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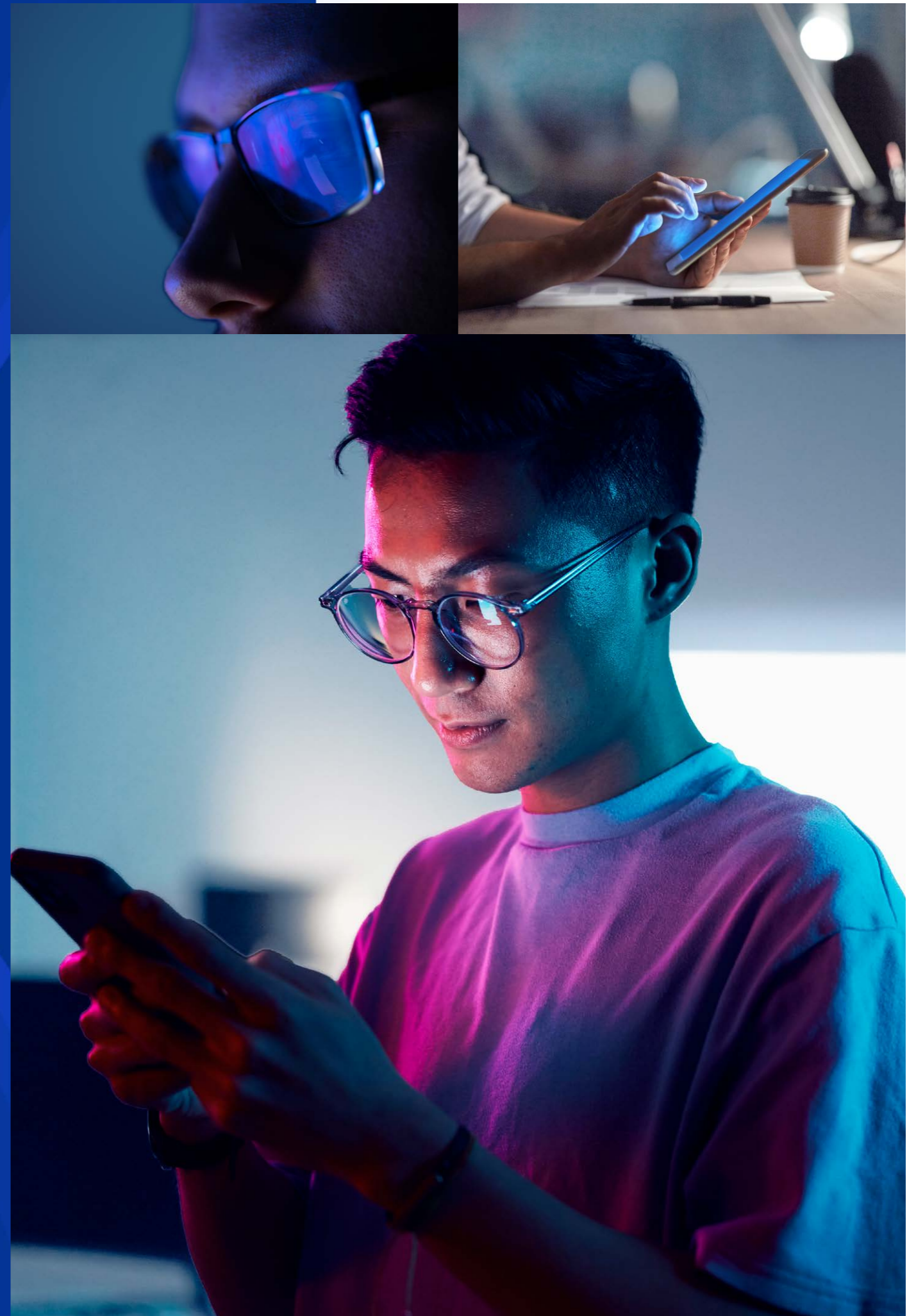
It's time for AI-X

The next evolution of customer experience

UK Customer Experience
Excellence report
2024/25

Contents

Foreword

For 15 years, KPMG has tracked Customer Experience Excellence globally. By examining over 4000 brands in 40 countries, this work has decoded customer best practice, whilst establishing the enduring management principles needed to deliver financial payback. Over the years we've catalogued waves of disruption: from digitisation, to austerity, to Covid, to scarcity of supply. However, no change we have examined has been more ubiquitous, more promising or more fraught with risk than the meteoric rise of artificial intelligence.

We first examined the customer impact of AI in last year's annual review: Say hello to your new AI colleague. At the time, the field was dominated by meandering lists of use cases and emerging strategies, with scant good practices. We observed that the world's best brands, the trendsetting few, were taming AI hyperbole and creating momentum by focusing on the customer, using experience, cost and value as their north stars for early progress.

This year's report continues to examine how world leaders are combining artificial intelligence and customer experience. A scientific and repeatable approach is emerging. This new field of AI-Experience (or "AI-X") is defining how many of the UK's best customer brands – such as first direct, Ocado and Nationwide – are using human understanding to focus their technology and transformation investments. By doing so, they are creating trust, coherency and competitive advantage.
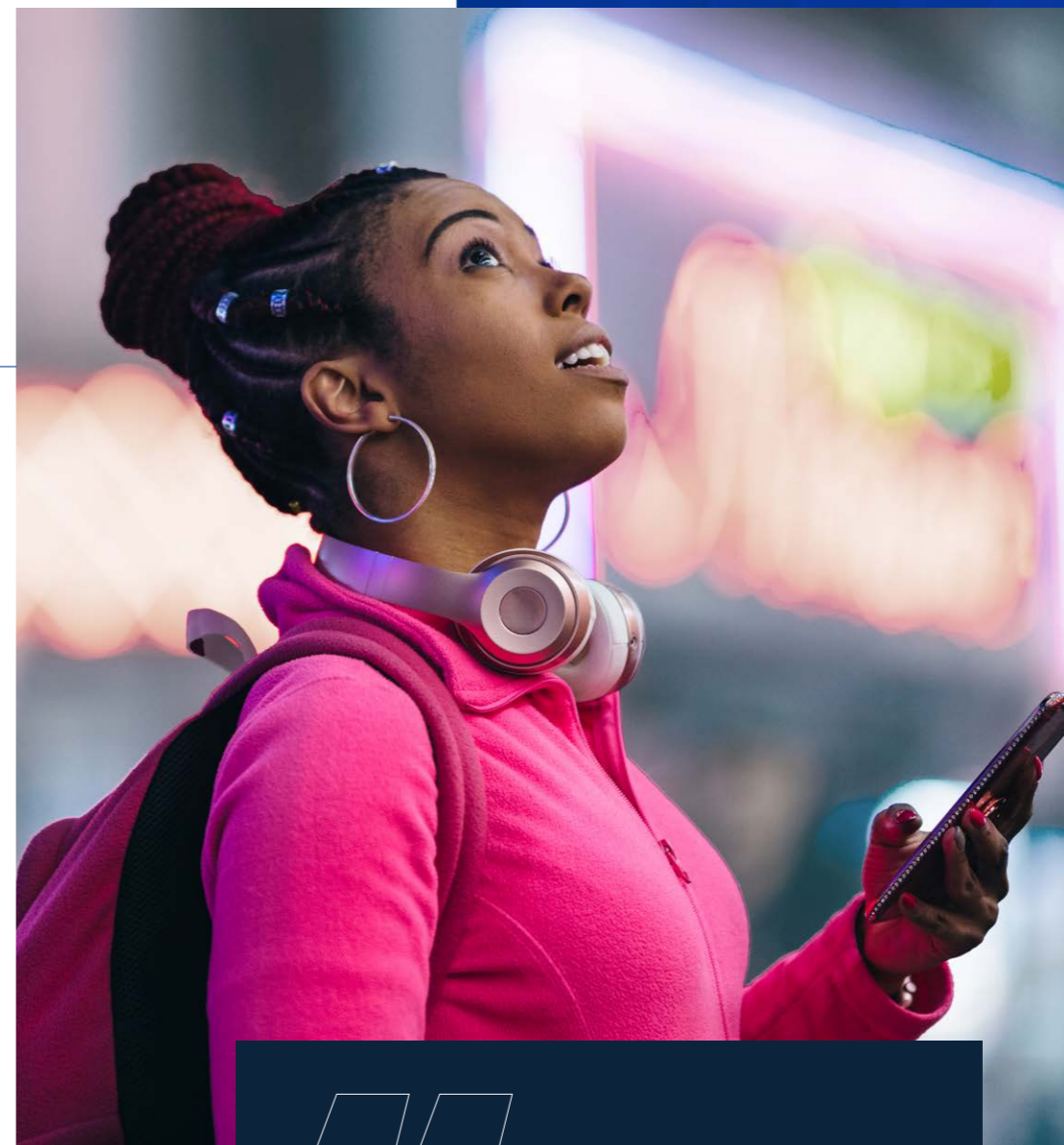
It's time for AI-Experience…

Gartner predicts that by 2025, 80 percent of customer service and support organisations will use generative AI to revolutionise agent productivity and CX, replacing up to 30% of the existing workforce. By 2028, most customer interactions are expected to be delivered (or co-piloted) by generative AI.

The majority of brands in this year's report recognise the benefit this will bring and are hastening to embed AI at the heart of their customers' experiences. There is, however, still very little consensus on how to do it well. Most have a handful of deployments, spanning multiple functions. Others point to hundreds of sprints.

Their target experiences broadly take two forms: AI empowering human agents to achieve more ("co-piloting") or autonomous AI agents conceived and trained by humans (providing full automation). In both instances, the customers and the humans are the constant, whereas the AIs are courtesy of a bewildering array of LLMs, cloud platforms and advisors. In the back office, there are now dozens of "AI-powered" technologies for a CFO to grapple with. The CMO, conversely, must navigate over 14,000 options, up 28% from last year.[1]

For the world's best brands, which include some of the UK leaders, it is their superior understanding of human experience that gives them the basis to navigate this complexity. They are using customer experience as an 'orchestration layer', asking first what they need to do to delight customers, engineer winning journeys, create growth and reduce costs. They are thoughtful about where in each journey they should automate, where they should co-pilot and where they should hold fire. At every stage they focus on creating trust, through security, privacy, demonstrable AI ethics, and transparency, as their foundational "license to operate" with customers.

Then – and only then – are they making smart choices about technologies, channels and AI operating models. AI-X describes this approach to focus and sequencing: starting with the customer and working back to intentional, controlled choices about AI, cost and value.

[1] https://chiefmartec.com/2024/05/2024-marketing-technology-landscape-supergraphic-14106-martech-products-27-8-growth-yoy/

> **Our approach to AI is a simple one: we start with the customer outcome we are looking to improve and then work back to the technology that can make a difference. We see AI in the context of what the customer is seeking to do in totality, and the benefits they are looking to secure. It isn't just about reducing cost."**
>
> Chris Pitt, CEO, first direct

But beware AI risk, fragmentation and customer dysfunction…

Conversely, others are failing, with the UK's lowest performing customer brands continuing to decline in our research. Whilst this report has always been a celebration of excellence, it is impossible not to point to the challenges and risks AI presents for those that lack a clear north star. Conceived badly, AI exacerbates underperformance, rather than solving it.

For some executive teams, the bewildering array of options they face in the front office is undermining customer experiences. Poor AI governance is leading to multiple functions, agencies, and third parties implementing customer-facing LLMs. Rather than creating connection, this magnifies any dysfunction already in the brand.

For others, the end-game of the quest for customer excellence is personalisation. Two decades of technology marketing has made that clear. However, without integrity and trust at the core of what they do, attempts to short-cut to the benefits of higher-order connections, like personalised experiences, fall flat.

Without a consistent approach to AI-X at the heart of their decision making, the technology is dehumanising and fragmenting the experience, rather than acting as the promised panacea.

It's our clear finding this year that AI is already delivering transformational value for customers, CEOs and front office leaders, but only for some organisations. Unlike previous waves of digital transformation, which were both necessary and frequently unaffordable, AI presents something new: a business case for self-funding change that can simultaneously improve customer outcomes.

As such, this year's report explores examples of the combination of experience excellence, business value and AI effectiveness. Combined in the right way, with an eye on both best practice and risk, this is a powerful force for dramatic progress.

As always, the Customer Experience Excellence insights are freely available to colleagues, clients and partners around the world, with data on over 300 organisations in the UK alone. If you'd like to request your own organisation's performance data, understand your relative position, or discuss any of the themes, then you'll find contact details on the back of this report.

Tim Knight
UK Head of Customer Advisory

David Rowlands
Global Head of AI
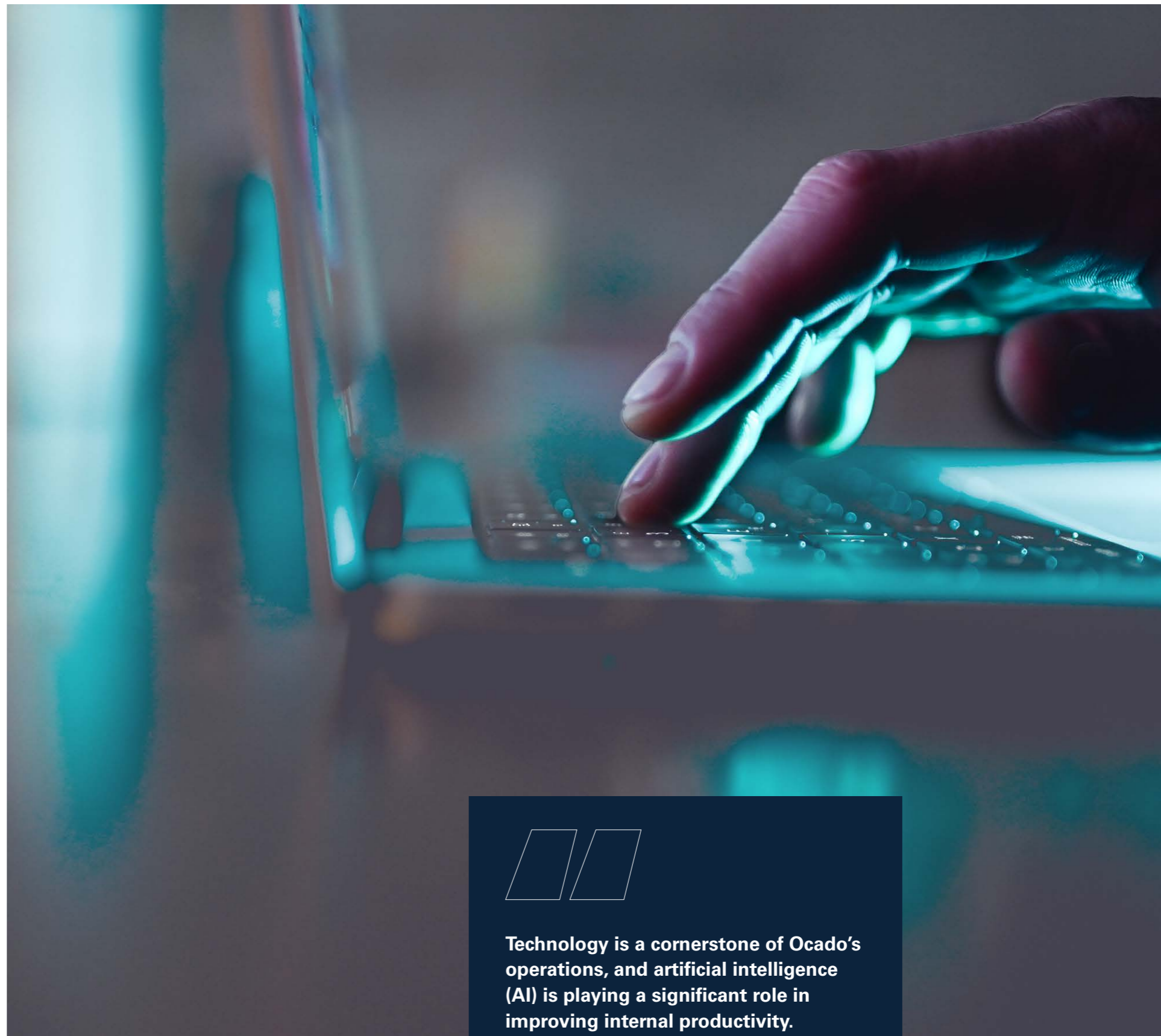
> **Technology is a cornerstone of Ocado's operations, and artificial intelligence (AI) is playing a significant role in improving internal productivity. The company is actively testing and implementing AI-driven solutions across various areas of the business."**
>
> Laura Harricks, Chief Customer Officer, Ocado Retail

01.

