them to buy products and services in a more efficient way²⁰. This could mean both shortening the shopping journey, perhaps with one-click purchase, and making it easier to find what they want. Indeed, over half (52%) of consumers feel it's useful when brands gather their information to show ads related to a product or service they've browsed or purchased on a different site²¹.



Purchasing products on their most used platforms.



64% of consumers who have used shoppable ads say they enable them to access a larger range of channels and platforms to shop from²². Shoppable advertising is a unique experience, presenting people with new and entertaining ways to discover and purchase products on the channels they already use.

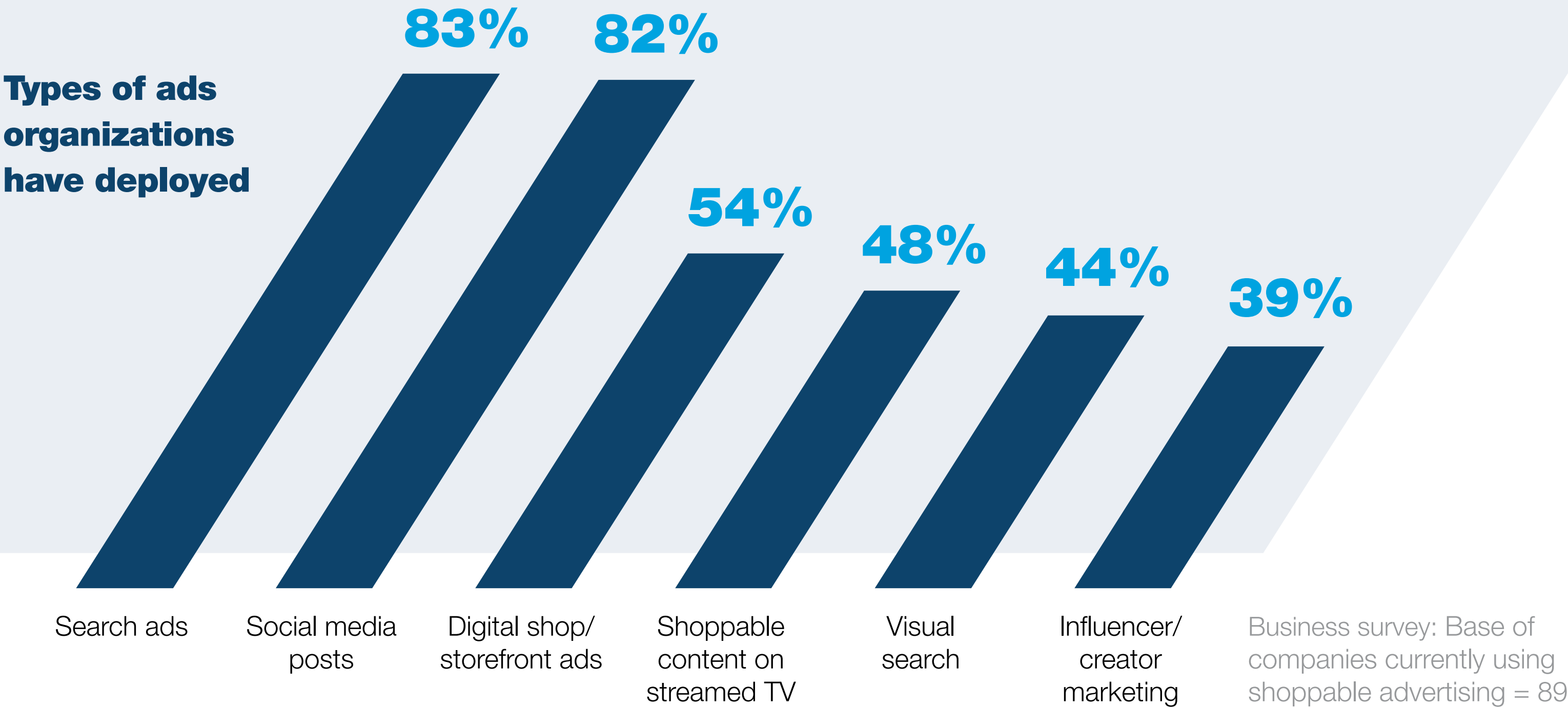
People do have some reservations about making purchases via shoppable ads. For instance, only 3% of consumers say they would actively choose to purchase financial services products via a shoppable ad, and 4% say the same for automotive and homeware products²³. In these categories, physical stores and “traditional” online avenues continue to dominate given the nature of the products.

But with the continued expansion of [retail media networks](#) and other forms of shoppable media, people are likely to become more accustomed to seeing shoppable ads, which should encourage increased engagement and address any concerns.

Overall, consumers are positive about the use of shoppable ads, as long as the experience is convenient, relevant to their personal interests, and allows them to stay within the digital environments where they're most comfortable.

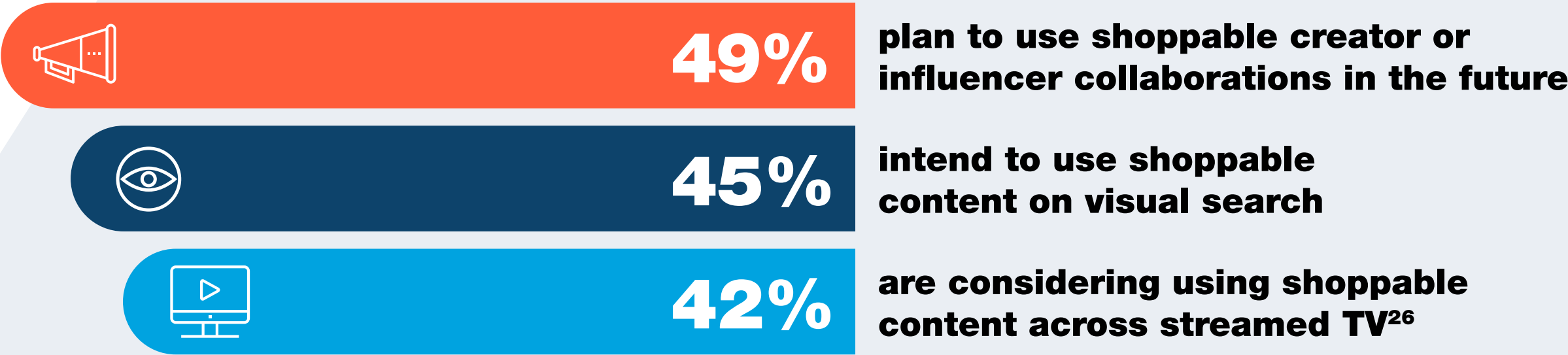
Business perspective:
Shoppable advertising
helps brands close the
gap between impressions
and conversions

Shoppable ads are somewhat more established with brands than with consumers. Almost half (45%) of professionals surveyed said their company has already deployed shoppable ads²⁴, with most use cases centered on search ads (83%) and static shoppable images on social media (82%)²⁵.



Brands that have deployed shoppable ads also plan to explore other formats

But, as was the case with consumers, the brands that have used this type of advertising do see the benefits and are keen to explore further. Of those that currently use shoppable advertising:



Business survey:
Base of companies
currently using shoppable
advertising = 89

This interest in shoppable ads can be explained by their ability to remove friction from the “messy middle” of the purchase journey. When brands can connect people with products in the digital environments they are already using, they can shorten the path to purchase. Reducing the number of touchpoints required to convert a lead lowers the cost of acquisition and improves ROI over the long term.

Other key benefits include:

Gain data for personalization: Shoppable ads help brands understand which products customers are interested in, including details such as their price range, color, and size. This information can be used to deliver more relevant ads in the future. Over half (56%) of professionals who have already used shoppable ads see this as a benefit²⁷, (as do 38% who have not yet tried the format)²⁸.

Increase engagement and conversion rates: Nearly half (42%) of companies that have used shoppable ads believe the format can drive increased engagement and conversion rates²⁹, as consumers are receptive to recommendations while on the platforms they use to discover products. Over a third (37%) of those who have not yet used shoppable ads also expect this to be a benefit³⁰.

Close the loop between impressions and conversions: The short purchase path and closed loop nature of shoppable ads makes attribution easier. It allows advertisers to track the performance of their campaigns and optimize in real time. Nearly a quarter (21%)

of those that have used shoppable ads see more effective attribution as a key benefit of the format³¹, and 10% of those that haven’t yet used them also identify it as a potential benefit³².

Reach and acquire younger shoppers: [Gen Z](#) and young Millennials already use social media to discover and shop for products. They’re looking for more engaging and interactive shopping experiences than traditional ecommerce sites and shopping apps can offer. Shoppable ads can help brands reach and convert these younger customers.

Uptake of shoppable ads by age group³³:

	16-34	35-54	55+
Shoppable content and advertising on search	38%	28%	9%
Shoppable content and advertising on social media	27%	19%	7%
Influence/creator marketing	24%	19%	4%
Visual search	22%	17%	5%
Shoppable content and advertising on streamed TV	18%	15%	4%

Consumer survey: Base = 2,051



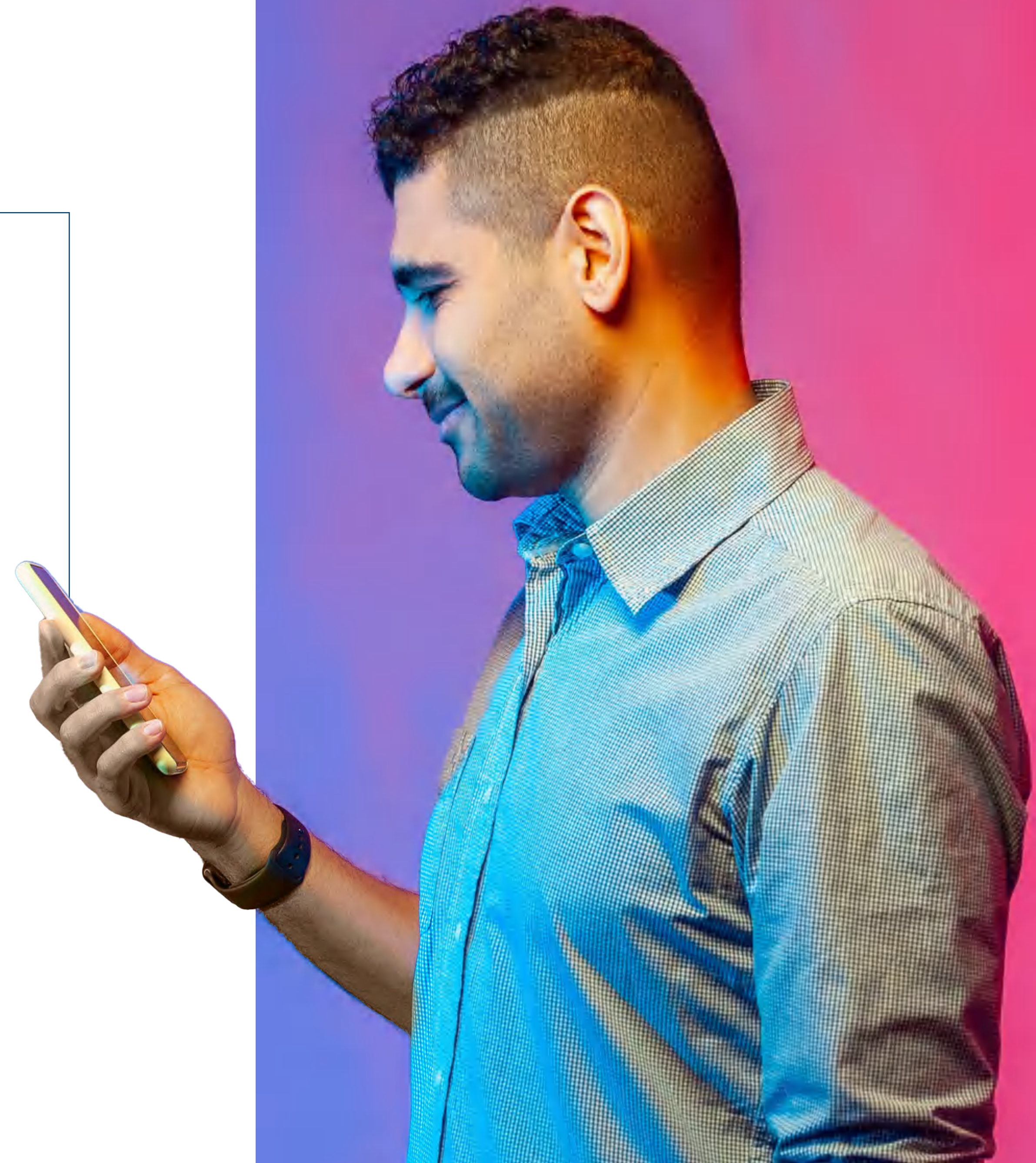
Making it work: To capitalize on shoppable ads, brands need to be able to unify customer data across platforms for personalized experiences

Data will play a critical role in helping businesses use shoppable ads to deliver meaningful experiences by featuring relevant products and messages. Brands will need high-quality first-party data that reflects people's continually evolving desires, perceptions, and life stages.

In fact, businesses must be able to collect and unify customer data across first- and third-party platforms to form a single customer view in order to deliver relevant shoppable ads that deliver the best possible CX.

To deliver successful shoppable ad campaigns, businesses will need a seamless, real-time flow of data between customer data, product and inventory management systems, and marketing automation systems. This will ensure that only products that are in stock and available to the customer are displayed in shoppable ads. Businesses will also need to maintain up-to-date information about products in their brand catalogs to avoid discrepancies across channels.

Furthermore, as audiences engage with shoppable ads across a number of platforms and devices, businesses will need sophisticated tracking and measurement capabilities to capture all relevant customer interactions.



Where next?

AI is already being used to power the decision making behind shoppable ads and personalize the experience. In 2024, we're likely to see product innovation from big tech and media companies that further integrates AI into shoppable advertising, including:

Conversational shoppable ads: By accessing a wealth of data, AI assistants can be used for conversational commerce, learning about an individual's preferences so they can recommend products they'll love. This will take two forms:

- **Integrating shoppable ads into LLMs (e.g., ChatGPT, Bard):** As tech platforms race to monetize their LLMs, we can expect to see shoppable ads integrated into conversational AI search. Google and Microsoft are already experimenting with these formats, which use generative AI to create high-quality customized ads.
- **Ads with conversational function:** In the near future, shoppable ads will have embedded conversational functionality, so customers can ask questions about the product, explore options, and complete the purchase all within the ad.

Using generative AI to deliver highly personalized shoppable ads: We expect to see brands using generative AI to create highly personalized shoppable advertising content at scale and at a lower cost. AI can draw on different data sets to analyze customer preferences in great detail, creating shoppable content that is highly relevant to the individual (e.g., by including their favorite color and aesthetic).



TREND 02

Proactive Customer Service

Generative and conversational AI are revolutionizing customer service. Brands can use their data to deliver next-level CX.

