Say hello to your new AI colleague

Customer Experience Excellence report UK 2023/24

kpmg.com/uk/CustomerExperienceExcellence
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There is a sweet spot between service and cost; you can quickly lose sight of what is important to customers. Our belief is that if we deliver an exceptional experience, customers will keep coming back and that is the best way to safeguard the financials.”

Sir Tim Clark
President, Emirates Airline

A revolution in CX, cost & value

For the last 14 years, we’ve looked at how the world’s best organisations connect customer excellence to lower costs and faster growth. In 2023, we reached a tipping point in business adoption of artificial intelligence (AI), which is radically re-writing the rules of the game.

Whilst forms of AI have been with us for years, ChatGPT has heralded a new wave of Large Language Models (LLMs), with dramatic impacts on operating cost, colleague experience and customer value now possible in almost every part of every enterprise. In the near future, further advances promise us systems that are able to autonomously improve their capabilities and behaviours. With future artificial intelligences re-writing their own code, the potential we’re now experiencing is only just starting to be unleashed on customers, businesses and society.

Many executive teams are treating this as an important technological challenge, akin to cloud computing, blockchain or the metaverse, running experiments in parts of their businesses. Not all of these are destined for success: Gartner predicts that as many as 85 percent of AI projects will fail to meet their objectives.¹

Other leaders have taken a bolder position, seeing 2023 as the start of a profound change in how their enterprises will operate. In our global research, a lot of the world’s elite brands fall into this category. They are the trendsetters: the ones who view AI as potentially more dramatic than the adoption of the internet in the 1990s or mass electrification a century before. Our prediction is that these AI leaders will dominate this research in the coming years, as well as leading the social and economic changes to come.

Learning from first adopters

As always, the future is here, just not widely distributed yet. This year’s index is again topped by first direct; a classic case study of an organisation that has struck exactly the right balance between human and machine. Overall, financial services also leads our new AI Adoption Index, showing the maturity of the sector and its capability to realise future cost savings, often in a highly regulated environment.

Many of our leading organisations have already found practical use cases for AI in everyday applications. Critically, they have done this in a way that increases efficiency, but also preserves human value. They apply The Six Pillars of customer experience to consistently design and deliver brilliant human connections with their organisation. This report therefore focuses on what we can glean from these early adopters and their emerging best practice.

¹ Gartner Says Nearly Half of CIOs Are Planning to Deploy Artificial Intelligence
A new type of colleague?

As with any paradigm shift, business leaders and society are still coalescing around a consistent way of managing artificial intelligence. Many different models have emerged, with some treating it as principally an IT and data challenge, handing AI to the CIO to ‘solve’. Whilst this has the merit of simplicity, like with the first, failed waves of digital transformation, this on its own may be too narrow to ensure long-term success. Others see AI as best devolved to a series of functional opportunities: new features to be experimented with and ultimately ‘switched on’ in marketing, operations and their back-office teams. Whilst this has advantages of pace, it potentially heralds a new era of disconnection – with multiple LLMs and discrete systems magnifying the dysfunctionality and risks across the business.

Many of the world’s leading brands in this year’s research take a wider view. They have already recognised that AI is an enterprise-wide challenge, requiring the CEO to take direct accountability for the enormous cultural disruption, cost savings and human value it presents. By thinking about AI as a new, game-changing type of colleague – one with unique management challenges, integration risks and strategic advantages – they are taking pole position in the race to future leadership.

The metaphor of AI as a colleague not only guides management theory, but also humanises the integration of these systems into the colleague experience. Different types of AI use cases can be ‘staffed on’ to specific jobs. For existing colleagues, this can often be thought of as having your best and brightest intern working alongside them, helping free up administrative tasks to empower existing colleagues to focus on relationship building, high complexity jobs and creating lasting human connections.

Successful, safe implementation

Faced with disruption, most organisations are still grappling with questions, rather than answers. Most are asking: where do we start? How should we learn about this technology? How do we protect ourselves from being disrupted? Vitally, how do we ensure our investments are successful? Meanwhile, customers and regulators are exposed to an increasingly concerned media, so are becoming more aware of the perceived dangers of unchecked AI adoption.

In this 14th report on Customer Experience Excellence, we examine emerging best practice in AI implementation. By looking at the world’s brands, we provide an early view of what CEOs and other business leaders need to do to deliver real human value, at a low cost, as safely as possible.

A new industrial revolution is gathering momentum around us. It will be driven by AI, but has the potential to redefine AI as a new, game-changing type of colleague – one with unique management challenges, integration risks and strategic advantages – they are taking pole position in the race to future leadership.

Tim Knight
Partner
UK Head of Customer & Operations

Dr Marty Herbert
Director
UK Head of Experience Transformation
About the Customer Experience Excellence Centre

This is the 14th year of our ongoing global research programme into customer experience excellence. This year we interviewed 13,143 UK consumers who shared their experiences with 376 ranked organisations.

Introducing The Six Pillars

Customers evaluate their interaction with brands across The Six Pillars of experience.

- **Integrity**: Being trustworthy and engendering trust
- **Resolution**: Turning a poor experience into a great one
- **Expectations**: Managing, meeting and exceeding customer expectations
- **Time & Effort**: Minimising customer effort and creating frictionless processes
- **Personalisation**: Using individualised attention to drive an emotional connection
- **Empathy**: Achieving an understanding of the customer’s circumstances to drive deep rapport

These have been shown to be the essential building blocks of world class experiences. Organisations who have mastered The Six Pillars have significantly better commercial outcomes.
Experience excellence is proven to...

...drive revenue & EBIT up

**10x**

UK top 10 companies achieved 10x the revenue growth versus their FTSE 100 counterparts²

The top 100 brands achieved a year-on-year average profit growth that was double that of the bottom 100 brands³

Within the top 100 the brands positioned 1-10 achieved 3x the revenue and profit growth of brands positioned 91-100²

The top 10 most improved brands achieved 4x the revenue growth of the remaining top 100 brands²

...drive cost out

Leading players can improve experience and reduce costs by up to 25%²

Companies that excel can achieve 75% better margins³

Leaders achieve 89% customer retention on average (reducing acquisition cost)

30% greater lifetime value (of customers that buy both in store and online vs those that use only one channel)

Within our research customers provide scores for each of The Six Pillars based on their experiences. This forms a compound metric (CEE score) for each organisation. They are then ranked based on their CEE score to create a league table. We examine the organisations that lead the index, and look at the highest risers (organisations that have made a significant improvement in their index position). Based on our findings, we identify leading practice and surface the key learning points.

This work forms part of a global study, extending the research to 40 countries, regions and jurisdictions.

**About the 2023 global programme:**

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We have extended 2023’s research to look at the adoption of artificial intelligence and have identified leading organisations in each sector to create an AI Adoption Index.

We would like to acknowledge the insight and best practices that Microsoft have contributed to this report. By combining CX and business best practice with data on AI adoption, this year’s report provides a unique insight for business leaders on what works and how.

There is no question we are in the midst of a massive platform shift with the new generation of AI that’s going to transform pretty much every sector,” said Satya Nadella, Chairman and CEO, Microsoft.

“There is no question we are in the midst of a massive platform shift with the new generation of AI that’s going to transform pretty much every sector,” said Satya Nadella, Chairman and CEO, Microsoft.

“We are very, very excited about our alliance bringing the very best of what Microsoft has to offer and KPMG has to offer in times that are changing rapidly in terms of digital.”

2 KPMG CEE 2020  
3 KPMG CEE 2017  
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An AI lexicon

This year we focus on artificial intelligence, but not all AI is the same – it is a wide topic. Organisations need to be clear on where it will make a difference.

AI serves as an umbrella term encompassing a wide array of distinct technologies and methodologies:

**Narrow AI (ANI), Artificial General Intelligence (AGI) and Artificial Super Intelligence (ASI)**
ANIs are the most common type used by organisations. It includes applications like chatbots, virtual assistants, fraud detection systems and customer service automation. AGIs and ASIs represent advanced applications that span a range of capabilities, exceeding human performance in various intellectual tasks.

**Machine Learning (ML) and Deep Learning (DL)**
ML is a subset of AI that involves training algorithms to learn patterns from data and make predictions or decisions based on that learning. Companies can use machine learning for tasks like predictive analytics, image and speech recognition. DL is a type of ML technique in which layers of neural networks are used to process data to solve complex problems.

**Neural Network**
Computer model designed to mimic the way the human brain processes information, consisting of interconnected nodes (neurons). GPT stands for Generative Pre-trained Transformer which is a type of artificial neural network architecture used in natural language processing and understanding tasks.

**Generative AI**
AI systems that can create new written, visual and auditory content given prompts or existing data. A Large Language Model (LLM) is an advanced generative AI model characterised by its complexity and capability to generate human-like content.

**AI Hallucination**
A situation where an AI system generates inaccurate or nonsensical information, often resulting in the production of misleading or false outputs.

**Bias in AI**
The presence of unfair or skewed decisions in AI systems due to biased data or biased algorithm design.

**Natural Language Processing (NLP)**
Focuses on enabling computers to understand, interpret and generate human language. Companies can use NLP for sentiment analysis, language translation, chatbots, content generation and more.

**Computer Vision (CV)**
Involves training AI systems to interpret and understand visual information, such as images and videos. Companies can use computer vision for tasks like facial recognition, object detection, quality control and autonomous vehicles.

**Prompt**
Prompt engineering is the practice of designing specific instructions or queries given to a language model to elicit desired responses or behaviours. This enhances the model’s performance and usability for particular tasks.
1. The 2023 research:

Who leads for CX in the age of AI?

Customer experience in the UK is in decline, driven by radical cost reduction programmes and failed last-generation technology implementations. The emerging CX leaders are fighting this trend, deploying new ‘AI colleagues’ to the frontlines of business to serve customers more effectively and efficiently than ever before.
UK customer experience headlines

In an era of squeezed costs, UK customer experience is declining. This is consistent with other countries around the world – in our global research programme spanning 21 countries, only two, Hong Kong and Japan, saw an increase in customer perceptions of experience delivery this year.

The UK research showed that overall experience received from the 376 UK organisations ranked in the survey has dropped to pre-COVID-19 levels, falling 3.8 percent in the last year. This includes a marked fall in customers feeling they have been dealt with empathetically. To some degree, this is a function of the extra care exhibited during the pandemic now reverting to business as usual.

But there is a further reason. Technology has become a substitute, and often a poor one, for human interaction. Customers have been deflected into low-cost channels, whether emotionally they require human contact or not. In many cases, technology hasn't helped – putting a barrier between the customer and the help they were seeking.

Consequently, in many cases the initial implementations of bots, even equipped with machine learning, have left customers underwhelmed and frustrated.

The overall decline in customer sentiment spanned all Six Pillars, with brands’ perceived ability to empathise with customers hit hardest (-6.4 percent). Energy suppliers are one such sector, with average NPS scores of -28. These declines were driven by extensive cost cutting and demand pressures requiring offshore sourcing.

Sixty-four percent of brands saw their score across each of The Six Pillars decline compared to last year, amid a challenging business and economic landscape. As many organisations have struggled to keep customers on-side in tougher economic times, brands are having to work harder than ever to maintain and build great customer experiences.

Consequently, all industries included in the survey saw an average decline in loyalty vs. last year, with entertainment & leisure hit hardest (-7 percent). Amid the cost-of-living crisis, it’s harder than ever for brands to retain customers who may need to cut back from their favourite brands.
This year’s top 10 is dominated by financial services (five of the top 10 places) and non-grocery retail (four of the top 10 places). While loyalty fell across the board, these two sectors were more resilient in delivering across The Six Pillars compared to other sectors, particularly in Personalisation and Integrity.

- first direct returns to number 1. The bank has ranked in the top three for 12 of the past 13 years.
- The top five have all been in the top 10 at least once in the last five years.
- One new entrant to the index goes straight into the top 10 – JPMorgan Chase. Its retail banking offering has rapidly won customers over, as a digital-only bank since its 2021 UK launch.
- The Six Pillars of experience continue to define world class experiences and maintain a high degree of explanatory power for advocacy and loyalty.
- Eight of the top 10 organisations have Time and Effort as their highest performing pillar, for the remaining two it is Personalisation.
- Time and Effort is the most improved pillar for each of the highest rising organisations.
first direct continues to evolve faster than its competitors as it embraces the rapid advances in technology. It has become a data-driven organisation, with a focus on anticipating and responding to customer needs, and providing a personalised, intelligent experience. The bank’s chatbot – ‘Dot the Bot’ – has rapidly caught up with its human co-workers in terms of positive customer feedback.

This is a further step in its long-term aspiration to deliver ‘autonomous banking’ to its customers, where technology does all the work in ensuring customers are carefully navigated towards achieving their financial objectives.

**first direct has outlined 5 stages to achieving this vision:**

**Stage 1** offers customers some basic reminders and prompts that a payment or action is due.

**Stage 2** delivers intelligence around checking available balances to suggest payments to cover upcoming debits.

**Stage 3** pushes on to monitoring bills and expenditure and making automatic payments where funds are available in the customer’s current account and escalating to the customer as appropriate.

**Stage 4** offers full ‘self-driving’ under certain conditions, making budgeting decisions and moving money between accounts to make payments.

**Stage 5** is full ‘self-driving’ in all conditions, running the customer’s finances to an optimised position based on behavioural and attitudinal profiling.

The organisation has introduced AI-enabled banking through an inhouse development called Autopilot. This is an AI-powered function that works in the background of their banking app to enable and support customers at a level they want, for example by making personalised recommendations and automating activities such as topping up savings accounts. It is designed to anticipate and respond to customers’ needs in real time and has enabled first direct to make significant progress along its 5-stage process.
Lush continues to set the ethical boundaries for AI and advanced technology adoption. The business was an early adopter of AI, focusing on solving real business problems. A key area was Lush’s customer support department which was struggling to keep pace with rising volumes as the organisation continued to expand. Hiring additional agents wasn’t an option – so Lush introduced Marvin, its AI-enabled bot.

On his first day, Marvin answered 37 percent of customer queries. But Lush’s support department doesn’t measure success by traditional efficiency measures. Instead, they focus on what customers are saying. In the week after launching, despite higher numbers of complaints over Black Friday and delivery disruption due to Royal Mail strikes, Marvin hit a 60 percent first time call resolution with customer satisfaction at 93 percent.

As well as answering FAQs (Frequently Asked Questions), Marvin can request customer information upfront and add tags and labels to incoming queries, giving agents the context they need to solve issues faster.

These efficiency gains save Lush roughly five minutes per query and 360 agent hours each month – savings that free up its support team to dedicate more energy to meaningful customer interactions.

However, unsurprisingly, Lush is more alert to the dangers of new technology than most. The business is alive to its inherent risks, potential for misuse and its impact on society. Lush Digital, the organisation’s IT and digital function, believes technology should give more than it takes from society and the environment. Tech doesn’t have to be unethical; it can be built for the greater good and create positive social change. The business champions ethical hardware, ethical data, ethical design and open-source technologies, and supports and elevates communities who feel the same.

Just as Lush ethically sources ingredients, and treats colleagues in the right way, Lush Digital believes in ethical tech that gives back to the community. Lush Digital aims to provide open-source solutions where before only monopolies existed; it fights for supply chain transparency, digital innovation and telling the ‘Tech For Good stories’ that are as yet untold.

