

EDGE INSIGHTS

| Ozonetel<sup>o</sup>

# AIvolutionizing CX in the Digital Age



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# Foreword

In the contemporary era of hyper-digitalization and data abundance the deliberate infusion of AI (Artificial Intelligence and its subset Generative AI) into Customer Experience (CX) stands as a critical catalyst for creating a distinct competitive advantage.

The multi-dimensional capabilities of AI are revolutionizing the dynamics of customer interactions for enterprises, presenting unparalleled prospects for elevating experiences, streamlining customer journeys, and nurturing brand loyalty.

This white paper delves deeper into the significant impact AI is making on CX highlighting the evolution, benefits, use cases, challenges, and the future roadmap of an AI-led and AI-augmented customer experience transformation.



# Today's evolving customer expectations

In the pre-digital era, Retail/FMCG customer experience (CX) relied on traditional brick-and-mortar stores with limited touchpoints. As digitization became widespread, CX expectations rose. Today, influenced by digital platforms and AI-driven services, consumer demands have evolved. Giants like Amazon and on-demand services set a new standard for convenience, altering expectations. Consumers now seek swift delivery, hassle-free returns, and personalized recommendations. Transactions are no longer enough; customers desire **empathetic, efficient, and effortless** experiences.

## NETFLIX

Netflix is the world's largest user platform having more than **220** million subscribers spread across **190** countries. Netflix has done the hardwork of creating a category where none existed practically **20** years ago, made possible by delivering exceptional customer experience. Category creation has been made possible through the use of AI algorithms that analyse user behaviour, viewing history, and ratings to offer personalized recommendations. This approach boosts user satisfaction and engagement by suggesting content aligned with individual interests, fostering loyalty through tailored content discovery.

Below are a few statistics that underscore the importance of how customers are evolving and consequently pushing businesses to evolve as well.



Globally, **73%** of consumers prefer personalized shopping experiences, driving retailers to invest in data-driven personalization.



Globally, **65%** of retailers are investing in omni-channel strategies to enhance customer experience.

In a nutshell, the bar for customer experience has been raised significantly, and brands across all sectors, from retail to FMCG, are under pressure to deliver a higher order of CX to remain competitive in the market or risk losing relevance in an increasingly digitized marketplace



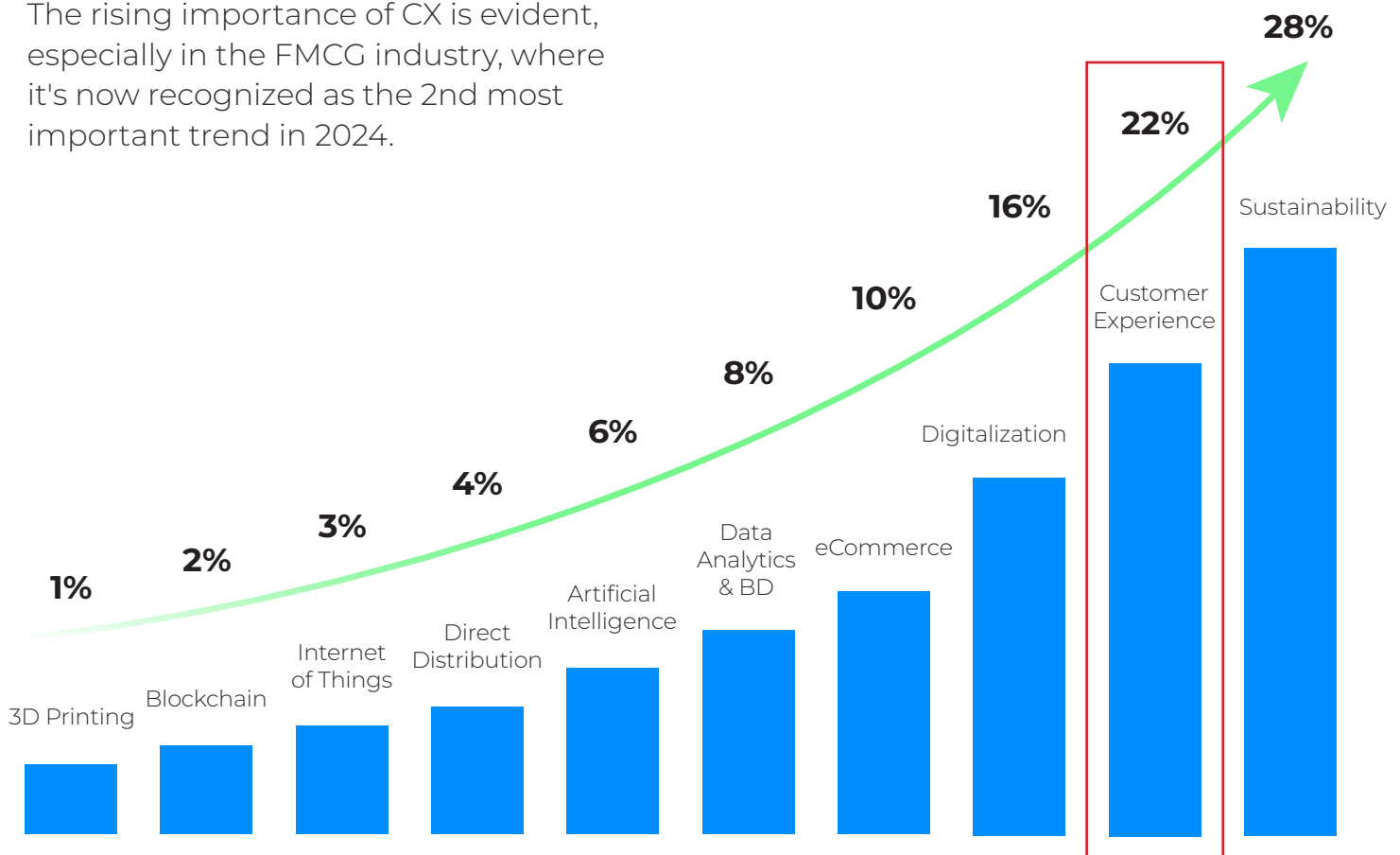
# Rising importance of CX in a fast-evolving business landscape