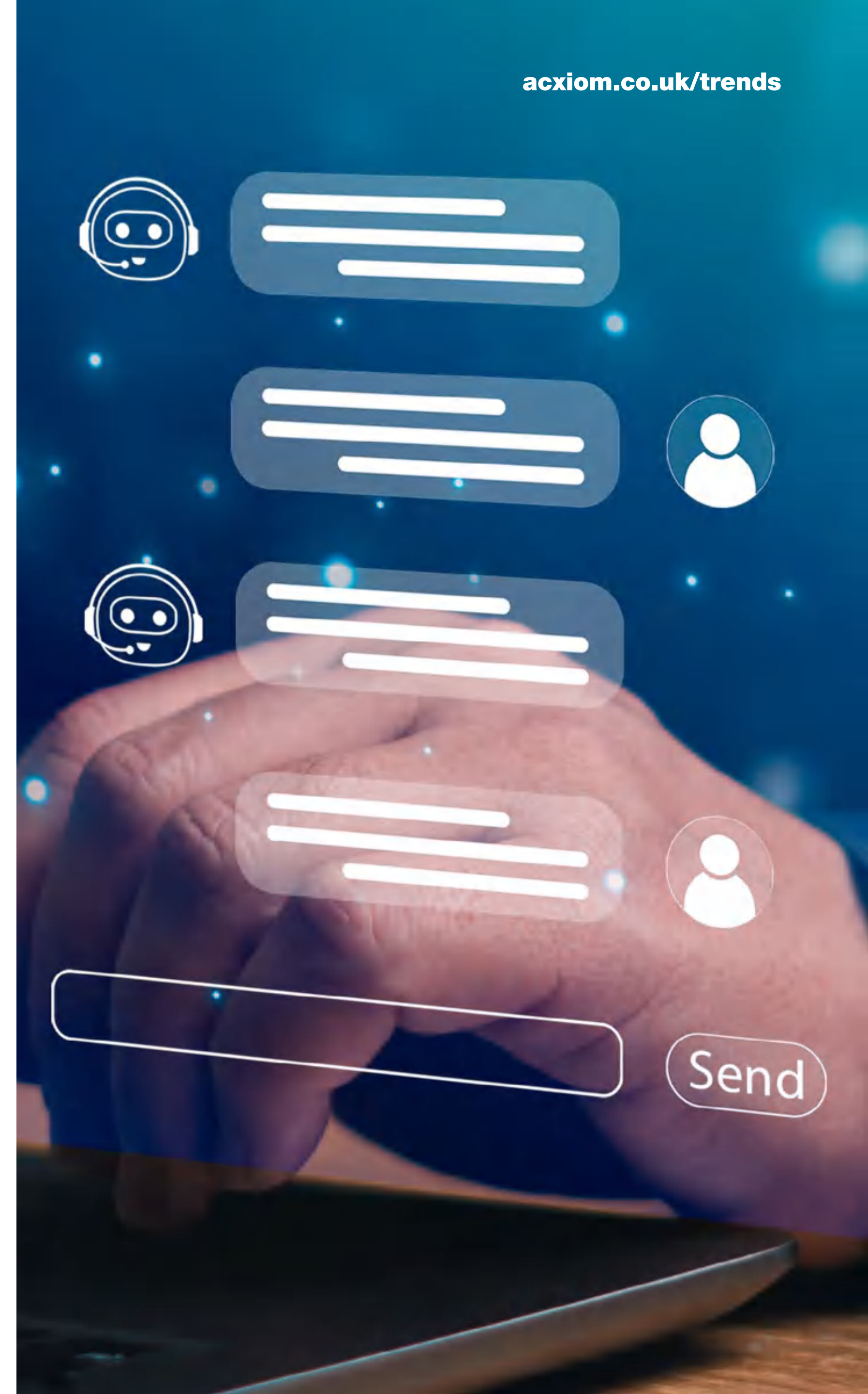
The prevalence of conversational AI solutions such as chatbots, voice assistants, and virtual agents in customer service has grown significantly over the past year, in line with the arrival of consumer-facing LLMs like ChatGPT and Bard.



The global chatbot market size is growing at a CAGR of almost 20% and is expected to be worth close to \$5 billion by 2032³⁴. This rapid growth is primarily due to the capacity of AI-powered chatbots to deliver a proactive and personalized service across digital channels at scale, which caters to the evolving demands and expectations of constantly connected consumers. This shift toward automated customer service enables businesses to offer always-on customer service on the platforms preferred by their customers, while also streamlining operations and reducing customer service costs.

Generative AI has the potential to further revolutionize customer support through a combination of digital self-service and enhanced agent interactions. **In fact, there's a growing recognition that customer service should seamlessly blend digital technologies and automation with human support to deliver a frictionless and highly personalized experience.**

In 2024, we'll see a shift from reactive to proactive customer service. Businesses that use AI-powered chatbots and virtual assistants to solve problems before customers even know they exist, or those that proactively make suggestions to prevent potential issues, will be the ones that retain long-term customers. Businesses that get this right will forge ahead of those that respond reactively.



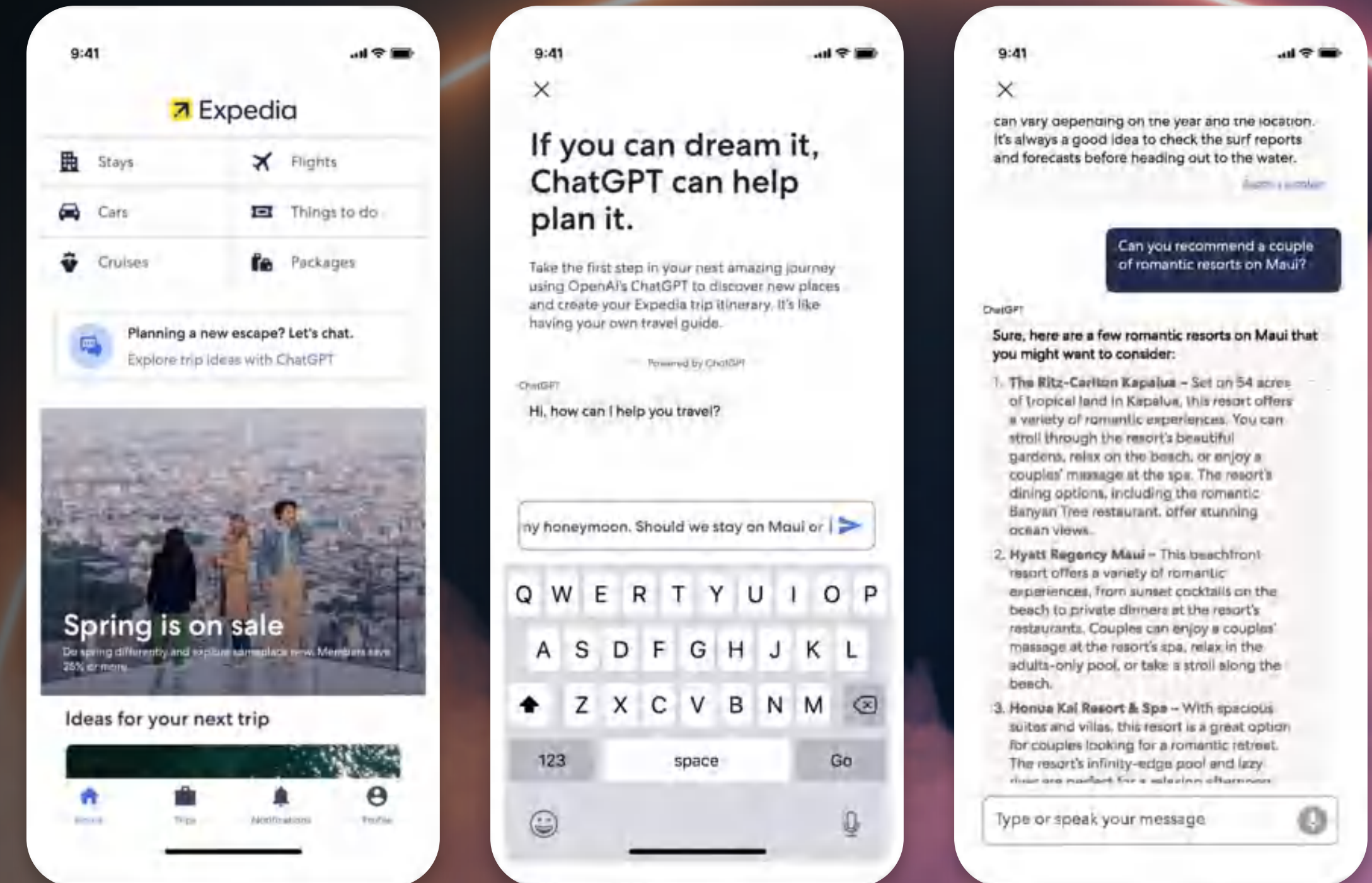
CASE STUDY

Expedia's Conversational Trip Planning

In 2023, Expedia launched a new chatbot application powered by OpenAI's ChatGPT. In the Expedia app, users can start a conversation with ChatGPT and receive recommendations on destinations, hotels, transportation, and activities. The ChatGPT-powered feature will then automatically favorite the hotels it recommends, which saves users time and effort.

The integration of ChatGPT enables Expedia to offer a more personalized travel experience. The application analyzes user data and preferences so that, if a user asks for hotel recommendations in a particular place, ChatGPT can tailor its recommendation to the individual and suggest hotels that match their travel history, preferred amenities, and price range.

Travelers can also ask questions about their upcoming trip and receive information, such as flight schedules, weather, recommended transport routes, and relevant news that may impact their trip.



“Expedia introduced a chatbot with AI integrated through the ChatGPT plugin earlier this year, and we’ve seen great success. We use our ChatGPT chatbot during the discovery stage to drive new acquisitions and conversions. **We have found that, once the traveler enters the shopping funnel through our chatbot, their propensity to complete the purchase journey is much higher than those who don’t.**”

Raghav Gupta, Global Product Manager, Expedia

Consumer perspective:
A chatbot can save time and energy but can add friction to the customer experience if it's not sophisticated enough

The majority of consumers have used chatbots for customer service.



However, when we asked consumers about more advanced customer service applications, we found lower uptake. Only 36% have used a biometric ID to complete a transaction, and 33% have used voice recognition to interact with a company³⁷.

Promisingly, 51% stated they’d had an interaction with a chatbot that felt like natural human conversation, which shows the progress these chatbots have made in recent years. But suffice to say, not every chatbot is made equal. There are varying levels of conversational AI maturity for customer service, ranging from basic question-and-response bots to those that use the advanced natural language generation required to conduct a human-like conversation.

Currently, most chatbots for business do not perform beyond question and answer. They are pre-programmed with a specific set of data and are primarily used to provide quick responses to common customer questions. Most do not use natural language processing (NLP), dialog management, or machine learning (ML) to provide a 360-degree customer service experience. In many cases complex queries (including those that involve multiple concerns) are escalated to a human operator.

Consumers who have used chatbots for customer service often encounter a variety of challenges:

Of the customers who have interacted with chatbots for customer support³⁸:



noted difficulties with handling complex queries that involve multiple aspects



expressed concerns about the potential for chatbots to be unreliable

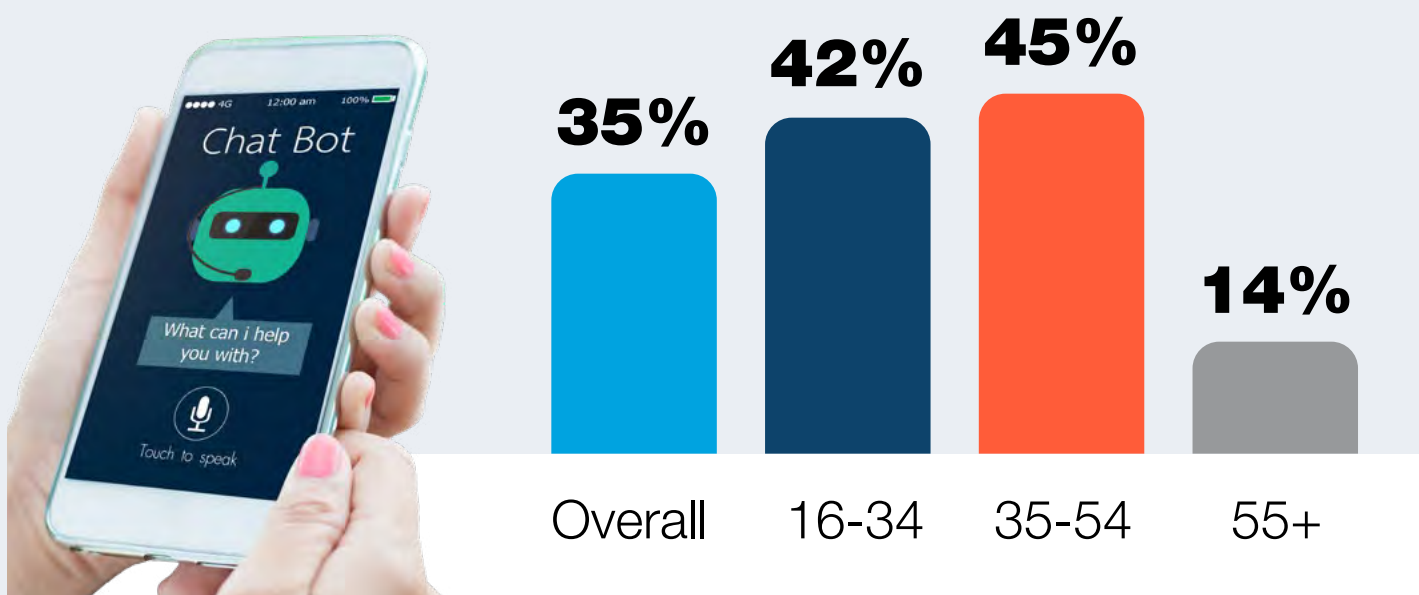


noted a lack of empathy, agreeing that chatbots cannot respond to emotions in the same way human customer service representatives can

Consumer survey: Base = 1,305

While chatbots still have some challenges to overcome, they are already a key part of the customer support journey for many people. Overall, 35% of customers actually prefer to message with a chatbot or virtual agent instead of calling a human customer service agent, with this preference particularly pronounced among 35-54 year olds.

Customers who prefer to message with a chatbot or virtual assistant/agent than with a human customer service agent³⁹:



Consumer survey: Base = 1,305

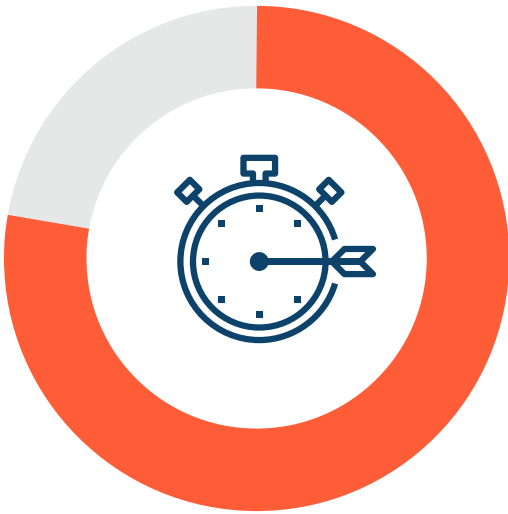
As more brands incorporate AI into their chatbots, we can expect to see their popularity and use increase. AI-powered chatbots can learn and improve over time, which will address concerns about their reliability, adaptability, and even empathy, as new use cases continue to emerge.

Business perspective:
AI is increasingly embedded
into customer support
with significant benefits,
but human interaction
still has its place

Many businesses are already integrating AI into their customer support functions and, by doing so, are seeing notable improvements in understanding customer issues and resolving them quickly. A significant 44% of the businesses we surveyed said they are currently using AI for customer service⁴⁰, and these businesses noted the following benefits:



86%
agree using AI helps their
business to better understand
customer issues and complaints



78%
agree using AI helps their
business respond to customer
support requests more rapidly



65%
agree AI helps to streamline their
customer service functions⁴¹

Business survey: Base of companies using AI in CX = 88

Example use cases for AI in customer service include:

Chatbots and virtual assistants: AI-powered chatbots can answer common questions, troubleshoot, and perform routine account management tasks.

Customer self-service bots: AI-powered bots can identify or predict friction points, based on the customer's immediate browsing activities, and suggest actions before the customer reaches out for support.

Customer authentication: AI can be used for customer identity verification through voice recognition and biometric IDs.