Lush offer a unique range of products and I love their brand story of ethically sourced beauty products.”

Lush customer

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4 https://www.ultimate.ai/customer-stories/lush
Amex has been very careful and highly selective in its approach to AI, identifying use cases that sit naturally with its day-to-day business operations. Amex is evaluating ways LLMs can analyse feedback and customer service enquiries – as well as comments on social media – to develop appropriate and helpful responses to customer questions and concerns.

The business is operationalising AI where it can learn the most in a secure and manageable environment. An early use case is in its business travel division, which is seeking to reduce business travel friction for colleagues and businesses. Amex is also using AI and machine learning capabilities to simplify and automate manual expense reporting and approvals, enhancing audit efficacy, and streamlining reconciliation and reimbursements for accounting teams.

Perhaps the organisation’s largest implementation is in fraud detection. Years in the making, Amex’s newest ML model for fraud detection, ‘Gen X’, was developed using billions of observations and executes a sequence of more than 1,000 decision trees.

It automates over 8 billion decisions, ingests data from over US$ 1 trillion in transactions and generates decisions in mere milliseconds. When launched, it was believed to be one of the largest AI implementations in a commercial business.6

In a further use case, during the pandemic Amex needed a much quicker way for assessing business credit requests and applied AI and ML to rapidly improve business access to essential credit.

Later this year, Amex will be releasing its new app-based, contextual and predictive search capability. Trained on a natural language processing (NLP) model initially designed for the organisation’s customer service chatbots, the feature will ‘understand’ various scenarios and, if all goes to plan, predict what customers need before they type anything at all. For example, if a person opens the app at the airport, the tool will surmise that the person is trying to find the lounge. Or, if a person opens the app after seeing suspicious charges, the tool will ask if they’d like to contest the charge right away.7

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7 https://venturebeat.com/ai/amex-bets-on-ai-and-nlp-for-customer-service/
The pandemic period resulted in a difficult economic period for John Lewis, but it has continued to invest in its customers in both branch and online. Alongside a continued focus on their Partners delivering outstanding service, the business has invested in data and, more specifically, on getting the right data in the right place.

It has recently built a data management platform to automate decision-making and facilitate access to data across a much broader range of systems. The Partnership Data Platform (PDP) serves as the basis for AI and ML projects, allowing for more accurate customer insight and segmentation, and enabling smarter service and better experience. This is a long-term project, serving as the cornerstone of John Lewis & Partners’ digital transformation strategy.

The retailer plans to use AI to ensure its stock flows across the business in the most efficient way and help customers by providing product recommendations based on their preferences, while remaining a ‘people-centric’ business.

Dame Sharon White, John Lewis Partnership chair, stressed that AI will “never replace the uniqueness of human connection and senses.” She explained that the John Lewis Partnership, which opened the UK’s first automated warehouse in 2009, was “a business founded on human relationships and emotional connections.”

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8 https://internetretailing.net/john-lewis-ai/
Nationwide is carefully and methodically applying new technology to improve existing processes and deliver higher customer satisfaction.

One area under focus is a major issue for financial services organisations, namely ID verification. This can be a significant pain point for customers, given that historically it has been necessary for customers to present themselves physically to a branch to verify identity.

Nationwide needed the flexibility to open and manage accounts online without the use of a physical branch. Its usage of AI allows exactly this, offering a fast, convenient online application process for customers. Working with a specialist partner, Nationwide utilises a proprietary mix of AI, machine learning and other advanced technologies to determine if an identity document is authentic and belongs to the user.

The application seamlessly integrates with Nationwide’s existing workflows to determine whether applicants are who they say they are and allows Nationwide to make an informed decision about the applicant based on a variety of powerful fraud signals.

It also verifies the age of Nationwide’s youngest members by extracting personal information, such as date of birth, from a wide variety of government-issued IDs, which can be used to calculate the current age of an applicant before allowing them to open a youth account.

Because of these implementations, Nationwide has enjoyed more streamlined and efficient ‘Know Your Customer’ processes, resulting in higher conversion rates.
Hilton has been on a mission to apply new technologies to improve the customer experience, focusing on the changing needs of modern travellers who are seeking tailor-made experiences.

Its approach is one of experimentation. The global hotel group is experimenting with how it can use AI to deeply personalise the guest experience, both at the point of booking and during stays. This includes providing unique tailored add-ons such as arranging parking, pre-booking meals at short notice and organising late checkouts. These are things that will save the customer from having to physically ask for on arrival.

Its market leading ‘Honors’ app introduced a whole host of unusual innovations all designed to remove customer pain points. Now Hilton has turned to AI to add new levels of personalisation for its customers.

Hilton’s first AI customer service chatbot, named Xiao Xi, has been introduced in China, providing Hilton Honors members and all guests with a quick and convenient one-stop source for travel advisory services. Honors members and guests can ask Xiao Xi various travel-related questions such as hotel information, local weather, Hilton Honors check in and promotion details.

Xiao Xi is able to provide additional advice on travel and will even entertain guests throughout their journeys by continuously offering smart suggestions and tips. To ensure that advice is contextually correct, extensive training of the generative model and the algorithms it uses was required.

Since its launch in February 2020, Xiao Xi has replied to more than 50,000 customer enquiries, with a 94 percent customer satisfaction rating, which far surpasses the average performance for a general AI chatbot.9
Specsavers has judiciously applied AI technology into specific use cases within its business, focusing primarily on removing customer pain points.

One of the early use cases was in marketing, managing demand generation by linking marketing-led demand generation with available capacity in its stores. Too much demand leads to increased waiting times, negatively impacting customer experience, whilst too little means wasted resources and missed income. An AI-enabled appointment manager – linked to localised marketing activity – has significantly increased in-store appointments and boosted additional revenue.

AI has become an increasingly important component of optometry. Specsavers uses a variety of tools, many increasingly AI-enabled, to detect eye diseases. One such tool is used for detecting age-related macular degeneration (AMD), a common eye disease. The tool is used on patients diagnosed with exudative wet AMD in one eye, to predict if and when they will get the disease in the other eye. The tool can detect the disease in the other eye up to six months earlier than other clinical tests by combining models based on 3D Ocular Coherence Tomography (OCT) images and corresponding automatic tissue maps.

"Fabulous service from start to finish – I was made to feel like I’d popped out to buy something special for myself, not gone for an eye test."

Specsavers customer
Chase Bank is a new entry to our top 100, taking eighth place. Valued by its customers for its “fantastic customer service” and a range of product features that resonate strongly with customers, such as a 1 percent cashback on purchases, pound roundups and a leading rate on instant access savings, it has set a high standard for UK high street banks.

Through its parent J.P. Morgan, the bank has more than 300 AI use cases in production for risk, marketing, customer experience and fraud. J.P. Morgan measures value through cost savings and efficiencies, tracking the costs and return associated with investments.

JPMorgan Chase is learning from its data to surface the content, application or services most relevant to its clients.

For example, J.P. Morgan’s Corporate & Investment Bank uses machine learning to personalise the digital experience of its research platform, J.P. Morgan Markets. The platform produces over 10,000 pieces of research a year but, until recently, clients did not always know the reports existed. Machine learning techniques solved the issue, and now each client logs into a customised portal that provides unique and relevant research, personalised to their needs.10

JPMorgan Chase expects that, by the end of 2023, its investments in data analytics and AI will have a US$ 1.5 billion positive business impact through increased customer personalisation and client insights.11

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Coventry Building Society has grown from a small business to the second largest building society in the UK, with £55 billion under management. It is a mutual organisation owned by its customers and takes its responsibilities to society and the environment very seriously. This is reflected in its customer-oriented operating practices.

It is an organisation that steadfastly puts members’ needs first, investing the time to help customers choose the best products for their requirements. It is constantly assessing how well it is doing for members and has a real focus on maintaining a member first culture.

It values its members’ loyalty and seeks to return value to them. In 2022 it paid savers interest rates considerably above the market norm at a cost of £230 million more than if it had simply paid the market rate. In late 2022, in response to the cost-of-living crisis, it announced it was donating £1 million to provide support to people in its home city of Coventry.12

The society has kept its business simple, concentrating solely on savings and mortgages and its strategy is to be a highly efficient, low-cost provider.

The emphasis on improving member service has been on customer journeys and value streams – using design thinking to ensure member needs are met and value is created for them.

It is also concerned about its impact on the environment, and it is the first UK building society to be awarded Bcorp status in recognition of its societal and environmental practices.

As a result, it has steadily and progressively climbed our index, moving up 28 places this year to enter the top 10.

This high street optometrist is highly valued by its customers for its friendly, professional and caring staff.

Vision Express has long used advanced technology in support of ensuring the very best outcomes from its eye examinations, looking to detect anomalies and eye disease as early as possible.

It has invested in a technology centre and implemented the latest software that assesses the customer’s prescription and, working in combination with the optometrist, finds exactly the right lens for the customer.

Consequently, it offers a tailored solution, from fit to appearance to vision correction. Moreover, the new system is so sophisticated it’s almost interacting with the optometrist: the computer software is able to advise the best possible lenses depending on a customer’s prescription, measurements and any additional factors. It’s an additional service check.\(^\text{13}\)

As a result, Vision Express is able to provide a near-bespoke service for every customer.

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\(^{13}\) https://www.raconteur.net/vision-2015/new-technical-centre-puts-quality-at-the-forefront-of-vision-express
Spotlight on first direct

Ranked 1st in 2023

first direct has been in the top three in our index 12 times in the past 13 years. This year it regains the number one position and leads the banking industry across all of The Six Pillars. 

Chris Pitt, CEO of first direct, provides insight as to why he thinks they have performed so well.

Achieving consistency

When first direct was established some 34 years ago our ethos was an aspirational one: ‘Pioneering Amazing Service.’ As a pioneer it means never being satisfied, constantly looking for ways to improve. It embodies a service promise that drives us to ensure that every interaction is amazing.

It is still as true today as it was 34 years ago. It is central to the first direct culture. A culture that is all about caring for the customer, and this shapes everything that we do. We treat every customer as being special, regardless of their financial status.

This is how we achieve consistency: every single person at first direct cares about the customer, cares about making a difference to their lives and wants to serve the customer in an empathetic and personal way.

Showing that we care

We have 90 people in our customer care team and every day they deal with vulnerable people, ill people, people with changes happening to lifestyle and circumstances. On top of our customer care team, we also now have 40 trained money coaches to help and guide people who need a helping hand with their finances.

Evolving with changing consumer needs

We now have fewer people calling us. We were the first internet bank in the UK. Nearly all transactions are now digital – this trend was accelerated by the pandemic and our call volumes have dropped by 50 percent over 3 years. New customers hardly call us at all.

An improvement in Personalisation has been driven by the creation of insights for our customers to help them improve their financial wellbeing, showing them their spending patterns and offering helpful suggestions that are unique to them and their circumstances. Insights that help them live better lives.

Continuing amazing service

Achieving the number one position this year shows that our efforts are resonating positively with customers, but we are ever conscious of the dangers of hubris. We will continue to question what we do and how we do it to ensure we are consistent with our purpose and continue ‘pioneering amazing service’.

With thanks to Chris Pitt, CEO of first direct
AI and The Six Pillars of experience

From this year’s research we can see that AI is rewriting the rules of customer experience excellence. This is present across each of The Six Pillars of experience, improving outcomes for both customer and businesses.

The Six Pillars, when applied together, provide a powerful mechanism to help organisations understand how well their customer experience is delivered across channels, industries and organisation types. The leading organisations demonstrate mastery of these pillars and are outstanding at all of them.

In this new age of AI, they are not only relevant but indeed essential considerations if organisations are to maximise the opportunities and minimise the risks.

The reasons for customer dissatisfaction with an experience are different to the reasons that promote advocacy and loyalty – consequently there is a Maslovian hierarchy to take into account when focusing on the pillars. There is little value in focusing on developing Personalisation or Empathy if there is poor lower order performance that undermines trust and causes dissatisfaction and negative comment.

The hierarchy spotlights where, when implementing AI, organisational efforts can be best expended. Removing the causes of mistrust, unresolved issues and miss-set expectations fixes the basics. Advocacy is driven when the customer finds the organisation easy to use, suited to their personal circumstances and feels the organisation cares about them. AI has a role to play in each of these.
Overall, the responsible and thoughtful implementation of AI, with a focus on transparency, data privacy and ethical use, will positively impact customer trust. Organisations that demonstrate a commitment to customer wellbeing and empowerment through AI technologies are more likely to build long-term trust and loyalty. However, there are areas that organisations will need to focus on to ensure that they build rather than erode customer trust.

One of the critical concerns with AI is data privacy. Customers will be hesitant to share their personal information if they fear that it could be misused or compromised. Organisations must prioritise data security and transparency to build and maintain customer trust. AI-powered systems can sometimes make decisions that are difficult to explain or understand, leading to a lack of trust. To overcome this, businesses should strive to create AI models that are explainable, ensuring customers can comprehend the reasoning behind AI-generated recommendations or actions.

AI algorithms can inadvertently perpetuate biases present in the data they are trained on. This can lead to unfair or discriminatory outcomes, which again can erode customer trust. Organisations need to address bias in AI systems and ensure fairness and inclusivity in their applications.

The ethics of AI, and how it is used, have become talking points in the media. Consequently, there is a customer expectation that organisations will use AI ethically and responsibly. Businesses that prioritise ethical considerations, such as avoiding harmful uses of AI or ensuring transparency in their AI practices, are likely to earn and maintain customer trust.

The pandemic showed that customers can become concerned about the impact on colleagues and may worry about job losses due to automation driven by AI. Organisations should address these concerns proactively and communicate the benefits of AI in terms of productivity and job enhancement, rather than replacement.
AI can have a transformative impact on customer query resolution and problem solving, improving efficiency and enhancing the overall customer experience. AI algorithms process vast amounts of data and information quickly and accurately. This means that AI systems are less likely to make mistakes or provide incorrect information, leading to more precise query resolution.

AI assists human support agents by suggesting solutions based on previous interactions and customer data. This speeds up the problem-solving process and reduces the back-and-forth between customers and support teams.

AI-powered chatbots and virtual assistants help to provide 24/7 instant responses to customer queries, reducing the time customers must wait for assistance. These systems can handle a large volume of enquiries simultaneously, ensuring faster query resolution. Similarly, AI-driven knowledge bases and FAQs allow customers to find answers to their queries without needing human intervention. This self-service approach empowers customers and reduces the workload on support teams.

AI is able to efficiently route complex or unresolved queries to human support agents. By pre-screening and categorising queries, AI ensures that human agents focus on more challenging issues, optimising their expertise and problem-solving capabilities. AI systems learn from past interactions and customer feedback, continually improving their problem-solving abilities over time. This adaptive learning leads to more effective query resolution and customer support.

In addition, AI can detect potential problems or issues before they arise and reach out to customers proactively. By offering assistance before customers encounter difficulties, AI prevents escalations and enhances customer satisfaction.

