CX INNOVATION AT SCALE

MAXIMIZE BUSINESS SUCCESS BY USING AI TO FUTUREPROOF YOUR CX ACTIVITIES

November 2023

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This report identifies the crucial role of how innovation at scale influences the success of modern CX programs. It provides a detailed definition of innovation at scale, the business impact it plays across the front-office as well as five building blocks companies must establish to succeed with it.

CX Innovation at Scale: 'What Is It?' & 'Why It Matters?'

What Is CX Innovation at Scale?

What do once-iconic brands such as Blockbuster, Toys 'R Us, and Sears all have in common? At their peak, their business models not only aligned with but often led customer expectations. However, as time passed and buyer expectations and preferences have evolved, these brands have struggled keeping up, ultimately leading to their demise. Of course, closure is not the only possible outcome when brands fail to adapt to changing customer behavior. Other potential outcomes for companies include a reduction in market share, a decline in earnings and profits, and erosion of brand reputation.

While each brand's story and journey are unique, there is a common factor that winning brands have in common: innovation. That can come in many forms (product, delivery, business strategy), and most often, it's customer experience (CX) innovation (see sidebar) that determines an organization's ability to truly understand the unique wants and behavior of their clientele and find ways to address in exceptional ways.

Yet, innovation is a tricky endeavor. Besides the need to be purposeful, it must also be continuous. One-time or ad-hoc innovation may help brands build one-time wonder(s) that then fall out of favor with customers. Continuous innovation means brands can keep-up with changing CX and operational requirements as and when those changes occur. Besides being continuous, innovation must also scale. That means at times of rapid changes, brands must accelerate the pace of their innovation to minimize the risk of falling behind peers that quickly adapt to changing buyer needs and behavior. Business leaders that combine all the above capabilities are the ones that excel in fueling CX innovation at scale, which has today become a hallmark for brand relevancy and business success.

Why CX Innovation at Scale Matters?

One of the main obstacles affecting organizations' ability to drive CX innovation at scale is technology silos and disconnected processes across the business. When firms have fragmented views of customer and operational data, they are less likely to be able to make informed decisions needed to keep-up with new ways of doing business. Innovation must also be ingrained within the very DNA of the organization. Without it, firms may get complacent in innovating as priorities for company leadership may change and those changes may not always involve keeping-up with evolving customer

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Definition: CX Innovation at Scale

For the purposes of this research, Aberdeen defines **'CX innovation at scale'** as companies having dedicated resources and processes needed to find ways to monitor and keep up with changes in customer behavior and technology capabilities. These firms then use resulting insights to build improved or new ways of doing business that cater to, and at times even transform, the ways customers use certain products / services.

To be successful, CX innovation programs must scale rapidly and effectively with changing business conditions while being viewed as a key institutional element transcending business departments.

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expectations – although they should. **When done right, CX innovation at scale provides companies a viable and enduring way to futureproof their activities**.

As the remainder of this report will reveal, artificial intelligence (AI) is a key enabler helping companies establish consistency and excellence in CX innovation. Whether they are good at innovating or not, almost all businesses have a vast amount of customer and operational data. These are a goldmine for firms that effectively analyze them and turn into actionable insights steering business transformation. AI represents a category of applications, including machine learning, automation, and generative AI. Business leaders can incorporate these capabilities to analyze vast volumes of real-time and historical data to reveal trends, conduct root-cause analysis, make predictions about the likelihood of future events, and even execute sensitivity analysis to determine how innovation may impact key outcomes. As a result, Aberdeen's research shows that companies using AI to support their innovation programs achieve far superior performance growth across four important categories:

1. **Customer Experience**

Without a doubt, creating happy and loyal customers has become the number one differentiator determining company longevity and success. Using AI for CX innovation allows finding root-causes of customer satisfaction and key factors influencing buyer behavior and use these findings to craft new products / services or modify existing ones as well as fine-tune operational efficiency. Indeed, Figure 1 shows that **AI users enjoy 3.0x greater YoY increase in customer satisfaction** (16.9% vs. 5.7%), 3.4x greater YoY growth in client retention rates as well as 4.0x greater YoY improvement (decrease) in customer effort scores.