Tailored customer experiences: When ML is used to analyze and interpret behavioral and demographic data, customers can receive personalized recommendations or timely promotions.

Multilingual queries: AI translation applications can automatically detect the customer's language and facilitate a conversation in this language or translate for an agent.

Enhancing agent interactions: Using data points, such as ticket type, past resolution processes, customer sentiment, and customer history, AI can recommend actions to agents. Agents can also use AI content generators to respond to customers.

Intelligent triage: Using NLP and sentiment analysis, AI can apply tags and labels to tickets, sort them into categories, and funnel them to the correct agent.

Sentiment analysis: Based on the tone and context of the customer interaction, AI can detect how the customer is feeling, and tailor responses accordingly. It can also generate valuable insights from customer interactions across support channels

Performance monitoring: AI can monitor wait times, identify gaps in knowledge-base content, and determine when it's necessary to transfer customers to a human agent.

Inventory management: AI-based analytics of product inventory, logistics, and historical sales trends can improve customer support with real-time feedback on inventory levels.

Of these many AI use cases, chatbots are the one people are likely to be most familiar with. But, although many businesses do use chatbots for customer service, our survey revealed that few are currently using AI-powered bots.

Almost half (47%) of the businesses we surveyed say they use some form of chatbot or virtual assistant in their operations. But only 15% of businesses use a chatbot or virtual assistant that is powered by AI⁴².

Regular chatbots that aren't powered by AI have a number of limitations that restrict their functionality and value, including one-dimensionality and an inability to engage in conversations beyond binary interactions. These one-dimension chatbots aren't necessarily sophisticated enough to handle the entire spectrum of customer queries, and if they can't answer questions or provide help in a timely or accurate manner, this can lead to customer dissatisfaction, increased workload for customer service reps, lost sales, and bad publicity from negative reviews. What's more, using regular chatbots limits some of the proactive capability use cases we previously mentioned.

AI-powered bots can address these limitations by drastically expanding the range of use cases and complexity of tasks that chatbots can support. And with improvements in the accessibility of LLMs such as ChatGPT and Bard,

as well as advances in their capabilities, we expect to see much wider adoption of generative AI-powered chatbots in the coming years. In fact, several big name brands, including Stripe, DuoLingo, and Coca-Cola, have already recognized this potential and have integrated the ChatGPT API into their operations.

But companies will need to carefully tread the line between streamlining customer service operations and outright replacing valuable human-to-customer interactions. As it stands, AI-powered chatbots can't always provide the level of empathy, understanding, and personalization that a human can. Furthermore, replacing entire customer service units with AI-powered bots can have serious consequences for a company if the bots aren't implemented or managed in a way that provides people with accurate and up-to-date information.

“On the flip side of all of this, it's very early in all of these endeavors to think that the computer is smart enough to get it right all the time. The thing is, math doesn't have morals. I think we're on the cusp of letting the computer do some things faster and better for us, but we're not at a point to trust it to be the sole arbiter of the path forward in all scenarios.”

Brady Gadberry, SVP Head of Data Products, Acxiom

The most successful brands will retain a set of skilled and experienced customer service representatives to handle the more complex issues that their AI-powered bots cannot, and provide customers with a personal touch when necessary.



Making it work:
Sophisticated AI-powered chatbots need to be trained on vast volumes of high-quality data to perform effectively

The success of conversational AI does not depend solely on technology. Good user experience (UX) design and a wealth of training data are also crucial. A chatbot that is not correctly implemented or not trained on sophisticated enough data will not be able to engage in the natural human conversations that customers expect. In fact, insufficiently trained chatbots run the risk of alienating customers by delivering empty responses or answers that don't solve their problem.

And, given AI-powered chatbots need to be trained on first-party data, brands must make sure the tools they use to develop their chatbot solutions prioritize data security. A brand's data is incredibly valuable and no one wants to risk jeopardizing customer privacy in any way.

Key pillars that businesses need to get right to maximize the value of their AI integration for customer service include:

Data and analytics capabilities:

- The ability to ingest large volumes of customer data to build intelligent customized experiences
- A nerve center for descriptive and predictive analytics
- CRM and cloud-based call centers (if relevant) embedded into an AI-driven tech stack
- Significant data storage capabilities

Implementation:

- Seamless integration of AI chatbot tech with legacy systems such as CRM, commerce platforms, and enterprise resource planning software

Training:

- An AI-enabled automated intent recognition and resolution layer (i.e., intelligent triage) that can analyze the customer request and determine the intent, sentiment, and language - including making proactive recommendations
- The ability to train AI on specific models
- Prompting and tuning LLMs to each service channel to ensure interactions are contextually appropriate

Management and optimization:

- Executing regular updates and maintenance to models

Privacy-centric design:

- Ensuring all privacy policies are updated with current use cases
- Ensuring security requirements are met
- Ensuring data use is permissioned and meets all privacy regulations



Where next?

As businesses continue to integrate AI across customer support functions, they'll need to be mindful of increasing customer expectations for positive, seamless experiences that deliver answers quickly and effectively. To facilitate this expectational shift, businesses will be prioritizing developments in four key areas of conversational AI:

Handling more complex requests: Ultimately, advances in LLMs will enable chatbots to complete more complex tasks. In the meantime, businesses may enable their bots to handle more specialized tasks by adopting a multibot architecture where specialized chatbots function as an ensemble, accessed through a unified interface. After inferring the user's intent, requests are directed to the appropriate specialist bot.

Improving personalization: We expect further advances in personalization, with bots adjusting their communication style in real time according to individual customer characteristics, such as formality of communication, and emotional and cultural context.

Introducing visual capabilities: Businesses will use visual AI to solve customer problems in real-time. While basic visual AI – for example reading text – is already widely adopted, using visual AI to identify an issue with a specific make or model of a device or product – perhaps using video – requires functionality that is currently only accessible to businesses with advanced capabilities.

Investing in voice: Differences in accents and cadences of speech, as well as the unpredictability of human conversations, mean AI is only just beginning to be used for verbal interactions. However, recent advances in text-to-speech and speech-to-text technology are making it easier for LLMs to conduct verbal conversations, which will encourage adoption for customer service interactions.



TREND 03

Healthy Acquisition and Retention

Rising acquisition costs are driving businesses to focus on quality acquisition and retaining high-value customers.

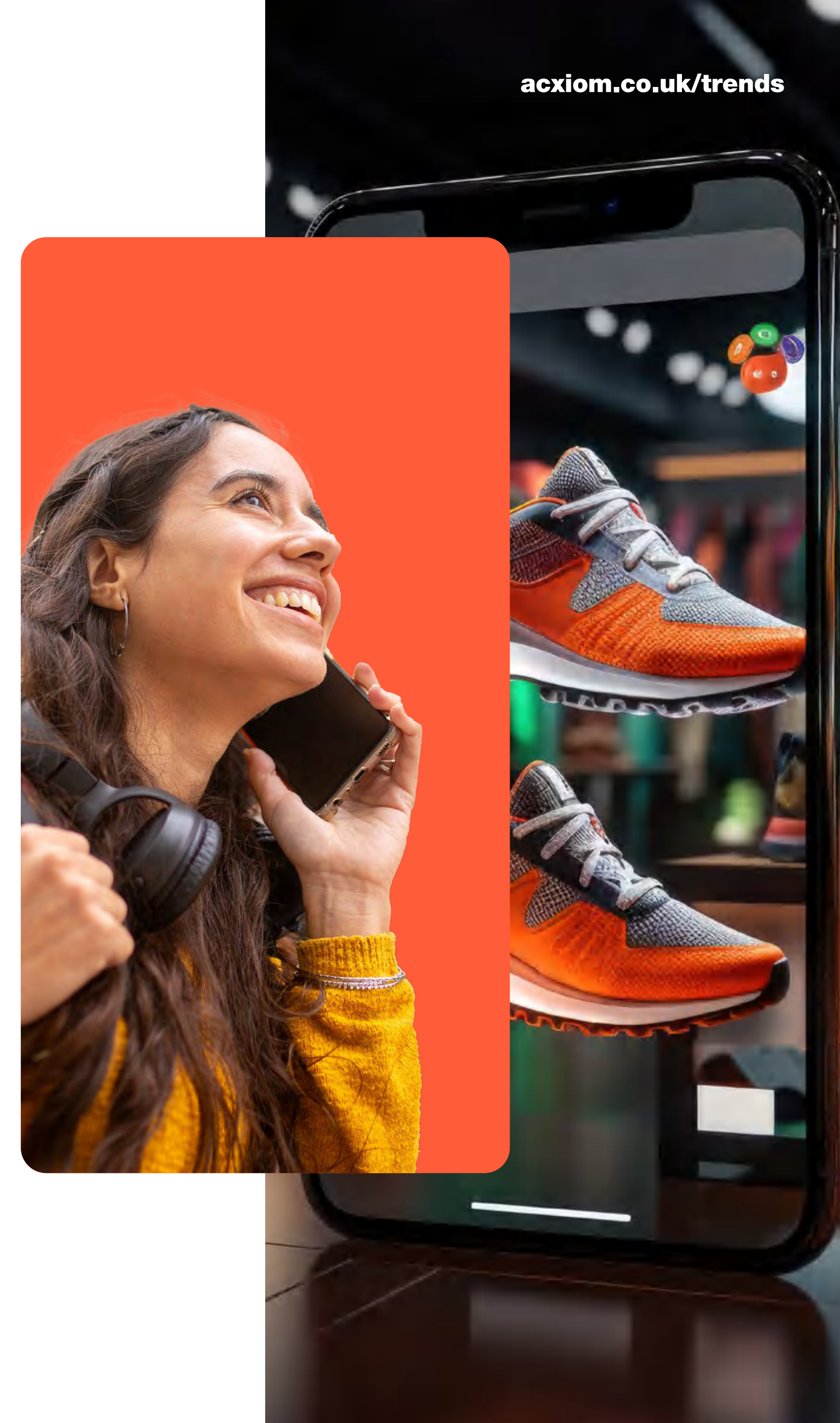
For years, brands have prioritized growth at all costs. Across all sectors and markets, they've focused on acquiring and converting prospects using aggressive marketing tactics to maximize reach.

But acquiring new customers is getting harder and more expensive due to increased competition, market saturation, inflation, and tightening privacy regulations. McKinsey's CMO survey reveals the average cost per click in 2022 was 20% higher than in 2021⁴³. And 61% of the business professionals we surveyed said customer acquisition has become more competitive in the last 12 to 18 months⁴⁴.

What's more, deepening economic concerns mean the focus of the investor community is swinging away from growth toward creating long-term value and driving profit. And, for many businesses, acquiring or converting customers is no longer the most efficient way to increase profitability.

Businesses are having to rethink their approach in this changing climate. Indeed, nearly half (45%) of the businesses we surveyed have changed their organization's marketing priorities because of the economic downturn⁴⁵. For many this means taking actions to acquire their ideal customer – rather than just any customer – and to retain and grow the high-value relationships they already have. A healthy acquisition and retention approach is no longer a nice-to-have, but a strategic imperative.

To succeed with this new focus, brands can harness the latest developments in AI to super-serve their existing customers with unique, highly personalized experiences. They can also integrate AI across their marketing operations, using predictive insights to acquire prospects with similar characteristics to their most valuable existing customers.



CASE STUDY

Burberry uses AI to seamlessly integrate its in-store and digital channels, creating a holistic customer experience

Burberry is using big data and AI to create more seamless and personalized experiences for its most valuable customers across in-store and online channels. Burberry asks customers, who join its loyalty and rewards programs, to share their data through its mobile app. This data is used to deliver relevant recommendations for both in-app and in-store experiences.

In-store, sales assistants use tablets to access information about valuable customers, which informs buying suggestions. Employees can see

a customer's purchase history, their preferences and, if enabled, their social media footprint. They can use this data to deliver a more personalized experience, including recommending matching items or accessories based on previous purchases, or recommending items based on the customer's online aesthetic.

In addition, all products in Burberry stores have their own unique RFID tag. When a customer stops at or picks up an item, the mobile app will send messages to the customer about the product.



This may include where the product came from, its design aesthetic, or tips on how to style it.

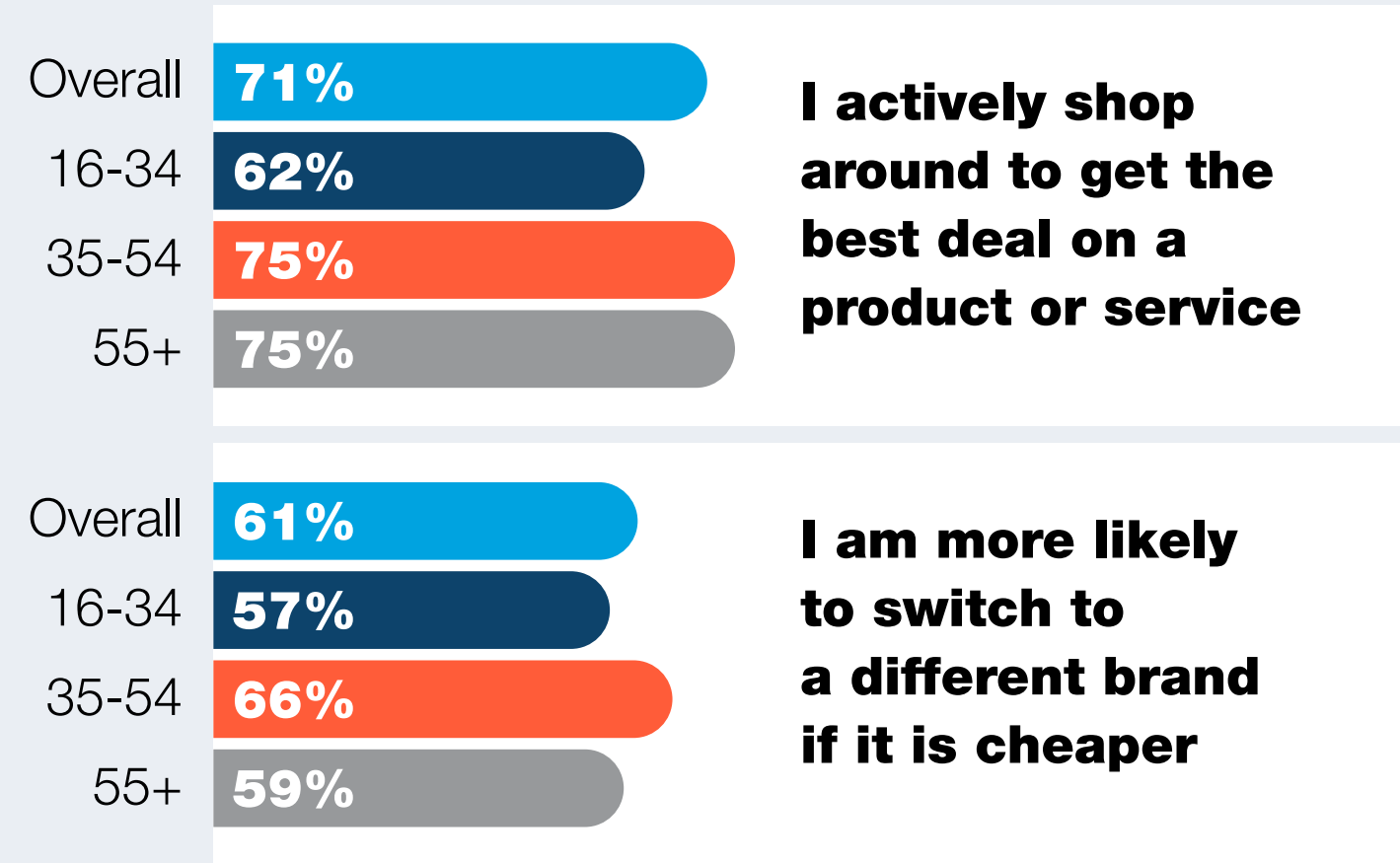
This marrying of digital and physical engagement enables Burberry to provide an exceptional experience that makes its most important customers feel unique and valued.

