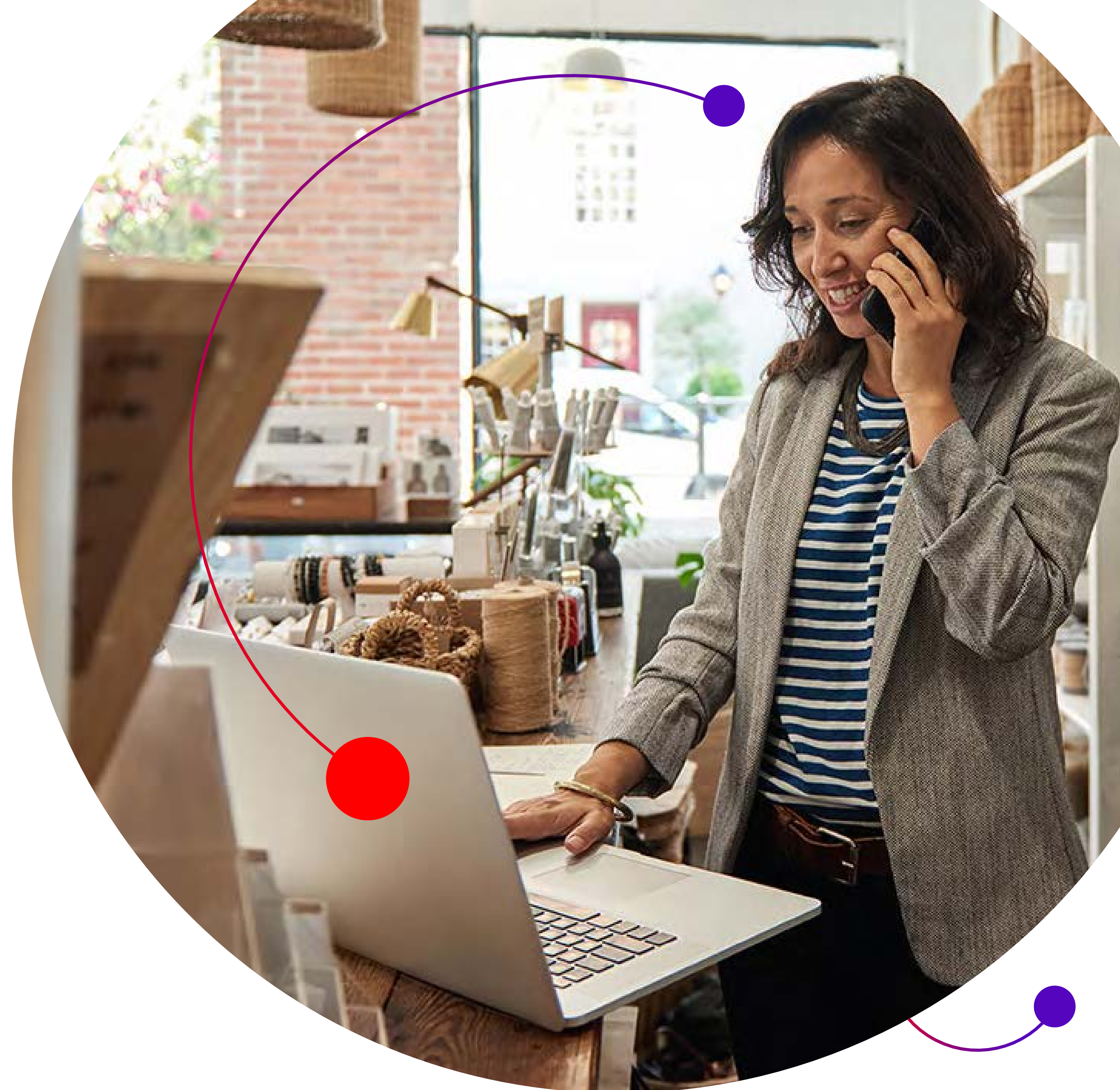


TALKDESK RESEARCH™ REPORT

# The customer experience (CX) revolution in retail

**:talkdesk®**



# Foreword

Ask any retail customer experience (CX) leader and they'll tell you that delivering great CX today has never been harder, yet filled with more opportunity. There is a growing shift towards rethinking how physical and digital retail experiences complement and support one another in a way that enables meaningful personalization wherever customers engage with the brand. The pandemic fundamentally changed how people shop and how retailers are expected to accommodate and respond to customer needs. While retailers have long competed on CX, today's shoppers have grown accustomed to new ways of interacting with brands. With a pivot towards digital sales and remote workforces, employees are tasked with serving the customer in more complex, holistic ways than ever before.

What we're seeing is retail's second wave of digital transformation, where it is no longer enough to provide an online shopping experience alone.

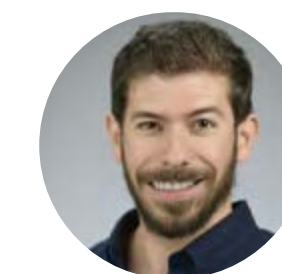
Brick-and-mortar stores are blending omnichannel experiences and becoming hubs for order fulfillment, distribution centers and customer support. Customer service agents are taking up the role of sales associates, helping customers make purchase decisions. Buy-online-pick-up-in-store and curbside delivery has store associates fulfilling online orders while also serving in-store customers. These trends are here to stay.

Retailers are making investments in CX, but still face several key challenges, including disjointed back-end processes, limited or delayed customer intelligence and limitations in their workforce skills and tools. A contact center can be a critical enabler to bridge gaps in processes to deliver more seamless experiences for customers, foster more meaningful customer intelligence and equip agents to more effectively deliver cross-selling and upselling.

As part of this Talkdesk Research report, we examine how retailers are responding to new pressures to elevate CX, the challenges they face in doing so and how they are strategizing to deliver seamless CX and generate profits through the contact center now and in the future.

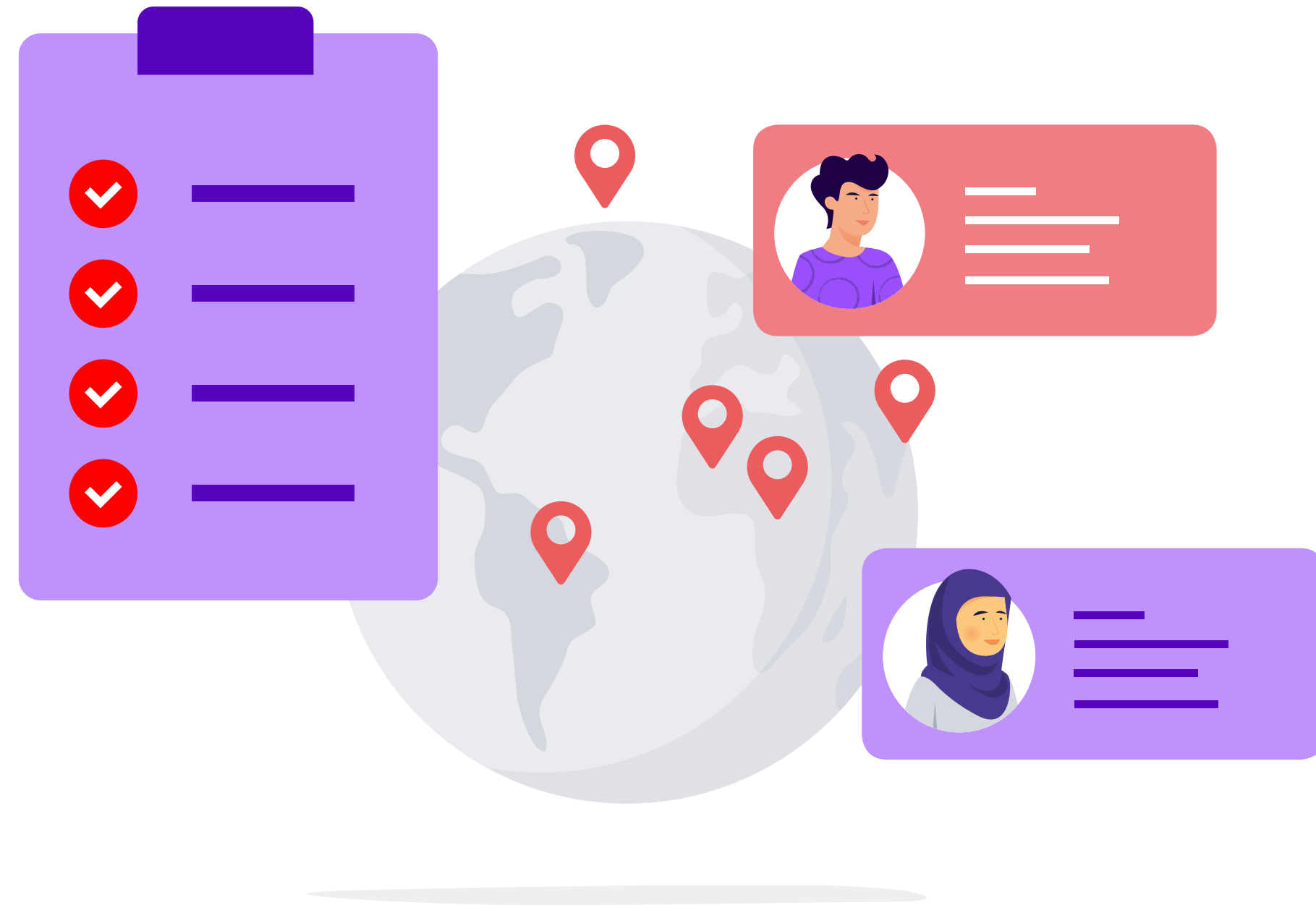
We invite you to explore our findings and hope they spark new ideas and conversations within your organization.