In today's fast-evolving business landscape, delivering exceptional customer experience (CX) has become paramount for companies looking to gain a competitive edge.

This is evident from the below statistic wherein **CX is the 2nd most important trend impacting FMCG industries in 2024.**

## Trends impacting FMCG industries in 2024

The rising importance of CX is evident, especially in the FMCG industry, where it's now recognized as the 2nd most important trend in 2024.



Source: StartUs Insights, 2023

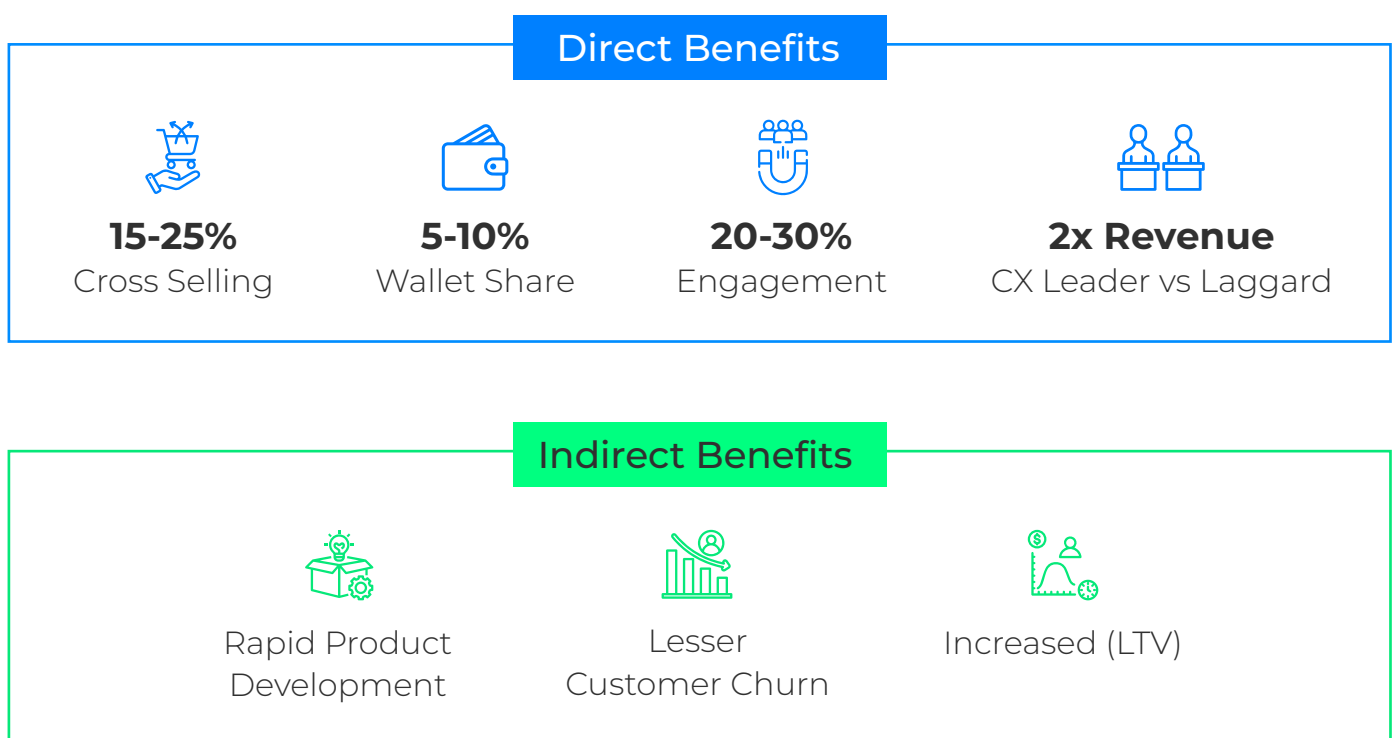
## Key benefits derived while delivering exceptional CX

