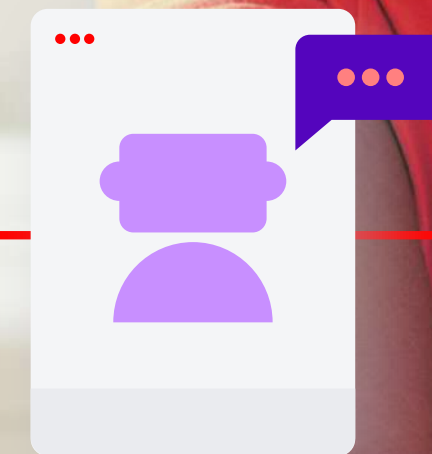
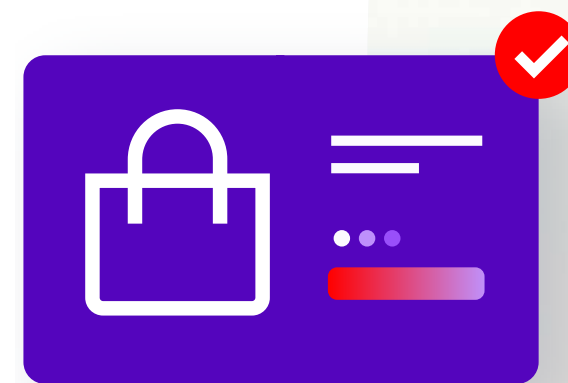


TALKDESK RESEARCH™ REPORT

The future of retail customer service: Interactive and unified



:talkdesk®



Foreword

Consumers today are looking for more value for their money as inflation cuts into their disposable income. Spending habits are under evaluation as consumers reconsider which purchases are important to them. The bar is getting higher for brands to demonstrate why they should remain a part of their customers' lives.

Brands recognize the stakes and they're rising to them. Although they too face tightening belts with growing interest rates and ongoing supply chain challenges, brands are maintaining their commitments to proving their value by serving their customers well. It's no wonder, then, that over half of CX professionals say their investments in customer service software are largely driven by brand perception considerations.

In their efforts to elevate customer service, many forward-thinking brands have transitioned from

helping customers in an efficient, yet seemingly transactional way, to understanding and engaging with each customer as an individual. Increasingly, they are looking to push service experiences further into ongoing interactive engagements that no longer feel like one-off interactions. These interactive and immersive service experiences will be designed to be relatable to consumers' lives and how their shopping with a brand fits within it.

Before the potential for interactive engagement can be realized, brands must address issues that undermine their existing service experiences. A tight job market has exacerbated challenges with attracting and retaining the right customer-facing associates who can provide the "above and beyond" support customers value. Limited integration of systems and channels presents a further challenge by creating disconnects throughout the customer journey.

In this report, we reveal insights from our global research survey that explores brands' evolving ambitions for customer service and the steps leaders can take now to be well-positioned for success going forward. We hope these findings provide inspiration for your customer service strategy and the contact center capabilities that can unlock its full potential.

To a bright future,



ANTONIO GONZALEZ
Senior Manager,
Industries Research and Insights
Talkdesk

About this report: Methodology

Insights in this report are derived primarily from quantitative online survey research conducted in October 2022 among qualified customer experience professionals across 11 different global markets including:

- U.S. and Canada (North America);
- Australia and Singapore (Asia-Pacific);
- France, Germany, Italy, Spain, and the U.K. (Europe);
- Brazil and Mexico (Latin America).

- 303 global responses were collected among CX professionals employed by Retail and eCommerce organizations with more than 200 full-time employees.
- CX professionals include leadership and management for customer service, customer experience, and CX operations, as well as contact center agents.
- The margin of error for this quantitative study has been calculated at 6% using a 95% confidence interval.