Sincerely,



**ANTONIO GONZALEZ**  
Industry Insights Manager  
Talkdesk

# About this report: methodology



Our quantitative online survey research was conducted in October 2020 among qualified retail professionals and target audiences across 11 different global markets including: US and Canada (North America); Australia, India, New Zealand, and Singapore (Asia-Pacific); France, Germany, Italy, Spain, and the UK (Europe).

- A total of 181 global interviews were collected among CX professionals employed by retailers and ecommerce companies with more than 200 full-time employees.
- CX professionals include leadership and management for customer service, customer experience, CX operations, IT and contact center agents.

- A total of 741 interviews were collected among retail customers aged 18-65 who have interacted with a retailer in the past three months. Results are representative of the online populations aged 18-65 living within each of the surveyed regions.

An additional online survey was conducted in February 2021 among retail customers across the United States, Canada and the UK.

- 515 interviews were collected among retail customers aged 18 and over who have had a customer service interaction with a retailer in the past year. Results are representative of the online population aged 18 and over living within each of the surveyed countries.

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# Executive summary

Customer support and sales are increasingly blurring across channels as a result of evolving customer expectations. Retailers are consequently turning to artificial intelligence (AI)-powered, cloud-based contact center software to become the new hub of customer intelligence, as well as a facilitator of more personalized, in-the-moment, and profitable customer experiences.

Cloud-based contact centers are well-equipped to support this role, as well as the integration of AI into contact center operations, whether for personalized product recommendations or to more efficiently address service needs. They can facilitate improved data collection and analytics, as well as provide agents the tools needed to shift from service to upselling and cross-selling during customer interactions.

Five main themes emerged over the course of our global research.



## 1. Retail's second major transformation is underway

The pandemic has accelerated the blurring of digital and in-store experiences — to the point now where many shoppers no longer differentiate between the two. Customers have grown accustomed to these new ways of shopping and their expectations have only increased, to which retailers are actively responding.

- 58% of customers report their service expectations are higher than a year ago.
- 81% of retailers have increased their investment in CX compared to a year ago.

## 2. Retailers face challenges in transforming CX

Retailers understand the importance of CX and are investing more in CX initiatives, and yet there's still a gap in meeting customers' expectations. Retailers are now scrambling to figure out how to close that gap before their competitors do.

- 49% of customers do not believe retailers can deliver excellent customer experiences in a completely digital way.

- 58% of customers felt their last retail experience was not personalized for them.

## 3. Contact centers are integral to transforming retail CX

Retailers are recognizing that contact centers can be used to take a more proactive and unified approach to customer experience. Yet, many retailers are still grappling with legacy on-premise software that does not offer the scalability, full AI functionality, or work-from-anywhere capability that today's retailers need.

- 19% of retailers use purely cloud-based contact centers today, but 86% who aren't using cloud are considering a transition within two years.
- 31% of retailers report using AI in the contact center today, with +84% projected growth in use in the next two years.

## 4. Delivering better customer intelligence

The contact center is taking center stage as a customer data center. With rich repositories of insights on what customers want and don't want,

as well as reams of product and services feedback, retailers are determined to unlock data from contact centers and make it available to the wider organization to inform the brand's CX strategy.

- 81% of CX professionals say gaining more business intelligence/data and analytics from the contact center to share with the business is important.
- 72% are experiencing an increased demand for customer data analytics.

## 5. Equipping agents to drive profitability in the contact center

With the blurring of physical and digital experiences into one omnichannel customer experience, retailers are recognizing the contact center has a new role to play, as a profit center and are equipping agents with sales skills.

- 72% of CX professionals say positioning the contact center as a profit center is important to their business.
- 64% say that retraining and upskilling existing agents is a top priority.

# I. Retail's second major transformation is underway

Retail's first digital transformation involved implementing e-commerce and new selling channels with aspirations of achieving an omnichannel experience. The disruption and uncertainty of the pandemic has accelerated these digital trends and ushered in a second wave of transformation. Retailers have quickly adapted so shoppers can continue to purchase and do business with them in ways that have blurred digital and in store experiences—to the point now where many shoppers no longer differentiate between the two.

This blurring of interaction channels is expected to continue, with CX professionals anticipating more interactions occurring on virtual channels, such as video chat and voice applications, and fewer in person.



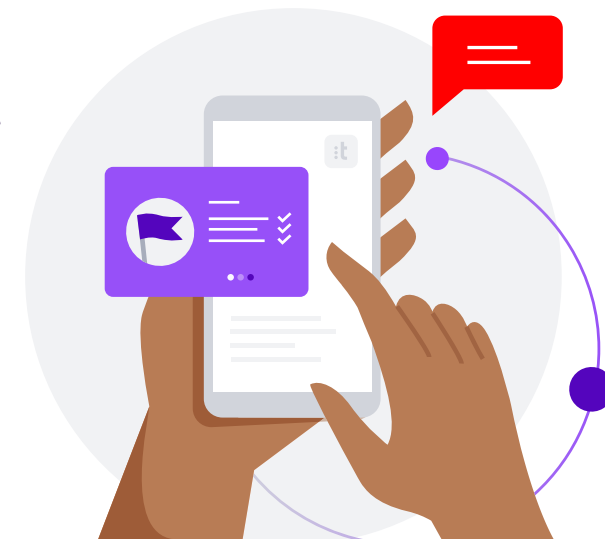
## How customers interact with retailers, today and anticipated in two years

### STORE/BRANCH/ IN-PERSON

▼ Today 49%  
In two years 33%



.....



### AI CHATBOT

▲ Today 31%  
In two years 44%

.....

Channel

.....

### VOICE APPLICATIONS (e.g., Siri)

▲ Today 23%  
In two years 39%



.....



### VIDEO CHAT

▲ Today 24%  
In two years 45%

## Channel preference is fluid

# 72%

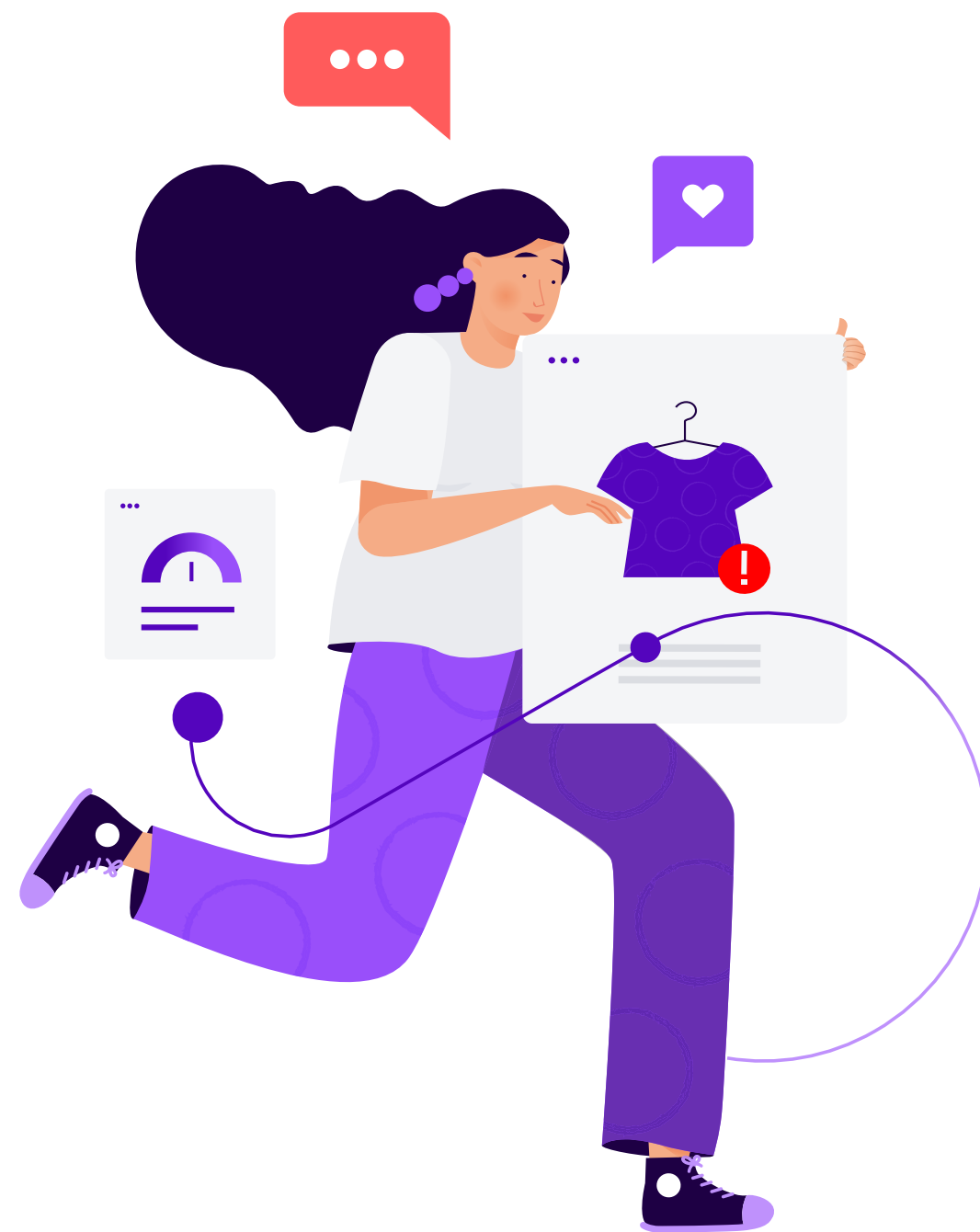
of customers agree that their preferred channel varies by context

These shifting preferences create implications when it comes to staffing and training agents, as well as investments in AI customer service delivery. Because preferences change based on context, having the right capability matched to the right need is imperative.