Finally, AI is able to analyse customer data to identify patterns and trends in queries and issues. The automation of root cause analysis and problem identification through AI helps businesses identify common pain points, improve products or services and optimise their support processes.
Expectations

AI can play a crucial role in helping organisations meet and even exceed customer expectations, using predictive analytics to anticipate customer needs and preferences. By understanding customer behaviour patterns, organisations can proactively offer relevant products and services, exceeding expectations by providing solutions before customers even ask for them.

The increasing use of AI-driven recommendation systems that suggest products or services based on a customer’s past purchases and preferences increases the chances of cross-selling and upselling, as well as leading to a more satisfying shopping interaction for customers.

AI is able to optimise user interfaces, making them more intuitive and user-friendly. By understanding user behaviour, AI can personalise them too, leading to a smoother and more enjoyable customer experience.

Processes such as order processing, inventory management and customer support can be automated by AI, leading to faster and more efficient operations that meet customer expectations. This streamlines the customer journey and reduces friction, enhancing overall satisfaction.
Time and Effort

AI can significantly reduce the time and effort customers spend when dealing with organisations by streamlining processes, automating tasks and providing personalised assistance.

Because AI is able to index and analyse vast amounts of information, it becomes easier for customers to find specific details or solutions quickly. This reduces the time spent searching through websites or documents to find relevant information.

AI can handle order processing, tracking and delivery updates automatically. Customers don’t have to wait for manual processing or contact customer support to enquire about their orders.

Using AI to automate the onboarding process for new customers – guiding them and providing relevant information promptly – ensures quick and accurate set up. Often, downstream problems occur due to errors in the onboarding process, but AI helps avoid this.
Personalisation

Al can significantly improve personalisation by leveraging customer data and behaviour patterns to create tailored experiences. In particular, Al algorithms analyse large volumes of customer data, including past interactions, purchase history, preferences and demographics. By segmenting customers based on this data, Al makes it possible to deliver personalised content, product recommendations and marketing messages to each segment.

Al is able to process data in real-time, allowing organisations to personalise customer experiences on-the-fly. For example, it can adjust website content based on a customer’s browsing behaviour or location, ensuring that the user receives the most relevant information at that moment.

It can also present different layouts, offers and messages based on their interests and past interactions, thereby creating a unique and engaging experience for every user.

Al-powered recommender systems suggest products, services or content based on a customer’s past behaviour and preferences. These recommendations can be displayed on websites, mobile apps or in marketing communications, increasing the likelihood of customer engagement and conversion.

Al enables email marketing campaigns to be optimised by tailoring content, subject lines and sending times to individual customer preferences. This level of personalisation increases the chances of emails being opened, read and acted upon. Al can predict customer needs and behaviour by analysing historical data. For example, anticipating which products a customer might be interested in, allowing organisations to present relevant offers before the customer even searches for them.
Empathy

Whilst technology will struggle to replicate human empathy, AI has the potential to promote empathy in organisations and their people by assisting in ways that foster understanding, connection and emotional intelligence.

AI is able to analyse vast amounts of customer data and feedback to gain deeper insights into customer needs, pain points and emotions. This data-driven understanding helps organisations and colleagues empathise with customers’ experiences and challenges. AI-powered sentiment analysis gauges the emotional tone in customer interactions, reviews and feedback, allowing organisations to respond appropriately with empathy and compassion, addressing concerns and celebrating positive experiences.

AI can also provide personalised coaching and feedback to colleagues, helping them improve their communication and emotional intelligence skills. This enhances their ability to empathise with customers and colleagues. AI can enrich VR training simulations that expose colleagues to different scenarios, including challenging and emotional situations. These simulations foster empathy by encouraging colleagues to put themselves in others’ shoes.

AI algorithms can be designed to reduce biases in hiring and decision-making processes, leading to a more diverse and inclusive workplace. A diverse workforce often results in a greater understanding and empathy towards various perspectives.

It’s important to note that while AI can contribute to increasing empathy, it should complement, not replace, genuine human interaction. Organisations must strike the right balance between AI-driven automation and maintaining a human touch to create an empathetic and compassionate work environment. Training colleagues to leverage AI tools responsibly and with empathy is crucial for maximising the positive impact of AI on emotional intelligence within the organisation.
Spotlight on Nationwide

Ranked 5th in 2023

Nationwide has moved up 22 places to rank 5th in this year’s research. As always, it is not just one thing but a number of initiatives that have collectively driven the improvement.

Stephen Noakes, Nationwide’s Director of Retail, outlines some of the actions they have taken.

**We gave real meaning to our purpose**

We started the year with a reset to Nationwide’s purpose which is to offer banking, ‘but make it fairer, more rewarding, and for the good of society’.

That is why we introduced the Nationwide Fairer Share, where we returned even more value back to members. We were able to do this because of our financial strength and the fact we’re a building society, not a bank, so our profit is used for our members’ benefit. It’s part of our enduring commitment to rewarding our members. This involved distributing £340 million to members with the deepest relationships.

We already provide members with better rates and incentives, this year in this area the return of value was over £1 billion.

However, it is less easy to do this for current account customers and we wanted them to also feel the benefit of being part of a mutual society, so we distributed £100 to each of 3.4 million active current account holders with more than £100 in a mortgage or in a savings account.

By sharing its profit through the Nationwide Fairer Share Payment, it makes mutuality meaningful and differentiates the Society from other banks.

**We have extended call centre hours and improved systems**

Our customers love the convenience of technology but want to know that there is easily accessible human contact available when they need it. We have invested in systems resilience, removing pain points in digital journeys to make life easier for our customers. For example, we have reduced the need to have a physical card reader, some 55 percent of customer journeys now do not require a card reader. This removes friction and makes the end-to-end journeys simpler to navigate for customers.

**Provision of chat agents**

We know that increasingly customers want to quickly engage with us – but they do not necessarily want or need to talk face to face or over the phone. We service these members through chat agents. These are highly trained colleagues who can answer multiple different types of queries quickly and easily for customers using our online services.

We know that members love our colleagues, and we are keen to ensure that the experience and personality of our online interactions are equal to our telephone or face to face service.”

**We committed to retaining a branch network until at least 2026**

We know that our customers really value the 606 branches we have around the country. So we have committed to not leave any town or city where we have a branch until at least 2026 when we will review the position again to make sure we are still meeting members’ needs.

With thanks to Stephen Noakes, Director of Retail, Nationwide
High risers

Organisations moving the greatest number of places into the top 100 include:

<table>
<thead>
<tr>
<th>Organisation</th>
<th>CEE rank</th>
<th>Rank improvement</th>
<th>Most improved pillar: Time &amp; Effort</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sky Mobile</td>
<td>84</td>
<td>+126</td>
<td>Time &amp; Effort</td>
</tr>
</tbody>
</table>

Sky Mobile is a multi-award-winning subsidiary of the Sky Corporation. Since launch it has focused on simplicity and ease. It is valued by its customers not just for its excellent service but also a strong product set which includes low-cost SIM-only deals, data rollover features and allowance-free streaming for Sky apps, coupled with excellent customer satisfaction and support.

In 2023 Sky dominated the Mobile Network Awards, prompting organisers to state that Sky Mobile is the network to beat.14

Bonmarché is a value womenswear chain aimed at the over-50s customer. Literally, its name translates from the French to mean ‘good market’ or, more colloquially, ‘good deal’.

Customers state that Bonmarché has a wide choice of age-appropriate goods in various lengths and sizes. A range of colours and materials also provide a good choice. Pricing is very reasonable, as is the postage and packing. If a return has to be made, it is dealt with quickly and efficiently. Customer service is of a high standard.

“...The staff are so friendly and helpful. Nothing is too much trouble for them. They are always cheerful and very eager to assist if you ask them anything about the clothes.”

Bonmarché customer

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14 https://www.expertreviews.co.uk/sky/1406916/sky-mobile-review
Since opening its first-ever store on Oxford Street in 1921, HMV has been a mainstay of the British high street and, over the years, has solidified its position as an iconic entertainment brand. HMV is the UK and Ireland’s leading specialist retailer of music, DVD/video, computer games and related products. The organisation operates around 200 stores in key shopping locations nationwide, as well as a successful online store.

Returning to profit this year, it has gained substantially from the rising demand for vinyl rather than CDs. HMV’s strategy is “focusing around customer service, outstanding knowledge, and an unmatched product range”.

Struggling financially and eclipsed by new online rivals, HMV has sought to reinvent itself, seeking to re-establish the relevance of the brand as the home of entertainment by creating a human experience that online-only rivals can’t replicate. HMV has become an Aladdin’s cave of entertainment products with a full range of CDs, DVDs and games, supported by deeply knowledgeable staff.

End of aisle offers provide shoppers with exceptional value and a feeling of finding hidden treasure. It has ensured that every store creates an experience that is different to other retailers.
The multinational e-commerce site has used AI and machine learning technologies for more than a decade, specifically to match buyers with the right sellers. It has aspirations to be the industry leader in online e-commerce use of AI.

eBay uses artificial intelligence in personalisation, search, insights, discovery and its recommendation systems, along with computer vision, translation, natural language processing and more.

The business takes a four-pronged approach to AI: “Improve the customer experience, build and deploy the right infrastructure for the unique needs of eBay, apply core AI and domain AI science to all that we do, and ensure everything is done in service of the customer experience.”

Here are some of the ways that eBay uses AI in their business:

- Improve the buyer experience: AI-powered tools anticipate the needs of buyers, recommend items and inspire shoppers. With fine-tuned personalisation abilities, the site tries to customise the shopping experience to the needs of every shopper. A part of this was introducing ‘Interests’, the ability for shoppers to personalise their shopping experience based on their passions and styles.

- Enhance search: eBay uses AI to understand the context of a search and then provide a full spectrum of relevant products. With computer vision, the organisation was able to add image search to its capabilities and made camera phones into e-commerce devices by allowing buyers to use images as a search query. As part of the app, artificial intelligence will help shoppers find items similar to the one they were looking at.

- Platform as a service: eBay provides cutting-edge AI-powered tools for sellers and levels the playing field for those sellers who would not otherwise have been able to access advanced technology. Data, metrics and analytics information is managed on the platform and can be used by the seller.

- Optimise pricing and selling: Machine learning can help sellers identify the best prices, when they should list a specific product, and when to market themselves to better attract buyers.

- Machine translation: Languages are no barrier between buyer and seller on eBay thanks to the organisation’s machine translation capabilities. The time to process orders for international clients has reduced significantly.

- Advertisement engine: Promoted listings on eBay and advertisements off the site are all powered by AI algorithms to improve the purchase journey and help buyers discover more of eBay’s inventory.

- Leverage deep learning: While eBay has used AI for the past decade, there were still complex problems they were unable to solve. However, through recent advances in deep learning, the organisation has been able to scale to larger and more complex data sets which ultimately allows them to process billions of data points to continually evolve and improve their services.

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Who is leading around the world?

From our global study this year we have looked at how the leading organisations across 21 countries have operationalised AI. These organisations are making significant progress in addressing AI within their organisations and are demonstrating that their AI implementations are delivering real value for both their customers and their business.

<table>
<thead>
<tr>
<th>Region</th>
<th>Company</th>
<th>Country</th>
<th>Description</th>
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<tbody>
<tr>
<td>Americas</td>
<td>USAA</td>
<td>(2nd in US)</td>
<td>Uses AI to track customers’ life events and proactively reach out with customised service</td>
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<tr>
<td></td>
<td>JPMorgan Chase</td>
<td>(36th in US)</td>
<td>Invested over US$ 14.3 billion in advanced technologies including 300 AI use cases</td>
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<tr>
<td></td>
<td>Nike</td>
<td>(1st in Mexico and Vietnam)</td>
<td>Nike uses AI and big data to develop better interactions through virtual assistants</td>
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<tr>
<td></td>
<td>American Express</td>
<td>(3rd in UK, 21st in US)</td>
<td>Hosts the world’s largest AI implementation in its fraud detection area</td>
</tr>
<tr>
<td></td>
<td>Ocado</td>
<td>(14th in UK)</td>
<td>Each day uses billions of data points to drive AI based decision making</td>
</tr>
<tr>
<td></td>
<td>eBay</td>
<td>(96th in UK)</td>
<td>AI-powered tools anticipate the needs of buyers, recommend items and inspire shoppers</td>
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<tr>
<td></td>
<td>Dubai Electricity and Water Authority</td>
<td>(18th in UAE)</td>
<td>World’s first utility to use AI autonomous systems for renewable energy and storage</td>
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<tr>
<td>Europe</td>
<td>MAIF</td>
<td>(1st in France)</td>
<td>Early adopters of AI and highly focused on mitigating the risks</td>
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<tr>
<td></td>
<td>Fielmann</td>
<td>(1st in Germany, 3rd in Austria)</td>
<td>Leading optician using AI for disease detection</td>
</tr>
<tr>
<td>Asia</td>
<td>Emirates</td>
<td>(1st in UAE, 11th in UK)</td>
<td>Extensive use of AI for delay management, passenger management and maintenance</td>
</tr>
<tr>
<td></td>
<td>Adidas</td>
<td>(1st in Indonesia)</td>
<td>AI platform to automatically generate complete recommended outfits when customers browse an individual product</td>
</tr>
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</table>
Emirates has regularly ranked as one of the leading organisations in the UAE CEE research. This year, Emirates has moved up 81 places in the UK index, ranking 11th and the number 1 airline. Over the past 12 months, Emirates has improved its Integrity score by 7 percent and Time and Effort by 5 percent. We spoke to Sir Tim Clark, President of Emirates Airline, to gather his perspective.

Post pandemic recovery

When assessing this improvement, it is helpful to contextualise the environment. Integrity is about doing the right thing. As we entered the pandemic, we decided to refund customers who could no longer fly. This was a big financial decision, it involved returning over £2 billion, something that not every airline was willing or indeed able to do. However, it wasn’t our money, and it was the right thing to do.

We knew that after every crisis that impacts the flying public there is a large surge in demand. Consequently, we focused on getting to a state of readiness and, as the pandemic receded, we mobilised a set of aircraft and crews and were quickly able to reopen. Our aircraft were full, the demand was exceptional – there were three people for every seat in all classes.

We also refurbished our lounges, we updated our aircraft and the meal quality – it was coming back in a way that not only met our customers’ previous expectations but exceeded them.

Being true to the brand

From day 1 we have sought to ensure our product was second to none. It is all about attention to detail. We see product development as a continuum, continually innovating, improving and setting new standards. Others may copy individual aspects of what we do, but it is how the whole works together as a complete experience, that is the Emirates brand.

We put ourselves in our customers’ shoes. During the flight people want to get up and stretch their legs, so we put a bar and lounge at the end of the upper deck. It is why the A380 has a spa and shower facilities. After a 16-hour flight you want to leave the aircraft feeling refreshed ready to get to work, meeting ready.

A service ethos

Our belief is that customers will return to a supplier that seeks to do the best it can for them, that genuinely cares about their experience, and sees them as individuals with their own ideas of what life is about.

It means we must care about ethnicity. On one of our A380s at any point in time we could have up to a hundred nationalities aboard. Every passenger has their own unique story, and we need to understand that and reflect it back. This means different expectations, needs and preferences; our people need to be able to detect what is needed and consistently deliver.

