OXFORD ECONOMICS ✕ Adobe

State of Digital Customer Experience

Focus on Retail

Data transparency

AI customer support

Seamless experiences across touchpoints

Personalized content and offers

Introduction

Unprecedented changes in retail over the last four years have reshaped the industry's digital customer experience—both in the way organizations do business and the preferences of shoppers. The lessons learned about nimbleness and the importance of technology and data can help businesses scale and bring the human element found in brick-and-mortar stores to their digital platforms.
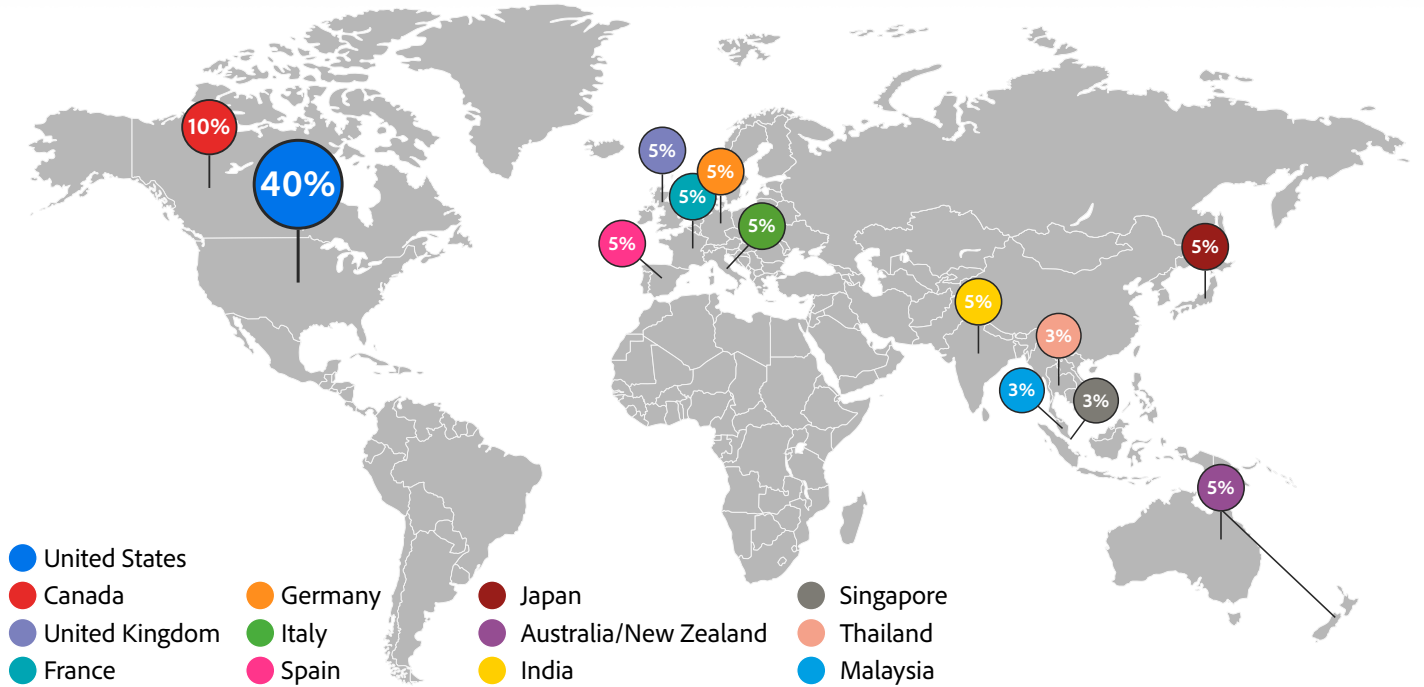
Our State of Digital Customer Experience research shows that retail executives are confident in their customer experience strategies, but they increasingly face data privacy concerns and struggle to deliver consistent experiences across channels. And while many retailers are already experimenting with the latest generative AI tools for enhancing digital customer experience, even more have not begun planning for the technology's rollout. Retailers have an opportunity to accelerate these efforts in ways that matter most to customers—without sacrificing trust and transparency.