## Customers expect fast, accurate service

The growing fluidity between digital and in-store experiences has created a scenario where retailers are now expected to quickly and accurately meet the customer's needs in the moment, irrespective of whether that's online, in-person, or combined. Customers have grown accustomed to these new ways of shopping and their expectations in terms of customer service have only increased.



58%

say their expectations of customer service are higher than a year ago

69%

cite the ability to transition from one channel to another while engaging with a service representative as important

78%

are looking to engage with companies on their preferred channels

84%

expect their inquiries or problems to be solved quickly and accurately

## Customer loyalty is at stake

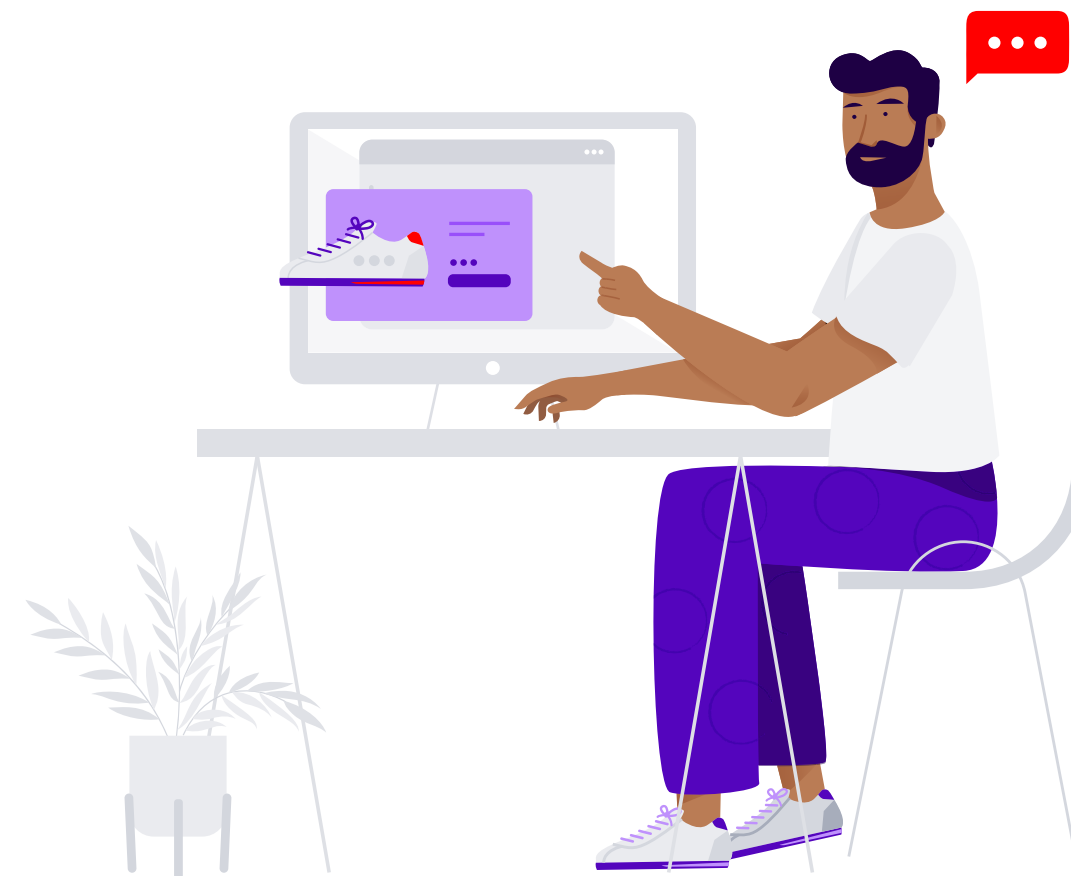
What happens when brands fail to keep up with these heightened expectations? Customer loyalty falters.



of customers agree that a single poor customer service experience will negatively impact their brand loyalty

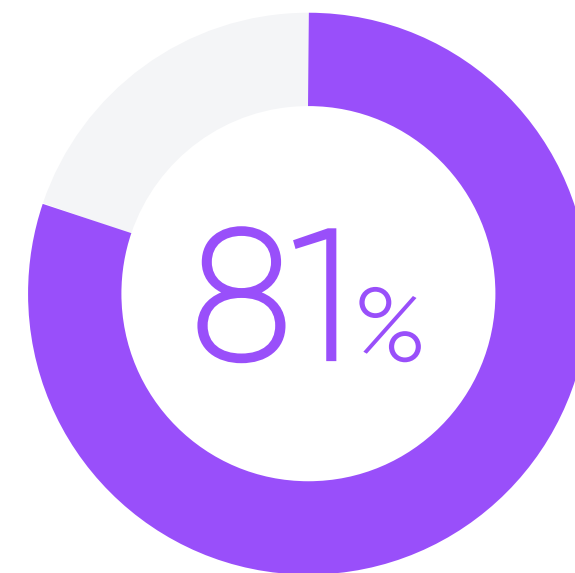
## Retailers recognize CX opportunities

CX does not only present risks, however. There are significant opportunities for relationship expansion when customer experience is done well.

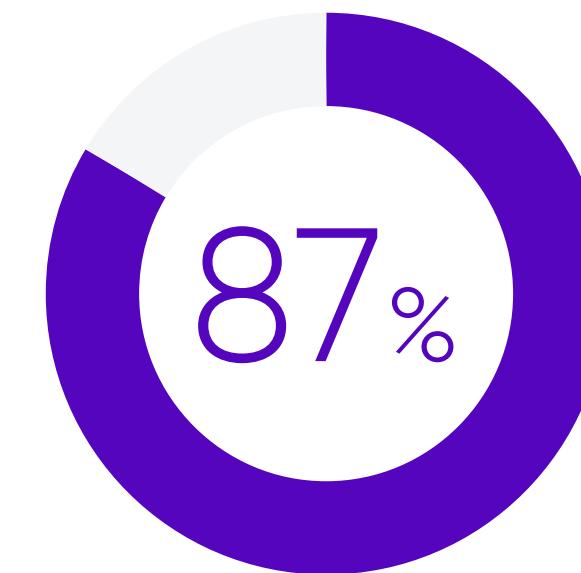


44%

of customers are more likely to re-purchase from that retailer when they have a positive customer service experience



of CX professionals report their company's investment in CX initiatives has increased compared to a year ago, with 83% expecting it to increase again next year



of CX professionals see CX as a leading driver of brand loyalty

Where brands have struggled, however, is in effectively executing on these initiatives in a manner that meets customer expectations.

# II. Retailers face challenges in transforming CX

Retailers understand the importance of CX in meeting rising customer expectations, and are investing more in CX initiatives. Yet, there's still a gap.