AI-X – the next evolution of customer experience

About the KPMG Customer Experience Excellence Centre

This research work in the UK forms part of a broader, global study, which over the past 15 years has extended into 40 countries, regions and jurisdictions. This year, the study was conducted in 23 countries and encompassed 86,073 evaluations of 2,970 brands.

This is KPMG's 15th year of an ongoing global research programme into CX excellence. This year, UK consumers have provided 124,505 evaluations of their experiences with 399 UK organisations.

The KPMG Six Pillars of Experience

Customers evaluate their interaction with these brands across The KPMG Six Pillars of Experience (The Six Pillars).

Integrity
Being trustworthy and engendering trust

Resolution
Turning a poor experience into a great one

Expectations
Managing, meeting and exceeding customer expectations

Time and 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 CX. Organisations that have mastered The Six Pillars have significantly better commercial outcomes.

Customers provide scores for each of these pillars based on their experiences. This forms a compound metric called the Customer Experience Excellence score (CEE score) for each organisation. They are then ranked based on their CEE score to create a league table, or index. We examine the organisations that lead the index, and we also look at the highest risers (organisations that have made a significant improvement in their index position), and from both we identify leading practice and surface the key learning points.

Mastering The KPMG Six Pillars of Experience is proven to:

...drive revenue & EBIT up

10x — **UK top 10** companies achieved 10x the revenue growth versus their FTSE 100 counterparts[2]

The **top 100** brands achieved a year-on-year average profit growth that was double that of the bottom 100 brands[3]

Within the **top 100** the brands positioned 1-10 achieved 3x the revenue and profit growth of brands positioned 91-100[2]

The **top 10** most improved brands achieved 4x the revenue growth of the remaining top 100 brands[2]

...drive cost out

Leading players can improve experience and reduce costs by up to **25%**[1]

Companies that excel can achieve **75%** better margins[2]

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)

1   KPMG CEE 2020
2   KPMG CEE 2017

What is AI-X?

AI-X refers to the use of AI technologies to enhance, automate, and optimise interactions between an organisation and its customers throughout the customer journey.

The latest generation of AI tools will fundamentally change how customers perceive experiences mediated through AI. Context-aware, agentic, autonomous AI will revolutionise AI-mediated customer experiences by enabling systems to dynamically adapt interactions based on real-time understanding of customer needs, preferences, and situational context.

Radical cost reduction → **Transformative Customer value** ← **Accelerated growth**

Orchestrated via experience excellence

Integrity · Resolution · Expectations · Time and Effort · Personalisation · Empathy

Enabled through AI

Marketing | Sales | Service | Commerce | Insight

Media → Telephony → Digital → AI → Face to face → Social → Search
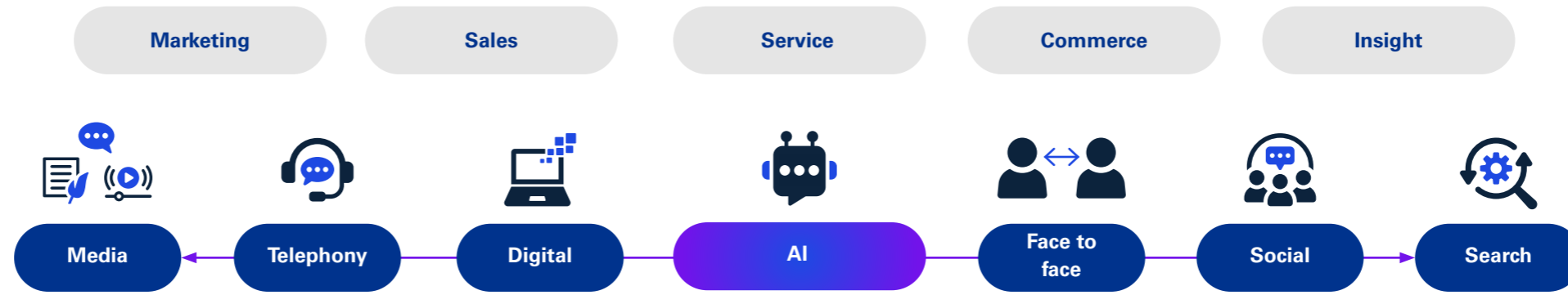
Driven by unique brand purpose

Purpose

Values · Personality · Messaging

+

Identity

Colour · Architecture · Imagery
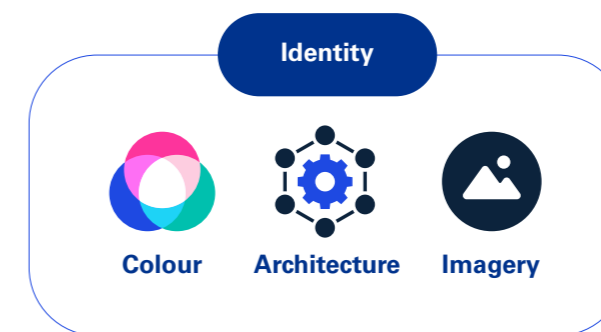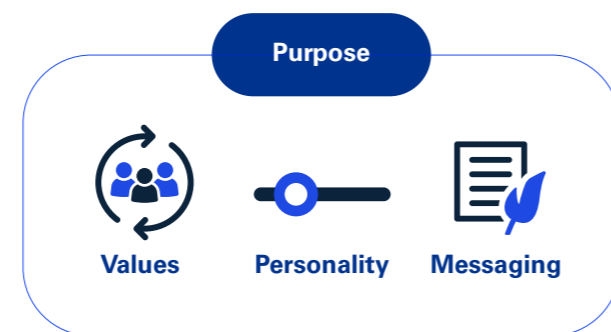
AI-X is already delivering value

Marketing: Enhanced strategies

Coca-Cola uses AI to optimise ad spend and improve targeting of promotional offers. Coca-Cola saw a 4 percent sales increase in 2023, translating to an additional $600 million in revenue.[2]

Sales: Automating repetitive tasks

JPMorgan Chase implemented its AI program, COiN (Contract Intelligence), to review legal documents. Previously, this consumed about 360,000 hours annually. Now each document is reviewed within seconds, saving $150 million annually in legal expenses.[3]

Service: Personalised experience

Netflix uses AI algorithms to provide tailored content recommendations, significantly increasing user engagement and retention. In 2023, Netflix reported a 7 percent revenue increase, equivalent to approximately $1 billion, in part attributed to its recommendation engine's effectiveness in retaining subscribers and reducing churn.[4]

Commerce: Inventory management

Walmart employs AI to streamline its inventory processes, ensuring products are stocked more efficiently to reduce waste. This has led to significant cost savings ($2 billion in annual savings) and improved customer satisfaction.[5]

Insight: Better utilisation of resources

Procter & Gamble (P&G) uses AI to analyse vast amounts of consumer data, optimising product development and marketing strategies. This has resulted in a 5 percent increase in sales, contributing an additional $1 billion in revenue annually.[6]

2   https://www.marketingweek.com/coca-cola-ups-marketing-spend-2023/
3   https://superiordatascience.com/jp-morgan-coin-a-case-study-of-ai-in-finance/
4   https://logidots.com/insights/how-netflix-saves-1b-annually-using-ai/
5   https://medium.com/@carsten.krause/by-carsten-krause-june-7th-2024-driving-retail-innovation-the-role-of-an-ai-center-of-3b0efdfc951f
6   https://emerj.com/ai-sector-overviews/artificial-intelligence-at-procter-gamble/

But the risks are profound

Amongst the lower ranked organisations in our global index we have seen…

Value

- Weak front-office AI strategy leads to competitive underperformance

- Technology cost savings targeted without mature operating model change

- Narrow definitions of value focused on cost, missing customer benefits

Experience

- Integrity undermined by failures of AI trust, ethics and regulatory compliance

- Multiple AI models and "use cases" lead to disconnected experiences

- Obsession with "personalisation" causes neglected basics

AI Implementation

- IT-first AI strategies, without mature business or customer leadership

- Multiple front office platforms, without a clear orchestration approach

- Failure to invest in data foundations, constraining customer benefits and creating risk

The KPMG Six Pillar AI Experience

The Six Pillars framework is a comprehensive model designed to evaluate and enhance CX by focusing on six key areas: Integrity, Resolution, Expectations, Time and Effort, Personalisation and Empathy. When applying this framework to AI-X, we can understand how AI technologies, such as chatbots, virtual assistants, and predictive analytics can be designed and implemented to create a positive and efficient customer journey.

| Pillar	Definition	AI-X application
Integrity	**Building trust through ethical behaviour, transparency, and consistent service.**	AI places more importance on trust. The KPMG Trusted AI framework outlines 10 principles for establishing and maintaining AI trust: **Reliability:** Ensures AI systems function as intended and meet performance benchmarks. **Data integrity:** Aims to identify and mitigate biases in data, algorithms, and decision-making processes. **Transparency:** Focuses on clear, accessible AI explanations for stakeholders, enhancing understanding. **Sustainability:** Involves creating resilient systems that function reliably under diverse conditions. **Explainability:** Ensures that AI model outputs and decisions can be understood by users. **Fairness:** Promotes equitable outcomes across demographic and social groups. **Security:** Safeguards AI systems against vulnerabilities, cyber threats, and attacks. **Privacy:** Protects sensitive data, aligning with privacy regulations and ethical considerations. **Accountability:** Establishes clear governance and assigns responsibility for AI decisions and outcomes. **Safety:** Ensures alignment with ethical standards, prioritising social good, and preventing harm.
Resolution	**Turning a poor experience into a great one through effective problem resolution.**	AI can enhance resolution by quickly identifying and addressing issues. Predictive analytics can flag potential problems before they escalate, while AI-driven customer service can offer immediate solutions or escalate issues to humans when necessary. AI systems can learn from previous interactions to improve future resolutions, making the process smoother over time.
Expectations	**Understanding, managing, and exceeding customer expectations.**	AI can help anticipate customer needs and set realistic expectations by predicting outcomes based on historical data. For example, AI-powered chatbots can manage expectations by providing accurate information on service delivery times or resolving queries promptly. AI can also adapt to changing customer expectations by learning from feedback and adjusting interactions accordingly.
Time and Effort	**Minimising customer effort and making the experience as efficient as possible.**	AI excels in streamlining processes, reducing friction, and saving time. For example, AI-driven automation can handle repetitive tasks, such as booking appointments, processing orders, or providing instant customer support through chatbots. AI can also predict and address customer needs before they arise, reducing the effort required on the customer's part.
Personalisation	**Tailoring the experience to the individual needs and preferences of each customer.**	AI can leverage data to create highly personalised experiences. Machine learning algorithms can analyse customer behaviour, preferences, and past interactions to provide tailored recommendations, content, and services. AI can predict what a customer might need next, or offer personalised marketing messages that resonate with individual preferences.
Empathy	**Understanding and caring for the customer's emotional needs.**	Although AI lacks genuine emotion, it can be programmed to recognise and respond to customer sentiment through natural language processing (NLP). AI can analyse the tone and context of customer interactions to provide empathetic responses, escalating to human agents when a personal touch is needed. Advanced AI systems can also tailor responses to reflect a deeper understanding of the customer's emotional state.

By applying The Six Pillars framework to AI-X, organisations can ensure that AI technologies not only enhance efficiency and personalisation, but also maintain integrity, meet expectations, provide empathetic support, and resolve issues effectively. A well-designed AI-X strategy, guided by these pillars, can lead to a seamless and satisfying customer journey that strengthens brand loyalty.

AI-X requires a new system of measurement

When developing an AI-measurement approach, the foundation lies in clearly defining the organisation's customer-centric goals.

Start by understanding what the organisation seeks to achieve from the customer's perspective: what improvements, value, or transformations does it aim to deliver? Determine the role AI plays in reaching these objectives and map out the critical decisions required to ensure AI's implementation genuinely enhances the customer experience.

The data collection approach involves identifying the essential signals needed to inform these decisions, feeding a measurement framework that provides actionable insights. Effective measurement will enable continuous alignment between AI initiatives and customer value, allowing organisations to course-correct and optimise AI strategies based on real-world impact.
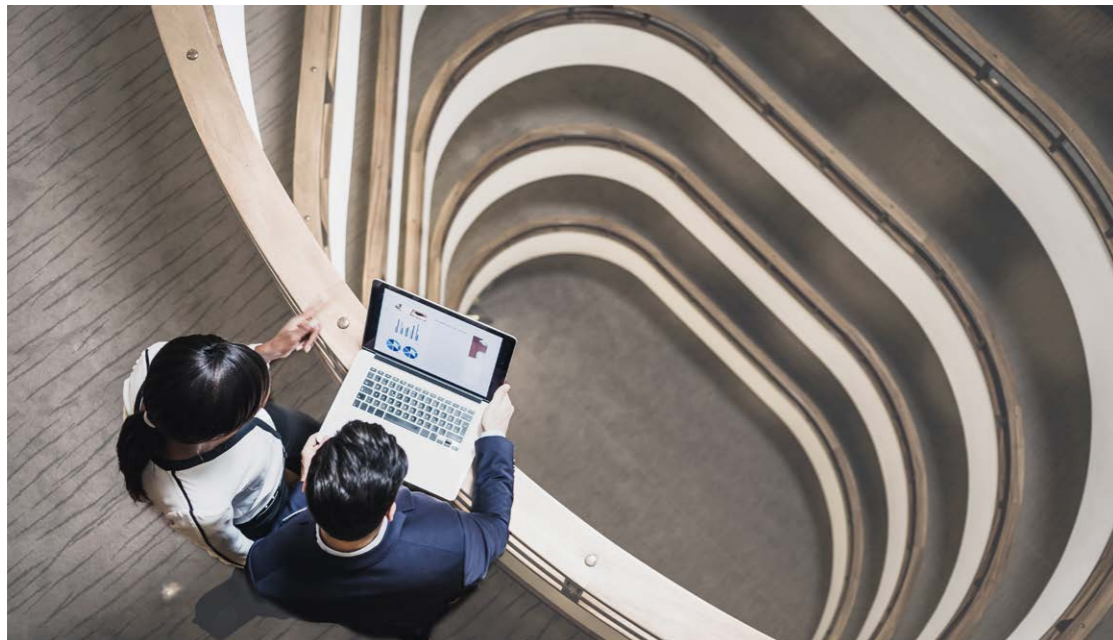
Operational AI metrics

It's important to be able to measure how operationally effective AI is in the delivery of the customer experience. The Six Pillars provides a useful checklist:

Pillar	Metrics
Integrity	**AI Trustworthiness Index:** Evaluates customer trust in AI-driven interactions, focusing on ethical decision-making, transparency, and privacy. **Bias Detection Rate:** The frequency at which biases (e.g. demographic, geographic) are detected and corrected in AI decision-making processes.
Resolution	**AI First-Contact Resolution (FCR):** The percentage of customer issues resolved by AI in the first interaction without human intervention. **Escalation Rate:** The frequency of cases that require escalation to a human, indicating where AI falls short in problem solving.
Expectations	**Expectation Match Rate:** Percentage of instances where the AI system meets or exceeds customer expectations for service, speed, or accuracy. **Response Accuracy:** Measures how often AI provides accurate and relevant information or solutions, aligned with customer needs.
Time and Effort	**Interaction Efficiency Score:** The average time customers spend interacting with AI to resolve an issue, aiming for a reduction in customer effort. **Task Automation Success Rate:** Percentage of tasks successfully automated by AI, reducing customer effort in routine transactions.
Personalisation	**AI Personalisation Score:** Measures the degree to which AI systems tailor recommendations, content, or interactions based on individual customer preferences and behaviour. **Contextual Understanding:** The percentage of AI responses that reflect an accurate understanding of the customer's context, preferences, and history.
Empathy	**Sentiment Analysis Accuracy:** The ability of AI to detect and respond to customer emotions and tone during interactions. **Emotional Connection Score:** Customer feedback on the perceived empathy and emotional intelligence demonstrated by AI systems.