AI and data drive unique levels of personalisation

Every time an A380 takes off it generates 1.5 terabytes of data. It allows us to create detailed genomes of our passengers and their needs. We are seeking a level of useful personalisation that is beneficial to the individual – not intimidating or frightening.

New technology has the potential to radically improve the airport experience. In fact, it will mean that from arrival at the airport to departure they just keep walking – biometrics validates their security clearance; sub-atomic particle analysis will validate that their luggage poses no danger. Technology will manage their boarding sequence and the agonies of kerbside entry through the airport to the aircraft will be eliminated. The experience of going through the airport will be a joy!"

With thanks to Sir Tim Clark, President of Emirates Airline
2. Best practice: Where are ‘AI colleagues’ delivering results?

Leading organisations are humanising AI, treating it as a new type of team member rather than a new type of IT system. In this section we explain why the ‘new colleague’ is a useful metaphor; who is leading the way in applying the AI colleague to drive value; what the integration and unique management challenges associated with AI are; and which sectors and organisations are ‘onboarding’ their new colleagues successfully.
The relationship between machines and people is becoming more collaborative as machines powered by AI and machine learning increasingly perform tasks traditionally handled by people.

There are many examples from around the world where AI is seen as a helpful co-worker, not just another technology. For example, Humana Insurance in the US, DEWA in the UAE and Emirates Airline. In the very near future, intelligent virtual assistants will find a home in the workplace; prized because of their ability to automate mundane everyday tasks – leaving colleagues free to pursue more role-enhancing tasks.

Consequently, leading organisations around the world are viewing AI in human terms, noting that to be successful it must work intelligently alongside its human colleagues. Early implementations have recognised this, often endowing AI with human characteristics, not least of which is a name. For example, Siri, Alexa and Cortana each have a unique personality and a distinctive tone of voice. The new virtual colleague

We warm to personalities, not machines

In the UK, first direct – our number one organisation this year – has ‘Dot the Bot’ which has rapidly caught up with human colleagues when it comes to positive feedback. A major achievement given first direct employees are amongst the best in the industry. For customers of our number two organisation, Lush, they get to interact with a customer service bot called Marvin. Hotel chain Hilton has an advanced AI service bot named Connie after founder Conrad Hilton, while Emirates Airline has a virtual check in agent called Sara. Humana, one of the world’s largest medical insurance organisations, employs what they call ‘Digital Workers’ – AI bots that support their human counterparts. “People who were doing mundane repeatable tasks before now have become a manager of the digital workers, managing teams and generating exponentially more throughput than they could alone.”

By anthropomorphising AI as a virtual colleague, individuals and organisations can develop a clearer understanding of AI’s role and potential within their workflows. In the offline world, colleagues are allocated a job role described as a bundle of tasks, responsibilities and objectives. These are part of a process or a workflow. AI, too, can have a set of responsibilities and tasks discharged as part of their role.

This perspective shifts the focus from seeing AI as an abstract technology to thinking of it as a tool with specific responsibilities, capabilities and limitations, where each of these tasks can be allocated to a human or a virtual colleague.

Our leading organisations show that treating AI as a virtual colleague encourages the design of AI systems that can mimic human interactions and behaviours. This approach can lead to more intuitive and user-friendly interfaces, making it easier for non-technical users to interact with AI systems effectively.

Ocado continues to perform well in our customer experience index – this year it is in 14th position and the leader in the UK grocery sector. It is also a leading organisation in our AI adoption index. **Hannah Gibson**, CEO of Ocado Retail, explains what lies behind their success.

**Range, service and value**

Range is important to us and our customers. We offer our 950,000+ customers a choice of over 48,000 products – made up of big-name brands. Service is central to our approach. Our famously friendly van drivers, known as Customer Service Team Members, are often customers’ favourite part of the Ocado delivery service. They’re passionate about the job and take extra care to ensure that each customer has a positive experience.

In the current economic climate, value is very important to customers. Earlier this year, we introduced the Ocado Price Promise in which 10,000 products are compared against like-for-like products in a leading high street supermarket.

**Investments in AI that improve the customer’s experience**

Artificial Intelligence has been at the heart of Ocado’s grocery solution for more than a decade. We see our tech as an essential way to improve both the customer experience and the overall economics of online grocery as it helps generate ultra-accurate stock forecasts, powers robotic picking, and optimises delivery routes to customer doorsteps.

Ocado’s forecasting tech makes millions of highly accurate predictions per day which are applied to orders with suppliers in real-time to manage stock levels. This enables great availability and next-to-no substitutions for the customer, and importantly it means food is delivered to customers at its freshest.

Our algorithms make over 600,000 adjustments a second searching for the most efficient delivery routes, ensuring orders are delivered on time in spite of any disruptions.

**A data driven culture**

A data driven culture has been baked in at the very start. Getting online grocery right for the mass market is far more complex than other retail channels. You need a laser-focus on improving the quality and use of your data, end-to-end, if you want to provide a more compelling offer to the customer (wide range, no substitutions, no missing items, on time, good value) while generating maximum efficiency in your own operations.

Ocado can ascertain users’ buying habits and personalise their shopping experience given the vast, anonymised quantity of data we hold. This includes offering customers personalised promotions, which can be targeted to individual users’ shopping patterns, and providing them with relevant deals and good value. Our depth of data provides us with strategic advantages such as being able to track a product right through the supply chain to ensure greater shelf life and maximum freshness.

Many people tend to think of grocery as a staple, so they don’t typically associate it with complex challenges, or bleeding edge tech development. But the reality is that the software developers, data scientists, robotics engineers and others that work in Ocado Group’s R&D division are solving some of the thorniest problems that exist in any sector of the global economy, and these solutions are underpinned by some genuinely game-changing technologies."

With thanks to Hannah Gibson, CEO of Ocado Retail
AI colleague CVs

Rather than thinking about ‘use cases’, maintaining a CV library of the virtual AI colleague base means the organisation can be clear on where and how the AI discharges its role, the specific skills it brings to bear, and what it has been trained on. It also means a record is kept of the learning it has incorporated, how to get the most from it, and the value it can create. As its human managers move and change role, incoming managers can quickly understand the role this AI plays and the workflows it supports.

Example AI colleague CV

Language translators in healthcare

Value unlocked
• Save healthcare institutions money
• Improve patient experience
• Decrease stress for healthcare professionals
• Faster treatment times
• Improve healthcare recruitment

How I work
I provide real-time translation for in-person and online conversations between patients and healthcare providers, as well as seamlessly translating webpage content and instantly updating across languages.

How to get the most out of me

Colleague considerations
• Healthcare professionals will need training on how to work with me
• My employer will need to consider how to approach colleague accountability for mishaps

Tech considerations
• Employers will need to integrate me into their tech ecosystems and ensure it’s secure and HIPAA compliant
• I need clear audio with noise cancelling abilities
• I struggle with accents which may require extra training to improve my comprehension

What I can do for your organisation

Reduce inequality
I can reduce inequality in healthcare by ensuring that all patients are able to receive care and no information is lost in translation.

Offer multiple languages
I can communicate to patients in a vast array of languages that healthcare professionals struggle to provide for. This way I can help reduce the strain on healthcare workers and increase the quality of patient care.

Prevent financial strain
I can prevent financial strain on hospitals by reducing the need to employ translators for every language.

Eliminate language barriers
By eliminating language barriers, I can address the ongoing challenge of patients who delay seeking care due to language barriers, which is worse for both patients and medical centres.
Where can AI colleagues make a difference?

So, where can AI colleagues be best allocated to help out? The list of potential AI applications is long. Just a short prompt on ChatGPT will generate 100s of possible use cases structured around either functional areas or industry specialists. Indeed, AI is changing the face of the technological ecosystem and unlocking unprecedented opportunities for innovation in the UK. Applied well, the anticipated economic benefits over this decade are significant, with estimates predicting that the UK’s GDP will be up to 10 percent higher in 2030 from the development and adoption of AI.  

Commentators believe that AI will yield economic benefits across the entire customer lifecycle, improving productivity, reducing costs and increasing revenue:

- **Productivity:** Automation and AI-driven process improvements will lead to higher output and reduced manual workloads, boosting overall workforce productivity.

- **Cost reduction:** AI can automate repetitive tasks and reduce the need for human intervention, leading to operational cost savings. Implementing AI in customer service through chatbots can reduce support costs and increase customer satisfaction.

- **Revenue improvement:** AI-driven customer personalisation and targeted marketing can lead to increased customer engagement and conversion rates, resulting in revenue growth. AI can optimise pricing strategies, inventory management and supply chain operations, positively impacting revenue streams.

Unlocking these benefits requires the intelligent staffing of AI onto the ‘right’ jobs. Whilst there are hundreds of potential things an AI could do, not all of them will deliver maximum value and cost savings. Indeed, many are currently ‘unsafe’ and over time could introduce more risk into the business. (In the third section of this report, we examine how organisations can take a strategic approach to identifying the most valuable and lowest risk overall AI strategy.)
Use cases across the customer lifecycle

When looking at AI colleagues, their skills can be applied to use cases which span the customer lifecycle.

The following table is illustrative of the role that the AI colleague can be allocated to. This is not intended to be an exhaustive list as there are now thousands of use cases across all sectors, rather it provides one example across each of the customer lifecycle stages.

<table>
<thead>
<tr>
<th>Reach</th>
<th>Engage</th>
<th>Activate</th>
<th>Nurture</th>
<th>Retain</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marketing analyst</td>
<td>Pricing and revenue analyst</td>
<td>Inventory control and supply chain analyst</td>
<td>Fraud and cybercrime analyst</td>
<td>Retention manager</td>
</tr>
</tbody>
</table>

**CV (use case)**

AI-powered data analytics can identify potential customers based on their preferences, behaviour and demographics, allowing businesses to create targeted marketing campaigns for better lead generation and conversion rates.

AI algorithms can be utilised to optimise pricing strategies, based on competitor pricing, demand and market trends to determine optimal pricing for products and to enable dynamic pricing capabilities.

AI is employed to optimise inventory management, analysing historical sales data, current trends and external factors like weather forecasts to predict demand accurately. Enables organisations to optimise stock levels, reduce wastage and ensure products are available when customers need them.

AI algorithms are employed to identify potentially fraudulent activities and enhance security measures. Use of AI to analyse patterns and anomalies in transactions, detect suspicious behaviours and flag potentially fraudulent activities.

AI can accurately predict potential churners based on customer behaviour, allowing businesses to take proactive measures to retain those customers.

AI can also generate highly personalised loyalty rewards and offers, encouraging repeat purchases and brand loyalty.

**Example**

**Sky**
Uses AI to personalise content recommendations for its customers, leading to improved engagement and satisfaction with its services.

**Trainline**
The online rail ticket booking platform utilises AI to provide customers with personalised travel recommendations, real-time journey updates and quick access to the best ticket prices.

**Ocado**
Has leveraged AI and machine learning algorithms to optimise its supply chain, predict customer demand and improve the efficiency of order fulfilment, leading to better customer experiences.

**Admiral**
Uses AI to streamline the claims process and provide faster and more accurate claim assessments, resulting in improved customer satisfaction and reduced processing times.

**Barclays**
Has integrated AI-powered virtual assistants into its customer service operations to detect at-risk customers and offer personalised support, as well as assist customers in managing their finances effectively.
What these case studies illustrate is that while AI-enabled automation can offer a simple solution to certain low-value activities – such as managing repeat purchases and regular customer enquiries – it cannot yet replace the value of a trusted advisor. With every interaction the human needs to be equipped with exactly the right skills, information and data. The human touch remains vital to sales and service, and any data gathered through digital channels should be harnessed in the right way to enhance the customer experience, understanding their buying habits and pain points.

In fact, HITL (Human in the loop) has become a central part of customer journey and experience design. It is essential to ensure that the things humans do best (build relationships, exercise judgement, empathise, make decisions, individualise) will be what the humans in the process do, leaving machines to deal with the multiple queries that require lower levels of intelligence.

Case study: Dubai Electricity and Water Authority (DEWA) – Rammas the virtual colleague

CEE Rank: 18th in UAE

Intelligent assistants are being implemented using sophisticated natural language processing engines that have been trained with a deep knowledge of the industries they serve. In one of the earliest implementations of an AI-powered bot, DEWA, a leading utility in our UAE index, introduced an extremely advanced bot in 2017 called Rammas, which is trained to help both colleagues and customers deal with day-to-day tasks.

Rammas is referred to as if it were a real person. It is described as a ‘virtual employee’19, a state of mind that means the organisation, almost subliminally, adds human characteristics to Rammas that enable it to quickly learn human cues and connect emotionally with customers and colleagues. Trained with experience and examples rather than a rule set or commands, Rammas means that DEWA customers receive an experience that feels like an intelligent human conversation. By the end of 2022, Rammas had successfully dealt with 6.8 million customer queries.

Assigning AI to your teams

Assigning AI the role of a virtual colleague helps set realistic expectations for its performance and capabilities. Just like human colleagues, AI has strengths and weaknesses. Understanding these limitations can prevent over-reliance on AI and ensure that it is used appropriately. When AI is seen as a virtual colleague, organisations may invest more in training and developing the AI system to enhance its skills and efficiency. This approach can lead to continuous improvement and adaptation of AI to changing business needs.

As AI becomes increasingly integrated into various aspects of our lives, perceiving it as a virtual colleague can facilitate its acceptance in society. People might be more comfortable interacting with AI if they see it as an extension of the workforce rather than an alien technology.

Case study: Humana Insurance – The ‘Cognitive digital co-worker’

CEE Rank: 26th in US

With 45,000 associates serving over 14 million members, health insurer Humana uses artificial intelligence and robotic processes to assist the daily routine of their associates, making healthcare easier for clients to access.

Members call Humana for numerous reasons but when they ask about their medication or claim, Humana has a bot, that they call a ‘digital co-worker’, which actively helps the associate serve the member during the call, enabling the contact centre to answer customer questions much more quickly.

Humana’s use of digital co-workers – incorporating natural language processing, machine learning and robotic process automation – allows its associates to have information instantly at their fingertips across multiple systems. The more advanced bots are known as ‘Cognitive digital workers’ that continuously learn from their human counterparts.

Colleagues are finding that mundane jobs are disappearing and instead they are tasked with managing and developing digital co-workers.

The AI Adoption Index

So, how are the leaders ‘onboarding’ their new colleagues successfully? To understand this, we have assessed the rate of AI adoption across UK businesses to see how it will impact the customer’s experience. There is considerable hype around AI, and we are keen to understand the different approaches organisations are adopting to identify emerging best practice.

Putting AI into action and achieving results at scale requires the diffusion of AI capabilities across the organisation, as well as a commitment from leaders to drive large-scale change and a focus on change management, not just technology. From our analysis, we have identified three areas – Value, Connection and Trust – that are the essential prerequisites of success.
Methodology

We have assessed adoption rates by looking at leading organisations across ten industry sectors. These are organisations that not only perform well in our global CEE index but where a significant amount of public information is available.

Using sources such as LinkedIn, job adverts, patent applications, PR and news announcements, articles, case studies, podcasts, annual reports and analyst reports, we developed a view as to how these individual organisations, and the wider business sector they are part of, are approaching AI implementation.