## Some skepticism among retail customers

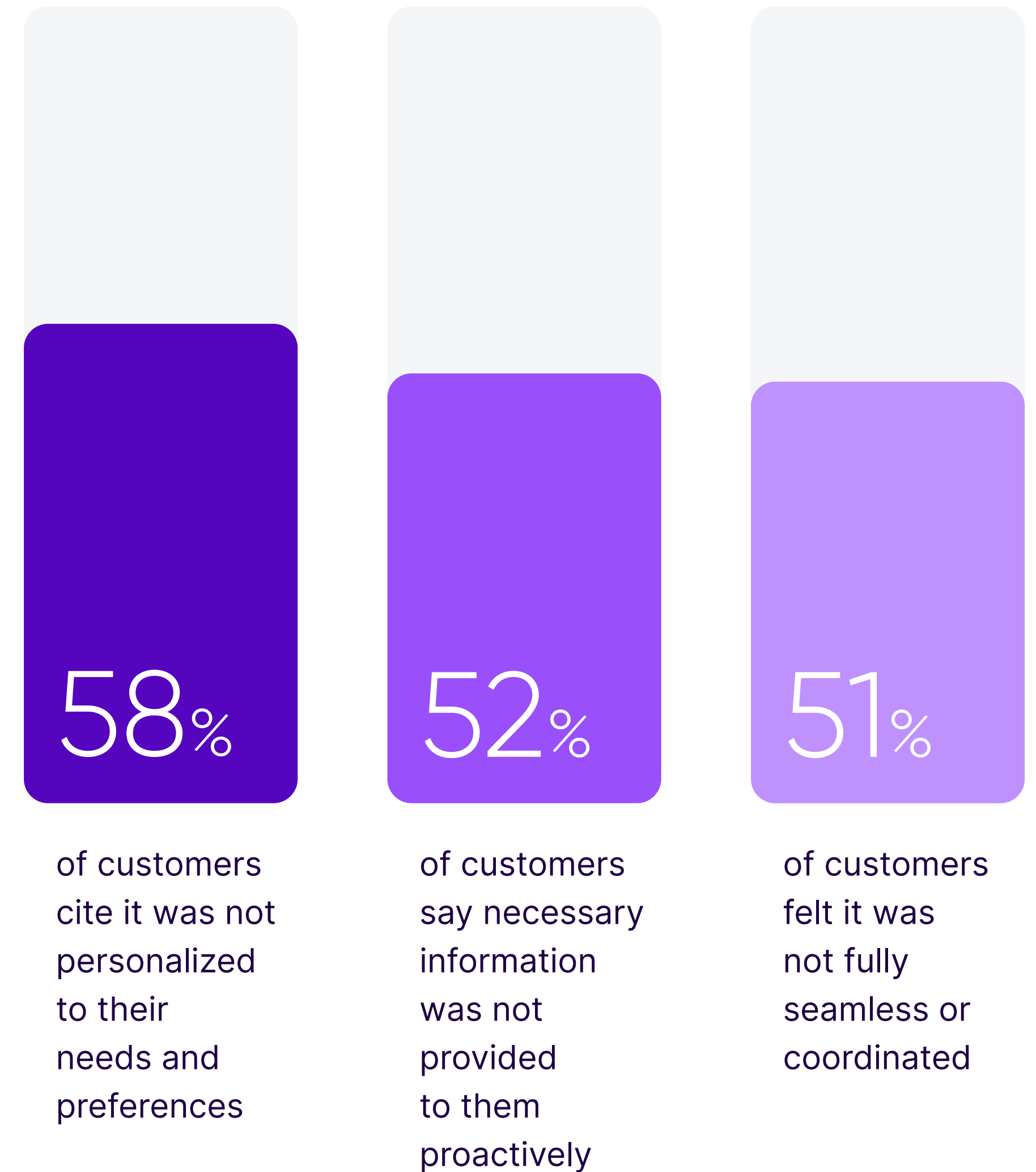
**57%** agree that retailers are committed to delivering the best possible customer service experience

**51%** believe retailers can deliver excellent customer experiences in a completely digital way



There is a strong cohort of non-believers, and some of this is fueled by their last retail service experience.

Based on their last retail service experience...



## Why are retailers struggling to fully digitally transform?

### Disjointed systems and processes

One of the fundamental issues for retailers is that brick and mortar and online retail experiences were often designed separately, making it a struggle to deliver a positive CX across historically disjointed systems.

**“The system that our e-commerce uses and the system our stores use are totally different. The store and online are always like Tom and Jerry. They are best friends but also best of enemies at times. Priorities are different, different personalities, different trains of thought. That’s the challenge—how do you design the omnichannel experience so the customer knows where to go for what?”**

— DIRECTOR OF CUSTOMER EXPERIENCE, GLOBAL FORTUNE 100 RETAILER

**“[Our approach] will shift a lot of [in-person] interactions to be more complex situations that will require a higher level of skill to execute successfully. As we raise the bar on self-service, we also have to raise the bar on full-service.”**

— DIRECTOR OF CUSTOMER EXPERIENCE, MAJOR E-COMMERCE RETAILER

### A workforce not equipped to handle added responsibilities

Retail workforces are not equipped to be doing some of the things they are now expected to do—both in terms of tools and training. Today, they are working across multiple platforms to track and understand their customer issues, contributing to inefficiencies. Moreover, they may not be used to taking a more holistic approach to understanding the customer and their needs.

## Lack of a real-time view of customers

In addition to internal data silos, retailers are challenged by the limitations of distribution partners, whose systems often have a long delay in updates. Furthermore, they must have a 360° view of the customer across the customer journey, and disconnected systems make this nearly impossible to achieve.

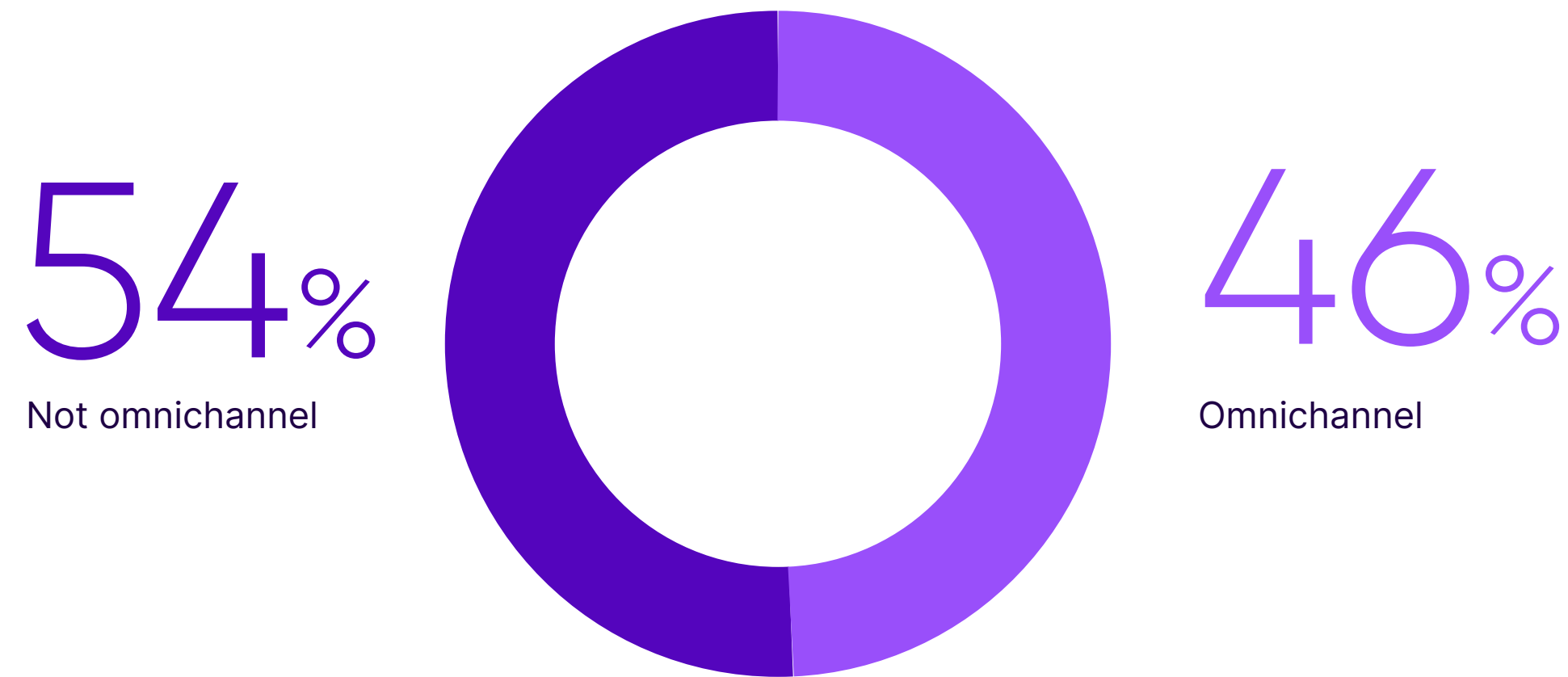
“Right now the average number of screens a contact center agent has to look at is five. If we can bring all of that into a single dashboard for the agents that is really going to help. In addition to a real-time dashboard for customers, we need a real-time dashboard for our agents. We are working on building that, but it’s going to take time. All the big retailers work on legacy applications, which are harder to track.”

— DIRECTOR OF CUSTOMER EXPERIENCE, GLOBAL FORTUNE 100 RETAILER



Every single customer touchpoint and all the backend workflows that support CX have to be working in sync to generate a positive customer experience. Meeting customer expectations will require that brands be truly omnichannel in their ability to service their customers; more than half are not there yet.

### State of omnichannel among retailers today



When a customer reaches out to customer service, it's often because a break in the flow has occurred. Companies may then either save the relationship, or risk losing it. When asked how much influence customer interactions with the contact center have on CX now, and what they expect in two years, CX professionals project a significant increase.

### Contact center influence on CX

75%

of CX professionals say it has an impact today

90%

say it will have an impact two years from now (+20% projected growth)



In their pursuit of creating positive interactions and fostering long-term relationships with customers, retailers are now looking to their contact centers as a new hub of CX.

# III. Contact centers are integral to transforming retail CX

With customer experiences increasingly blended across channels, retailers are turning to cloud contact center platforms for their ability to serve as a single point of contact that ensures a seamless and consistent engagement with customers as they move from video, to chat, to in-person — potentially all in a single interaction.

