

AI, CX and Personalization: Is the Time Right?



Personalization is increasingly important in the customer experience (CX). Customers want it and expect it, and companies know that the best way to attract and retain customers, increase revenue streams and compete effectively is by personalizing the experience as much as possible.

Study after study confirms it. One study by Epsilon found that 90% of consumers find it appealing, and that it leads to higher customer satisfaction and loyalty. And the risks of failing to address personalization? According to Gartner, companies stand to lose as much as 38% of their existing customer base if their personalization efforts don't measure up.

There are many types of personalization, from targeted product recommendations and content personalization to dynamic pricing and behavior personalization (when a customer's behaviors influence their interaction with the company).

While companies have come a long way in personalizing the customer experience, they still haven't gone far enough. Sorting through massive amounts of data, sometimes with manual processes, along with manual efforts like surveys and focus groups, can fall short. They aren't fast enough, and they don't provide the best opportunities for personalization. They don't enable companies to connect the dots between multiple systems, making issues like recall and channel continuity—when customers have to repeat themselves as they move from person to person or channel to channel at the company—significant obstacles.

The real problem, said Nicolas de Kouchkovsky, an industry analyst with CaCube Consulting, is that standard approaches aren't proactive enough, and they don't connect all the dots.

These are just some of the reasons so many companies are pinning their hopes on AI. It enables organizations to analyze vast amounts of data and quickly categorize sentiments and emotions from interactions, which greatly aids in personalization. It also enables companies to detect issues before they become bigger; customize recommendations; and generally be more proactive.

AI is growing fast for these functions. According to Omdia's State of Digital CX 2024, 57% of customer service and CX leaders said they currently deploy AI-powered technology for survey review and analytics and call classification, 54% for intelligent call routing, 53% for real-time call transcription and 51% for caller intent. Metrigy's Customer Experience Optimization 2023-2024 global study found similar results: by the end of this year, more than 74% of companies plan to use generative AI for CX in some capacity.



AI is a complicated beast, but here's how it works in a nutshell:

- 1 AI tools collect data from sources like search queries, email interactions and social media.
- 2 The tools then analyze the data to learn patterns and connections within the data
- 3 AI algorithms then can segment customers into groups based on a variety of criteria like preferences, characteristics or behavior
- 4 The system continuously learns from customer interactions to improve the personalization experience over time.
- 5 The system then uses predictive modeling to analyze historical and current data to generate predictions for user behavior, messaging/content or product recommendations.

Use cases for AI-based personalization

Companies and contact centers have many ways to use AI to help personalize the experience.

Today, top use cases revolve around helping agents service customers more effectively. While not directly related to personalization, experts say it's the first step in embracing AI in customer service, and should come first. This includes call summarization, call classification, intelligent call routing and real-time call transcription—all tasks that can help agents do their jobs faster and more effectively. At a higher level, AI-based tools can provide agents with specific prompts and dedicated coaching, helping them to personalize the customer's experience.

Beyond that, use cases include:

Personalized recommendations: AI can analyze a customer's browsing and purchase history, quickly creating personalized recommendations that agents can use while interacting with customers. These recommendations also can extend to AI-enabled chatbots. For example, if a customer frequently buys a specific type of vitamin, the system can recommend similar products they might like. This can even extend to real-time personalization.

Predictive customer service: By analyzing past purchases and behavior along with customer intent, AI can predict future customer behavior. With that information, the company can proactively address the issue by suggesting a solution or support to the customer.

A better omnichannel experience: The traditional problem of “recall” is essentially solved through AI, because it can integrate data from multiple sources like mobile, social media, email, phone and online. This enables users to start with one channel and switch to another without having to start over or repeat themselves.

More effective chatbots and virtual assistants: Chatbots and virtual assistants, powered by natural language processing, are trained using customer data, including speech transcriptions. This makes them more effective both for customers and agents.

Yet AI is still in its infancy, especially when it comes to personalization. Most importantly, it depends on the underlying datasets it trains on, and many companies have accuracy and integration problems with their data. For example, a Twilio [report](#) finds that half of companies say getting accurate data for personalization is a struggle, and 31% note that poor-quality data is a major obstacle in getting the best from AI.

There is also continued concern over bias, especially on the consumer level, noted Mila D’Antonio, principal analyst for customer engagement at Omdia.



“AI algorithms can often become biased, which leads to unfair outcomes,” she said. “Businesses have to become aware of these biases and take steps to mitigate them like collecting data from a wide range of sources and incorporating human oversight to identify bias.”

Another barrier—probably temporary—is customer confidence in AI. Twilio’s report found that while 92% of businesses are now using AI-driven personalization, only 41% of customers are comfortable with companies using AI to personalize their experience.

So when will AI really be ready for widespread use in personalization? Many believe the real breakthrough will come with hyper-personalization—proactively personalizing interactions before issues arise or customers make purchases—based on customer preferences, real-time data and behaviors. Basically, it targets customers individually. Done right, hyper-personalization can provide detailed product targeting, next best actions and individualized or dynamic pricing.



Hyper-personalization is basically one-on-one treatment,” de Kouchkovsky explained. “For example, if you contact an airline near the time when you’re supposed to board, you will get prioritized treatment.”

Taking advantage of AI-based personalization

Every vendor in the contact center/CX space is busy incorporating AI into their offerings, either by building out their solutions internally or by acquiring companies for knowledge management, personalization, predictive analytics, intelligent virtual assistance and self-service.

Some vendors are further ahead and more innovative than others. D'Antonio suggests researching how scalable your current solutions are, whether they integrate with current and future channels and systems, and how seamless the workflows are. In addition, the vendor's commitment to innovation should be evident.

It's also important to have skills in-house to keep up with AI-enabled processes. In a recent blog, Robin Gareiss of Metrigy noted that many companies are building up their internal expertise in AI. One Metrigy study found that 61% of companies already have AI experts on their team.

Eventually, most companies will rely on AI for personalization, but the point at which it will go from novelty to necessity is unclear. Yet there is no doubt that the time to start experimenting with AI for personalization is now. Without it, companies won't be able to compete in a year or two.

Companies at the lowest level of maturity are still using predominantly manual, paper-based and high-touch processes, according to McKinsey's scale of maturity. At the other end are companies approaching level five, where they are delivering proactive, service-led engagements and handling more than 95% of their service interactions via AI and digital channels. But more companies are in-between, climbing those levels.

2024 will be a big year for AI and personalization, de Kouchkovsky said, as they begin to explore the vast array of capabilities it can provide. In addition to deploying targeted AI solutions, he believes companies will begin to re-strategize their visions of what AI can accomplish based on the influx of innovations over the past year.

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