The Future of CX in 2023

How OpenText can accelerate your digital transformation

Adam Firbank | Senior Consultant
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State of the customer communications market

Going into 2023, rising interest rates, record inflation, and skyrocketing energy prices have fueled recession jitters on a global scale. Labor shortages have persisted for months with the **U.S. Bureau of Labor Statistics** reporting that more than 11 million job openings remain unfilled in 2022. According to **GlobalData's** analytics, the number of businesses citing labor shortages in their 2022 financial filings increased by 28% worldwide compared to the previous year while those reporting an overall positive outlook fell by 20% over the same period. These unfavorable conditions will only get worse as the war in Ukraine drags on (or worse yet, escalates) in its second year.

In light of the impending recession and rising inflation, consumer spending growth is expected to drop in 2023. Non-essential spending will decrease as the economic downturn pinches customers' wallets. As a consequence, every interaction between customers and their chosen brands will take on greater significance. In order to maintain consumer loyalty, organizations must demonstrate empathy and build relationships that withstand these extraordinary pressures.

> With consumers spending less, every touchpoint will take on greater consequence as brands work to earn and keep their business

A lesson from the past recession

Though it may, at first, seem counterintuitive, focusing on customer experience is a winning strategy, even in a recession. A study by **McKinsey & Company** found that CX leaders realized three times higher returns for their shareholders during the economic downturn of 2007 – 2009 than those who neglected customer experience.

It's ironic then, that nearly half of the 2,000 British consumers who responded to a recent survey by **People 1st International** believe that customer service standards have worsened over the

last 18 months as inflationary pressures and reduced profit margins push providers to cut corners. Disinterested staff and chatbots replacing human interactions were among the most commonly cited complaints. The study's authors speculate that this points to "skimpflation", a phenomenon whereby inflationary pressures and squeezed profit margins force firms to cut corners. But as we will show, instead of chasing savings, businesses should be doubling down on investments that will give their employees the data and tools they need to craft and manage personalized interactions.
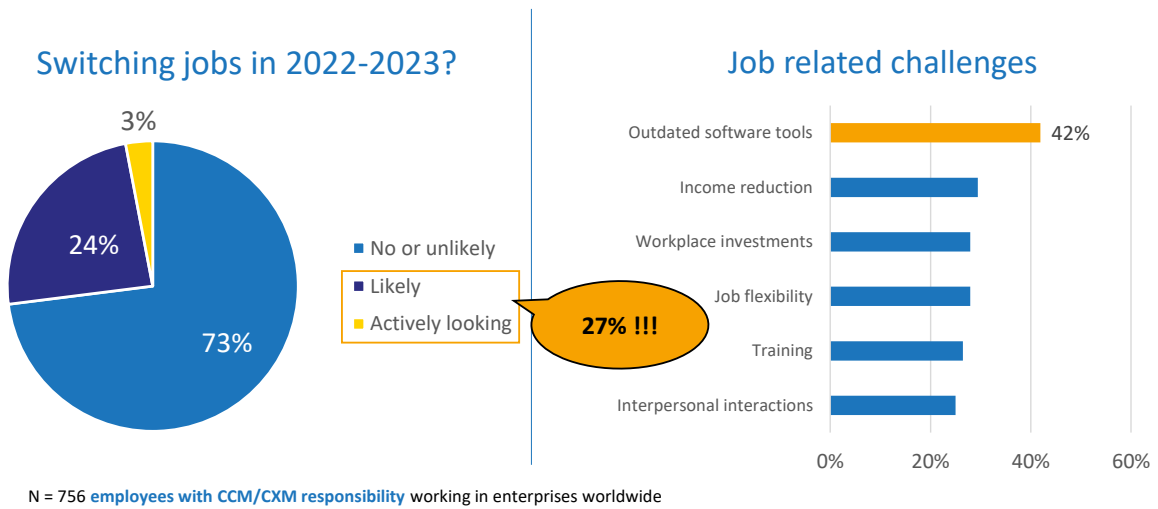
The connection between EX and CX

Aspire's research revealed that in the wake of social distancing lockdowns, over 90% of U.S. businesses reported that they had enabled or planned to enable employees to create and manage communications while working remotely. One-third named an "easy-to-operate" user interface among their most important considerations when purchasing an online CCM platform. This is in keeping with continuing efforts to empower business users with limited technical expertise to manage communications on their own with minimal IT involvement.

Nevertheless, our 2022 research revealed that the tools they are given are often not up to the task. Over one-quarter of enterprise respondents (all with some level of CCM responsibility) said they were likely to leave their jobs in the next 12 months or were already actively looking for new employment. Respondents overwhelmingly selected outdated software tools as their top source of frustration.