Consumer perspective:
People are spending cautiously, due to the macroeconomic context and want to be rewarded for continued brand loyalty

The economic landscape is leading people to be more judicious about their spending habits, which often means they're not as loyal to brands as they once were. A McKinsey report⁴⁶ reveals 80% of consumers are changing their shopping behavior by switching brands or retailers to find lower costs.

Our research reveals a similar picture, with 71% of the consumers we surveyed actively shopping around to get the best deal on a product or service, and 61% likely to switch to an alternative brand if it's cheaper⁴⁷.

These results are broadly similar across different age groups, although 16-34 year olds are the least likely to switch brands to get a better deal:



As a result of this switching behavior, the value of an existing customer has soared, and retaining customers has become pivotal to success. But it's not as straightforward as simply offering customers the products they love at the right price.

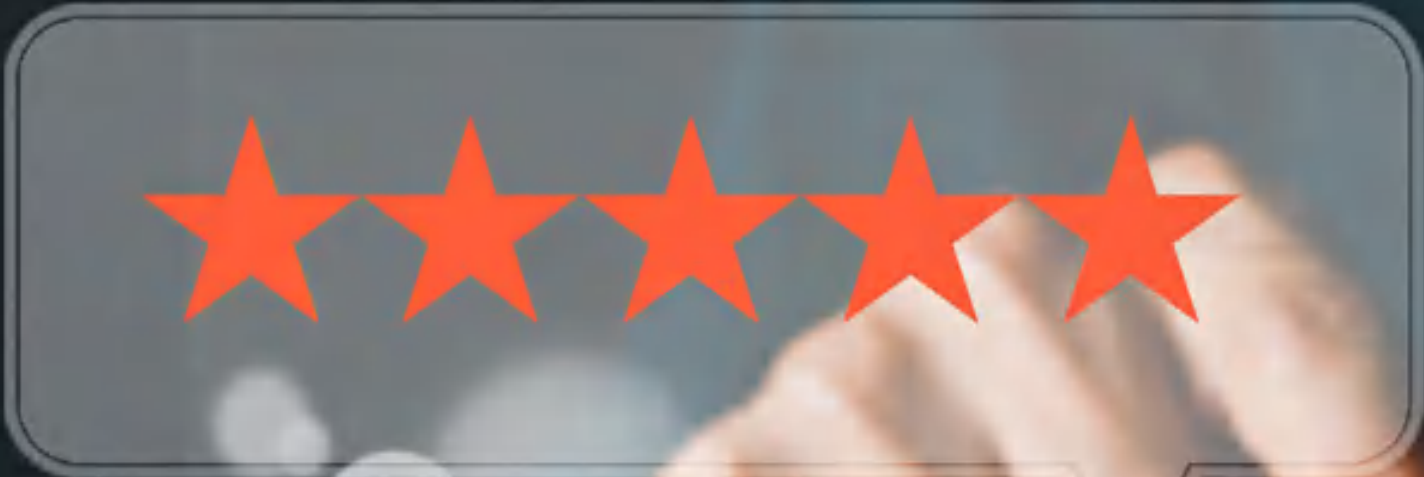
We recently published a report about [Gen Z](#) which reveals a paradox. They appear both loyal and transient, with brand loyalty having less to do with the brand itself than with how that brand aligns with their personal values, as well as the opinions of the social influencers they trust. Brands need a deep understanding of the individual to acquire and retain a strong relationship.

Overall, today's consumers are more connected, savvy, and engaged with brands than ever before. In a world of endless choice, brands must work hard to build relationships with people and demonstrate that they add real value to their lives through relevant, personalized interactions in order to foster brand loyalty.

And people expect to be rewarded for that loyalty, whether financially or with exceptional experiences. Our survey revealed:



What's more, consumers are becoming more aware of the value of sharing their data in exchange for exceptional experiences, according to the latest [GDMA](#) report on what consumers really think about data privacy. Brands that can harness the potential of data, predictive analytics, and AI will be strategically positioned to understand their most valuable customers and deliver unparalleled experiences that will ensure long-term engagement and satisfaction. They will also be well placed to acquire new customers who have a genuine affinity for their brand.



Customers are most likely to repurchase from a company if⁴⁹:



56%

They receive personalized loyalty rewards and programs



48%

It is easy to sign up and create an account



35%

They receive personalized customer support



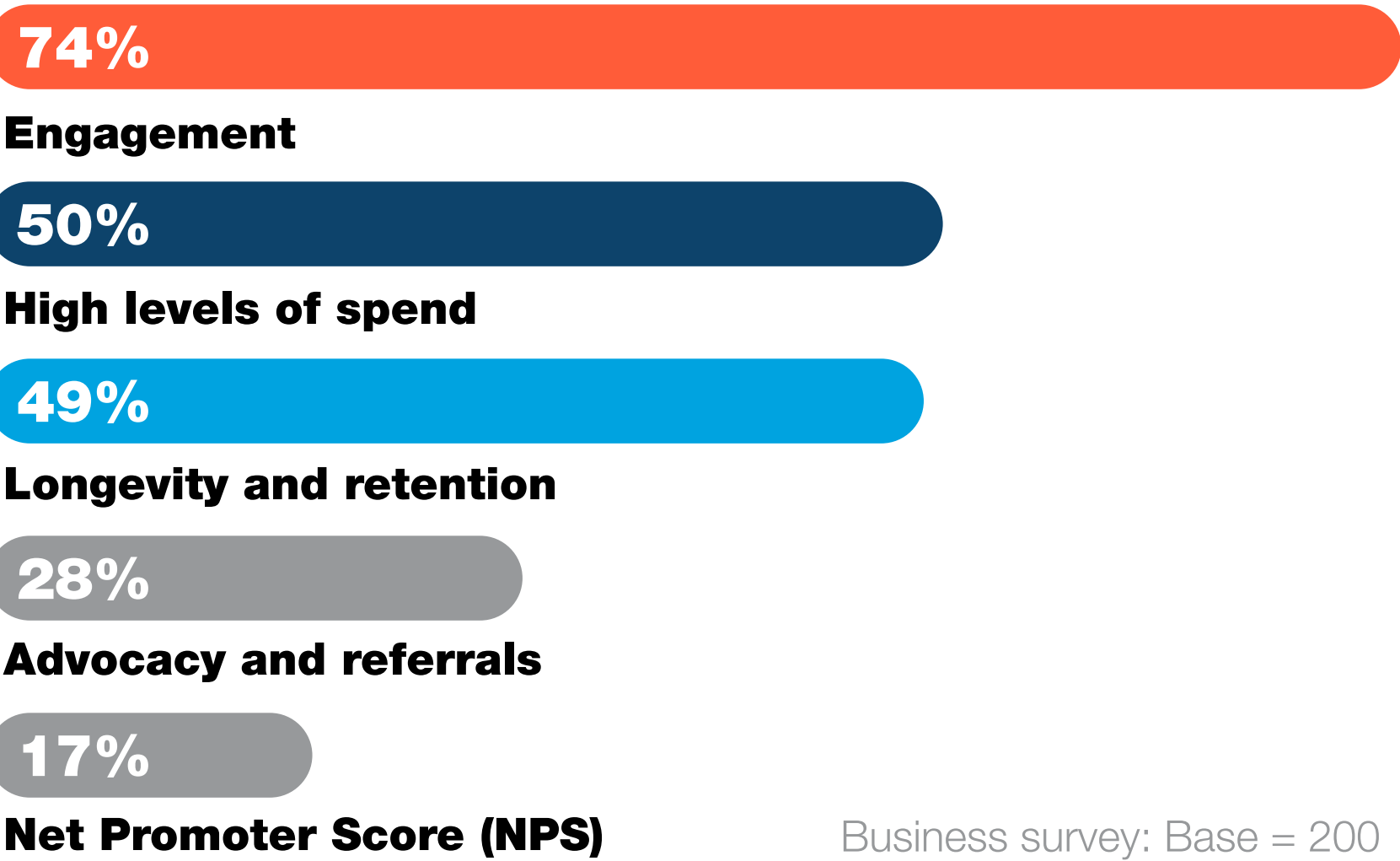
31%

They receive personalized products and services to meet their needs

Business perspective:
Brands can use AI to super-serve their most valuable customers with an outstanding CX and acquire new customers with similar characteristics

A number of the businesses we surveyed (43%) have reported a decline in customer loyalty over the last 12 to 18 months⁵⁰. However, the way those businesses define and measure customer loyalty varies greatly.

Businesses define customer loyalty in different ways⁵¹:



Business survey: Base = 200

Interestingly, the businesses we surveyed are more likely to measure brand loyalty by how engaged customers are, than by how much they spend or their longevity. This view contrasts somewhat with their marketing strategies, as more than half (58%) claim to have a marketing strategy specifically tailored to keep customers with the highest lifetime value (LTV), i.e., spend and longevity.⁵²

Regardless of how brands define loyalty, it is evident that they recognize the importance of retaining high-value customers for long-term profitability and success. Yet, results from our survey show that few companies are taking concrete steps to drive loyalty and retention.

In fact, only 50% of the businesses we surveyed reward customers for their loyalty⁵³, which means half of businesses surveyed do not. As we saw earlier, the majority of customers expect to be rewarded, and will stay loyal if they receive exceptional experiences or financial rewards, so this is something brands should consider.

Similarly, only 12% of the businesses we surveyed are currently using AI in their loyalty and retention tactics.⁵⁴ This means most brands are missing out on a huge opportunity to make use of first-party data capabilities and AI to deliver unique and personalized experiences to engage their best customers.

In 2024, we expect this to change, as businesses increasingly invest in AI to super-serve their most valuable customers and acquire prospects with similar characteristics.

“For the regulated industries, AI can be a massively useful tool. For instance, insurance companies could use it to speed up underwriting decisions, claims handling, and fraud detection. Imagine using AI to make underwriting decisions in a fraction of the time, instead of taking 30 days to come to that decision, it takes 30 seconds. If managed correctly, that could mean a significant improvement in customer experience.”

Dana Goff, SVP Industry & Solution Strategy, Acxiom

Economic difficulties and diminishing returns from acquisition efforts may push businesses to slash marketing and CX investments, but this strategy could lead to dire long-term consequences. Consumer spending may be unpredictable, but McKinsey research⁵⁵ shows consumers are still spending where it matters most to them. Which means if a customer isn’t purchasing from one brand they’re likely to be buying from a competitor.

The most successful businesses will prioritize investment in the customer experience. This will include using first-party data capabilities and AI to deliver unique and personalized experiences to their highest-value customers, and to make smarter marketing decisions that drive a healthy acquisition and retention strategy. We expect businesses to invest in the following tactics:

“AI can also enable the use of new data sources to drive decisions. For example, in the financial services industry, the decision to give somebody a loan or a credit card has traditionally been through established credit data. Consider the possibility of using alternative data to make lending decisions for people with thin or no traditional credit data. This just hasn’t been possible before because we’re talking about millions and millions of transactions.”

Dana Goff, SVP Industry & Solution Strategy, Acxiom

Applications of AI for retaining high-value customers include:

Cross-channel personalization: Businesses can use AI and predictive analytics to seamlessly connect their physical, in-app, and online channels, enabling digital browsing and transaction data to inform the offline experience and vice versa.

Dynamic segmentation: Businesses can supercharge their loyalty programs by allocating customers to different categories depending on their response to loyalty rewards or offers, with categories updated dynamically so interactions are always tailored to the latest customer engagement.

Predictive analytics: Brands can use AI-powered predictive analytics to identify which rewards or offers will resonate with individual customers, as well as which customers are likely to become disengaged, and then create personalized and engaging experiences that improve retention rates.

Immersive experiences: For retail brands, AI can personalize AR/VR try on experiences by suggesting products the customer may like based on their previous purchases, unique preferences, facial features, or aesthetic.

Applications of AI in acquisition efforts include:

Spend decisioning: Businesses can cut back on low-yield marketing spend and invest more where there's greater potential for longer-term ROI.

Prospect segmentation: Businesses can streamline and enhance segmentation to identify their most and least valuable prospects at any given moment – without human bias.

Lookalike audiences: Using AI and their first-party data, brands can more accurately, and at scale and speed, identify their most valuable customers and then focus their acquisition efforts on third-party audience segments with similar characteristics.

Customer journey insight: Integrating ML with customer relationship management (CRM) systems can deliver customer journey insight to optimize acquisition strategies.

Personalized communications: Businesses can use generative-AI to execute highly personalized communications at scale, informed by a wealth of customer data.

Making it work:
**To identify, acquire,
and superserve high-value
customers, businesses must
have sophisticated data
and analytics capabilities**

Organizations that succeed in their efforts to acquire and retain high-value customers will be those that make the best use of a wide range of first- and third-party data sets and advanced analytics to build sophisticated and highly engaging customer experiences.

To ensure that their efforts are fruitful, businesses will need to prioritize investment in the following areas:

Data: Businesses will need a centralized system, such as a customer data platform (CDP), that pulls data from a variety of different sources (customer transactions, social media interactions, website traffic, etc.) to create a single, real-time customer view that powers AI models.

Expertise: Businesses need access to industry experts who can help them build, train, implement, manage, and optimize AI solutions. Whether internal or external, these experts can help with data collection, algorithm development, and model deployment.

Resources: Businesses need to ringfence the resources to implement AI solutions. This includes the time, money, and expertise needed to collect data, develop algorithms, and deploy models.

Where next?

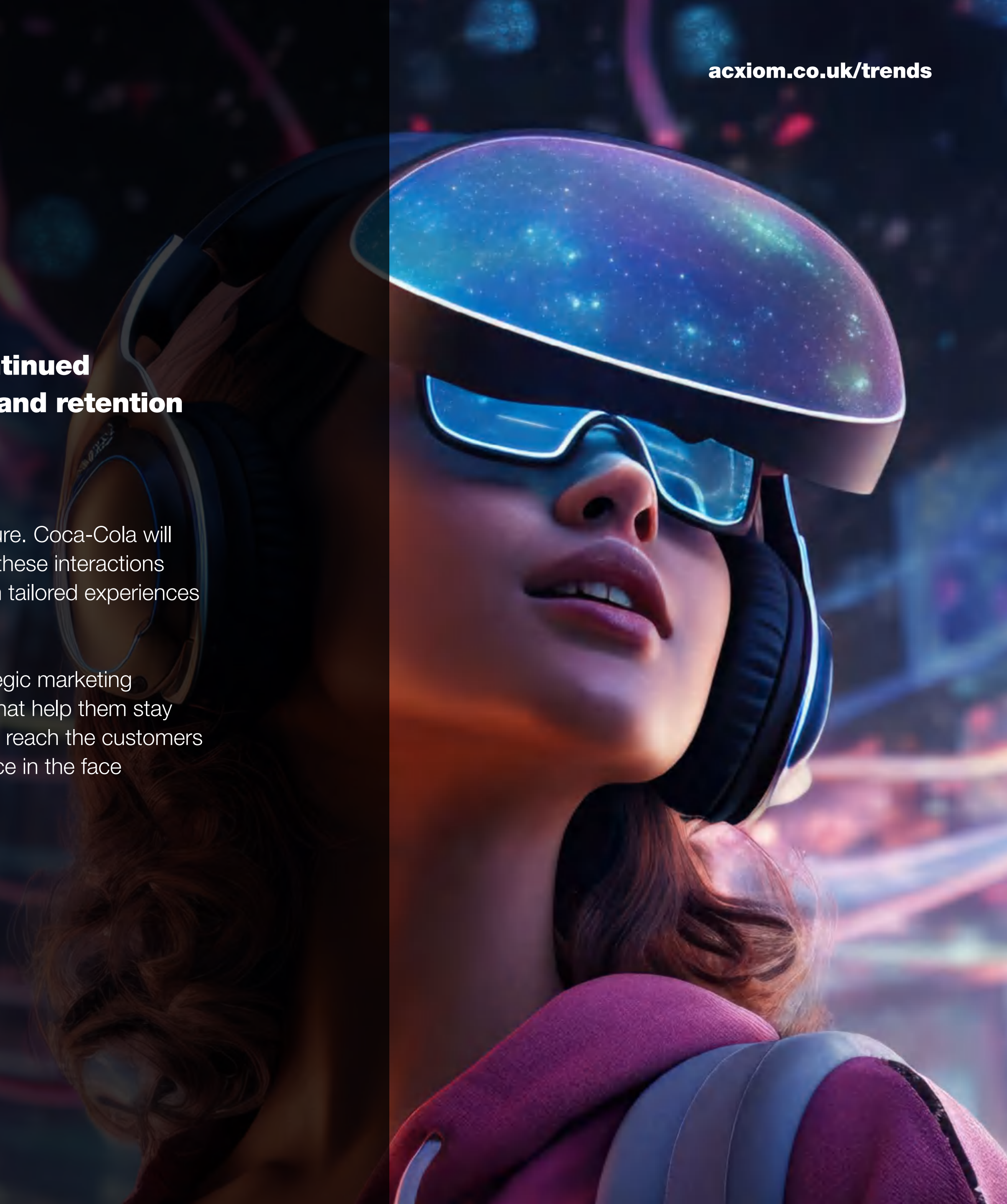
With the onus on brands to offer exceptional CX in exchange for continued loyalty, we expect to see a huge increase in the use of AI for loyalty and retention tactics, far beyond the 12% of brands that are currently using it.

