CUSTOMER SERVICE TECH GUIDE:

CAN AI REIN IN COSTS WHILE ENHANCING THE SHOPPER EXPERIENCE?

retail TouchPoints®

TECH GUIDE

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INTRODUCTION

Any retailer, from the smallest corner bodega to the largest multinational, will stress their commitment to providing superior customer service — it's been a cornerstone of retailing for as long as there's *been* retailing. But when you look at the actual mechanics involved in fulfilling those promises, retailers' ambivalence starts to show through.

Retailers know that offering effective customer support is vital, whether via phone, chat or SMS text. But it is especially so for DTC brands and ecommerce retailers lacking physical stores where customer service issues can be handled face to face and in real time. It's also expensive and resource-intensive to maintain an army of agents, particularly with the current tight labor market. New technologies, especially generative AI, are promising greater efficiencies and savings, and many are delivering — but they're always in a race with ever-rising customer expectations.

The holy grail is to control customer service costs without scrimping on the customer experience (CX). "There's a lot of focus on making customer service at least cost-neutral, but everyone is [also] focused on making it a revenue generator," said Pat McClard, Director of Account Management at **HGS** in an interview with *Retail TouchPoints*. "You have the customer talking to you [during a customer service interaction], so it's crazy not to use that," to upsell or cross-sell additional products and services.

The challenge, as every retailer knows, is that most customer service interactions start with a shopper who is at best confused and at worst irate: "**85% to 90%** of the time the customer isn't happy when they contact you, but you have to think about it as an opportunity," said McClard, noting that some of the best relationships between a brand and a customer begin over resolving a thorny issue. "If you know you're going to stand by your customer and do the right thing, that can turn [someone having] a negative experience into an evangelist for your brand," he added.

Smart retailers also want to minimize avoidable customer service issues — and the costly need to address them with support mechanisms — by improving CX. "The quality of the experience really has become an absolutely strategic aspect of any digital business," said Alfonso de la Nuez, Board Member and Lead Digital Director at **User Testing** in an interview with *Retail TouchPoints*.

This tech guide will:

• **Map the relationships between user experience (UX) and CX**, and show how investments in these areas can lower customer service costs;

• Identify what **AI-powered solutions** already are accomplishing in this area; and

• Explore how **AI, predictive analytics and customer data** can be combined to improve customer service while lowering costs.

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— Pat McClard, **HGS**

STEP 1: FIX YOUR UX AND CX

Retailers often say that the best customer service call is the one that **doesn't** happen — in other words, the customer is so happy (or at least contented) with your product or service that there's no need for them to call, chat or text. Companies that invest in improving their UX and CX will likely be able to tamp down the need for expensive customer service interactions.
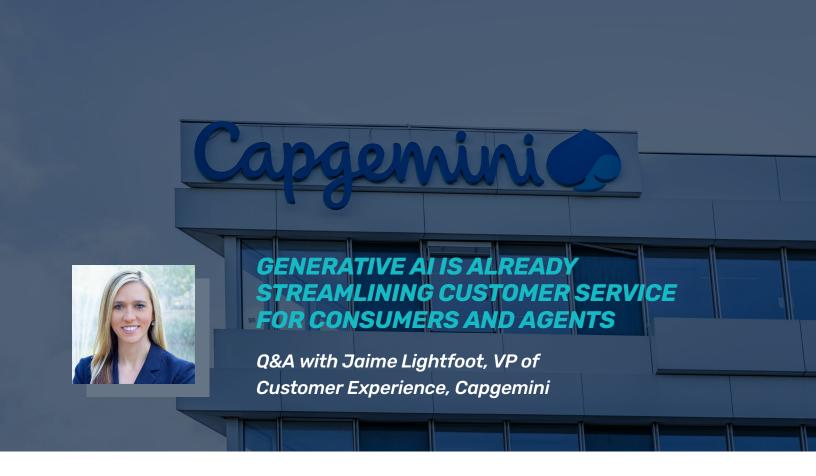
De la Nuez explained the similarities and distinctions between UX and CX. UX is "closer to the design and development of the product for your first experience, where you're not yet paying for a service or product, just using the application. CX is a sister concept to UX, but it is broader, and it's mostly talking to customers after the fact" of their purchase, he said, adding that "**before you become a customer, you may be a user.**"

In other words, a good UX can smooth the path to a new shopper becoming a repeat customer. De la Nuez gave an example from his own life: "One Friday afternoon my kids were really hungry and wanted pizza. This was during the pandemic and I had never used any of the food ordering apps like **DoorDash** or **Grubhub**, so I downloaded the app quickly. I was a 'user' for the few minutes of signing up and looking for pizza, and that was a user experience. But when I bought the pizza, got it delivered and went on using [the app], that became a digital customer experience."