Figure 1: Inefficient technology turns talent away

Switching jobs in 2022-2023?

3%

24%

73%

- No or unlikely
- Likely
- Actively looking

27% !!!

Job related challenges

Outdated software tools	42%
Income reduction	
Workplace investments	
Job flexibility	
Training	
Interpersonal interactions	

0%   20%   40%   60%

N = 756 **employees with CCM/CXM responsibility** working in enterprises worldwide

Source: *The State of CCM-to-CXM Transformation,* **Aspire**

While a positive customer communications experience is now vitally important to overall business health, the experience of the employees sending communications is an equally essential element of a successful strategy. If an employee leaves and there is no unified system to manage communications, the resulting loss of experience and institutional knowledge will inevitably erode customer satisfaction. Once this institutional knowledge is lost, it will take time (and expense) for new or reassigned employees to learn the old processes or find and develop new ones.

It should be noted, however, that as organizations advance toward CXM maturity, employee experience improves alongside customer experience. Businesses with CX teams in charge of communications were three-to-five times more likely to retain their employees. Business users (and employees in general) need tools that will enable them to do their jobs well from wherever they may be working. When combined with best practices to guide them, this will improve the experience for both the sender and the recipient.

> Outdated software tools are the top source of frustration for employees working with communications, but businesses that have made the most advancement toward CXM maturity are more likely to retain talent
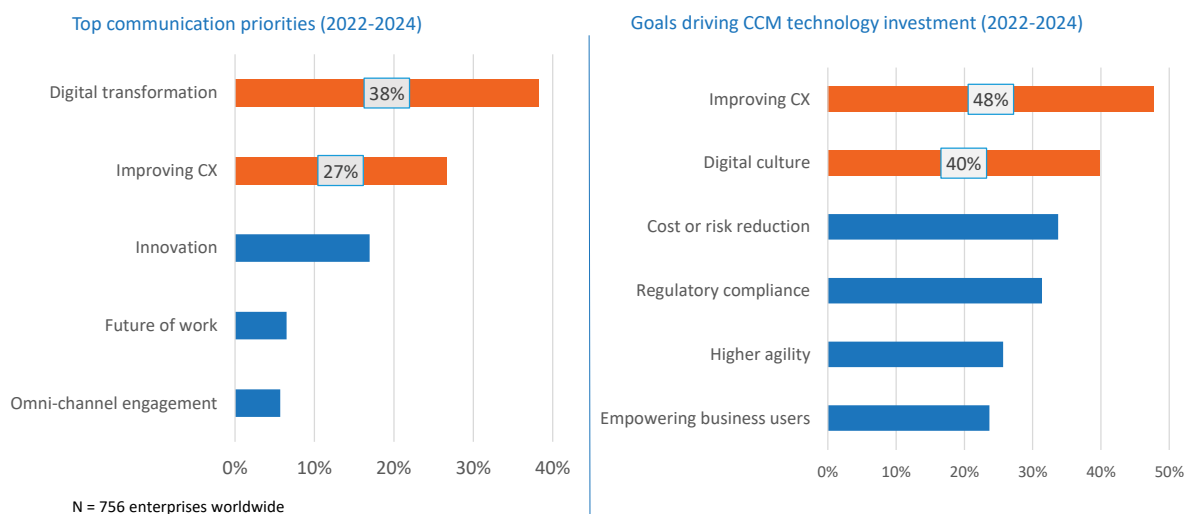
The continuing journey to CXM

In the wake of social distancing lockdowns, around 80% of consumers responding to Aspire's survey reported that they had accessed a statement or paid a bill online, with roughly 15% doing so for the first time. Since then, consumers have been inundated with technological demands. For instance, a study by **Nielsen** found that British adults in 2022 racked up over 11 hours of screentime in an average day compared to just 6 hours in 2019. Nearly one third of the consumers who responded to **Deloitte's** *Connectivity and Mobile Trends* Study reported that they have felt overwhelmed by technology since the beginning of the pandemic.

In order to effectively engage consumers in this oversaturated environment, businesses must focus on improving customer experience through superior digital interaction. Aspire's latest research has shown that these are, in fact, the primary concerns informing communications priorities and driving CCM technological investments worldwide.