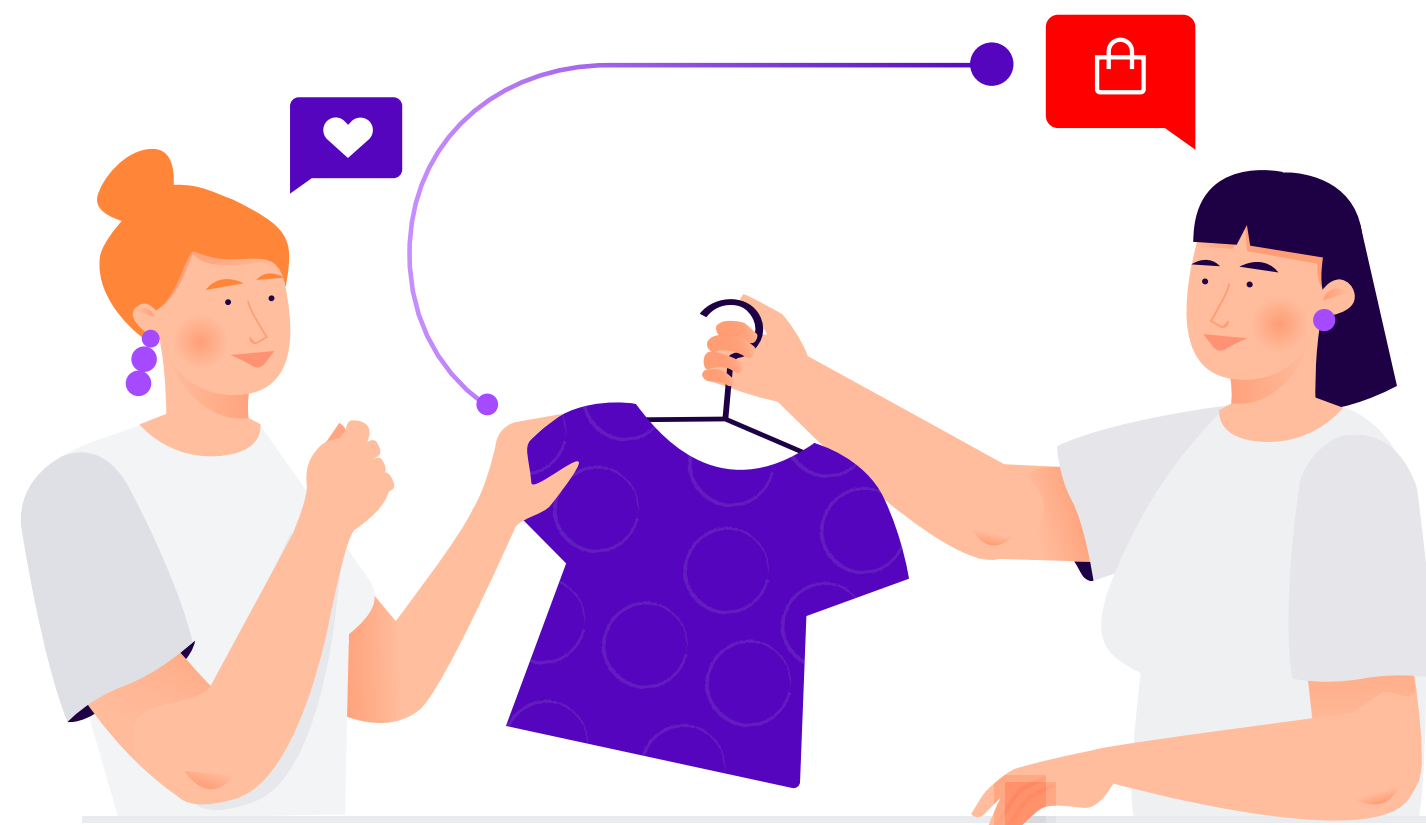


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Executive summary

Amidst a challenging business environment, retailers remain committed to growth by retaining and deepening their customer relationships. Organizations are increasingly exploring new opportunities to deepen engagement through ongoing, interactive experiences, but they must overcome barriers related to staffing and IT systems integration. In this report, we explore the ongoing evolution of retail customer service and the factors that will be critical for success.



In an uncertain environment, retailers look to deepen relationships with consumers.

There are few signs that cost concerns are displacing retailers' commitment to growing and retaining consumers through strong customer service. Retention is becoming a bigger focus across all industries, increasing the importance of loyalty in the current environment.

- **58%** of retail CX professionals say growing revenue is the most significant factor influencing their organization's investments in customer service.
- **54%** of CX professionals across industries say the top outcome they seek from customer service software is customer retention.

Customer loyalty will be fostered by interactive engagement across channels.

Forward-thinking retailers are transitioning from a focus on efficiently addressing customer needs to an approach built around ongoing, interactive engagement. This is reflected by growth in channels such as voice-based AI, livestream, and metaverse.

- **41%** of retailers plan to be investing in video chat in two years, and **31%** will be investing in livestream capabilities.
- **24%** of retailers say they plan to deliver ongoing, interactive engagement via next-generation channels (such as metaverse and AR/VR) in two years, compared to **12%** who say they are doing it today.

Customer engagement channel integration and staffing challenges hinder service goals.

Retailers are having mixed success with their current goals for customer service, despite ambitious plans for the future. Challenges recruiting and retaining customer-facing staff and integrating technologies present top barriers.

- **The #1 barrier** retailers face in achieving their customer service goals is challenges finding and retaining customer service staff.
- **86%** of retailers report that their customer engagement channels are less than fully integrated.

Customer service enablement will need to expand beyond traditional roles.

To attract and retain customer-facing associates and representatives with the right skills, retailers will need to enable teams to provide high-quality customer support and recognize them for doing so. As the scope of the sales cycle becomes increasingly complex, retailers will also need to effectively enable and reward brand ambassadors and influencers.

- **35%** of retailers report that brand ambassadors interact with their customers to address service needs or inquiries today.
- **38%** of retailers say that influencers are the top resource customers want to interact with for service and support.

Definitions:



Brand ambassadors: Product users who promote their preferred brand long-term.



Influencers: Social media users with substantial followings that will showcase a brand short-term.

Unified channels and analytics are a prerequisite to interactive engagement.

Interactive engagement is unlikely to meaningfully deepen customer relationships if each interaction does not feel part of a cohesive, ongoing experience. To accomplish this, retailers must address gaps in customer data collection and use.

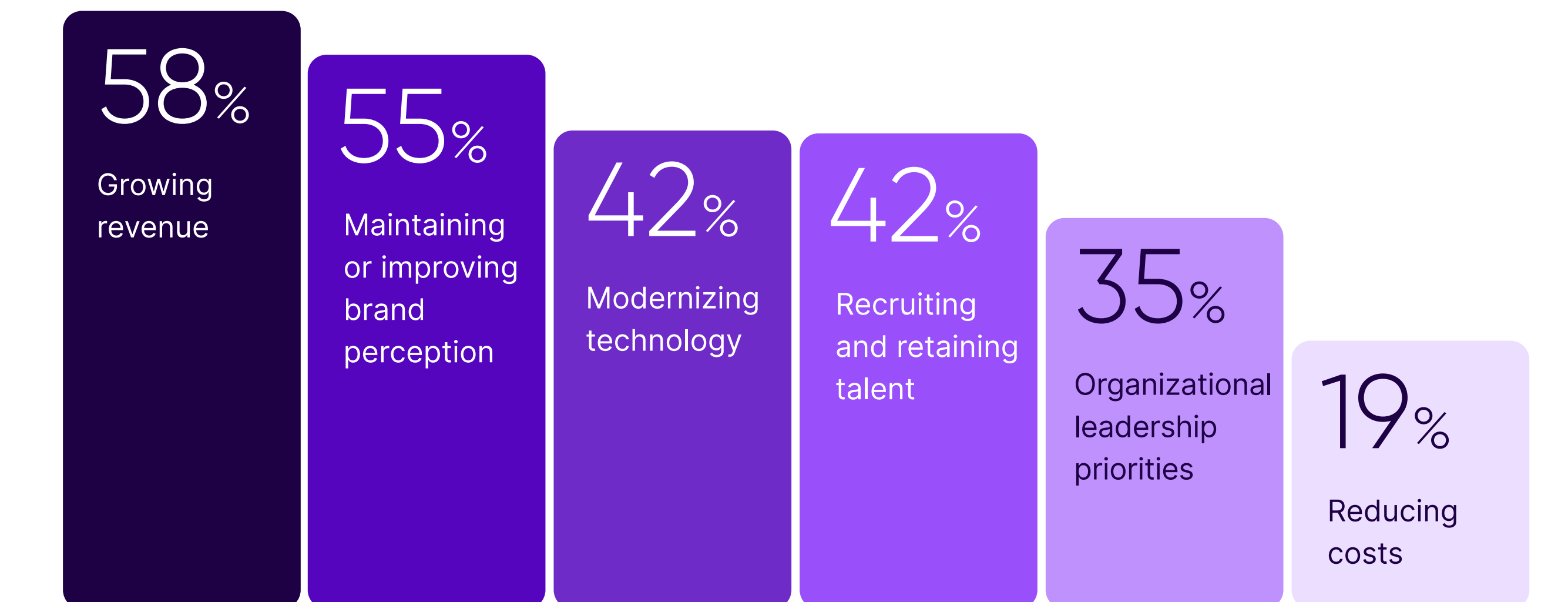
- **79%** of retailers do not capture data about customer sentiment today.
- **57%** of retailers are not using customer data to personalize future service interactions.



