Medallia

BEYOND THE HYPE:

What CX Practitioners Really Think of AI

Intro

Artificial intelligence (AI) has been a major area of innovation for years, with momentum continuing to build. From boosting productivity to enhancing customer experiences, AI is making its way into every corner of the office, and the customer experience (CX) team is no exception. Whether it's automating tasks, speeding up workflows, or elevating customer engagement, AI has quickly become a secret weapon for experience teams.

But with great power comes great responsibility. As AI integrates deeper into CX, the need for robust data security, privacy, and accuracy becomes critical. While AI's promise lies in its ability to deliver richer insights and empower speedy action, organizations must ensure they can trust every decision it helps them make.

To get a better understanding of these dynamics, Medallia Market Research surveyed 820 CX professionals. To our surprise, brands are all jumping on the AI train with few exceptions. But it's no straight shot to success. The road to strategic AI implementation is full of twists, turns, and recalculations as companies figure out how to best harness this ever-evolving technology.

This report dives into the details — how CX teams are using AI today, what's on the horizon, and who's going to be leading the charge in the AI revolution. Plus, we'll explore how smart AI investments can help organizations outpace the competition and keep that winning edge.

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01

Executive Summary

AI isn't just living up to the hype — it's smashing expectations.

60% of CX practitioners report that AI has gone above and beyond, while another **36%** say it's delivering exactly as promised.

60%

36%

Costs

Potential Job Loss
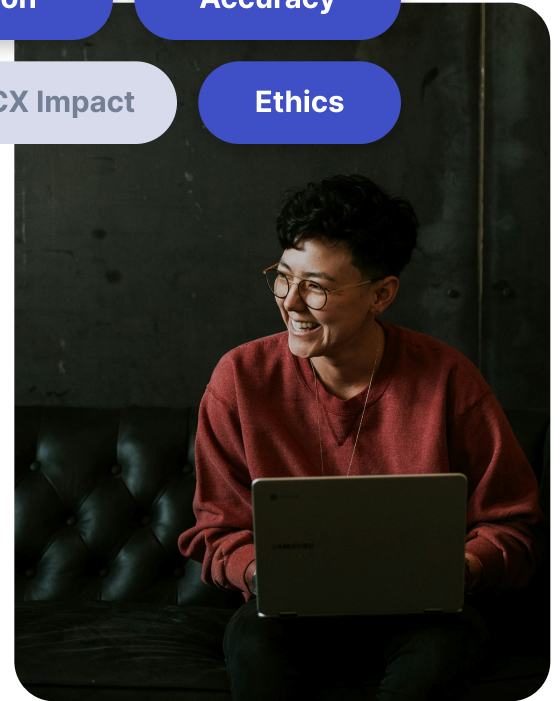
Data Protection

Accuracy

Bias

CX Impact

Ethics

But, it's not all sunshine and rainbows. Some concerns still linger on the horizon.

The top risks CX pros are eyeing? Accuracy, potential job loss, data protection, bias, and ethical use. Interestingly, these worries rank higher than costs and AI's direct impact on the customer experience.

GenAI is making waves, playing a key role in the day-to-day work of CX teams.

With tools like ChatGPT in the mix, **90%** of CX practitioners have tried a genAI tool at least once, and **42%** admit to being regular users.

90%

42%

The fastest-growing companies are taking advantage of its power.

Nearly **half (42%)** of high-growth companies say they're making "very high" investments in AI over the next year. And it's a smart move, considering those hefty investments often lead to AI exceeding expectations.

42%

Most companies have a clear roadmap for how they plan to use AI.