With both UX and CX, but particularly with the latter, "there's a lot of psychology in the quality of the experience," said de la Nuez. "It's not necessarily about [the interface] being aesthetically pleasing, but it has to have a professional look. More importantly, it's about the quality of the navigation, whether that's about finding products, signing up for a service or buying something — and through all of this, always communicating about what's going on [in these various processes]."

Customers are looking for clear, concrete information, provided to them at the right time and in the right context: "Will it take two days to deliver? And is this price the ultimate price [with shipping, taxes, etc. figured in]?" If the CX doesn't provide these answers, "**there will be an empathy or experience gap — and that will have users talking to customer service a lot more**," said de la Nuez.

While "developers and designers will sometimes say [about an unintuitive element in the CX] that 'users will figure it out,'" this can prove to be a dangerous attitude, de la Nuez noted. He defined good CX as "really meeting and then exceeding the expectations of users and customers. The customer service system needs to understand **who they are, what their needs are and what they have come to do today**, and then offer them the most convenient, efficient, effective journey they can have."

GENERATIVE AI IS ALREADY STREAMLINING CUSTOMER SERVICE FOR CONSUMERS AND AGENTS

Q&A with Jaime Lightfoot, VP of Customer Experience, Capgemini

Retail TouchPoints (RTP): *I'll start with a really basic question — how do you define a good customer experience (CX)?*

Jaime Lightfoot: Good CX today is showing your customers that you understand them, by tailoring products, services and experiences, including sales and marketing efforts, to that individual customer and their preferences. It's also about how you meet them in the way they want to be met, [honoring their] preferences in terms of interactions and communicating with them in a format that they prefer.

RTP: *Everyone is talking about generative AI. Are you seeing it have a big impact in the customer service/CX area?*

Lightfoot: AI is the number-one topic coming up with our clients, regardless of industry, and it's very prevalent in our conversations in retail and CPG. The Capgemini Research Institute has done surveys with both tech executives and consumers and found that about **one-fifth** of executives are seeing generative AI as a major disruptor to their business, and over **90%** are talking about it in executive leadership meetings. Across the board, the key areas where generative AI is likely to make an impact are sales and service, IT and marketing — and of course there are synergies between marketing and sales/service.

In service particularly, generative AI can be a big enabler, because some of the quick-win use cases are in chatbots or virtual assistants. It's capable of providing better search functions for customer queries — even if it's a human agent [interacting], they can find answers to questions faster than if they had to search on their own.

Among the consumers we surveyed, many believe generative AI will heighten customer experience, with **50%** saying they're excited by the use of generative AI for highly immersive, interactive experiences. In fact, **70%** of consumers already rely on generative AI tools for product and service recommendations.

AI also is helpful in summarizing conversations. There are applications that have been in use for several years that do this — automate [the process of] creating a recap that you could send to a customer — but AI-powered tools summarize that content more succinctly, and also identify the key elements of the conversation and the customer sentiment piece as well.

We're also seeing it being used for email generation as well as for personalized content and ad creation, using personalized images that may resonate with customers better than traditional advertising images.

RTP: *It sounds like this AI use case makes more sense if a brand or retailer already has some information on its customers.*

Lightfoot: It's true, brands have put a lot of focus on their existing customers, whether those are consumers or B2B customers. [For customer service agents and marketers], having that information at your fingertips and the ability to personalize that experience will be critical to maintaining and growing the value of a company's customer base.

RTP: *What are some other key technologies that are or will be important in the CX/customer service area?*

Lightfoot: Predictive analytics that use a customer data hub or platform will be essential for personalization insight. Retailers can use analytics to look at a customer's interaction history, browsing history, which products and services they've purchased before and also their service experiences, and use all of this info to predict their likely next steps.

This could help in how you sell and market to them, but also in how you serve them — for example with predictive maintenance of products. That way, you can stay a step ahead before they experience an issue. Or if a flag comes up that [the retailer] has lost tracking ability on an order, you can send a message that says, "We've seen the issue and we're working to correct it." It's helpful to get ahead to show [the customer] how you're working to resolve the issue.