Retailers are recognizing that contact centers can be used to take a more proactive approach to customer experience, with AI predictive recommendations for next-best-actions and upsell/cross-sell suggestions representing just a few potential opportunities.



Many retailers are still grappling with legacy on-premise software that does not offer the scalability, AI functionality or work-from-anywhere capability that today's retailers need.

62%

of CX professionals agree that legacy contact center technology is limiting their ability to improve customer experience



Moving to the cloud to overcome these limitations is a priority.

86%

of retailers that are not fully cloud-based report that they are likely to transition to the cloud in the next two years

67%

of CX professionals say upgrading their contact center technology is a priority

64%

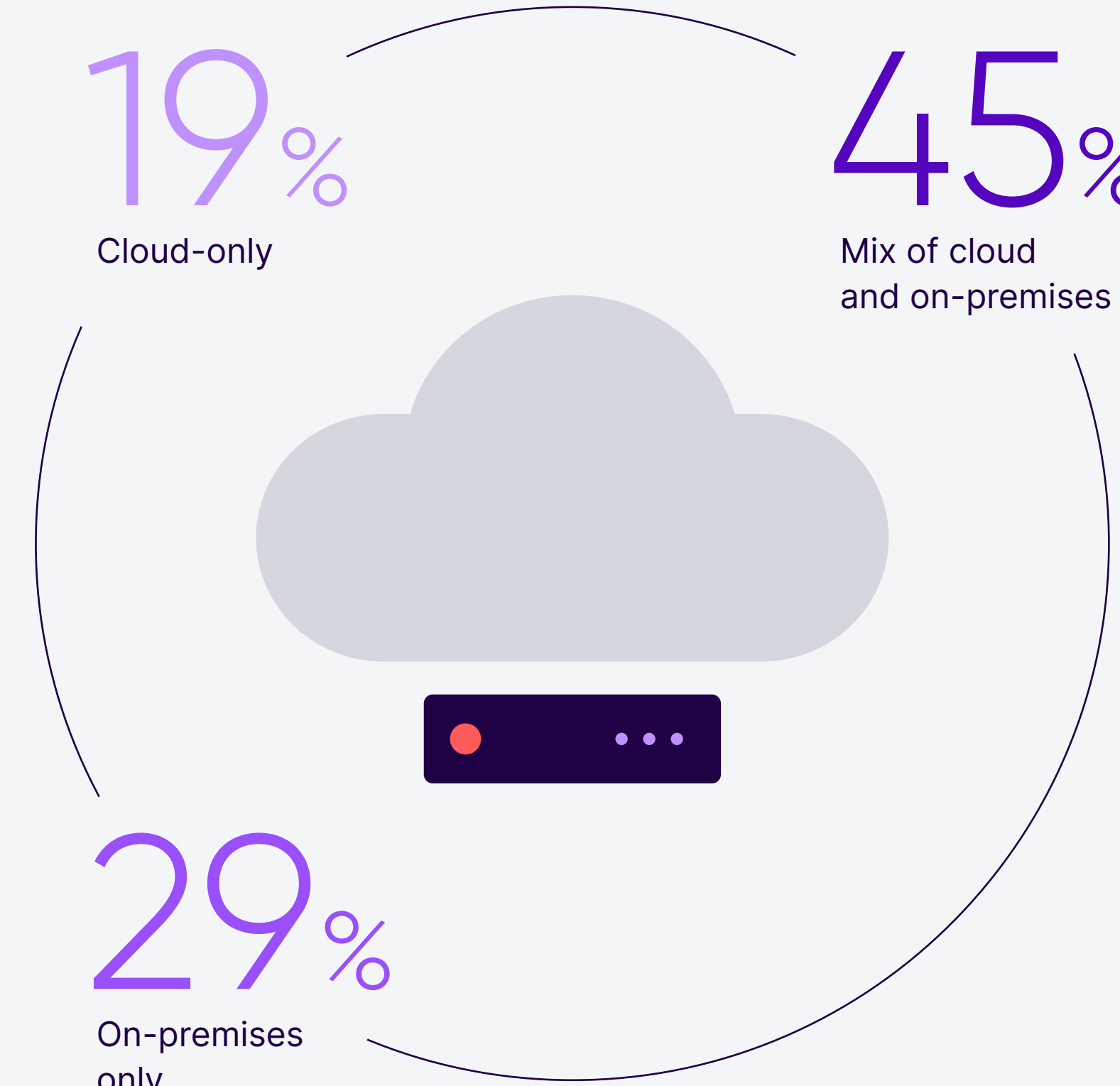
of CX professionals say leading the digital transformation of the contact center is a top strategic priority

## Type of contact center technology used by retailers

19%  
Cloud-only

45%  
Mix of cloud and on-premises

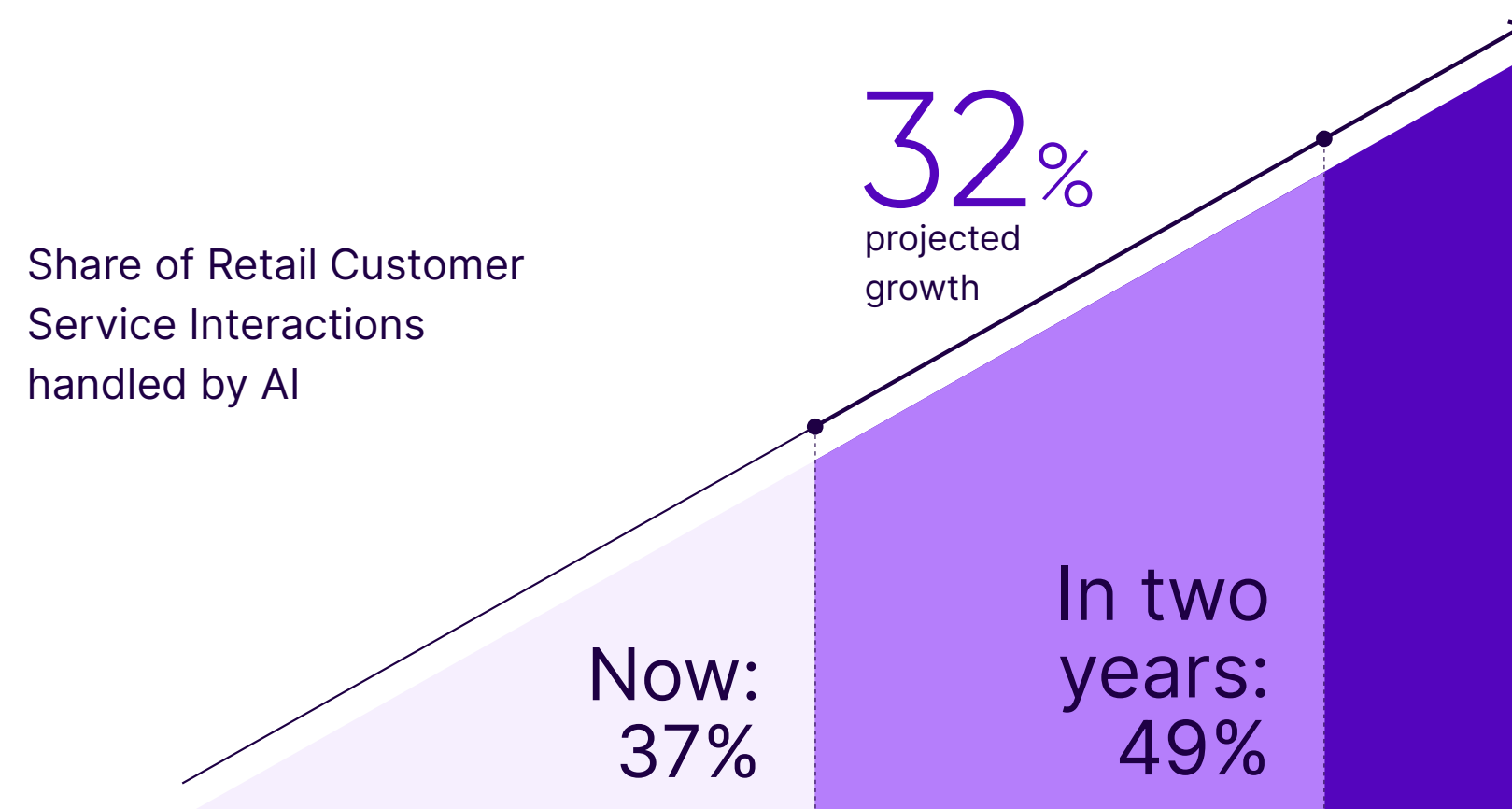
29%  
On-premises only





## AI is integral to contact center transformation

AI will play a key role in contact center transformation. The benefits of this will include minimizing or eliminating low-value or manual tasks, driving greater operational consistency and efficiency and freeing up agents to handle increasingly complex customer interactions that may require a higher degree of empathy. AI is also anticipated to enable retailers to proactively deliver customer service with personalized recommendations and tailored interactions, when and where the customer wants them.



