



engage ment to empower ment

WINNING IN TODAY'S EXPERIENCE ECONOMY



A Note from Pete Stein

It's my pleasure to introduce this year's edition of Merkle's Customer Experience Imperatives. This is the first of multiple reports we'll be publishing to reveal and assess the data we gathered in Q4 of 2023, exploring both consumer and business decision makers' perceptions and attitudes toward customer experience.

The research we conducted shows that on average, only 2.5 sources of information influence a consumer's brand decision – and there isn't much deviation across geographies and verticals. Brands don't have the margin for error they once did; when shopping around, consumers consider more options but decide more quickly.

More than ever, customers know exactly what they want, where to get it, and how long it should take. It's up to us, as leaders of brands and businesses, to deliver on these expectations — or else we'll lose to competitors.

In the following pages, and in subsequent breakdowns and deep dives to follow, you'll find actionable insights to guide your CX transformation and improve your customers' daily lives. I hope this exploration enriches your business strategies and elevates your customer relationships for years to come.



Sincerely,
Pete Stein
Global President, Merkle

intro duction

If you're new to Merkle's CX Imperatives series, welcome. If you've been on this 12-year journey with us, welcome back. We've changed things up a bit this year.

In previous installments of the Imperatives, we've offered educated points of view and advice to customer experience (CX) practitioners. For 2024, we supplemented our own experience with research into consumers and brand professionals across the globe. Rather than make inferences about how consumers and business decision makers are grappling with persistent economic uncertainty, geopolitical strife, and mixed messaging about how technology will alter our lives, **we took a more direct approach: we asked them.**

Profiling Respondents: CX Consumer Survey

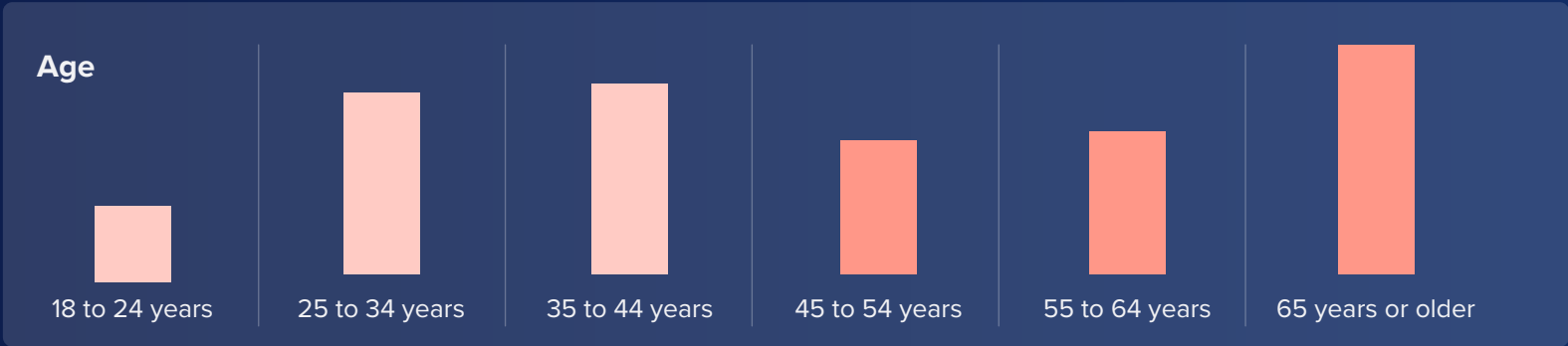
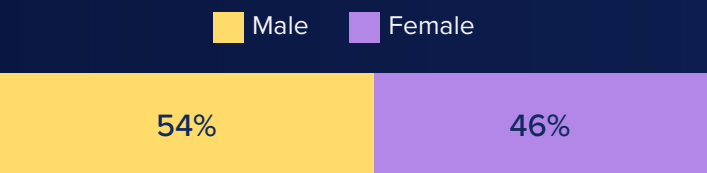
Total N=2,100

Individuals who had a qualifying consumer interaction with one or more brand categories in the past 3 months. Surveys administered in 6 languages.