I. In an uncertain environment, retailers look to deepen relationships with consumers.

Despite economic headwinds, there are few signs retailers are deviating from their commitment to strong customer service. Today, most retailers are prioritizing revenue growth and brand differentiation through their customer service investments. Cost reduction, meanwhile, is a top consideration for relatively few.

Top considerations that influence retailer investments in customer service



While growth remains a priority, how companies want to achieve it has changed. Organizations across industries are focusing more on their investments in customer service to better retain their customers. Client acquisition remains important, but loyalty has become the new North Star.

Top desired outcomes from investments in customer service software across industries ¹



Past Talkdesk Research™ has found that a customer service interaction is most likely to deepen customer loyalty if an issue is resolved on first contact. Making it quick and easy to get customers what they need is a table stakes requirement for loyalty that many organizations still strive to get right.

Loyalty is not just driven within the context of individual service interactions, however. Customers take into account their overall feeling of connection and engagement with a brand. Equipping agents to resolve on first contact is a fundamental necessity, but it is also important to empower them to build relationships. Reflecting this, agents going “above and beyond” is the second most significant driver of loyalty with consumers.

¹ “Talkdesk 2022 Market Insights Survey.” Talkdesk Research. 2022.

II. Customer loyalty will be fostered by interactive engagement across channels.

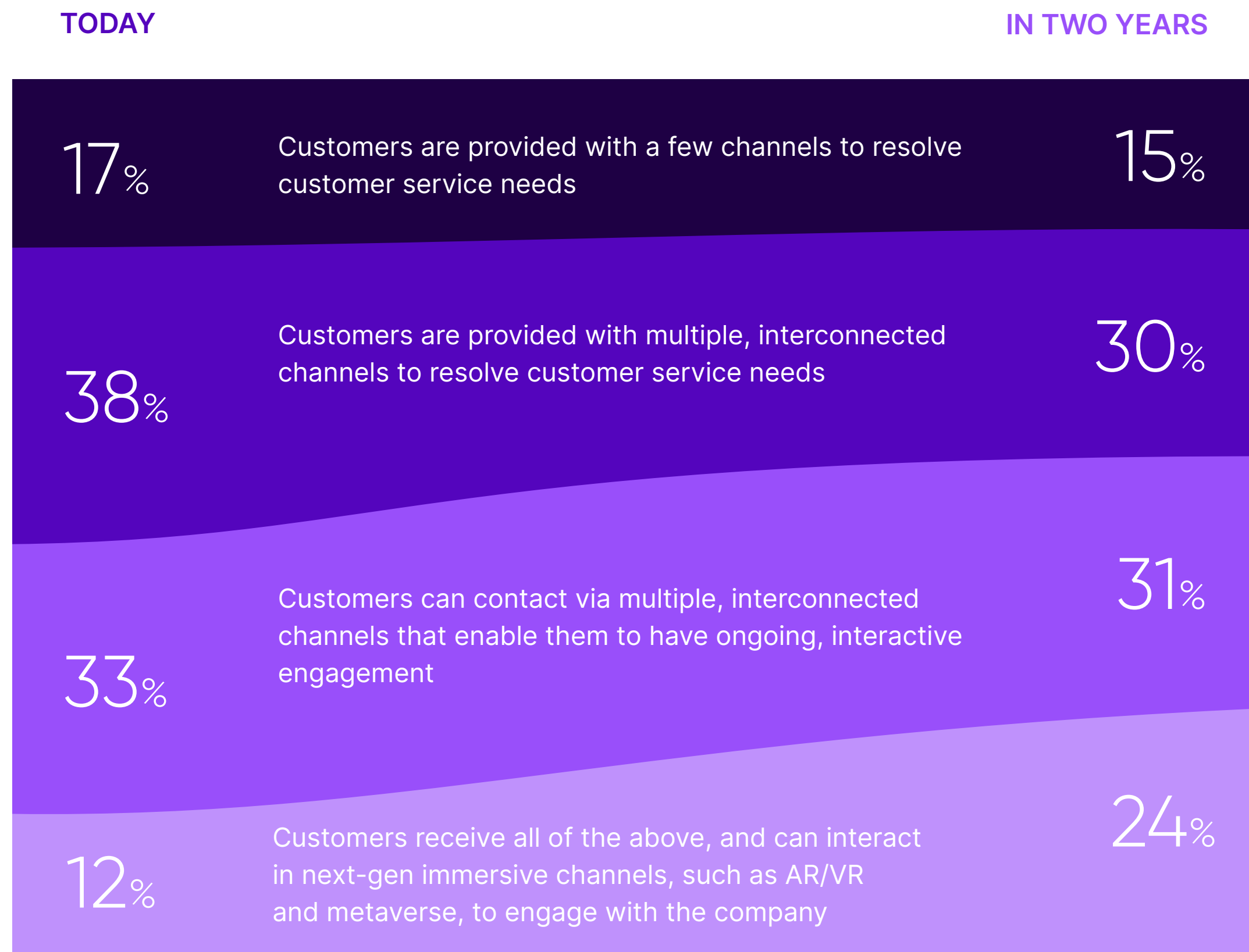
In recent years, retailers have aspired to better serve customers by shifting from solving their service needs at scale to understanding and addressing the context behind each issue. Reflecting this, retailers have prioritized bridging disjointed channels and processes and delivering seamless, omnichannel service. There are indications that these goals are evolving further toward customer service that deepens customer relationships through ongoing interactive engagement.