Figure 2: Organizations are working to leverage better digital communications

Top communication priorities (2022-2024)

Priority	Value
Digital transformation	38%
Improving CX	27%
Innovation	
Future of work	
Omni-channel engagement	

N = 756 enterprises worldwide

Goals driving CCM technology investment (2022-2024)

Goal	Value
Improving CX	48%
Digital culture	40%
Cost or risk reduction	
Regulatory compliance	
Higher agility	
Empowering business users	

Source: *The State of CCM-to-CXM Transformation,* **Aspire**

While this is certainly a positive development, less than a quarter of the organizations responding to a survey by **Metrigy** agreed that they have successfully been able to integrate customer data into their business processes. Moreover, the vast majority (94%) believe that being able to quickly adapt their customer experience strategy based on up-to-date consumer activity and sentiment is important for organizations like theirs, but only 42% are able to do this today.

How customer behavior is likely to evolve in 2023

When faced with tough economic times, businesses are often tempted to place too much emphasis on hitting their targeted metrics in order to justify their budgets, but organizations can't afford to lose sight of overall customer experience by focusing solely on operational goals. Treating consumers with respect and conversing with them as individuals ultimately delivers more value than approaching customer interactions with a myopic focus on operational efficiency. In other words, a personable service agent has a greater and more lasting impact on consumer satisfaction than a shorter wait time or faster delivery. According to **CXM Research**, when a consumer talks to an empathetic agent, they are over five times more likely to come away with a positive view of the interaction. By contrast, those who experienced a shorter wait time were only 2.7 times more likely to positively rate the interaction when compared with those who were dissatisfied with how long they had to wait.

Until now, customers have been relatively understanding of staffing issues and other challenges arising from the coronavirus pandemic and its ensuing complications. But in 2023, their patience will run out unless organizations focus on customer experiences rather than operational goals.

> "The human desire to be heard and understood is universal, especially in today's digital world. With all of the economic, political, and medical uncertainties over the next couple of years, organizations need to get even better at recognizing and responding to shifts in what customers are thinking and feeling to retain their loyalty."
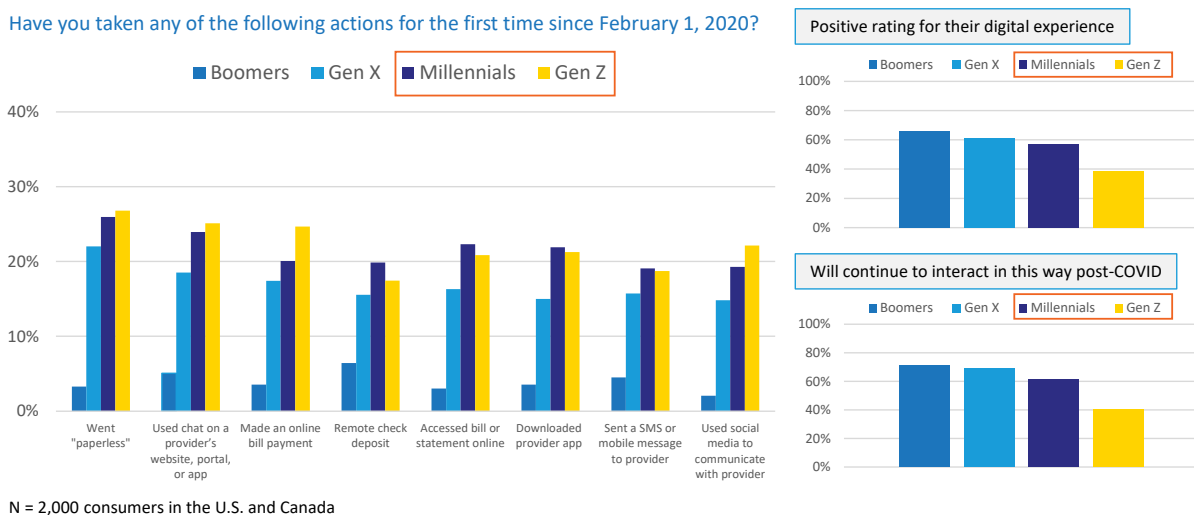>
> Bruce Temkin,
> Head of Qualtrics XM Institute

In our consumer research, Aspire has found that Gen Z and Millennials (in this survey, consumers aged 18 to 40 years) were in every case the most likely to have taken steps toward digital adoption for the first time at the beginning of the coronavirus pandemic while Baby Boomers (those 56 and older) were the least likely to have taken these actions. Nevertheless, follow up questions established that consumers aged 40 years and younger (and particularly those under the age of 25) were the least likely to positively rate these digital experiences and the least likely to report that they planned to continue interacting with their providers in this way once COVID-19 had finally run its course.

Figure 3: Young consumers are open to digital, but are unhappy with the status quo

Have you taken any of the following actions for the first time since February 1, 2020?