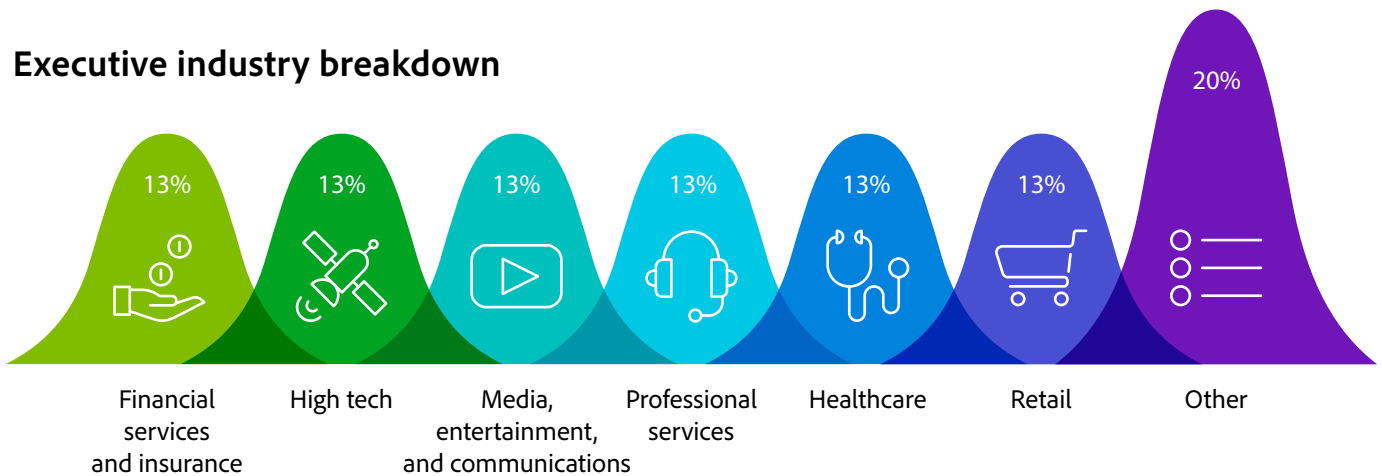## Methodology: Reaching retail executives and their customers

In partnership with Adobe, Oxford Economics surveyed 1,500 executives and 4,000 customers around the world to better understand the current state of customer experience. Our executive survey targeted 200 C-suite executives and their direct reports from retail organizations, and our customer survey asked about experiences specific to the retail industry. To augment our survey findings, we conducted several in-depth interviews with retail executives who are responsible for customer experience strategies within their organizations.

Our findings primarily reflect the perspectives of top-level C-suite members, including CEOs, CFOs, COOs, and CTOs—but our sample also includes those directly involved in their organization's customer experience strategies, like Chief Experience/Customer Officers, Chief Marketing Officers, and Chief Product Officers.

Executive and customer demographics

Legend:
- United States — 40%
- Canada — 10%
- United Kingdom — 5%
- France — 5%
- Germany — 5%
- Italy — 5%
- Spain — 5%
- Japan — 5%
- Australia/New Zealand — 5%
- India — 5%
- Singapore — 3%
- Thailand — 3%
- Malaysia — 3%

Executive industry breakdown

Financial services and insurance	High tech	Media, entertainment, and communications	Professional services	Healthcare	Retail	Other
13%	13%	13%	13%	13%	13%	20%

Other industries include energy, manufacturing, consumer goods and services, and more. Percentages might not add to 100% due to rounding.