Businesses that prioritize CX distinguish themselves from competitors by crafting memorable interactions that resonate with customers long after the initial transaction. By understanding and catering to individual needs and preferences, these companies secure a higher wallet share and also foster deep-rooted loyalty, turning customers into brand advocates

Moreover, investing in CX pays dividends in **terms of cross-selling opportunities** and increasing the **lifetime value (LTV) of customers**. Below infographic clearly shows the incremental benefits that companies can experience when they invest in providing exceptional CX.

### CX improvement yields several direct & indirect benefits

A **20% increase** in customer satisfaction can lead to significant benefits.



# Digitalisation and AI (Gen AI) are reshaping CX

The emergence of AI has presented unprecedented opportunities for Retail/FMCG companies to revolutionize CX. Fast paced developments with AI technologies such as ML, NLP, Predictive analytics and most recently Gen-AI have set the stage for organisations, in enabling them to analyse vast amounts of data in real-time, derive actionable insights, and deliver personalized experiences at scale.

Below are some of the benefits that AI has been delivering to Retail and FMCG industries over the past few years of its rapid adoption and implementation:



## Hyper-personalization:

Utilizes customer data for tailored product recommendations and promotions.



## Efficiency and automation:

AI automate inventory management and order fulfilment, reducing costs and ensuring product availability.



## Data-driven insights:

Analyses sales data to identify trends and optimize pricing strategies.



## Contextualized assistance:

AI-driven chatbots provide personalized support across channels, including complex queries and product recommendations.



## Enhanced in-store experiences:

Utilizes AI technologies such as virtual try-on for clothing and cosmetics to improve customer engagement and satisfaction.



## Predictive analytics:

Predicts customer preferences to optimize inventory and marketing campaigns.

**Seamless omnichannel integration:**

Enables consistent experiences across online and offline channels.

**Dynamic pricing:**

Optimizes pricing strategies based on competitor data and customer behaviour to maximize revenue while maintaining competitiveness and customer satisfaction.

**Product innovation:**

Informs the development of new products, enabling retailers to introduce offerings that resonate with customers and drive sales.

**Personalized loyalty programs:**

Analyses customer behaviour to create tailored loyalty rewards, increasing customer engagement and loyalty over time Real-world impact – Top Use Cases.

## Real-world impact – Top Use Cases

In the past few years Retail/FMCG companies have increasingly embraced AI-driven solutions to enhance various aspects of CX, including customer interactions, product recommendations, supply chain management, and marketing campaigns. These solutions empower companies to anticipate customer needs, optimize operations, and drive revenue growth.



## Below are some of the top use cases observed

Universal store enabled through application and QR code-based selection mechanism

### Objective

An individual store unable to keep all the SKUs demanded by a potential customer resulting in lower conversion.

### Solution

An app designed to cater to customers who find a suit they like but need different-sized trousers. This application utilizes the entire inventory of both the warehouse and stores to locate the nearest store with the desired item and arranges delivery to the customer's home.

### Impact

Use of QR codes enabled higher sales per store and increased LTV of existing customers.

“ If the SKU is unavailable, QR codes provide a convenient solution. They can be scanned to access additional information or alternatives, helping to resolve the issue efficiently.”