Figure 1: AI Users Enjoy Superior CX Performance Gains
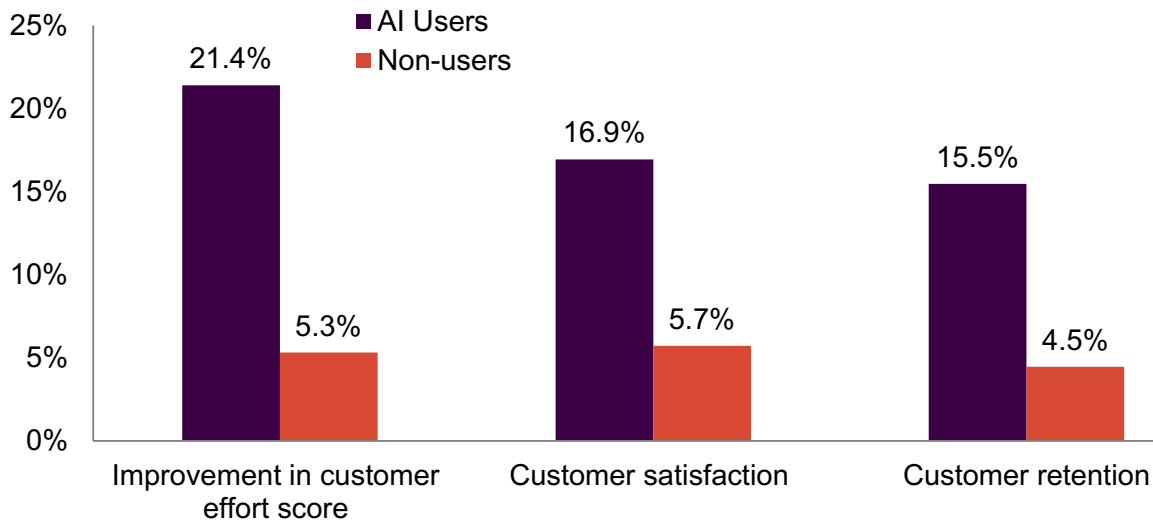
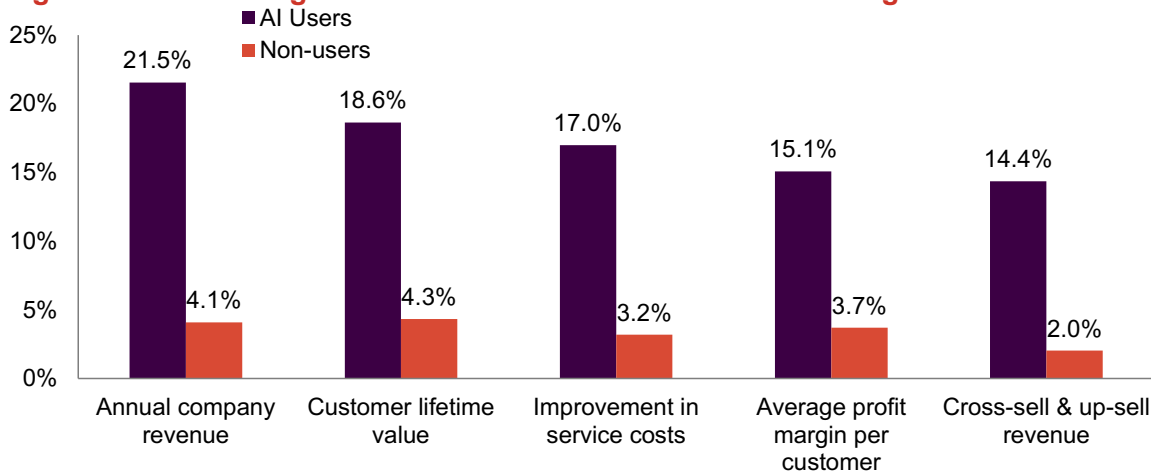Percent of respondents, n=584
Source: Aberdeen, April 2023

AI is a key enabler helping companies establish consistency and excellence in CX innovation. Among many things, CX leaders can use it to analyze vast volumes of real-time and historical data to reveal trends, conduct root-cause analysis, make predictions about the likelihood of future events, and even execute sensitivity analysis to determine how innovation may impact key outcomes.