Retail company sizes: Global revenue (USD)

27% less than $1 billion

44% between $1 billion and $10 billion

32% $10 billion or more
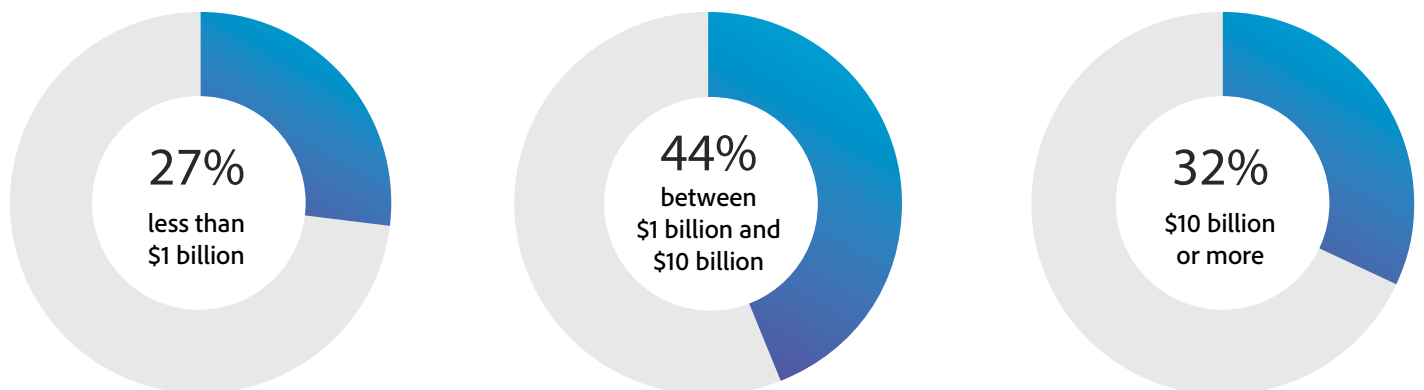
The current digital CX landscape for retail

Customers interact more with retail companies than they do with almost any other industry. Our survey of 1,500 businesses across industries finds that retail executives are making it a priority to serve their continually shifting preferences: 39% consider improving customer experience a top business focus, compared to an average of 29% across other industries surveyed.

The stakes for delivering the right experiences are high for retailers: half say they would lose business opportunities and customers if their organization fell behind new customer experience trends. This could explain why many have established dedicated customer experience teams and targets—both of which are critical for keeping up with the evolving expectations of customers, as well as coordinating in-person experiences with digital ones.

Figure 1. Retailers are prioritizing a strong customer experience framework.

Q. Which of the following components of a customer experience framework does your organization have in place today? *Responses from retail executives.*