– **Head IT, Large Apparel Retailer**



## Leveraging AI for Hyper-personalization through Mobile Order & Pay

### Objective

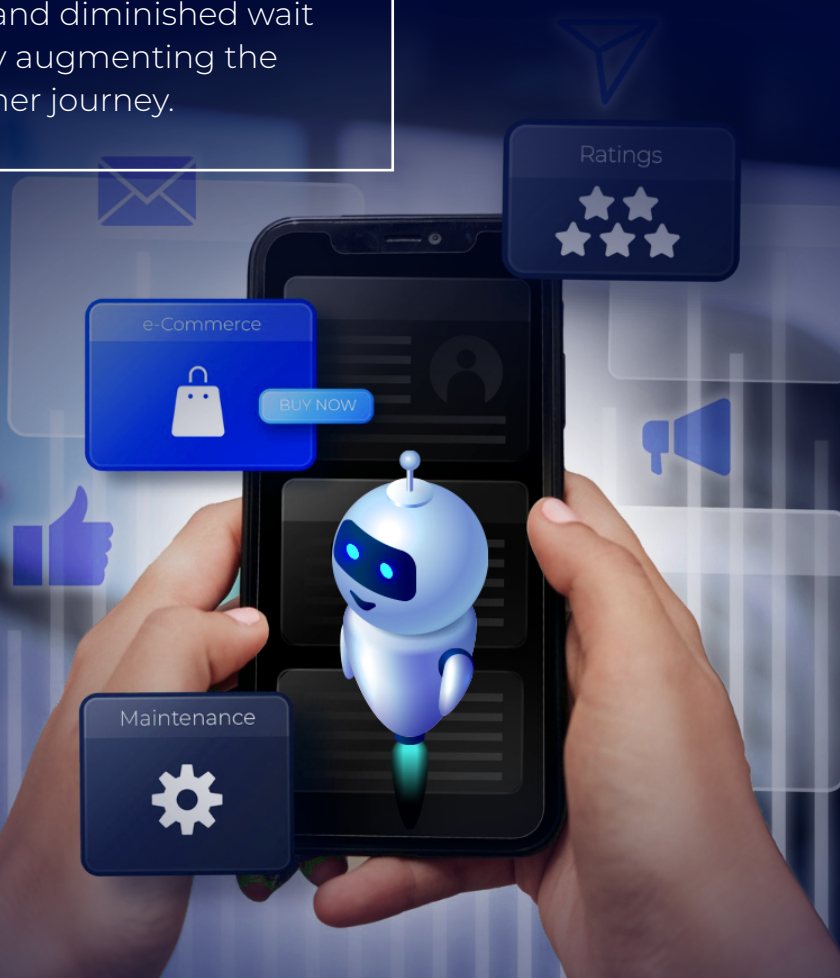
Increase customer stickiness and reduce time to order at stores.

### Solution

Starbucks employs AI and predictive analytics to drive its Mobile Order & Pay functionality within its mobile application. The AI system anticipates customer orders by analysing their historical preferences, current location, and time of day, simplifying and expediting the order placement process.

### Impact

Through this streamlined approach, Starbucks has significantly enhanced customer convenience and diminished wait times, thereby augmenting the overall customer journey.





## Intelligent and contextual real-time query resolution using GenAI solution - BigBasket

Leveraged GenAI for real-time evaluation of customer conversations to improve CX with faster and better resolutions.

### Objective

BigBasket wanted to analyze the conversations their sales and CX team were having with their customers to find out about their pitches, complaints and the reason for complaints so that they could course-correct in real-time.

### Solution

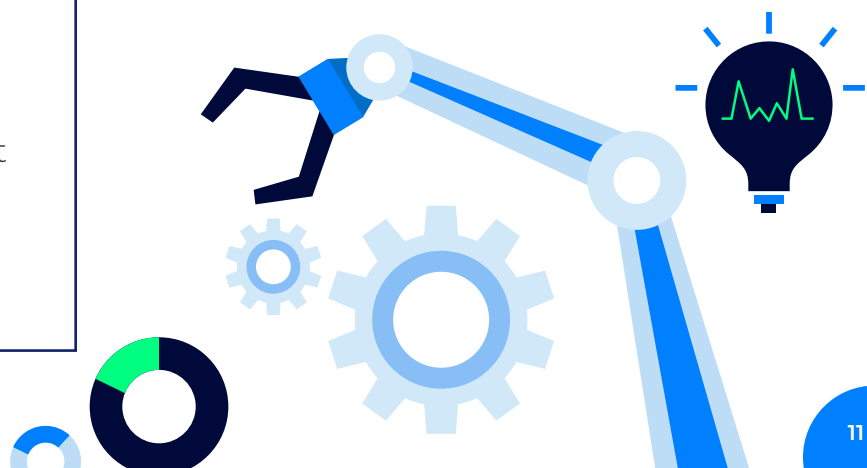
Ozonetel understood the context and suggested leveraging their Gen-AI powered voice-of-the-customer solution. This enabled BigBasket to:

- Identify frequent issues & key areas of concern for their customers
- Improve CX with faster & better resolution of complaints.
- Analyze sales scripts and identify customer objections that impact sales.
- Automation of entry of conversation summary in CRM and CX tool.