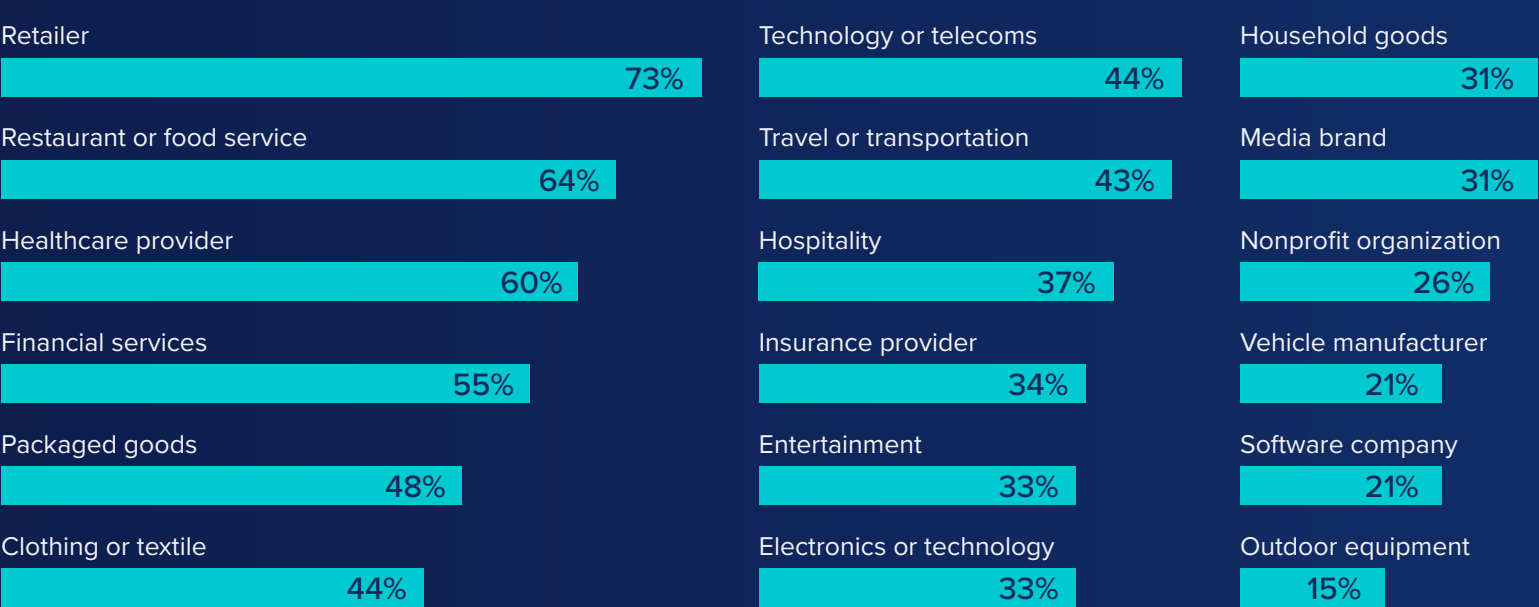
Country



Gender



CX Category Interacted Within Past 3 Months

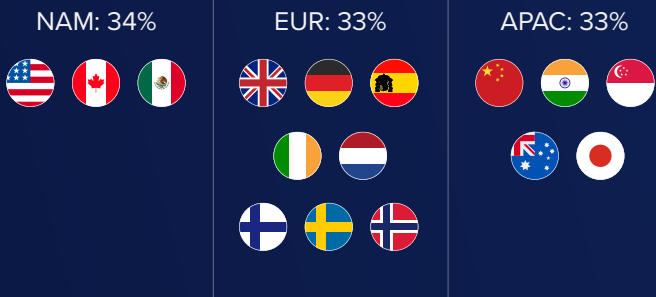


Profiling Organizations & Respondents: Business Leaders Survey

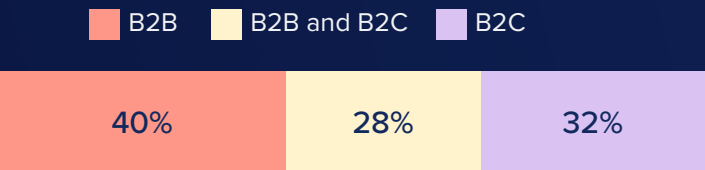
Total N=820

Leaders with decision making influence on customer experience at their organizations.
Surveys administered in 6 languages.

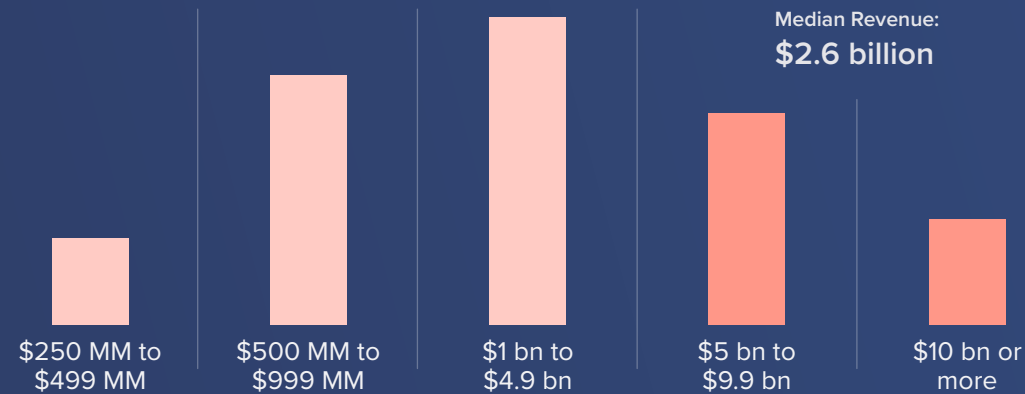
Country



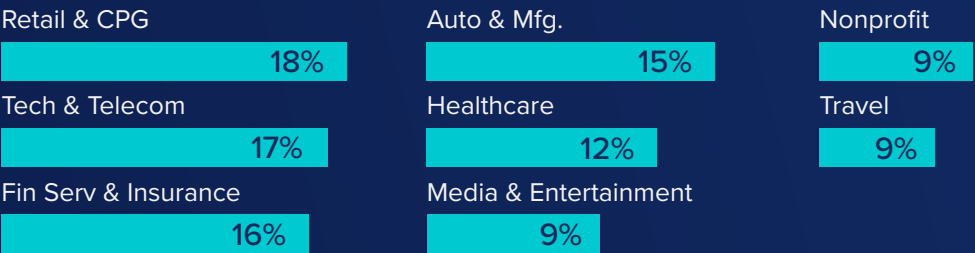
Primary Business Customers



Company Size (Global Annual Revenue)



Industry



This research provides *reported consumer preferences about their brand experiences* — not conjecture. Concurrently, we also examined brand leaders' perceptions and actions and assessed whether they align with consumer opinions and values.

We grouped brand leaders into cohorts based on the maturity of their CX strategies, commitment to customer centricity, customer retention, and organizational approaches to CX technology, all of which are fundamental to delivering customer value.

For this paper, which is the first of many to come based on this study, **we'll take a look at the consumer side of the research.**

what do consumers want?



Our consumer study reveals six critical imperatives for CX professionals:

- 01** Understand CX fundamentals from the customer's point of view. **08**
- 02** Use customer data for the customer's benefit. **16**
- 03** Use ethical AI to create convenience and build trust. **21**
- 04** Meet the customer's need for real live human interaction. **28**
- 05** Focus on the post-purchase experience. **33**
- 06** Assess emerging technologies to empower customers in new ways. **38**

01

Understand CX fundamentals from the customer's point of view.