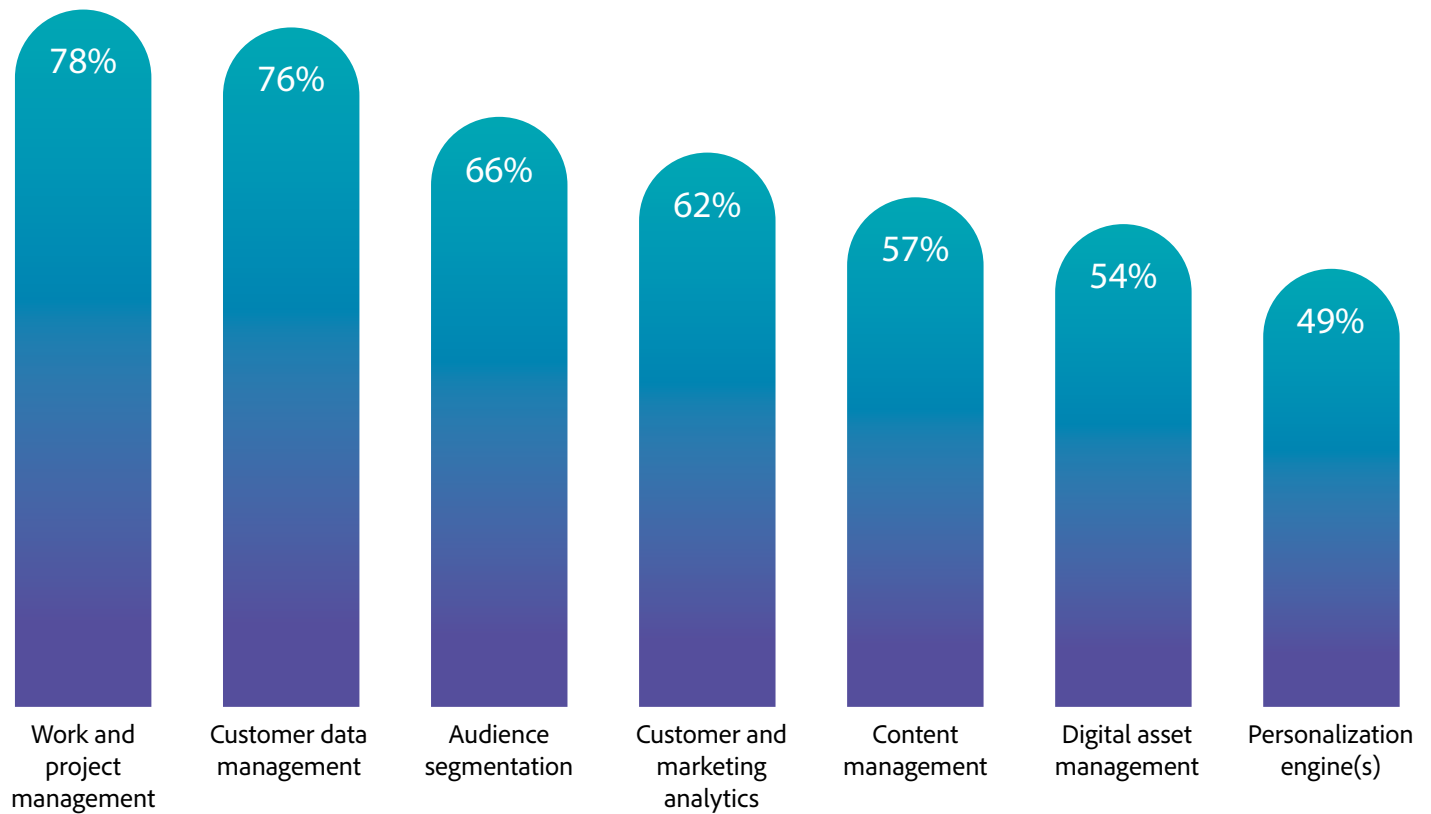| Component	Percentage
Well-established customer experience targets that are communicated to employees	72%
Distinct customer experience approaches for different customer subgroups	61%
A designated customer experience team	59%
Employees training on emerging customer experience technologies	58%
Distinct, team-specific customer experience goals	57%
A unified customer experience vision for the entire business	56%
A dedicated customer experience budget	46%
A designated customer or experience officer	46%
Leveraging generative AI tools that enhance elements of the customer experience	13%

However, retailers still have ample opportunity to better meet the needs of a highly informed customer base. For example, fewer than half have dedicated budgets for their customer experience development efforts, and just 54% make use of digital asset management technology to centralize and easily activate their digital content. A strong customer experience framework and advanced tech stack can help retailers adapt to the rapid pace of technological change, which is currently a struggle for two-thirds of the industry.

Retailers understand more needs to be done: 49% are making it a priority to integrate their customer experience tech stack over the next year. This is an important initiative for an industry that struggles with rapidly changing customer preferences, a challenge 44% cite as most prohibitive to personalization efforts (higher than any other industry surveyed).

Figure 2. Retailers have room to improve their customer experience tech stacks.

Q. Which of the following tech stack elements does your organization have in place to support the customer experience today? *Responses from retail executives.*

Work and project management	Customer data management	Audience segmentation	Customer and marketing analytics	Content management	Digital asset management	Personalization engine(s)
78%	76%	66%	62%	57%	54%	49%

Creating experiences that win customer loyalty

Understanding what customers value most can help retailers deliver exceptional experiences. For instance, when it comes down to what drives customers away from a brand, shoppers state that service delays or faulty products are the leading issues. Yet executives in the industry are more focused on their competitors as a main source of customer attrition.