### Impact

The solution helped BigBasket understand that most of their customer concerns were due to leakage in milk products, delays in delivery, and missed deliveries. Timely resolution of these issues led to the following:

- Revenue impact: **5%** improvement in sales.
- Wallet share: **1.5X** improvement in order value.
- LTV: **20%** improvement in repeat orders.



## AI-driven, digitally-led personalized campaigns featuring brand ambassador

### Objective

**Deltin Royale**, Asia's largest offshore casino and live destination aimed to increase brand awareness and recognition for Deltin Star Weekend and to improve customer loyalty by providing a more memorable and enjoyable experience.

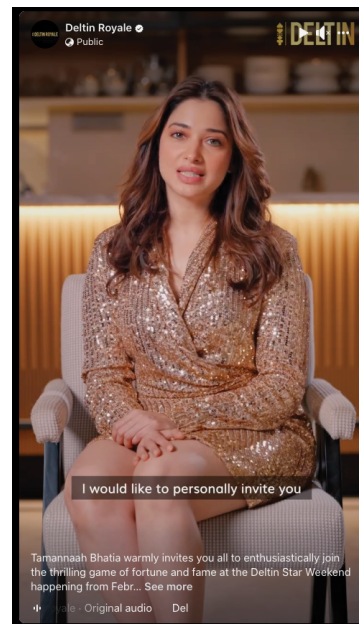
### Solution

Leveraged the digital and AI solutions of Ozonetel, creating an AI-infused video featuring renowned Indian actress & their brand ambassador Tamannaah Bhatia. The video extended exclusive invites for the 'Deltin Star Weekend' event at Deltin Royale.

### Impact

Following impact was created through AI-infused exclusive invitations.

- Reactivated **16%** of their dormant customers
- **100%** bookings in less than 2 weeks of launching the campaign
- Achieve **5X** improvement in open rate



←  
**Personalised invitation by Tamannaah Bhatia, Brand ambassador of Deltin Royale**

### Technology used:

Ozonetel's GenAI and Digital (WhatsApp) capabilities



## AI wishlist for the Retail & FMCG sector

Retail/FMCG companies have increasingly embraced AI-driven solutions to enhance various aspects of CX, including customer interactions, product recommendations, supply chain management, and marketing campaigns. These solutions empower companies to anticipate customer needs, optimize operations, and drive revenue growth.

While AI-based solutions have made significant progress in addressing business challenges in the Retail and FMCG sector, there's a growing focus on Gen-AI to tackle more complex issues in customer experience. This sentiment is shared by CX providers like Ozonetel.

“AI can be used in addressing the most intricate challenges, such as weather forecasting, automation, and swiftly resolving complex equations. Tasks that might have previously taken many years can now be accomplished in just a few months with the power of AI.”



**Chaitanya  
Chokkareddy**

CTO, Ozonetel



Below is the list of those complex problems or areas where the industry is looking to Gen-AI to provide solutions or assistance.

### Dynamic Inventory Optimization:

Analyse historical data using Predictive Analytics to help predict consumer demand and thus adjust inventory strategies pre-emptively. This will help in adjusting stock levels in real-time based on external data, preventing overstocking or stockouts.

### Bird's eye view of entire operations for C-suite:

A single application that centralizes all data, spanning from order placement to product dispatch, sales management, production oversight, and MIS reporting. It offers both granular insights and a holistic view of the entire ecosystem.

“ Looking forward to AI and LLM Knowledge base to enable for CXO's to identify best and least performing SKUs at store level”

**– CIO, Large Quick Service Restaurant (QSR) player**

### External threat analysis ensuring robust risk management:

Develop an AI model that evaluates external variables and their impact on stocks and triggers mitigation strategies automatically, ensuring operational stability. This model advises businesses to take pre-emptive action when a threat perception has high chance/probability of becoming real.

