How to Transform Your CX Strategy with AI

In this e-guide

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Whoa! By 2021, 15% of all customer service interactions will be handled by AI – that's 400% higher than in 2017, according to Gartner.

AI in customer service enables companies to respond to consumers before the CX breaks down and negatively affects retention.

But implementing AI requires a holistic, multipronged strategy that encompasses all departments and customer engagement channels.

In this exclusive guide, gain a stronger understanding of:

- How text analytics, sentiment analysis, speech analytics and natural language processing improve CX
- Popular AI systems (Pega v. Oracle v. Salesforce v. SAP)
- How to nail your AI strategy to avoid expensive mistakes
- And more

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How artificial intelligence in customer service improves CX

Bridget Botelho, Editorial Director, SearchCRM

Consumers have more ways than ever to communicate with the brands they buy -- be it through private chat or in public on social media sites such as Twitter. If a conversation conveys a negative sentiment, it can be detrimental if it's not addressed quickly. Many companies are leaning on early stage AI tools for help.

Companies can use artificial intelligence in customer service to build a brand that's associated with excellent customer experience (CX). This is critically important in an era in which consumers can easily compare product prices on the web, said Gene Alvarez, a Gartner managing VP, during a September 2018 webinar in which analysts discussed ways artificial intelligence in customer service can drive business growth.

"When your price is equal, what's left? Your customer experience," Alvarez said. "If you deliver a poor customer experience, they'll go with the company that delivers a good one.

"This has created a challenge for organizations trying to take on the behemoths who are doing well with customer experience, with the challenge being scale."

AI in customer service enables companies to understand what their customers are doing today and to quickly scale CX strategies in response. Chatbots can be deployed relatively quickly to handle customer requests around the clock, while social listening tools can track customer sentiment online to gain insight, identify potential new customers, and take proactive action to protect and grow brands.

With that, AI technologies including text analytics, sentiment analysis, speech analytics and natural language processing all play an increasingly important role in customer experience management. By 2021, 15% of all customer service interactions will be handled by AI -- that's 400% higher than in 2017, according to Gartner.

AI technologies for customer insights

These AI technologies use customer data to provide valuable insights into emotions, buying behaviors, identities and more to help you take action.

Facial recognition, speech analytics and text analytics

These three tools provide insights into customer senses. They use unstructured data to analyze the sentiment, emotion, tone and context behind customer behavior and predict what customers might do next.

Machine learning

Machine learning algorithms use customer data to create predictive models or identify patterns. They can be used to predict customer buying behaviors, predict churn or create personalized product recommendations.

Deep learning

These algorithms create artificial neural networks inspired by the human brain. Large web-based companies use them to analyze and predict online behavior, improve search, label uploaded images and more.

Natural language generation

This AI tech enables machines to communicate with customers using natural language. Enterprises use NLG platforms to augment customer service.

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Where AI for customer service makes sense

With the current hype around AI, companies may rush into projects without thinking about how artificial intelligence can help execute their vision for customer experience -- if it's appropriate at all, Alvarez said.

"Organizations have to ask the question, 'How will I use AI to build the next component of my vision in terms of execution from a strategy perspective?' [and] not just try AI at scattershot approaches," he said. "Look for moments of truth in the customer experience and say, 'This is a good place to try [AI] because it aligns with our vision and strategy and the type of customer experience we want to deliver.'"

For example, an extraordinary number of companies have deployed chatbots or virtual assistants or are in the process of deploying them. Twenty-five percent of customer service and support operations will integrate bot technology across their engagement channels by 2020, up from less than 2% in 2017, Gartner reported.

But chatbots certainly aren't the right choice for all companies. Customers who shop a luxury brand may expect a higher level of personalized customer service; self-service models and chatbots aren't appropriate for customers who expect their calls to be answered by a person, Alvarez said.

And it's no secret that virtual agents haven't delivered the success companies hoped for with AI in customer service, said Brian Manusama, Gartner research director, in the webinar. All the experimentation with chatbots and virtual agents has, in some cases, hurt the customer experience instead of contributing to it. Companies have a long way to go to learn which technologies to use for the right use cases, he said.

"Companies really getting into [AI for CX] are disproportionally getting rewarded for it while companies that don't do well with it are getting disproportionally punished for it," Manusama said.