Despite what executives think, retail customers say that in-person experiences and customer support are most in need of improvement— and 54% consider negative customer service a reason to switch brands. When asked at which stage they most often encounter a negative experience with retail brands, customers were split between product purchase, use, customer support, and returns.
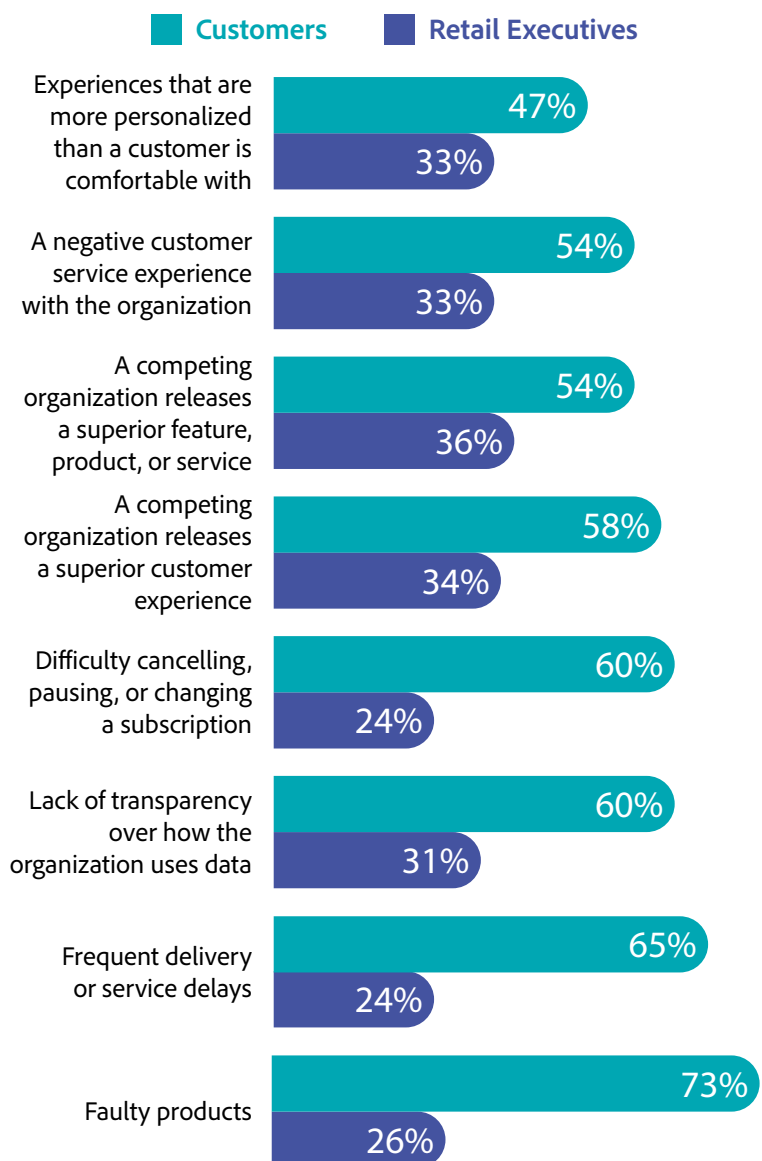
But purchasers must contend with the reality that customer support is a lower priority for retail businesses: just 12% of executives identify that stage of the customer journey as their top focus. The vast majority (70%) instead prioritize the exploration or brand discovery stages.

Retailers must invest in the right tools and initiatives to improve the end-to-end customer experience journey, not just the earliest interactions. Stronger data integration can also help improve insights generation and raise awareness of issues and delays, allowing for communications to be delivered that accurately reflect what customers are experiencing.

Figure 3. What really causes customers to switch retailers?

Q. When considering your digital experiences only, how likely are you to stop interacting with an organization? *"Very likely" and "Somewhat likely" responses from customers.*
Q. Which of the following scenarios do you believe would most likely cause a customer to stop interacting with your organization or switch to a competitor? Select top three. *Responses from retail executives.*

	Customers	Retail Executives
Experiences that are more personalized than a customer is comfortable with	47%	33%
A negative customer service experience with the organization	54%	33%
A competing organization releases a superior feature, product, or service	54%	36%
A competing organization releases a superior customer experience	58%	34%
Difficulty cancelling, pausing, or changing a subscription	60%	24%
Lack of transparency over how the organization uses data	60%	31%
Frequent delivery or service delays	65%	24%
Faulty products	73%	26%

Delivering personalized experiences with technology and better data management

The rise of digital allows retailers to expand their reach, but it can also test their ability to deliver consistent experiences across all channels and touchpoints. Retail executives find difficulties in a number of their digital marketing activities, including personalizing content to customer needs and interests (69%), optimizing contact frequency (54%), and using relevant channels (48%).