In fact, a third of CX practitioners believe they're already ahead of the competition, while over half (53%) say they're on par.
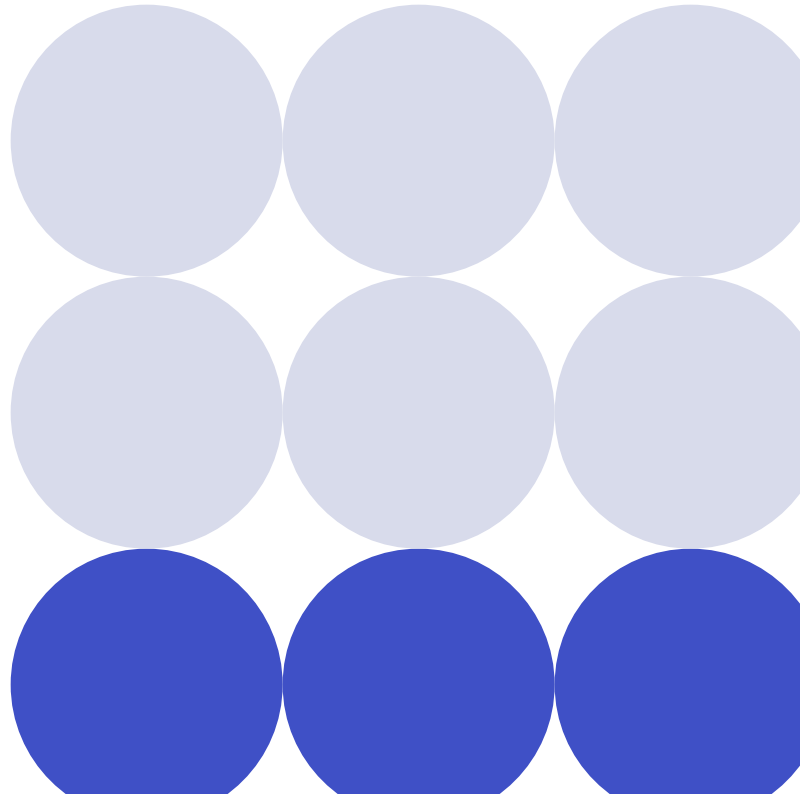
02

Is AI living up to the hype?

The more companies invest in AI, the greater the rewards.

AI is already surpassing expectations, with bigger investments yielding greater returns. While large companies with $25 billion+ in revenue often see the most impressive outcomes, smaller organizations can also reap significant benefits — if they're prepared to invest both time and money into AI initiatives.

What increases the likelihood of feeling AI has exceeded expectations?

+46% — If "Very High" AI investment

+22% — If $25B+ company size

+20% — If already working with one or more AI solution vendors

96%
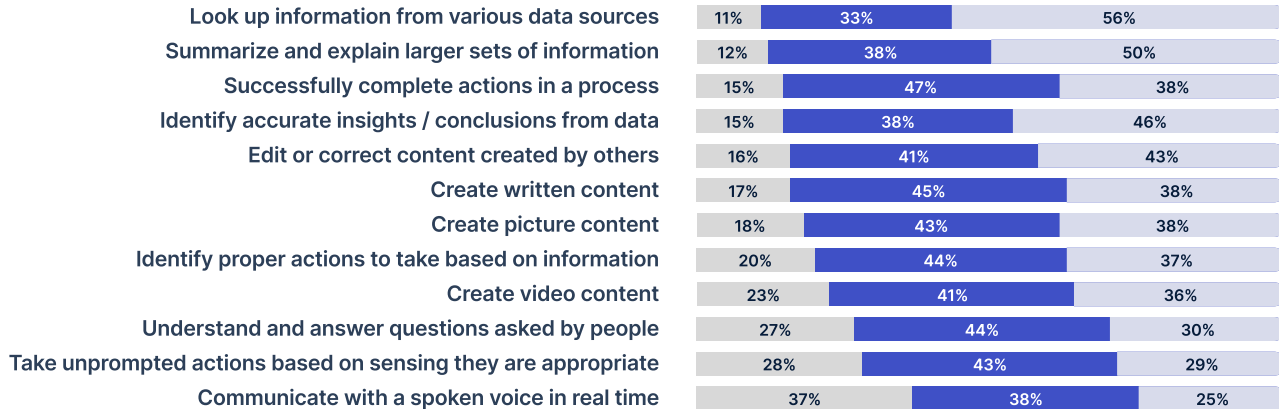say AI's impact on their organization has met or exceeded expectations so far

60%
say it has exceeded expectations

From Medallia Market Research August 2024 CX Practitioner AI Survey (n = 820); "Based on measurements done so far, what has been the impact of AI?"