Match the product to the CX

The first step in choosing software for artificial intelligence in customer service is to understand that there is no single tool that works for every customer in every scenario, said Whit Andrews, an analyst at Gartner. For example, a customer who buys an inexpensive product may be fine interacting with a chatbot about that purchase, but not other types of purchases, he said.

"You have to identify the people who want to work with a chatbot and be realistic about the fact that if someone says they'd rather work with a chatbot, they might mean that for one situation but not another," Andrews said.

To put a finer point on it, Jessica Ekholm, a Gartner research VP, advised companies to "pick the right battles" with AI tools by examining where the customer pain points are and developing a CX strategy that uses artificial intelligence in customer service strategically.

Next Article

⚑ Cohesive AI in CRM strategies requires a singular 360 view

Anna Fiorentino, Contributor, SearchCRM

AI in CRM today is like mobile in the 1990s and social media channels in the 2000s, according to Jeff Nicholson, vice president of CRM product marketing at Pegasystems: It seems everyone wants a piece of the pie.

"Companies are anxious to deploy AI, so they try a little over here, maybe a little over there, just to keep up," Nicholson said. "Before you know it, you've created another stack of silos across the enterprise."

To succeed with AI in CRM, he explained, organizations need a holistic strategy that ties AI across all departments and customer-facing channels. Using a channel-less approach, companies can avoid a disjointed user experience and very frustrated customers and instead take advantage of the full power of their data.

At the center of an experience platform where the AI brain lives, businesses should react in real time with chatbots, mobile apps, webpages, on the phone or in person at the store, Nicholson said. "This singular AI brain approach," he noted, "allows [companies] to extend predictive intelligence to

all other channels, without having to start from scratch for each new interface that comes along."

Pega is ahead of the curve, he claimed, with the Customer Decision Hub, which serves as the central AI brain across all its CRM applications -- from marketing to sales to customer service. "We've seen our clients leverage it to redefine how they engage with customers to turn their businesses around," he reported, citing two examples: Royal Bank of Scotland raised its Net Promoter Score by 18 points across its 17 million customers, while Sprint overcame industry-high turnover rates and realized a 14% increase in customer retention.

SAP's Leonardo AI and machine learning tool can help companies with their digital transformation and customer engagement strategies. It also helps organizations address key technologies, including machine learning, internet of things, blockchain, big data and analytics. SAP Hybris follows an organic development approach to AI in CRM, using data scientists and development teams across all areas of the business. Find out more about Pega, Oracle, Salesforce and SAP AI systems in the following chart:

⭲ Click image on next page to view full size

Dueling AI systems

PEGA	ORACLE	SALESFORCE	SAP
Single, AI-driven brain lets businesses adapt their brand experience to meet customer needs in real time across the buying journey.	Uses business data to provide sales teams with up-to-the-minute information and key insights into accounts to close deals and optimize sales offers.	Adds an extra intelligence layer that provides predictions and recommendations based on business processes and customer data.	Hybris omnichannel customer engagement and commerce software builds up a contextual understanding of customers in real time.
Provides intelligent guidance to customer service agents. Adds intelligence to digital marketing to analyze response behavior. Predicts likelihood of a sales lead to close and suggests the next best engagement and nurture strategies. Optimizes customer lifetime value.	Provides intelligent guidance for sales reps, next best action recommendations to accelerate execution and relevant talking points to sales reps for their next customer interaction.	Provides analytics to help community members discover the people, content and conversations, as well as product recommendations, personalized sorting and data-driven merchandising insights.	Provides personalized content and real-time product and offers recommendations, as well as individual customer and session profiles. Service requests are processed using machine learning.
Information and data sources don't need to be consolidated and instead may be accessed in real time or batch, whether streaming, static, structured or unstructured.	Combines first-party data and the largest data set of third-party data available— 5 billion global consumer and business IDs, with more than 7.5 trillion data points gathered monthly.	Prioritizes sales leads. Identifies customer sentiment, competitor involvement and overall prospect engagement. Connects to email and calendar. Stays abreast of customers' latest news and mergers and acquisitions.	Provides personalized customer experience and contextual merchandising, service ticket intelligence, customer service bots, sentiment analysis and recommendations.
Accurately predicts customer behaviors. Builds real-time learning models based on customer action. Gives agents the best recommendations. Provides text classification, sentiment analysis and intent detection. Defines and deploys complex decision arbitration strategies.	Helps increase sales rep win rates with data-driven pipeline management and recommendations for the next best sales action. Increases customer engagement by providing sales reps with the most recent and relevant information for their account interactions to build long-term relationships.	Predicts customer engagement and recognizes images to discover new insights. Analyzes touchpoints and discovers the optimal paths to conversion. Identifies and promotes popular content.	Provides predictive services, score building, machine learning, conversational AI, and pre-trained business and functional services, as well as APIs.