Stages of retail customer service progression

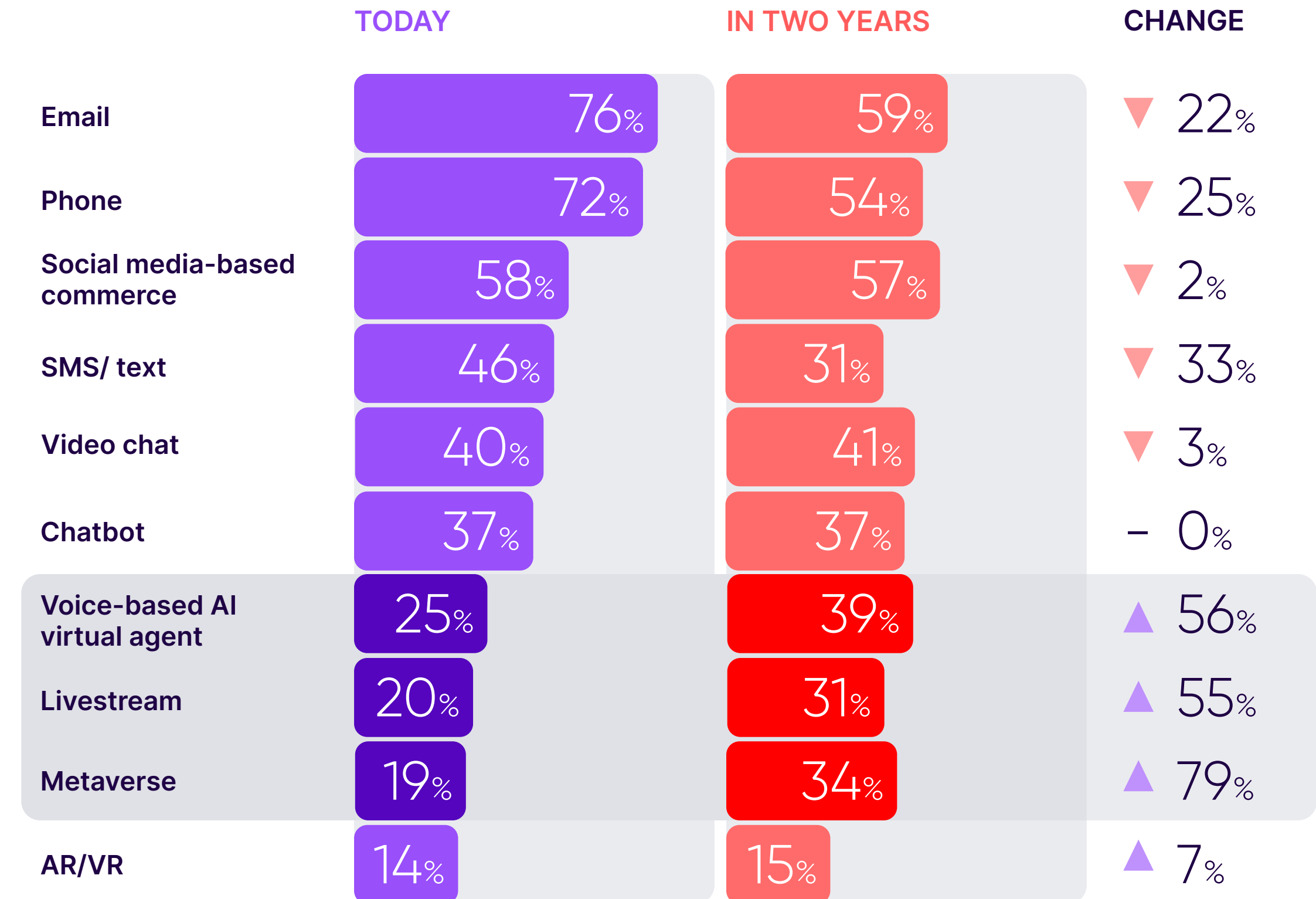
A third of retailers currently provide interactive, ongoing engagement with their customers across interconnected channels, while an additional quarter of retailers plan to go even further by delivering these experiences through next-gen channels like metaverse and virtual reality two years from now.

Type of customer service experience retailers currently and plan to provide



Trends in planned investment similarly point toward a growing emphasis on channels that enable deeper engagement. Although traditional channels dominate today, they are relatively less likely to receive investment going forward. Meanwhile, voice-based AI, livestream, and metaverse capabilities are going to be receiving investments that substantially exceed their existing rates of deployment.

Current and planned investments in customer engagement channels



Each of these areas of growing investment indicate a shift from understanding and speaking to the context of a customer's need within a specific service interaction to engaging interaction on an ongoing basis.

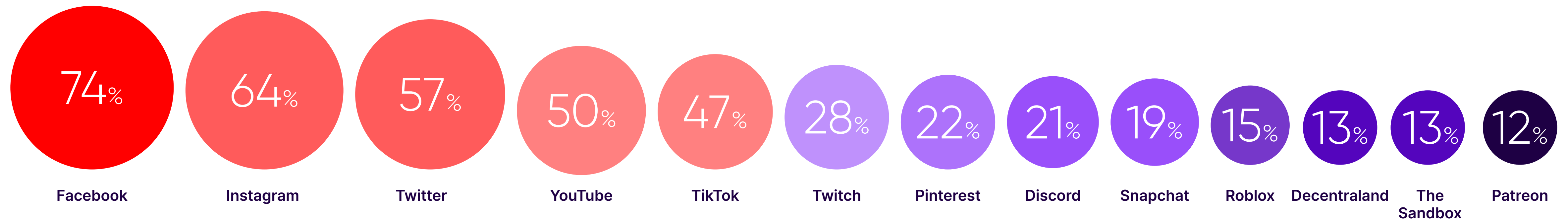
AI virtual agents (i.e., chat bots and voice bots) can enable more impactful self-service support. As AI in customer service matures, conversational AI is increasingly being deployed to more accurately understand customer needs and provide answers. Ultimately, conversational AI can enable virtual and easily accessible concierge-like services that customers trust to resolve their issues.