Measuring the impact of AI from the customer's perspective

It's also important to capture how AI shapes the customer's overall experience and sentiment towards the brand. Traditional metrics like Net Promoter Score (NPS) and Customer Satisfaction (CSAT) remain central, as they gauge broad sentiment. However, the unique nature of AI interactions introduces complexities that standard metrics alone may miss. These nuances require additional dimensions to capture AI's specific impact on experience.

Given that customers may not always recognise when they are interacting with AI, organisations must first distinguish AI-led interactions from those driven by human agents. This clarity enables an assessment from the customer's perspective: how seamless, helpful, and relevant was the experience? Did it meet or exceed the expectations set by human-led interactions? In this context, measures to assess the impact of AI from the customer's perspective should not only evaluate the immediate experience, but also consider the broader impact on customer trust, loyalty, and relationship depth.

A critical focus for AI-X metrics is the emotional connection established during interactions. Emotional connection is pivotal in shaping customer perceptions of the brand and can be more challenging to cultivate in AI-led interactions.

Key questions to explore include:

- **Brand perception** – Did the interaction positively impact the customer's perception of the brand? Was the brand's promise reinforced through the AI's actions, language, and responsiveness?

- **Trust and reassurance** – To what extent did the AI interaction foster a sense of trust and comfort? Measuring this involves assessing customer sentiment toward AI accuracy, transparency, and the overall sense of control they feel in AI-led processes.

- **Personalisation impact** – Customers expect interactions to feel personal and relevant. Measures should capture whether AI has successfully tailored the experience based on individual preferences, history, and real-time context, as these factors significantly influence satisfaction and engagement.

Developing these measures specific to AI-led interactions will equip organisations with a more nuanced understanding of AI's influence on customer relationships. This approach ensures that AI's integration enhances – not diminishes – the emotional and relational elements of the customer experience.

Customer Experience Excellence: A 15-year journey to AI

The landscape of CX in the UK has undergone a profound transformation. The journey from traditional CX approaches to the integration of AI signifies a significant paradigm shift that is redefining how organisations interact with customers.

The evolution of CX over the last 15 years reflects the broader shift towards customer centricity. In part, this has been enabled by technology and driven by changing consumer expectations and market dynamics. Internally, this has meant focusing on culture, operating models, and ways of working. The voice of the customer has become a powerful catalyst for change as organisations benchmark the experiences they deliver against competitors.

The implementation of methodologies such as Lean and Scaled Agile have reflected the need for greater agility, flexibility and responsiveness as organisations seek to overcome the shackles of silo working and thinking. The timeline opposite demonstrates some of the key trends over the past 15 years of this research.

2010 – 2014
The romantic period

Average CEE score

7.19*

Key trends

Organisations pursue CX as the right thing to do:

- Inspired by "The Experience Economy", organisations rediscover they have customers and that emotional connection from the experience not just the brand is critical to a relationship – in fact, the experience is the brand.

- Brands therefore strive to evoke positive emotions through storytelling, brand experiences, and empathetic customer service.

- Voice of the Customer programmes become widespread and there is a realisation that customers are not being served as well as they should.

- NPS becomes the de facto measurement tool, customer effort becomes a focus.

- Advances in data analytics and customer relationship management (CRM) systems enable organisations to gather, analyse, and leverage large volumes of customer data.

- The traditional notion of customer service evolves from reactive problem-solving to proactive relationship-building.

2015 – 2019
The hard yards

Average CEE score

7.20

Key trends

CX implementation proves difficult – new methodologies become mainstream and there is a greater focus on financial returns:

- There is a significant shift towards customer centricity. Organisations now prioritise understanding customer needs, preferences, and behaviours to deliver personalised experiences.

- But progress is difficult, inhibited by silos and functional systems.

- CFOs become more focused on CX return on investment (ROI).

- Organisations realise that their culture and their people could be an accelerator or inhibitor in implementing their customer strategy.

- Lean and Scaled Agile gain traction – replacing waterfall as not just a way of designing systems but managing organisational change. Minimum viable products (MVPs) become an important way of working.

- Organisations adopt customer journey mapping, from initial awareness through post-purchase support and advocacy, seeking to identify pain points and opportunities for improvement.

- With the proliferation of smart phones and digital channels, organisations expand their presence beyond traditional brick-and-mortar stores, adopting multichannel and omnichannel strategies, where customers can interact seamlessly across various touchpoints.

- Digital transformation becomes a major preoccupation.

- Organisations become proactive in soliciting and responding to customer feedback.

- The rise of e-commerce platforms transforms how organisations serve customers.

- Growth in online shopping requires a focus on data, cyber security, and secure payment gateways.

- Personalisation becomes important – recognising and responding to the individual needs of customers. CRM returns to become an important technology.

*Based on comparable CEE data from 2012 onwards

2020 – 2023
The age of digitally enabled austerity

Average CEE score

7.32

Key trends

The intelligent digital age. New technologies provide opportunities for new business models and new ways of revenue generation. Primarily this was driven by the COVID-19 pandemic, and the need for rapid cost reduction.

- Pandemic drives rapid innovation and digital adoption, with lower-cost channels being a major focus.

- Organisations begin to leverage new technologies such as chatbots and self-service portals to offer faster, more efficient support while empowering customers to resolve issues independently.

- AI and automation technologies transform how organisations engage with customers. Chatbots, virtual assistants, and predictive analytics tools enable organisations to provide real-time support, personalise interactions, and anticipate customer needs more effectively.

- Experiences become "orchestrated" as organisations apply technologies to guide customers across channels and touchpoints.

- Purpose-driven branding responds to the socially conscious consumer as customers expect organisations to demonstrate social and environmental responsibility.

- Ethics and responsible use of AI becomes a major topic.

- Value streams become a focus as organisations look to improve processes that feed into customer journeys.

From 2023
The rise of AI-X

Average CEE score

7.14

Key trends

- Advances in LLMs such as OpenAI's GPT-4 and Google's Gemini, are driving more nuanced, human-like conversational AI. These models enable smoother, context-aware interactions that feel more natural.

- Emerging models now integrate sentiment analysis and emotional recognition, allowing AI to respond to the tone and intent behind customer inputs. This development can elevate AI-X by personalising responses to customer emotions.

- With AI now able to process vast data from multiple sources, real-time personalisation is reaching new heights. This enables AI to deliver hyper-relevant recommendations.

- Advances in voice recognition and multimodal models, which process text, images, and speech together, mean AI can offer seamless support across mediums.

- AI is becoming increasingly capable of predicting customer needs before they express them, identifying likely issues based on behaviour or historical data.
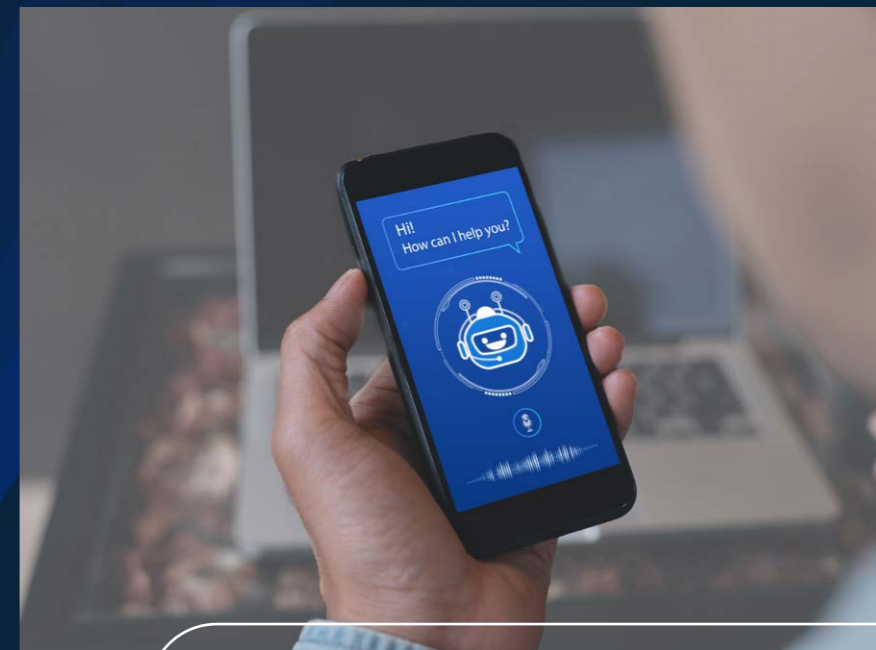
As we enter the era of AI-X, the potential for creating intelligent, seamless, and hyper-personalised customer experiences is boundless. However, organisations must learn from the lessons of the past to navigate the associated challenges thoughtfully to ensure that AI enhances, rather than diminishes, customer interactions. The future of CX is here, and it is undeniably AI-driven.

Applying 15 years of CX lessons to AI-X

If we examine the cycle of activity that organisations have been through over the past 15 years, there are a series of useful lessons that can, and should, be applied to AI-X.

Humanise the experience:
Ensure that there is an emotional connection with the brand and a "human in the loop".

Integrate across front office:
AI should be integrated across all functions to provide a holistic view of customer needs and drive comprehensive improvements.

Build trust:
Adopt new technologies responsibly, ensuring they enhance rather than detract from the human element of CX.

Break down silos:
Foster cross-functional collaboration to eliminate silos and create a unified approach to AI-X. Data is the fuel of AI and must become an enterprise-wide asset and not be siloed in individual departmental systems.

ROI-driven AI:
Develop clear metrics to measure the financial impact of AI-X initiatives, ensuring they align with broader organisational objectives.

Cultural alignment:
Invest in building a customer-centric culture, ensuring that all employees understand their role in delivering exceptional CX and how AI can help.

Holistic innovation:
Focus on comprehensive solutions that address broader customer life problems, not just product-specific issues.

02.

UK results: Which organisations are mastering AI-X?

Spotlight on
first direct

Ranked 1st in 2024

first direct has been in the top three companies in our UK Customer Experience Excellence index 13 times in the past 14 years. In 2024, it retains its number one position and continues to lead the banking industry for customer experience (CX). Over the past 12 months, first direct has seen an improvement in its Integrity and Empathy scores. Here, Chris Pitt, CEO, first direct, provides insight into why he thinks the bank continues to perform so well.

Removing customer pain points

"For consumers, financial services is boring, but it's also important and complicated," says Pitt. "When it comes to financial management, they just want it sorted quickly, easily and without undue fuss. We strive to ensure that when customers do have to call us, we can help them resolve their issues at the first point of contact up to 80 percent of the time. This is an important focus for us, and we are continually monitoring why customers are prompted to contact us and endeavour to remove those reasons one by one.

"For example, this year we noticed that resetting digital security was a growing issue. Customers would find themselves locked out and would require us to reset their access. Solving this by implementing an AI-powered verification system, to ensure we are dealing with the right person, has improved security and efficiency. This had a huge benefit for us. Firstly, we were able to communicate the security of our approach to customers, and this may explain the rise in our Integrity score. But importantly, it also dramatically reduced inbound calls, resulting in shorter wait times for customers and a more efficient use of company resources.

"We have done a lot of work with our AI chatbot 'Dot the Bot', which now handles 25 percent of our interactions. We started with examining why people were contacting the bot and understanding what really matters to them. This is more than just the reason for calling, but the broader context of the call, what were they seeking to do, and why was contact with the bot necessary in the first place.

"Sometimes people must come out of the bot and speak to a human. We have systematically gone after the issues that cannot be resolved in the bot, to find ways of ensuring that the customer can complete their task in their chosen channel. Age, mindset and perceived importance of the ask play a big part; our younger customers want to complete everything in the bot, whereas older customers, who may, for example, be moving a sizable amount of money for a house purchase, want the security of speaking to a human – we need to cater for both. The result has been a large increase in the bot's NPS score."

An empathetic focus on customer outcomes

"Our approach to AI is a simple one: we start with the customer outcome we are looking to improve and then work back to the technology that can make a difference. We see AI in the context of what the customer is seeking to do in totality, and the benefits they are looking to secure. It isn't just about reducing cost.

"We have been examining life-event-prompted interactions that have low frequency but high emotion. For example, losing a job, bereavement, and divorce. We know that these are particularly difficult for customers and want to help them as empathetically as we can, and we have worked hard to make these as easy for customers to navigate as possible. We have recently scrutinised how we can improve

Power of Attorney for vulnerable customers where proving identity can be problematic, and have implemented a set of improvements. Vulnerable customers are a group who are hugely important to us. We have a team of over 90 people available to help them."

A customer centric culture

"Culture has always been important at first direct and as a leadership team it is possible to become fixated on the numbers, credit loss, fraud etc., but it is important to understand the human dimension also. Every Monday, I call customers who have had problems the previous week. This enables me to understand what our customers are experiencing and helps identify systemic issues. It also helps turn data into human stories, which informs our approach and makes it real and meaningful.

"Every year, the leadership team talks to every staff member on a face-to-face basis to update them on the direction of the business and our priorities. We ran 20 sessions this year, firstly to say thank you to our amazing people, but also to share what we have achieved in the past year and what we intend to do this year. This creates a real connection with the team.

"Overall, our culture at first direct is focused on continuous improvement, continually trying to find ways of making our customer's lives easier and more fulfilling."

> **Our approach to AI is a simple one: we start with the customer outcome we are looking to improve and then work back to the technology that can make a difference. We see AI in the context of what the customer is seeking to do in totality, and the benefits they are looking to secure. It isn't just about reducing cost. "**
>
> Chris Pitt, CEO, first direct

Highlights

Trends in CX scores

After last year's decline in CX, this year has seen a 1.4 percent increase in the overall CEE score as organisations have responded to the negative reaction of digital implementations that focused on cost reduction rather than CX.

This chart shows the overall UK CEE score over time for the entire index.

Year	Score
2013	7.21
2014	7.25
2015	7.25
2016	7.33
2017	7.08
2018	7.13
2019	7.21
2020	7.45
2021	7.36
2022	7.37
2023	7.09
2024	7.19

Organisations in this year's top 10 have experienced a 1.8 percent improvement in CEE score, whereas organisations in the top 100 have experienced a 1.1 percent improvement on average, signifying that the gap between the excellent organisations and the index average is growing.

Consistency and new entrants in top rankings

- All organisations in this year's top 10 have featured in previous years, and six featured in the top 10 last year. This illustrates that, once acquired, excellence becomes a habit, fostering continuous improvement and adaptation.

- first direct retained its number one position, having only being outside the top three places once in the past 10 years.

- Fidelity International joined the top 100, rising 201 places to number 56.

- 100Green (Green Energy UK) joined the index for the first time in 43rd place.

Improvement among top brands

- QVC has often featured in the top 10 historically, and this year returns to ninth position, rising 24 places.

- Despite increasing competition, Netflix rose by 106 places to 57th as new content and increased AI-driven personalisation increased viewer satisfaction.

AI integration and consumer attitudes

The adoption of AI has highlighted distinct generational divides in attitudes and concerns.

- **Younger customers:** The primary concern among younger demographics is the fear of AI displacing human jobs. With AI capable of performing tasks traditionally done by humans, there is a worry about the reduction of entry-level positions and the long-term impact on career opportunities.