Delivering exceptional shopping experiences from start to finish requires technology solutions that unify customer profiles, accelerate content creation and delivery workflows, and orchestrate frictionless journeys across channels.

However, a fragmented approach to the adoption of these technologies will not yield the results retailers need. Like other industries, retail businesses are still optimizing their data management practices, which is foundational for an integrated tech stack that enables personalization. Roughly half (53%) have integrated data consolidation and governance into their customer experience efforts, and 60% have revised their organizational structures to create new data flows.

Those that have completed these steps will be better positioned to roll out the activation tools many in the industry currently lack, like content management.

Still, only 45% of retail executives recognize customers' increasing apprehension around data collection and management, compared to 55% of the survey average—a serious oversight, as most customers would stop interacting with a brand due to a lack of transparency on this issue (Fig. 2). Also troubling is that at a time when threat actors have become savvier and more aggressive, only 46% of retail executives express heightened concerns around data breaches.

This disconnect can set back consumer trust in the industry. Nearly all retailers (91%) believe they effectively collect the data they need to personalize experiences while simultaneously respecting privacy expectations, but their customers may not agree: just 41% have strong or complete trust in the industry to enforce ethical practices around data privacy and sharing. This has practical consequences for retailers: this lack of confidence in the industry could reduce customers' willingness to share their data—a detriment to personalization efforts.

For Valerie Legat, Chief Digital Factory Officer at Carrefour, transparency with customers is key to gathering the data needed to intelligently personalize in-person and digital experiences—without overstepping customers' boundaries. "We are very transparent with users about how we gather information, asking them to teach us how to better serve their needs," she says. By encouraging customers to link their loyalty cards to their free accounts and share their product preferences, Carrefour can create special experiences like sending someone a personalized coupon based on their shopping history the moment they step into a store.

> "It's not just personalization, it's relevancy as well. You can do as much personalization as you want, but if it is not relevant to somebody's need at that point in time, that all becomes a moot point."
>
> —Executive at a large retail health company.
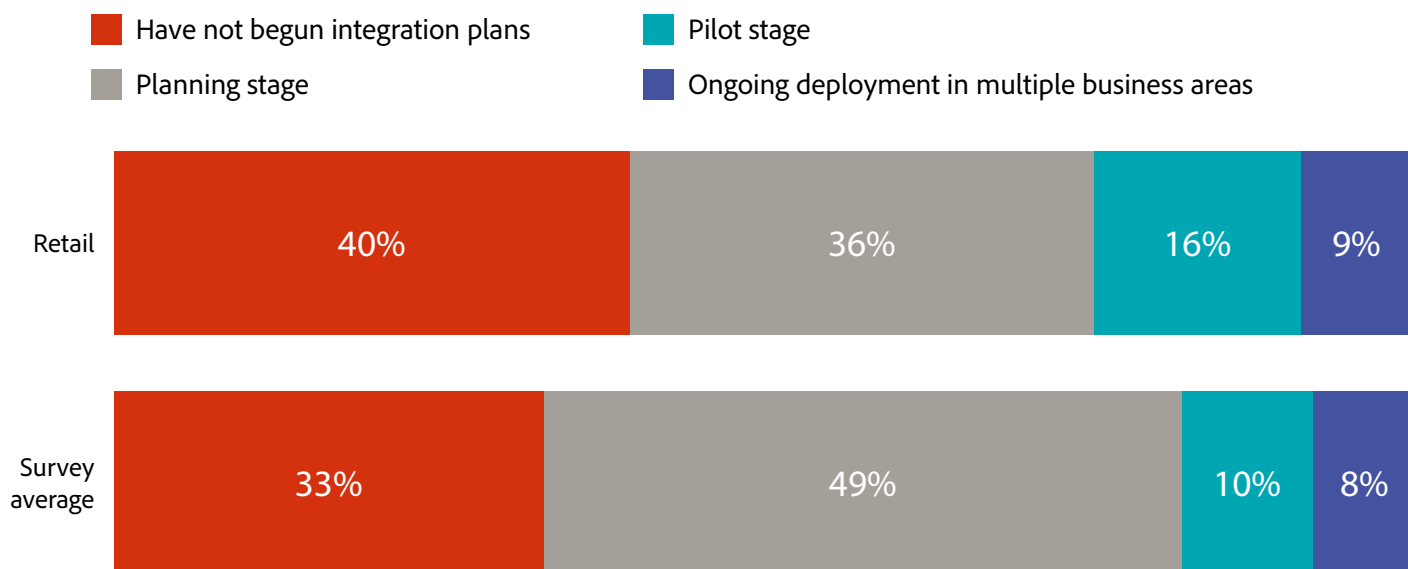
Preparing for generative AI