Drawing on the body of research produced by organisations such as Gartner\(^\text{21}\) and the UK government\(^\text{22}\) as to the reasons for success and failure in adopting AI, we developed the following set of assessment criteria:

1. **AI budget and investment**
   Evaluate the organisation’s investment in AI initiatives. A higher budget allocated to AI research, development and implementation indicates a strong commitment to adopting AI. Assess if the organisation is taking a leadership or follower approach to AI.

2. **AI talent and skills**
   Assess the organisation’s AI team and expertise. Look for AI specialists, data scientists and AI-related job postings to understand their efforts in building a skilled team.

3. **AI projects and use cases**
   Determine the number and scope of AI projects the organisation is involved in. Are these projects experimental or deployed in production to solve real-world problems? Analyse how AI is integrated into products or services. Evaluate whether AI is used to optimise internal operations.

4. **Data collection and management**
   Investigate the organisation’s data collection and management practices. Successful AI adoption relies heavily on high-quality, well-organised data. Evaluate the presence and quality of AI-related infrastructure, such as data centres and cloud computing capabilities.

5. **AI partnerships and collaborations**
   Look for partnerships with AI startups, research institutions or technology providers. Collaborations with established AI entities can indicate a focus on staying at the forefront of AI advancements.

6. **AI ethics and governance**
   Assess the organisation’s approach to AI ethics and governance. Responsible AI adoption involves adhering to ethical principles and ensuring transparency and fairness.

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\(^{21}\) Gartner: 55% of companies have deployed AI-first strategies, AI Magazine
The data was then given a score based on an assessment of how the sector performed in line with the following matrix:

<table>
<thead>
<tr>
<th>Score</th>
<th>Description</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>Most players are investing heavily.</td>
<td>Most players are investing heavily. Large scale in-house teams, recruiting heavily for AI and data science capabilities.</td>
</tr>
<tr>
<td>4</td>
<td>Only leaders are investing heavily, and other brands are testing waters.</td>
<td>Leading players are investing heavily in capability and others are depending upon outsourcing.</td>
</tr>
<tr>
<td>3</td>
<td>Moderate instances are observed only in leading brands.</td>
<td>Limited vacancies only restricted to leading brands. Moderate instances of AI projects and use cases observed, primarily among leading brands.</td>
</tr>
<tr>
<td>2</td>
<td>Very few instances of investment.</td>
<td>Very few roles and vacancies. Few AI projects or use cases exist, with limited deployment and impact.</td>
</tr>
<tr>
<td>1</td>
<td>Rare to no instances of investment.</td>
<td>Rare to no focus on hiring and roles availability across brands. Rare to no AI projects or use cases, indicating a lack of practical AI applications.</td>
</tr>
</tbody>
</table>

- **AI budget and investment**: Most players are investing heavily. Only leaders are investing heavily, and other brands are testing waters. Moderate instances are observed only in leading brands. Very few instances of investment. Rare to no instances of investment.
- **AI talent and skills**: Leading players are investing heavily in capability and others are depending upon outsourcing. Limited vacancies only restricted to leading brands. Very few roles and vacancies. Rare to no focus on hiring and roles availability across brands. Rare to no AI projects or use cases, indicating a lack of practical AI applications.
- **AI projects and use cases**: Industry leaders showcase impactful AI projects, while other brands have only spoken about implementing AI. Moderate instances of effective data collection and management among leading brands. Limited data collection and management efforts, with challenges in maintaining high-quality data. Inadequate data collection and management practices, hindering AI initiatives. Rare to no instances of AI partnerships or collaborations, indicating isolation in AI endeavours.
- **Data collection & management**: Data is well structured and organised and being used for AI purposes by most brands with the right technology. Industry leaders have robust data collection and management practices, while other brands are improving processes deploying the right technology. Limited engagement in AI partnerships, with few collaborative efforts. Rare to no instances of AI partnerships or collaborations, indicating isolation in AI endeavours.
- **AI partnerships & collaborations**: Most brands have established extensive/strategic AI partnerships and collaborations with key tech players and start ups etc. Industry leaders engage in strategic AI partnerships. Limited engagement in AI partnerships and collaborations observed mainly in leading brands. Rare to no established AI ethics and governance, indicating a lack of focus on responsible AI practices.
- **AI ethics and governance**: Most brands have well-defined and comprehensive AI ethics and governance policies in place. Industry leaders prioritise AI ethics and governance, while other brands are actively developing frameworks. Most brands have shown seriousness about ethics and governance but no structured policy is in place. Limited attention to AI ethics and governance, with minimal frameworks in place. Rare to no established AI ethics and governance, indicating a lack of focus on responsible AI practices.
## AI Adoption Index sector detail

### Financial Services

**Patenting and trademarking AI technologies:** American Express leads with several patents. Chase also applied to trademark a product called IndexGPT, a cloud computing software using AI for analysing and selecting securities tailored to customer needs.

**Strong in-house AI capabilities:** Most organisations already have a workforce for the advancement of AI, or are currently heavily investing in bringing such people onboard.

**Rise of chatbots for customer support:** Chatbots have become popular with financial services organisations because they provide faster, cheaper and more personalised customer service.

**AI for fraud and risk detection:** Organisations have been leveraging data-driven AI capabilities to identify credit fraud and improve fraud prevention, including money laundering.

**AI strengthening data security:** Organisations are using AI to protect data and gain deeper insights into their customer needs and preferences, offering more relevant and tailored products and services.
Travel & Hotels

Annual ICT (Information and communication technology) spending: Organisations have been focusing on using AI, data analytics, blockchain and mobile technologies to digitally transform their operations.

Lack of talent in AI: Most organisations are wrestling with a skills deficiency in AI-related roles. There is also insufficient investment in hiring more AI talent and skilled resource.

AI-powered virtual assistants, chatbots and robots for smooth operation: Organisations have embraced AI technology with the implementation of AI-powered virtual assistants.

AI reducing and monitoring waste: Organisations in this sector have been using AI-enabled energy, water and waste monitoring tools.

AI-powered ‘smart rooms’: Some organisations have rolled out AI-powered ‘smart rooms’ which allow guests to control the temperature, lighting, TV and other features of their room using their smartphone or voice commands.

Telecoms

AI for personalised recommendations and customer service: Organisations have adopted a number of AI technologies, including machine learning, natural language processing and computer vision to improve the customer experience, such as by providing personalised recommendations and customer service.

Using a variety of technologies to collect, manage, and store data: There is a specific focus on network resilience and performance – AI can monitor performance over time, predict when preventative maintenance is due and identify potential issues.

Public Sector

AI aiding customers in government paperwork and documentation: Public sector departments have been using AI to help customers file and apply for schemes, documents, licences, etc.

AI to detect fraud and malice: The public sector has also invested in a number of research projects that are exploring the potential of AI to improve the detection of fraud and malice in areas such as benefits claims.

Rising partnerships using AI for predictions: The public sector has a number of partnerships and collaborations with other organisations that are working on AI to predict important activities needing immediate attention. For instance, the DWP has a partnership with the University of Cambridge to develop an AI-powered system for predicting the risk of fraud in benefits claims; National Highways has partnered with the University of Cambridge to develop a new AI-powered system for predicting road accidents; and National Highways also partnered with Microsoft to develop a new AI-powered traffic management system that uses data from sensors and cameras to predict traffic flows and congestion, adjusting traffic signals and lane closures.

Logistics

Using predictive analytics for better operations: Organisations are using machine learning algorithms and predictive analytics to help optimise operational activities including monitoring shipment movements, identifying problems in real time and staff allocation.

Using robots and drones for delivery: Logistic organisations are beginning to use AI-powered robots and drones to efficiently deliver packages.

Partnerships to optimise logistical activities: More partnerships are being formed to enhance capabilities. For instance, FedEx partnered with Microsoft to integrate machine learning and AI into its systems to improve logistics and inventory management, while DHL joined forces with Protex AI to enhance safety measures and optimise logistics operations.
Non-Grocery Retail

Lack of talent in AI: Most organisations currently have a skills deficiency in AI-related roles. However Lush has a research and development (R&D) division called Tech Warriors, responsible for developing business solutions using AI, ML, AR and VR.

AI providing in-store support to customers: Organisations in this sector are using AI to give customers a better store experience, by recommending products and boosting ease of selection through aided conversation, based on customers’ preferences.

Deploying chatbots to provide better customer support: Organisations are actively using AI- and ML-enabled chatbots on their websites to help customers with their queries.

Restaurants & Fast Food

AI-powered chatbots and apps: Organisations are working on apps using AI-powered chatbots to provide customers with personalised recommendations and offers.

Using AI to help run powerful marketing campaigns: Restaurant and fast food organisations are developing AI-powered platforms to help manage their marketing campaigns.

Developing new products and targeted recommendations: AI has helped organisations develop new products and recipes based on data collected and analysed from customers. For instance, Subway has partnered with Tastemade to include thematic culinary explorations and data-driven menu inspiration.

Entertainment & Leisure

Patenting AI technologies: The leading organisations in this sector are focusing on patenting innovative AI technologies developed by them that enhance content delivery and improve viewing experience by understanding viewer behaviour. For instance, The Walt Disney Company recently submitted a patent application for a “deep learning framework for video remastering”, and Netflix has also patented AI algorithms.

AI for personalised experience: Organisations are deriving user intelligence from the raw stream, and using it to provide a personalised experience such as content feed or ads that deal with a diversity of users across regions, thumbnail personalisation, optimal streaming quality and tailored movie recommendations, etc.

AI for content generation: Organisations are using computer vision and machine learning to support in developing content like realistic clouds, using AI tech instead of hiring extras in new films and pushing visual effects beyond green screen to make them more realistic and precise in real time.

Utilities

Lack of talent in AI: Most organisations currently have a skills deficiency in AI-related roles. There is also insufficient investment in hiring more AI talent and skilled resource.

AI to establish communication channel with customers: Organisations have been using AI to communicate with customers in several ways. For example, Northumbrian Water developed an Alexa Skill that uses AI to inform and educate customers about leaks, works and emergency repairs in their area – and tell them what is being done about it and when the work will be finished.

AI to monitor status of utility infrastructure: Utility organisations are using AI to improve the way they monitor their sites, infrastructure and resources.

Grocery Retail

Supply chain optimisation: Organisations are using AI to improve forecasting accuracy and reduce food wastage, remove manual interventions for tasks and unify the end-to-end supply chain.

Partnerships for home delivery services: Organisations have developed partnerships to provide home delivery services. AI is being used in support of optimising deliveries.
Assessing AI adoption against CX performance

We have assessed AI adoption against CX performance (through the CEE score), to identify which industry sectors are most successfully operationalising AI and making it central to the customer experience.

**CEE score vs. AI adoption score by industry**
High CEE score, High AI index

Status: Maximising cost & value of AI

Organisations that exhibit both a high CEE score and a high AI index are organisations like first direct, Amex and JPMorgan Chase in the financial services sector and organisations like Emirates and Hilton in the Travel and Hotels sector who have successfully operationalised AI and are making it central to the customer experience.

Typically, in the FS sector, the AI supports the customer in their decision making, providing helpful insights and suggestions as to how to improve their financial and personal wellbeing. It also helps make the customer’s life easier, overcoming lengthy onboarding and verification requirements and speeding up acceptance processes.

Financial organisations are also using AI internally on cyber security and fraud use cases, which in turn protect customers and inspire trust.

Travel and Hotels also demonstrates a high AI adoption level and high levels of customer experience. Airlines are becoming significant users of AI to aid scheduling, maintenance and customer service. Hotels are using AI to personalise interactions with guests and use dynamic pricing to optimise site yield.

High CEE score, Low AI index

Status: Trapped cost in the customer experience

The organisations that have a high CEE score but are low on the AI index are mainly in the grocery retail sector where AI has yet to make a real impact on the customer. The major supermarkets have been preoccupied with managing the changing consumer demands arising from the pandemic and invested significant efforts in supporting their online and delivery businesses with technology investments around logistics, supply chain and distribution. Test and learn projects, however, are now well underway in this sector.

Organisations such as Aldi have piloted a fully autonomous, AI enabled store opening, their first one in January 2022. Shoppers can walk in, select their items, and simply walk out without having to queue at the checkout lane or scan any items. Algorithms are applied to shelf sensors and ceiling-mounted cameras which analyse anonymised shoppers’ movements and product choices. Payments and receipts are settled digitally.

Lidl has introduced Margot, an AI chatbot that can help with selecting wines. Waitrose are trialing AI for recipe creation, trawling billions of pieces of information from around the world to create menus for different customer groups.
Low CEE score, High AI index

**Status: AI delivers cost savings, but disconnected from human value**

Public sector and logistics fall into this category. The task to digitally transform the public sector is a significant one and AI is part of that transformation. Particularly concerned about the ethical and responsible use of AI, there are several public bodies who have introduced ethical AI frameworks to guide usage in their departments.

The use of AI in the public sector is greater than might be imagined. The Tracking Automated Government register has, so far, tracked 42 instances of the public sector using AI.

Many of the tools are related to fraud detection and immigration decision-making, including detecting sham marriages or fraud against the public purse. Nearly half of UK’s local councils are also using AI to prioritise access to housing benefits.

Prison officers are using algorithms to assign newly convicted prisoners into risk categories. Several police forces are using AI to assign similar risk scores, or trialling AI-based facial recognition.

So, whilst useful for governmental purposes they do not directly impact the majority of citizens, day to day experiences of the sector.

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Low CEE score, Low AI index

**Status: Immature cost and value realisation**

The utilities sector falls into this category. Claims of profiteering, high prices and poor service continue to plague the entire sector. Utilities are generally conservative in their adoption of new technologies and commentators note that many in the utility industry have taken a watch and wait approach to this new technology. Those that are experimenting are doing so at a surface level. They have yet to identify real use cases that will lead to a major improvement in the experience or the commercial outcomes for the organisation.
Leading AI adopters

These are organisations that have scored highly on each of the six dimensions.

### American Express

#### Budget and investment

American Express has filed numerous patents:
- AI patent for a “neural network for optimising the display of hotels on a user interface”
- AI patent for a “natural language process system”, enabling managers to assess travel programme performance via chatbot.
- In 2022, American Express filed several patents for Metaverse.
- In 2023, American Express Global Business Travel secured its fifth patent in the US for its AI to monitor and improve customer satisfaction.

In 2022, the annual ICT spending of American Express was estimated at $5.2 billion, with a focus on using artificial intelligence, big data, cybersecurity and cloud to digitally transform its operations.

#### Talent and skills

American Express has a vast team specialising in AI, including AI Researchers, Directors for AI Products, Directors for AI Research, Analyst AI Labs and Data Scientists, to name a few.

#### Projects and use cases

In 2014, the organisation deployed AI Solutions for fraud, using AI to automate 8 billion risk decisions and improving the digital resolution rate for fraud by 100 percent.

American Express leveraged AI and machine learning to accelerate the commercial credit onboarding process, leading to a 20-30 percent improvement in their risk model.

#### Data collection & management

A large volume of insightful data is created, which is synthesised with partner and third-party data to produce insights for personalisation and excellence in customer service and risk management.