AI will outperform humans in 5 years … in some ways.

CX practitioner expectations of AI in the next 5 years, % selecting

● Will do worse than a human   ● Will do similarly to a human   ● Will do even better than a human

	Will do worse than a human	Will do similarly to a human	Will do even better than a human
Look up information from various data sources	11%	33%	56%
Summarize and explain larger sets of information	12%	38%	50%
Successfully complete actions in a process	15%	47%	38%
Identify accurate insights / conclusions from data	15%	38%	46%
Edit or correct content created by others	16%	41%	43%
Create written content	17%	45%	38%
Create picture content	18%	43%	38%
Identify proper actions to take based on information	20%	44%	37%
Create video content	23%	41%	36%
Understand and answer questions asked by people	27%	44%	30%
Take unprompted actions based on sensing they are appropriate	28%	43%	29%
Communicate with a spoken voice in real time	37%	38%	25%

AI has proved it can tackle a variety of tasks more swiftly and cost-effectively than human workers, and CX professionals are taking notice — while also recognizing that there's still room for growth. As AI continues to evolve, it's poised to match or even surpass human capabilities in gathering data from various sources, distilling and explaining extensive information, and deriving insightful and prioritized conclusions that experience professionals can turn into actionable momentum.

There are still some serious concerns lingering.

In their own words, what concerns CX practitioners most about AI

1	2	3	4	5
Accuracy	**Job Loss**	**Data Protection**	**Bias**	**Ethics**

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While AI has plenty of benefits, CX practitioners are approaching it with eyes wide open. Specifically, with these top concerns in mind:

1 **Accuracy:** Imagine automating customer interactions only to have AI get things wrong. Scary, right? If AI can't get the details straight, it risks frustrating customers and damaging trust.

2 **Job Loss:** AI has proven its ability to handle a variety of tasks, but that also comes with a downside. CX professionals are grappling with the balance between tech advancements and protecting jobs. A staggering 43% of senior level execs worry about the implications of AI in their organization, specifically regarding job displacement.

3 **Data Protection:** AI's power to sift through mountains of data has practitioners nervous about security. In a world where data breaches are too common, trusting AI with sensitive customer information is a tough ask. Safeguarding privacy is top of mind as organizations roll out AI-driven tools.

4 **Bias & Ethics:** AI's ability to deliver insights is impressive, but can we trust it to be unbiased? Ethical considerations are critical when AI decisions impact real customers, and practitioners are keeping a close eye on how to implement AI responsibly.

Personalize Response

AI will lead to a brighter future for customers.

86% believe AI will change what their organization is able to achieve from a customer experience perspective.

Experience experts are brimming with optimism about AI's potential. By streamlining data collection and analysis, AI solutions can unveil hidden patterns swiftly and accurately, guiding organizations on how best to serve their customers based on data rather than guesswork.