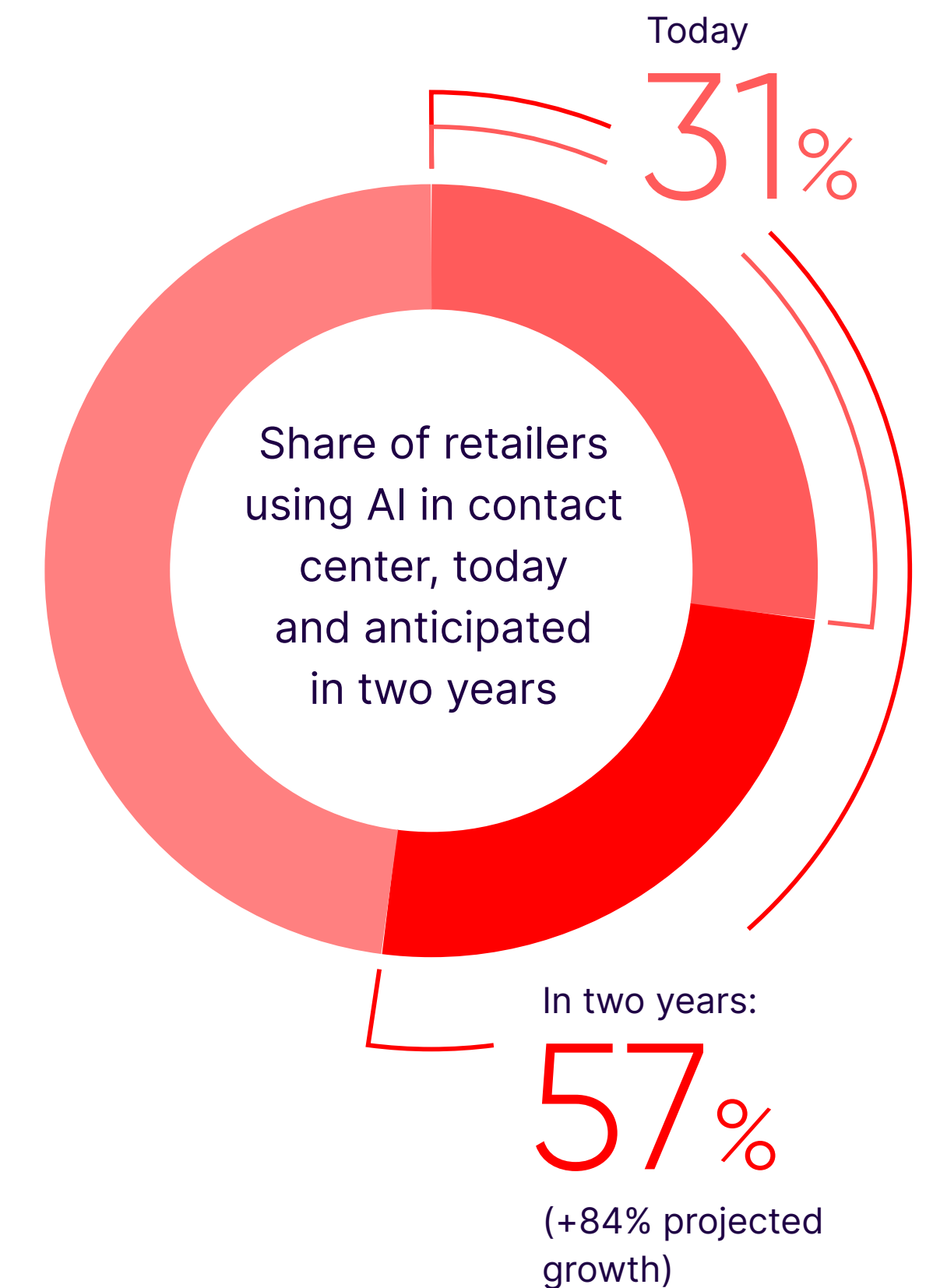
Fortunately, AI has matured to the point where it can now deliver real ROI and value to the contact center.

## AI plays a significant role in fueling CX

As retailers adopt cloud contact centers with AI capabilities, they position themselves to take advantage of an unprecedented depth of customer intelligence. This has the potential to enable them to truly differentiate on customer experience in today's environment. Accordingly, 75% of CX professionals say more AI and automation is important to supporting the rest of the business.

“We want to be able to build that connection with the customer, so that when she is arriving at our digital properties we can recognize who she is, based on her past purchases [and] personal information, so that we are better able to tailor our product recommendations for her. After that, on the back end, I want to make sure we keep all our communication with her timely, accurate, and relevant across that journey.”

— DIRECTOR OF CUSTOMER EXPERIENCE,  
MAJOR E-COMMERCE RETAILER

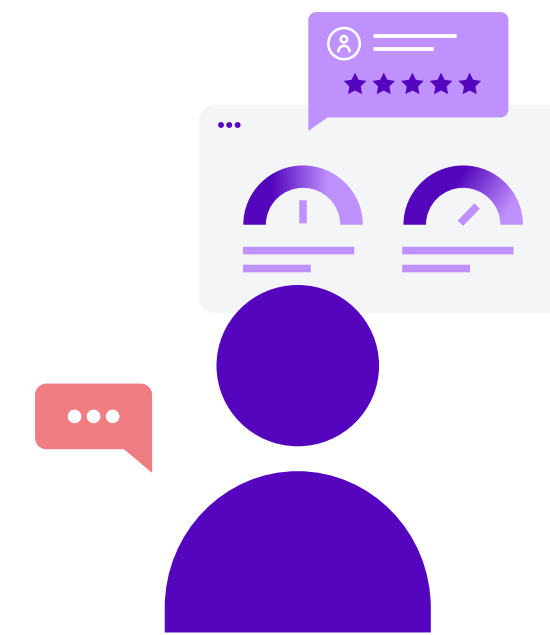


# IV. Delivering better customer intelligence

Retailers do not suffer from a lack of customer data, but instead struggle with the challenge of aggregating data in a manner that delivers meaningful insights. With more applications and systems serving the customer journey, and AI and machine learning often built into modern applications — pulling this data together effectively may be the single most important thing retailers can do to drive better customer experiences.

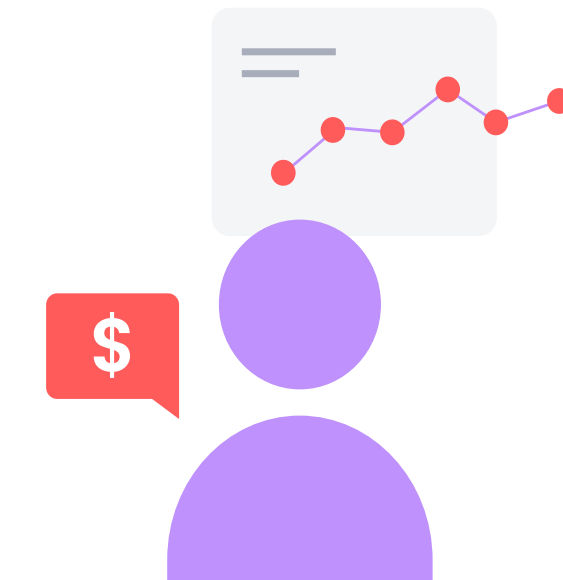
The contact center is taking center stage as a customer data center. With rich repositories of insights on what customers want and don't want, as well as reams of product and services feedback, retailers are determined to unlock data from contact centers and make it available to the wider organization to inform the brand's CX strategy.

Unlocking data and insights is a priority for CX professionals



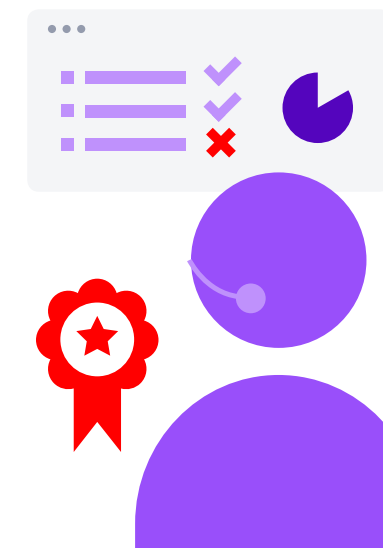
65%

say gaining deeper customer insights to share with the company is a priority



67%

say investing more resources in gathering and using customer data and analytics is a priority



