MAXIMIZING YOUR DATA STRATEGY FOR ENHANCED CX WITH AI

CX NETWORK

RESEARCH REPORT

How the data that fuel AI can drive change in the modern organization, optimize every interaction and drive retention

INSIDE

- **Why data and analytics are a force for change in the modern organization**
- **A 10-point list to check the quality of data before it reaches your AI models**
- **Real-world stories of how major organizations transformed their operations with AI**

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Foreword

In the digital era, competitive customer experiences are built on the effective and intelligent use of customer data, supported by artificial intelligence (AI). As a result, CX practitioners in all markets are working tirelessly to gain a deeper understanding of the data they currently have, and to better capture the data they don't.

Artificial intelligence (AI) has a critical role to play, capturing data at every customer touch point, processing data into customer profiles, anticipating customer needs and behavior, and delivering seamless, personalized experiences. Without the proper data, however, practitioners know AI cannot effectively do any of this.

In fact, when *CX Network* researched the Global State of CX, 282 practitioners, service leaders, experience designers, analysts and consultants from around the world said the trend having the greatest influence on their role in 2024 is data and analytics. The effective utilization of that data requires practitioners and their teams to set clear objectives, ensure data quality, integrate AI with CX strategies and comply with data privacy laws. In short, data-driven, AI-fueled CX requires an effective data strategy.

Maximizing data strategy for enhanced CX with AI explores how to ensure data quality, regulatory compliance and security, and explains the steps that need to be taken to leverage data and deliver personalized, effective and efficient customer experiences.

With input from CX practitioners at Electrolux, H&M, Cash App, AquaCal and Argano, this report draws on *CX Network*'s own research to inform practitioners how, where and when to adapt their approach to data management and maintain their edge in an ever-competitive market.

Maximizing your data strategy for enhanced CX with AI

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Great data create great AI

When *CX Network* conducted its annual research into the Global State of CX, data and analytics were repeatedly highlighted as a force for change and a major trend for practitioners.

We asked 282 CX practitioners, service leaders, experience designers, analysts and consultants from around the world about their use of data analytics and found that 97 percent of respondents are already using it in their work, of which 78 percent have noted a positive impact on customer loyalty, and 79 percent have noted a positive impact on company profits. Elsewhere in the survey, practitioners were asked to select the three trends having the greatest impact on their role at present: data and analytics emerged as the top trend, up from second place the year prior, with 42 percent of the vote (see Figure 1).

As organizations in every industry pivot to incorporate AI into their tech stacks and operations, these results come as little surprise. A a robust approach to data management not only improves the power of AI tools, but can also support decision making, experience improvements and resource allocations, among other key performance drivers.

Furthermore, data informs algorithms and allows AI-powered tools to self-learn, identify patterns and even improve the quality of the data in question. However, as the saying goes, when it comes to AI, garbage in equals garbage out. This means the competitive experiences powered by data and AI require an effective data strategy, which sets out how data will be collected, utilized and stored, and the goals that could be achieved as a result.

This section of the report explains how to initiate an artificial intelligence (AI) project by setting clear, measurable goals that tie into the strategic goals of the wider enterprise.

Setting targets for data and AI projects

The ability to deliver and clearly evidence the returns from a new technology investment such as AI is fundamental. Therefore, it is imperative for projects to have clear goals and targets from the outset. When implementing AI, goals might include increasing personalization, boosting customer service response times, or refining product recommendations. All must be quantified and tied into the wider organizational strategy as clear objectives allow leaders to measure the impact of their work more accurately at a later point in the project lifecycle.

"Your goals and objectives should be tied to corporate strategy and that strategy can be broken down into measurable KPIs," says Jon Rastia, global director of innovation at Argano. To measure progress, practitioners should track leading indicators where possible. To validate progress, they must establish the current state of their approach, then track the rate or trend of attainment.

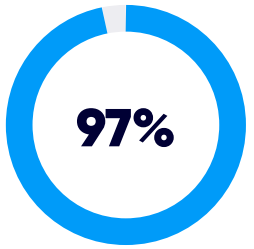
The most suitable metrics will change on a case-by-case basis and, in addition to being relevant to the wider organization, they must relate to the specific situation the organization is in. Rastia advises using a balanced scorecard approach that calls on metrics across four general categories:

1. **Financial:** Lagging measures that track financial values like cost, revenue and profitability.
2. **Customer:** Measures that can be leading or lagging and focus on how the organization is perceived by its customers.
3. **Internal measures:** Focus on measures that look at productivity, risk and compliance.
4. **Organizational capacity:** These metrics focus on employees, infrastructure, technology and culture.