N = 2,000 consumers in the U.S. and Canada

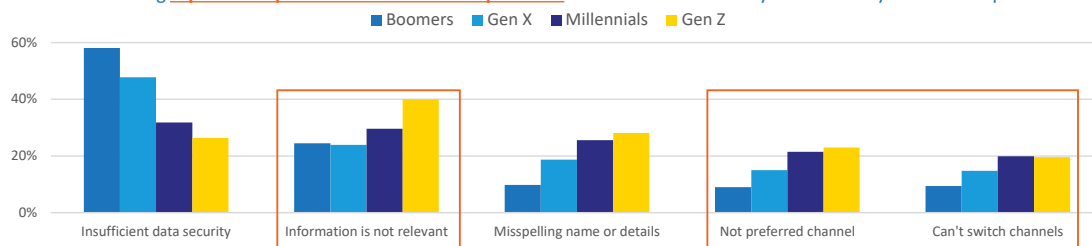**Source:** *Understanding the New Digital Reality*, **Aspire**

Why are these younger consumers open to digital communications but dissatisfied with the status quo? For many businesses, digitization simply means transforming a static print document into a PDF and password-protecting it behind an email link without giving any consideration to how the PDF might look on a mobile device or the hassle consumers must undertake to jump through hoops to access it. Other organizations might redesign a printed document in HTML but fail to take advantage

of any of the actual digital capabilities the medium offers, such as deep linking or interactive displays and charts. In short, digital communications are often an afterthought with documents designed to merely mimic print. All too often, enterprises fail to put in the proper groundwork before undertaking digital transformation and they create communications that do not embrace the true interaction young consumers expect or that digital platforms make possible. Young consumers' desire for personalized interaction and a seamless experience is at the root of their dissatisfaction with the current state of digital communications.

Figure 4: What aspects of provider communications are the most vital?

Which of the following **aspects of a poor communications experience** would be the most likely to influence you to switch providers?

Which **aspects of a positive communications experience** would you be willing to pay more for to receive?
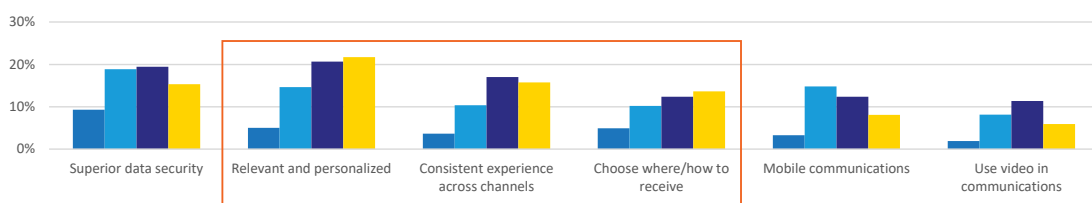
N = 2,000 consumers in the U.S. and Canada

Source: *Understanding the New Digital Reality*, **Aspire**

While Boomers prize data security and Gen X prioritizes mobile communications access, Millennials and Gen Z value relevance and personalization based on their purchases and preferences. They also want a consistent experience across channels, and they want to choose how and where they receive communications.

> Businesses who offer consistent and meaningful interaction can forge bonds with their customers that are far stronger than the kind of shallow attachments static and impersonal messages can manage

Furthermore, our research shows that consumers who live in the wealthiest households (who also tend to be the most technologically sophisticated) demand seamless interaction and an ongoing conversation across their chosen communications channels. Businesses who offer consistent and meaningful interaction can forge bonds with their customers that are far stronger than the kind of shallow attachments static and impersonal messages can manage. This is important because the young, the wealthy, and the tech savvy have demonstrated a history of switching providers after a negative communications experience and have reported an increased willingness to pay a premium for superior interactions. **These demographics — vital to the future of any business — will do what it takes to secure better communications.** Therefore, forward-looking organizations must commit to wise investments that will meet these consumers' expectations while making room for future innovation. **With consumer patience already wearing thin, now is not the time to prioritize short-lived savings by shifting focus away from customer experience**.

Top CX technology trends in 2023

There are five key trends that will shape the development of CX technology in 2023. The first is broken into three parts.

Immersive Experiences

The Metaverse

Nobody really knows what the metaverse will look like in ten years' time, but organizations are already introducing some basic concepts that will help them connect with customers in new and more immersive ways. In 2023, consumers will increasingly demand memorable interactions that will enable them to forge a relationship with their chosen brands. In order to remain

relevant, businesses must commit time, resources, and thought to effectively leveraging the metaverse so that they can create customer journeys that will resonate with consumers.