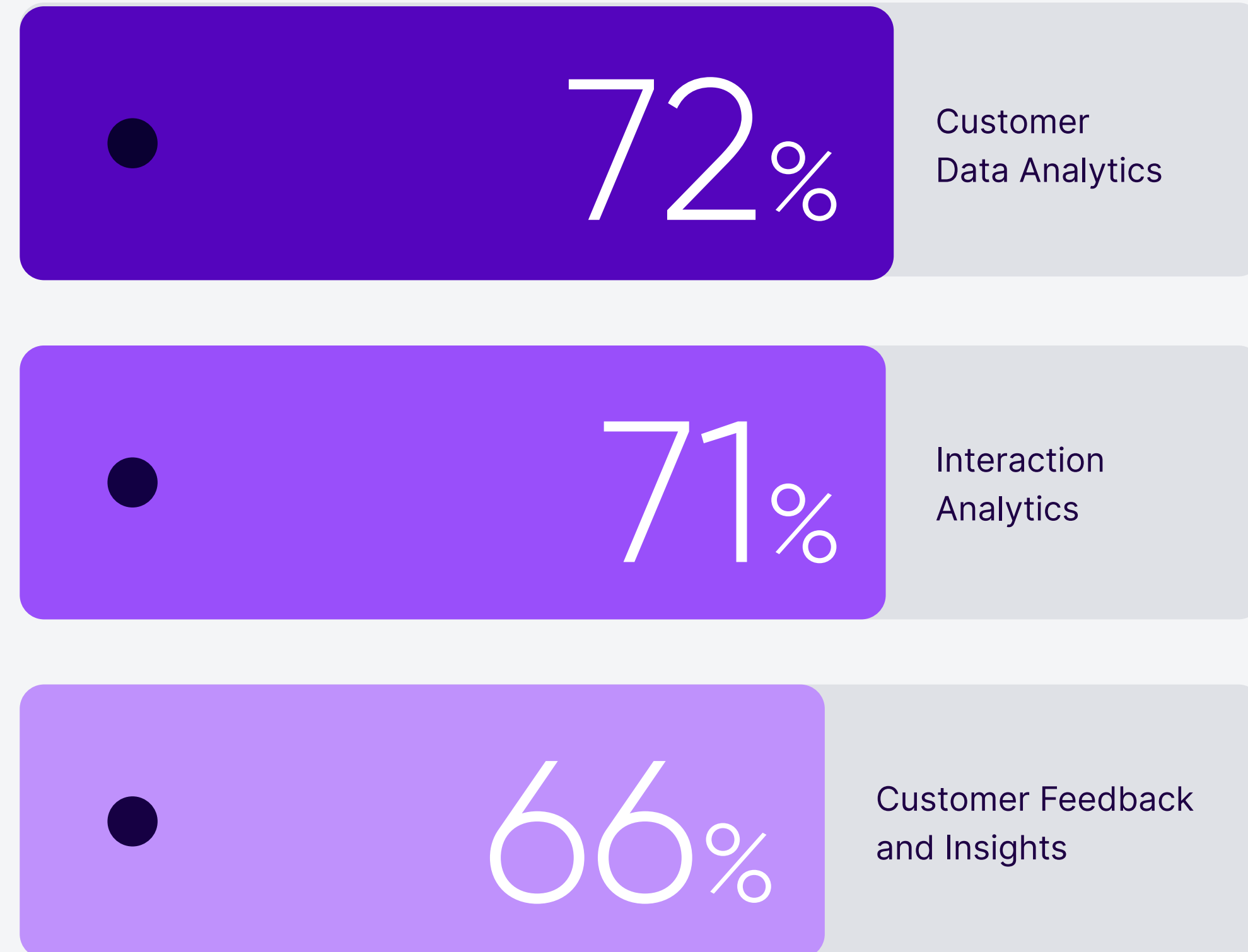
81%

cite gleaning more business intelligence and analytics and sharing it across the enterprise as important to the future success of the contact center

**Beyond gathering data, the ability to effectively analyze data into actionable insights from the contact center is critical.**

## The appetite for contact center intelligence is strong

Share of CX professionals reporting increasing demand for intelligence



Retailers are increasingly exploring opportunities to leverage unstructured data sources as well.



With AI and machine learning natively incorporated, as well as off-the-shelf API integrations to connect all core systems, cloud contact centers pull customer data from every interaction they have with the brand and centralize it in the contact center. Most offer expansive automated reporting features, historical and real-time analytics, performance analytics and some offer predictive analytics for recommendations and proactive engagement.

With so much customer data in one pane of glass, cloud contact centers have the technology and data required to reposition the contact center from a traditional cost center to a profit center.

# V. Equipping agents to drive profitability In the contact center



With so much changing in the retail world, retailers are recognizing the contact center has a new role to play. No longer a cost center or intended to just handle issue resolution, the advent of AI-powered cloud contact center software and the depth of embedded technology has opened up new potential:

- ✓ Contact centers can serve as an engagement layer across the customer journey, becoming the critical hub for all customer data
- ✓ Agents can be retrained to upsell/cross-sell as they gain deep understanding of what the customer wants, needs and would value next
- ✓ AI-powered contact centers can use capabilities like conversational AI to handle routine calls, freeing agents to focus on more complex or sensitive interactions
- ✓ Contact centers can support sales associates with customer insights when they are tasked with handling questions from customers in store
- ✓ Agents can be freed up to conduct outbound support, focused on higher-value initiatives that drive loyalty and revenue

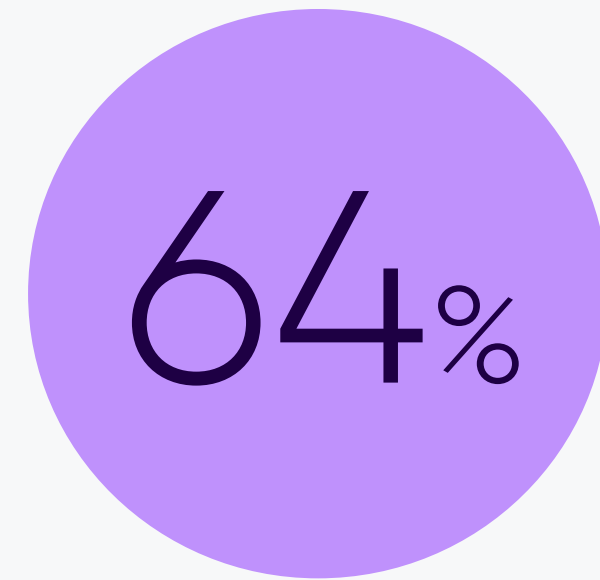
While many factors have culminated to drive this evolution of the contact center, the pandemic helped it gain traction as retailers have had to reimagine the way they do business.



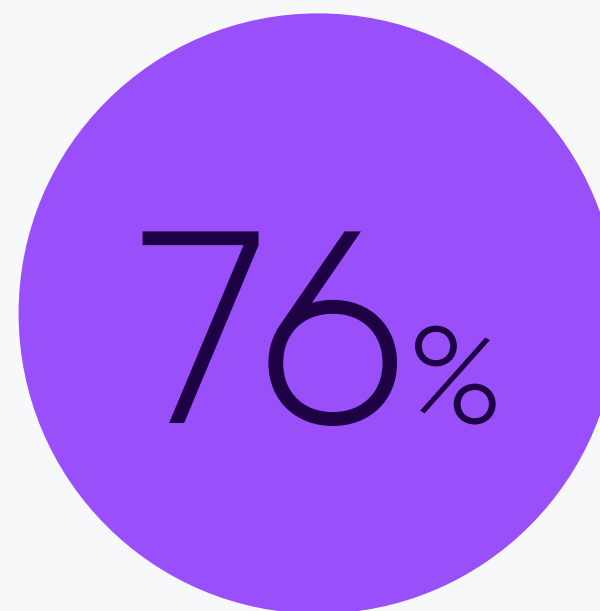
72%

of CX professionals say positioning the contact center as a profit center is important to their business

To do so, contact centers will be required to engage their workforces in new ways to identify development capabilities in agents, determine which agents show potential and acumen for expanded roles, and upskill customer service agents with sales and marketing skills.

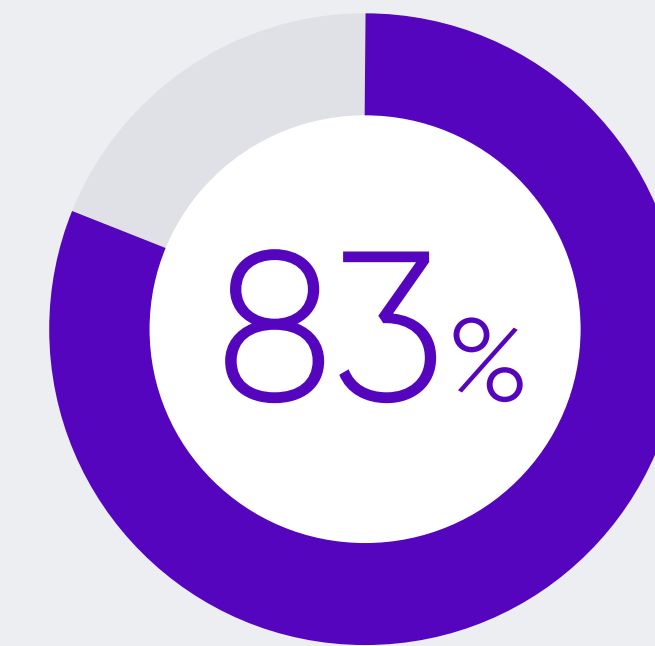


of CX professionals say retraining and upskilling existing contact center talent is a top priority



of CX professionals report that the need to upskill agents with sales skills to increase upselling/ cross-selling is important to the future success of the contact center and the business

Making this change requires a cloud contact center platform and automating key application and data integrations. Retailers recognize that to support this operational shift and to further their CX initiatives in the contact center, they will need the technology and tools to support it.