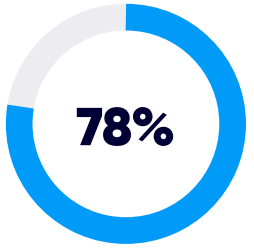
However, there are five common obstacles that can still arise (see Figure 2). "Choosing the right KPIs is a critical step in generating meaningful insights and reports," says Rastia. "Useful metrics are those that provide actionable insights into an organization's performance, help identify current challenges and opportunities, and align with the organization's culture and strategic goals."

Figure 1

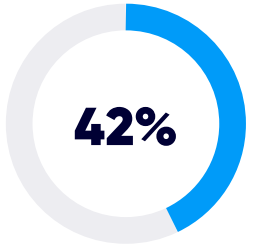
Data and analytics at a glance



use data and analytics in their work



report use of data and analytics is having a positive impact on customer loyalty



say data and analytics is the trend having the most influence

Source: *CX Network, Global State of CX survey, January-March 2024*

On how to align CX-related goals with those of the wider business, senior CX executive and retail expert Dominik Olejko, says it all starts with governance and the allocation of responsibility. Once teams and stakeholders are aligned on this – and united in a common goal – they can drive the attainment of wider targets.

Drawing on his experience with H&M, IKEA and Decathlon, Olejko says: "No one person is responsible for CX; everybody is a customer experience manager if you want to be customer centric. You need to clarify what the customer experience means for the organization and what the benefits of CX are."

As outlined, AI-powered experience features for customers may aim to improve engagement through personalization, or response times through automation. To be successful in this, the organization must have the data it holds in order, and this requires CX teams to possess specific data-management skills. However, *CX Network*'s research found that fewer than half of organizations trained their teams on data management in 2023.

The next section of this report explores the challenges this poses and looks at how practitioners can ensure data quality, regulatory compliance and security before rolling out AI.

Figure 2

Five common obstacles and how to avoid them

How to avoid the five most common obstacles when setting targets for a project and measuring progress

Obstacle	Solution
✗ Measures are predominantly financial in nature	✓ Adopt a balanced scorecard approach
✗ Too many lagging measures	✓ Integrate some leading metrics
✗ Too many measures in total, causing risk of analysis paralysis	✓ Prioritize and narrow the focus
✗ Teams struggle with adoption of measures-based decision making	✓ Tackle through training, leadership and change management
✗ Focus is on capturing current state, not tracking overall trends	✓ Correct next actions can be identified once it is understood if momentum is increasing or decreasing

Preparing data to avoid bias, hallucinations and brand damage

The truth is raw data isn't worth that much. It's in the processing of raw data where the value is both realized and extracted. In most every case, there are 10 fundamental practices to adopt to process and prepare your data (see Figure 3).

Despite the importance of the fundamentals in Figure 3, *CX Network*'s research into the Global State of CX in 2024 found that only 42 percent of survey respondents trained CX teams in data utilization or management in 2023. This signals a potential challenge for a number of organizations; failure to ensure the quality of data can compromise the performance of AI models, resulting in bias, hallucinations and even brand damage.

"Generative AI is a fantastic tool, but it has its cons," says Olejko. To avoid bias, he advises practitioners ensure the data they are working with are diverse, representative and large enough to give an accurate portrayal of a situation. "If the system does not have the relevant information it will come up with an answer that sounds super smart – and for you it might be very relevant – but it might not be true or it might not be representative enough." In short, AI will always generate an answer, but the quality of the data it has used to reach the answer will dictate its accuracy.

Therefore, Olejko says the "biggest winners" when it comes to using AI effectively, are not the organizations with the most data, but the ones that have the strongest organization and data governance policies in place. "When it comes to data organization and utilization, the arrival of AI shows us the winners [and losers] in the market. As they say, when the tide goes out you see who has been swimming naked."

At the simplest level, Olejko says practitioners should maintain clear versioning to help manage updates and ensure data sets are fresh and accurate and Furthermore, all those in CX "need to understand how to talk to AI". He says: "If you do not know what kind of questions should be asked, you can't work with AI properly."

Finally, data sources feeding into AI systems must be audited and updated regularly.

Keeping ahead on compliance and security

Hundreds of regulations and laws exist to protect and limit how customer data are collected, processed and stored by organizations, however, to train an AI model, huge volumes of data are required. Joshua Tye, senior customer operations leader for Cash App, says those who have been smart about data management in the past are now able to minimize the impact of regulations.