- **Older customers:** Older customers value the personal touch that human representatives provide. They find AI interactions impersonal and less satisfactory, especially when dealing with complex or sensitive issues.

Impact of cost of living

All demographics face cost of living and inflationary pressures, with 44 percent saying they are extremely or significantly impacted, whilst only 7 percent say they are not impacted at all.

25-34 age group

62%

feels the financial pressure most acutely (62 percent extremely/very impacted), due to expanding families and potential income fluctuations.

55+ age group

27%

remains relatively unaffected in comparison (27 percent extremely/very impacted), benefiting from savings and higher income levels.

ESG (Environmental, Social and Governance) considerations

In previous years we identified the growing prioritisation of sustainability in customers' purchasing decisions. This year, it remains important, with 49 percent willing to pay more for ethically and sustainably sourced goods and services. However, this year, we note that this willingness is polarised by age group.

Younger consumers (18-34)

71%

71 percent are willing to pay more for ethically and environmentally focused products.

Older consumers (55+)

33%

Only 33 percent show the same willingness, indicating a decline in priority for ESG concerns with age.

Willingness to pay for premium CX

The willingness to pay for premium customer experiences is heavily influenced by generational factors.

Younger consumers (18-24)

60%

60 percent of 18-24 year olds are willing to pay more for a better experience with retailers. Driven by a desire for personalisation, convenience, and social validation, they are more inclined to invest in premium services.
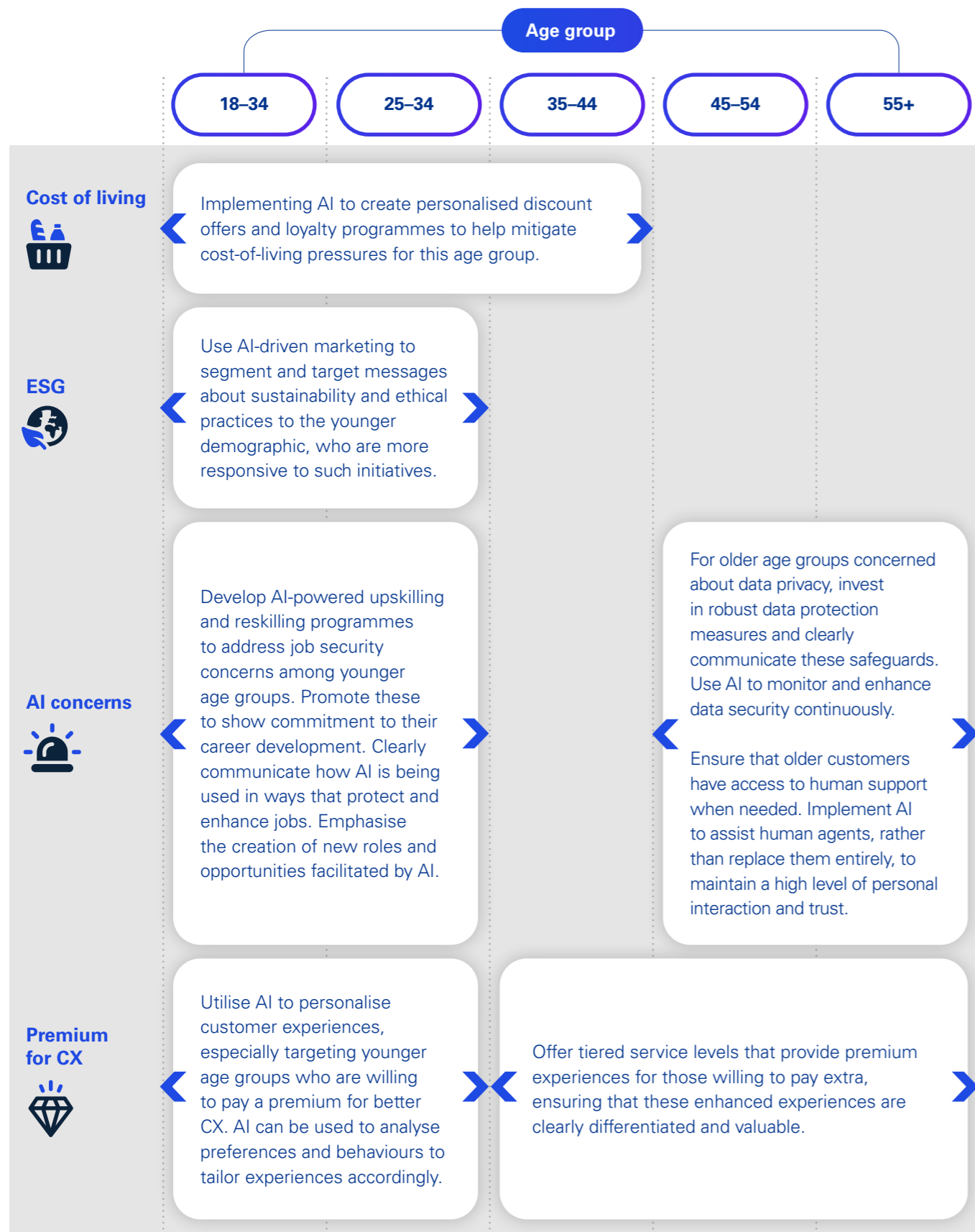
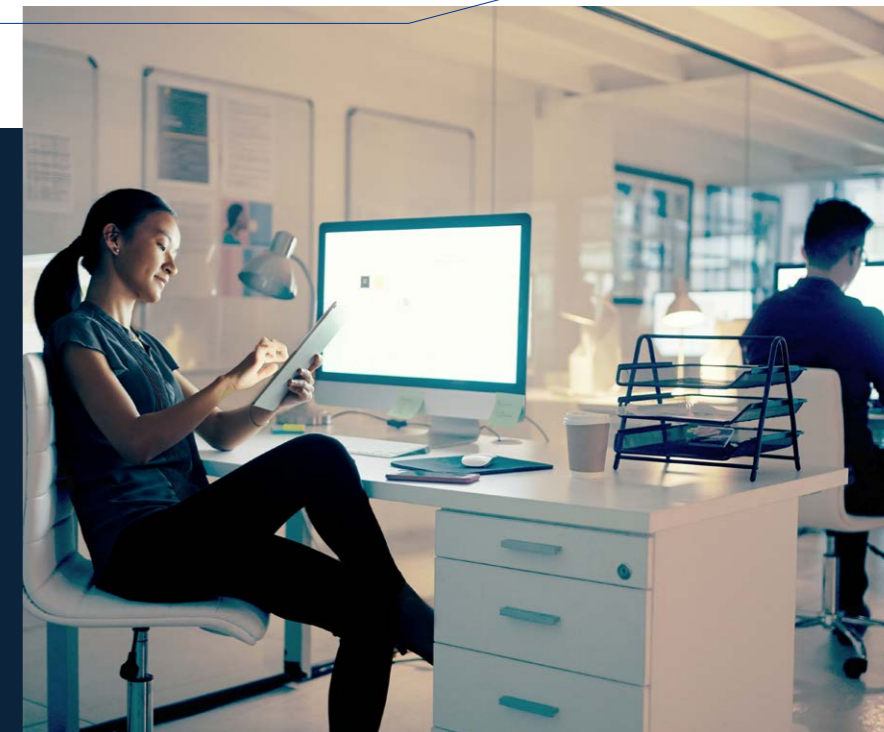**Older consumers (55+)**

33%

33 percent of those age 55+ are willing to pay more for a better experience with retailers, instead prioritising value, reliability and cautious spending.

AI responses to demographic trends

The increased generational polarisation has implications for organisations seeking to engage most effectively with different audiences. Organisations will need to adopt a nuanced strategy when implementing AI, considering the diverse concerns and preferences across different age groups. Here are some examples:

Age group

18–34	25–34	35–44	45–54	55+

Cost of living

Implementing AI to create personalised discount offers and loyalty programmes to help mitigate cost-of-living pressures for this age group.

ESG

Use AI-driven marketing to segment and target messages about sustainability and ethical practices to the younger demographic, who are more responsive to such initiatives.

AI concerns

Develop AI-powered upskilling and reskilling programmes to address job security concerns among younger age groups. Promote these to show commitment to their career development. Clearly communicate how AI is being used in ways that protect and enhance jobs. Emphasise the creation of new roles and opportunities facilitated by AI.

For older age groups concerned about data privacy, invest in robust data protection measures and clearly communicate these safeguards. Use AI to monitor and enhance data security continuously.

Ensure that older customers have access to human support when needed. Implement AI to assist human agents, rather than replace them entirely, to maintain a high level of personal interaction and trust.

Premium for CX

Utilise AI to personalise customer experiences, especially targeting younger age groups who are willing to pay a premium for better CX. AI can be used to analyse preferences and behaviours to tailor experiences accordingly.

Offer tiered service levels that provide premium experiences for those willing to pay extra, ensuring that these enhanced experiences are clearly differentiated and valuable.

This year's leading organisations

Top organisations

1. **first direct**
2. **Nationwide**
3. **Ocado**
4. **Coventry Building Society**
5. **John Lewis & Partners**
6. **American Express**
7. **Lush**
8. **Starling Bank**
9. **QVC UK**
10. **M&S**

Highest movers into the top 100

Fidelity International (+201 places)

Netflix (+106 places)

Not On The High Street (+93 places)

New entrants

100Green (Green Energy UK) (43rd)

Simplyhealth (46th)

Klarna (58th)

Vinted (86th)

Ranked 1st

first direct

Top organisation

first direct maintains its number one position – the bank has only been outside of the top three organisations in the UK once in the last 10 years. For first direct, this represents an ongoing programme of continuous improvement, continually upgrading its mobile banking app, making it more user-friendly and feature rich. This includes improved navigation, faster load times, and new functionalities such as budgeting tools and advanced security features like biometric authentication. Its online banking platform has also been enhanced, providing a seamless and intuitive experience for desktop users. This ensures customers can manage their finances easily with any device.

The account opening and onboarding processes have been simplified to make it easier for new customers to join and start banking with first direct. Managing accounts, transferring funds, and accessing financial services have been made simple and convenient through more intuitive digital interfaces.

Over the past 12 months, first direct has made significant strides in developing its AI capabilities, particularly by leveraging generative AI tools and other advanced AI technologies to enhance customer service and operational efficiency. These tools can handle a range of

customer inquiries more effectively, providing quick and accurate responses. The integration of generative AI has allowed for more natural and engaging customer service experiences.

By utilising AI-driven data analysis, first direct has been able to offer more personalised financial advice and product recommendations to its customers. This capability stems from advanced machine learning algorithms that analyse customer data to predict needs and preferences, thereby improving customer satisfaction and engagement.

Last year we noted the implementation of "Dot the bot" – first direct's chatbot – which has been further developed to handle a wider array of customer service tasks. The chatbot is now more adept at resolving common banking issues, guiding customers through complex processes, and escalating cases to humans when necessary.

Recognising the importance of AI literacy among staff, first direct has invested in training programmes to ensure its employees are well-versed in AI technologies. This helps the workforce to better understand and utilise AI tools, ensuring a smoother integration of these technologies into daily operations.

Despite the focus on digital interactions, first direct has managed to implement technology in a way that cements the emotional relationship it has with customers – the most significant improvement across its Six Pillar scores being Empathy.

Ranked 2nd

Nationwide

Top organisation

Nationwide takes second place and, similarly to first direct, has focused on continuously improving digital interfaces, upgrading its mobile app and online banking platforms to provide a more intuitive and seamless user experience. These upgrades include better navigation, faster performance, and new features such as real-time transaction alerts, enhanced security options, and budgeting tools. Nationwide has also evolved its new customer onboarding process, so customers no longer must visit a branch for Know Your Customer verification. It has moved its digital onboarding and engagement customer journeys onto a new platform in the cloud to accelerate improvement and product time to market.

Nationwide has developed more personalised financial products and services that cater to the specific needs of different customer segments, such as first-

time homebuyers, retirees, and young professionals. Nationwide also became the first financial service provider in the UK to offer dedicated support for customers with communication difficulties.

In line with its rebranding programme, Nationwide has continued to modernise many of its branches to provide a more welcoming and efficient CX. This includes the redesign of branch layouts to facilitate better customer flow, and the addition of self-service kiosks. It has reiterated its intention to maintain its current branch coverage until at least the start of 2028.

> **Nationwide has developed more personalised financial products and services that cater to the specific needs of different customer segments, such as first-time homebuyers, retirees, and young professionals.**

Ocado

Top organisation

Over the past 12 months, Ocado has significantly enhanced its AI capabilities, focusing on expanding its automation technologies and entering new markets.

Ocado's technology subsidiary, Ocado Intelligent Automation (OIA), secured its first deal outside the grocery sector with McKesson Canada. This agreement involves providing automated fulfilment technology for the pharmaceutical distributor, showcasing Ocado's ability to adapt its AI-driven solutions to different industries. Ocado has continued to advance its customer fulfilment centre (CFC) technology, partnering with Kroger to open several new automated warehouses in the United States. These CFCs utilise sophisticated AI to manage and process grocery orders efficiently supporting both same-day and next-day deliveries.

Ocado has invested in AI-driven robotic systems, such as the "Hive", which uses a dense 3D grid for storage and robot swarms for item retrieval. Hive reduces space requirements and increases order fulfilment speed. Ocado's proprietary 4G-based communication protocol ensures efficient coordination among the robots.

Ongoing R&D projects like SoMa and SecondHands are developing advanced robotic arms and collaborative robots to further improve warehouse automation. These robots utilise AI for tasks such as picking and packing items, enhancing operational efficiency and accuracy.

Ocado has signed multiple technology licensing deals with international retailers, including Sobeys in Canada, Groupe Casino in France, and ICA in Sweden. These partnerships are part of Ocado's strategy to diversify its revenue streams and scale its AI technology across various markets.

Overall, Ocado has made substantial progress in enhancing its AI capabilities, focusing on broadening the application of its technology and improving the efficiency of its automated systems. These efforts are positioning Ocado as a leading technology provider in the logistics and e-commerce sectors.
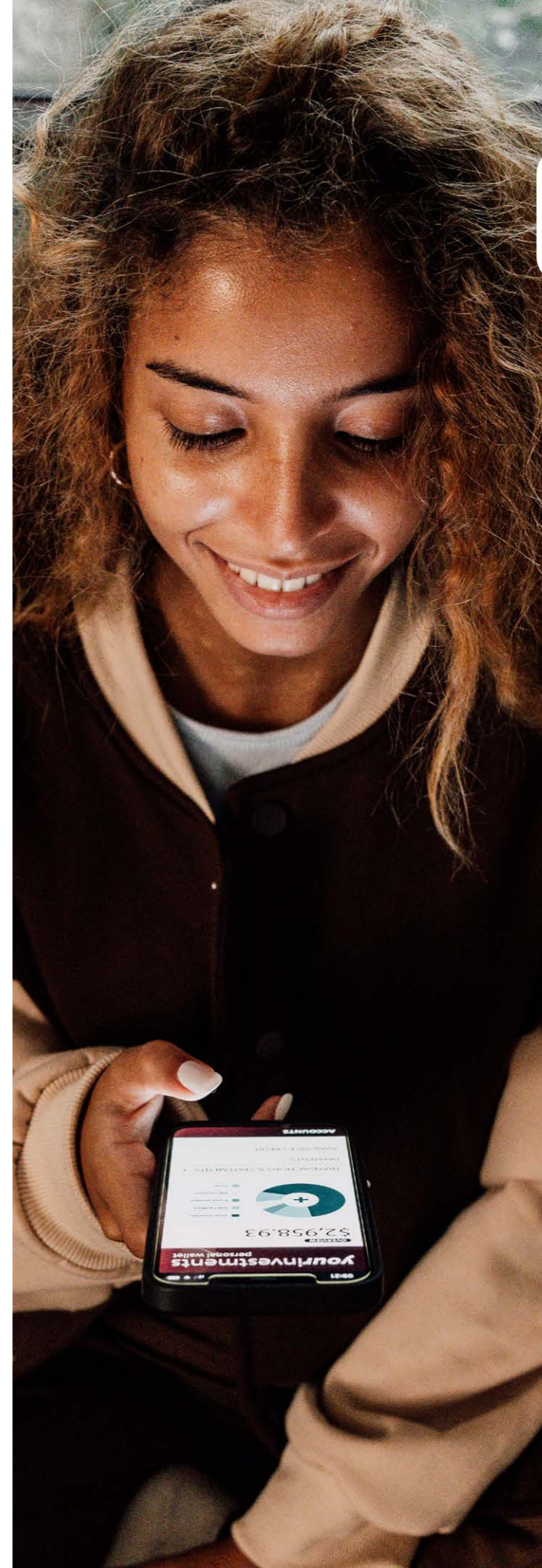
> **Ocado has invested in AI-driven robotic systems, such as the "Hive", which uses a dense 3D grid for storage and robot swarms for item retrieval. Hive reduces space requirements and increases order fulfilment speed.**

Fidelity International

High mover

Fidelity International is the highest mover in this year's research, joining the top 100 in 56th place. Fidelity offers personalised investment solutions that cater to the specific needs and goals of individual investors. This includes customised portfolios, tailored financial advice, and specialised investment products.