Until now, organizational culture has evolved – largely organically – in an office environment. But with more employees now working remotely in different locations and at different times, businesses will need to gain a fuller understanding of the whole working journey to know where it makes sense for the metaverse to fit. We're already seeing organizations using elements of the metaverse to tremendous effect, (especially in terms of global collaboration as we settle into a hybrid working model).

Augmented Reality (AR) & Virtual Reality (VR)

Immersive AR experiences will become the norm in 2023 as customers begin to embrace a new digital world born from accelerated digital transformation in response to the pandemic. While this world of augmented reality is still in its infancy, the sheer momentum it is expected to gain should be enough to earn the attention of even the most hesitant organization.

New immersive experiences will go way beyond trying on clothing or virtually applying make-up and will instead showcase products by building worlds around them. According to **Forbes**, by the end of 2021, a staggering 48% of consumers were already using AR features on social media, mostly in the form of filters. By the end of 2023, experts expect the AR market to generate between $70 and $75 billion in revenue annually.

Phygital Experiences

Phygital is a portmanteau of 'physical' and 'digital'. Certain phygital journeys, such as scanning QR codes on product packaging or using interactive menus in fast food restaurants,

"In the simplest terms, the metaverse is the internet, but in 3D. It is a tool to connect us as humans and with our planet. Many of the metaverse ingredients are with us now – think interacting with lots of people and content made by them, in persistent, immersive worlds across many devices, including virtual reality."

Ed Greig,
Head of Disruptor, Deloitte

Augmented reality's momentum should earn the attention of even the most hesitant organizations

are already mainstream. Good ones that blur the line between the physical and digital worlds will be the stand-out experience of 2023, especially as pioneering organizations carry these innovations into new industries like banking and insurance. In fact, phygital experiences will be key in helping to drive simplified communication in the sector once Britain's Consumer Duty regulations go into effect in July.

As phygital interactions grow smarter and more immersive, we expect businesses to expand their use beyond kiosks and apps to develop innovative experiences that will enable customers to make larger and more important purchases, up to and including automobiles and mortgages.

> **As phygital interactions grow smarter and more immersive, businesses will develop more innovative experiences**

Personalization

One of the most popular ways of creating great customer experiences in 2023 will be to offer personalized products, goods, and services. Today's technology enables businesses to carry out personalization at scale on a level that goes beyond the personalized marketing materials we all now take for granted. Everyone expects a personalized promotion or an advertisement that's been tailored to fit their perceived needs, but **Deloitte's** research has found that customers are willing to pay a 20% premium for customized or personalized products.

In the same vein, consumers also like to get involved in the design process. This is why Nike and Adidas have launched 'personalizable' sneakers/trainers that can be fully customized while skincare companies like Clinique offer personalized moisturizers and creams tailored to specific skin conditions and different skin types. Going into 2023, we expect to see more organizations adopt technology such as 3D printing in order to be able to create physical goods and products that are exclusive and personalized.

> **Going into 2023, we expect organizations to adopt technology that will enable them to create exclusive personalized products**

Automation & Self-Service

While staffing concerns remain a problem for every organization, brands can't make excuses and they must find creative solutions to work around the challenge. Automating contact centers and warehouses reduces the need for human labor without sacrificing customer experience. For example, companies like Fittingly allow customers to design their own bespoke wardrobe and storage solutions, cutting out the need for sales/planning teams and expensive home visits while improving customer experience by enabling direct and personalized involvement, all online. In 2023, self-service options will soar and expand to short videos and voice memos that allow customers to solve problems and find answers to their questions at a time that is convenient for them.

Figure 5: Businesses are planning to invest in automation

Which of the following CCM/CXM capabilities are you planning to procure in the next 12-24 months?
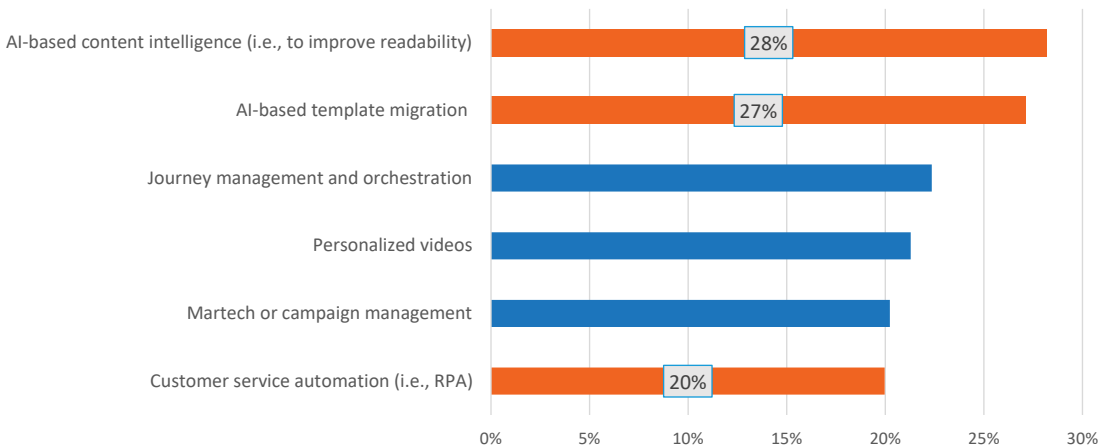
N = 756 enterprises worldwide