From Medallia Market Research August 2024 CX Practitioner AI Survey (n = 820); "For each of the following statements, please select the choice that best represents your level of agreement."
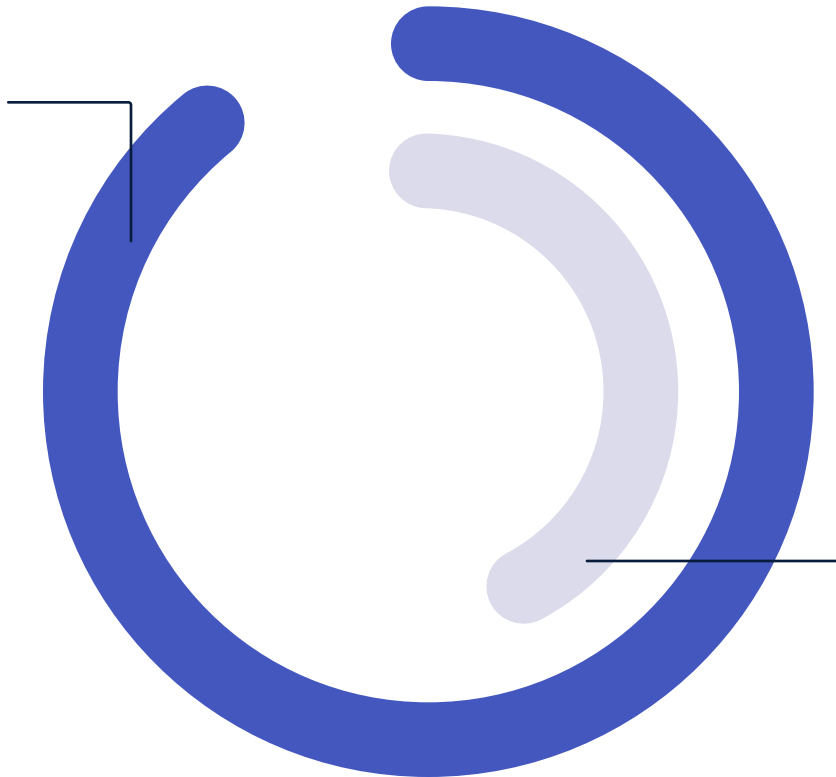
86%

03

Where does genAI stand?

CX practitioners are experimenting with genAI.

90%

of CX practitioners have **used a genAI tool** like ChatGPT in a professional setting **at least once**
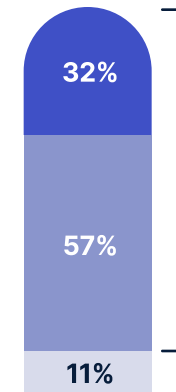
42%

say they use a genAI tool like ChatGPT for work **often**

GenAI has positively influenced CX practitioners, but there's room for improvement.

% selecting

■ Very positive impact

■ Positive impact

■ Minimal or negative impact

32%

57%

11%

Impact of genAI for CX practitioners using it often now

89% indicate the impact has been positive

Of those not using it often (yet), **82%** expect the impact would be positive if they started to do so

The majority of CX practitioners report that AI has positively impacted their job performance. However, only a subset classifies this impact as "very" positive, indicating significant opportunities for productivity gains and benefit realization.

Of the small subset who said AI's impact has been below expectations, they cited their top reasons being employee confusion or rejection (32%), short time horizons that haven't allowed enough time to see benefits (32%), and minimal gains that aren't driving real change yet (29%). Other factors like limited rollouts, unsuitable data, and concerns over data privacy, security, and legal issues (all at 23%) are also holding organizations back from realizing AI's full potential. In short, it's a mix of time, trust, and getting the right data in place.

04

How are organizations adjusting?

Most CX professionals recognize the importance of investment.

84% of practitioners agree that investing in AI is important to their business, with the fastest-growing companies investing the most in it. As AI technology advances, organizations must increase their investment to avoid falling behind.

Furthermore, the proportion of companies making a very high level of investment in AI will be **44%** higher in the next 12 months compared to the previous 12 months.

% saying investment in AI will be "very high" in next 12 months

10% <2% growth rate

25% 2-9% growth rate

42% 10%+ growth rate

Companies, by past 12 month revenue growth rate

In the AI race, CX practitioners are confident in their progress.

