



The State of Customer Engagement Report



Brands believe they're giving customers what they want, but consumers aren't so sure. We surveyed 4,750 business leaders, from Australia and 17 other countries.



30% of Australian brands said they provide 'excellent' customer engagement, but only **6%** of consumers agree.

With Black Friday and the silly season fast approaching, many organisations are exploring ways to differentiate in the current challenging Australian retail environment.

How does this relate to Cotton On Group?



Cotton On Group has outlined several strategic objectives that focus on sustainability, community outreach, market expansion, and innovation in product development. This report has been tailored to align with these objectives, offering insights into how Cotton On Group can leverage data and technology to enhance customer experiences, drive growth, and maintain its leadership in the competitive retail landscape.

As Cotton On Group moves forward, it is crucial to harness the power of customer data to create personalised shopping experiences that resonate with its global audience. By integrating advanced data analytics, embracing a mobile-first strategy, and investing in cutting-edge technologies, Cotton On Group can ensure that it not only meets but exceeds the expectations of its customers.

This report provides insights for Cotton On Group to continue its journey of innovation and growth while staying true to its core values of sustainability and community impact.

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References

Cotton On Group Company Overview: <https://cottonongroup.com.au/how-we-do-things/>

Sustainability Goals and Initiatives: <https://cottonon.com/MY/doing-good/news/sustainability-goals.html>

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Overview



AI has proved it's here to stay. In 2023, advancements in predictive and generative AI (hello, ChatGPT) carved a clear path for intelligent customer engagement. Now, brands can ditch the age-old method of one-to-many personalisation and deliver unique experiences for every single customer.

Say a customer makes a purchase from a targeted ad, only to order the wrong size. Upon calling support, the customer is greeted by a virtual agent who anticipates they're calling about their recent purchase. The agent then guides the customer through the return process, suggests a better size, and promptly ships a replacement. Post-delivery, the customer receives a message on their preferred channel asking if the new item was a better fit, plus product recommendations based on their purchase history.

This is the future of customer engagement for brands that embrace AI. We're calling this the age of individualisation.

To understand how brands are adopting AI to offer fully connected experiences—and how customers are responding—we surveyed business leaders and consumers from across the world. In our 2024 State of Customer Engagement Report, we examine the strategies brands are using to speak directly to their customers one-to-one, explore key trends, share global and generational statistics, and offer actionable insights on how businesses can stay competitive.



of brands say they have a deep understanding of their customers; less than half (46%) of global customers agree

76%

of businesses say personalised customer engagement is a high or critical priority in 2024.

AI redefines customer experience in 2024



Research sample size

This report features survey responses from 4,750 business leaders and 6,300 consumers, gathered between November 16 and December 22, 2023.

Business leaders

Our business respondents hold senior leadership positions at the Director level or above in companies with 500 or more employees. While they cover nearly 20 different departments and industries, each surveyed individual is personally accountable for their company's customer experience, digital engagement, marketing and/or marketing technology strategy.

Global consumers

Our 6,300 consumer respondents span four age groups: Gen Z (ages 18-27), millennials (28-43), Gen X (44-59), and baby boomers (60-75). They also demonstrate advanced digital literacy by owning a smartphone, engaging in online shopping, and frequently interacting with brands online.



Respondents span 18 different countries, including Australia, Brazil, Chile, Colombia, France, Germany, Hong Kong, India, Indonesia, Italy, Japan, Malaysia, Mexico, Philippines, Singapore, Spain, the United Kingdom, and the United States.

How brands are getting engagement right

In order to identify businesses with advanced customer engagement and draw insights from their success, we assigned each of our surveyed brands a Customer Engagement Maturity Score.

Based on this score, we then categorised them into one of three distinct groups: low-maturity brands, medium-maturity brands, and high-maturity brands—which we've labeled Engagement Leaders. Of the 4,750 businesses surveyed, 17% were deemed Engagement Leaders.

These high-maturity brands are ahead of the pack when it comes to providing omnichannel engagement, personalising customer experiences, and embracing first-party data.





The Customer Engagement Maturity Score is based on three factors:



Level of digitisation

What percentage of your customer engagement is currently digital?



Frequency of personalisation

How frequently does your brand personalise customer engagement?



Type of customer data relied on for marketing strategy

What kind of customer data does your marketing strategy rely on?

On average, Engagement Leaders:

Report **82% or more** of their customer engagement is digital

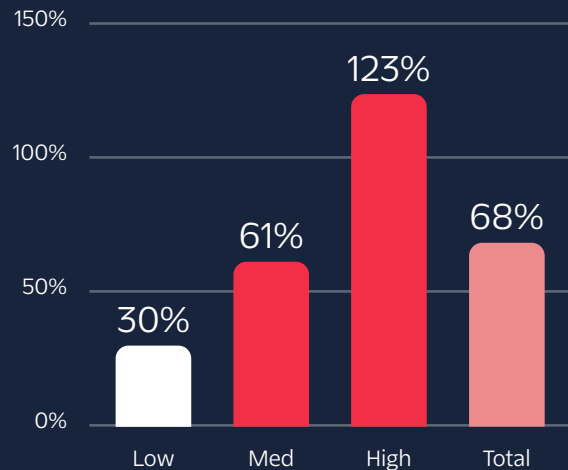
Personalise customer engagement **70% of the time**

Rely primarily on first-party data for their marketing strategy

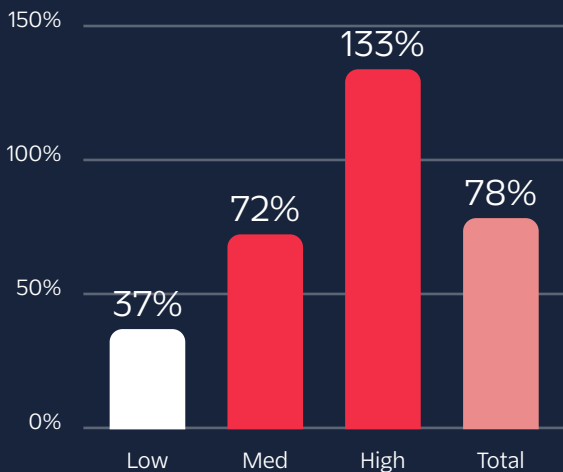
Engagement Leaders are also almost five times more likely to 'strongly agree' they have the necessary data to understand their customers and more likely to leverage AI in their CRMs, communications platform as a service (CPaaS), contact centers, and customer engagement platforms (CEPs). And, these strategic investments seem to be paying off.