Source: *The State of CCM-to-CXM Transformation*, **Aspire**

As Aspire's most recent research demonstrates, businesses expect to prioritize investments in artificial intelligence and robotics process automation (RPA) all in an effort to streamline workflows and elevate each communication touchpoint.

Short-form video content and personalized videos

Figure 5 also points to an increased focus on optimizing the customer journey through active campaign management and a desire to leverage personalized video.

Consumer attention spans – much like their patience – are continuing to wane. One only need look at Instagram's Reels and YouTube's Shorts to see how short-form video content is driving consumer engagement. *CX* Magazine has reported that short-form video racked up the highest ROI of any visual social media marketing strategy in 2022 and future projections indicate this trend is likely to accelerate. In fact, Aspire's research shows that more than one in five organizations are planning to purchase personalized video capabilities in 2023. Businesses that begin integrating this content into their marketing strategies now will see higher engagement in the future.

> Aspire's research shows that more than one in five organizations are planning to purchase personalized video capabilities in 2023

Social eCommerce

People enjoy browsing and shopping on social media because they get an accessible but in-depth perspective on different brands that enables them to make more informed decisions and efficient purchases. While social media shopping is popular today, few organizations are properly prepared for its projected expansion. TikTok General Manager Sandie Hawkins has described social media shopping as "word of mouth on steroids". In fact, according to **Accenture**, social commerce growth potential will triple by 2025. That's an estimated $1.2 trillion in revenue available for those organizations that have properly prepared to take advantage of the opportunity.

> While social media shopping is popular today, few organizations are properly prepared for its projected expansion

The future of customer experience metrics

After every interaction, the customer leaves behind data that businesses can use to hone the most effective strategy. Some organizations rely on **direct metrics** by soliciting consumer feedback and analyzing the results. Examples include:

- **Net Promoter Score (NPS):** measures customer loyalty to predict business growth
- **Customer Effort Score (CES):** derived from a customer satisfaction survey that measures a product's or service's ease of use
- **Value Enhancement Score (VES):** evaluates how the service interaction impacts the customer's ability to use the product/service and their confidence in the purchase

On the other hand, **indirect metrics** draw on data that is automatically collected from the customer without needing to secure additional feedback. For example, **Average Handling Time (AHT)** makes determinations by measuring the duration of a particular interaction while **sentiment analysis** relies on Natural Language Processing to suss out a customer's feelings about that interaction.

While NPS is popular today, customers are disproportionately more likely to report bad experiences than take the time to rave about good ones. This may explain why enterprises responding to Aspire's latest survey favor other customer loyalty metrics to NPS by a two-to-one margin.

Enterprises prefer other customer loyalty metrics to NPS by a 2-to-1 margin

Figure 6: Measuring CX improvements

How do you measure Customer Experience (CX) improvements? (Multiple responses permitted)
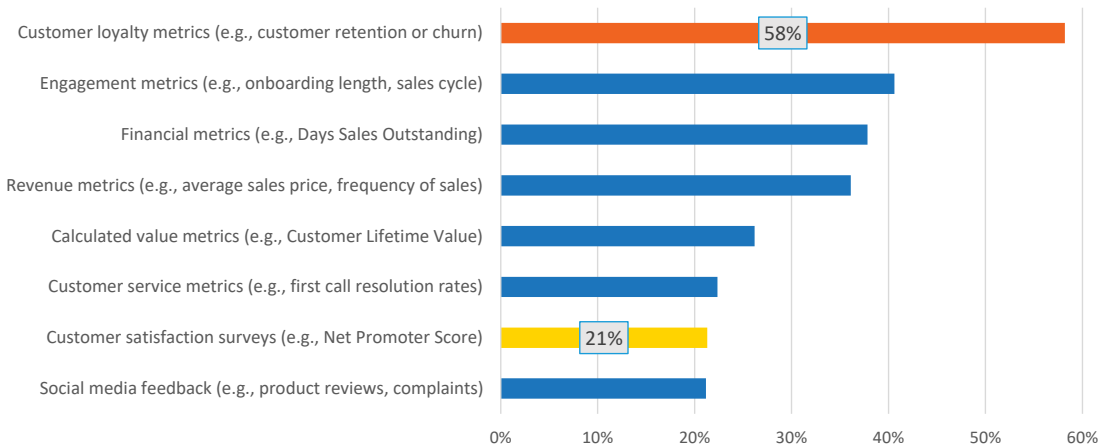
N = 756 enterprises worldwide