The organisation has two key AI data practices:
- **Risk**: American Express conceptualises how the economy and marketplace might evolve and identifies the important risk capabilities to maintain to proactively address any weaknesses in the economy.
- **CornerStone**: This is a global big data ecosystem where data is organised in one place with shared global capabilities, to democratise its use across functions and geographies.

#### Partnerships & collaborations

American Express entered into an agreement to acquire Nipendo as a strategic step toward its goal of creating a leading end-to-end B2B platform, making business payments simpler and more efficient by integrating Nipendo’s team, technology and capabilities.

In 2016, American Express acquired InAuth as an extension of its strategy for fighting fraud, by enhancing data analytics and fraud prevention capabilities.

In 2018, American Express acquired the organisation behind the creation of AI organisation MEZI, weaving its technology throughout its services and creating a unique and high-touch service experience for its card members.

#### Ethics & governance

American Express has advanced AI governance principles and adopts a cautious stance towards the integration of AI services.

The organisation is experimenting with ‘ring-fencing’ to mitigate risks and prevent data leaks, by allowing a selected class of staff to access Large Language Models (LLMs) from their colleague laptops.
Ocado

**Budget and investment**

Ocado capital expenditure totalled approximately $4.3 billion between 2007–2020, majorly investing in robotics to enable automation of their customer fulfilment centres (CFCs).

Ocado Technology has what it claims to be the world’s first AI-based fraud detection system for online grocery purchases. It has also unveiled autonomous robots and automated grocery picking. They train bots to identify incorrect items, allowing them to generate the correct grasp points for the right items.

The organisation employed a behaviour clone AI system to create an end-to-end machine learning model, whereby the robot is learning from the person remotely controlling the robot.

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**Talent and skills**

Ocado launched a Code for Life initiative, where engineers volunteer to create online resources to help teach digital literacy to overcome the skills deficit in AI.

The organisation also appointed an AI and machine learning expert as non-executive director.

An analysis of LinkedIn identified over 150 colleagues with data science, artificial intelligence and machine learning in their job description.

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**Partnerships & collaborations**

Ocado Group has acquired or partnered to build capability:

- Acquired Kindred Systems, an advanced AI-powered robotics business.
- Acquired Haddington Dynamics, an advanced research and development business specialised in the design and manufacture of highly dextrous, lightweight and low-cost robotic arms.
- Partnered with Wayve to develop Autonomous Grocery Deliveries for Ocado Smart Platform (OSP) Retailers globally.
- Partnered with Japanese retail giant Aeon to develop Aeon’s online grocery business in Japan using the OSP.
- Invested $13.8 million in AI autonomous driving start up Oxbotica.

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**Projects and use cases**

Ocado Smart Platform (OSP) is an AI-dependent advanced end-to-end eCommerce, fulfilment and logistics platform providing solutions including:

- Stock forecasting to limit wastage and improve customer satisfaction
- Efficient loading to avoid product spillage
- Advance warning of product expiry, reducing waste to landfill
- Delivery vehicle allocation based on real time factors.

The Ocado Group has automated warehouses offering unique features:

- Bots constantly record data while on the grid along with using ‘self-healthcare’ to alert the engineers about when they need maintenance.
- They are controlled by the organisation’s machine learning ‘air traffic’ control system DASH, sorting through items according to the orders logged alongside human workers.
- The UK CFC leverages computer vision and planning system technology to enable automated picking.

Ocado deployed a new AI-driven customer service centre to manage incoming queries, thereby improving customer service.

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**Data collection & management**

The organisation underwent a data monetisation project, developing the Ocado Retail Data Platform for its supplier community. Ocado Retail worked with Google Cloud and partner Cognizant to develop a new data platform to power its personalisation efforts from the ground up.

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**Ethics & governance**

Ocado Group increased transparency regarding the operation of different parts of the business with a more mature safety strategy. A Personal Data Committee supports and drives data privacy governance.
Implementing AI: How do we safely navigate to an AI future?

Rather than thinking of AI implementation as yet another technology project, the leading organisations in this research have discovered that onboarding ‘AI colleagues’ successfully requires an enterprise-wide commitment to working differently. These organisations have focused on creating value and reducing their costs, safely. By connecting AI to the core of how their enterprise works, they have navigated their implementations carefully, enhanced their culture, preserved trust and minimised risk.

This section distils emerging AI implementation best practice into practical principles for executive teams. It looks at how to connect AI to the core of how the enterprise works, equipping leaders with a practical implementation roadmap to safely navigate to the future.
The four elements of successful AI implementation

01 Enterprise-led
Adopt an enterprise-wide management model to integrate AI colleagues consistently and rapidly.

02 Valuable
Prioritise value creation, including cost, growth and CX, to control technology choices
- Radical cost transformation
- Share price
- Market share
- Customer lifetime value
- Revenue growth
- Margin management
- Customer satisfaction
- Colleague satisfaction

03 Connected
Connect AI to mature business capabilities, value streams and customer journeys
- Value streams
- Customer journeys
- Capabilities
- Processes
- Business architecture
- Technology architecture

04 Trusted
Protect public & shareholder trust, managing cyber, cultural and regulatory risk
- Fairness
- Accountability
- Security
- Privacy
- Safety
- Reliability
- Data integrity
- Explainability

Read more about Valuable on page 59
Read more about Connected on page 65
Read more about Trusted on page 69
Enterprise-led AI management model

Treating AI as a virtual colleague is a broader and more versatile approach to AI implementation compared to other models. It aims to replicate human-like behaviours and decision-making in a wide range of tasks and industries. However, it needs to be supported by the right organisational model. Choosing the wrong implementation model will substantially reduce the chances of success.

The tendency is for AI to be IT-led, however this can restrict flexibility by reducing AI to a functional challenge. For IT-led organisations, it quickly signals that leaders view AI as primarily a technology problem, not a way of implementing an enterprise-wide growth and strategy agenda. Other organisations are taking a highly decentralised approach, allowing multiple functions to take on individual projects.

This risks enormous fragmentation, as multiple systems magnify the disconnectivity across teams and capability. Based on this year’s research, the strong conclusion is that AI must be seen as an enterprise wide challenge, often with the CEO owning the cost and value transformation this industrial revolution will bring.

Three main options for executive teams:

<table>
<thead>
<tr>
<th>IT/engineering-led</th>
<th>Aligned to growth strategy</th>
<th>Business unit value</th>
<th>Enterprise wide value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>×</td>
<td>×</td>
<td>✓</td>
</tr>
<tr>
<td>Functionally devolved</td>
<td>×</td>
<td>✓</td>
<td>×</td>
</tr>
<tr>
<td>Enterprise value-led</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>

1. IT/engineering-led: AI is managed from the back office and provides support to the enterprise (analogous to 1st generation digital transformation – circa 2000-2005)
2. Functionally devolved: AI is for everyone and functionally driven with diverse experiments according to need (analogous to 2nd generation digital transformation – circa 2005-2015)
3. Enterprise value-led: AI drives cost & value as an enterprise strategy sponsored by the CEO and linked to strategy (analogous to 3rd generation digital transformation)
Enterprise-led AI management model (cont)

AI colleagues have special skillsets and requirements, bringing with them a range of new practices that require intentional management and mature oversight. To tackle these, it is important for leaders to consciously pick the right organisational model. Putting this accountability in the wrong place will constrain results.

Equally, for many organisations, the next year will herald an explosion of potential experimentation and continued excitement, which could lead to dysfunctionality and risk if not well led.

One approach is to simply state that AI is clearly a technology, like cloud computing, so naturally sits with the IT or engineering teams to solve. Many organisations have already made this critical leadership assumption unconsciously. Like the first generations of digital transformation (2000 to 2010), this can be a poor outcome for the organisation and its customers, leading to weak connections to enterprise requirements, business needs and sources of value.

Reducing AI to a complex engineering problem restricts growth and agility, undermining the transformative potential it presents to many fields. Whilst the office of the CTO has an enormously important role to play, the research suggests this must be in concert with a wider group of executive colleagues.

Other organisations are taking a decentralised approach, allowing each function (including IT) to run sprints, experiments and develop their own use cases. A key advantage of this approach is pace of innovation, decentralising the accountability for bringing AI to the business.

Conversely, a proliferation of different technology providers, consulting firms and agencies are helping implement a spectrum of different LLMs, AI standards and emerging examples. Whilst this localised approach harnesses the energy and excitement of AI, it provides poor prioritisation, fragmentation and increased risk. Customer and colleague experiences will vary massively as a result. In years to come, these may be the organisations that suffer most from disconnection, with future leaders spending their time trying to connect up the various ‘legacy AI choices’ they have inherited.

By looking at the world’s best brands, it’s our view that AI will drive the greatest results where leadership is centralised and its potential is most connected to enterprise strategy.

By looking at the world’s best brands, it’s our view that AI will drive the greatest results where leadership is centralised and its potential is most connected to enterprise strategy. Only by adopting this approach can leaders properly prioritise, manage risk and deliver the strongest possible results.

Given the scale of the transformation this can deliver, this is best led by a cross-functional group of executives, with the CEO playing an active and central sponsorship role. By seeing AI as an enterprise challenge, organisations equip themselves to prioritise around value, link their endeavours to mature strategy and minimise risk.

For many of our emerging leaders, this means setting up an ‘AI Centre of Excellence (CoE)’ or equivalent to guide next steps and ensure the functions have a meaningful role. When chaired by the CEO and focused on delivering transformative value safely, such CoEs can help businesses rapidly deliver the value they need from AI.
An AI Centre of Excellence

Establishing an AI Centre of Excellence (CoE) is an essential strategic initiative for organisations looking to leverage artificial intelligence to drive innovation, efficiency and competitive advantage. An AI CoE should embrace the following responsibilities:

• Define and develop the organisation’s AI strategy in alignment with its business goals and objectives. This involves understanding how AI can drive value and competitive advantage.

• Track and oversee value creation – keeping abreast of benefits versus investments in transformation, technology costs and partnerships.

• Establish governance frameworks to ensure ethical and responsible AI development, deployment and use. This includes compliance with data protection and privacy regulations.

• Oversee AI projects from inception to completion, ensuring they are delivered on time and within budget. This involves project planning, resource allocation, risk management and quality control.

• Ensure that the organisation’s data is collected, stored and managed effectively. High-quality data is essential for AI model training and performance.

• Identify skill gaps in the organisation and develop training programmes or hire talent to build AI capabilities within the organisation.

• Stay updated with the latest advancements in AI and identify opportunities for innovation and improvement in AI applications.

• Share best practices, insights and lessons learned across the organisation to foster a culture of AI adoption and innovation.

Whilst several models of CoE already exist, given the profile and pace of AI adoption, the more successful ones have leadership out of the main executive team, with a cross-section of functional roles (e.g. CMO, CIO, COO) and general management roles (e.g. CEO) represented.
Valuable: focus on value creation first

Across the library of emerging AI colleague CVs (use cases) from this work, there are literally hundreds of examples of where an organisation can start. Even with good enterprise control, executive teams have too many options at their disposal. They need a method – anchored in value creation – to guide where they should focus and how.

Rather than this being separate to how the business is run already, best practice suggests that prioritisation starts with the concept of the value stream. Put simply, this is how the organisation systematically creates good results for all the different groups it serves, from customers and colleagues to shareholders and regulators.

Value streams already link economic outcomes to customer journeys, capabilities and technology requirements. By ‘upgrading’ them for an AI future, it becomes much easier for CEOs and their teams to understand where to focus their initial efforts to deliver the strongest possible results from staffing AI colleagues into the business.

Value streams

Value streams are the sequence of activities needed to deliver a product or service to a customer. Every product or service has an operational value stream. Value streams are persistent, enduring for as long as customers continue to place orders for their products or services. They cut across departments and functions.

At the same time, they identify who these value-creating steps are performed by and, with this information, we can derive which people with which skills should work together in journey teams and which tasks can be allocated to a virtual colleague.

Value streams:

- Provide a path from vision, strategic objectives and KPIs to value delivery
- Enable the innovation of the product or service, promoting agility
- Promote a focus on the customer experience, colleague experience and the role of the virtual colleague
- Enable the identification of required AI capabilities, features and user stories
- Enable the integration of operational changes across functions
- Provide a valuable vehicle for managing cross-functional AI risk and controls
- Provide the context for the development of AI enabling technology solutions.
Example mortgage value stream

Valuable

Value streams
The way the brand systematically creates good results for the different groups it serves, from customers and colleagues to shareholders and regulators

Value steps
The steps to deliver value from the inside-out perspective of the organisation

Customer journey + experience pillar
The outside in steps the customer takes as they interact with the brand, and The Six Pillar design principle most at play at each step

AI colleague
The role the AI colleague will perform in creating value for the brand at specific steps in the customer and/or colleague journey

Connected

Connected capabilities
The library of defined priority organisational capabilities needed to successfully deliver the customer experience within the value stream and across the enterprise

Enabling technologies
Consent management engine, Open banking to automate data collection, Auto-decisioning to accelerate approval process
Creating value

Value streams help an organisation to become customer centric and maximise the value delivered to customers in a specific sector. Mapping the workflow through the value stream can identify waste or redundant activities, by analysing throughput times and relevant costs. It helps identify internal use cases for AI as an enabler to reduce costs.

Sources of value creation include:

• New market revenue opportunities and growth in market share
• Increasing customer lifetime value
• Cost reduction and waste removal to improve margins
• Colleague and customer satisfaction – reducing churn and increasing loyalty
• Innovation, new ways of doing things, solving customer problems and developing intellectual property
• Greater return on assets
• Process and procedural improvement
• Share price – as 2024 progresses, capital markets expect strong AI value creation examples.

When we look at the early adopters, the value they are creating spans all of these, but they are making particular progress in:

• Improved efficiency: AI is automating repetitive and time-consuming tasks, reducing the need for manual labour.
• Chatbots and virtual assistants: AI-driven chatbots and virtual assistants can provide 24/7 customer support.
• Cost reduction: Automation and AI-driven processes are reducing labour and operational costs. Telecoms for example, are using AI to predict equipment failures, reducing downtime and repair costs.
• Enhanced cybersecurity: AI can detect and mitigate threats in real time. For example, identifying fraudulent activities and protecting financial transactions.
• Content generation: AI is helping to create written, visual and audio content efficiently, aiding in marketing and content production.
• Supply chain optimisation: AI is optimising inventory management, demand forecasting and logistics, reducing costs and increasing efficiency.
What kind of value are leading adopters creating?

Customer

Customer Experience

+10 to 20
NPS Uplift

Colleague

Colleague Experience

x1.8
satisfied with their jobs

Shareholder

Share Price

-9-10%
increase

Organisation

Business Revenue

6.3%
gains attributed to AI

Capacity Creation

Up to 25%
of colleague time saved

Productivity Growth

1.5%
increase

Additional Value

-30%
potential savings

Return on AI investment

The economics of AI are transformational in a way industry has not seen for decades.

Business cases for transformation are effectively ‘self funding’, paying for themselves many times over in a fraction of the normal time. For enterprises that have struggled to transform due to cost pressures, there has never a better time.

IDC conducted a global study that provides unique insights into the business value of AI:

For every $1 companies invest in AI, they are realising an average of $3.5 in return and 5% of organisations worldwide are realising an average of $8 in return.

92% of AI deployments are taking 12 months or less.