These trailblazing brands saw an average revenue increase of 123% in 2023 due to their investments in customer engagement, compared to just 30% for low-maturity brands.

They also saw higher customer retention rates (77% vs. just 43% for low-maturity brands) and project a 16% average increase in 2024.



How digital investments boosted brand revenue in 2023



Brands predict digital engagement investments will surge by 2027

And because Engagement Leaders recognise digital engagement is the future, they're increasing their investment in it today. In fact, 94% of Engagement Leaders say personalising customer engagement is a high or critical priority in 2024 and they expect their investment in digital customer engagement to increase 133% by 2027.

With the right tools in their tech stack and the help of AI, these leading brands are well positioned to meet and even exceed rising customer personalisation and engagement expectations.

Trend 1

Using AI can greatly improve customer engagement



Background

Even though brands believe they're giving customers what they want, consumers aren't so sure. The last year saw many brands turning to AI to improve their ability to build better relationships with their customers.

84% of businesses said they provide 'good' or 'excellent' customer engagement, but only **54% of consumers agree.**





AI helps brands improve personalisation and drive engagement

Many brands are actively leveraging AI, with marketing emerging as the primary use case. In fact, seven out of 10 companies say they're already using AI to personalise content and marketing. Also, organisations are already experiencing a substantial business impact since adopting AI, with:

- 45% seeing improved customer satisfaction scores
- 41% reporting better data-driven decision making
- 41% experiencing improved market segmentation and targeting

As brands continue to experiment with and invest in this emerging technology, we expect AI's business impact to keep intensifying in the coming months and years.

Personalise content and marketing



Resolve customer questions and issues



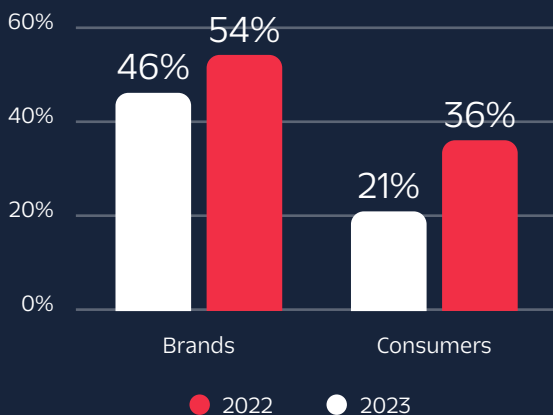
Personalise product recommendations



Understand user needs and pain points



Brands' top four AI use cases



Brands vs. consumers on how much more customers would spend due to personalisation

Perfecting personalisation boosts a business' bottom line, as 55% of consumers are willing to spend more money for a customised experience. While consumers report spending an average of 36% more on brands that personalise engagement, businesses estimate they actually shell out an average of 54% more.

It can also increase customer loyalty. 48% of consumers say they've made a repeat purchase from a company based on the level of personalisation they received.

Customer analytics



CRM



CPaaS



Customer surveys



Top tools and platforms in which businesses are employing AI

To maximise the potential of their data and unlock these advantages, businesses should seamlessly integrate their data tools and technologies with AI. This presents a significant opportunity, considering that approximately half of businesses have yet to incorporate AI into their tools.

It is worth noting that Engagement Leaders are more likely to leverage AI in every platform than other lower-maturity brands.



While many companies are already using AI in some capacity, we did identify a few opportunities where the technology is currently underutilised.

Few companies use AI to manage risk

Although data privacy and security are leading concerns for businesses in 2024 and beyond, only 64% of companies currently use AI to help manage fraud and mitigate risk. Instances of fraud have increased significantly in the last few years, with Twilio's [State of SMS Pumping](#) revealing that 1.1% of global SMS traffic was SMS pumping, or artificially inflated traffic, in October 2023. Exclude the US and Canada, and 5.4% of all international traffic that month was fraudulent.

Continuing to invest in AI-powered fraud detection and protection tools can help businesses prevent account compromise and safeguard user accounts. It can also help brands avoid financial losses from fraudsters creating fake accounts to abuse one-time new user promotions or from account takeovers impersonating legitimate users. By staying ahead of emerging threats, organisations can protect both their assets and the trust of their valued customers.

More businesses need to leverage golden customer profiles

While an impressive 64% of companies use AI to build a unified view of every customer, work remains to be done. In a time when understanding customers is paramount to success, this is a significant opportunity for brands, especially since AI can be used to combine data from multiple sources, standardise data formats, fill in missing values, reconcile inconsistent data, and deduplicate information.

Once your customer profiles have been created, AI can also help your brand:

- Summarise contact center interactions to outline caller intent, interest, and outcomes
- Predict future user behaviours, like a high propensity to purchase or churn
- Define lookalike audiences based on your top customers

Leveraging AI, your business can only add important context to your customer profiles, but also help take action to deliver the right message to the right person at the right time. As a result, you can move prospects and customers further down the funnel with higher efficiency.

Brands should incorporate AI into their existing tools

Finally, brands are paying for tools and technologies like customer data platforms (CDPs) and customer engagement platforms. Luckily, it seems many brands have plans to add this functionality in the coming years, with 47% planning to add AI capabilities to their CDP or CEP by 2025.

If you haven't already, consider expanding your business's use of AI to encompass these areas and more, so you can get the most out of your customer data.