With the recent emergence of generative AI, it is not surprising that only a few retailers have started implementing the technology. While 25% are currently piloting or have ongoing deployments of the technology, more are still in the planning stages or have yet to make plans at all.

Those not currently considering generative AI are waiting for the technology to mature and become more secure and scalable. But nearly all retailers, regardless of where they are in deployment, expect generative AI to have a positive impact on their various marketing responsibilities—everything from audience segmentation and experience creation to campaign performance measurement and data-sharing.

Customers remain optimistic about generative AI. More than half believe it will lead to increased digital personalization and quicker customer support. Retail brands are working to address these needs: 77% plan to use generative AI for customer support assistance. Still, retailers must plan carefully to gain acceptance of this rollout, as 50% of customers prefer human-only interactions for support services, higher than any other stage of the experience journey.

Figure 4. Retailers are making progress in their adoption of generative AI.

Q. To what extent has your organization integrated generative AI into its customer experience efforts?

Legend:
- Have not begun integration plans
- Pilot stage
- Planning stage
- Ongoing deployment in multiple business areas

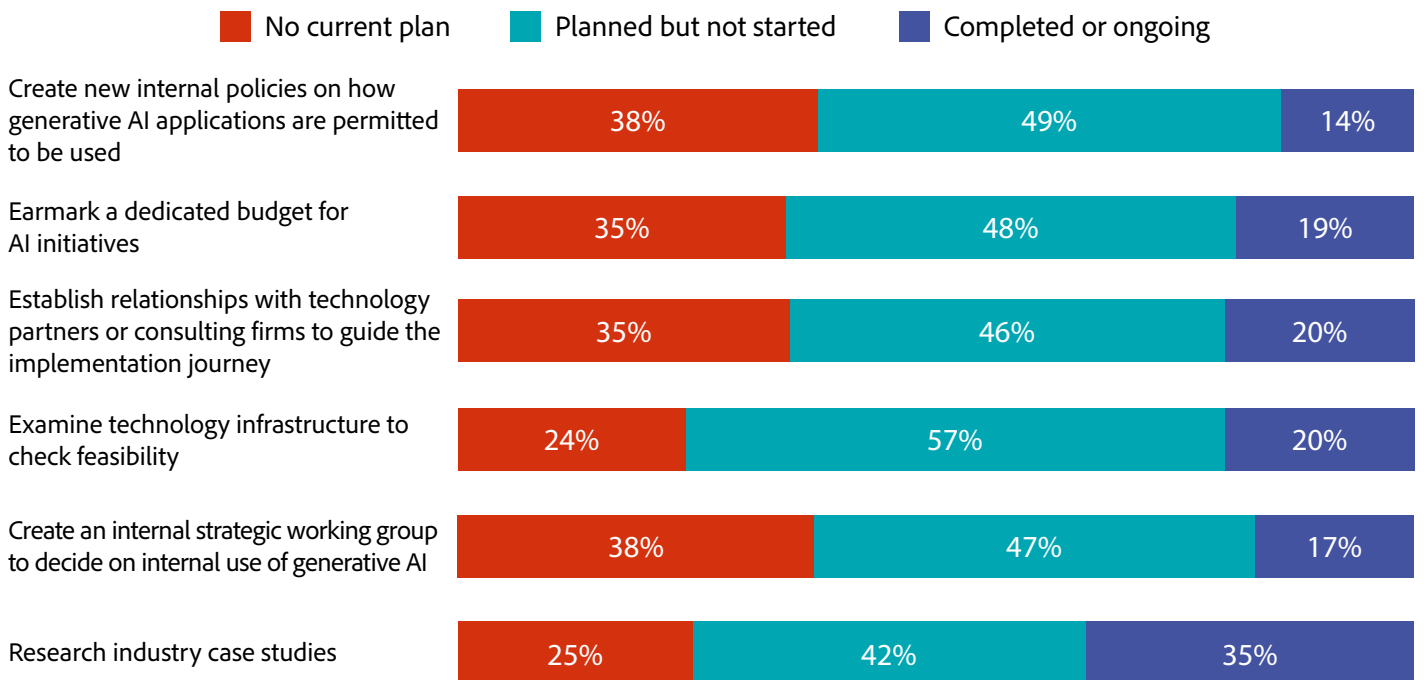|	Have not begun integration plans	Planning stage	Pilot stage	Ongoing deployment in multiple business areas
Retail	40%	36%	16%	9%
Survey average	33%	49%	10%	8%