Fidelity has made notable improvements across each of The Six Pillars, in particular Resolution and Integrity, and has invested in a comprehensive online learning centre that offers a wide range of educational resources, including webinars, articles, tutorials, and interactive tools. These resources help customers make informed investment decisions. Regularly conducted investor education programmes and workshops provide customers with valuable insights into market trends, investment strategies and financial planning.

Fidelity has focused on gaining deep insights into customer behaviour and preferences. This has enabled the company to improve its services. By analysing customer interactions and transaction data, Fidelity tailors its offerings to meet individual needs more effectively, enhancing customer satisfaction and loyalty.

Ranked
57th

Netflix

High mover

Offering high quality content has done much to elevate Netflix's popularity, but Netflix has also continued to pioneer the use of AI to improve the on-screen experience.

Its use of AI algorithms enables Netflix to personalise the user experience in a way that other organisations envy. Its AI engine is so successful that over 80 percent of the shows people watch are based on its personal recommendation platform.

Advanced AI algorithms have also been developed to optimise streaming quality based on real-time network conditions and device capabilities. This ensures minimal buffering and the best possible resolution. AI is used to optimise the routing and caching of content across Netflix's global network, ensuring efficient and speedy delivery of content to users worldwide.

Enhanced AI-powered chatbots are handling a broader range of customer inquiries, providing quick and accurate responses to common issues. AI is used to predict and address potential service disruptions before they affect users, thereby maintaining a seamless viewing experience.

Ranked
43rd

100Green

High new entrant

Highest new entrant 100Green's commitment to sustainability and environmental responsibility, whilst offering innovative and reliable renewable energy solutions, resonates with a growing segment of eco-conscious customers. 100Green is 100 percent committed to delivering great customer service "always".

Simplyhealth

High new entrant

Similarly, Simplyhealth is new to the index. It provides health and dental plans for more than 3 million UK customers. Formed in 1872 and predating the NHS, it aspires to make great healthcare accessible for everyone, but it also believes in the power of community and giving back. In addition to its paid-for services, it developed a free app called SimplyMe to help users take a holistic approach to health, with fitness tracking and push notifications to encourage people to establish healthy habits.

Ranked
46th

Spotlight on
Timpson

Ranked 29th in 2024

Timpson has consistently improved its scores in our Customer Experience Excellence Report index over the last two years, moving up an impressive 45 places this year alone. With notable increases in Empathy and Expectations, the company's unique approach to management is clearly paying off. We spoke to Sir John Timpson, Chairman, Timpson, to understand how the company's 'upside down management' philosophy is driving both employee satisfaction and customer loyalty. Here are his thoughts.

Improvements in customer satisfaction

"At the heart of our success is our management philosophy, which we call 'upside down management,'" says Timpson. "It's a colleague-focused culture where we prioritise the wellbeing and happiness of our staff. When your employees are happy and empowered, that naturally translates into better customer service. We trust our colleagues to look after customers in the way they see fit.

"The inspiration for this approach actually came from a visit to Nordstrom in the US about 25 years ago. I observed how they empowered their front-line staff and flipped the traditional management pyramid, making it the job of management to serve the employees. Customers responded so well to this model that I decided to bring it to Timpson, where it's now at the core of everything we do."

Implementing an 'upside down' management philosophy

"The first step was to completely rethink the role of head office. Traditionally, head offices believe they run the business through command and control, creating rules and procedures that frontline staff are expected to follow.

But this is stifling. So, we removed that power dynamic. At Timpson, no one tells anyone else what to do. Instead, we focus on just two rules: 'Look the part' and 'Put money in the till.'

"We also eliminated systems of control. For example, we don't use EPOS systems to track our people. Our IT department's role is to equip and enable our staff, not monitor them. The head office now focuses on allocating resources, determining strategy, and continuously improving our culture — nothing more."

Getting the right people

"Recruiting the right people is crucial. At Timpson, we recruit for personality, not skills. We don't care much about qualifications or CVs. We just look at the candidate and figure out who they are. There's no customer satisfaction in dealing with a grumpy cobbler! We learned from Disney that you need people who are nines or tens in terms of attitude and positivity.

"Half of our new recruits come through recommendations from colleagues – friends and family members who have the right attitude. It's a case of like attracting like. We also use the Mr. Men characters as a basis for our talent acquisition. We're looking for Mr. Happy, not Mr. Grumpy or Mr. Slow. If they tick the right boxes, we put them in the shop for half a day to see how they do.

"About 12 percent of our employees are former prisoners. We believe that people shouldn't be punished for a mistake for the rest of their lives. If you place people in the right environment and give them a chance, they can display their strengths.

"It's not without challenges. Many of these individuals don't have money or accommodation when they're released, so we help with those things to give them a good start. Once they're with us, they're treated with the same respect as any other colleague. It's all about finding people who will thrive in our business.

"And of course, sometimes we don't get it right, but even then, we part ways kindly and generously, ensuring we leave as friends."

Management philosophy

"Our managers are there to enable people to be the best they can be. If a colleague needs a new machine, it's the manager's job to get it for them as soon as possible. Removing obstacles is fundamental. A good boss is also a great listener and a mentor, someone who looks at the whole person, not just their work.

"When a high-performing colleague's performance dips, it's usually due to external factors like mental health issues or stress. We have over 100 mental health first aiders in the company because we see ourselves as much a social enterprise as a corporate one. Helping and supporting our people when they need it is central to our ethos.

"We've also established a degree course that outlines what it means to be a great boss at Timpson. Managers do this alongside their work, learning how to support and elevate their colleagues through encouragement rather than command and control."

Engaging colleagues

"We like to say thank you to our colleagues, so we have 19 holiday homes that colleagues can access without charge.

"We have a weekly newsletter that focuses on our people and spreads good news across the business.

"The 'Making Dreams Come True' program is one of my favourite initiatives. Any Timpson colleague can submit a dream or aspiration they want to fulfil. These can range from personal goals, like taking a special holiday, to life-changing requests, such as home improvements or medical treatments. Colleagues can also nominate each other.

"A panel reviews the submissions based on the impact the dream will have on the colleague's life, rather than the cost or scale of the request. We focus on helping in meaningful ways. Over the years, we've supported all sorts of dreams, from fertility treatments to attending special family events. It's just one of the ways we say thank you to our people."

Sustaining customer experience excellence

"All of these factors combine to ensure we have people with great personalities delivering great experiences to our customers every day. Interestingly, our customer satisfaction has increased since the lockdown. During the pandemic, we had to restrict access to our shops, so we put one person in the shop, usually our best and most engaging individual. This model worked so well that we've kept it. Our colleagues like being masters of their own destiny, and customers appreciate dealing with the same person each time.

"We also avoid talking to customers through technology. Our customers prefer interacting with real people, so we don't interpose technology between our colleagues and customers. It's all about that one-to-one human relationship, and that's made a huge difference for us.

"If I have to give one piece of advice it would be to focus on your people. If you get that right, everything else will follow. Trust them, empower them, and give them the tools to succeed. When your employees are happy and motivated, your customers will feel it too."

In summary

It's clear that Sir John Timpson's approach to management isn't just about running a business — it's about creating a culture where people thrive. And when people thrive, so does the customer experience. Timpson's ongoing success in our customer experience excellence index is a testament to that philosophy.

Which organisations are leading AI-X around the world?

This year we conducted research in 23 countries and looked at how leading organisations are refining their AI-X. These organisations are setting new standards in how AI can be used to develop and extend customer relationships. Here are some examples:

Sector	Global exemplars	AI use cases
Airlines	Emirates Singapore Airlines	• Crew rostering and delay management • Customer check-in robots • Online AI service bots • AI biometrics for passenger recognition / advanced security checks
Banking	first direct KBank Maybank	• Autonomous banking AI provides insights and suggestions for customers • AI-to-agent improvements – elevating agent competency and resolution time • Next-best-action support • Regulation implementation monitoring
Retail	Adidas Nike Apple H-E-B	• Online delivery support, picking, substitutions, route management • Personalised product curation • Supply chain optimisation

Sector	Global exemplars	AI use cases
Healthcare	Fielmann Mayo Clinic Humana	• Customer query management • AI diagnostics • Bodily function monitoring (e.g., diabetes) • Online pharmaceutical prescription delivery
Hospitality	Hilton Tokyo Disney Resort Universal Studio Japan	• Reward scheme management • Personalised experiences – adapting service delivery to each individual customer • Front desk automation and personalisation
Insurance	FWD USAA	• Customer query management • Underwriting accuracy • AI-driven repair quotation • Personalised product design
Logistics	Zasilkovna Packeta	• Supply chain monitoring and optimisation • Internet of Things (IoT) tracking and monitoring • Smart warehouses – speed of delivery • Inventory management
Public sector	Singapore General Hospital Employees Provident Fund (EPF)	• Citizen query management • AI-driven cost reduction • Regtech
Telecoms	Spusu Viettel	• Rapid adoption of AI, virtual reality, IoT and blockchain • Customer retention detection and engagement • Network monitoring and resilience • Predictive error detection

03.

AI-X transformation

AI-X will fund customer-facing transformation

AI-X is poised to transform the economics of customer facing functions like marketing, product management, sales, service, and commerce that directly interact with the customer by automating processes, personalising interactions, and enhancing decision-making.

It will enable organisations to achieve more with fewer resources, allowing them to scale operations without a corresponding increase in expenses. By optimising processes, enhancing CX, and enabling data-driven decision-making, AI-X will contribute to a more profitable and sustainable business model across marketing, product management, sales, service, and commerce.

By improving productivity and reducing costs, AI-X initiatives offer substantial potential to be self-funding. However, fragmented AI implementation – where tools and solutions are adopted in isolated silos rather than integrated across the entire customer journey – show an increase in the number of disconnects within the experience.

To maximise the transformative potential of AI-X, organisations need to look beyond isolated applications of AI within individual functions and instead focus on cohesive, cross-functional implementation that enhances each stage of the customer experience.

Marketing
Potential cost savings: up to 40%

AI-X improvements

Personalised campaigns: AI will enable hyper-personalised marketing campaigns by analysing customer data to deliver tailored messages, offers, and content. Machine learning algorithms can predict customer behaviour and segment audiences more effectively, increasing the relevance and impact of marketing efforts.

Improved targeting: AI can predict trends, customer preferences, and future purchasing behaviour, allowing marketers to plan more strategically. This leads to more effective targeting and better allocation of marketing budgets.

Content generation: AI-powered tools can generate content (e.g., personalised emails, social media posts), and curate relevant content for different customer segments, streamlining content marketing efforts.

Potential cost savings

- **Automated campaign management:** AI can automate audience segmentation, ad targeting, and campaign optimisation, reducing the need for manual marketing efforts and potentially saving 20-30% on marketing operations.[7]

- **Improved ROI on ad spend:** AI-driven insights can enhance the performance of paid media by identifying the most effective channels and audiences, reducing waste in advertising spend by 10-20%.[7]

- **Personalisation at scale:** AI tools like recommendation engines can drive personalised marketing efforts, increasing conversion rates and reducing the costs of customer acquisition.

- **Content:** AI is transforming the creation of marketing content such as copywriting, social media management, and campaign analytics. It is generating messaging, designing personalised ads, and producing content variations for A/B testing, reducing the reliance on external agencies. By eliminating agency fees and enabling in-house teams to produce quality content at scale, a 40% reduction in agency spend is possible.[8]

Sales
Potential cost savings: up to 30%

AI-X improvements

AI-driven sales forecasting: AI can analyse historical sales data, market conditions, and customer behaviour to provide more accurate sales forecasts, helping sales teams prioritise leads and allocate resources more effectively.

Lead scoring and prioritisation: AI can score and prioritise leads based on their likelihood to convert, enabling sales teams to focus on high-potential opportunities. This increases sales efficiency and conversion rates.

Sales personalisation: AI can personalise sales interactions by providing sales representatives with real-time insights into customer preferences, past interactions, and buying patterns. This leads to more relevant and persuasive sales conversations.

Automated sales assistants: AI-powered virtual sales assistants can automate routine tasks such as follow-up emails, scheduling meetings, and responding to basic inquiries, freeing up sales teams to focus on high-value activities.

Potential cost savings

- **Sales assistance and productivity:** AI agents assist sales teams by automating tasks such as answering product questions, scheduling meetings, and providing data-driven recommendations – blending human and machine capabilities to empower sales personnel.

- **Sales automation:** AI can automate repetitive tasks such as lead scoring, CRM updates, and follow-ups, saving up to 20-30% of a sales representative's time and allowing them to focus on higher-value activities like closing deals.

- **Predictive sales:** AI can forecast which leads are most likely to convert, improving sales team productivity and reducing the cost of customer acquisition by 15-20%.[9]

- **Enhanced customer segmentation:** AI can refine segmentation models to target high-value customers more effectively, reducing the cost of wasted sales efforts and increasing conversion rates.

7   Based on KPMG estimates.
8   https://www.anthropic.com/customers/copy-ai
9   https://www.mckinsey.com/capabilities/growth-marketing-and-sales/our-insights/sales-automation-the-key-to-boosting-revenue-and-reducing-costs

Service

Potential cost savings: up to 30%

AI-X improvements	Potential cost savings
24/7 support with AI-powered chatbots: AI chatbots and virtual assistants can handle routine customer inquiries, provide instant support, and resolve common issues around the clock. This improves response times and customer satisfaction while reducing the need for human agents. **Proactive issue resolution:** AI can predict potential customer issues based on past behaviour and usage patterns, allowing organisations to address problems before customers even reach out for support. This proactive approach enhances customer satisfaction and loyalty. **Sentiment analysis:** AI tools can analyse customer sentiment in real-time during interactions, enabling support agents to adjust their approach and better meet customer needs. This leads to more empathetic and effective service. **Self-service enhancements:** AI can power advanced self-service options, such as intelligent FAQs, knowledge bases, and interactive troubleshooting guides, empowering customers to resolve issues on their own.	• AI empowers agents by automating routine inquiries and providing real-time insights, which allows them to focus on complex, high-value interactions. AI tools assist with instant access to customer data, personalised recommendations, and next best actions. AI helps streamline workflows, boost agent productivity, enhance customer satisfaction, and reduce response times. • **AI-powered chatbots and virtual assistants:** Automating customer service interactions can save costs associated with human agents by up to 30%.[10] Chatbots can handle common inquiries, allowing human agents to focus on complex issues. • **First-contact resolution (FCR) improvement:** AI can help resolve customer issues more efficiently, reducing repeat contact rates and overall call centre operational costs by up to 30%.[11] • **Proactive issue resolution:** AI can predict and address potential service issues before they occur, preventing expensive customer support escalations, and helping to retain customers.