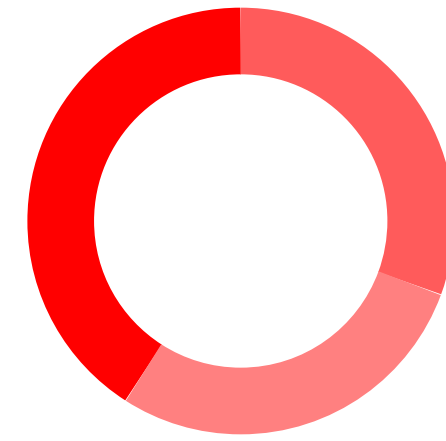


of CX professionals report a need for better technology and tools to support supervisors/ managers

Modern cloud contact centers are positioned to expand beyond issue resolution to become a focal point of intelligent customer engagement that can enable retailers to deliver exceptional customer service that drives loyalty, retention and revenue.

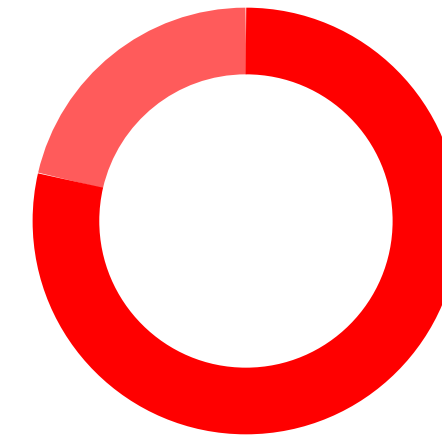
# Survey demographics

## CX professionals



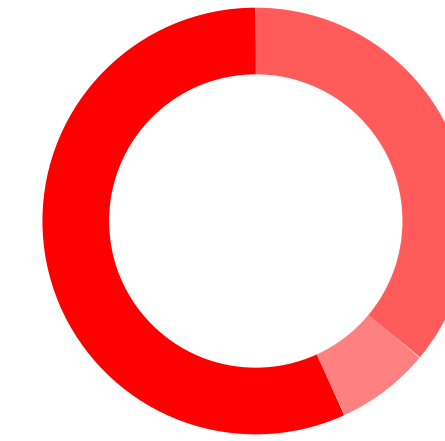
### Region

- Asia-pacific: 32%
- Europe: 34%
- North America: 34%



### Professional role

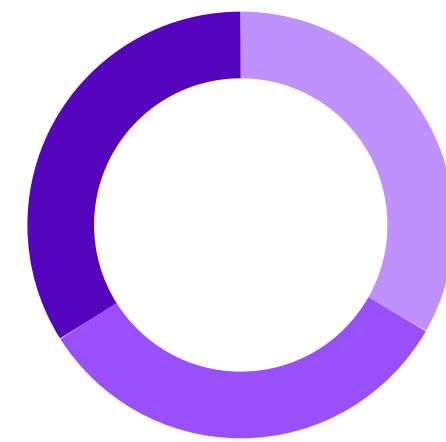
- CX/Customer Service/Contact Center Leadership: 84%
- Contact Center Agent: 16%



### Software for Customer Service/CX

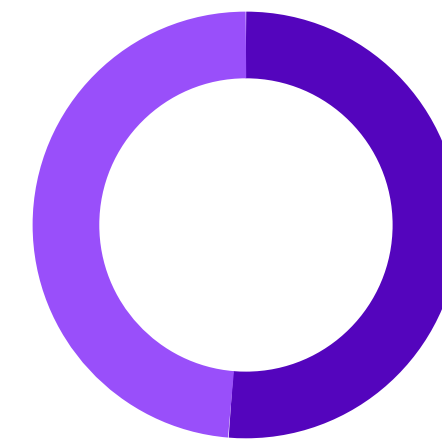
- Decision-maker: 85%
- Influencer: 4%
- Not a decision-maker: 11%

## Customer sample



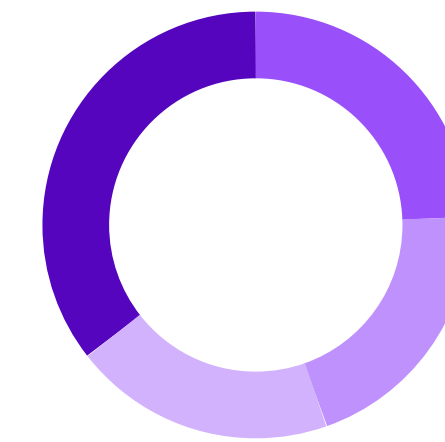
### Region

- Asia-pacific: 37%
- Europe: 30%
- North America: 33%



### Gender

- Male: 49%
- Female: 51%

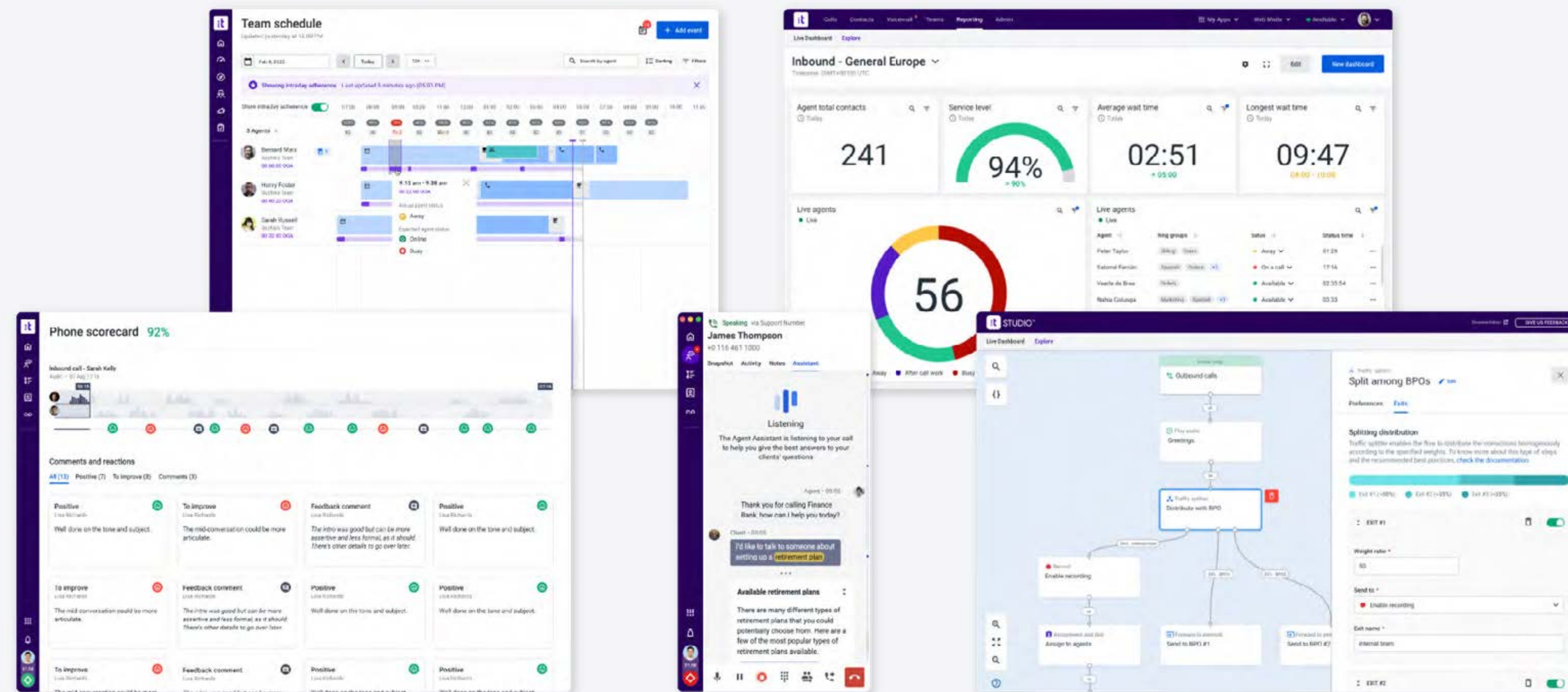


### Age

- 18-29: 23%
- 30-39: 21%
- 40-49: 21%
- 50-65: 35%

Note: Percentages may not sum to 100% due to rounding.

# An end-to-end solution for delivering great customer experiences



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www.talkdesk.com

Talkdesk® is the cloud contact center for innovative enterprises. Combining enterprise performance with consumer simplicity, Talkdesk easily adapts to the evolving needs of support and sales teams and their end-customers, resulting in higher customer satisfaction, productivity and cost savings. Over 1,800 innovative companies around the world, including IBM, Acxiom, 2U, Trivago and YMCA rely on Talkdesk to make customer experience their competitive advantage. Since its inception in 2011, Talkdesk has grown to be one of the most recognizable names in the contact center industry. Talkdesk is a Leader in the 2020 Gartner Magic Quadrant for Contact Center as a Service (CCaaS), a Leader in the 2020 Forrester Wave for CCaaS and named to the 2020 Forbes Cloud 100 list and recently secured \$143 million in Series C funding, increasing the company's valuation to more than \$3 billion. Learn more and request a demo at [www.talkdesk.com](http://www.talkdesk.com).

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