To make the most of AI for customer retention, brands will need to prioritize building out and scaling robust first-party data. With this, we may see a renegotiation of the data value exchange, with people encouraged to share data with brands that can offer real value.

Coca-Cola is a great example of a brand that is scaling its first-party data by using AI to bring experiential content to its customers and engaging them beyond the transaction. On-pack QR codes for its new product, [Y3000 Zero Sugar](#), allow consumers to access a custom AI camera that shows

what their reality could look like in future. Coca-Cola will use the first-party data generated by these interactions to segment customers and offer them tailored experiences to keep them engaged.

Ultimately, brands will use AI for strategic marketing activities and customer experiences that help them stay top of mind for high-value customers, reach the customers they'd love to have, and build resilience in the face of intensifying competition.





TREND 04

Predictive Personalization

A cutting-edge advertising technique that uses AI to predict what people will want.

Consumers increasingly expect personalized brand experiences. Whether it's marketing communications or in-store, online, and in-app experiences, they value interactions that are tailored to their unique context and preferences. Just over half (51%) the consumers we surveyed say they like it when companies recommend products and services that are tailored to their personal preferences⁵⁶.

Brands are acknowledging this expectation and are shifting away from broad-brush demographic or market-based segmentation alone, instead taking a more holistic approach that favors more individualized CX strategies that use customer data to deliver relevant experiences. Predictive personalization is the next step in this process.

Generative AI is supercharging personalization, enabling businesses to create customized experiences at unprecedented scale and precision. Generative AI can use behavioral patterns and individual characteristics to learn what customers might do or want next. In this way, personalization evolves from recommendations based on a static view of past behavior, to predicting how customers' needs and tastes will evolve moving forward.

But predictive personalization is a complex undertaking. To use it effectively, brands need to take a data-led approach, building a deep understanding of customers' changing wants and needs, and employing sophisticated ML models to act on that information.

In 2024, leading brands will embrace predictive personalization as a strategic imperative, using their valuable first-party data to deliver more engaging and relevant CX.



CASE STUDY

Stitch Fix uses AI to predict style preferences

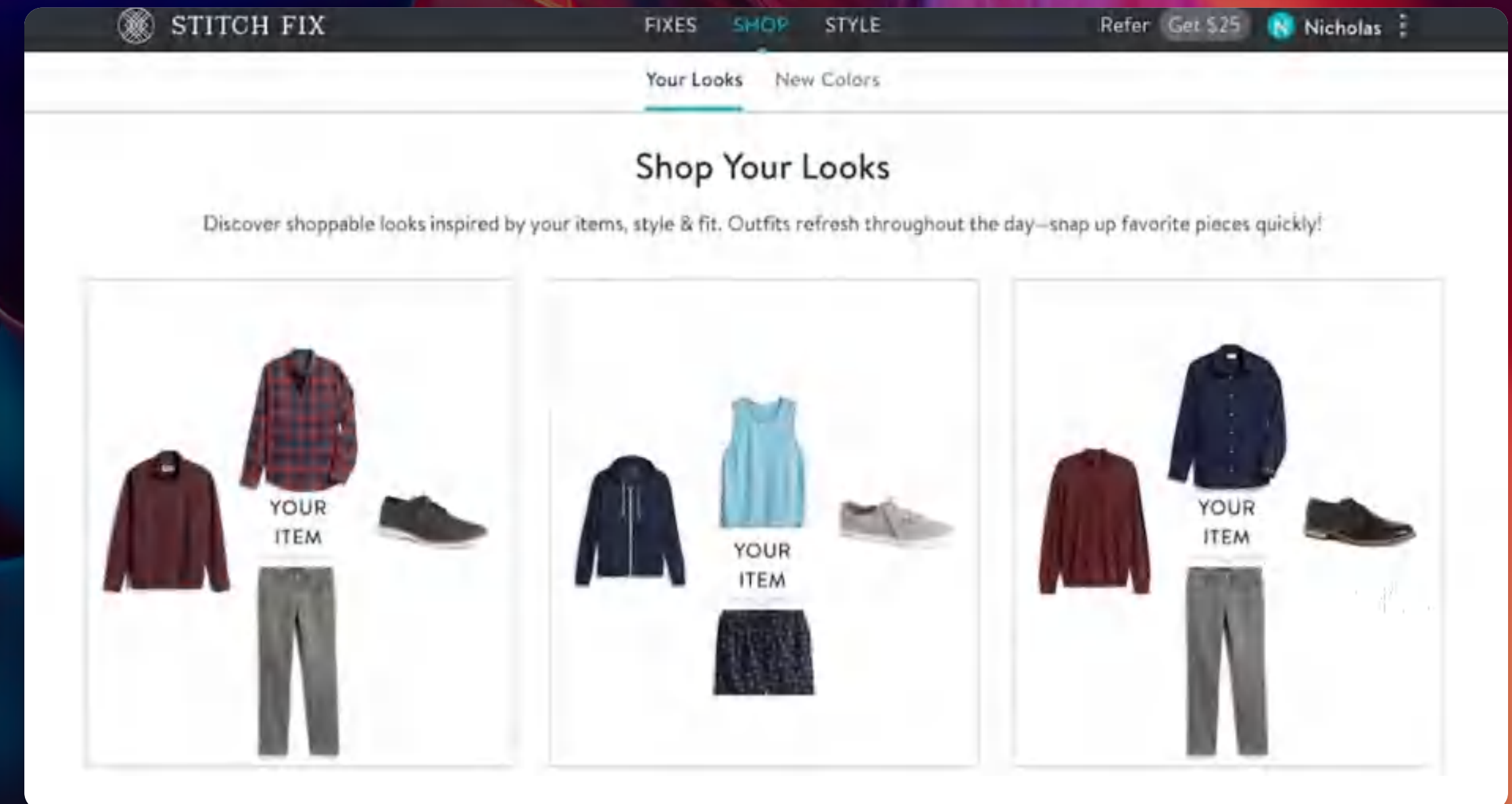
Stitch Fix is a personal styling service. On signup, customers complete a detailed profile including their measurements, body type, likes and dislikes, personality traits, lifestyle, and budget. Stitch Fix's AI algorithms then combine this information with additional data to curate a personalized selection of clothing items.

The Stitch Fix AI algorithms are constantly learning. They are trained on a massive dataset including purchase history, customer reviews, and social media activity to better understand style preferences. This means Stitch Fix can predict, with a high degree of accuracy, which pieces a particular customer will like, and how their preferences may evolve over time.

Stitch Fix's AI algorithms help to improve the overall customer experience in other ways, such as:

- Personalizing the website and app to each customer's individual style
- Optimizing the shipping and delivery process
- Tracking customer satisfaction to identify areas for improvement

Stitch Fix's use of AI to predict what customers will want has helped the company become one of the world's leading personal styling services. Its unique approach results in higher customer satisfaction, improved conversion rates, reduced returns, and increased brand loyalty.



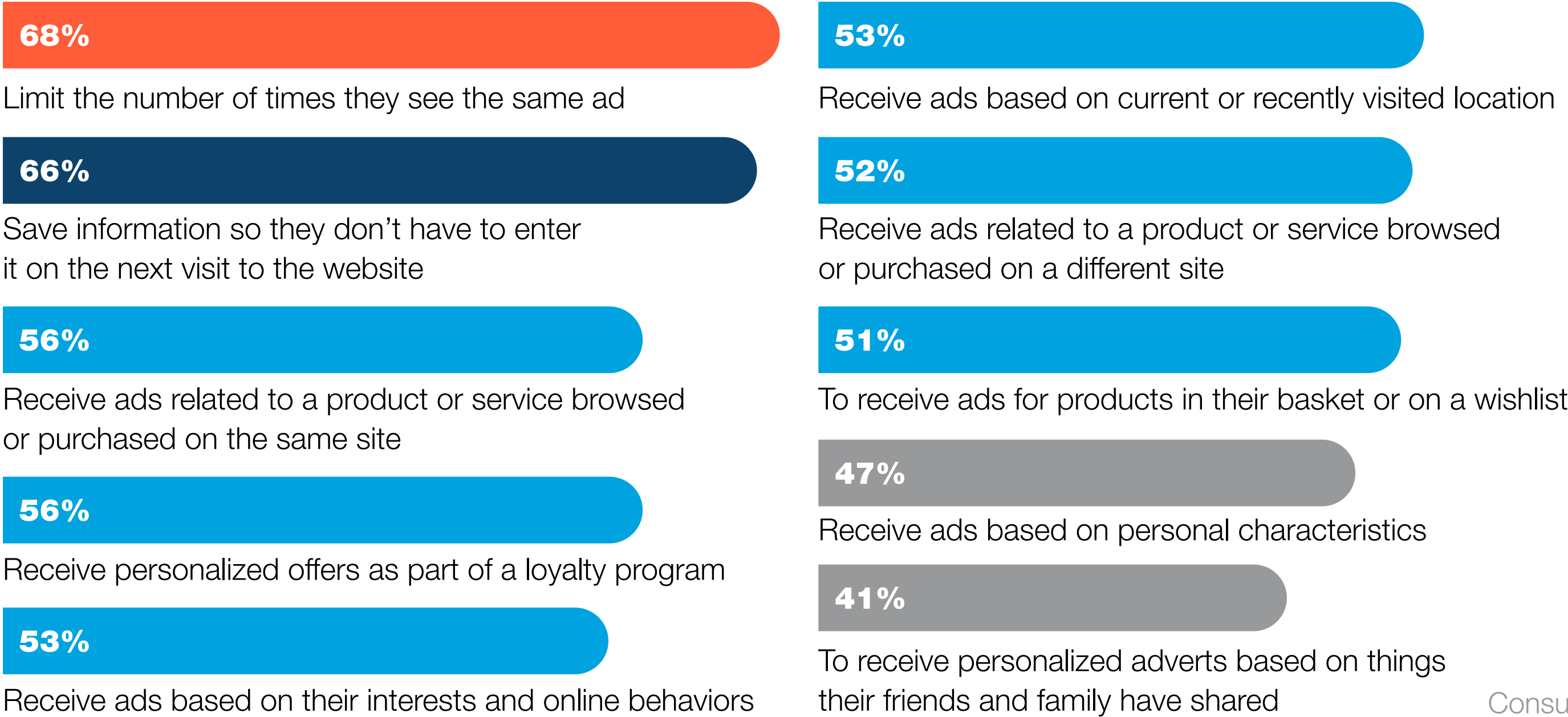
Consumer perspective:
Foreseeing customer needs
boosts satisfaction through
relevant and time-saving
interactions

Consumers respond positively to personalized advertising. In fact, nearly half (47%) of the people we surveyed said they are more likely to click on an advert or email if it contains personalized content, including offers⁵⁷.

What’s more, around half feel providing their data to brands is worthwhile if they receive ads based on their interests and online behaviors (53%), location (53%), and personal characteristics (47%), or if they receive personalized offers as part of a loyalty program (56%)⁵⁸.

When asked about the useful ways in which a company may use online information, the people in our survey ranked the following⁵⁹:

Useful ways in which a company may use customer data (% agreed)



Consumer survey:
Base = 2,051

Given people already want brands to talk to them in a way that feels relevant to their unique context, predictive personalization is the natural next step. Predictive recommendations have several benefits for consumers:

Convenient shopping experiences: Over half (57%) the people we surveyed said personalized ads and recommendations help them find relevant products and services more easily⁶⁰.

More relevant advertising: When brands use predictive personalization, people are less likely to be bombarded with irrelevant ads.

Improved decision-making: Predictive personalization helps people make better decisions. For example, a financial services company can use it to recommend investment products based on a customer’s risk tolerance and financial goals.

Business perspective:
Advances in AI enable predictive personalization at unprecedented scale and precision, boosting brand performance

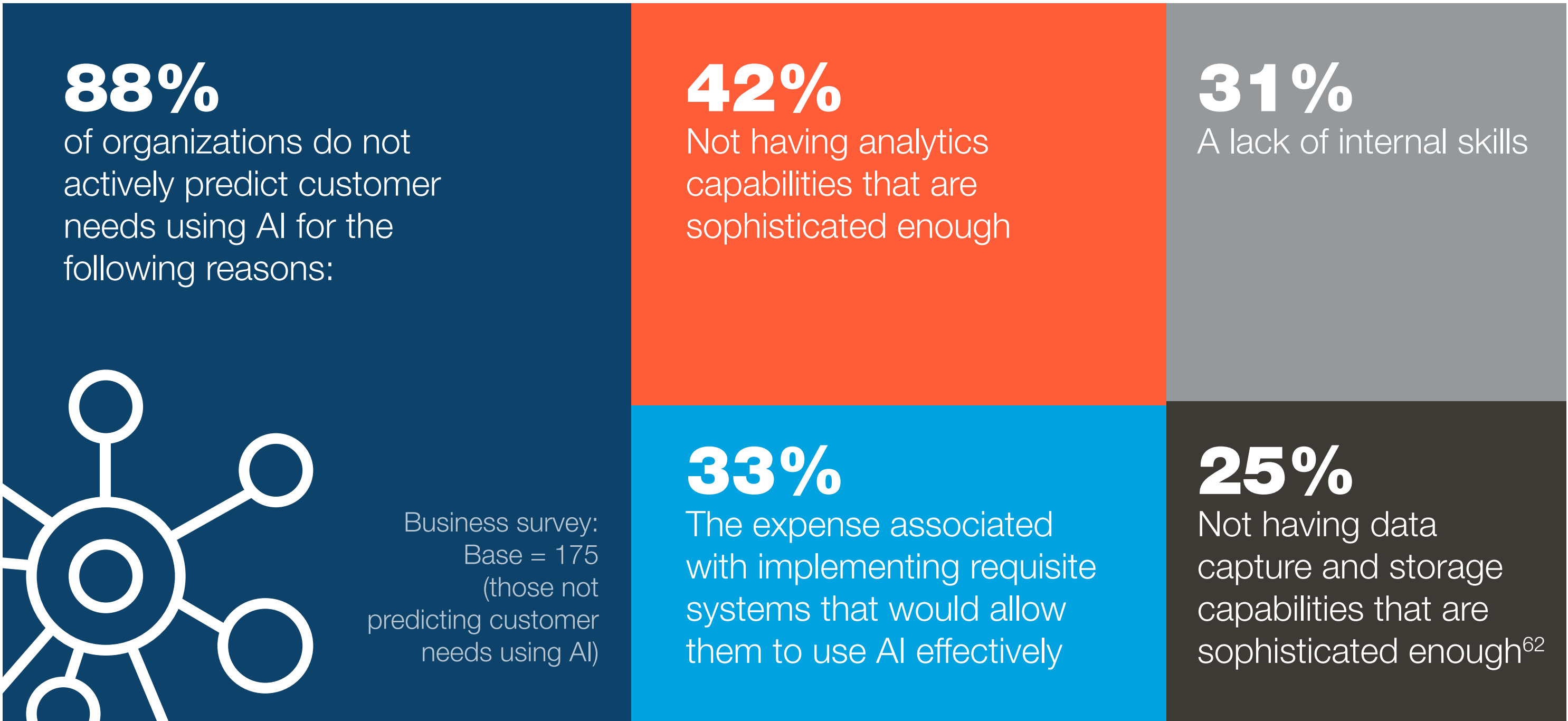
By predicting preferences and needs, brands can bring customers the products and services they want, before they're even aware they want them. This takes personalization to an entirely new level. AI-enabled predictive personalization allows tailored content to be delivered at scale across a broad array of marketing and customer engagement content, including adverts, articles, product images, videos, emails, and offers.