Metaverse, though in its early stages, holds promise in not only digitally replicating the most impactful aspects of in-person shopping, but enabling fundamentally new types of experiences. Potential use cases include:

- Collaborative, real-time customer support via avatar agents
- Hands-on virtual product try on and testing
- Shared virtual shopping experiences
- Non-fungible token (NFT)-based loyalty programs (e.g. unique access or experiences provided based on NFTs earned)

Planned investment in livestream coincides with growing importance of social commerce in retail. Already a major presence in China, where consumers spent upwards of \$350 billion in 2020, there are indications of growing interest in North America and Europe. Most organizations recognize the importance of being on traditional social media like Facebook, Instagram, and Twitter. Many retailers also have a presence on platforms that enable livestreaming, such as YouTube, Tiktok, and Twitch.

Platforms that are important for retailers to have a presence on today



III. Customer engagement channel integration and staffing challenges hinder service goals.

Forward-thinking retailers have ambitious plans for interactive engagement across next-generation channels. However, many companies are having mixed success in just meeting their current goals for service. Although 43% of retailers are exceeding their goals today, a third report being behind where they want to be. Many organizations will need to address fundamental challenges before moving toward a future state for customer service.

Retailer performance relative to customer service goals



Top 5 most significant barriers to achievement of retailers' customer service goals

#1 Finding and retaining customer service staff

#2 Complications integrating new technology with existing capabilities

#3 Insufficient innovative / creative new ideas

#4 Collecting and using customer data

#5 Inadequate funding or resources

There are two main barriers retailers need to overcome before effectively providing interactive customer service:

- A tight job market that makes it challenging to have the right staff on hand to provide engaging customer service and support.
- Issues integrating new capabilities into existing systems, which can result in disjointed and inconsistent experiences.



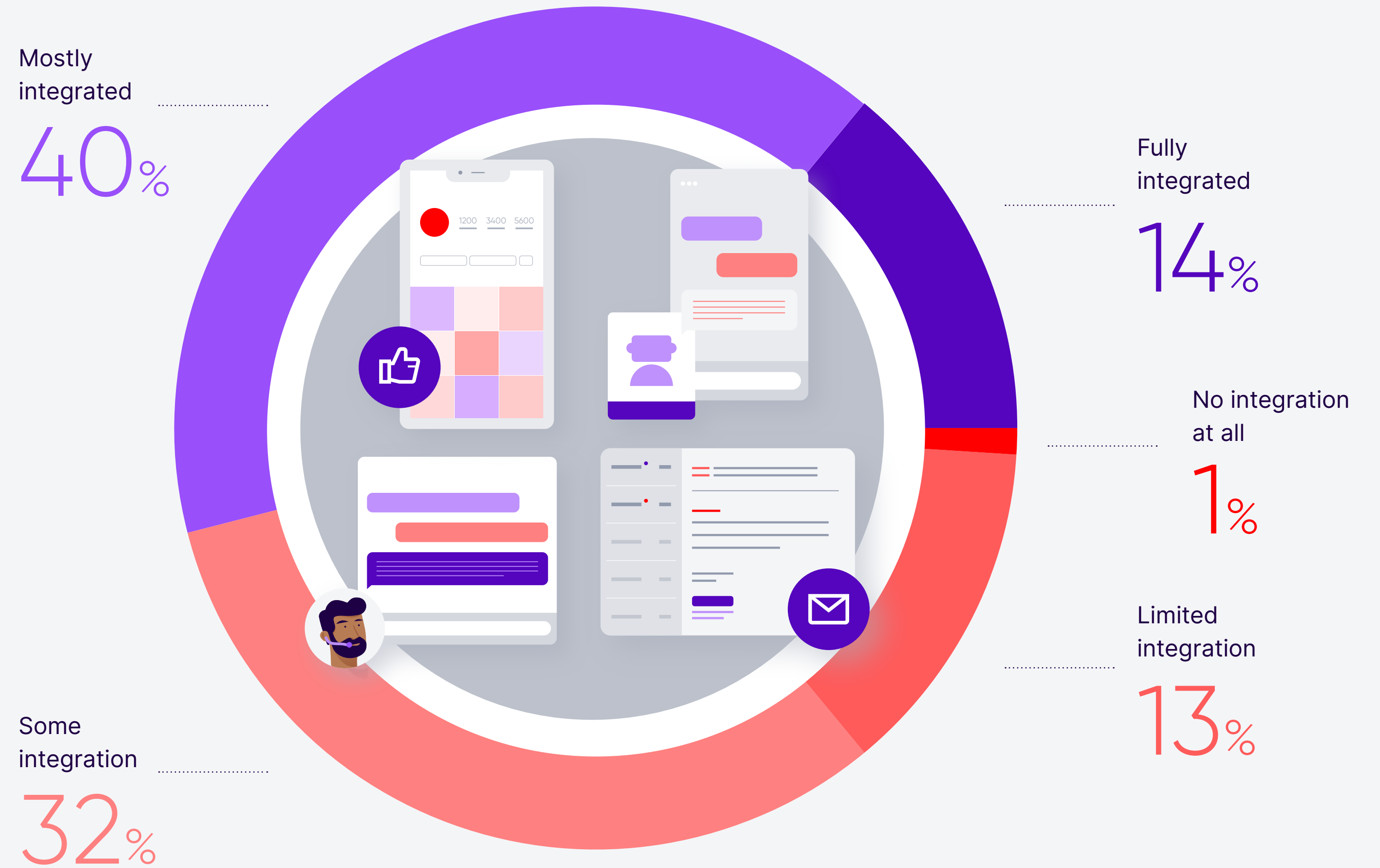
Although high attrition rates in retail have long been the norm, it has recently become an acute challenge, with “the Great Resignation” hitting retail especially hard. McKinsey finds that U.S. employee attrition rates in retail outpace that of other industries by a rate of 73%.

To provide experiences that go above and beyond customer expectations, retailers need to hold on to their best staff. Within career and skill development, the second most important factor driving retail resignations, after workplace flexibility, is enabling associates to deliver more meaningful support to customers. Providing the conditions that enable staff to provide customers the level of service that in turn drives their career growth should be core to hiring and retention strategies.

Planned investments in new channels, meanwhile, are likely to be undermined by challenges integrating technologies. Today, only 14% of retailers report that their channels are fully integrated.

As a consequence of this limited degree of integration, customers often experience friction switching channels and the need to repeat the same information multiple times. These repetitive experiences are the most likely to undermine customer loyalty.

Degree of current customer engagement channel integration



As long as consumers experience periodic disruption as they progress in their experiences, investments in interactive engagement are unlikely to yield meaningful returns.