40% of organisations had implementation times of less than 6 months.

Organisations are realising a return on their AI investments within 14 months on average.

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23 AI is better than people, warns Octopus Energy, The Times, May 2023
24 MIT Sloan Management Review and BCG – 60% of Employees Using AI Regard as a Coworker, Not a Job Threat, November 2021
25 IBM Institute for Business Value, June 2023
26 KPMG analysis, Cost and Value, 2023
27 HRD – Visier commissioned study by Censuswide, July 2023
28 KPMG Global Tech Report 2023 and Goldman Sachs, Generative AI could raise global GDP by 7%, 2023
29 IDC Business Value of AI Survey, commissioned by Microsoft, September 2023
Cost and value: short-cuts to the start line

With radical cost transformation now possible, competitive advantage will come from allocating AI onto the value streams that deliver the best returns. This requires a mature understanding of the economics that AI can impact. Our sectorial adoption analysis in section 2 illustrates that there are significant opportunities in every sector:

‘AI colleagues’ are likely to drive the most value by focusing on:

Cross-sector

- Improving knowledge management, making knowledge easier to access, aiding retrieval and automatically summarising lengthy documents, making it easier for users to grasp essential information quickly.
- Integrating generative AI-powered chatbots into websites or messaging platforms to provide instant customer support, answer queries, guide users through processes and assist with product or service selection.
- Making personalised recommendations for customers based on their historical data, preferences and behaviours. By analysing vast amounts of customer data, generative AI algorithms can produce tailored suggestions, such as personalised product recommendations, content recommendations or targeted marketing messages. This enhances customer engagement, improves conversion rates and drives customer satisfaction.
- Enabling the translation of text or documents between multiple languages, improving communication and facilitating collaboration across international teams or with global customers.
- Helping to leverage historical data, market trends, competitor behaviour, strategic priorities and other relevant factors to generate accurate forecasts for enterprise-level planning and future skill requirements. It can provide insights into future demand, revenue projections, resource requirements and market trends. This helps organisations make informed decisions and develop robust strategic plans.
- AI coding and engineering support to analyse code for quality, security and compliance with coding standards. It can identify potential bugs and security vulnerabilities.
- Integrating data from diverse back-office systems, such as Enterprise Resource Planning (ERP), Customer Relationship Management (CRM), Human Resources (HR) and Finance to create a comprehensive view of the enterprise. By analysing this integrated data, generative AI can uncover hidden patterns, correlations and insights that can drive improved performance across the organisation.

Entertainment & Leisure

- Creating personalised recommendations for movies, TV shows and music help streaming services keep their customers engaged and reduce churn.
- Developing new and innovative games to help gaming organisations attract new players and grow their businesses.
- Supporting the creation of virtual reality and augmented reality experiences to give customers new and immersive ways to enjoy entertainment.

Financial Services

- Aiding the detection and prevention of fraudulent payments and transactions by monitoring real-time customer payments and operational data and the identification of anomalies or deviations from normal patterns.
- Accessing, scanning and summarising product, policy and regulatory information to create personalised summaries to contact centre colleagues and to customers.
- Aiding the relationship manager role by summarising market information and by analysing real-time customer/client sentiment and emotion to facilitate deeper relationships.
Grocery Retail

- Optimising inventory management to reduce waste and improve efficiency.
- Creating personalised offers and discounts to help grocery retailers attract new customers and increase sales.
- Developing new and innovative products, such as meal kits and ready-to-eat meals, to appeal to busy consumers.

Logistics

- Predicting demand by analysing historical data with external data sets to help logistics organisations better plan their operations and avoid costly delays.
- Optimising real time routing and scheduling to help logistics organisations reduce costs and improve efficiency, while better managing the delivery time expectations of customers.
- Tracking and monitoring of shipments to help logistics organisations provide real-time updates to their customers.

Non-Grocery Retail

- Creating personalised recommendations for clothing and products based on their historical data, preferences and behaviours to help online retailers increase sales and reduce cart abandonment.
- Enhancing customer service by offering 24/7 support and instant issue resolution from data-driven insights to improve the customer experience.
- Optimising pricing strategies in real time to provide customers with competitive prices to foster greater customer loyalty while maximising profits.

Public Sector

- Automatically reading, validating and sorting documents for case workers to support customer triage and case management.
- Predicting maintenance and repairs for infrastructure assets such as buildings roads, bridges and tracks and the best time to do so to minimise disruption.
- Scanning and summarising patient records to predict and/or identify likely disease; and summarising patient medical notes to free up time for more empathetic care delivery.

Restaurant & Fast Food

- Optimisation of menu planning and inventory management to help restaurants reduce costs and improve efficiency.
- Personalising menu recommendations for customers to help restaurants increase sales and build loyalty.
- Analysis of supplier performance data, market trends and contractual agreements to recommend optimal sourcing strategies to strengthen relationships, ensure timely deliveries and optimise costs.

Travel & Hotels

- Personalised travel recommendations that can help travel organisations attract new customers and increase bookings.
- The development of new and innovative travel experiences, such as virtual reality tours and augmented reality hotel rooms, to help travel organisations appeal to new customers and grow their businesses.
- The automation of travel booking processes (and re-booking during disruption) to help travel organisations reduce costs and improve efficiency.

Utilities

- Prediction and prevention of outages to help utilities improve the reliability of their service.
- The optimisation of energy usage across the network to help utilities reduce costs and improve efficiency.
- The monitoring of real-time customer meter readings and operational data to detect unusual behaviour, potential failures or quality issues.

Telecoms

- The optimisation of network performance to improve the quality of telecom services and reduce costs.
- The analysis of various market factors such as demand patterns, competitor pricing, customer behaviour, seasonality and other relevant data points to generate dynamic pricing strategies.
- Developing new and innovative services, building on 5G and the Internet of Things, to help telecom organisations grow their businesses and reach new customers.
Prioritising around value enables executive teams to focus their AI efforts in a consistent and effective way. It means precious resources and management time are intentionally deployed on the innovations most likely to help the organisation create success.

But it’s important this isn’t done in a vacuum. AI colleagues cannot be simply ‘layered on’ over the top of the current way things work. Existing processes, capabilities and blueprints need to change – in some instances beyond recognition. This means successful leaders must implement AI in a way that is connected to their current enterprise model, not divorced from it. This means re-engineering the underlying capabilities that make up the business.

**Linking value streams to capabilities**

Once we are clear on where to deploy AI, the focus becomes connecting the transformative potential it presents to existing processes, architecture and colleague roles. Previous waves of digital transformation failed because they did not make this link – for instance, the now infamous approaches some brands took to setting up ‘digital garages’ separate to the main enterprise, culture and management structure.

The way to creating this connection is by linking AI to existing business capabilities. Previous KPMG research alongside Forrester has identified eight ‘Connected Enterprise Capabilities’ that define how modern organisations work. They encompass the skills, knowledge, processes, architecture and resources an organisation needs to execute its strategy and deliver value to customers.

Organisations that focus on all eight tend to deliver twice the value of those that do not. By connecting AI colleagues to these best-in-class capabilities, executive teams can focus their efforts on building a more valuable organisation that has the internal coherency needed to thrive over the long term.

**Connected Enterprise Capabilities**

- **Insight-driven strategies and actions**
- **Innovative products and services**
- **Experience centricity by design**
- **Responsive operations and supply chain**
- **Seamless interactions and commerce**
- **Aligned and empowered workforce**
- **Digitally-enabled technology architecture**
- **Integrated partner and alliance ecosystem**

To learn more about the Connected Enterprise Capabilities click [here](#).
### Connected Enterprise Capability

<table>
<thead>
<tr>
<th>Connected Enterprise Capability</th>
<th>How can AI transform this capability?</th>
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<tbody>
<tr>
<td><strong>Insight driven strategies and actions</strong>&lt;br&gt;Harness data, advanced analytics and actionable insights with a real-time understanding of the customer and the business, to shape business decisions.</td>
<td>By providing real-time customer sentiment analysis, enabling businesses to swiftly respond to customer concerns and improving their products or services. For instance, a retail business could use AI to analyse online shopping patterns and adjust their product recommendations in real-time to maximise sales, which could reduce acquisition costs by up to 25 percent.</td>
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<td><strong>Innovative products and services</strong>&lt;br&gt;Develop compelling customer value propositions on price, products and services to engage the most attractive customers and drive profitable growth.</td>
<td>By utilising market data and consumer preferences to assist organisations in creating innovative, personalised product offerings. For instance, an e-commerce platform could use AI to recommend unique product bundles based on individual browsing and purchase history, increasing engagement and sales which could increase new customers by 15 percent.</td>
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<td><strong>Experience centricity by design</strong>&lt;br&gt;Design seamless, intentional experiences for customers, colleagues and partners, supporting customer value propositions and delivering business objectives.</td>
<td>By analysing user interactions and feedback to help organisations optimise their digital interfaces and create user-friendly experiences. For example, a mobile app developer could use AI to identify and improve user interface elements leading to a more intuitive and engaging app, enhancing the user experience which could increase customer satisfaction scores by 20 percent.</td>
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<td><strong>Seamless interactions and commerce</strong>&lt;br&gt;Interact and transact with customers and prospects across marketing, sales and service and achieve measurable results.</td>
<td>By automating routine customer interactions, such as answering frequently asked questions and processing orders, resulting in improved efficiency and customer satisfaction. For example, an e-commerce organisation can use AI chatbots to assist customers in finding products and completing purchases, streamlining the buying process and thereby reducing cost of servicing customers by 30 percent.</td>
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<tr>
<td><strong>Responsive operations and supply chains</strong>&lt;br&gt;Operate the business with efficiency and agility to fulfil the customer promise in a consistent and profitable way.</td>
<td>By using predictive analytics to optimise inventory management and production schedules, ensuring timely product delivery and reducing operational costs. For example, a manufacturing organisation can leverage AI to forecast demand, adjust inventory levels and schedule production runs more efficiently, thus improving supply chain responsiveness and profitability and reducing manufacturing costs by 25 percent.</td>
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<td><strong>Integrated partner and alliance ecosystem</strong>&lt;br&gt;Engage, integrate and manage third parties to increase speed to market, reduce costs, mitigate risk and close capability gaps to deliver the customer promise.</td>
<td>By facilitating seamless communication and collaboration with external partners and suppliers, enabling faster product development and cost savings. For example, an electronics manufacturer could use AI to streamline communication with component suppliers and improve the coordination of production, resulting in quicker time-to-market and cost reduction of 20 percent.</td>
</tr>
<tr>
<td><strong>Aligned and empowered workforce</strong>&lt;br&gt;Build a customer-centric organisation and culture that inspires people to deliver on the customer promise and drive up business performance.</td>
<td>By providing personalised training and insights to colleagues, enhancing their skills and motivation, ultimately leading to improved customer service and business performance. For instance, a customer support centre could use AI to offer tailored training modules to agents, improving their problem-solving abilities and increasing overall customer satisfaction scores by 20 percent.</td>
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<tr>
<td><strong>Digitally enabled technology architecture</strong>&lt;br&gt;Create intelligent and agile services, technologies and platforms, enabling the customer agenda with solutions that are secure, scalable and cost-effective.</td>
<td>AI can add value to continuously monitor and enhance the efficiency and security of an organisation’s digital infrastructure. For instance, a financial institution could employ AI to detect and prevent cybersecurity threats in real-time, ensuring a secure, scalable, and cost-effective technology architecture that safeguards sensitive customer data.</td>
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Data is a competitive necessity

Data is a vital component of each of these capabilities. Its capture, curation and subsequent usage determines the success or failure of how these capabilities are implemented.

Data has moved from being a critical enabler of technology to competitive necessity. IDC and Gartner have highlighted that poor data quality is one of the major reasons why AI projects fail. AI requires organisations to elevate the consideration of data as a strategic asset, necessitating new thinking on what is the right data and new ways of managing its collection, storage and dissemination.

AI models learn and make predictions using data, so the quality and quantity of data an organisation has access to is key. In fact, data has been described as the oil of the digital economy. In other words, without useful data, artificial intelligence isn’t useful either.

But it’s increasingly important for every organisation to have access to all the data generated within the business, and usually in real time too. Data needs to be gathered, organised, stored and made available as and when needed.

Historically, the focus on data capture has been somewhat haphazard, with the emphasis on the quantity of data rather than its usefulness. This resulted in businesses collecting too much data that then needed to be curated, catalogued and analysed. More recently, organisations have focused on the customer outcome and worked backwards, answering the question “what data do we need to deliver the required business outcome?”

There is a strong view that generative AI will, in the next few years, change this process dramatically, being able to identify patterns, gaps and set tasks for collection of the right data.

However, in the near-term generative AI applications still need to be given the right amount of data, along with many examples of exactly what is needed from them. In Section 2 of this report, we identified an AI use case as an information extractor – AI brings incredible opportunities to scan the rich seam of documentation to extract valuable insights for colleagues. Organisations will need to carefully put in place guardrails covering document rights management. Without proper document rights management in place before applying AI to the store of organisation-wide documentation, there is a risk that sensitive or confidential information could be leaked or accessed by unauthorised individuals. This could lead to legal and financial consequences for the organisation.
Implications for technology strategy

Learning from leaders who have adopted the AI colleague successfully, a common thread of best practice is that the application of AI should be cost and value led at an enterprise level, while also being defined explicitly within the corporate technology strategy. To leverage the full power of AI in the workplace will require a significant shift from historic IT strategy, as organisations move applications to the cloud and develop strategic partnerships.

The massive computational demands of AI consumption will exceed IT capability and infrastructure and therefore change how organisations plan for the future. This is because AI generates, consumes and processes vast amounts of data, requiring the need for more bandwidth that can scale up or down to meet the needs of the business. Not only that, running AI for complex tasks requires a consistent, low-latency network to deliver real-time action and, in addition, there is the security, data storage and computing capacity needed to use AI for mission critical tasks. These ‘set up’ costs can make some use cases cost prohibitive.

For those developing the organisation’s technology strategy, all of this means a re-think of the sourcing strategy for IT, accelerating the move to the cloud and balancing of build / buy / partner options. Because of the need to be enterprise-led, more so than the last decade, the IT and engineering functions will work as true partners to the business to ensure that the application of the AI colleague is prepared for in advance, and can generate measurable, provable improvements in cost and value.

Successful implementation will require the fusion of domain expertise, analytics, data science and the ongoing maintenance and management of AI frameworks. There are libraries and tools that provide pre-built functions and APIs for developing and training AI models. Popular AI frameworks include TensorFlow, PyTorch, Keras, scikit-learn, and MXNet. These frameworks abstract the low-level details of AI computations and make it easier to build complex models.

Data pre-processing and transformation are also crucial steps. Software tools like pandas (Python library) and Apache Spark provide efficient data processing capabilities and data manipulation functions. After training AI models, they need to be deployed in production environments to make predictions. Platforms like TensorFlow Serving, Flask, FastAPI, or cloud-based services like AWS SageMaker, Microsoft Cloud and Azure AI or Google Cloud AI Platform facilitate model deployment.