AI strategy comes first, then AI tools second

Jesse Scardina, News Writer, SearchCRM

For all the talk and focus on technological innovations that have disrupted and changed business processes, what has really changed the most during the technology revolution of the last 20 years is the customer.

Customers enter the buying process equipped with more information and perspective than ever before. From a bygone era of personal experiences and finite wells of word-of-mouth reviews, customers are now engaged with millions of other customer experiences through social media and online reviews, as well as unlimited resources, when making product or service comparisons. This paradigm shift has left marketers, sellers and service teams playing catch-up to develop strategies combined with technology to better equip themselves and capitalize on the customer's experience.

Companies and brands hope that infusing a CRM AI strategy within their business will help balance the scales when interacting with customers. No business wants to enter a negotiation knowing less than its counterpart. And based on the marketing churn of most software companies, it's easy to

assume that many businesses have already implemented AI into their marketing and sales processes, and those that haven't will be left in the dust.

"If the AI-driven environment can learn enough and be trained correctly, it can deliver better customers that are more relevant and timely and on the right device and right promotion," Forrester Research principal analyst Joe Stanhope said. But AI in customer experience comes with a caveat. "It will play out as a multiyear process, and it's not necessarily a technology problem," Stanhope warned. "It's more of a change of management and a cultural issue."

Delivering on customer expectations

The importance of implementing an AI strategy into the customer experience isn't lost on business executives. According to Bluewolf's latest "State of Salesforce" annual report, 63% of C-level executives are counting on AI to improve the customer experience. A 2017 IBM study also indicated that 26% of respondents expect AI to have a significant impact on customer experience today, while 47% expect the impact to be within the next two or three years.

Chief marketing officers set sights on CRM AI

In the next two to three years, one-third of organizations plan to implement AI technologies, according to a 2017 study conducted by the IBM Institute for Business Value. Yet some organizations surveyed have already implemented AI technologies and intend to license more.

IBM's "Cognitive Catalysts: Reinventing Enterprises and Experiences With Artificial Intelligence" divided chief marketing officers into three groups of respondents: Reinventors are AI-enabled with significant future investment, tacticians are AI-enabled with minimal future investment and aspirationals are planning their first AI-enabled investment.

In the next two years, 63% of reinventors, 48% of tacticians and 70% of aspirationals plan to implement AI technologies to help reinvent the customer experience, demonstrating that an AI implementation needs to start at the executive level and work its way down to the user base.

By then, there should be a substantial increase in use cases for AI customer service -- not just in the product servicing sense, but also in the marketing and sales stages of the customer experience. "Buyers expect something different these days; they come in much more educated," said Dana Hamerschlag, chief product officer at sales consultancy Miller Heiman Group. "The trick and challenge around AI is how do you leverage this

powerful machine to tell you that process, rather than just give you the outcome data."

The significance of gaining an edge on the customer extends to marketing, too, with a CRM AI strategy that can solve prospecting concerns. According to the Bluewolf's annual report, 33% of marketing organizations that are increasing AI capabilities within the next year expect the technology to have the greatest impact on the ability to qualify prospects.

"You need to enter a conversation with a customer understanding their context," Hamerschlag advised. "You need to be informed and, with AI, not only [of] who they are but what they have looked at, what they are reading on my site, what emails they have opened."

Technology based on strategy

The emphasis on customer experience has provided an outlet for AI's potential. Companies are beginning to explore ways that a CRM AI strategy and the subsequent technologies can help improve customer service and experience.

Personalized photo books company Chatbooks Inc. helps customers convert photos on their phone or tablet into physical photo albums. It uses customer service reps to help customers complete the process and started implementing chatbots to streamline the customer service process. "It's important that the customer service team is there when customers need them," said Angel Brockbank, director of customer experience at Chatbooks, based in Provo, Utah.