Consumers' preferred attributes of future experiences with brands

Make my experience...

(% selecting all that apply)

more affordable or cost effective

55%

↑ 55+ y/o (60%)

easier or more convenient

46%

↑ APAC (54%)

more reliable and consistent every time

40%

more well-informed (more information, research tools, etc.)

34%

↑ 18-34 y/o (41%)

more personalized or customized to my individual wants and needs

34%

↑ 18-34 y/o (38%)
45-55 y/o (37%)

more personal or human in nature

31%

↑ 18-34 y/o (35%)

more fun or enjoyable

27%

↑ 18-34 y/o (37%)

↑ Significantly
higher vs.
other segments

better match or support my personal values and beliefs

22%

↑ 18-34 y/o (31%)

↓ Significantly
lower vs. other
segments

Consumers want cost effectiveness, convenience, and consistency from their brand experiences. Think of them as the “3 Cs” of customer experience – the bare minimum that brands must deliver for their customers. There are some nuances across categories, of course, but generally, these three factors rose to the top:

01 Cost Effectiveness

02 Convenience

03 Consistency

The 3 Cs are so fundamental they're worth unpacking:



01

Cost Effectiveness

Delivering **cost effectiveness** means delivering value. Consumers in general want a good deal – they don't want to pay more than they have to, especially with inflation running higher than usual. But “value” doesn't necessarily mean “cheap.” A person in the market for a luxury watch may not be looking for an inexpensive product, per se, but they do want the most value from their purchase. This attribute over-indexed among older audiences.





02 Convenience

Convenience can refer to a consumer's ability to gather information, purchase in their preferred manner, or use and/or maintain a product or service with minimal effort. It's about removing friction and frustration from the customer's daily life.



03

Consistency

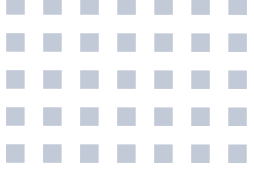
Consistency is delivering on your promise to consumers. This doesn't necessarily mean an experience that's unchanging. For instance, to a regular at a restaurant, "consistency" may mean that the signature dish always looks and tastes the same, while to another patron, it means that the menu is constantly changing to offer new flavors. The common denominator is that consumers receive what they've come to expect.



CX leaders...

... **have a customer-first culture** where all functions and departments are united around delivering an exceptional customer experience.

... **regularly and rigorously evaluate the customer experience** from the customer's point of view, with a focus on eliminating friction and delivering added value above and beyond the core product or service.



ask your self



Am I focused on providing value to my customers, or just selling to them?



Are my brand experiences making my customers' lives easier? Where is there friction that could be eliminated?



Am I delivering a consistent – and consistently excellent – brand experience across touchpoints and over time?

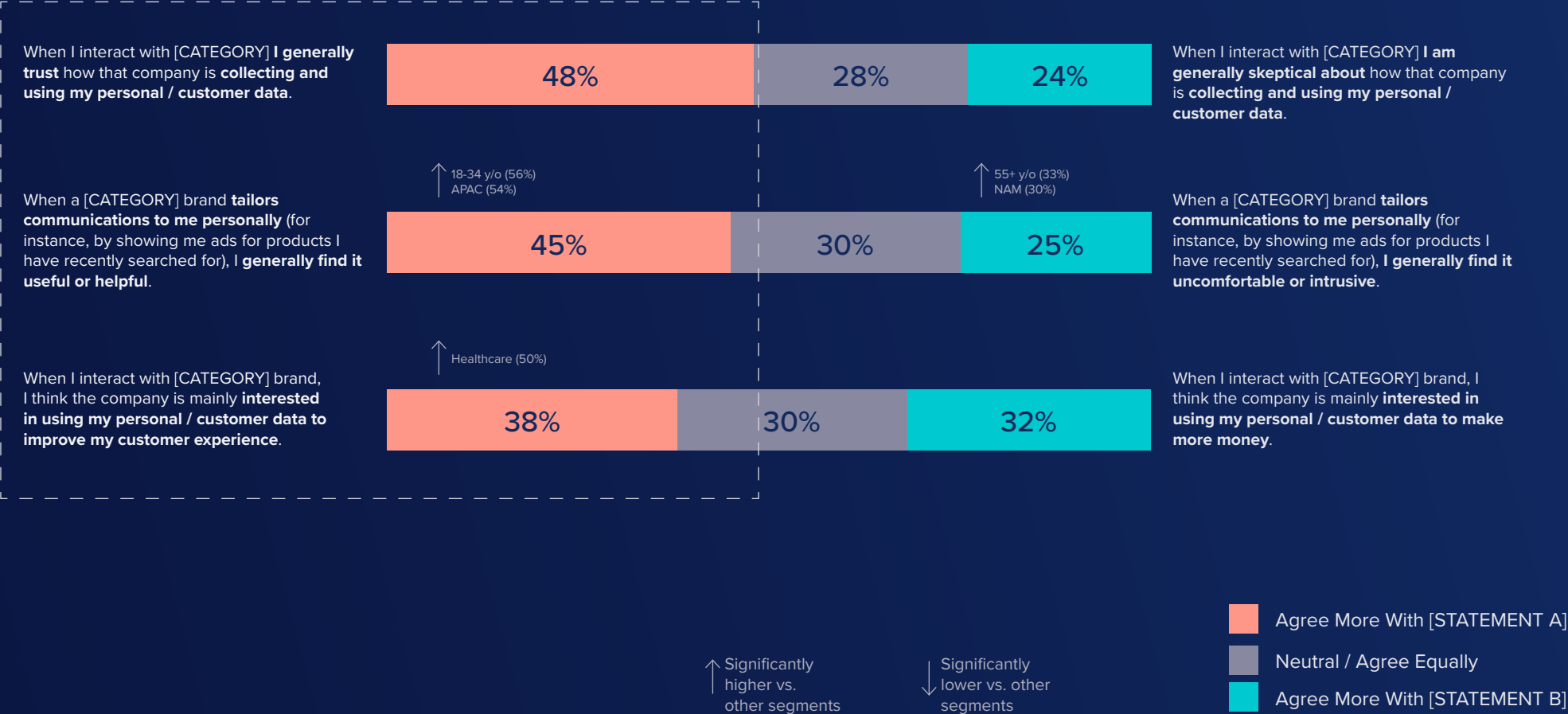
How do you understand what the 3 Cs mean for individual customers? **Look at the data.** →

02

Use customer data for the customer's benefit.