But no plan for generative AI is complete without thoughtful consideration of consumers' concerns. More than half of customers think that the use of generative AI will lead to brands making unauthorized decisions about data, collecting too much information, and providing incorrect or misleading information. They also believe companies will not take the proper steps to build ethical AI tools.

Retailers can take key steps to ensure a safer rollout of generative AI, like researching industry use cases, examining their technology infrastructure to check for feasibility, and establishing relationships with technology partners to guide their implementation. Many are also planning or piloting a generative AI "Code of Ethics" that will be conveyed to their customers—a crucial initiative for deepening trust and improving adoption.

Figure 5. Retailers are embracing key steps for a wider rollout of generative AI.

Q. Which of the following steps has your organization taken or is planning to take to prepare for its adoption of generative AI? *Responses from retail executives.*

Legend: ■ No current plan ■ Planned but not started ■ Completed or ongoing

Step	No current plan	Planned but not started	Completed or ongoing
Create new internal policies on how generative AI applications are permitted to be used	38%	49%	14%
Earmark a dedicated budget for AI initiatives	35%	48%	19%
Establish relationships with technology partners or consulting firms to guide the implementation journey	35%	46%	20%
Examine technology infrastructure to check feasibility	24%	57%	20%
Create an internal strategic working group to decide on internal use of generative AI	38%	47%	17%
Research industry case studies	25%	42%	35%

Percentages might not add to 100% due to rounding.

Final perspective

Retailers are ahead of the curve when it comes to prioritizing the customer experience, but there are still opportunities to uplevel strategies and data practices to better serve customers:

- **Invest in digital tools that enable your organization to seamlessly deliver personalized experiences at scale across all touchpoints.** Solutions that easily integrate with your company's technology infrastructure can help navigate right-channeling complexities, increase internal collaboration, and deliver digital shopping experiences with the level of human touch customers appreciate in-store. Breaking down organizational silos can help your company improve dataflow and better position all functions to adapt to customer needs throughout the entire journey.

- **Establish practices that elevate the privacy, security, and transparency of your data collection to deepen trust with customers and create more unified experiences.** Customers will stop interacting with a brand that lacks transparency around data management. Having an efficient, secure data strategy is foundational for achieving the level of customer trust needed to collect actionable insights and activate relevant experiences.

- **Develop a generative AI deployment plan that is aligned with the needs of both your company and customers.** Partnering with generative AI experts who are focused on the most relevant applications for retail, in addition to ethical use of the technology, can maximize benefits for all and help overcome customer resistance.

> Learn more about how you can implement the **personalization** and **generative AI** strategies found throughout this report.

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