Implementing AI: progress vs. competitors, % selecting

33%

12%

53%

- ● We are ahead of competitors
- ● We are behind competitors
- ● We are on par with competitors
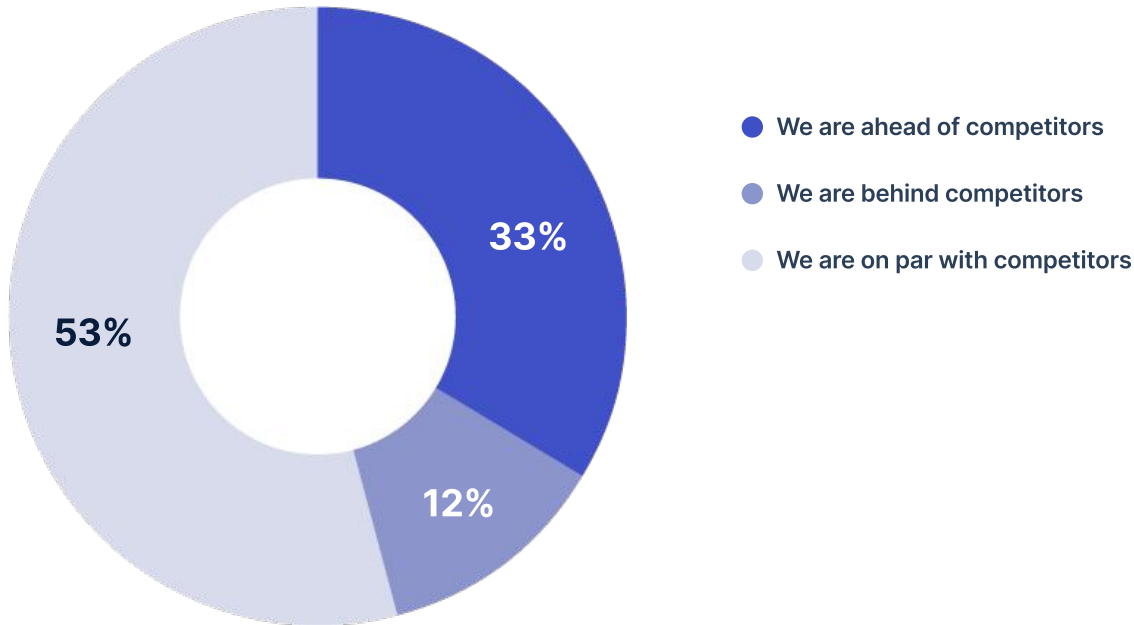
AI-focused roles are the new norm.

% of CX practitioners saying the following applies to their organization:

70%
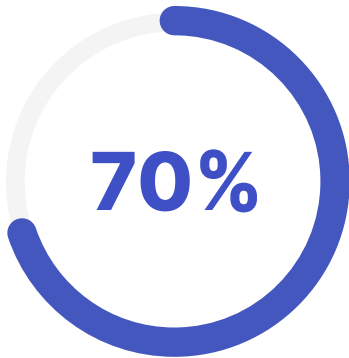
of organizations have one or more roles dedicated solely to gen AI

68%
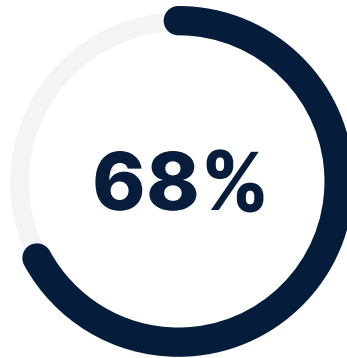
of organizations are currently hiring for more AI roles

51%
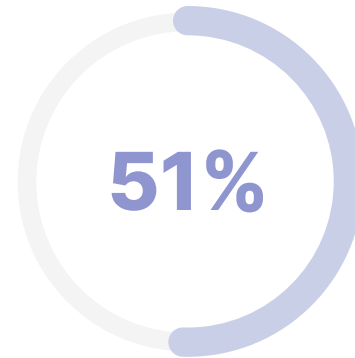
of organizations have appointed someone to an AI-focused executive title

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CX practitioners and IT teams lead the charge in shaping AI strategies.