Consumers' views on brands' use of customer data



Consumers are mostly comfortable trusting brands with their personal data.

This says a lot about the state of CX, and how it has improved over time. It also probably reflects a younger consumer base maturing into adulthood, and a growing share of digital natives fueling the economy.

That said, consumers share their data with the expectation of fair value in return: brands must provide cost effectiveness, convenience, and consistency in exchange. And it's noteworthy that despite their overall sense of trust, **consumers are less confident that brands are interested in using this data to improve their customer experience** – to the tune of a 10-point variance (the third bar vs. the first bar on the prior page).

It's worth remembering that younger generations have the highest expectations for seamless, personalized customer experiences — so don't mistake consumer complacency for consumer trust. The bar for brands will only continue to rise over time.

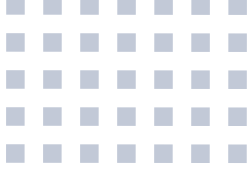
To maintain trust and goodwill, brands need to commit to delivering tangible benefits to customers when leveraging their data.



CX leaders...

... **have a data strategy** that transcends organizational departments and functions.

...**organize customer data** in a way that allows them to recognize unique customers, seamlessly connect experiences, and measure customer lifetime value.



ask
your
self



Do my customers understand how their data is used, and how it's deployed to make their experiences better and more seamless?

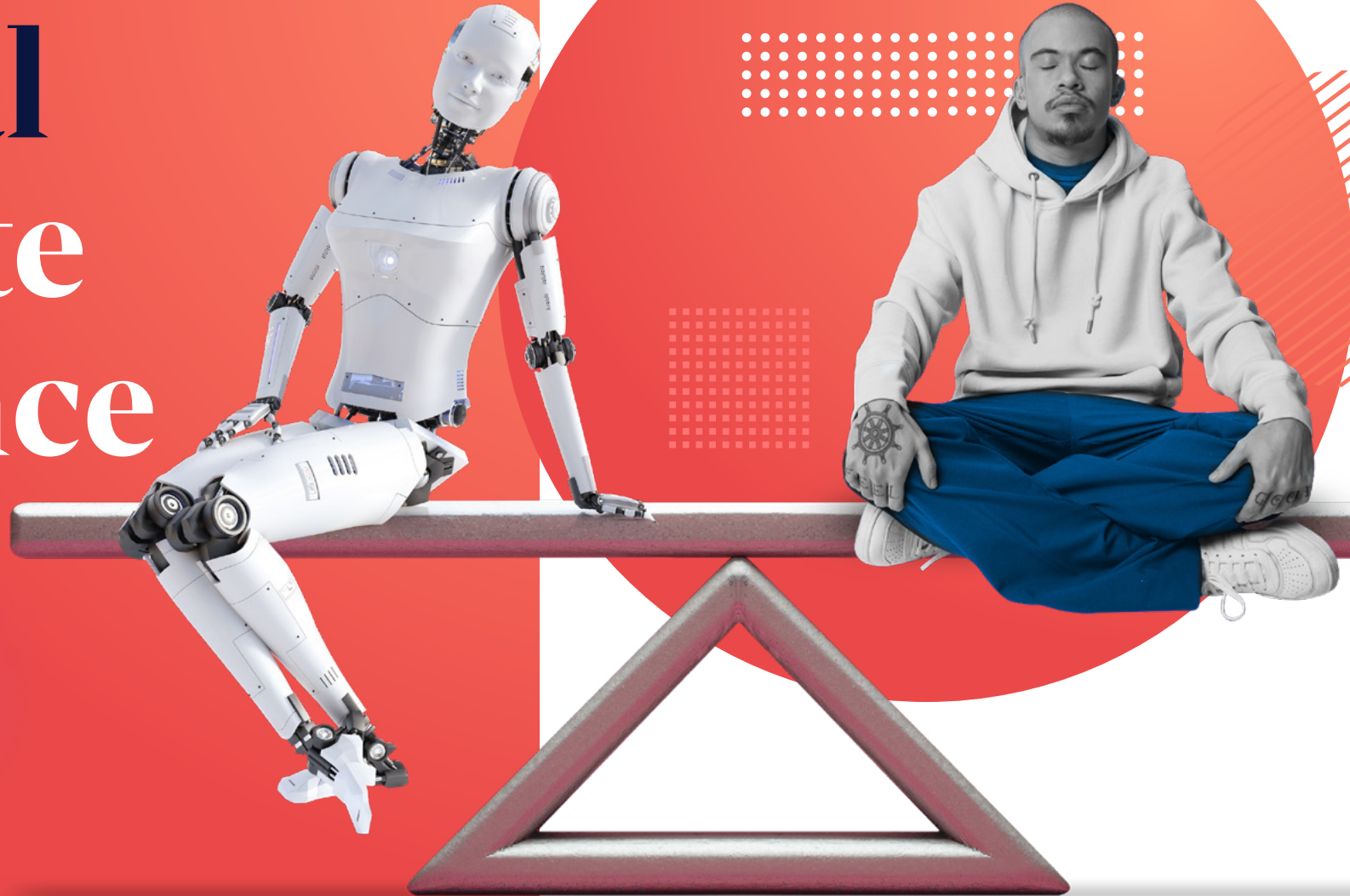


Does this feel like a fair exchange of value?