"When thinking about data storage, transfer and processing it is important to determine what is important and what data is critical for customer facing and enablement teams. After determining what is critical, a best practice is to then prioritize the data that need to be kept and work across the business to develop data handling practices," he says. "This type of governance model ensures that only significant regulatory changes would materially impact the way the organization handles data."

Tye advises practitioners join forums and other professional networks that can inform them of potential changes on the horizon.

"Practitioners should consistently design their customer strategy and Objectives and Key Results to include intended changes to regulations."

Joshua Tye

Senior customer operations leader for Cash App

Figure 3

10 fundamentals to ensure your CX data is good enough for AI

1 Data collection and integration

Diverse Data Sources: Collect data from multiple sources such as customer feedback, surveys, social media, call centers, emails, and chat logs to get a comprehensive view of customer interactions.
Data Integration: Ensure seamless integration of data from different sources to create a unified dataset. This can be a big effort, but integration tools have advanced greatly over the last few years and the effort is critical for success of any AI model.

2 Data Quality Management

Data Cleaning: Remove duplicates, correct errors, and handle missing values to improve data quality.
Normalization: Standardize data formats and scales to ensure consistency across the dataset.
De-duplication: Ensure that repeated or redundant entries are removed to avoid skewing the model's understanding.

3 Data Enrichment

External Data: Augment internal data with external data sources such as market trends, demographic information, and economic indicators to provide additional context.
Metadata: Add metadata to enrich the dataset, including timestamps, customer profiles, and interaction contexts.

4 Data Annotation and Labeling

Manual Annotation: Use human annotators to label data accurately. This is particularly important for training supervised learning models.
Crowdsourcing: Utilize crowdsourcing platforms for large-scale data labeling.
Automated Tools: Leverage automated labeling tools where applicable, but always review and correct labels to ensure accuracy.

5 Data Governance

Policies and Standards: Implement data governance policies to ensure data quality, privacy, and compliance with regulations (e.g., GDPR, CCPA).
Access Control: Restrict data access to authorized personnel to maintain data integrity and security.
Regular Audits: Conduct regular data quality audits to identify and rectify any issues.

6 Bias Mitigation

Bias Detection: Analyze datasets for potential biases and ensure diversity in training data to avoid skewed model outcomes.
Fair Representation: Ensure data represents all customer segments fairly to prevent biased predictions.

7 Validation and Testing

Holdout Data: Set aside a portion of the dataset as "holdout" or "validation data" to test the model's performance.
Cross-Validation: Use cross-validation techniques to ensure the model generalizes well to unseen data.

8 Continuous Monitoring and Improvement

Data Drift Monitoring: Continuously monitor the data for changes over time (data drift) and update the training data and models accordingly.
Feedback Loops: Implement feedback loops to incorporate new data and insights, ensuring the model evolves with changing customer behaviors and preferences.

9 collaboration with Data Scientists

Interdisciplinary Teams: Work closely with data scientists, engineers, and domain experts to ensure the data is relevant and accurately prepared.
Training and Workshops: Conduct training sessions and workshops to improve the understanding of data quality requirements among all stakeholders.

10 Leveraging Advanced Tools and Technologies

Data Quality Tools: Utilize advanced data quality tools and platforms that offer capabilities such as automated data cleaning, anomaly detection, and data profiling.
AI and ML for Data Quality: Use AI and machine learning techniques to detect and correct data quality issues automatically.

"Other best practices include engaging in peer discussions on the regulatory landscape, visiting conferences where discussions on regulatory changes are a key topic, or developing relationships with regulatory bodies specific to your type of company. Practitioners should consistently design their customer strategy and Objectives and Key Results to include intended changes to regulations," Tye says.

Overcoming customer concerns about data and AI in CX

Delivering on data quality, security and compliance can help keep regulators happy. However, to maintain customer trust, businesses must go above and beyond these basic requirements and commit to ethical data use and AI development.

Since the arrival of generative AI, consumers in all markets have become more aware of how AI models are trained, how data powers them and the security and ethical risks such data collection and utilization can pose. When *CX Network* asked its members to select the three customer behaviors that are influencing their roles at present, awareness of how AI works and uses customer data emerged as the third most selected response. Furthermore, 65 percent of survey respondents either agreed or strongly agreed that customers are concerned about ethical AI use and the future development of AI for CX.