In some AI applications, to avoid the black box problem, it is essential that interpretability and explainability are surfaced. Tools and libraries like SHAP (SHapley Additive exPlanations) or LIME (Local Interpretable Model-agnostic Explanations) are used to help understand and explain AI model prediction. Monitoring the performance and behaviour of deployed AI models is essential for ensuring their reliability and detecting potential issues. AI model monitoring platforms like OpenAI’s Monitoring for AI (MindsDB) or custom monitoring solutions can be utilised.

Case study: USAA and the primacy of data

CEE Rank: 2nd in US

US financial services organisation USAA is one of the world’s leading and most successful users of advanced technology, and regularly leads our US index. When it comes to adopting AI, the business has highlighted the importance of first fixating on data.

For USAA, data is a board level issue. They have two strategic priorities:

1. Achieving a common data and analytics foundation, including establishment of a unified data environment and common toolset, and setting up the rails for data to be integrated, well organised and easy to find, access and use with full governance and protection.

2. Working with businesses and data and analytics leaders across USAA to bring the power of data and analytics to bear in everything the organisation does to serve its members.

USAA has built and continues to nurture a strong data culture, noting that to be able to draw conclusions from data, the prerequisites are having rich data, knowing how to find it, being able to understand the data, making it easy to access with governance, and ensuring that the data is reliable. USAA calls this ‘being data-driven’.

Organisations looking to unlock the promise of AI will need to similarly raise data to be a board level topic.
The use of AI poses risks and challenges, raising concerns about whether AI systems (inclusive of data, algorithms and applications) can be trusted. These concerns have been fuelled by high profile cases of AI applications that displayed some bias, infringed copyright or were even discriminatory or unlawful. Equally, the cultural change associated with transforming business capabilities and onboarding AI colleagues is enormous and requires careful management.

Microsoft, Lush and UNESCO are among many organisations that have already published ethical frameworks that guide their usage of AI. They recognised that realising the benefits of AI requires maintaining the public’s trust; people need to be confident AI is being developed and used in a responsible and trustworthy manner.

### AI risks

As AI scales, organisations face multiple new and intensified risks and challenges:

**Trust**
- Risk to external reputation (customers and stakeholders)
- Risk of bias, discrimination and misinformation
- Risk of opaqueness in AI

**Culture and values**
- Culture and working practices
- Pace of transformation
- Workforce restructuring

**Compliance**
- Rising number of global regulations around AI and ethics
- Compliance with growing number of internal enterprise policies and controls
- AI inadvertently breaches regulation

**Implementation**
- Time to value
- ROI achievement
- Poor implementation

**Brand**
- Consistency across multiple AI customer interactions
- Ability to reflect brand values

**Security and privacy**
- Skyrocketing number of security vulnerabilities (cyber and adversarial)
- Need for transparency and consumer privacy

**Value**
- Lack of awareness and training on AI
- Risk of data integrity, statistical validity, model accuracy
- Lack of technology assessment tools

**Speed**
- Growing number of models built with diverse stakeholders and complex pipelines
- Exponential increase in data, storage and computing

**Customer experience**
- Failure to keep pace with competitors
- Failure to connect emotionally with customers
Principles of a ‘Trusted AI Framework’

Managing these risks and challenges requires organisations to develop a Trusted AI Framework that is relevant to their industry and the particular risks they face.

Stakeholders will expect organisations deploying AI systems to uphold high standards and manage any potential risks. The role of the AI CoE can be powerful here, bringing in risk management, HR and regulatory expertise in a centralised and consistent way. This will ensure safe, trusted deployment across the entire enterprise.

Eight principles have been identified to ensure such a trusted approach is implemented:

1 Fairness
Help enable models to be free from bias and remain equitable

2 Explainability
Help enable the transparent understanding and documentation of AI algorithms

3 Accountability
Help establish mechanisms to drive ownership and responsibility across the AI/ML lifecycle

4 Security
Safeguard against unauthorised access, corruption and attacks

5 Privacy
Help drive compliance with data privacy regulations and consumer data

6 Safety
Safeguard against a negative impact to humans, property and environment

7 Data integrity
Help embed trust with data quality, governance, and enrichment steps

8 Reliability
Help ensure the performance of AI systems at the desired level of precision and consistency
Ethical AI and AI self-governance

To successfully deploy AI, organisations need a clear approach to data and governance. A key prerequisite is to ensure that leaders are aware of the benefits and opportunities that AI can bring, coupled with the risks and ethical problems that will need to be addressed along the way.

ML and AI tools are designed to learn and evolve. That evolution represents a massive transformation in how organisations must now think about the training of these systems and how to ensure they remain fit for purpose.

A key area of concern is the tendency of self-learning AI models to ‘drift’, i.e. to evolve away from their original objective. While most models have been built from historical data and are static, data is usually dynamic, meaning that they change over time and so do the prediction capabilities. To achieve a controlled use of AI, it is important to detect these changes to determine if they are problematic, track performance over time and consider re-training the model if necessary.

Organisations should therefore define their guidelines and standards for governance, including provision for internal and external AI assurance and validation. They should also convene diverse stakeholders across all parts of the organisation and beyond, to collaborate on how to apply responsible AI practices consistently and effectively.

Many organisations already have well-established risk management taxonomies in place. AI should be incorporated into these, supported by auditing, in a way that allows ongoing oversight of the system.

As AI expands at an unprecedented rate, it is crucial that the risks and customer concerns are given due consideration by all stakeholders involved with each application of the technology. Ethical AI seeks to address these concerns, by encompassing a set of guidelines and principles that ensure AI is developed and deployed in a way that promotes fairness, transparency and accountability.
There are significant challenges to AI trust on the horizon

Some of the world leaders are already experiencing challenges to trust in their brand, driven by their adoption of AI. This gives a strong sense of the types of issue that every organisation will need to face into:

**Job displacement**: Job displacement is an emerging ethical concern as AI develops and becomes ever more widely adopted. How many jobs could AI potentially ‘take over’ and what are the implications for people? The role of HR leadership in the AI CoE could not be more important to navigate this challenge. If AI is at the forefront of a new industrial revolution, the disruption many existing colleagues will experience will be akin to the introduction of the steam engine displacing factory workers. Whilst studies show the long-term uplift in conditions and pay will be excellent, the short-term re-tooling needs careful oversight.

**Privacy concerns** (particularly in relation to GDPR and colleague monitoring): The emerging use of AI for colleague monitoring is a concern raised by AI ethicists. Data protection issues need to be considered throughout any AI system. Organisations must have the express consent of all parties involved and ensure that everyone is crystal clear on how the data will be handled.

**Bias**: The need for an ethical AI system to be totally unbiased and fair in its reach. This is amongst the main concerns when it comes to programming an AI system – how can it be totally fair and unbiased in its approach, including learning new information from a neutral ground, as well as being non-judgemental when it comes to categorising and applying existing information? Biased algorithms have the potential to be immensely problematic, so it is crucial that this is addressed through constant testing and validation.

**AI transparency**: This includes the integrity of the system itself, and the accountability of those responsible for programming, updating (as standards and knowledge change) and applying it. Any system must be transparent so that it is trusted by staff and no ‘black box’ type issues occur. Hence, it is crucial that the systems are explained in simple and accessible terms so that staff understand how they operate.

**AI traceability**: AI must also be traceable – that’s to say, there must be sufficient transparency in the system for any potential fault to be easily tracked and corrected. However, traceability goes far beyond internal diagnostics. It also extends to the staff who programme it, as an issue could also occur based upon their own error or misunderstanding, which could trigger a ripple effect elsewhere in the system.

**Human accountability**: Those that are responsible for the system must be accountable for outcomes – good or bad. What is very clear from the emerging field of AI ethics is that, whilst the cause may be technological, the ownership still needs to sit with the executive team responsible for the brand. For the most progressive brands, this places new responsibility on management, which requires education, training and support.

**AI scope drift**: AI must also be able to self-govern, keeping within strict, programmed parameters and moral boundaries. However, for newer generations of generative AI the scope is not fixed and can evolve into use cases and functions that have not yet been anticipated. There is a balance to achieve: AI must have a degree of autonomy but, at the same time, those programming it should install ‘fences’ that stop it from overextending itself or straying into questionable territory. Many organisations are now wrestling with this ambiguity.

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**Case study: MAIF – Managing AI drift**

**CEE Rank: 1st in France**

French insurer MAIF is a leading organisation from our global index and has been a user of AI for some time. Through its work in the area, it has become aware of the tendency for AI models to drift and as a result has developed a strong focus on AI governance.

MAIF’s start point has been managing the lifecycle of an AI model through three key phases: model learning, model deployment and model monitoring. Teams closely monitor their models in production, notably to detect as early as possible when models are likely to provide less suitable recommendations. Early warning signs have been identified that signal when it may be time to retrain the model.
Leaders’ checklist for optimising cost and value through AI

This research has identified, analysed and codified leading global practice. Under the key areas of Valuable, Connected and Trusted we have defined the critical success factors that will lead to beneficial commercial outcomes. These provide a useful checklist for business leaders to confirm they are on the right path:

**Establish responsible AI framework & CoE**

- Create momentum with colleagues across the organisation with educational campaigns
- Form cross-functional governance and representation
- Define and establish framework for responsible AI, risk and governance
- Develop AI training and accreditation as prerequisite before any AI activity commences
- Establish “air traffic control” and clear governance model to aid with prioritisation and co-ordination of use cases and resources
- Create a knowledge library for key and re-usable assets to accelerate progress

**Identify & agree on key benefit drivers**

- Revenue growth
- Cost reduction
- Customer experience
- Colleague engagement
- Innovation
- Technology
- Brand strength
- Risk management
- Capital allocation

**Create the business & economic case**

- Conduct top to bottom analysis of where value drivers create greatest impact
- Define capabilities, skills, competences and technologies required
- Align value streams to journeys and capabilities
- Prioritise areas to transform enterprise wide
- Identify AI colleague roles and use cases delivering greatest value and enterprise wide applicability
- Confirm alignment with organisation’s purpose and values

To develop AI strategy and approach

**Enterprise-led** Establishing the right enterprise model

**Valuable** Identify where value lies. Put down roots for growth

Think big...
Develop AI strategy
• Develop AI strategy (Create, Consume, Customise), ensuring alignment with the organisation’s overall strategy and mission
• Develop an approach and operating model for connecting existing capabilities to deliver AI across the organisation
• Prepare technology infrastructure such as data and data platforms, landing zones and test environments for teams to safely experiment
• Define leadership roles and team required to successfully get started
• Define partnership and delivery model enterprise wide

Mobilise & experiment
• Create momentum and an experimentation culture with the early use cases that can be delivered well within existing value streams
• Conduct change and business readiness assessments covering people, technology, data, risk and regulations
• Define the points within value streams and journeys where ‘Human-in-the-Loop’ (HITL) interactions are required
• Ensure governance and testing of GenAI models is functioning and within risk appetite (Testing/ Grounding/Vector Models)
• Develop security architecture into AI design

Scale safely
• Develop the proof points needed through discovery and exploration to scale AI upwards and onwards
• Lead by action – showing and coaching the organisation through change
• Develop a robust communications and adoption strategy with clear ‘what’s-in-it-for-me?’ messaging for AI use
• Scale up and rollout Gen AI Academies to all colleagues across the organisation
• Test and learn internally through pilots and experimentation before rolling out any customer facing initiatives

Connected
Create a strong core. Connect value streams, journeys and capabilities

Trusted
Branch out safely

Test for feasible, desirable, viable and compliant

Start small... Scale fast..
Support for your journey to AI, cost and value

This report summarises emerging lessons from hundreds of leading AI and customer brands from around the world, including the UK front-runners.

To help your organisation leapfrog to a safe, trusted AI future, KPMG has built these best practices into a range of practical tools. These are available to help you speed up cost & value payback, connect up your business and deliver AI responsibly:

**AI tools for business leaders**

Built on best practices, a range of pre-built tools to shortcut to success

- **Customer Experience Excellence Centre**
  Emerging AI best practice from 2,500+ brands worldwide
  - Click here for more

- **Value prioritisation analysis**
  Focus AI on eliminating cost and maximising customer value
  - Click here for more

- **‘AI colleague’ use case library**
  Predefined best practices of what AI excellence looks like for your sector
  - On request

- **Connected Enterprise**
  Fully integrate AI into how winning business capabilities work
  - Click here for more

- **Responsible AI governance**
  Setup your CoE to navigate external and cultural risk safely
  - Click here for more
Three models to speed up results

1. **Sprint start, rapid savings**

**What this is:**
Create rapid confidence about AI internally and externally. Use cost-value prioritisation and KPMG global best practice to rapidly pinpoint a single journey or value stream. Take advantage of the convening power of KPMG global technology alliances to build a functioning proof-of-concept, showing AI colleagues in action. Undertake full business case modelling to identify cost savings, revenue uplift and CX improvement, resulting in a self-funding case for rapid implementation. *(Typically 6-8 weeks).*

**How we’ll help:**
- **Learn through doing.** Identify a single sprint to create value from – e.g. customer service
- **Build a functioning MVP,** showing how AI colleagues radically upgrade this existing process
- **Full business case modelling,** to enable self-funding transformation, CX uplift, and a runway to sustainable success through set up of your ongoing AI Centre of Excellence

**Indicative value created**

- **Customer experience**
  - +2-5 NPS uplift
  - +2-5

- **Cost benefit**
  - £ millions

- **Growth**
  - +1-2% revenue

2. **Upgrade existing plans**

Upgrade pre-existing transformation plans. Many in-flight transformations planned in the last 1 to 3 years are based on business logic that is now redundant, leading to higher costs, poor value and chance of near-term obsolescence. Conduct a systematic review of your existing transformation programme portfolio and explore where and how your new AI colleague can deliver against primary value drivers, whilst minimising failure. Review and re-baseline these programmes, to identify additional cost paybacks and in-flight changes to delivery plans. *(Typically 10-12 weeks)*

**How we’ll help:**
- **Assess your transformation portfolio** to identify where value drivers create greatest impact
- **Define capabilities:** Identify the skills, competences and technologies required to create the AI colleague
- **Deliver an upgraded transformation plan,** with more ambitious cost savings and links to value

**Indicative value created**

- **Customer experience**
  - +6-10 NPS uplift
  - +6-10

- **Cost benefit**
  - £10’s millions

- **Growth**
  - +3-4% revenue

3. **Transform enterprise costs**

Re-imagine your whole enterprise for a low cost, AI future. For most organisations, the benefits of AI are game-changing for performance across all functions and value-streams. The most successful leaders will be the ones who get there first, safely. Radically rethink your enterprise structure, finding transformational cost savings and new sources of value. Examine your whole enterprise structure guided by pre-built KPMG assets, then build a sequenced plan to maximise time-to-value.

**How we’ll help:**
- **Create a prioritised plan** to transform value streams and capabilities, focused on rapid, safe payback
- **Establish an AI CoE** to guide this transformation, responsibly and safely
- **Sequence activity to be self-funding** – with early proof points providing the savings to invest in new sources of digital growth

**Indicative value created**

- **Customer experience**
  - +15-20 NPS uplift
  - +15-20

- **Cost benefit**
  - £100’s millions

- **Growth**
  - +6% revenue

Your AI colleague journey starts here...

Get in touch to request your brand’s data in this year’s index, or discuss your AI journey. Please see the back page of this report for contact details.
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