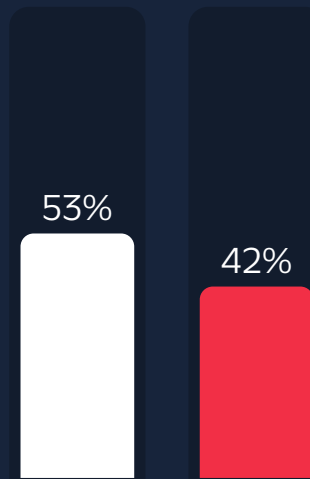


Australia



● Excellent/Good ● Average ● Fair/Poor

How consumers rate how well brands are personalising engagement



Brands Consumers

Brands vs. consumers on how frequently engagement is personalised

Personalise content and marketing



Resolve customer questions and issues



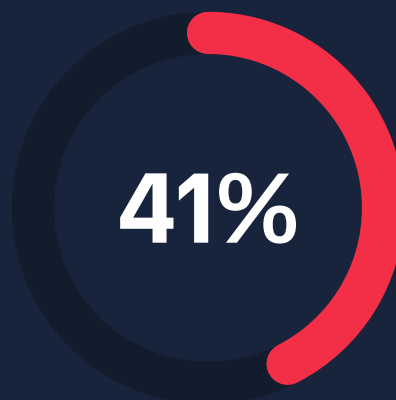
Personalised product recommendations



Understand user needs and pain points



The top four ways brands are currently using AI



Percent of consumers who would spend more for personalisation



Trend 2

Protecting consumer data is key to maintaining trust

Background

As businesses seek to better understand and personalise the customer experience, they've begun to meticulously gather and analyse every customer click, share, follow, like, and purchase to understand their preferences, wants, and needs.

But data privacy is a growing concern for consumers who want to know how businesses are using this information, how long they're storing it, and whether it's secure. Brands must use robust security measures and transparent data protection policies to ease consumer concerns and win their trust.

6 in 10 consumers say protecting their data is the top way to build their trust.



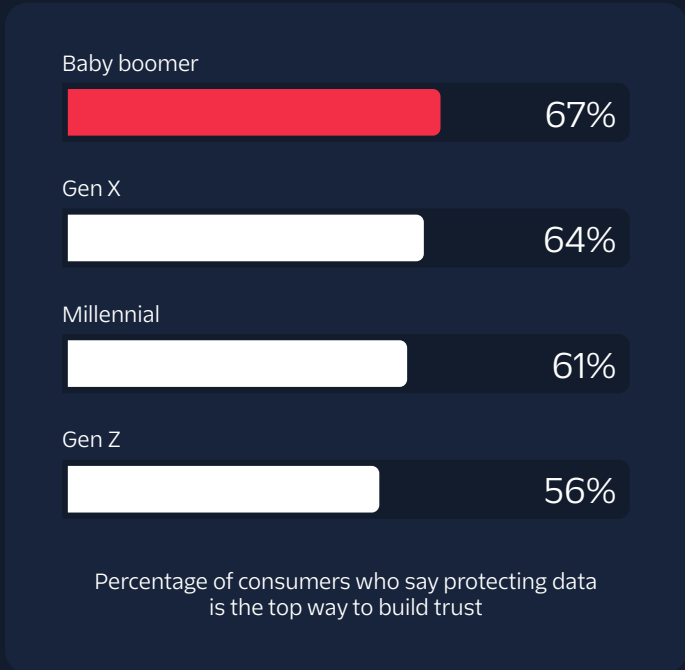


Every generation is concerned about data privacy

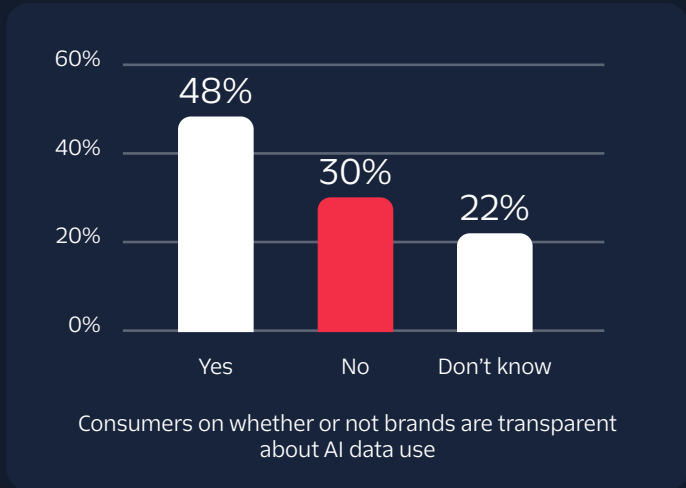
The top way to earn customers' trust? Keep their data safe.

While every generation agrees, older age groups are particularly sensitive to data privacy. In fact, 67% of baby boomers and 64% of Gen Xers express that businesses safeguarding their data significantly influences their trust.

This trend could be attributed to older consumers being less familiar with technology and having grown up in an era when privacy was highly valued. Younger generations may have a better grasp of the reciprocal relationship with brands, as they're more willing to share personal information in exchange for free services, discounts, and more personalised experiences compared to their older counterparts.



Protecting customer data is the top driver of trust across every generation surveyed.