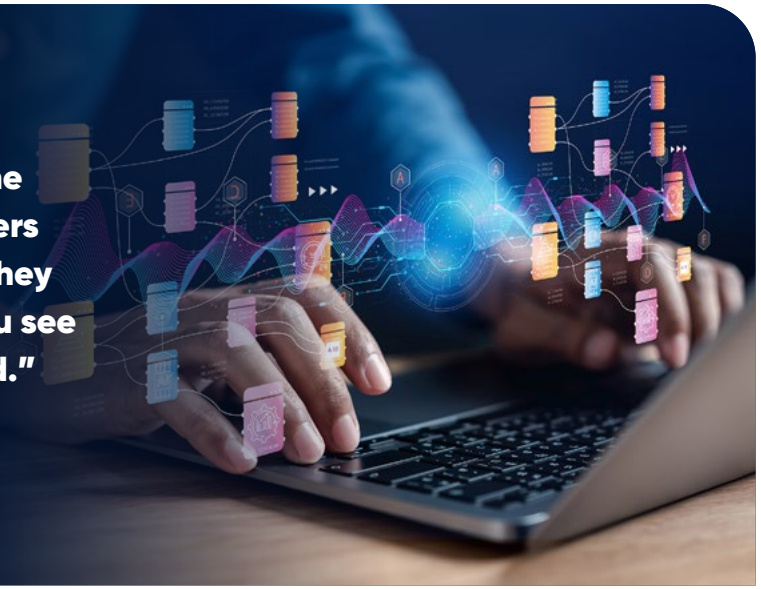
When data quality is not ensured, the mistakes that arise can quickly erode customer trust. Adam Nowak, the global CRM and loyalty director for Electrolux, says: "Transparency, ethical principles, security measures and regulatory compliance are just hygiene factors when it comes to building real trust with customers about using their data, especially with AI involved. To truly build trust, organizations need to clearly demonstrate how providing data will tangibly solve problems and create value for the customers themselves."

The key to this, Nowak says, is to communicate the value exchange on offer. Practitioners should educate customers on specific use cases that clearly demonstrate to the customer how their data, paired with AI capabilities, can enhance their experience, for example through more convenience, personalized recommendations or new and valuable features. "When customers can clearly see what is in it for them, they are more likely to feel the value exchange is worthwhile and opt-in to data sharing," he adds.

The next section of this report features real-world examples of how AI can be used to improve processes and experiences, and explains how to compare initial targets with results, to measure success.

"When it comes to data organization and utilization, the arrival of AI shows us the winners [and losers] in the market. As they say, when the tide goes out you see who has been swimming naked."

Dominik Olejko
Senior CX executive and retail expert



Designing real-world experiences powered by data and AI

With objectives set, quality safeguarded and regulatory compliance taken care of, it's time to design experiences that keep customers returning. As outlined in this report, AI can enhance multiple steps on any customer journey – and the AI tools in question do not necessarily have to be customer-facing.

One US-based manufacturer of mattresses and sleep products partnered with Argano to improve its marketing analytics through AI. By combining and analyzing various data points, the manufacturer wanted to measure the effectiveness of its advertising spend and target customers more effectively.

To do this, it leveraged Microsoft Fabric – an AI-powered data platform that helps users access, manage and act on data – to ingest information on marketing spend and retail traffic into a data lake. The traffic data was used to calculate foot traffic, while the marketing spend data was used to analyze the effectiveness of advertising, which in turn influenced foot traffic.

A user-friendly data model was developed across its systems (with Dynamics 365 Customer Insights as the primary data source). Power BI was used to build reports to visualize that data and create more direct connections for retailers between "back-end" business intelligence and front-end marketing. These reports provided a valuable tool to analysts for conversations with retailers, helping to drive business and improve the effectiveness of advertising spend.

> **"Before introducing any new technology or embarking on a digital transformation, businesses should align internally on three questions"**
>
> **Olga Potaptseva CCXP, CCX**
> **Founder of CXpanda**

Other organizations use AI to enhance processes for employees, which can also improve the customer experience. For example, swimming pool heat pump manufacturer AquaCal, a Team Horner Group company, addressed its service, scheduling and case management challenges with Microsoft Dynamics 365 Field Service and Dynamics 365 Customer Service.

It then paired these platforms with Power Platform Virtual Agents – an AI-fueled Microsoft low-code tool now known as Copilot Studio – to improve its warranty process by helping agents more quickly access the information and documentation required to create and manage warranties; a substantial revenue driver. Prior to implementation of the new warranty management solution and workflows, training alone would take up to two weeks, but it can now be completed within two days.