Commerce

Potential cost savings: up to 25%

AI-X improvements	Potential cost savings
Personalised shopping experiences: AI can deliver personalised product recommendations, tailored offers, and dynamic pricing based on customer behaviour, preferences, and past purchases. This increases conversion rates and average order value. **Inventory management and demand forecasting:** AI can optimise inventory levels by predicting demand and managing stock more efficiently. This reduces the risk of stockouts or overstocking, improving operational efficiency and profitability. **Dynamic pricing models:** AI-driven dynamic pricing can adjust prices in real-time based on market demand, competitor pricing, and customer behaviour, maximising revenue while staying competitive. **Fraud detection and prevention:** AI can analyse transactions in real-time to detect and prevent fraudulent activities, protecting organisations from financial losses and maintaining customer trust. **Voice and visual search:** AI-powered voice and visual search tools allow customers to search for products using voice commands or images, making the shopping experience more convenient and engaging.	• **Inventory optimisation:** AI can forecast demand, optimise stock levels, and reduce inventory holding costs by up to 25% through better supply chain management.[12] • **Dynamic pricing:** AI can enable dynamic pricing models that adjust based on real-time demand and competition, helping organisations capture higher margins and reduce markdowns, potentially saving 5-10% in revenue leakage.[13] • **Customer retention:** AI tools that predict customer churn can inform targeted retention strategies, reducing the costs of losing and reacquiring customers.

Product

Potential cost savings: up to 15%

AI-X improvements	Potential cost savings
Enhanced digital product development: AI-X enables rapid prototyping and iteration by leveraging machine learning to analyse user behaviour, preferences, and market trends in real-time. This insight allows product teams to make data-driven decisions quickly, aligning product features with customer demands and enhancing the chances of successful product launches. **Optimised A/B testing:** AI automates the A/B testing process, running multiple tests simultaneously and analysing results with precision. By automating this process, AI can quickly identify which variations perform best across different customer segments, enabling organisations to optimise product interfaces, features, and content based on real-time customer preferences, significantly reducing the time to insights. **Accelerated coding and development cycles:** Enhances the speed of coding by automating repetitive coding tasks, debugging, and even generating code suggestions. Tools powered by NLP and machine learning can assist developers by drafting code, identifying errors, and suggesting optimisations. This enables faster product rollouts and more efficient development cycles.	• **AI-driven product innovation:** Using AI for product development, market research, and trend analysis can streamline the process of ideating and testing new products, cutting down on research and development (R&D) costs by 10-15%.[2] • **Predictive analytics:** AI can predict customer needs and market demands, minimising costs related to failed product launches or overproduction by optimising inventory and reducing time-to-market.

Customer insight

Potential cost savings: up to 30%

AI-X improvements	Potential cost savings
Unified data and customer insights: AI systems will break down data silos by providing a unified view of customer data and generating valuable insights across marketing, sales, product, service, and commerce functions. **Integrated customer journeys:** With AI optimising the entire customer journey, functions will need to coordinate more closely. Marketing, sales, and service teams, for example, will need to collaborate to ensure seamless transitions between touchpoints, leveraging AI-driven insights to personalise interactions at every stage. **Co-development of strategies:** Product teams must work more closely with marketing and sales to develop products that align with customer preferences identified by AI. This alignment will lead to more targeted product launches, better market positioning, and improved customer satisfaction.	• **Workforce optimisation:** By automating routine tasks across all these functions, organisations can reduce headcount or redeploy employees to higher-value roles, leading to labour cost reductions of 10-30%.[15] • **Improved data-driven decision making:** AI can analyse vast datasets to uncover actionable insights faster and more accurately than human analysts, reducing the costs of slow decision-making, missed opportunities, and poor resource allocation. • **Reduced third party spend:** AI has the potential to reach 30%+ cost savings across continuous quantitative research programmes, predominantly by cutting third party spend.

14 https://www.mckinsey.com/capabilities/growth-marketing-and-sales/our-in-sights/sales-automation-the-key-to-boosting-revenue-and-reducing-costs
10 https://www.ibm.com/downloads/documents/us-en/107a02e94d48f8d8
11 https://dialzara.com/blog/ai-in-the-contact-center-reducing-costs/
12 https://www.carmatec.com/blog/ai-for-inventory-management-explained/
13 https://7learnings.com/blog/why-ai-based-pricing-is-not-bad-news-for-consumers/
15 https://assets.publishing.service.gov.uk/media/656856b8cc1ec500138eef49/Gov.UK_Impact_of_AI_on_UK_Jobs_and_Training.pdf

Branded AI and the "humanised" user experience

Organisations are successfully humanising the AI experience by giving it a distinctive personality. By incorporating emotional intelligence, personalised interactions, and empathetic communication, these organisations ensure that AI enhances rather than detracts from the personal connection customers value.

In an age where interactions are increasingly machine-mediated, maintaining a human touch is a significant challenge. Our 2023 report highlighted a pivotal insight: as human beings, we resonate with personalities, not machines.

Leading organisations are making their AI interfaces more engaging and relatable through anthropomorphism – the attribution of human traits to non-human entities. This is playing a vital role in AI user experience design, creating more engaging and relatable experiences. Anthropomorphic design taps into our innate tendency to connect with human-like characteristics, enabling AI bots – like Microsoft's Cortana and Apple's Siri – to offer more personalised, emotionally resonant experiences with their distinct personalities and conversational styles.

These organisations are bringing their brand alive digitally through carefully crafted AI brand personalities and a consistent tone of voice, applying conventional branding techniques to the digital world. It requires a unified AI experience design system where every interaction feels as if the consumer is interacting with the same person.

Brand personality has always been important, but in the digital world its expression and management have become more complex and nuanced. In some ways, it could be argued that brand personality is more important now due to the immediate and transparent nature of digital interactions.

Emotionally intelligent AI

As AI technology continues to evolve, it will become increasingly adept at providing empathetic responses in real-time. AI systems are becoming able to detect signs of frustration, joy, or confusion in a customer's voice or text, and respond appropriately. This capability will not only improve the quality of customer interactions, but also build stronger emotional connections, fostering a deeper sense of trust and loyalty.

This year's number one, first direct, leverages AI to enhance customer interactions without losing the personal touch that its clients value. It has incorporated advanced NLP and sentiment analysis to ensure interactions feel more human. The AI can detect when a customer is frustrated or confused and seamlessly transfer the conversation to a human. This hybrid approach-maintains efficiency while ensuring customers feel understood and cared for.

Emirates has integrated AI into its customer service operations through an emotionally intelligent chatbot named "Emira". Emira can handle a wide range of customer inquiries, from booking flights to managing travel itineraries. By using sentiment analysis, Emira can adjust its responses based on the emotional tone of the customer. For instance, if a customer was stressed or anxious, Emira will respond with empathetic language and offer additional support or escalate the issue to a human agent.

Lloyds Bank (ranked 19th) has implemented a chatbot named "Lloyds Assistant," which helps customers with various banking services. The chatbot is designed to understand and respond to emotional cues from customers, offering empathetic responses and assistance. It leverages advanced NLP to provide a conversational experience that feels more human and supportive.

British Airways has developed an emotionally intelligent chatbot called "Bo." Bo assists customers with flight bookings, travel inquiries, and other services. The chatbot is programmed to recognise and respond to customer emotions, aiming to provide a more personalised and stress-free experience.

Anthropomorphic design

By infusing AI with human-like qualities, organisations are not only enhancing user satisfaction but also strengthening the bond between users and AI systems. As AI evolves, maintaining this human touch is essential for technology to enrich rather than merely automate our lives. Implementing anthropomorphic design principles bridges the gap between digital and human interactions, ensuring AI resonates with users. These principles include:

- **Relatability and empathy:** Design elements should resonate with human experiences, fostering intuitive understanding and interaction with the product. Cultivate a connection with users through an empathetic AI interface and integrate emotional intelligence to enable the AI to recognise and respond appropriately to users' emotional states.

- **Transparency and honesty:** Foster trust by ensuring consistent and predictable AI behaviour, including tone and style across all interactions. Be upfront about the AI's capabilities and limitations. Clearly indicate when the users are interacting with AI rather than a human.

- **Personalisation and adaptability:** Tailor interactions to the individual users, adapting over time based on user behaviour and preferences. Leverage machine learning to learn from user interactions and improve responses. Employ CUIs that mirror human dialogue patterns. Utilise voice recognition, gestures, and other natural input methods to facilitate seamless interactions.

Brand personality

Brand personality is the way a brand is personified; the sum of its emotional, psychological, and behavioural patterns that remain unique over the course of its lifespan. These are the human characteristics and traits that consumers relate to.

As bots, AI interfaces and digital interactions multiply across an organisation, a single AI experience design is essential to ensure consistency of brand delivery. This means ensuring that each interaction correctly reflects the brand personality and tone of voice. This ensures consumers will feel like they are talking to one person, which will generate attachment to the brand.

> **No matter which agent I speak to or how I interact digitally when I speak to first direct, it always seems like I am dealing with the same person."**
>
> first direct customer

Today's generation of AI-driven virtual assistants can be programmed with distinct personalities that reflect the brand's values and ethos. These virtual assistants can adapt their communication style based on the customer's preferences and past interactions, creating a personalised and emotionally resonant experience.

Brand personification of AI involves creating digital personas that emulate human characteristics based on brand values and tone of voice, making interactions with AI feel more like conversations with a trusted advisor or friend. By giving AI systems a brand personality, organisations can enhance the emotional connection with customers, making interactions more engaging and memorable.
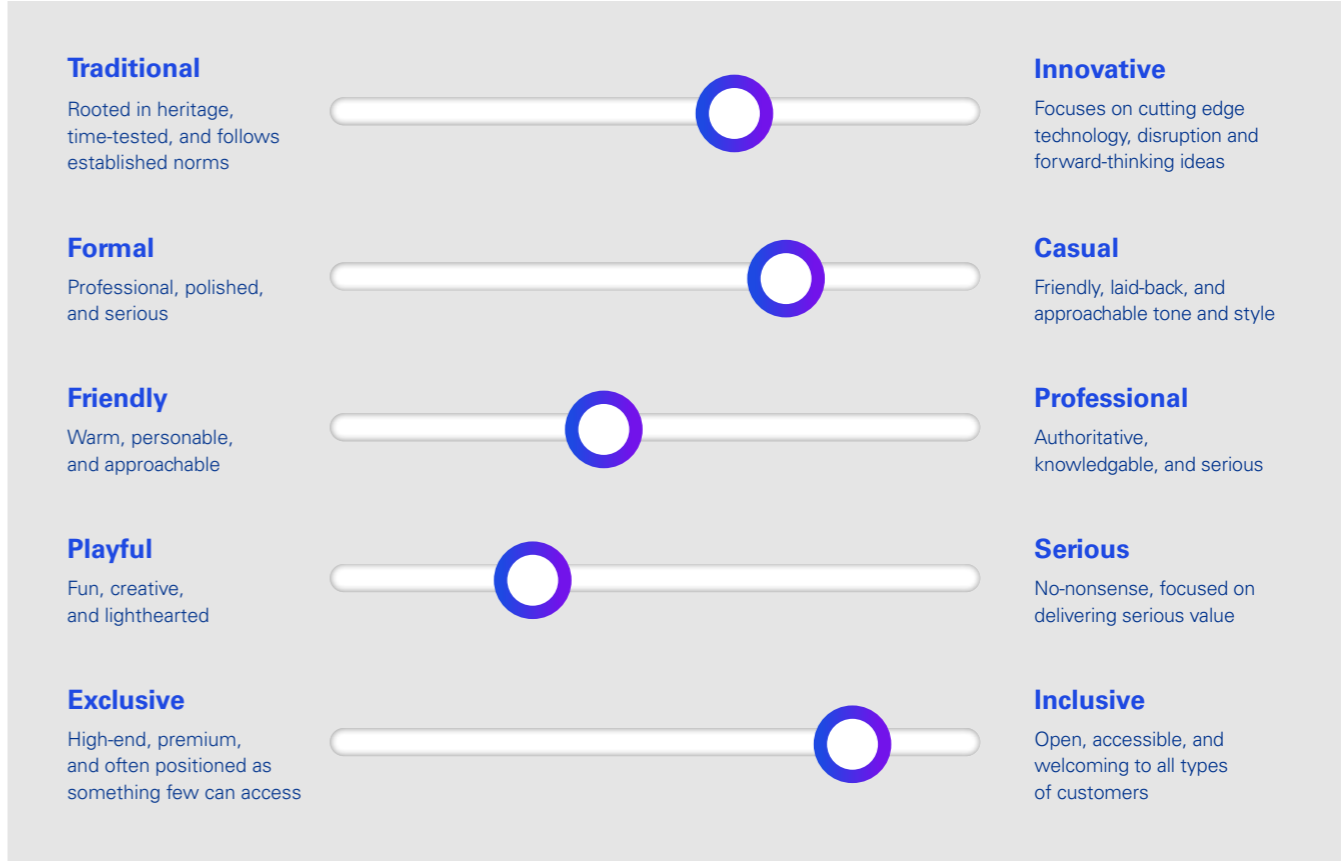
Giving AI a brand personality: A design approach

Brand personality trait manifestation

Conventional branding mechanisms are equally important for AI interfaces as they are for other forms of customer interaction, and in many ways more so. Extending brand personality to AI and digital interfaces involves ensuring that every interaction with the brand, whether through a chatbot, voice assistant, or other digital medium, reflects the brand's core values, tone, and character.

Designing the brand personality of an AI interface is a strategic process that involves understanding the brand's core values, the needs and preferences of the target audience, and the capabilities of AI technology.

Define the brand personality

Clearly articulate the brand personality traits. Is the brand friendly, professional, quirky, or authoritative? This should be well-documented and understood by everyone involved in creating digital interfaces.

- **Select traits:** Choose personality traits that reflect the brand's identity and appeal to the target audience. Examples include friendly, professional, empathetic, humorous, authoritative, etc.

- **Trait manifestation:** Define how each trait will manifest in the AI's behaviour, language, tone, and interactions. Ensure these traits align with the brand's core values and customer expectations (see example framework).

- **Brand alignment:** Ensure the selected traits align with the brand's existing identity and values. Consider how the AI's personality can reinforce the overall brand image.

- **Risk:** Organisations need to avoid a fragmented or inconsistent experience.

Traditional
Rooted in heritage, time-tested, and follows established norms

Innovative
Focuses on cutting edge technology, disruption and forward-thinking ideas

Formal
Professional, polished, and serious

Casual
Friendly, laid-back, and approachable tone and style

Friendly
Warm, personable, and approachable

Professional
Authoritative, knowledgable, and serious

Playful
Fun, creative, and lighthearted

Serious
No-nonsense, focused on delivering serious value

Exclusive
High-end, premium, and often positioned as something few can access

Inclusive
Open, accessible, and welcoming to all types of customers

AI-X will drive collaboration across front office silos

The integration of AI-X into front office functions like marketing, product management, sales, service, and commerce will significantly alter the operating model between these functions. These changes will foster greater collaboration, agility, and alignment, leading to more cohesive and customer-centric operations.

Ocado, for example, has harnessed AI to integrate its front-office functions – such as marketing, sales, service, and e-commerce – into a seamless, data-driven operation that enhances efficiency and enriches the customer experience. Through the Ocado Smart Platform (OSP), the company employs AI across its activities to personalise recommendations, optimise search functions, and streamline shopping experiences, helping customers quickly find what they need with minimal friction.

In e-commerce, AI analyses customer preferences, enabling personalised suggestions that increase basket sizes and encourage customers to explore new products. Additionally, by automating operational tasks

like inventory forecasting and fulfilment, Ocado ensures high product availability and timely delivery, ultimately reducing costs and improving customer satisfaction. This integrated approach not only boosts productivity, but also allows Ocado to deliver a consistent, high-quality experience across all customer touchpoints, setting a high standard for efficiency and innovation in the online grocery space.