Source: *The State of CCM-to-CXM Transformation,* **Aspire**

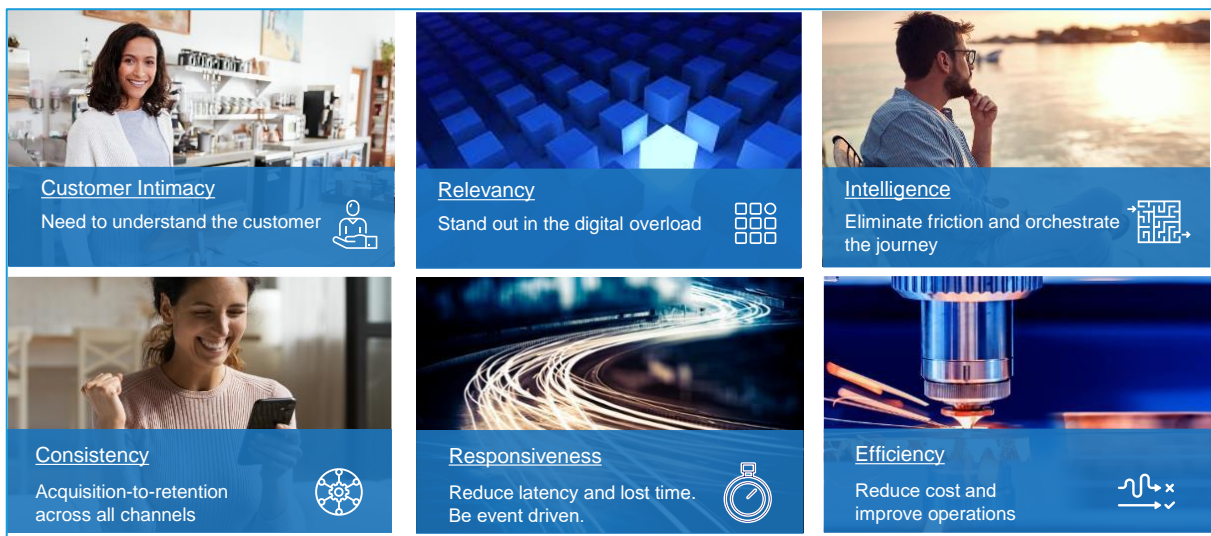# How OpenText can help businesses prepare for the future customer experiences

OpenText is a global provider of Information Management (IM) software, offering market-leading customer communications, digital experience, content management, and business automation solutions. The company is headquartered in Canada and has offices and customers in every major market in the world. **OpenText ™ Exstream™**, the vendor's flagship CCM offering, is a high-fidelity composition platform used by enterprises across the world to produce high-volume print and digital customer communications based on batch, on-demand, and interactive processes.

In 2022, OpenText saw a **converging need for personalization that cuts across its CCM and Digital Experience portfolio**. This shift to customer data platforms and audience managers for holistic customer tracking presents an opportunity for OpenText to provide a platform that not only **optimizes and orchestrates**

digital experiences at scale, but also shares the underlying personalization and data engine with Exstream to power meaningful, highly personalized customer communications and experiences designed to boost conversion rates. To that end, OpenText launched a new initiative designed to directly address consumer demand for superior communications in six key areas.

Figure 6: OpenText is helping businesses meet organizational and communications goals


Customer Intimacy
Need to understand the customer

Relevancy
Stand out in the digital overload

Intelligence
Eliminate friction and orchestrate the journey

Consistency
Acquisition-to-retention across all channels

Responsiveness
Reduce latency and lost time. Be event driven.

Efficiency
Reduce cost and improve operations

Source: OpenText

A focus on customer intimacy, intelligence, and relevant communications will enable businesses to personalize interactions that are consistent with a consumer's place in the customer lifecycle across all channels while efficient and responsive workflow will help them to improve operations and develop an agile approach. We believe OpenText is well-positioned to use its technology to help its partners deliver on consumer expectations in 2023 and beyond. It's for this reason that we have placed it as a leader in communications experience platforms among hosted managed solutions on the Aspire Leaderboard.