Measuring success

As explained in section one, AI projects require clear goals and targets from the outset to direct team efforts and resources, and support how the progress, impact and results of a project are measured.

Explaining how to measure the impact of a personalization roll out, Rastia advises using a mix of quantitative and qualitative metrics. "The trick is to gain a comprehensive understanding of customer sentiment regarding data-driven experiences as this will enable you to refine and improve their personalization strategies effectively," he says.

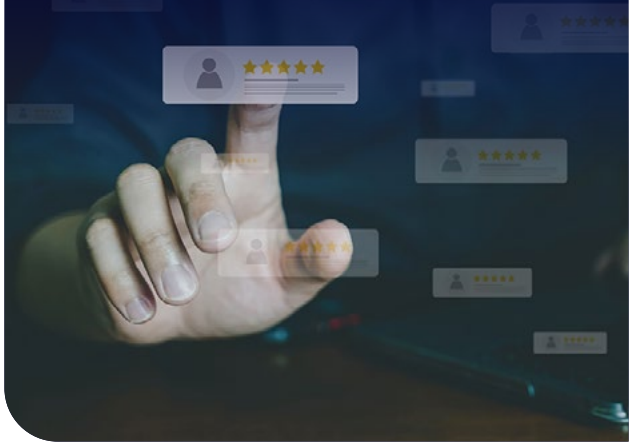
Quantitative metrics include net promoter score (NPS), customer satisfaction (CSAT), customer effort scores (CES), conversion and churn rates alongside engagement metrics, such as click-through rates, time on site (for ecommerce) and interaction frequency. Qualitative metrics on the other hand, include customer feedback, sentiment analysis, focus groups and usability testing. The key is being able to capture, process, disseminate and act on the data that drives both quantitative and qualitative success metrics.

According to *CX Network's* own research, as many as 52 percent of practitioners expect their spending on insights, data and analytics to increase this year and when we asked practitioners to share their top three CX investment priorities, all the top responses related to AI. The most selected response was automation (41 percent), followed by insights and data analytics (34 percent) and conversational AI and virtual assistants (29 percent).

Olga Potaptseva CCXP, CCX, founder of CXpanda, says: "Before introducing any new technology or embarking on a digital transformation, businesses should align internally on three questions: why they need the technology, who it is for, and what results they expect to achieve. This approach would greatly help with stakeholder management, customer value delivery, and employee engagement."

"The trick is to gain a comprehensive understanding of customer sentiment regarding data-driven experiences as this will enable you to refine and improve their personalization strategies effectively."

Jon Rastia
Global director of innovation, Argano



Conclusion: AI success is based on quality data

While AI continues to grab the headlines, *CX Network*'s research into the Global State of CX found data and analytics to be the practitioner's most influential CX trend for 2024, as well as their top investment area: 52 percent of practitioners expect their spending on insights, data and analytics to increase this year.

However, a successful AI deployment is not dictated by the amount of money that is being invested, but the quality of the data powering it.

As outlined by Olejko and Tye, when it comes to AI the "biggest winners" are the organizations that have a culture of smart data management and therefore also have the agility to realize the opportunities that lie in their data. However, that does not mean the benefits of data and AI are out of reach for less advanced organizations.

By ensuring data are accurate, relevant, only collected where necessary, and stored and utilized in line with all relevant regulations, any organization can begin to transform experiences and drive quantifiable bottom-line benefits in line with wider strategic goals.

"By diligently monitoring data quality and regulatory compliance, and regularly updating the data they hold, businesses can effectively leverage customer data to drive AI innovations and significantly enhance CX," Rastia says.

However, there is a potential skills gap emerging in CX which could jeopardize the ability for organizations to achieve peak performance from AI models: less than half of Global State survey respondents trained their CX teams in data utilization or management in 2023. Data management is not the only skill required; the ability to prompt AI models is also paramount to the success of AI projects.

For the CX professional, however, the road ahead is clear. They must create new processes to ensure all relevant data are captured, processed, stored and delivered in a manner that supports the use of AI; they must align CX project outcomes with wider organizational strategy; and they must ensure teams have the skills necessary to handle data and prompt AI.

With these basics in place, and carefully selected KPIs guiding the way, any organization can benefit from data that is "AI-ready" and from AI applications that are customer-friendly. A win for the organization and its customers alike.

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