### Voice-based order placement using WhatsApp:

A large QSR player looking for orders streamlines the servicing process, making it more convenient. Allow its workforce to place replenishment orders using voice-based WhatsApp notes.

# Challenges in implementing AI-led CX solutions

Incorporating AI results in delivering multiple benefits to organisations; however, this implementation comes with its own set of unique challenges described below:



## Data Quality and Relevance:

Issues like incompleteness, inaccuracy, bias, and irrelevance may affect data collected from various sources.



## Integration Across Platforms:

Using multiple data sources leads to fragmentation, posing challenges in real-time integration scalability, data security, and resource allocation.



## Ensuring Accuracy and Efficiency:

AI algorithms need meticulous fine-tuning and ongoing monitoring to accurately interpret and analyse large volumes of data for personalized recommendations.



## Interpretability of AI Models:

Many AI models, such as deep learning neural networks, operate as "black boxes," highlighting the need for data visualization techniques to provide transparency.



## High Level of Technical Complexity:

Selecting algorithms, integrating with existing systems, and infrastructure demands specialized technical expertise.

**AI Platform's Heavy Reliance on 3rd Party Data Sources:**

Dependence on external data introduces challenges related to quality, privacy, and compliance.

**High Effort in Obtaining Numerous Licenses and Subscription Agreements:**

Acquiring licenses, negotiating with multiple vendors, managing fees, and ensuring compliance add complexity to AI implementation.

**Fragmented Solutions and Partial Answers:**

Integrating disparate solutions poses challenges in achieving seamless customer experiences, leading to potential inconsistencies or gaps in the overall CX strategy.