As retailers move forward in their plans for customer service, they will need to do two things:

- Empower and equip staff to provide high-quality, engaging support to customers and connect doing so with meaningful career growth.
- Collect and use customer data to create a singular understanding of the customer across all interaction and transaction points.

The contact center can play a core role in achieving both objectives.

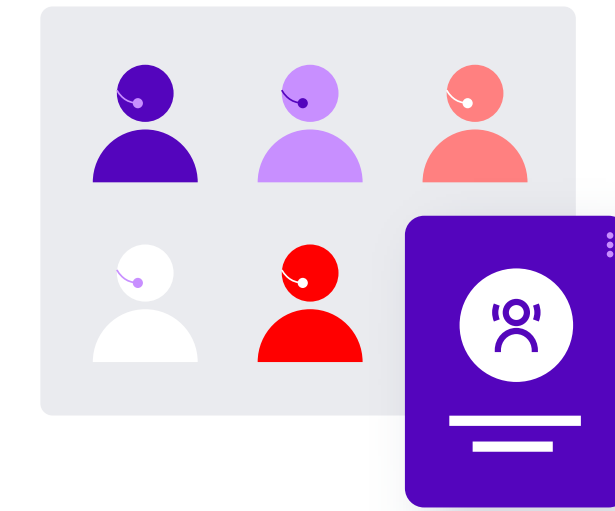


IV. Enablement will need to expand beyond traditional roles.

85% of retail CX professionals reported in 2021 that agents were expected to handle more complex questions and issues than a year before. Since then, it is likely the bar has only continued to rise. At the same time, the scope of who is involved in customer support is growing increasingly complex.

Contact center agents and in-store employees are, naturally, the most common company representatives customers interact with. However, a substantial share of retailers today use brand ambassadors and influencers to address customer service needs or inquiries.

Who customers interact with for service and support



59% Contact center agents



59% In-store associates



35% Brand ambassadors



29% Influencers



25% Other customers

Consumers themselves are driving this trend. Nearly as many organizations rank brand ambassadors and influencers as the top source of support consumers want to interact with as they do contact center agents. Strategies to better engage and enable frontline staff must consider the support needs of non-employees who are nonetheless engaging with customers.

Who customers want to interact with for service and support



Overall, individuals addressing customer issues and inquiries on behalf of the brand will need to be empowered to—and recognized for—delving into customer needs and providing impactful support. In the near-term, retailers should work to implement capabilities that empower, develop, and reward their customer-facing staff.





Equipping and empowering staff.

Customer-facing representatives and associates should have access to the knowledge they need to serve customers at all times, consolidated in a single pane of glass. The application of AI can elevate the abilities of both new and tenured agents by analyzing conversations and providing real-time response recommendations based on the context of the need. Meanwhile, in-store associates can be empowered to provide better support through mobile tools that allow them to access the same customer and product information that an agent would.

Retailers can further engage and retain agents by providing access to continual development resources. This can be accomplished by analyzing interactions to identify specific gaps in agent skills or competencies, continually informing personalized coaching and development.

Agent efforts to develop their skills should then be recognized and rewarded consistently. Peer benchmarking and gamification can create a sense of progression, while differentiated routing can provide high-performers with exposure to higher-value or more complex customers.

Once retailers have appropriately equipped their workforce, they can turn to supporting the efforts of influencers and ambassadors by better enabling them to support customers and recognizing their unique contributions and needs.



Engaging and enabling influencers and ambassadors.

In addition to raising product awareness, influencers and ambassadors often help consumers learn how to use a product and address questions. Retailers have the opportunity to expand the scope of this support by providing influencers and ambassadors dedicated access to customer service support for inquiries and potential issue escalation. There is additional opportunity for high-end brands to provide influencers and ambassadors with tools like video chat to enable hands-on guidance.

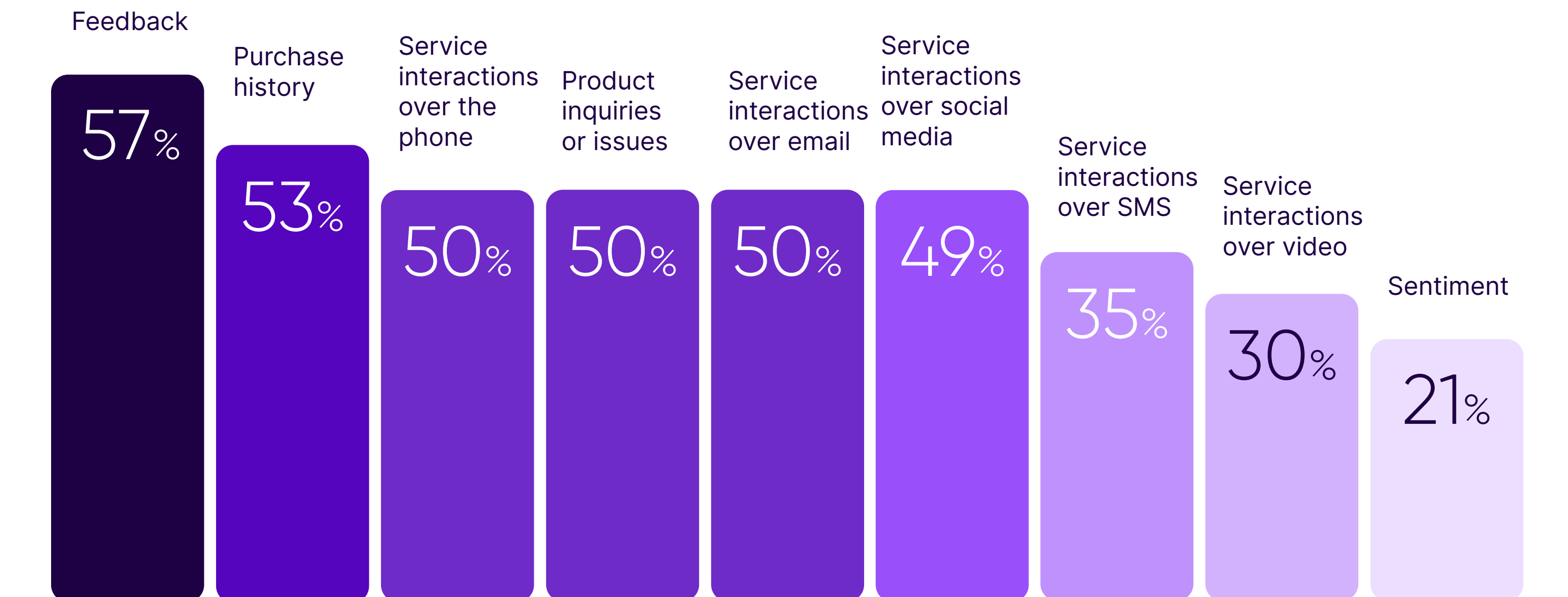
Retailers can go beyond providing influencers and ambassadors direct access to support channels by further ensuring that they are recognized and provided VIP treatment. Differentiated routing to specialized agents can help address influencer and ambassadors' distinct needs and questions while providing recognition.