When customers feel more understood and enjoy the convenience of having their needs pre-empted, the results are likely to be increased engagement, satisfaction, and loyalty, ultimately resulting in a higher LTV.

“We are leveraging AI to surface products, to our newly acquired customers, that we know are likely to be bought on the second purchase. So for example, when people buy an Adidas sweater, they might buy a Nike top as well. The data is really strong showing that this encourages a second purchase.”
Head of Performance Marketing, fashion retailer

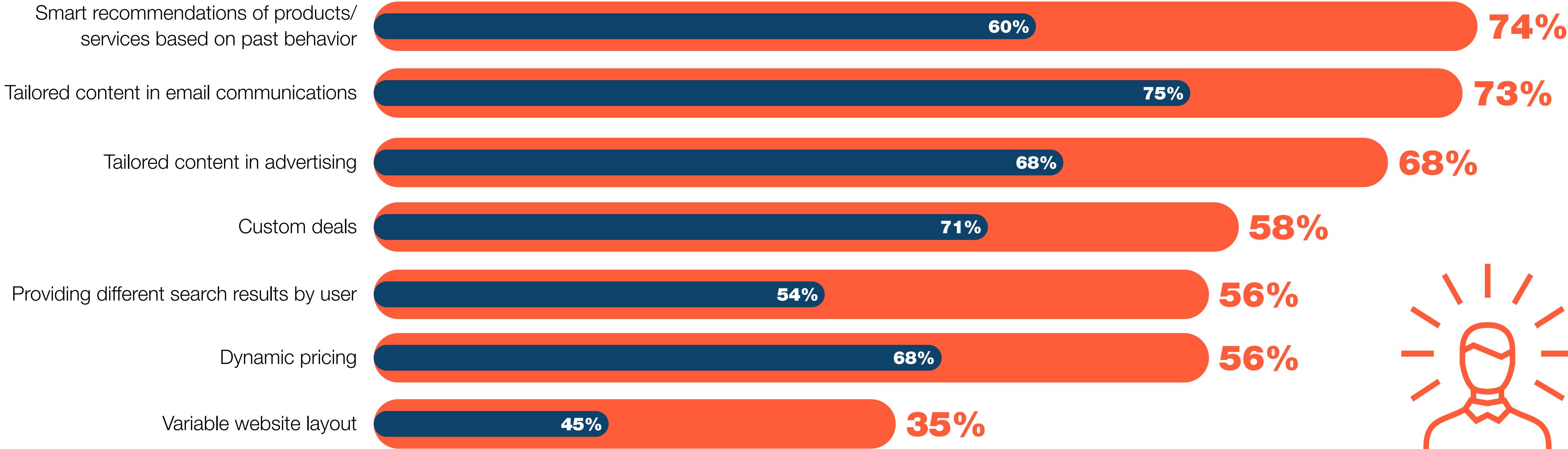
And, with the emergence of publicly available generative AI applications democratizing access to big data processing, predictive personalization is now more accessible than ever before.



But despite this, predictive personalization is still largely the preserve of tech-savvy, digital-first organizations. Only 12% of the organizations we surveyed actively predict customer needs using AI at the current time⁶¹. This means there is a huge opportunity for brands to adopt predictive personalization and gain a competitive advantage.



Our survey also showed that not all brands are aware of all predictive personalization strategies, and even fewer are currently implementing them.

Use case



-  The % of brands that are aware of different personalization strategies⁶³
-  The % of brands who are actually doing it among those already aware⁶⁴

Business survey: Base for first column = 200, inset second column is the % of brands that are deploying among those who are already aware of different personalization strategies

Making it work:
To deliver predictive personalization, businesses must invest in AI and ML capabilities



To infuse AI and decisioning into their data strategies to power predictive personalization, brands must first unify their customer data across first- and third-party platforms to form a single customer view. This view must be updated in real-time to reflect the latest customer interactions and capture evolving customer preferences. CDPs are the ideal technology to achieve this goal, but they will also [require a complementary identity solution](#) to reconcile the disparate data that pertains to an individual.

In addition to bringing together high volumes of customer data, brands must also ensure they have the analytics capabilities to process it. Predictive models will need to analyze data from a range of platforms and channels to identify patterns and trends that can be used to predict customer behavior⁶⁵.

Finally, businesses need to have the in-house expertise to develop and deploy AI recommendation algorithms that can recommend products and services that are likely to be of interest to individuals.

In addition to these considerations, businesses must also prioritize data privacy and security. 61% of the consumers we surveyed say receiving personalized ads and recommendations makes them concerned about how their data is used and shared⁶⁶. With data privacy top-of-mind for consumers, brands must ensure customer data is not compromised by third-party AI integrations and applications.

Overall, predictive personalization will require brands to think differently about the types of data they collect, how they entice customers to share it, and how they bring it together.



Where next?

Predictive personalization will impact all industries. Right now it's often about movie recommendations on streaming services. But in the future it might be used in healthcare, with doctors relying on predictive personalization to recommend treatments based on the patient's individual medical history and risk factors.

In 2024, we'll see greater awareness and uptake of predictive personalization, leading to increasingly advanced use cases across an expanding range of verticals. However, this will require investments in the collection, unification, and activation of customer data.

We expect to see investment in tech that enables businesses to gain a single customer view, advance their personalization capabilities, and deliver predictive personalization at scale. We'll also see a broadening of generative AI usage to create customized content cost-efficiently. This includes the use of AI-generated models to develop individualized offers and pricing tiers, create personalized emails, and generate product images that are contextually relevant to individual customers.

Crucially, businesses will need to consider how to encourage their customers to share the data needed to power predictive

personalization. People are increasingly aware of the value of their data and view sharing it as a transaction – they will share, but they want to get something in return.

[Acxiom's responsible marketing survey](#) reveals the top two most acceptable and useful applications of data in online advertising are showing ads based on interests and showing ads based on products previously browsed or purchased. Brands will need to be thoughtful about delivering predictive personalization in the right moments and in a way that feels helpful to the individual.

While delivering on the promise of predictive personalization may require significant upfront investment, businesses that get it right will enjoy increased customer engagement and improved customer satisfaction and loyalty that will translate into revenue growth in 2024 and beyond.



TREND 05

Sustainable CX

Sustainability is influencing people's purchase decisions and their perceptions of brands.

In recent years, when making purchase decisions, people have become more mindful of sustainability – encompassing social, environmental, and economic aspects. They want to feel good about the products they buy, and by extension, the brands they’re investing in, so sustainability is becoming synonymous with good CX.

With economic uncertainty putting pressure on people’s wallets, there’s the potential for considerations such as affordability to push sustainability down the priority list. But our research indicates sustainability is still a key concern, and consumers tend to favor brands that promote social messages that align with their own beliefs, employ sustainable manufacturing practices, and uphold ethical business standards.

Over two-fifths (41%) of the consumers we surveyed say the environmental impact of a company is a key factor that influences their purchasing decisions. And 38% say the same for a company’s social impact⁶⁷. Environmental impact is most important for younger consumers aged 16-34 but is still a significant factor for those between 35 and 54.

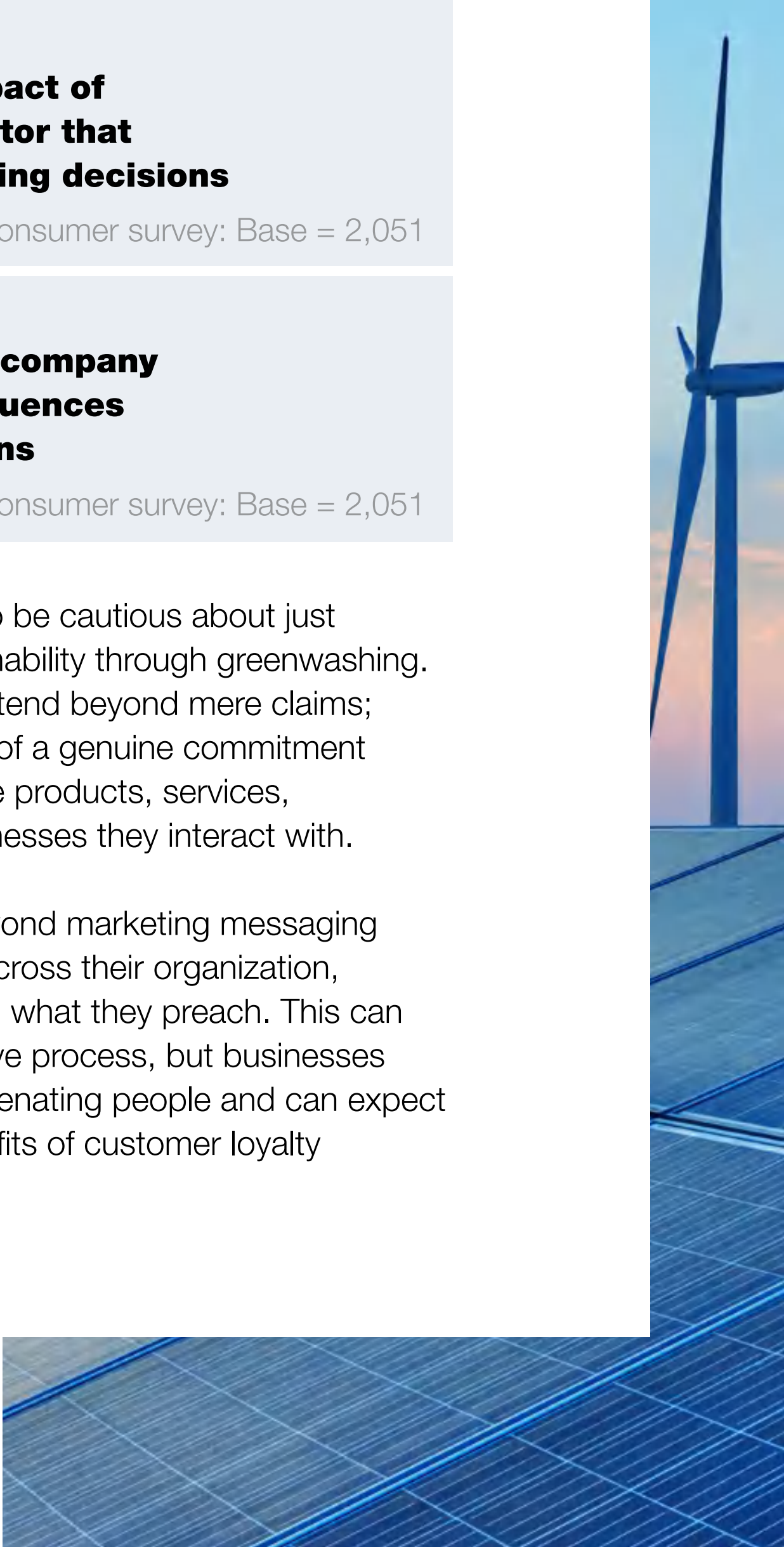


The demand for more sustainable products isn’t necessarily limited to high-income countries. Google’s global search data suggests that the desire to learn about and practice sustainability is trending worldwide. Whether it’s electric vehicles, fast fashion, zero waste, or renewable energy, internet users across the globe are searching for the information they need to make more sustainable choices⁶⁸.

Sustainability credentials aren’t just influencing what consumers buy, they’re also impacting what they don’t buy. Around half (47%) of the consumers we surveyed say they would avoid purchasing from a company if they had concerns about their environmental impact, and over half (52%) say the same about the company’s stance on ethical or social issues (52%)⁶⁹.

This means brands need to be cautious about just paying lip service to sustainability through greenwashing. Consumer expectations extend beyond mere claims; they want to see evidence of a genuine commitment to sustainability through the products, services, and operations of the businesses they interact with.

Businesses need to go beyond marketing messaging and embed sustainability across their organization, to ensure they’re practicing what they preach. This can be a complex and expensive process, but businesses that get it right will avoid alienating people and can expect to reap the long-term benefits of customer loyalty and brand affinity.



CASE STUDY

Nike – 360-degree sustainability integration

Nike has implemented a 360-degree approach to sustainability throughout its operations, supply chains, products, and culture. With the launch of “Move to Zero” in 2019, Nike set out its sustainability vision with specific and measurable goals to achieve by 2025 and 2050. Nike focuses its social and environmental efforts in four key areas:

Environmentally sustainable operations:

Nike is working toward a 70% reduction in greenhouse gas emissions by 2025, which includes diverting 100% of waste from landfills, and using 100% renewable energy across all its owned facilities.

Recycling and refurbishing: Nike uses recycled leather, cotton, polyester, and nylon in its shoes. The company has also developed materials with low manufacturing impact that are composed of recycled plastic. In addition, Nike offers take-back and refurbishment programs for used and end-of-life footwear.

Diversity, equity, and inclusion: Nike has pledged to achieve 50% representation of women and 35% representation of racial and ethnic minorities in its corporate workforce by 2025. The company has also committed to investing \$125 million in businesses that address racial inequality, and \$140 million over 10 years (to 2030) to support social equality for Black Americans.

Nike also equips customers with information to help them make more sustainable purchasing decisions. This includes their sustainability portal. Nike’s portal enables consumers to track Nike’s progress against its sustainability goals and to understand exactly how and where their shoes were made.

Manufacturing map: Nike’s “Manufacturing Map” enables consumers to learn where products are manufactured, the number of workers in each factory, their average age, and the number of migrant workers.

Consumer perspective:
People want to buy from companies that are genuinely committed to sustainability

People want businesses to adopt sustainable practices, and they are willing to pay a premium for products and services that are made in an environmentally friendly way. In fact, 44% of the people we surveyed say they are willing to pay more for a product or service if they think it's more sustainable than an alternative. And business may be missing an opportunity here as 45% of consumers feel it's hard to find products that are truly sustainable⁷⁰.