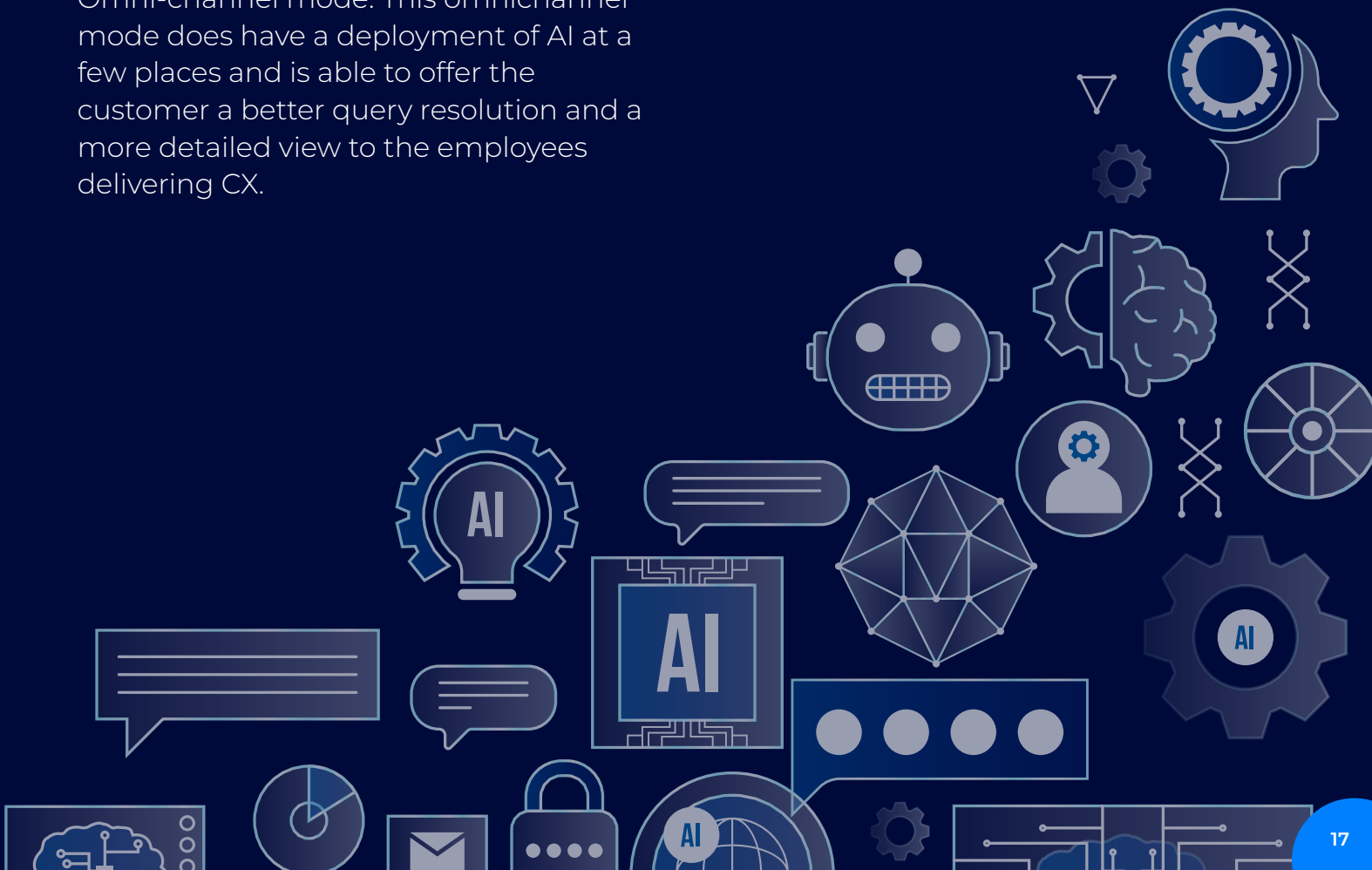


# CX of the Future – AI-augmented and AI-led

## Evolution of CX – Past, present, and future

The evolution of CX can be traced from its traditional roots to its current state, by AI augmentation and automation. Previously, CX was considered a separate domain/function characterised by high TAT and low satisfaction. Over the years, the advent of digital technologies and multiple channels such as email, WhatsApp etc has led to CX's evolution from single channel to multi-channel, then cross channel and now into an Omni-channel mode. This omnichannel mode does have a deployment of AI at a few places and is able to offer the customer a better query resolution and a more detailed view to the employees delivering CX.

Edge Insights believes that in the next 5-7 years CX will reach a state where everything will become integrated and enterprise will offer an experience to customers i.e., highly personalized, predictive in nature, and seamless. Essentially, the experience that customers will receive will be **Empathetic, Efficient, and Effortless**



# Evolution of CX over the years



Fragmented Experience

## Single - Channel

- High turnaround time
- High customer dissatisfaction/query resolution
- Transactional query resolution

## Multi - Channel

- Informative yet disjointed at multiple places
- Inconsistent experiences with the brand

## Cross - Channel

- Touchpoint linking each other
- Organizations have one view, but functions operate in silos
- One brand one experience at some places only

## Omni - Channel

- Strategic customer success at each step of the journey
- Partial deployment of AI for query resolutions

## Integrated

Pinnacle in CX, where brand seamlessly blend AI capabilities with human touchpoints to provide a personalized, contextual, immersive experience, leading to enhanced satisfaction and loyalty



Wholesome Experience



# Establish partnership with CX leaders to lead in future

In the rapidly evolving landscape of digital and AI-driven customer experiences, businesses are increasingly recognizing the need for specialized expertise to navigate complexities and unlock the full potential of AI technologies.

Partnering with experts in this domain can significantly enhance an organization's ability to deliver exceptional customer experiences while addressing common challenges encountered in digital and AI-led CX initiatives.

Below are some of the major challenges that partners will help address:

## Manage data complexity and Integration:

Expert partners excel in data integration and management, leveraging AI technologies to unify data sources, extract meaningful insights, and drive informed decision-making.

## Helping in change management and adoption:

Facilitating change management efforts, providing guidance, training, and support, and driving adoption are some of the key capabilities that partners will bring in to help manage change and increase adoption.

## Removing or avoiding algorithm bias and ethical considerations:

AI algorithms are susceptible to bias, which can inadvertently perpetuate inequalities and undermine trust. Expert partners employ rigorous testing and validation processes to mitigate bias and ensure fairness, transparency, and ethical use of AI technologies in CX initiatives.

## Alleviate security and privacy concerns:

Expert partners adhere to industry best practices and security standards, implementing robust safeguards and encryption protocols to safeguard sensitive information and mitigate cybersecurity risks.