As AI takes over more specialised tasks, the boundaries between functions will blur. For instance, marketing and sales roles may converge around customer relationship management, while product and service teams may collaborate more closely on enhancing CX.

Consequently, AI-X will shift the focus from individual functions to the entire CX. Each function will align its goals and operations around delivering a seamless and consistent customer journey. This will require more coordination and shared objectives across teams.

Personalisation driven by AI will become a core strategy across functions. Marketing, sales, and service will need to align on personalisation strategies to ensure consistency and relevance in customer interactions, driving higher engagement and satisfaction.

With AI enabling proactive engagement, service and support teams will work more closely with sales and marketing to anticipate customer needs and reach out before issues arise. This proactive approach will create a more cohesive and customer-oriented operating model.

Organisations are increasingly adopting cross-functional teams centred around the customer journey rather than traditional function-specific teams. AI will facilitate these teams by providing shared insights and tools, enabling them to focus on delivering end-to-end customer value.

Traditional KPIs focused on specific functions (e.g., marketing ROI, sales targets) will evolve into more holistic metrics that measure customer lifetime value, experience quality, and cross-functional efficiency. This will encourage a more integrated approach to achieving organisational objectives.

AI will empower employees across functions to make data-driven decisions. Marketing teams can optimise campaigns in real-time, sales teams can prioritise leads more effectively, and service agents can resolve issues faster, all with AI-generated insights. With AI handling routine tasks, employees will focus on more strategic

and creative activities that add value to the customer experience. This shift will enhance job satisfaction and foster innovation within teams.

AI-X will fundamentally transform the operating model of front office functions by promoting greater collaboration, agility, and alignment around the customer. The convergence of roles, increased automation, and data-driven decision-making will lead to a more integrated, customer-centric approach. By breaking down silos and fostering real-time responsiveness, AI-X will enable organisations to deliver superior CX and achieve better outcomes.

Risk

Failing to align activities across the front office leads to inefficiency, wasted resources, and a poor experience for the customer.

Spotlight on
Ocado Retail

Ranked 3rd in 2024

Ocado Retail has made a remarkable leap in our UK Customer Experience Excellence index, moving from 14th to 3rd place this year, following a steady climb from 37th in 2021. This rapid ascent is fuelled by notable improvements in Ocado's Empathy and Resolution scores. Laura Harricks, Chief Customer Officer, Ocado Retail, spoke to us about the company's dedication to enhancing customer experience (CX) and the strategies driving its success. Here are some of the insights Harricks shared.

For Harricks, the foundation of Ocado's transformation lies in an unwavering focus on perfect execution, which she describes as "a commitment to getting things right the first time, every time." In the grocery retail business, where thousands of details need to be spot-on daily, this approach is crucial. Ocado's relentless attention to detail ensures that every aspect of the customer journey is meticulously managed, minimising errors and maximising satisfaction.

Ocado's strategy for delivering exceptional CX is built on three pillars: Choice, Value, and Service.

1. Choice

Ocado offers a staggering range of over 45,000 stock-keeping units (SKUs), ensuring that customers have access to an extensive selection of products. Advanced technology plays a key role in maintaining this broad assortment, ensuring that popular items are always in stock. Ocado's commitment to providing customers with the best possible range was recognised when it was named "*Which?* Online Supermarket of the Year." A significant factor in this accolade was Ocado's ability to minimise substitutions, ensuring that customers receive exactly what they ordered.

2. Value

With the ongoing cost-of-living crisis and high inflation, customers are more price-sensitive than ever. Ocado has responded by investing in value, ensuring that its prices remain competitive. This focus on value, combined with the convenience and service Ocado offers, ensures that customers perceive their purchases as offering outstanding value for money.

3. Service

Convenience is at the heart of Ocado's service offering. The company has expanded its same-day delivery options and increased the availability of delivery slots to ensure that customers can receive their groceries when it is most convenient for them. Additionally, Ocado emphasises first-time contact resolution in customer interactions, aiming to resolve issues quickly and effectively. By doing so, Ocado can turn potentially negative experiences into positive ones, improving customer satisfaction and boosting its Net Promoter Score (NPS).

Embracing AI for enhanced CX

Technology is a cornerstone of Ocado's operations, and artificial intelligence (AI) is playing a significant role in improving internal productivity. The company is actively testing and implementing AI-driven solutions across various areas of the business.

Predictive analytics, for example, helps enhance supply chain algorithms, ensuring that products are available when needed, and supports deep personalisation efforts to better understand and serve individual customers. This focus on personalisation not only improves the shopping experience but also fosters customer loyalty.

Generative AI is also being utilised to improve product descriptions across Ocado's extensive range of SKUs. By generating and refining product descriptions in collaboration with suppliers and their marketing teams, Ocado ensures that customers have accurate and engaging information about the products they are considering.

AI is also being tested in other areas, such as generating and testing email communications and experimenting with a meal planning assistant that could further enhance the customer experience.

The correlation between NPS and customer lifetime value

Ocado has identified a clear correlation between high NPS scores and increased customer lifetime value. This insight has been pivotal in justifying its investment in customer experience initiatives. Higher NPS scores lead to larger basket sizes and greater customer loyalty, proving that a focus on customer satisfaction directly impacts the bottom line.

Conclusion

Ocado's remarkable rise in the customer experience index is a testament to the company's commitment to excellence. By focusing on perfect execution, offering a broad range of products, providing competitive value, and leveraging cutting-edge AI technology, Ocado has successfully enhanced the customer experience and built stronger, more loyal relationships with its customers. As it continues to innovate and refine its approach, Ocado is well-positioned to maintain and even further improve its standing in the KPMG Customer Experience Excellence index.

> **Technology is a cornerstone of Ocado's operations, and artificial intelligence (AI) is playing a significant role in improving internal productivity. The company is actively testing and implementing AI-driven solutions across various areas of the business."**

Laura Harricks,
Chief Customer Officer,
Ocado Retail

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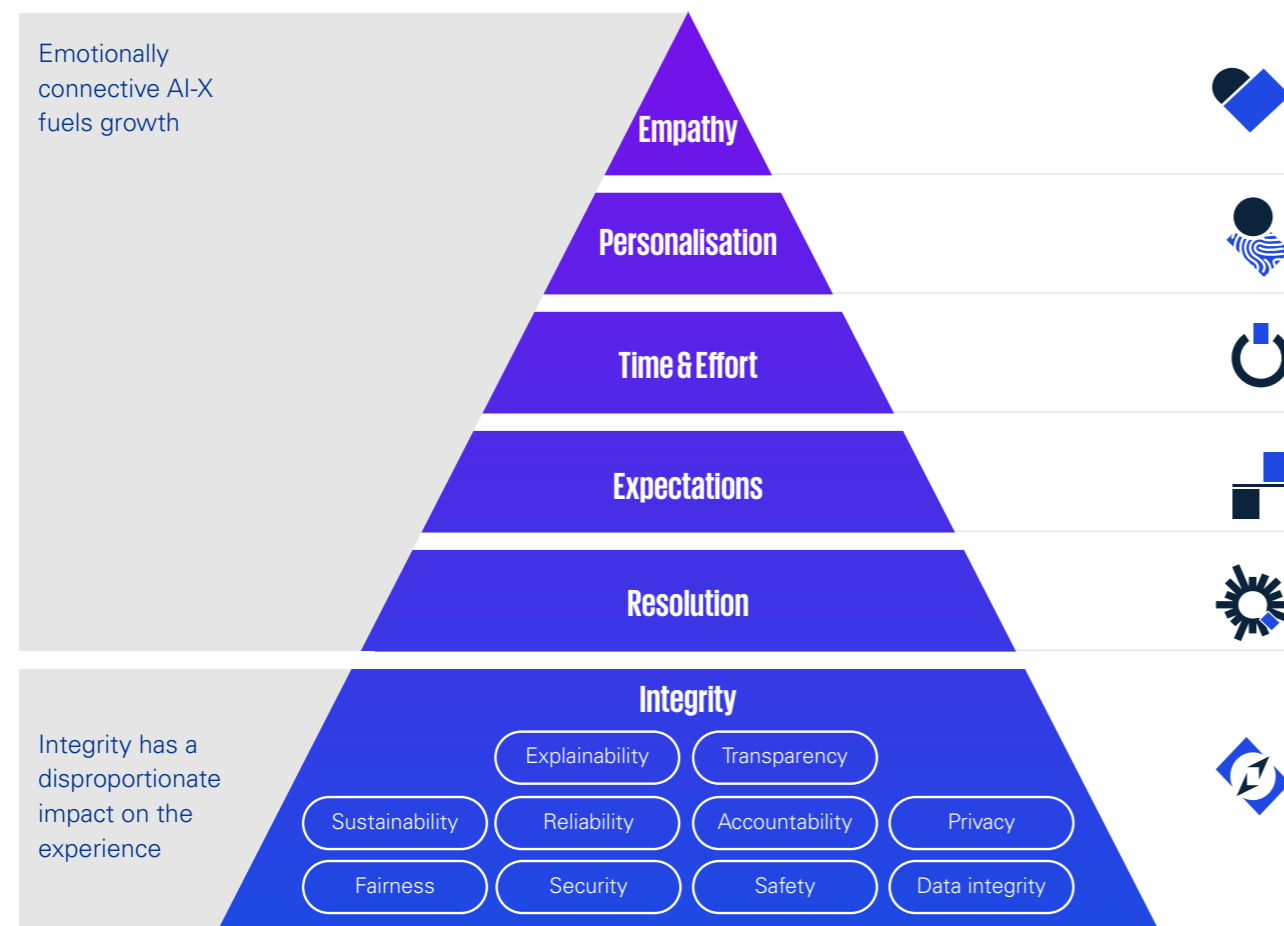# Using customer experience to guide AI decision making

AI-X and trust

AI introduces a distinct set of risks and challenges, including model drift, bias, lack of transparency ("black box" issues), copyright infringement, and privacy concerns. These risks become increasingly complex and compounded as AI is scaled across an organisation. When left unaddressed, they can directly impact the customer experience, potentially undermining trust and loyalty.

To mitigate these challenges, organisations must maintain an intense focus on risk management, governance, ethics, and the responsible use of AI. A structured approach to understanding and addressing AI-related risks is essential, and The Six Pillars of Experience provide a valuable framework for identifying where these risks might emerge across the customer journey.

At the foundation of The Six Pillars is Integrity, which, along with its outcome, trust, forms the cornerstone of all customer relationships. Much like Maslow's hierarchy of needs, The Six Pillars function as a progressive framework, with each level building on the last to create an emotionally engaging and memorable customer experience. However, without implementing robust risk guardrails at the outset, scaling AI solutions to address the other five pillars - Resolution, Expectations, Time and Effort, Personalisation, and Empathy - can expose organisations to greater risks.

Hierarchy in a world of AI

Emotionally connective AI-X fuels growth

Empathy	
Personalisation	
Time & Effort	
Expectations	
Resolution	
Integrity	

Integrity has a disproportionate impact on the experience

Explainability · Transparency
Sustainability · Reliability · Accountability · Privacy
Fairness · Security · Safety · Data integrity

Integrity

Central to the success of AI-driven customer interactions is the ability to build and maintain trust. Customers need to feel confident that the AI systems they are interacting with can understand their concerns, provide accurate information, and protect their personal data. Trust is the foundation of any successful customer relationship, and AI must be designed to foster this trust from the outset. Customers report particular concerns with the following:

Data privacy and security

AI systems rely on vast amounts of customer data to function effectively. This data is often sensitive, including personal and financial information. Breaches or misuse of this data can lead to legal issues, financial losses, and damage to the organisation's reputation. Mitigations need to include:

- **Data encryption:** Implement strong encryption protocols to protect data both in transit and at rest.

- **Compliance with regulations:** Ensure compliance with data protection laws (e.g., GDPR, CCPA) by implementing proper data governance and regularly auditing AI systems.

- **Access controls:** Restrict access to sensitive data using multi-factor authentication (MFA) and role-based access controls (RBAC).

- **Regular security audits:** Conduct regular security audits and vulnerability assessments to identify and address potential risks.

Bias

AI systems can inadvertently learn and perpetuate biases present in the data they are trained on. This can lead to unfair treatment of certain customer groups, legal repercussions, and damage to brand reputation. Mitigations need to include:

- **Diverse data sets:** Train AI models on diverse and representative data sets to reduce the likelihood of bias.

- **Bias testing:** Regularly test AI algorithms for biases and correct any issues identified.

- **Human oversight:** Implement human-in-the-loop (HITL) systems where humans review AI decisions, especially in critical scenarios.

- **Transparent AI practices:** Maintain transparency about how AI systems make decisions, allowing for external review and accountability.

Explainability and transparency

If customers feel that AI is being used in a way that is intrusive, manipulative, or lacks transparency, it can lead to a loss of trust and damage the customer relationship. Mitigations include:

- **Clear communication:** Be transparent with customers about the use of AI in interactions. Clearly explain when and how AI is being used.

- **Opt-out options:** Provide customers with the option to opt-out of AI-driven interactions if they prefer human support.

- **Ethical AI practices:** Adopt and communicate ethical AI practices, ensuring that AI is used to enhance, not exploit, customer experiences.

Safety

AI systems may provide incorrect, irrelevant, or poor-quality responses, leading to customer frustration and damage to the brand's reputation. Mitigations need to include:

- **Continuous training:** Regularly update and refine AI models with new data to improve accuracy and relevance.

- **Quality assurance:** Implement quality assurance processes to monitor and review AI outputs, ensuring they meet predefined standards.

- **Feedback loops:** Create mechanisms for customers to provide feedback on AI interactions and use this feedback to improve the system.

> **Central to the success of AI-driven customer interactions is the ability to build and maintain trust. Customers need to feel confident that the AI systems they are interacting with can understand their concerns, provide accurate information, and protect their personal data.**

Spotlight on
Simplyhealth

Ranked 46th in 2024

Simplyhealth, a company embedded in the fabric of UK healthcare for over 150 years, has recently made waves with its transformation, joining the UK Customer Experience Excellence index in 46th position. Underpinning this transformation are artificial intelligence (AI) and machine learning technologies, which have been integral to reshaping Simplyhealth's operations and customer experience (CX). We spoke with Claudia Nicholls, Chief Customer Officer, Simplyhealth, to learn more about this journey.

A purpose-driven approach to healthcare

"Simplyhealth is a purpose-driven brand," says Nicholls, explaining the company's mission to widen access to healthcare across the UK. "We work alongside the NHS, providing fast and easy access to high-quality everyday healthcare where access is restricted."

Simplyhealth focuses on offering reimbursement for medical expenses, blending its role as a customer-facing and business-facing organisation.

Simplyhealth also operates Denplan, a business-to-business brand supporting dental practices by helping patients spread the cost of their care.

A transformational journey

Two years ago, when Nicholls joined Simplyhealth, her mandate was clear: help lead the company through a transformation from an analogue, multichannel business to a digitally enabled, 24/7 omnichannel service.

"Our first step was to analyse our interactions across 286 different customer touchpoints. We invited our customers to rate their experiences and used that data to identify pain points and opportunities for improvement," says Nicholls.

This analysis led to the creation of a unique visualisation space — a physical room where Simplyhealth could see the entirety of its customer experience, from end to end.

The critical insight? The claims experience was the 'moment of truth' for its customers. As Nicholls puts it, "It wasn't always a joyful experience."

With that realisation, Simplyhealth set an ambitious goal: to approve and pay claims on the same day while also reducing failure demand, which was a drain on cost and resources.

From pain points to innovation

One area ripe for change was the manual process of approving claims over a certain amount.

"This policy made sense in the past, but not anymore. Many claims were above this amount, leading to an unnecessary workload," says Nicholls.

To solve this, Simplyhealth reduced the number of claims rules from 27 to 9, and set about automating the claims process as much as possible.