In managing massive amounts of customer data, brands have an obligation to protect and process information within **clear ethical guardrails**. We'll explore what this means in the next section. →

03

Use ethical
AI to create
convenience
and build
trust.



Consumers' concerns regarding brands' use of artificial intelligence

SECURITY

Whether your data / privacy / identity is being protected



Whether the technology could be hacked or hijacked to cause harm



↑ 55+ y/o (61%)

SURVEILLANCE

Whether the technology was recording you



Whether the technology was tracking you (after you stop using it)



↑ 18-34 y/o (56%)

Whether the technology put human beings out of work



Whether you could get support or help from a human



↑ 55+ y/o (54%)

Whether the technology could provide you with the right output or answer



Whether the technology could understand what you want it to do



↑ 55+ y/o (51%)

Whether the technology was supervised or monitored by a human being

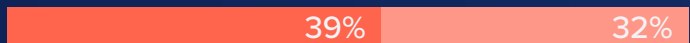


↑ 18-34 y/o (48%)

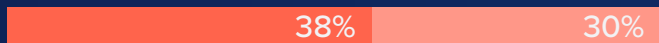
Whether the technology was biased (ethically, politically, racially, etc.)



Whether you could opt out of the technology



Whether you could understand how to use / interact with the technology



↑ 18-34 y/o (44%)

Note:
Consumers in North America and female consumers over-index significantly on most concerns.

↑ Significantly higher vs. other segments

↓ Significantly lower vs. other segments

Highly Concerned
Moderately Concerned

With generative AI poised to upend the limits of content production and scalability, consumers see room for brands to improve experiences with AI-powered technology. As brands rush headlong into this new, automated future, **security and surveillance are consumers' top concerns.**

For all the value AI promises to unlock, it would be shortsighted to brush aside these significant (and valid) concerns. It's up to brands to provide reassurance and transparency around how AI is used, within a technical and *ethical* framework that ensures security and accountability.

We've been outspoken proponents of ethical AI for over two years now, and with the explosion of interest in generative AI,

the urgency has never been greater. **AI can, without proper oversight, produce unintended consequences that ruin the consumer experience and destroy brand trust.** We explored some of these examples in [last year's Imperatives](#), including how unintended biases can exclude or alienate valuable audiences.

Practicing ethical AI is a critical step in mitigating consumer concerns about security and surveillance. It's also the right thing to do.

Embracing an ethical approach to AI from the start will set you up to quickly deploy future innovations in a way that enhances customer experience and builds trust.

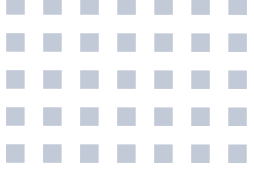
Merkle's definition of "ethical AI"

Establishing guidelines and practices to ensure that artificial intelligence is used in a way that respects fundamental values, such as individual rights, privacy, nondiscrimination, and non-manipulation.

CX leaders...

... are rapidly deploying **AI-powered technologies**, within the context of a customer-centric strategy.

... **have frameworks in place** to ensure AI is deployed in a secure, unbiased, transparent, and permission-based manner.



ask your self



Does my organization have a clear, coherent strategy for enterprise AI?



Does that strategy prioritize building consumer trust and improving experience, or is it more about cutting costs through automation?



Do we have guardrails and a governance framework in place to ensure our use of AI is measurable, ethical, and transparent?

As you evolve your AI strategy and pursue the benefits of automation, make sure you don't accidentally overlook your customers' desire for **human connection and support.** →

04


Meet the customer's need for **real live human interaction.**



Consumers' preferences for digital vs. human interactions with brands at different stages of their journeys

		INDUSTRIES							
		Retail & CPG	Tech & Telecom	Media & Entertainment	Travel & Hospitality	Auto & Mfg.	FinServ & Insurance	Healthcare	Nonprofit
JOURNEY STAGE	Researching	More Human (+6%)	More Digital (+16%)	More Digital (+21%)	Equal Split (+/-5%)	More Digital (+11%)	More Digital (+7%)	More Human (+19%)	Equal Split (+/-5%)
	Evaluating / Selecting	More Human (+13%)	More Digital (+20%)	More Digital (+12%)	Equal Split (+/-5%)	Equal Split (+/-5%)	Equal Split (+/-5%)	More Human (+21%)	Equal Split (+/-5%)
	Purchasing	More Human (+21%)	Equal Split (+/-5%)	Equal Split (+/-5%)	More Human (+17%)	More Human (+20%)	Equal Split (+/-5%)	More Human (+27%)	More Human (+13%)
	Paying	More Human (+7%)	More Digital (+30%)	More Digital (+31%)	More Digital (+8%)	More Digital (+11%)	More Digital (+28%)	Equal Split (+/-5%)	More Digital (+10%)
	Requesting Support	More Human (+42%)	More Human (+34%)	More Human (+32%)	More Human (+44%)	More Human (+21%)	More Human (+38%)	More Human (+48%)	More Human (+42%)

Digital Experiences Strongly Preferred (+20% or more)
 Human Experiences Strongly Preferred (+20% or more)



Our research found that **brands overestimate consumers' preference for digital experiences at every stage of the journey.** Despite

the ubiquity and rapid evolution of digital technologies, there is still a strong need – and desire – for human interaction, especially when it comes to complex purchase processes and customer service.