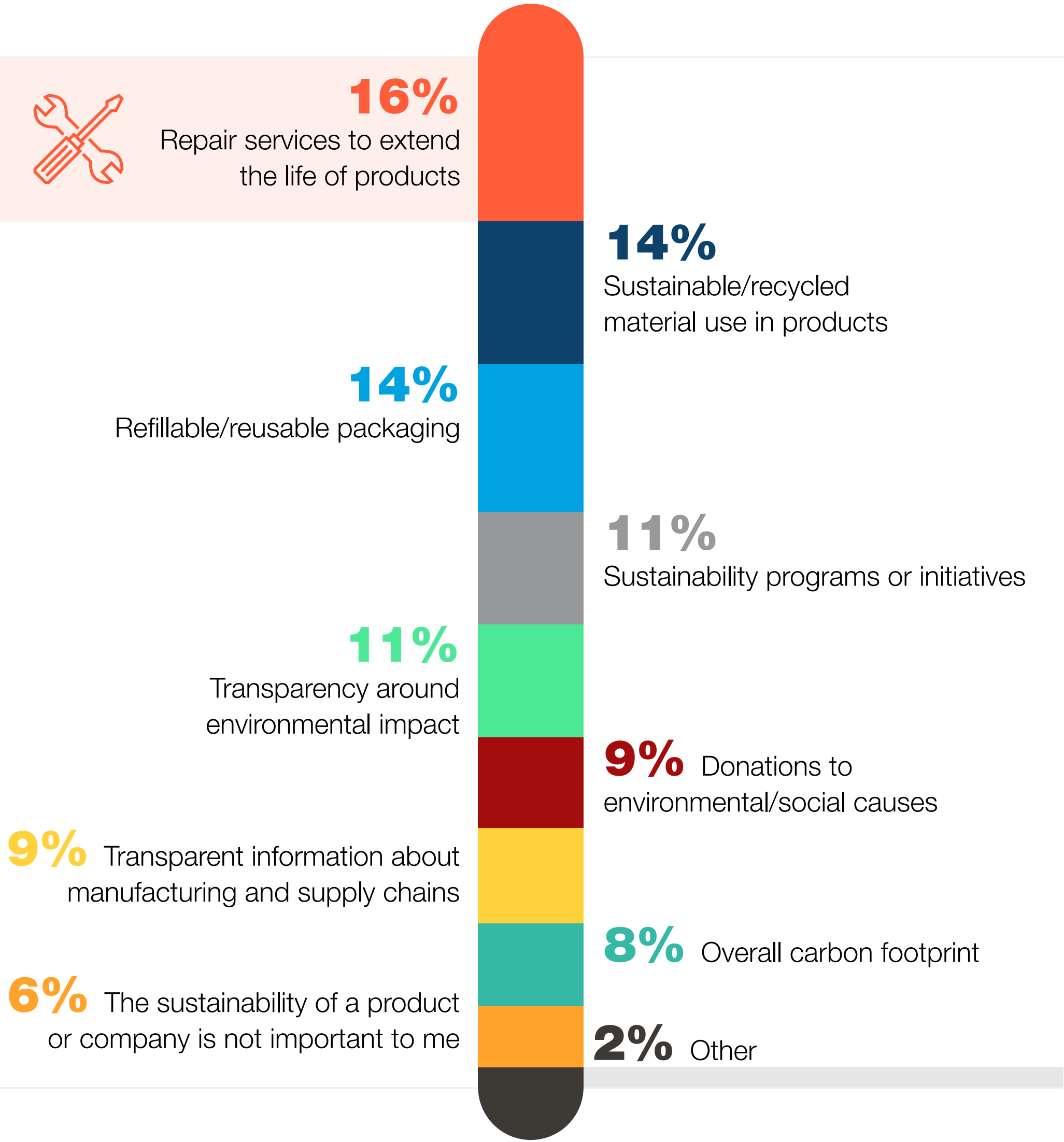
Brands are responding by developing sustainability and social responsibility initiatives, making climate pledges, publishing sustainability reports, and establishing senior positions dedicated to sustainability.

But with expectations around sustainability evolving and people having more access to information about companies than ever before, brands need to make sure their sustainability pledges have substance and aren't just empty promises. We've already seen that almost half of consumers would avoid purchasing from a company where they have concerns about the organization's environmental impact.

To understand what aspects of sustainability people are really interested in when deciding whether to spend their money with a particular company or not, we asked our survey respondents to select the factor that is most important to them.

Tellingly, only 6% said they didn't find the sustainability of a product or company important.

Most important factors for consumers when considering the sustainability of a product or company, ranked from most to least important.⁷¹



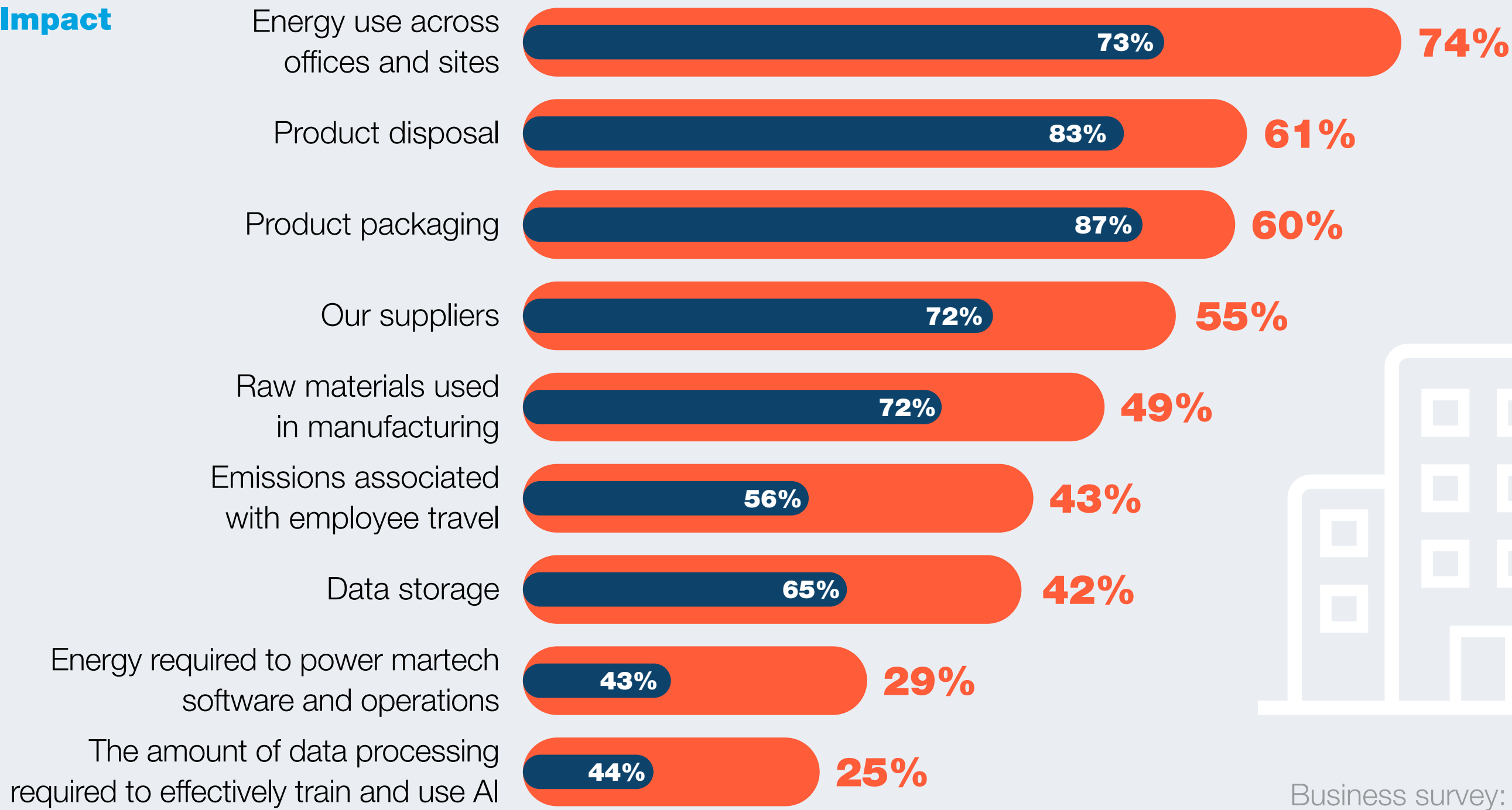
Business perspective: Brands must consider the sustainability of their operations, and AI can help

Overall, our survey demonstrates that sustainability is a key consideration for organizations. We found:

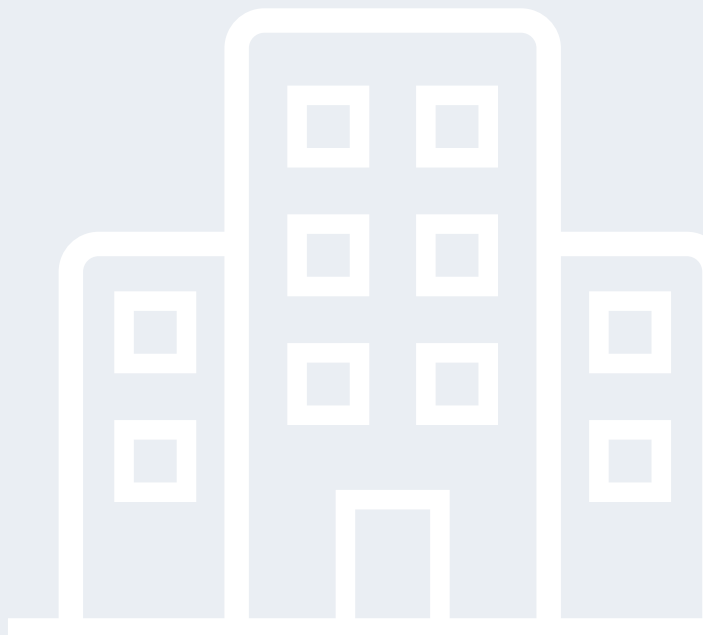


So, what steps are businesses actually taking to minimize their environmental impact? We asked the business professionals who took part in our survey to identify areas where their organization considers environmental impact, and to indicate whether or not the business has actually taken steps to minimize impact in these areas.

Impact



- % respondents who agree their organization considers the environmental impact of ...⁷⁴
- Of which, % of respondents taking action to minimize the impact of each activity⁷⁵



Business survey: Base for first column = 200, inset second column is a % of respondents taking action to minimize the impact of each activity

Some aspects such as energy use, product disposal, and product packaging are commonly considered by businesses. And the majority of organizations that consider these aspects do take action to minimize their environmental impact.

But it's a different story when we look at data storage, the energy required to power martech software, and the data processing required for effective use of AI. The majority of businesses don't consider these, and those that do aren't necessarily taking action.

Over the last 15 years, data has become a hot commodity. Across sectors, organizations have raced to gather as much data as possible to inform strategic marketing initiatives, product development, and customer experience strategies. But as the volume of data workloads increases, so too does the environmental impact of data processing.

The growing popularity of martech software and AI-powered applications may well increase the carbon intensity of businesses that use these tools, as query processing takes a considerable amount of energy. AI models need to be continually fed data and updated on a regular basis, which further contributes to a businesses' carbon footprint.



AI may contribute to the problem, but it is also the solution.

While the use of AI may initially contribute to carbon emissions, it can help companies become more sustainable in the long term.

Automate customer service:

As its accuracy increases, conversational AI has the potential to become the most energy-efficient customer service solution by reducing the number of customer service touchpoints and staffing requirements, and streamlining operations.

Minimize waste: From FMCG brands to fashion retailers, businesses can use AI for demand forecasting and inventory management to reduce waste.

Improve product longevity: AI can be used both to design products that have a longer lifespan and for predictive maintenance, which will ensure products can function more efficiently for a longer period of time.

Identify energy intensive processes:

Businesses can use AI to identify energy-intensive processes such as inefficient equipment, suppliers, or practices. AI can also reduce the impact of these processes, for example by automatically powering down machines or devices, or switching lights off in empty rooms, to reduce wasted energy.



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Facilitate more focused marketing communications: By using AI to optimize marketing communications, businesses can ensure that their campaigns reach the people most likely to engage. This can reduce emissions by limiting unnecessary data processing and avoiding energy-intensive, untargeted mass-marketing campaigns that don't generate a strong ROI.

Provide more sustainable end-to-end CX: Companies can use AI to provide customers with information that helps them make sustainable choices. For example:

- A choice of delivery options based on the environmental implications of each one
- Carbon estimates or labeling to help customers understand the carbon footprint of their purchases
- Recommendations to customers that combine their preferences with the local availability of certain products

Making it work:
Businesses need to increase sustainability within the constraints of current economic pressures

Pushing forward with sustainability isn't always easy, especially in an increasingly difficult economic context. We discovered a number of businesses face key challenges when implementing sustainability initiatives:



Business survey: Base = 200

In the current climate, businesses may need to gradually revise how they operate, and consider the changes they can make with the systems and applications they currently have, rather than contemplating a complete overhaul. For instance, legacy data systems and centers that have been in place for years may not be as energy efficient as cloud options, but they may be too costly to replace right away, meaning businesses need to start with incremental improvements.

From a data perspective this could include:

- Prioritizing accuracy over volume and only collecting data that's really useful
- Regularly cleansing data to remove out-of-date information and minimize duplicates
- Considering where data is stored and processed - is edge computing or cloud computing a more effective alternative?
- Using data to identify receptive audiences and minimize waste

“At the moment, you’ve got this misalignment. Every company wants more data on their customers so they can personalize the experience. Not all data is relevant, but everything out there points toward analyzing more data, which is obviously very energy intensive. ...
But if you want to reduce your environmental impact, you need to have less data. The important thing to understand is, that doesn’t have to be a bad thing, especially if you are focusing on high-quality data instead.

Strategy Lead, AI Infrastructure Platform



Where next?

In 2024 and beyond, businesses will need to take a holistic approach to sustainability to truly engage customers who are taking environmental and social issues seriously and avoid greenwashing accusations.

They will need to ensure they are aligned with their customers' sustainability priorities. Our survey shows only 28% of businesses feel providing information to customers on the environmental impact of products is a key priority⁷⁷, which is a huge missed opportunity as many people are struggling to find sustainable products and are willing to pay more for them when they do.

Businesses will need to evaluate the sustainability of their activities across all business units, including optimizing their data strategy to reduce its environmental impact. In fact, as businesses increasingly use AI to help them

operate more sustainably across multiple business operations, including energy usage, supply chain management, waste management, product development, and customer experience, ensuring sustainable management of the data that feeds AI will be a business imperative.

Successful companies will be those that put AI-driven sustainability at the core of their strategy. Rather than thinking of it as a checkbox, they will consider how sustainable operations can increase efficiency and profitability, enhance the experience for their customers, and differentiate their business.

Conclusion

AI-powered success starts with a strong data foundation

Whenever a business invests in a new technology, it must deliver value back to that business. And – as we’ve seen throughout this report – AI has the potential to drive exceptional customer experiences, which will in turn deliver incredible business value.

But to get the value they expect from AI, brands need to start with the data that fuels it. As we highlighted in Acxiom’s latest [Customer Intelligence \(CI\) survey](#), data health is one of the key pillars that must support any efforts to engage people in meaningful conversations, and deliver relevant experiences that build trust.

When a brand has a strong foundation of clean, accurate, complete, and ethically sourced data for AI applications to draw from, it can begin to take advantage of the emerging trends we’ve highlighted to improve CX and gain real value.