Figure 6: OpenText is in the CXP Leaders quadrant in 2023
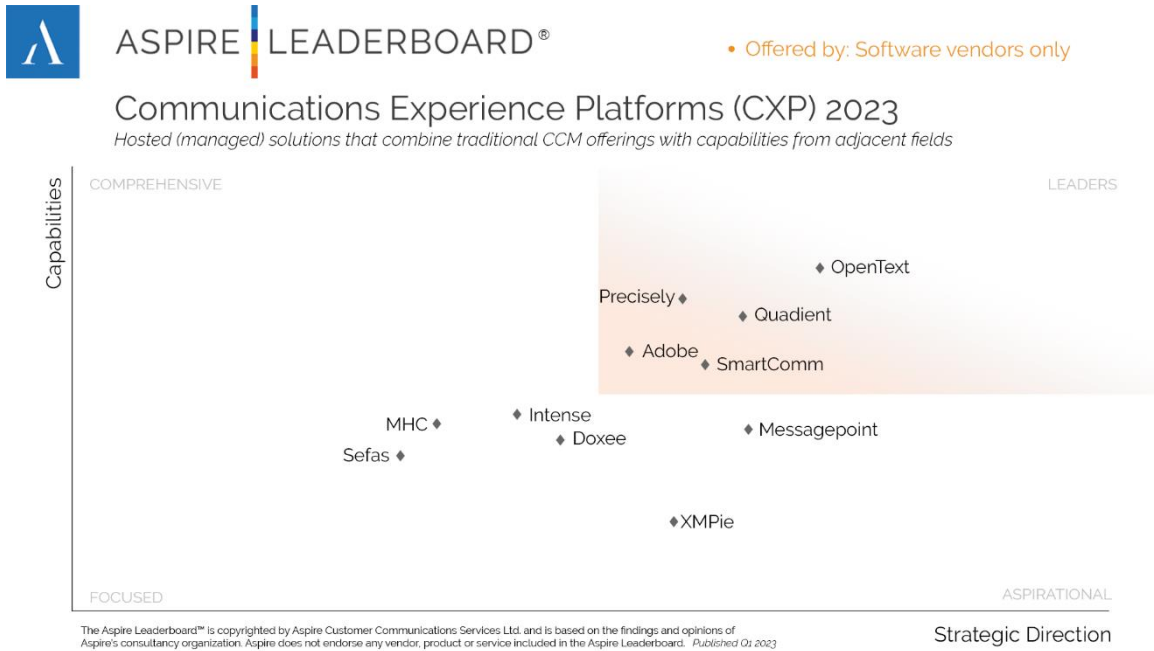
Source: Aspire

Conclusion

With its accelerated shift to the cloud, redesigned interfaces, deep integration, and an increasing focus on AI, we believe OpenText is prepared to continue shaping the CX market in 2023 and beyond

In these anxious and uncertain times, businesses must overcome the instinct to tighten their belts while keeping an eye on the bottom line and instead seize the opportunity to differentiate themselves from the competition by prioritizing personalized and empathetic interactions with their customers. To that end, Aspire's research has shown that over 80% of businesses worldwide are modernizing their approach to customer communications and nearly three-quarters are getting help from a vendor or service provider.

OpenText is increasingly positioning itself as a vendor offering a best-of-suite platform in the converging CCM-CXM space. As organizations begin searching for ways to holistically manage communications and digital experiences across the entire customer lifecycle, OpenText – with its wide range of capabilities

– is in an excellent position to capitalize on this opportunity. Through integration with Google, it offers advanced data capabilities that combine with its leading CCM and Digital Experience solutions to provide a good foundation for companies looking to deliver unique and memorable experiences that will win customers and keep their business. With its accelerated shift to the cloud, redesigned interfaces for the majority of its CCM and CXM products, deeper integration, and an increasing focus on AI, we believe OpenText is prepared to continue shaping the CX market in the years ahead.

About OpenText

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About Aspire

Aspire is a global analyst and market research firm providing independent insight and trusted advice to the Customer Communications Management (CCM) and Customer Experience Management (CXM) industries. Aspire empowers Enterprises, CCM/CXM Software, Services and Solution providers, and Business Advisories and Private Equity Firms, with unbiased guidance and actionable insights delivered through a variety of highly specialized services.

AUTHOR

Adam Firbank | Senior Consultant
adam.firbank@aspireccs.com