In a nutshell, consumers are generally looking for digital payments but in-person support. And perhaps surprisingly, our research shows that **consumers prefer to make purchases in person across many verticals.**

It's worth noting that physical and digital channels are increasingly intertwined, and consumers typically don't perceive a hard distinction between the two. It's likely that even the hundred-year-old bookstore in your

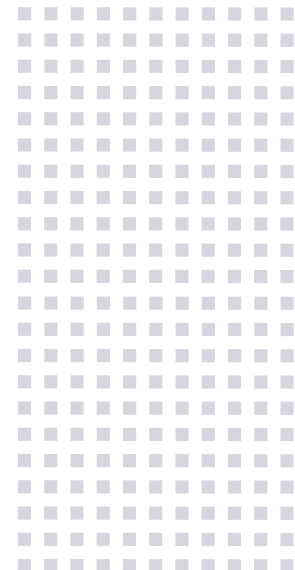
town has a website with digital payment options. Nonetheless, the convenience of digital channels and spaces doesn't preclude the consumer's desire for human connection and support.

It's also important to recognize that **technology can enhance human interactions.** For example, technology can help a customer service agent quickly understand a caller's history, making the interaction more efficient and more personal.

Digital technology and human representatives should work in harmony to deliver experiences that make the customer feel recognized and valued. When they don't, personalized experiences unravel, becoming awkward and repetitive at best, disjointed and frustrating at worst.



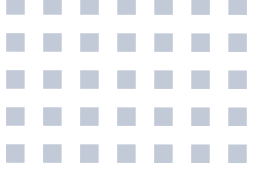
Consumers are generally looking for digital payments but in-person support.



CX leaders...

... **work together** to deliver complete, connected customer experiences.

... **empower all employees**, especially front-line associates and representatives, with digital tools, technology, and training to help them deliver seamless, personalized service.



ask your self



Do I truly understand when my customers want to engage with my brand digitally, in person, or with a human representative?



Do our physical and digital touchpoints work together in a complementary way, or are they disconnected?



How can digital technologies enhance the in-person experience and empower our employees to deliver exceptional experiences?

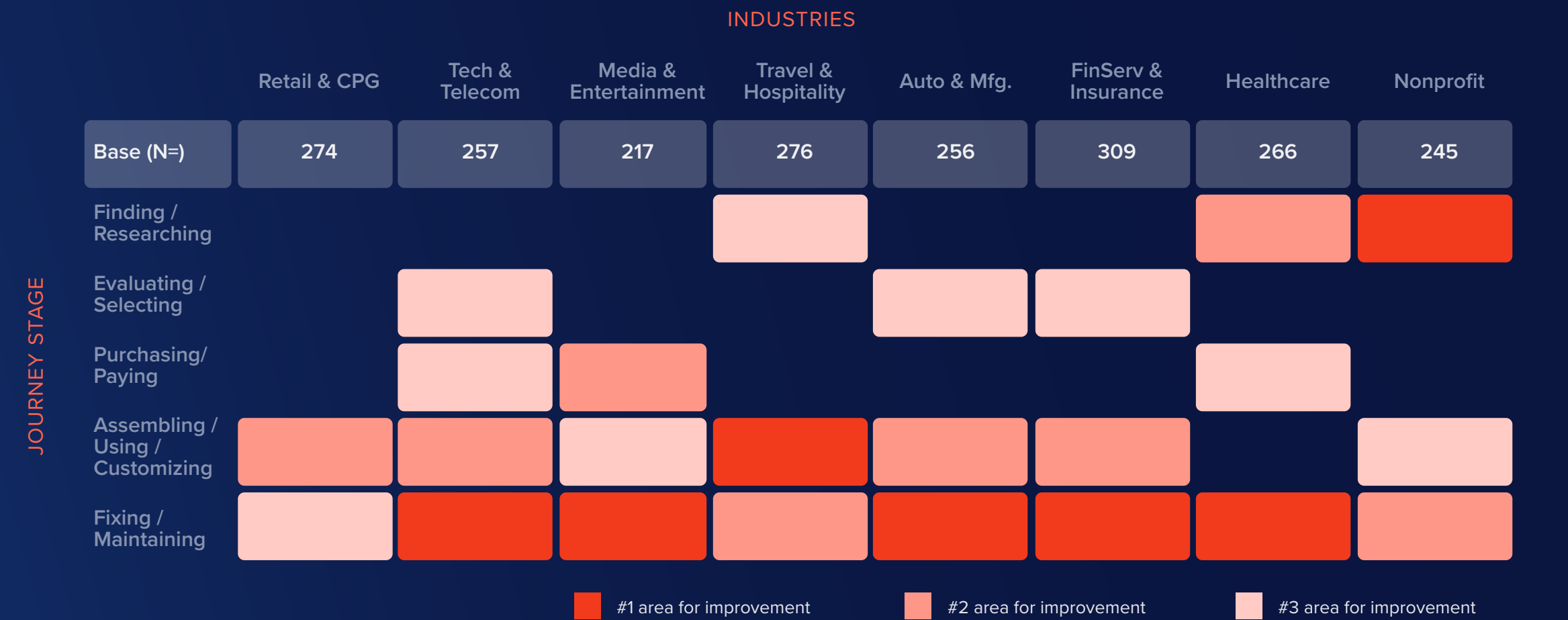
Consumers rely heavily on word of mouth when making purchase decisions, which is one reason why **the post-purchase experience** is so important — and probably more valuable — than all the upper funnel marketing stages where marketers spend most of their time. →


05

Focus on the post-purchase experience.



Brands' top areas for improvement across the consumer journey






Most marketers focus on the upper funnel progression from awareness to purchase; but when asked where brands could improve their experiences, consumers strongly emphasize the later, post-purchase stages of their journeys. This is an important reminder that the total customer experience extends far beyond conversion – and offers plenty of room for improvement and the creation of new value.