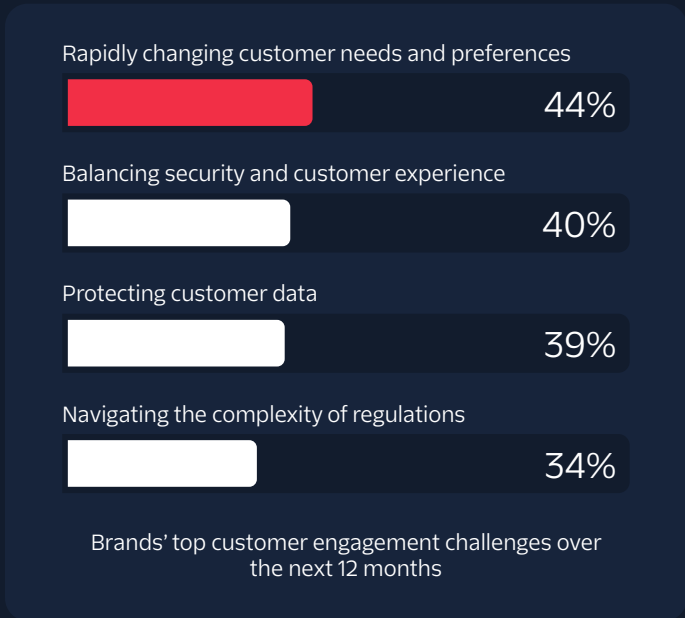
Consumer data privacy and AI

When it comes to AI, consumers want to know exactly how businesses leverage their data. Almost half (49%) of respondents say they would trust brands more if they openly disclose the use of customer data in AI-powered interactions. Unfortunately, brands overestimate how transparent they are with consumers about AI. While 91% of brands say they're transparent with customers around how AI uses their data, only 48% of customers agree.

Businesses are paying attention

Consumers aren't the only ones worried about data privacy. In fact, 40% of businesses say finding a balance between security and customer experience will be one of their most pressing challenges in 2024. This figure has remained relatively unchanged from last year's 42%.

One particular area of focus for brands is reducing friction during the account signup process while keeping customer data safe. In 2024, 40% of brands say they're prioritising simplifying the signup and login process to improve customer engagement. This can establish a successful relationship between legitimate users and businesses while also keeping out bad actors.

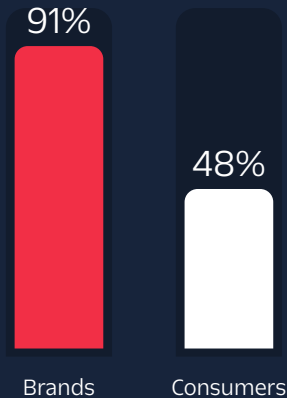




Global findings

Globally, Hong Kong is the only region where brands are meeting consumer transparency around AI.

In other parts of the world, data privacy is a more pressing issue. Brands in Brazil, Indonesia, Mexico, Singapore, and Spain are more likely to say finding a balance between security and CX will be a top challenge in 2024. Still, it's promising to see so many businesses make data privacy and AI transparency a priority this year.



Percent of brands/consumers who say brands are transparent about AI data usage

Actionable insights

A crucial part of building omnichannel experiences is ensuring these channels are safe for your customers. When a company actively safeguards its channels, whether through [user authentication](#) or two-factor authentication, it fosters mutual trust. In 2023, we saw billions of verifications through Twilio's platform. In 2023, we saw a 21% increase in verifications on Twilio's network. This shows that more brands are taking steps to protect their consumers right off the bat.

To the right are a few ways to build trusted communications that maintain consumer trust.

These measures make it easier for consumers to know when they're interacting with your brand on verified channels and allow your business to move legitimate users further down the sales funnel. The result? A secure and trustworthy omnichannel environment that benefits both consumers and businesses alike.

Improving data transparency can also improve consumer trust.

Check out [Twilio's AI Nutrition Facts](#) and create your own responsible AI label for your business.

SMS

Verification of [toll-free senders](#) and [US A2P 10DLC registration](#) ensures that long code phone numbers are sending authentic and welcomed SMS traffic to US recipients.

These additional security measures are well timed. Just last year, Twilio processed 167 billion messages across SMS and WhatsApp, up 14% year over year. As messaging traffic increases, consumers will need to ensure they're only interacting with legitimate brands on these channels.

Email

Last year, Twilio SendGrid processed 1.9 trillion emails, a 20% increase from 2022. To strengthen email security and uphold trust in recipients' inboxes, many of these senders have proactively adopted security measures like Brand Indicators for Message Identification ([BIMI](#)), Sender Policy Framework ([SPF](#)), DomainKeys Identified Mail ([DKIM](#)), and Domain-based Message Authentication, Reporting & Conformance ([DMARC](#)). To further protect users' inboxes, your business should stay up-to-date on changing inbox providers' guidelines, like Gmail and Yahoo's new [sender requirements](#).

Voice

Implementing branded calling and Caller ID Name ([CNAM](#)), adhering to [SHAKEN/STIR trusted calling](#) standards, and [remediating spam labels](#) can ensure high call deliverability and increase the likelihood of customers answering your calls. Twilio saw a 7% increase in call volume in 2023, with 19.9 billion calls processed.

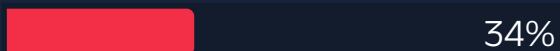
WhatsApp, Messenger, and Google Business

Including your brand's logo and contact information on your business profile helps consumers verify your account's authenticity.

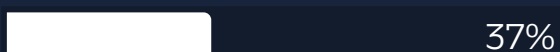


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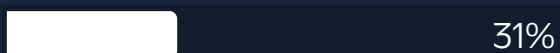
Finding a balance between security and CX



Protecting customer data



Navigating the complexity of regulations



Scaling customer engagement solutions



Brands' most pressing customer engagement challenges for 2024

97%



Brands

35%



Consumers

Brands/consumers on whether disclosing AI data use boosts customer trust

Protect customer data



Provide responsive customer service



Offer easy returns and refunds



Make contacting the brand easy

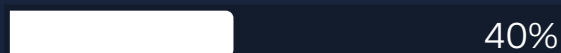


The top four actions consumers say brands can take to build their trust

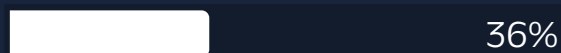
Communicate transparently



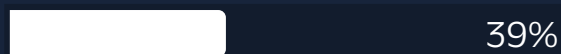
Use a consistent brand identity across channels



Provide responsive customer service



Make contacting our brand easy



The top four actions brands believe build customer trust



Trend 3

Some brands aren't letting go of third-party cookies

Background

With Google phasing out cookies sometime next year, brands are rushing to capture first-party data to continue personalising customer experiences. While this transition is a challenge, it's also an opportunity for brands that are recognising that the value of first-party data vastly surpasses that of third-party cookies.