V. Unified channels and analytics are a prerequisite to interactive engagement.

Bridging gaps between channels to ensure a consistent experience across interactions will require a single, complete view of the customer throughout their relationship with a brand. This will bridge not only physical and digital interactions with retailers, but interactions happening outside the organization as well, as brand ambassadors and influencers become more important.

Today, relatively few brands are collecting data about past service interactions or product inquiries. There are substantial gaps in data collection across channels, as only half of retailers collect data from email, phone, or social media.

Customer data being captured today by retailers



In other instances, retailers are gathering the data they need but struggle to make effective use of it. Though most brands are using customer data to better anticipate the needs of customers in the near future, few are using that data to personalize those future service interactions. As a consequence, proactive outreach runs the risk of being generic or irrelevant.

How customer data is being used to improve interactions

Anticipating needs or wants of customers in near future

59%

Improving products/services through updates

52%

Predicting issues that customers could potentially have

47%

Adding new products/services

47%

Responding quicker

47%

Personalizing marketing outreach

43%

Personalizing future service interactions

43%



Before moving to interactive experiences on new channels, retailers should achieve singular visibility of the customer across all existing interaction points. This means integrating channels and workflows, applying analytics across touchpoints, and using data to inform future interactions with self-service or human support.

Integrating channels and workflows.

Historically, many organizations have taken a piecemeal approach to investing in “best in breed” solutions to address specific needs. Consequently, many capabilities and systems are poorly compatible—playing together like “Tom and Jerry”, in the words of one North American retail executive. Cloud capabilities, with additional flexibility, are increasingly preferred for ease of integration with existing systems. Capabilities can be deployed as an all-in-one platform or standalone capabilities with pre-built integrations designed to fit in with existing solutions.

Tracking customer interactions across journeys in real-time.

Widespread gaps in customer data collection can be addressed through the implementation of interaction analysis, customer feedback, and real-time experience sensors. Text and speech analytics applied across channels can deepen understanding of customer issues and pinpoint and address common challenges on an ongoing basis. Meanwhile, experience sensors embedded in interactions can surface potential product or service issues and trigger proactive outbound contact.

Connecting insight to outcomes.

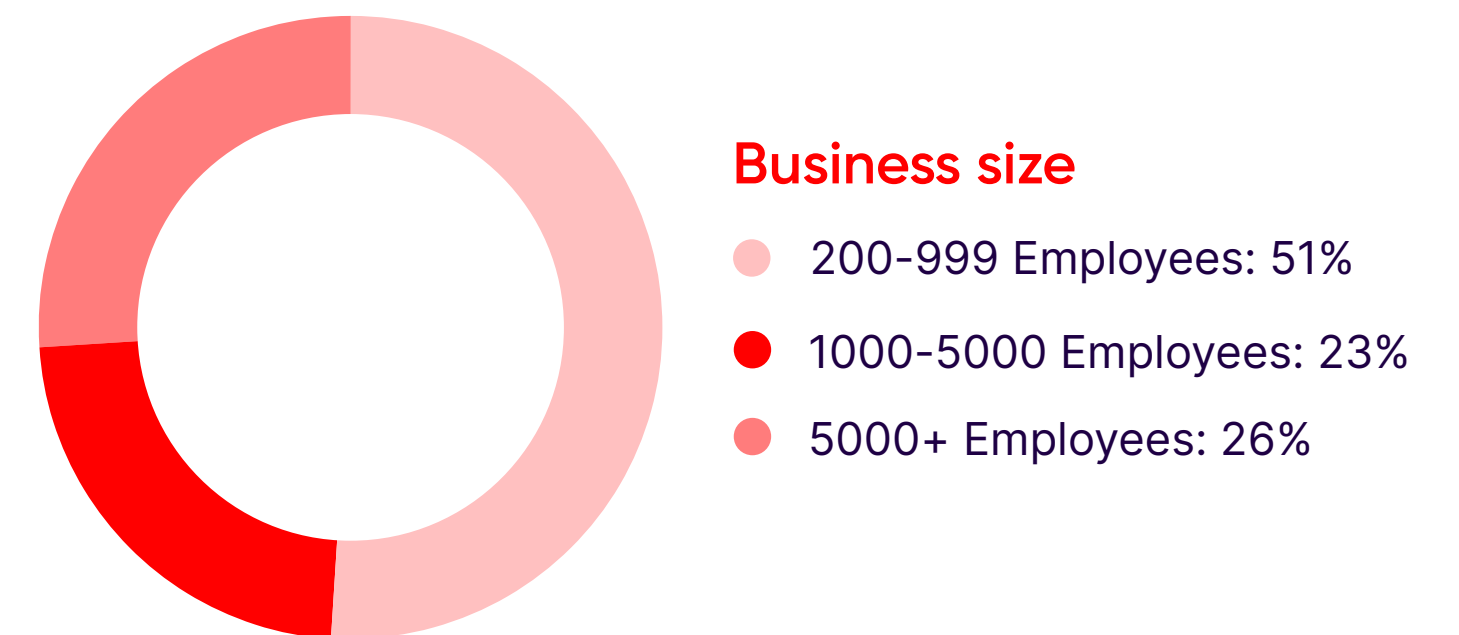
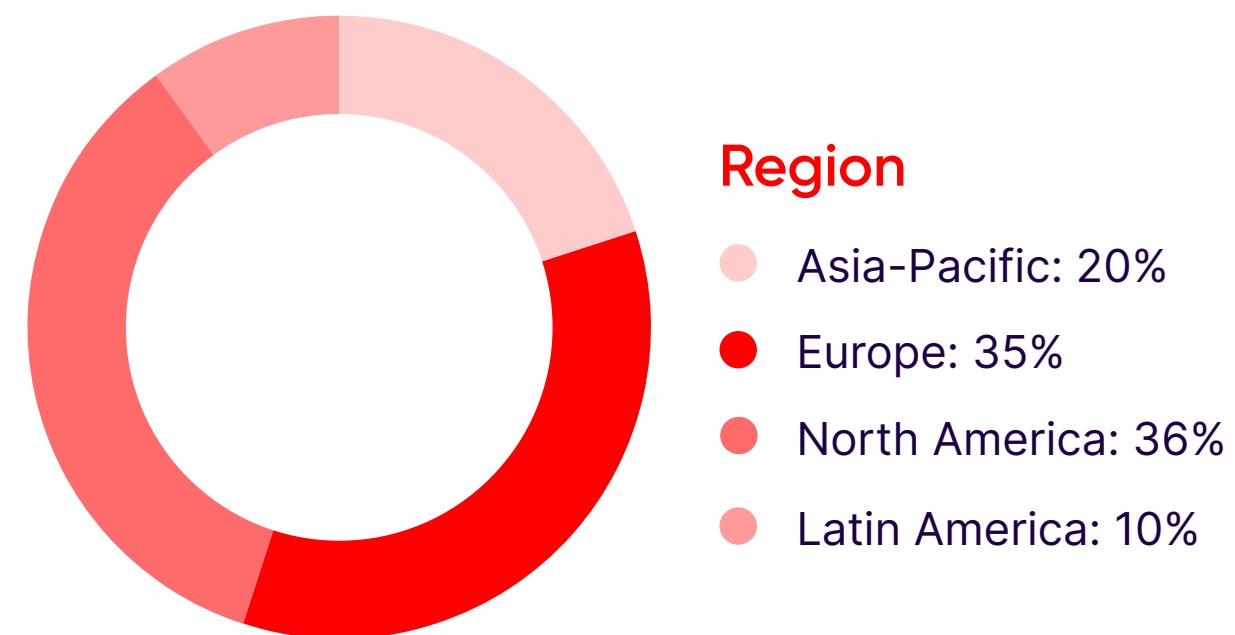
Insights derived from customer interactions should be used to inform future interactions, ensuring that customers feel each touchpoint is part of a broader ongoing experience. Consolidating information into a single accessible location for customer-facing staff can serve to inform conversations and surface