If the goal is customer retention and lifetime value – and when is it not? – then product usage, customization, repair, and customer service and support all play an outsized role. **In the experience economy, people buy entire experiences – not just products and services.** The bulk of the experience, and often the most meaningful part, happens after the purchase. In other words, you can't rest on your laurels just because you made the cash register ring.

The bulk of the experience, and often the most meaningful part, happens after the purchase.



As consumers, we've all had experiences that degrade over time: being spammed relentlessly by a brand once you've bought something from them; being retargeted by an ad for a product you already bought (maybe in a different color); being solicited for donations by your alma mater right after graduating with student loan debt. This recalls the importance of consistency in CX – if you're providing care and attention to the touchpoints before the sale, the same consideration must be paid after.



Loyalty programs alone can't fully solve the problem of customer churn.

A loyal customer will evangelize your brand to friends and family, and maybe even recommend you in an online forum or in a social media post. A tepid – or annoyed – customer won't.

And an angry customer will send your customers straight to your competitors.

For all these reasons, loyalty programs alone can't fully solve the problem of customer churn. While they certainly play a role in fostering and growing relationships, they're best suited to amplify what customers already like about a brand. As one Merckler put it, "I'm loyal to Tylenol because it takes my headache away, not because they gave me a pen."

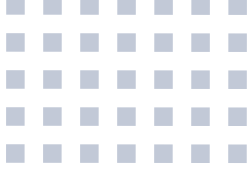
Loyalty programs are part of the overall post-purchase experience, but they can't carry the entire load, or compensate for subpar service, support, or a bad product.



CX leaders...

... **look to create and capture value** above and beyond the moment of purchase.

... **measure the success of their CX programs** through customer lifetime value and not just by short-term metrics like clicks or conversions.



ask
your
self



Are we truly optimizing the total customer experience or are we mostly focused on customer acquisition?



How can digital technologies be used to extend, enhance, or customize the experience of using our products and services?



Is my loyalty program purely transactional/rewards-based, or is it a multifaceted program designed to engage customers emotionally over time and encourage advocacy?

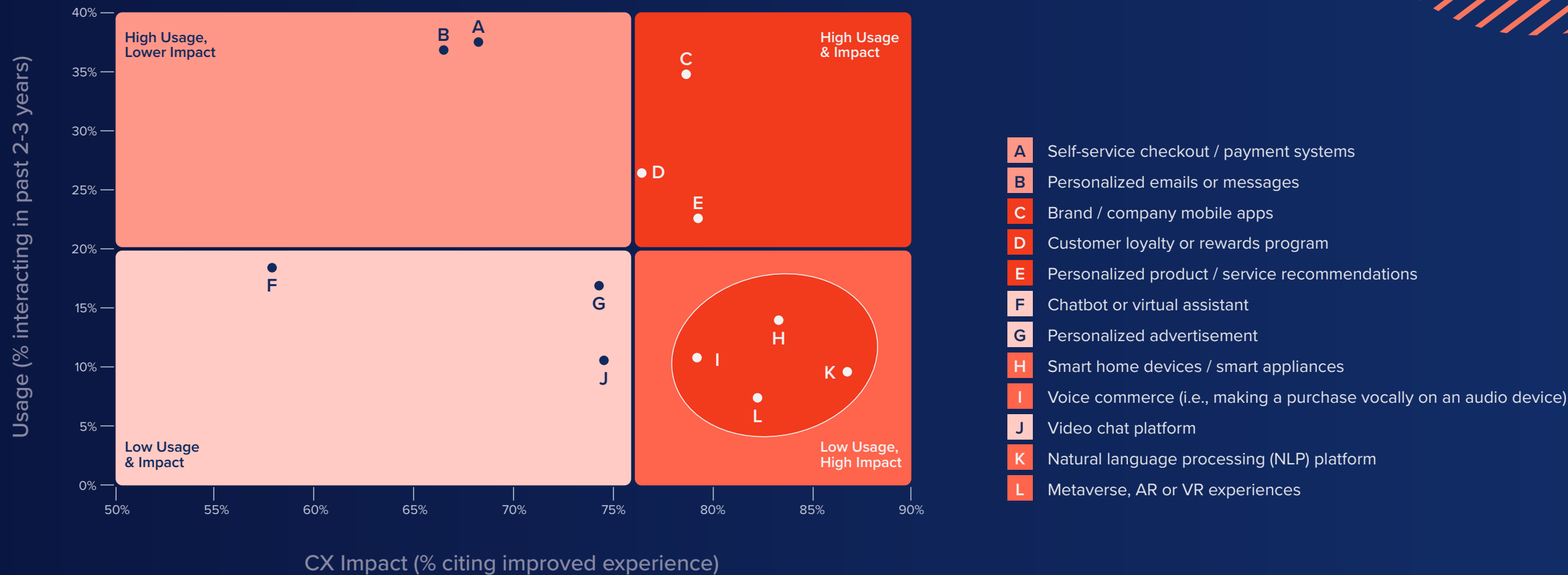
Many emerging technologies promise to deliver entirely new forms of customer engagement, sometimes in thrilling ways. But our data shows that **a rigorous, data-driven approach to evaluating the future potential of emerging tech** is essential when planning your CX investment strategy. →

06

**Assess emerging
technologies
to empower
customers in
new ways.**



Consumers' perceived use and stated impact of popular emerging technology



To the consumer, not all emerging tech is created equal.

Some dominant brand tactics rank low in their reported ability to impact the customer experience.