Although the data points illustrated in the above figure clearly signal AI's role in creating happy and loyal clientele, it's worth noting that simply adding AI isn't sufficient to maximize its potential benefits. For that, business leaders must also establish and nurture relevant organizational processes designed to continuously seek ways to apply AI in new ways, designed to improve overall CX outcomes. In addition, business leaders must also observe where, if any, challenges in using AI to address those gaps whether they be training employees on how to best leverage Gen AI, updating internal knowledgebase articles to get better outcomes from real-time agent guidance, etc.

2. Financial

What's the ROI of innovation? The answer often depends on how quickly and effectively companies innovate to reshape buyer behavior towards desired business outcomes or to adapt to changing business landscape. Although the scale of benefits vary across organizations, Aberdeen's research shows that companies enjoy superior performance growth across a number of financial key performance indicators (KPIs) when they innovate at scale – with the help of AI. Specifically, data shows that **AI users driving efficiency and timeliness to excel in CX innovation activities report 4.3x greater annual increase in customer lifetime value** (18.6% vs. 4.3%) **and 5.2x greater YoY increase in annual revenue** (21.5% vs. 4.1%).

Figure 2: Firms Using AI Decrease Service Costs While Growing Revenue

Percent of respondents, n=584
Source: Aberdeen, April 2023

Although growing top-line revenue is an important accomplishment and expectation, given growing economic uncertainty across world economies business leaders also prioritize controlling and reducing costs. Forward-thinking and Best-in-Class organizations aim to control and reduce their costs without compromising from the quality and consistency of their CX results. Figure 2 shows that use of AI is indeed a helpful capability allowing firms to succeed in this endeavor. Data shows that **AI users enjoy 5.3x greater YoY improvement (<u>decrease</u>) in service costs** (17.0% vs. 3.2%). Paired with success in fueling revenue growth and decrease in service costs, **business leaders utilizing AI** within their CX innovation programs **report 4.1x greater YoY increase in average profit margin per client** (15.1% vs. 3.7%). This is noteworthy as it

shows that infusing AI-enabled intelligence within CX activities not only helps create happier customers but also generate far superior financial results delivering shareholder value and resources to fuel future innovation efforts.

3. Operational Efficiency

One of the common misunderstandings many companies have about AI is that it's a way to automate all business activities and eliminate large pools of employees across many business departments. In reality, AI is yet another tool in the corporate technology toolbox companies can use to improve business processes and empower employees. While repetitive and more simple tasks are natural candidates for automation, AI also allows employees across all ranks and business departments to do their jobs with more timely data and insights. This, in turn, allows greater success in CX innovation. In fact, Figure 3 shows that **AI users enjoy 5.5x greater YoY increase in employee engagement** (24.8% vs. 4.5%).