The initial chatbot established by Chatbooks, created using Helpshift, a San Francisco-based customer service platform, helps customers create an account and input basic information like name and email. Brockbank said the company has an AI strategy in place and will be implementing another chatbot to help direct customer inquiries to the correct chat agent. "We haven't done that yet," she acknowledged, "but it will be helpful and useful for our team."

This blending of product and experience has created an important need for AI technologies, according to Mika Yamamoto, chief digital marketing officer at SAP. "The technology is only as good as the strategy that goes with it," Yamamoto said. "Companies have to understand how they want to show up for their customers and what type of customer engagement or experience they're trying to enable."

One of the impediments to implementing AI is employee adoption, according to a recent Forrester survey. Among CRM professionals, 28% said that one

of the largest challenges to improving CRM last year was gaining user acceptance of new technologies, compared to 20% in 2015, a 40% increase. However, the CRM professionals thought it was easier working with IT to adopt new technologies last year (19%) than it was in 2015 (31%), a near 40% drop.

Still, the increased importance of the customer experience and knowing the customer is the main objective driving an AI strategy and the departmental changes that requires. In the Forrester survey, 64% of CRM professionals said creating a single view of customer data and information is the largest challenge they face when improving CRM capabilities, up from 47% in 2015.
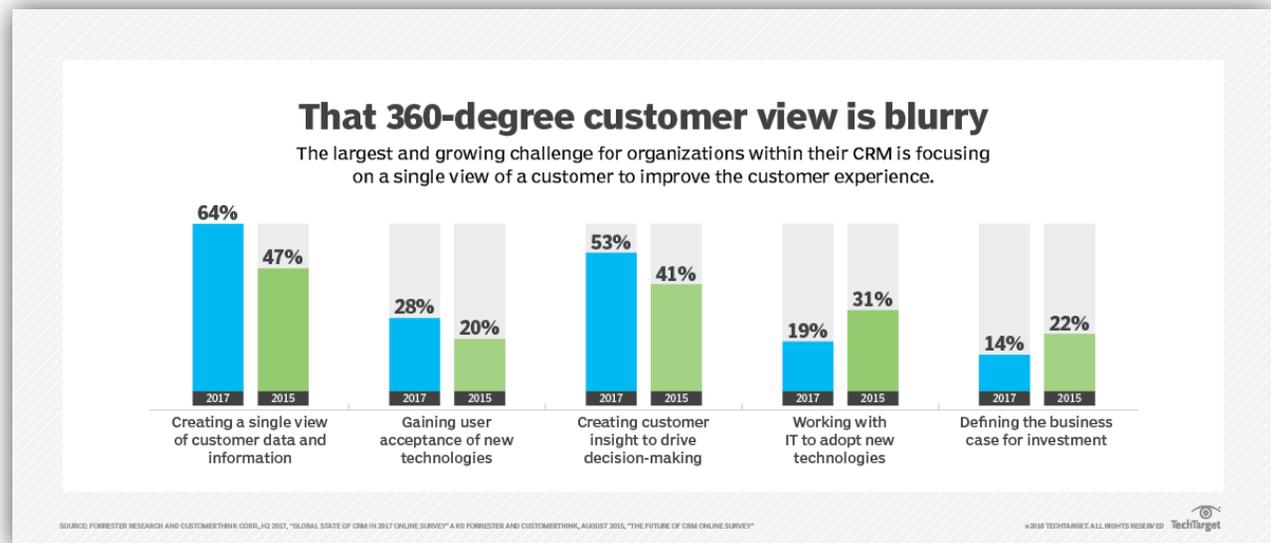
That 360-degree customer view is blurry

The largest and growing challenge for organizations within their CRM is focusing on a single view of a customer to improve the customer experience.

	Creating a single view of customer data and information	Gaining user acceptance of new technologies	Creating customer insight to drive decision-making	Working with IT to adopt new technologies	Defining the business case for investment
2017	64%	28%	53%	19%	14%
2015	47%	20%	41%	31%	22%

"There's an opportunity to drive customer experience with AI that allows for us to personalize that customer experience and create a more consistent experience," Yamamoto said. "I think the experience is now the product; those two are inextricably tied."