And yet, collecting data matters only if you have the ability to use it. As businesses increasingly rely on first-party data for personalisation, investing in the right communication tools becomes crucial to maximise data benefits and provide exceptional customer experiences and marketing results.

53% of brands say their marketing strategy relies on third-party data.



Cookies are crumbling, but businesses are more prepared

With a cookieless world fast approaching, many brands have already made the switch to first-party data. Last year, only 19% of businesses said they were using mostly or entirely first-party customer data for marketing. This year, that number soared to almost half (48%) of all businesses surveyed.

And yet, some brands remain reluctant to embrace the change. Today, only two out of three brands say they're fully prepared for a cookieless future, up only slightly from last year. That means 34% of businesses have a lot of work to do this year.



of marketing strategies still rely 'entirely' or 'mostly' on third-party data, down from 50% last year

CRM



CDP



CPaaS



CEP



Top tools brands are investing in to understand customers

Unlocking the power of customer data to drive business success

Collecting first-party data from customer interactions with company channels is only half the battle for brands. In order to put it to use, brands need a way to analyse this information and make sense of it. This is where most modern businesses say they're falling short.

While many businesses have tools like CRMs, CDPs, and CPaaS at their disposal, very few claim a genuine understanding of their customers. In fact, only one in four brands 'strongly agree' that they possess the necessary tools to understand their customers.

With AI, brands have a substantial opportunity to analyse vast amounts of customer data, derive actionable insights, and serve personalised experiences on preferred channels.

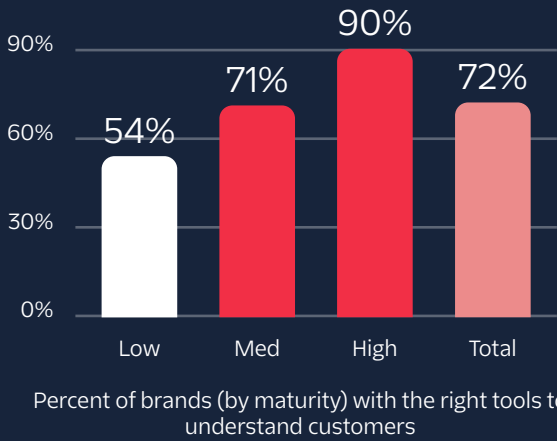
Engagement Leaders are ready for a cookieless future

Of course, some businesses are more prepared than others. Our Engagement Leaders are the most ready for cookies to vanish as these businesses are more likely to:

'Strongly or moderately agree' they have the right tools to understand their customers.

Have a complete view of their customers.

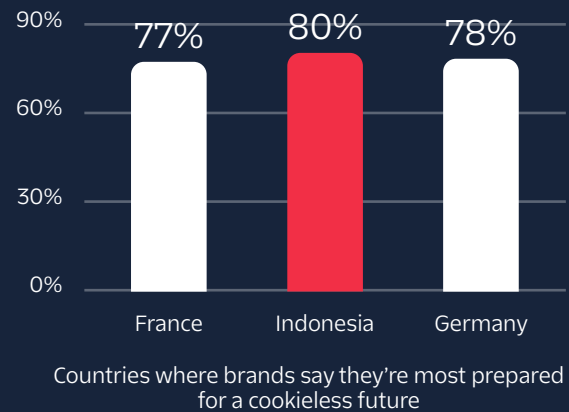
'Strongly or moderately agree' they have access to crucial customer data.



With the right tools, clear data, and unified customer profiles, these brands are well positioned to continue serving personalised customer engagement—even when cookies are long gone.

Global findings

While brands in most regions reduced their reliance on third-party data in 2023, Hong Kong, Malaysia, Italy, and Singapore still rely 'mostly, entirely, or an even mix' on third-party data. Curiously, some countries took a step back last year, saying they're less prepared for a cookieless future than they were in 2022. This could be due to Google delaying its deprecation deadline.



Actionable insights

To transition from third-party data in 2024 and embrace a cookieless strategy, follow these tips:

Think of first-party data as an investment

Every interaction your customer has with your brand, whether it's a purchase, a support request, or a response to a survey, teaches you more about them and their preferences. The sooner you start collecting this type of data, the sooner you can start activating it to make every engagement more impactful. With Google already beginning to phase out cookies, the best time to start is today.

Ensure you possess the appropriate tools for activating data

Once your business has invested in first-party data, it's critical you procure tools to clean, consolidate, and activate it. To help, your business can use a CDP, CEP, contact center as a service (CCaaS), and [CPaaS technology like Twilio's](#) to keep up with rising customer expectations. Here's how:

CDP: Collects and unifies customer data.

CCaaS: Personalises user support based on past interactions.

CPaaS: Delivers communications across preferred channels.

CEP: Uses data to create personalised customer experience across preferred communication channels.

For example, [Twilio Segment](#) (CDP) can collect and unify customer data, which can then be used by [Twilio Engage](#) to create personalised customer journeys. These personalised communications can then be delivered via your customer's preferred channels using Twilio's CPaaS capabilities. That includes voice, WhatsApp, SMS, email, and more. This integrated approach ensures a consistent, personalised, and engaging customer experience across all touchpoints.