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AI'S GROWING ROLE IN ENHANCING THE CUSTOMER EXPERIENCE

Artificial intelligence adoption by all kinds of global businesses had already been on a strong growth path, even before the 2022 hype explosion around ChatGPT and other forms of generative AI. A McKinsey global business survey, *The State of AI in 2022 — and a Half Decade in Review*, revealed that AI adoption more than doubled, rising from **20%** in 2017 to **50%** in 2022. The number of AI capabilities that organizations use also has doubled, from **1.9** in 2018 to **3.8** in 2022.

In the customer service area, AI's impact goes well beyond its role powering chatbots, although that has been a major area of investment so far. During a customer service interaction, "many chatbots can guide you to the right person [or department], but AI will make this function a lot better," said User Testing's de la Nuez. Today's AI tools can improve customer service with their ability to not just recap or summarize a conversation (spoken or chatted), but also identify the customer's emotional attitude, in some cases in real time.

"If a human has a ton of data/information [that can be used to] answer a question, it's impossible for them to know all that, primarily because it changes all the time," said HGS' McClard. "However, if you use AI to answer a question of 'How do I do this or that?,' it can use all the content out there and provide the answer rather than the customer service agent having to sort through the data.

"AI is good at making suggestions to humans," McClard added. "For example, when a customer calls in, it's transcribing it in real time; AI is 'listening' and can tell the agent 'This is the right code for this call,' or 'This is the [optimal] content to send the customer.' This not only makes things easier for customers, it also makes things easier for the agents. They don't have to stress out that there are gaps in their memory or experience."

"AI can highlight when people are frustrated, and also take [this analysis] to another level by suggesting solutions," said de la Nuez. He believes that AI can be applied proactively to help predict what a particular customer will want, and that this could prove to be a particular benefit in enhancing the search experience, both for consumers and internal users.

Doing this right requires more than simply deploying an AI-powered tool, of course. "Searchability of products is an issue, so what's needed is a specific field within the UX and human/computer interaction dedicated to findability and categorization," said de la Nuez. "Companies should hire librarians or information architects; they could have a full-time job putting together how a database is done. Retailers need to organize that information, especially when the database contains lots of SKUs."

Retailers can then conduct user testing to determine the likely paths consumers will take when searching, de la Nuez added. "Then retailers need to tell their engineers 'This is what the user will want to do; how do we set that up?' They shouldn't just do whatever the IT department says. Amazon does this: connecting [search] to inventory and really understanding whether the product is there and when it will be delivered. That's not [just] about how you build the UX but how you complete the experience" for the customer.

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— Alfonso de la Nuez, **User Testing**

WHAT'S AHEAD IN CX?

AI is already being used for a variety of customer service functions: the McKinsey report revealed that **19%** of respondents were using AI for customer service analytics; **16%** for contact-center automation; and **14%** for predictive service and intervention.

McClard estimated that AI is "deflecting" approximately **13%** of all contact center volume. "A human is still better at handling complaints about service or specific things about a product, particularly when emotion is involved," he said. "When they're emotional, most people would rather deal with a human."

However, "as AI gets better at more complex tasks over the next couple of years, that **13%** will move to **50%**," he added. "Some of the suggestions [AI makes] are off-key right now, but I think you'll see that mostly go away due to the machine learning [aspect of these tools]. There's always a feedback mechanism for agents to tell it 'no.'" And of course, the more interactions that can be handled effectively without requiring a human, the lower a company's customer service costs.

That machine learning element of constant improvement can enhance other aspects of customer service. "You want to tailor the way you interact with a customer by leveraging what you've learned," said McClard. "When you figure out a person is always going to chat, offering them a phone call doesn't make sense. Or say there's a person that has been in the chat function trying to solve a problem for **10 minutes**. Typically [a customer service agent] would intervene" to make sure that the problem actually gets solved, but maybe the system has learned that this customer "really prefers to chat, and his threshold [of impatience] is **20 minutes**."

This type of actionable, individualized data will be critical for retailers seeking to keep costs under control. "Good customer service creates brand loyalty and also helps you **create a better customer — one who spends more and costs less**," said McClard. "That's where **customer valuation** comes in; you can treat customers very differently depending on their behaviors. That's not just about how they spend, but also **how often they contact you by phone versus go to a chat**. Retailers can assign a value to that customer and treat them accordingly."

McClard noted that, at least for the foreseeable future, there's no getting away from needing humans to remain involved in customer service. "A possible downside of AI is putting your own responsibilities aside and saying 'It's the AI's decision.' You have to have an educated agent that has a basic understanding of what you're doing. And there will be screwups [with AI], but there are screwups today."

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