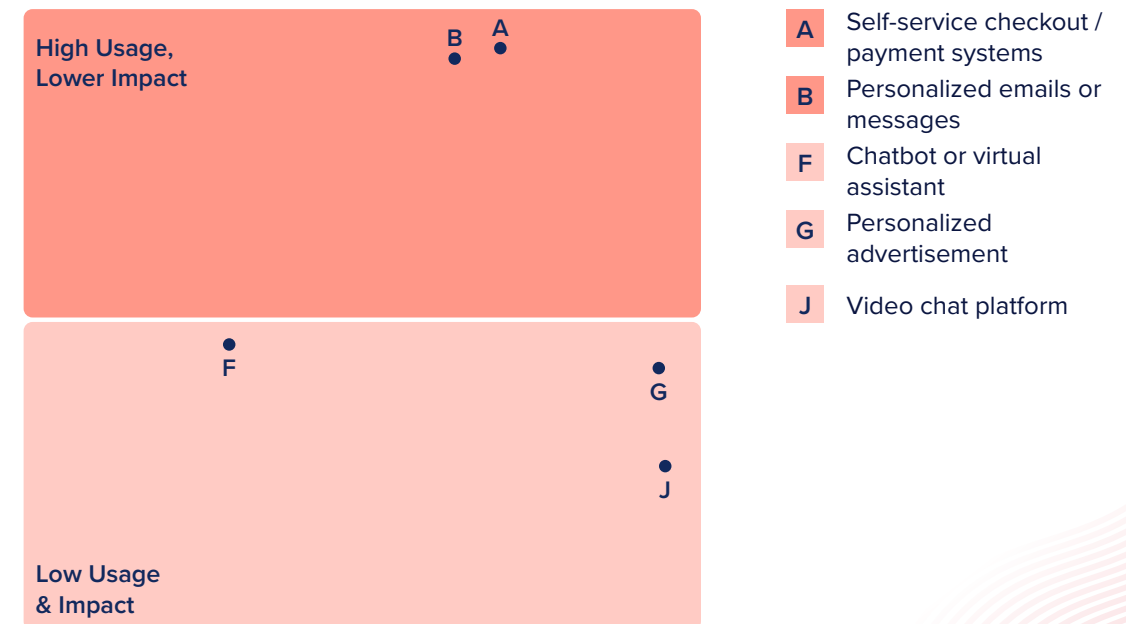
In our survey, we asked consumers to rank the impact and perceived use of popular emerging technology and discovered some clear groupings.

Low impact emerging tech:

The upper left quadrant shows frequently experienced emerging tech that consumers deem least impactful. Self-service checkout/payment systems and personalized emails/messages occupy this space.

The lower left quadrant includes lesser experienced/low impact tech, including chatbots/virtual assistants, personalized ads, and video chat platforms. This may surprise readers who are actively employing this tech, so it's worth emphasizing that consumers may not be taking notice or engaging with them.

A few of the lower impact options (e.g., chatbots, video chat platforms, personalized ads) may conjure feelings of annoyance or creepiness. We expect these technologies to improve over time, especially as they're made "smarter" by additional data processing, better algorithms, and more thoughtful creative and design.



High impact emerging tech:

Frequently experienced and high impact technology include apps, loyalty programs, and personalized product recommendations. These are plotted in the upper right quadrant. As one might expect, brand investment in these areas is already significant and likely to hold steady.

Last – but certainly not least – are infrequently experienced but most impactful types of emerging tech, charted in the lower right quadrant. Smart devices, voice commerce, NLP platforms, and virtual/augmented reality meet these attributes. **These are the innovations to which brands should pay the most attention**, as they have already demonstrated impact with early adopters.

Perhaps not surprisingly, convenience underpins all four – when done correctly and in appropriate settings, they bring ease of discovery, research, and/or purchase to a consumer's immediate environment.

Consider this data directional rather than prescriptive; not every brand benefits from putting products in the Metaverse, for example. When approaching emerging tech, the objective

should be to solve real, identified customer problems. If the tech doesn't meet that requirement, it should be reconsidered or retooled.

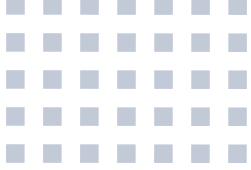
Wherever possible, examine and measure the behaviors of early adopters to place informed bets on which new technologies might be ready for the mainstream. Consider running controlled experiments to determine whether specific technology innovations are truly making a positive impact on overall customer experience. Innovations that pass the test can be scaled up and industrialized to reach and empower a broader audience.



CX leaders...

... **experiment with emerging technologies** that have the potential to solve customer problems in new ways.

... **have a data architecture in place** that makes it easy to measure the adoption and impact of new technologies across audiences.



ask your self



Does my organization have a formal strategy to rigorously evaluate emerging technologies, or are we reactive to media hype?



Do we have a clear understanding of the capabilities, limitations, and business impact of technologies in use today?



When emerging technology demonstrates positive impact for early adopters, do we have a plan to increase investment and bring these new capabilities to the mainstream?

Conclusion

In the age of customer empowerment, a brand's ability to anticipate shifting needs and behaviors may be the ultimate competitive advantage. A confident, cost-conscious, digitally connected customer has no time (or money) to waste on brand experiences that do not materially improve their life experience.

Trends, digital and otherwise, will always come and go. Brands that stay focused on improving their customers' lives can learn to distinguish distractions from true disruptions, and have the best chance of thriving over the long term.

Amid all the noise, it's necessary to get to the heart of what connects you to

your customers. What do they like about you? How do you fulfill their needs? How can data, technology, and real human interactions work together to improve the overall experience?

What else could you be doing better to deliver a fair, fruitful exchange of value?

Remember, in the experience economy, it's not just about the product or service; it's the sum total of all touchpoints and interactions working together to deepen relationships and build trust. When they feel seen, supported, and valued, empowered customers can move your business forward.



Methodology

Primary research comprised online surveys of N=820 CX professionals with decision-making influence on customer experience at their organizations and N=2,100 consumers who had a qualifying consumer interaction with one or more brand categories in the past 3 months. Surveys were administered in six languages to professionals and consumers based in 18 countries across North America, Europe, and the Asia-Pacific region. Survey fieldwork conducted October-November 2023.