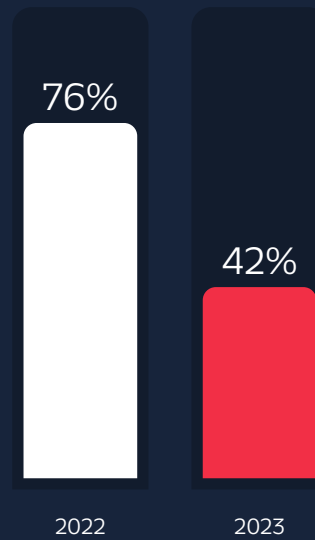


Australia

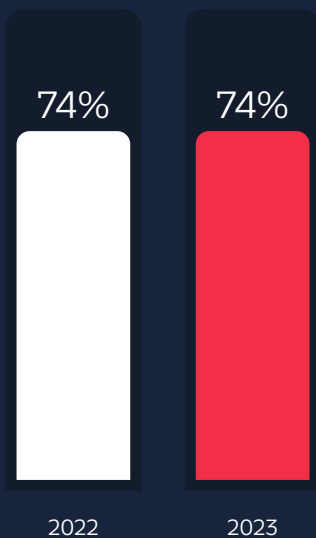


● First-party data ● Third-party data

The customer data types brands' marketing strategies rely on



How brand reliance on third-party data has changed YoY



Brands that say they're fully ready for a cookieless future



Percent of brands that say they have the right data to understand customers




Trend 4

Younger consumers want better digital experiences

Background

When it comes to understanding how consumers prefer to interact with brands, a clear generational divide appears. Gen Z, shaped by the internet and social media, and millennials, who grew up alongside technology, share a preference for digital engagement and have higher expectations for digital experiences.

Older generations are generally more skeptical about AI and data privacy. They're also less content with brands' digital engagement, possibly because they participate in digital activities less often than younger consumers.



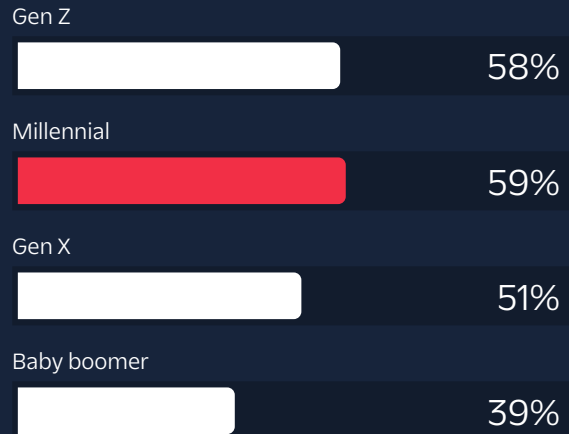
Gen Z and millennial consumers want almost **70% of their interactions with brands to be digital**, compared to baby boomers at 59%.



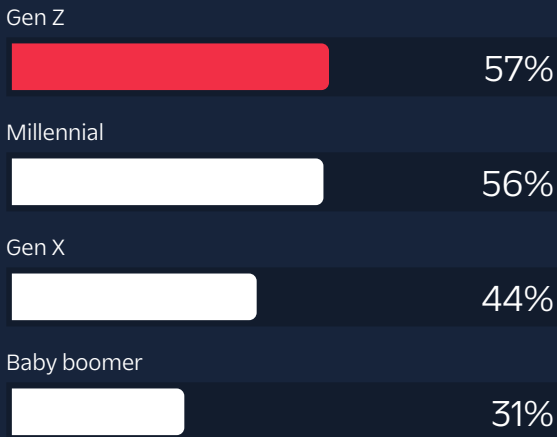
Personalisation or bust

For younger generations, personalisation is table stakes. Without it, almost seven in 10 Gen Z and millennial consumers say they will stop using a brand. And if businesses fail to meet their personalisation expectations, such as communicating with them on preferred channels, younger consumers will take their business elsewhere. That's why it's crucial brands build an omnichannel strategy that makes it convenient for consumers to seamlessly resume their interactions with a brand from wherever they left off, regardless of the channel they choose.

More than **one-third of Gen Z and millennial consumers** purchase from a different brand when a business doesn't personalise engagement in real time.



Consumers say personalised engagement is of 'critical' or 'high' importance



Consumers who say they are informed about brands' AI data usage

Generational takes on AI

While all generations are wary of how brands use and protect their data, older consumers are more skeptical of AI. They don't feel that brands are transparent about when they use AI and how AI uses their data.

On the other hand, some generations seem more receptive to AI if it will improve their experiences with brands. Almost half of millennial and Gen X consumers would spend more with a brand if AI improved customer engagement.

Brands are investing in younger consumers

Modern brands are doing something right, according to younger generations. In fact, almost two-thirds of Gen Z and millennial consumers say brands provide good or excellent customer engagement, and half strongly or moderately agree that brands have a deep understanding of them. This may be because brands increasingly engage with channels favored by these demographics, such as SMS, chat apps like WhatsApp, and social media.

Clearly, businesses' investments in personalised communication strategies are resonating with the evolving desires of today's youngest consumers.



of Gen Z consumers say they spend more money with brands that personalise engagement than those that don't

Actionable insights



All consumers, regardless of age, want to have a good experience with the brands they care about, on the channels they prefer. In order to build an engagement strategy that enables consumers to seamlessly interact with brands on their preferred channels and get the personalisation they crave, your business needs to:

Centralise data

Your internal tools and organisational structure could be holding you back from building an omnichannel strategy. Siloed data can result in disconnected, generic customer experiences, so it's imperative your business can bring all your customer data together in one place to unlock a holistic view of every interaction a customer has with your brand.

With a centralised data hub, like a CDP, your teams can gain a comprehensive view of the customer journey and work together to build a smoother, cohesive experience for your prospects and customers. These tools can also help you join the 89% of businesses that are already delivering real-time customer personalisation.

Don't assume what your customer want

With golden customer profiles, your business can unlock a complete view of each customer's history, behaviours, and preferences. By pairing this information with customers' preferred communications channels, you can only deliver the one-to-one hyper-personalised experiences consumers crave, but also allow consumers to pick up on one channel where they left off on another.