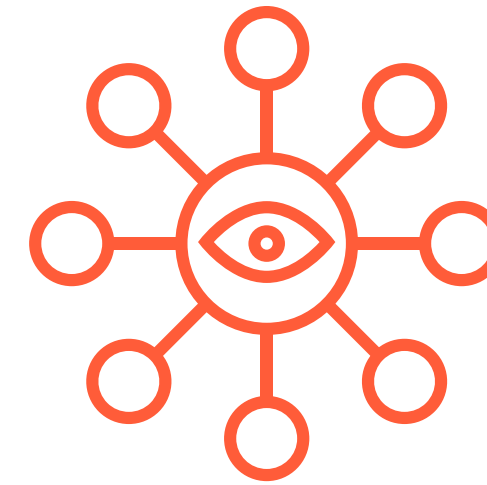
With that in mind, here are a few key principles for businesses to develop a successful data strategy that will support AI-powered CX:

**1****Consider what data you need.**

Data volumes are increasing exponentially, and businesses need to ensure they have sufficient storage and processing capacity now, and for the coming years. At the same time they should avoid capturing all data for the sake of it, and determine what information they really need to improve the customer experience. Most brands will start with [first-party data](#), but will often find this can be enhanced with third-party insights.

**2****Prioritize data hygiene.**

Poor data in means poor results out. Biases or mistakes in data introduce errors into the system and throw off decision making. By ensuring data is regularly cleansed and standardized – for instance by removing duplicates and completing missing contact details – brands can make sure they are fueling AI with accurate information.

**3****Create a centralized view.**

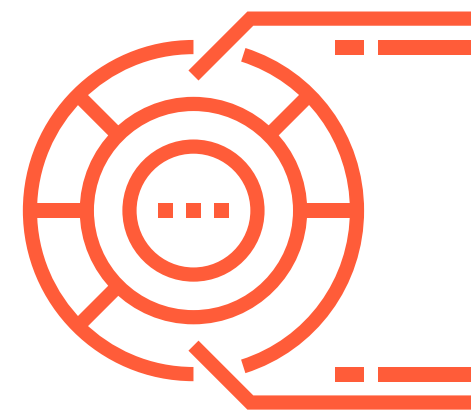
To make the most of AI, brands need a single, real-time view of the customer and that means bringing together data from across different teams and systems within the organization. A CDP combined with a robust [identity solution](#) is often the most effective way to achieve this.

**4****Balance personalization and privacy.**

Businesses will naturally need to stay up to date with privacy regulations and legislation, especially as AI use will increasingly be regulated. But they must also understand the fine line between using data to offer welcome, personalized experiences that deliver customer value and using it in a way that may feel intrusive and erode trust.

“Pre COVID, I would have said regulated industries would have tiptoed into this AI field. And retail and FMCG, those sectors probably would have been leaders. But if we look at healthcare for example, there are a number of platforms now, where it is virtual/video ... help first before you get in person visit. So, I think everybody post COVID has realized that the digital transformation needs to happen between regulated and non-regulated industries at the same pace. AI will play a big part.”

**Mike Menzer, Head
of International, Acxiom**

**5****Start small and test.**

Brands will need to consider data maturity when starting out with AI. For many this will mean beginning with basic BI analytics or simple ML algorithms rather than more advanced AI. All brands should test models exhaustively, and ensure people are still sense checking AI outputs, as a lack of transparency and the potential for AI hallucinations do present risks. Scaling up models that are not fit-for-purpose will lead to significant costs without meeting goals.

**6****Ringfence resources.**

AI capabilities are accelerating, and brands that don't invest in new technologies to support the customer experience will get left behind. Setting aside time, money, and personnel to develop the underlying data strategy to support AI-powered marketing, as well as deploying the AI itself, is vital to retain competitive advantage moving forward.

**7****Lean on industry expertise.**

Brands are unlikely to have all the data and AI expertise they need in-house. Leaning on the experience of industry experts to build a robust data foundation, as well as to explore the latest AI-powered capabilities, will provide a quicker route to value and ensure customers get the exceptional experiences they deserve.

“Learning and adopting transformational AI can positively impact multiple areas of business, and it’s just getting started. But it’s up to all leaders to consider not only how they can use AI to benefit growth, but how they use it to build better relationships with their customers. The AI revolution is going to require flexibility and a bit of trial and error. At the heart of it all, **AI is simply a tool that is only valuable if it creates value for everyone.**”

Chad Engelgau, CEO & President, Acxiom



MTM

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Acxiom

Acxiom partners with the world's leading brands to create customer intelligence, enabling data-driven marketing experiences that generate value for people and for brands. The experts in identity, the ethical use of data, cloud-first customer data management, and analytics solutions, Acxiom makes the complex marketing ecosystem work, applying customer intelligence wherever brands and customers meet.

Acxiom's Customer Intelligence Cloud (CIC) brings it all together, combining data, technology, and expert services so brands can acquire the customers they'd love to have, grow trusted and valued customer relationships, and retain their best customers for today and tomorrow. CIC is a connected suite that includes identity solutions, data and audience insights, and analytics, integrated with leading marketing platforms and technology partners, and supported by award-winning services.

By helping brands genuinely understand people, Acxiom enables experiences so relevant and respectful, people are willing to explore new brands and stay loyal to those they love. For more than 50 years, Acxiom has turned the complexity of customer data into the simplicity of customer understanding, delivering better experiences for people and growth for brands.

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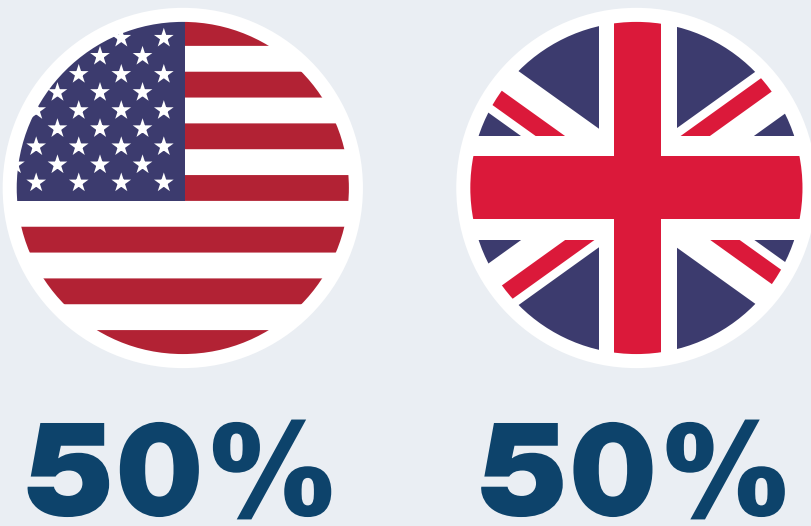
ukequiries@acxiom.com

Methodology and Sample Breakdown

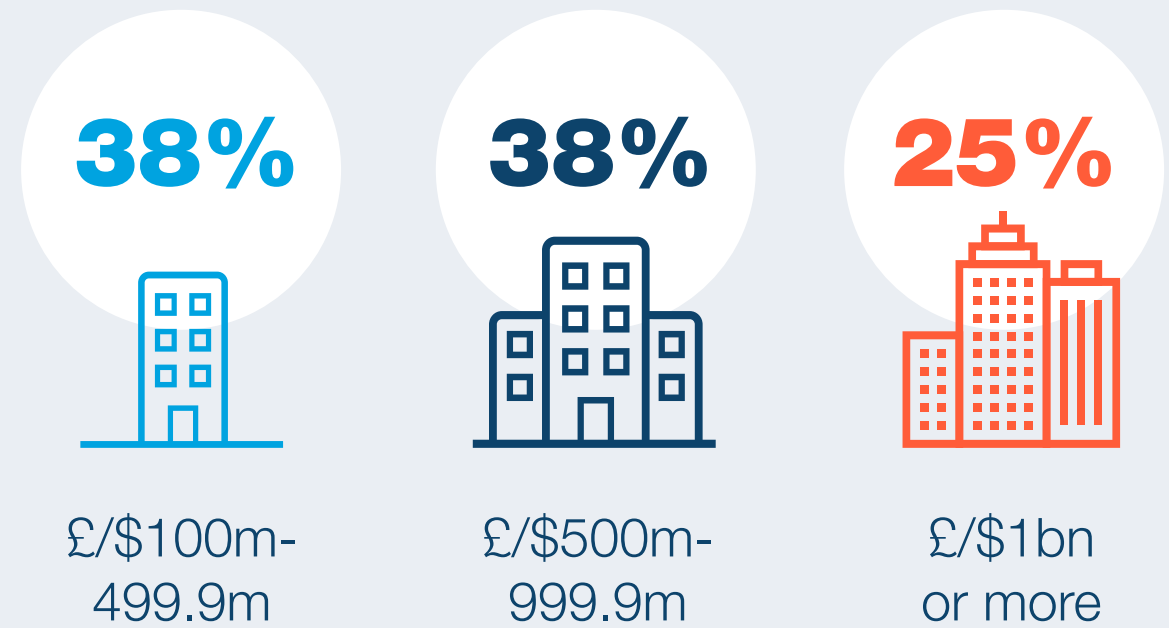
Business survey

Acxiom partnered with research and strategy agency MTM to survey 200 decision-makers who work in customer data and analytics from brands across the UK and the US to gain insights. Survey data is supplemented by six, 60-minute, in-depth interviews with heads of customer intelligence, CMOs, and equivalent.

Which country do you work in?



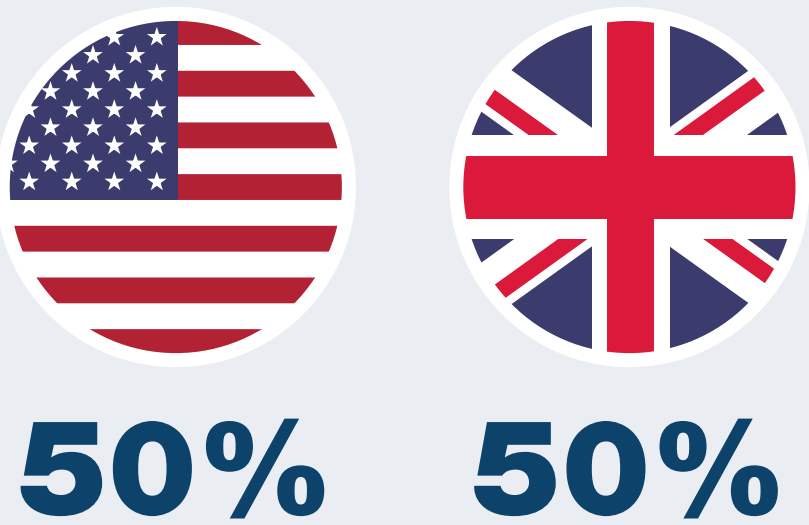
Approximately, what was the annual revenue of your business in the last full financial year?



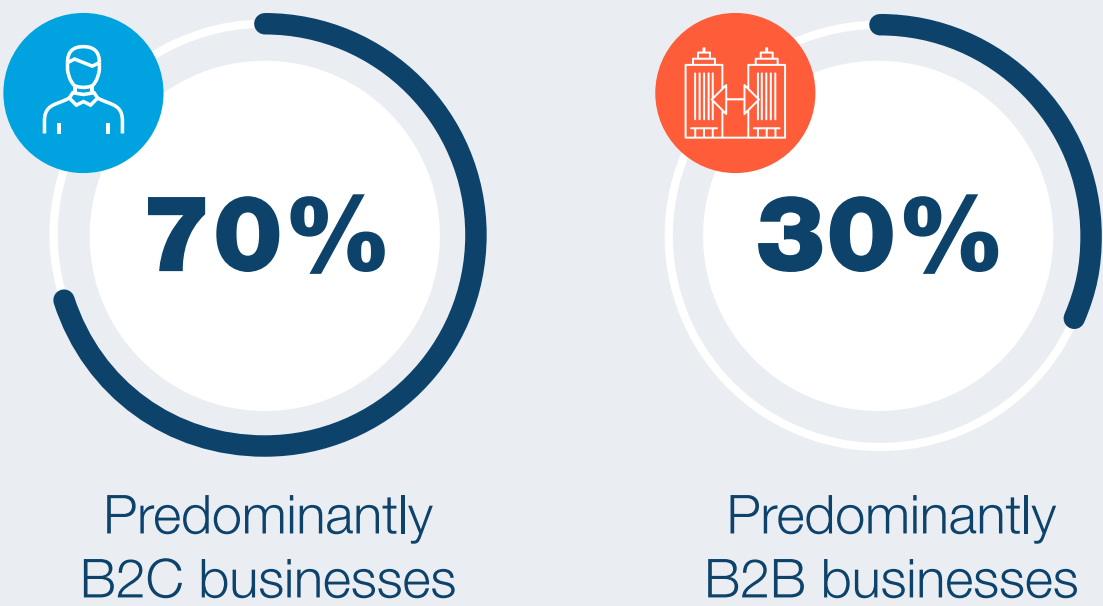
Consumer survey

Acxiom partnered with research and strategy agency MTM to conduct a nationally representative survey with quotas on age, gender, income/ social grade and region across 2,051 consumers in the UK and the US to gain insights.

Which country do you live in?



Which of the following best describes your organization?



Which best describes your role?



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Introduction

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2. Acxiom B2B AI Survey July 2023. Question: To what extent do you agree or disagree with the following statement about data and predictive analytics? Base: 200 enterprises, \$100m+ revenue

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7. Acxiom B2C AI Survey July 2023. Question: To what extent do you agree or disagree with the following statements about shoppable ads? Base: 793 adults, 16+

8. Acxiom B2C AI Survey July 2023. Question: To what extent do you agree or disagree with the following statement about chatbots? I prefer to instant message with a chatbot or virtual assistant/agent rather than call a human customer service agent. Base: 1,305 adults, 16+

9. Acxiom B2B AI Survey July 2023. Question: Which of the following types of customer chatbot/virtual agent/assistant does your business have? Base: 200 enterprises, \$100m+ revenue

10. Acxiom B2C AI Survey July 2023. Question: To what extent do you agree or disagree with the following statements about your purchasing habits? Base: 2,051 adults, 16+

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21. Acxiom B2C AI Survey July 2023. Question: Which of the following different ways in which your information might be used by organizations online do you find personally useful? Base: 2,051 adults, 16+

22. Acxiom B2C AI Survey July 2023. Question: To what extent do you agree or disagree with the following statements about shoppable ads? Base: 793 adults, 16+

23. Acxiom B2C AI Survey July 2023. Question: What is your preferred way to make a purchase? Base: 2,051 adults, 16+

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25. Acxiom B2B AI Survey July 2023. Question: Which of the following formats of shoppable ad do you currently use or plan to use in the future? Base: 89 enterprises, \$100m+ revenue

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34. [Jan 2023 study](#) conducted by Precedence Research

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71. Acxiom B2C AI Survey July 2023. Question: What are the most important factors to you when considering the sustainability of a product or company? Base: 2,051 adults, 16+

72. Acxiom B2B AI Survey July 2023. Question: To what extent do you agree or disagree with the following statements about sustainability? Base: 200 enterprises, \$100m+ revenue

73. Acxiom B2B AI Survey July 2023. Question: To what extent do you agree or disagree with the following statements about sustainability? Base: 200 enterprises, \$100m+ revenue

74. Acxiom B2B AI Survey July 2023. Question: Which of the following does your organization consider the environmental impact of? Base: 200 enterprises, \$100m+ revenue

75. Acxiom B2B AI Survey July 2023. Question: Has your organization taken steps to minimize the environmental impact of the following? Base: 50-147 enterprises, \$100m+ revenue

76. Acxiom B2B AI Survey July 2023. Question: What are some of the challenges you have faced in implementing sustainability (social, environmental) initiatives? Base: 200 enterprises, \$100m+ revenue

77. Acxiom B2B AI Survey July 2023. Question: Which sustainability initiatives do you believe are most important for attracting customers that are sustainability-conscious? Base: 200 enterprises, \$100m+ revenue



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