Merging art with science

No department is immune to the disruptions caused by the introduction of AI. Customer service and contact centers are already applying use cases; examples in sales and marketing of prospect and predictive lead scoring are becoming table stakes. But while these examples and applications may excite a company looking for that competitive edge, everything still revolves around that CRM AI strategy.

"Traditionally, the sales part of an organization is typically the part that is more art than science," Hamerschlag said, adding that the common struggle her consultancy faces is aligning her clients' sales reps with the technology so they can succeed. "Everyone comes at AI a little bit differently, and the technology is a means to an end. It's secondary," she explained. "You can pour millions of dollars into experimenting with [AI] technology, but unless you have a clear hypothesis around how this behavior drives change in a sales outcome, then all you're doing is experimenting in an expensive way."

That's why a CRM strategy is so important when implementing AI technologies. Unlike other technologies that may have a roadmap to follow, AI has to serve a specific need or else it can become an expensive mistake.

"When used well, AI can help sales teams perform better at every stage of the sales and service cycle," Hamerschlag reasoned. "But forget technology for a minute. There's a strategy around how we engage a buying organization."

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🚩 Microsoft Dynamics 365 updates add AI features to CRM

Rowena Lindsay, Associate Site Editor, SearchCRM

When incorporated into business applications, AI can provide insights into how best to engage potential customers, predict customer needs, answer questions and, ultimately, sell products. Microsoft hopes to enable all that in its latest Dynamics 365 updates for marketing, sales and customer service.

At the Microsoft Business Applications Summit 2018, James Phillips, corporate vice president of the vendor's business applications group, said in a keynote that the Dynamics 365 updates change the platform from something that feels like "a surveillance system" to a business intelligence (BI) tool incorporating AI-driven analytics.

CRM "is not a category of software that people are deeply in love with," Phillips said. "A salesperson sits down and enters their leads and opportunities. It's for someone else, so they can track the forecast, understand the pipeline [and] whether you're doing your job or not."

The granularity of the AI tools Microsoft added with the Dynamics 365 updates will likely be useful for the average end user, said Kate Leggett, analyst at Forrester Research.

"What Microsoft is really excelling at is infusing AI into all their applications to help the business user -- whether it is a marketing or salesperson or customer service agent -- make the right decisions for that particular interaction," Leggett said.

Business-user AI: Microsoft's strength

On the stage at the July 2018 conference, Tammy Mihailidis, vice president of digital customer engagement at Polaris, a maker of power sport vehicles based in Medina, Minn., spoke about how Polaris uses Dynamics 365's marketing, sales and service platforms to give its customers a more personalized shopping experience.

Phillips said Dynamics 365 and its Power BI tools help organizations analyze traffic patterns of email and other communications and marry that information with LinkedIn to help understand where they should focus sales efforts.

"As a salesperson, I have got a tool now that helps me focus my attention, helps guide me to success and isn't simply about keeping track of what I am doing," Phillips said.

Using Polaris as an example, Ryan Darby Martin, a senior product marketing manager at Microsoft, demonstrated how this process would look to both the customer -- in this case, a fictional municipality -- and to the Polaris agents, from within Dynamics 365.

The process with the Dynamics 365 updates includes a chatbot answering questions from a potential customer, predictive lead scoring recommending that sales staff focus on this particular lead, making the sale and welcoming the customer.

"We are actually able to track all of those interactions and calculate the health score of this particular lead," Martin said. "We could see the time that was spent by us, but also the time that was spent by them. For example, I can actually see if they opened [an] email, if they clicked on the attachment, if they viewed the link [and] how many times they were responding to us."

Getting AI into end users' hands the end goal

The integration of the marketing, sales and service platform is an example of what Leggett said makes CRM features more accessible to end users.

"Microsoft is trying to break down the artificial division between the front office and the back office by making the CRM assets available to all users with its integration into Skype and the Office products," she said. "They are making it very easy to consume. It's probably one of the most inexpensive enterprise solutions available."

In addition being a venue for unveiling the Dynamics 365 updates, the conference was an opportunity for Microsoft to announce it would be releasing updates to its suite of products twice a year. Each release will be preceded by release notes that will help IT professionals prepare for the software updates months in advance, according to Microsoft.

"Companies have to be continually innovating," Leggett said. "You are getting new releases twice a year, and when that happens, you need to have change management processes in place to be able to understand the changes, communicate them to the end users and then roll out these new releases to you CRM users."

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