Explore the data



Total



Gen Z



Millennial



Gen X



Baby boomer



Consumers' ideal percentage of digital branded interactions

Total



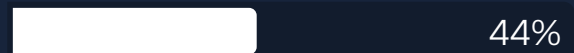
Gen Z



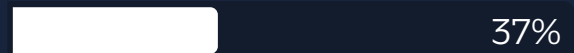
Millennial



Gen X



Baby boomer



Consumers who say brands 'strongly' or 'moderately' understand them

Total



Gen Z



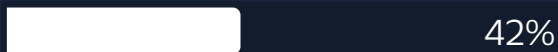
Millennial



Gen X



Baby boomer



Top four consumer actions in response to personalised engagement:
Made a repeat purchase

Total



Gen Z



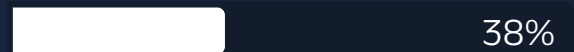
Millennial



Gen X



Baby boomer



Top four consumer actions in response to personalised engagement:
Recommended the brand to friend/family

Explore the data



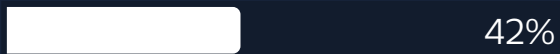
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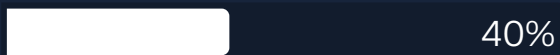
Gen Z



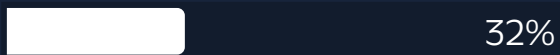
Millennial



Gen X



Baby boomer



Top four consumer actions in response to personalised engagement:
Opened a link from the brand

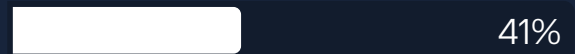
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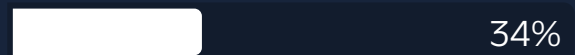
Gen Z



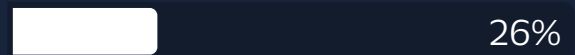
Millennial



Gen X



Baby boomer



Top four consumer actions in response to personalised engagement:
Posted a positive rating or review

Total



Gen Z



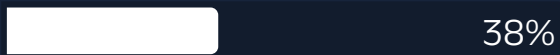
Millennial



Gen X



Baby boomer



Consumers say it's very/strongly important for AI interactions to seem human

Trend 5

Brands need to close the customer experience gap



Background

Companies believe they understand their customers, but there's a significant disconnect between customer expectations and what brands deliver. In fact, 81% of brands say they have a deep understanding of their customers; less than half (46%) of global customers agree.

Brands also overestimate the frequency and level of personalisation they provide. In order to win and keep customer loyalty, businesses must narrow the gap between customer expectations and reality.

While 81% of brands say they're 'good' or 'excellent' at providing positive customer engagement, **only 62% of consumers agree.**





No personalisation? Big problem.

Businesses need to solve this customer experience gap. Otherwise, consumers will take their business elsewhere. In fact, 64% of consumers say they would quit a brand if their experience isn't personalised.

Plus, four out of 10 customers admit to searching for alternative products or services when brands fail to personalise their experience in real time, while 31% say it's pushed them to purchase from a different brand entirely.

Searched for alternative products and services



Purchased from a different brand



Left an item in an online shopping cart



Decided not to make purchase



Actions consumers took when brands didn't personalize in real time

Easier for me to find what I want online



Receive relevant product/service recommendations



Receive tailored promotions



Receive relevant content and messages



Consumers on the top benefits of personalised engagement

Wonder why consumers are fixated on personalisation? It mostly boils down to convenience and relevance.

The majority of consumers say personalised engagement makes it easier to find what they want online, get relevant recommendations, and get tailored promotions. With so many brands competing for consumer attention, personalising communications on preferred channels ensures messages cut through the noise and reach the intended audience.

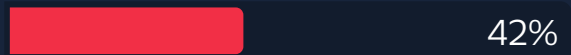
Obstacles to understanding

When it comes to truly understanding customers and their expectations, businesses struggle to connect and securely activate customer data. Only 16% of brands strongly agree that they have the data they need to understand their customers, and just 19% of businesses strongly agree they have a comprehensive profile of their customers.

Responding to changing customer needs/preferences



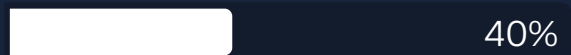
Connecting customer data across channels and sources



Navigating compliance and data privacy concerns



Turning data into customer insights



Top challenges faced by brands in comprehending customer needs



Closing the customer expectation gap

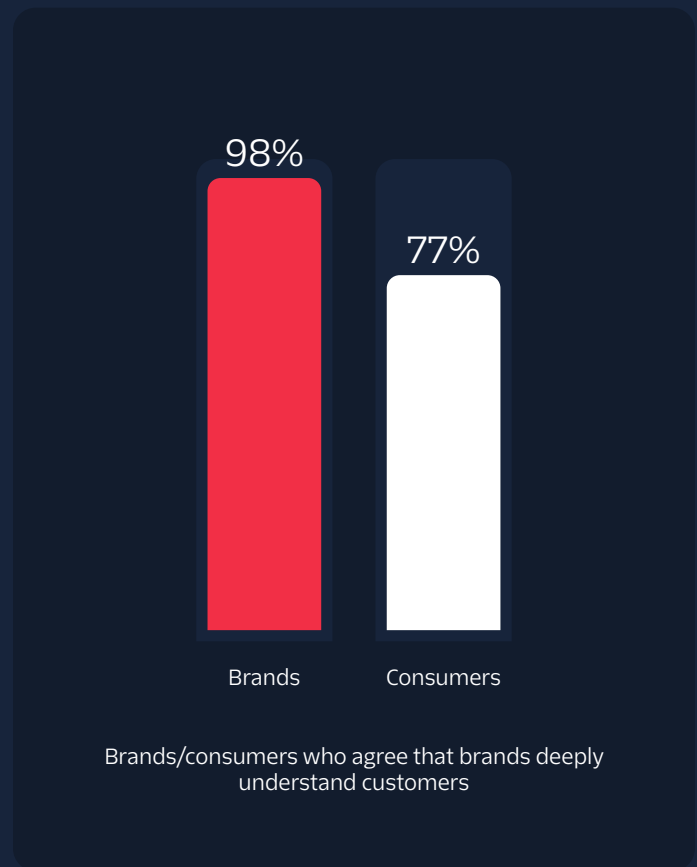
In the upcoming year, numerous businesses are placing a high priority on eliminating friction points and proactively addressing customer concerns. These focus areas, combined with assistance from AI, will help businesses bridge the gap and deliver exceptional customer experiences in 2024 and beyond.