Figure 3: AI Allows Improving Contact Center Operational Efficiency

Percent of respondents, n=584
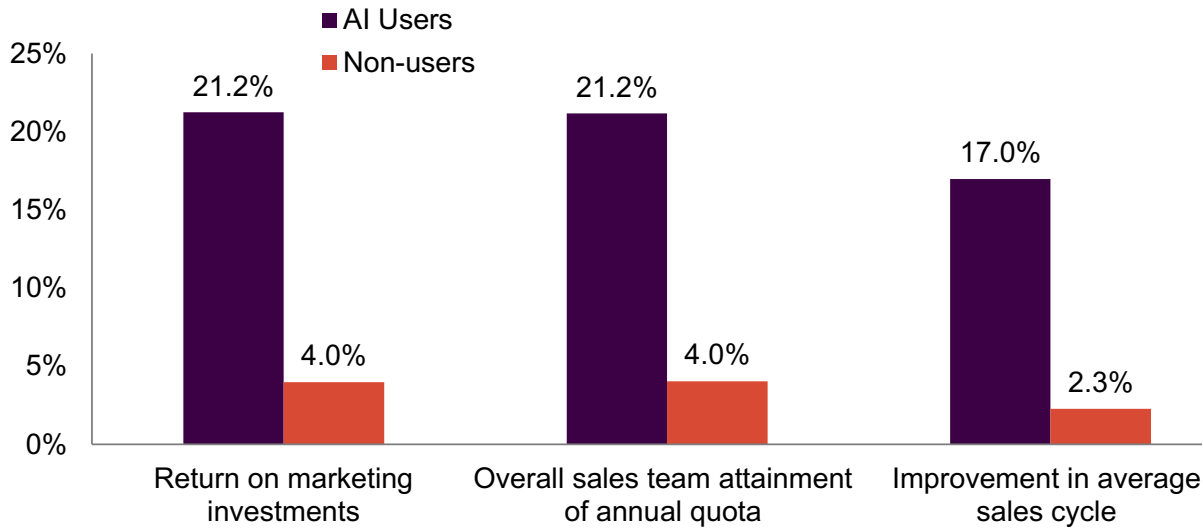Source: Aberdeen, April 2023
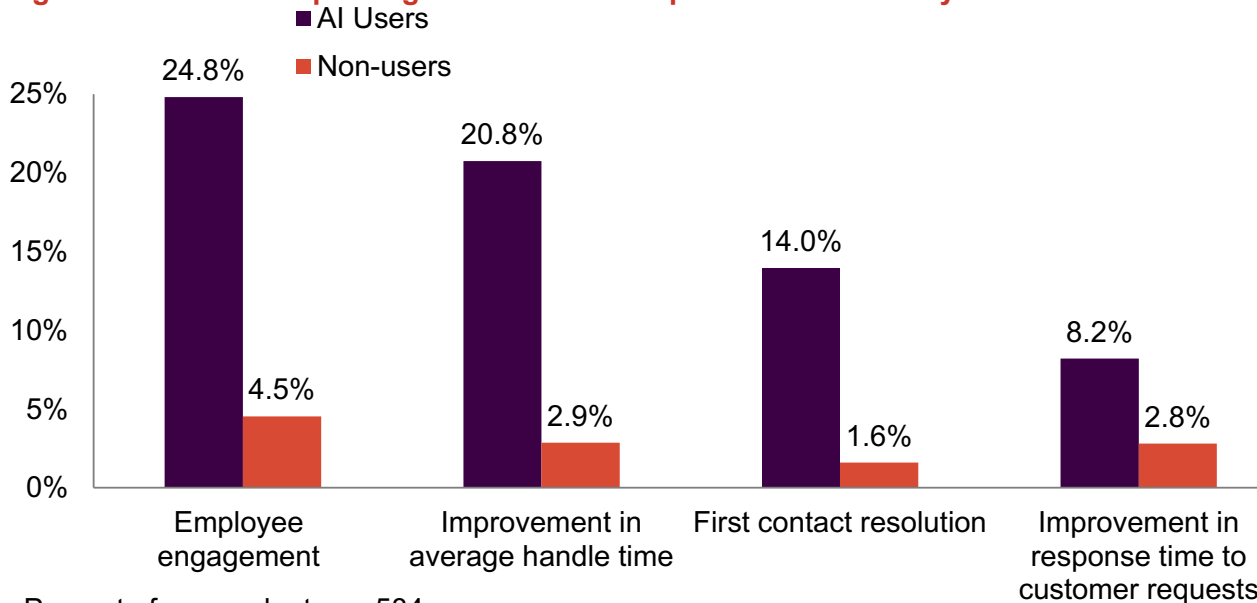
While creating happy and loyal customers is the ultimate goal for forward-thinking business leaders, its impossible to accomplish this goal with inefficient service reflected with such things as lengthy handle times and repeat customer contact. Once again, using AI allows business leaders to analyze historical and real-time data on service operations as well as customer needs and behavior to shrink handle times by handling each interaction in a way that addresses buyer needs effectively <u>and</u> rapidly. This also allows minimizing the need for customers to repeatedly contact the business for issue resolution. As a result, **AI users report 7.2x greater YoY improvement (<u>decrease</u>) in handle times** (20.8% vs. 2.9%) **and 8.8x greater YoY increase in first contact resolution rates** (14.0% vs. 1.6%). These findings are particularly important considering many business leaders aim to drive innovation that deliver ROI through both incremental

revenue as well as reduced costs – the latter of which is associated with the efficiency gains noted in this section.