recommendations. Insights can further inform additional opportunities for automation or instances where existing self-service capabilities can be updated with new intents or language patterns.

Whether or not interactive engagement fits into a brand’s customer service strategy will depend on their model and target consumer. Regardless, challenges relating to staffing and technology integration are likely near-universal today. In working to address these issues today, retailers will position themselves to keep and build upon loyal relationships with consumers—whatever their customer service approach.

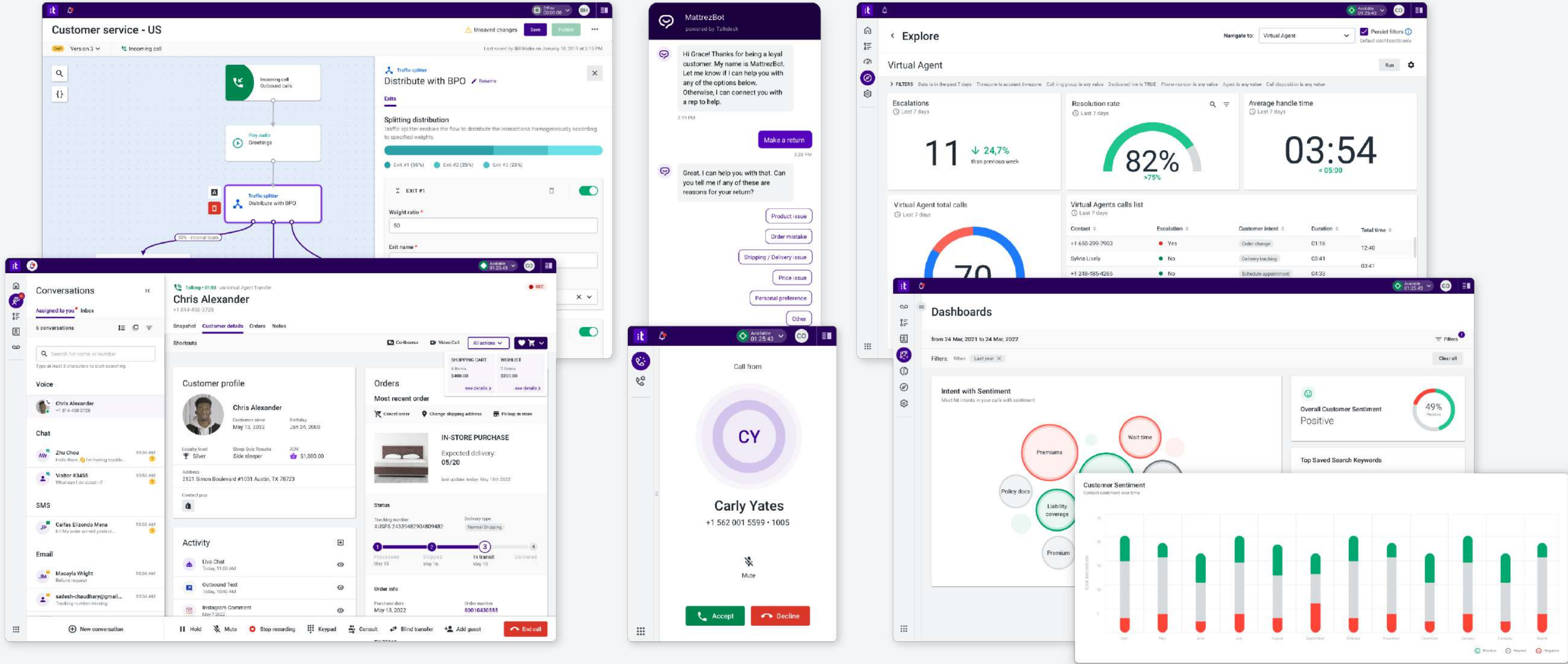
Survey demographics

CX professionals



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

The end-to-end customer service platform built for retail



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