Global findings

The customer expectation gap is even more pronounced in certain countries. France, the UK, and Spain have the largest gaps between brands' reported understanding of customers and how well consumers think brands understand them.

Rapidly changing customer needs are proving a major challenge for many regions, including Brazil, Hong Kong, India, Indonesia and Mexico. This underscores many businesses' need for technology that can empower them to anticipate customer behaviors and activate data to deliver personalised experiences, all in real time.





In order to understand where your own customer experience gaps exist, your business can:

Analyse your customer journeys

By conducting a customer journey audit, your brand can identify customer pain points and areas of friction that could be impeding conversion. Ask your internal teams what's missing, where customers are getting stuck, and what can be improved. These answers can help you build a holistic customer journey map that will ensure your brand is putting its best foot forward for customers.

Enable warehouse data to be activated in real time

Data activation is the missing piece in many technology stacks. While most businesses have a wealth of information in their data lake or warehouse, few have the means to seamlessly send this data to downstream activation tools.

Solutions like Twilio Segment's [Linked Profiles](#) can help businesses bring together CDP data with business records stored in data warehouses, promoting a deeper understanding of each customer and their interactions with your brand. By activating this data in real time, marketing team can then deliver one-to-one hyper-personalised customer experiences.

Integrate AI into your customer service strategy

Customer support agents are usually the first to interact with customers and affect their experience with a business directly. By integrating AI tools into their technology stack, contact centers can collect data in real time and mindfully decide which fields to expose to virtual and live agents alike when dealing with customers. That way, they don't get overwhelmed by unnecessary information while still providing ideal personalised experiences for customers.

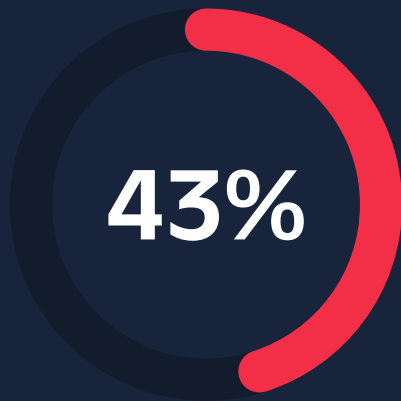
AI can also help businesses resolve customers issues faster and more effectively. Customer service agents can access AI-generated summaries of previous customer service interactions, allowing them to promptly understand and resolve a user's issue while saving the customer from repeating themselves.

Just last year, Twilio helped process over 927 million contact centre tasks, up 35% from 2022. Clearly, more businesses are investing in contact centre technology that gives customer service agents more visibility into past customer interactions.

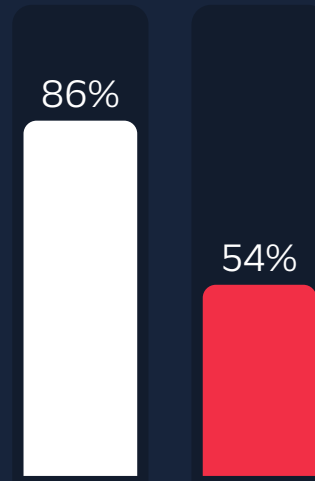
By putting yourself in your customers' shoes and listening to their feedback, your brand can keep a pulse on where your experiences are meeting or exceeding expectations and where you have room for improvement. Of course, consumer expectations are always changing, so be sure to conduct these exercises regularly to refine your strategy and continue delivering the hyper-personalised experiences consumers love.



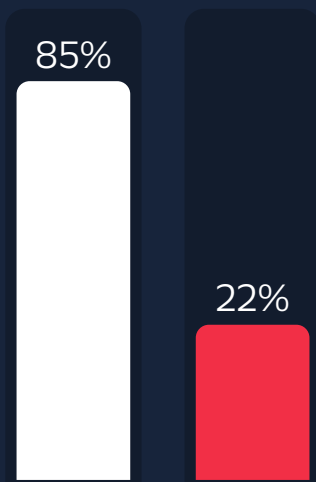
Australia



Percent of users who say they'll quit a brand that lacks personalisation



Brands/consumers who say brands provide positive customer engagement



Brands/consumers that 'strongly/moderately' agree AI will enhance engagement



Percent of brands that say they have access to comprehensive user profiles



Looking forward

2023 was a breakout year for artificial intelligence. Companies like OpenAI and Google took generative AI to new heights, garnering the attention of brands across the world and leaving them asking: What can we do with AI? As 2024 progresses, we expect to see even more businesses invest in AI to automate tasks, personalise content, improve marketing campaigns, provide better product recommendations, resolve customer issues, and more.

At the same time, we expect to see more brands invest in better methods of data collection—giving up third-party cookies once and for all and going directly to the source (the customer) to get the data that will fuel their engagement. Brands that do this well and provide individualised experiences for every customer should see greater loyalty and higher revenue.

Overall, our findings from this year indicate that investments in digital engagement are continuing to grow. Last year, Twilio processed 2.1 trillion digital interactions via voice calls, SMS and WhatsApp, email, user verification requests, and contact center tasks, for a year-over-year increase of 19%. Brands that continue to invest, as modeled by our Engagement Leaders, have the opportunity to improve conversion rates, retain customers, earn trust, and exceed revenue goals.

If you're ready to take your customer engagement to the next level, [get in touch with our team.](#)



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