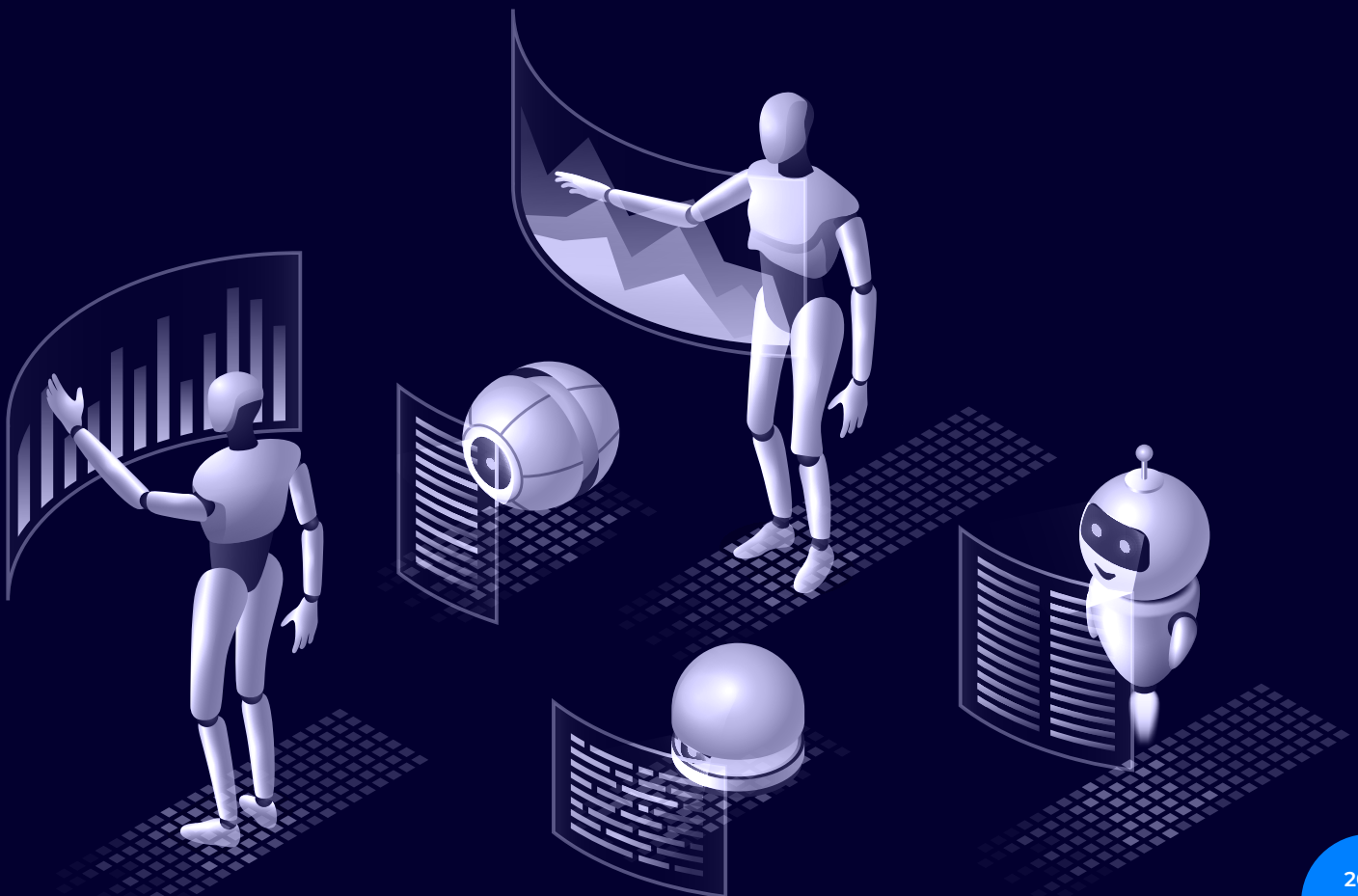
“ Our AI-led, unified CX platform is helping FMCG and retail companies remove data silos making it easier for clients to orchestrate customer journeys. This empowers enterprises to identify opportunities for sales and customer delight in real-time—deepening customer loyalty, increasing customer lifetime value (LTV), & driving business growth.”



**Atul Sharma**

Co-founder & CEO,  
Ozonetel

In a nutshell, partnering with an expert CX provider is essential for organizations seeking to harness the full potential of AI-driven CX solutions.





## Conclusion

In the ever-evolving landscape of CX, the infusion of AI, particularly Generative AI, has become a pivotal driver of transformation for the FMCG industry. From hyper-personalization to efficiency gains and predictive analytics, AI is revolutionizing customer interactions, supply chain management, and marketing campaigns.

As businesses strive to meet rising consumer expectations, strategic partnerships with CX leaders will be crucial for navigating complexities and unlocking the full potential of AI technologies.

Looking ahead, the FMCG industry will continue to embrace AI augmentation and AI-led strategies to deliver empathetic, efficient, and effortless customer experiences, setting new benchmarks for competitiveness in the digital era.



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