The results speak for themselves:

- 80% of claims are now fully automated.
- The majority of claims are paid within two days (with Denplan claims paid within six hours).
- Customer satisfaction (CSAT) scores increased from 77% to 90%.
- Trustpilot scores rose from 4.2 to 4.5, and the Simplyhealth app is rated 4.7 on Google.

Not only have customer satisfaction levels improved, but Simplyhealth has also reduced contact centre interactions by a third, from 60,000 interactions per month to 40,000.

"Over 40 percent of phone calls are now handled by conversational AI, freeing up our people to focus on more complex queries and cutting costs by 10 percent," says Nicholls.

Technology as a means, not an end

While AI has been a significant enabler of this transformation, Simplyhealth approaches technology with a clear philosophy.

"We don't start with AI as the solution and then look for problems to solve. It's quite the reverse. We identify the problem areas and then deploy the right technology to address them."

Nicholls adds, "We've even banned words like 'deflection' and 'containment' from our vocabulary there's a swear box in place for anyone who uses them!"

The focus, instead, is always on how technology can improve the customer experience and support Simplyhealth's mission.

Empowering people and culture

A transformation of this scale required not just technological shifts, but cultural ones too. Simplyhealth introduced multiskilled agents to provide more flexibility during peak times and conducted a skills audit, allowing employees to self-report their capabilities. This enabled targeted coaching, training, and mentoring for those who wanted to develop new skills.

"Not every employee could – or wanted to – make this journey, so we parted ways with some, always with kindness and care," reflects Nicholls.

In line with this, Simplyhealth introduced a new measure called 'speed to happiness', which tracks how quickly employees are equipped with the tools and knowledge they need to excel in their roles.

Looking to the future with AI

Simplyhealth's partnership with Salesforce has been pivotal in applying AI expertise to its operations. Nicholls is particularly excited about a next-generation AI technology called Agent Force, which will help AI understand a customer's intent, reason out the best next steps, and act.

"We think this will be especially useful in areas like providing quotes to brokers and will significantly speed up the process."

But Nicholls emphasises that Simplyhealth is selective about where it applies AI.

"We don't engage in experiments or 'use cases.' We carefully select opportunities that are real, scalable, and can be operationalised quickly," she says.

Ultimately, the company's purpose remains central to everything it does.

"AI is a tool that helps us fulfil our purpose more effectively. Our goal is to improve access to healthcare for everyone in the UK, and technology is playing a major role in making that happen."

Conclusion

Simplyhealth's transformation journey, powered by AI and guided by purpose, is a testament to how technology can be harnessed not just for efficiency, but to serve a broader mission. By focusing on solving real problems and equipping both customers and employees with the tools they need, Simplyhealth is setting a new standard for what it means to deliver healthcare today.

Technology and The Six Pillars of experience

The Six Pillars provide a comprehensive framework for assessing the impact of new technology on CX. AI technologies such as machine learning, NLP, predictive analytics, computer vision, speech recognition, robotic process automation, and sentiment analysis are revolutionising customer journeys. They span each of The Six Pillars. By evaluating new technologies through these pillars, organisations can ensure that they are enhancing overall CX in meaningful ways. The Six Pillar hierarchy is a good frame of reference of prioritising activities around AI-X.

Pillar	Technology assessment	Example	Exemplars in the top 100
Integrity	**Trust and reliability:** Determine if the technology enhances or undermines trust. Is it secure and reliable? How does it handle data privacy and protection? **Brand alignment:** Check if the technology aligns with the organisation's values and brand promises. Does it reinforce the integrity and ethical standards of the brand?	When assessing a new chatbot for customer service, its data handling practices should be scrutinised to ensure it complies with data protection regulations, thereby maintaining customer trust.	**Lush**
Resolution	**Problem solving:** Evaluate the technology's ability to address and resolve customer issues quickly and effectively. Does it provide self-service options, and how efficient are they? **Customer support:** Consider how the technology integrates with or enhances existing customer support systems. Does it facilitate better communication and faster resolution of problems?	A self-service portal should be evaluated on its effectiveness in enabling customers to resolve issues without human intervention, ensuring that it provides clear, easy-to-follow solutions.	**first direct**
Expectations	**Managing expectations:** Examine how the technology sets, meets, or exceeds customer expectations. Does it deliver on its promises, and is it clear about its capabilities and limitations? **Consistency:** Assess if the technology provides a consistent experience across different channels and touchpoints, ensuring customers know what to expect.	A mobile app upgrade needs to be checked for delivering on promised features and performance enhancements. Clear communication about what customers can expect from the update is crucial.	**Ocado**

Pillar	Technology assessment	Example	Exemplars in the top 100
Time and Effort	**Ease of use:** Assess the user-friendliness of the technology. Is it intuitive and easy to navigate? Does it simplify processes for customers? **Efficiency:** Determine if the technology saves customers time and reduces effort in their interactions with the organisation. Does it streamline processes and remove unnecessary steps?	A new checkout process on an e-commerce site should be tested for its ability to reduce the number of steps and the time required to complete a purchase, thereby enhancing the customer's convenience.	**Amazon**
Personalisation	**Problem solving:** Evaluate the technology's ability to address and resolve customer issues quickly and effectively. Does it provide self-service options, and how efficient are they? **Customer support:** Consider how the technology integrates with or enhances existing customer support systems. Does it facilitate better communication and faster resolution of problems?	A new AI-driven recommendation engine should be evaluated for its ability to learn from customer behaviour and preferences, offering tailored product suggestions that enhance the shopping experience.	**ASOS**
Empathy	**Understanding customer needs:** Evaluate how well the technology understands and responds to the emotional and practical needs of customers. Does it show that the organisation cares about customer experiences? **Human touch:** Consider whether the technology maintains a human touch in interactions. Can it recognise and respond appropriately to customer emotions and sentiments?	A virtual assistant should be assessed on its ability to handle customer inquiries with sensitivity and understanding, recognising when to escalate issues to humans for more personalised support.	**Emirates**

Conclusions

AI is a transformative force that extends well beyond its technological foundations. Its impact on society, ethics, economy, psychology, law, environment, interdisciplinary collaboration, and strategic considerations underscores its significance as a comprehensive and far-reaching phenomenon. Embracing AI's full potential requires a balanced and thoughtful approach that integrates technical prowess with human-centric values and principles.

Creating world-class AI experiences involves a combination of technical excellence, user-centric design, ethical considerations, and continuous improvement. Distinctive branding is essential to differentiate among a plethora of advanced technologies. Early-generation bots often turned customers off due to their lack of emotional connection, making users feel they were dealing with limited-capability machines. However, rapid advances in AI technology mean this need no longer be the case. Emotionally intelligent digital brand ambassadors are now possible, requiring organisations to thoughtfully represent their values through these technologies in ways that resonate with their customers.

Explicit ROI, through cost reduction and value creation, is essential for successful AI implementation. Ensuring that AI is a board-level consideration and managing implementations collaboratively across the organisation and IT departments is crucial. AI experiences need to be carefully crafted, with emotionally intelligent and anthropomorphic design being key to success.

Consistency is the essence of great experiences and strong branding. A unified design system is essential to ensure that the brand is delivered correctly every time.

AI experience design checklist

To create a world-class AI experience that embodies your organisation's brand personality, enhances customer engagement, and delivers tangible business value through emotionally intelligent interactions, the following are essential prerequisites. By assessing your organisation against each of the following, you can determine your state of readiness to deliver outstanding AI experiences:

☐ Our executive team are fully conversant with AI, have a clear strategy for its deployment and AI is led from the top.

☐ Our implementation approach is centred on ROI with explicit cost and value metrics.

☐ We are clear on which use cases are led by the organisation and which by IT.

☐ We have an excellent collaborative way of working cross functionally.

☐ We have implemented Agile-at-scale and have integrated our AI deployment into the agile way of working.

☐ We have a clear pathway for equipping existing employees with the skills they will need to operate effectively in the AI world.

☐ We have an explicit AI-X development strategy, which outlines how AI supports customer journeys and value streams.

☐ We can map, track and version control customer journeys and value streams in a consistent way.

☐ We have a defined brand personality and tone of voice approach that ensures all interactions reflect the brand.

☐ We have a unified style guide and design system for ensuring AI interactions align with the brand's voice and ensure consistent delivery of the brand experience across all touchpoints.

☐ We are focused on human-centred design and the use of emotionally intelligent technologies. Our design process ensures all AI interactions feel natural and empathetic.

☐ We have a published framework for the ethical and responsible use of AI across the organisation and in interactions with customers.

☐ We conduct bias audits on training data and algorithms.

☐ We have implemented robust security measures to protect user data, have developed clear privacy policies, and we obtain user consent for data usage.

By embracing these prerequisites, you can create an AI experience that is not only technically advanced, but also deeply aligned with your brand's values and resonant with your customers. This approach ensures that AI serves as a true digital brand ambassador, enhancing customer engagement, and delivering significant business value.

How KPMG can help

Accelerate the value of AI with global best practice

Based on this year's findings, there is a strong basis to believe in the transformative potential of AI. Deployed well, it will transform customer experiences, business models and industries. However, to deliver value, it must be clearly underpinned by secure foundations in trust, AI ethics and brand integrity. Most importantly, AI will only reach its full potential when rigorously paired with human needs and consistent brand purpose.

This needs tremendous discipline. As we've seen in this report, several organisations are already getting this right. Others are struggling to deliver early competitive advantage, often due to too many disconnected activities or confused internal ownership. Their lack of a strong customer "north star" means that AI investments are not delivering at the pace needed to be competitive. For a few, this fragmentation is already undermining customer experiences and introducing risk.

It's our belief that the best practices of the leading few can help the many. This year's report focuses on this, by codifying these approaches into AI-Experience (AI-X), as a systematic way of creating value for customers and front office teams. This is not intended to replace existing plans, but to humanise, organise, de-risk and speed up.

So, how can this be applied to your organisation's unique situation? Everything starts with value:

01 AI-X Value

02a AI-X Plan   **02b** AI-X Design and Deliver   **02c** AI-X Evaluate

Based on this year's work on AI-X, KPMG has pre-built a series of short, sprint-based approaches to help business leaders accelerate their existing plans. These are designed to help any business that sees AI as a route to competitive advantage, but has not yet achieved strong customer or financial results.

01 AI-X Value
Rapidly establish the CX, cost, growth and financial payback available, with a joined-up plan to deliver it

- Use AI-X and global best practices to prioritise your high impact journeys and touchpoints, focusing on potential for AI to enhance CX, cost and value
- Frame and stress-test a self-funding business case for AI transformation in the front office, with clear conditions for success

02a AI-X Plan
Deliver the transformation plan for your front office

- Complete the end-to-end transformation plan, with resourcing, technology, data and platform requirements
- Embed the discipline and governance to deliver this over multiple waves, with a design to enable customer-centricity, as well as efficient tech deployment
- Map out the related functional, workforce transformation, risk, platform and data challenges to be overcome, using pre-built tooling to assist the relevant teams

02b AI-X Design and Deliver
Setup a scalable, secure and trusted factory for front office AI deployment

- Upgrade your deployment factory, by running design and development technology sprints and scaling AI enabled solutions
- Operationalise AI ethics and trust – placing security, compliance and privacy at the heart of deployment
- Rapidly prototype the right AI agents or innovations, in a scalable and repeatable way

02c AI-X Evaluate
Upgrade insights and decision analytics to track benefits and course correct

- Upgrade your insights and decision analytics – from voice of the customer, to spend and AI consumption analysis – to monitor AI-X
- Create a blueprint for insight transformation, utilising the power of GPT to more rapidly enable impactful decisions
- Embed continuous cost and value improvement analytics, ensuring that financial and AI-X benefits are continuously reviewed together

The combination of global best practice, a systematic approach to AI-X, and your existing plans is a powerful basis for rapid progress on AI.

To learn about the detailed benchmarking data we hold on your organisation, or to discuss any of the above approaches, please contact one of the experts on the back page of this report.

You can *delight your customers* with AI.

Discover how to improve your customer journey with the help of KPMG and AI.

KPMG. Make the Difference.

UK top 100 results 2024

Change vs. 2023
- ▲ Up
- ▼ Down
- ▬ Non-mover
- ● Not ranked in 2023
- ✦ New to research

#	Company		#	Company		#	Company		#	Company	
1	first direct	▬	26	Emirates	▼	51	PayPal	▼	76	hmv	▼
2	Nationwide	▲	27	Pharmacy2U	▲	52	National Trust	▼	77	NS&I	▲
3	Ocado	▲	28	Specsavers	▼	53	Screwfix	▼	78	Clarks	▼
4	Coventry Building Society	▲	29	Timpson	▲	54	Vision Express	▼	79	Dunelm	▼
5	John Lewis & Partners	▼	30	Amazon	▼	55	Aldi	▼	80	Selfridges & Co	▼
6	American Express	▼	31	giffgaff	▲	56	Fidelity	▲	81	Virgin Holidays	▲
7	Lush	▼	32	Next	▲	57	Netflix	▲	82	ASOS	▲
8	Starling Bank	▲	33	Waterstones	▼	58	Klarna	✦	83	The White Company	▼
9	QVC UK	▲	34	Skipton Building Society	▲	59	The Body Shop	▼	84	Tesco Bank	▲
10	M&S	▲	35	Yorkshire Building Society	▬	60	IKEA	▼	85	Legal & General	▲
11	Apple Store	▲	36	Gymshark	▲	61	Green Flag	▲	86	Vinted	✦
12	Lakeland	▲	37	Samsung Store	▲	62	Tesco	▲	87	Bonmarché	▼
13	Richer Sounds	▼	38	Premier Inn	▲	63	Iceland	▲	88	Burberry	▼
14	ao.com	▲	39	LOOKFANTASTIC	▲	64	Crowne Plaza	▲	89	Uniqlo	▼
15	M&S Food	▲	40	Novotel	▲	65	Not on the High Street	▲	90	Aldermore	▼
16	Chase	▼	41	Etsy	▼	66	Nando's	▲	91	Prezzo	▼
17	Chanel	▼	42	Monzo	▼	67	Moonpig	▲	92	Santander	▼
18	Hilton Hotels & Resorts	▼	43	100Green (Green Energy UK)	●	68	FatFace	▼	93	M&S Bank	▼
19	Lloyds Banking Group	▲	44	Virgin Atlantic	▲	69	eBay	▼	94	Farm Foods	▼
20	Tesco Mobile	▬	45	Marriott	▲	70	Principality Building Society	▲	95	Radisson	▼
21	Leeds Building Society	▲	46	Simplyhealth	●	71	Lidl	▲	96	Hargreaves Lansdown	▼
22	Jet2	▲	47	Boden	▲	72	Holiday Inn Express	▲	97	Very	▲
23	Atom Bank	▼	48	Cult Beauty	▲	73	Côte Brasserie	▼	98	Boots	▼
24	Marcus by Goldman Sachs	▼	49	Argos	▼	74	Halifax	▼	99	Haven Holidays	▼
25	Waitrose & Partners	▲	50	Sainsbury's	▲	75	TUI	▲	100	Dreams	▼

Contacts

Key contacts:

Tim Knight
Partner
tim.knight@kpmg.co.uk

Dr Marty Herbert
Director
martin.herbert@kpmg.co.uk

David Rowlands
Partner
david.rowlands@KPMG.co.uk

Speak to a sector specialist:

Consumer, Energy & Telco

Nat Gross
Partner
nat.gross@kpmg.co.uk

Government & Healthcare

Jo Thomson
Partner
jo.thomson@kpmg.co.uk

Financial Services

John Middlemiss
Partner
john.middlemiss@kpmg.co.uk

Financial Services

James O'Callaghan
Partner
james.ocallaghan@kpmg.co.uk

With special thanks to the Customer Experience Excellence Centre team, led by David Conway and Tamsin Jenkins.

CEE@kpmg.co.uk

kpmg.com/uk