4. Sales & Marketing Effectiveness

Innovation is not just about creating new products or services. It's about interpreting market trends as well as buyer preferences, and incorporating those two within business activities, whether it be on product / service updates or creation, pricing, market presence, etc. Together, these activities allow brands to maximize buyer willingness to spend on company products / services as well as continue and grow their spend over time. As such, it's no surprise that **marketers in companies using AI to support innovation achieve 5.3x greater YoY increase in return on marketing investments** (ROMI – measured as marketing's contribution to company revenue – 21.2% vs. 4.0%).

Figure 4: AI-Enabled Innovation Helps Drive Sales & Marketing Effectiveness

Percent of respondents, n=584
Source: Aberdeen, April 2023

Sellers in those firms using AI to drive CX innovation at scale also benefit. They can leverage latest advances in AI capabilities to tailor conversations with each buyer to best align with their unique needs. This, in turn allows them to shrink sales cycles and maximize the likelihood of product / service purchase and renewals. Figure 4 validates this where it shows **that AI users report 5.3x greater YoY growth in overall sales team attainment of quota** while also driving 7.4x greater YoY improvement (decrease) in average sales cycle. To put this into perspective, a company with $200 million in annual revenue where all of that revenue is associated with the overall sales team number would achieve $43 million more in annual revenue growth thanks to incremental growth fueled by AI-enabled CX innovation ($250 million X 21.2% equaling $53 million versus $250 million X 4.0% equaling $10 million).

The benefits of using AI for CX innovation reach beyond a single business department. Business leaders and employees across all departments can use AI to support their activities, including finding innovative ways to address buyer needs.

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Key Takeaways

Innovation can be considered as one of the few reliable and consistent differentiating characteristics between brands that continue garnering customer spend and loyalty and those that don't. For innovation in CX programs to be successful, it must be deliberate versus unplanned and coincidental. It must also be consistent versus ad-hoc in order to keep-up with ever evolving market dynamics and buyer needs. Luckily, brands today have more data than ever before to be able to interpret signals to fuel innovation that aligns with major changes affecting their activities. However, many business leaders also report struggle using existing data to make informed business decisions. This is where AI capabilities come into the picture.

Aberdeen's research since 2017 shows that current and planned adoption rates for AI capabilities have been consistently on the rise where the pace has picked up noticeably as of late 2022 with consumer introduction of generative AI. Companies using AI capabilities to support their innovation programs report significant performance improvements across CX metrics, sales & marketing effectiveness KPIs as well as financial growth and operational efficiency.

Although AI provides a rich set of capabilities to fuel innovation, it's not enough to just incorporate AI capabilities and expect sudden transformation across all the aforementioned business metrics. For that, business leaders must incorporate the five building blocks below to truly leverage the true potential of AI:

1. Break down data silos across the business to have an accurate, timely and relevant view of all market and customer trends influencing CX activities.

2. Master data-driven decision making and innovation by infusing AI to truly optimize innovation based on facts versus 'gut-feel'.

3. Bring innovation to customers in a personalized fashion by understanding unique needs and preferences of each buyer group through AI-enabled analysis, and then using automation to deliver innovation at scale.

4. Turn every employee into a 'customer hero' by using AI to detect where and when employees need help to solve customer challenges as well as boost employee engagement by focusing human work on more complex and fulfilling tasks while automating repetitive and more simple tasks freeing up time for employees to spend on innovating CX at scale.

5. Enable and encourage employee communication and collaboration to identify macro trends influencing business activities and bring different viewpoints and knowledge from within the organization to innovate.

Related Research

► *CX Agility: The Path to Customer Loyalty & Profitable Business Growth;* October 2021

► *Workforce Management for Digital-Savvy Contact Center Leaders*; July 2021

► *Intelligent Recording: Maximize Productivity, Ensure Compliance, and Create Happy Customers;* May 2021

► *Flawless Digital Experience Management: How to Build a Progressive Contact Center for the Modern Customer*; March 2021

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