What departments are driving their org's AI strategy?

CX practitioners' estimates of total responsibility

- IT / software engineering
- CX management
- Marketing
- Strategy
- Finance / accounting
- Experience management / HR
- Product design
- Other departments

20%
14%
13%
12%
11%
11%
11%
8%

From Medallia Market Research August 2024 CX Practitioner AI Survey (n = 820); "You indicated your organization has a clear plan for using AI. Based on your perspective, what percent of the responsibility in developing AI strategy is held by each of the following departments / teams?" Among subset saying org has a plan for AI.
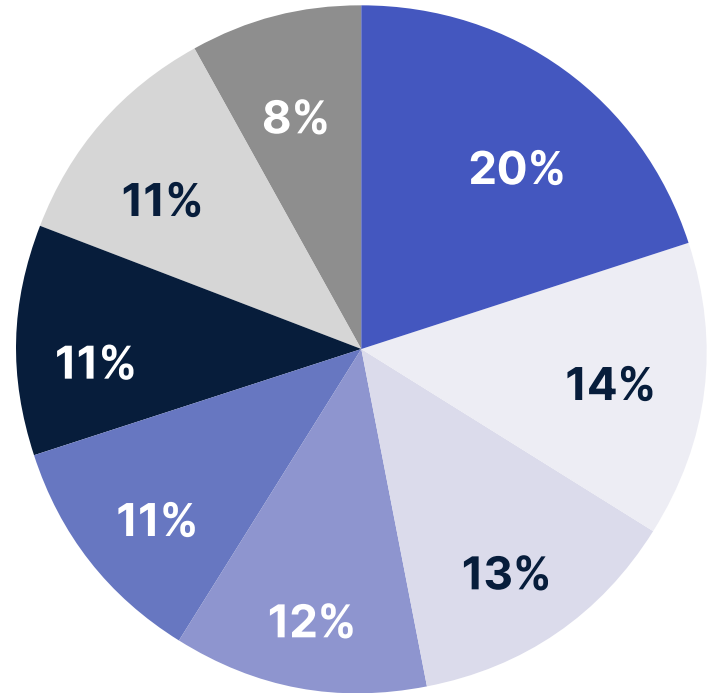
Data security, data privacy, and ROI are among the top factors in choosing an AI solution.

Drivers in developing/picking AI solutions

Driver	Value	Category
Data security	41%	Data protection
Data privacy	36%	Data protection
Return on investment	31%	Financial
Ethical use of data	26%	Other
Staying within a budget	21%	Financial
Ability to scale across business units / geographics	20%	Solution sustainability
Having adequate employee training and support	17%	Solution sustainability
Compatibility for future waves of technology	17%	Solution sustainability
Not disrupting existing customer experiences	17%	Experience
Compatibility for future regulations	16%	Solution sustainability
A proprietary solution instead of using open-sourced technology	12%	Technical
Not losing customers who worry about AI	11%	Experience
Using open-sourced technology instead of a proprietary solution	11%	Technical
Not losing employees who worry about AI	10%	Experience

Legend:
- Data protection
- Financial
- Solution sustainability
- Experience
- Technical
- Other

CX practitioners are prioritizing data security and privacy when choosing or developing AI tools, while return on investment trails closely behind. Incorporating AI into experience programs requires thoughtful execution. Understanding where data flows and how it is used remains essential, while key considerations such as data privacy, model risks, and ethics must shape decision-making. Selecting vendors who emphasize security, compliance, and transparency can significantly reduce risks and help sidestep potential challenges down the road.

05

How does the road look ahead?

3 in 4 CX practitioners believe their companies have a defined AI strategy.

75% feel their organization has a clear plan on the uses and benefits of AI for their business.
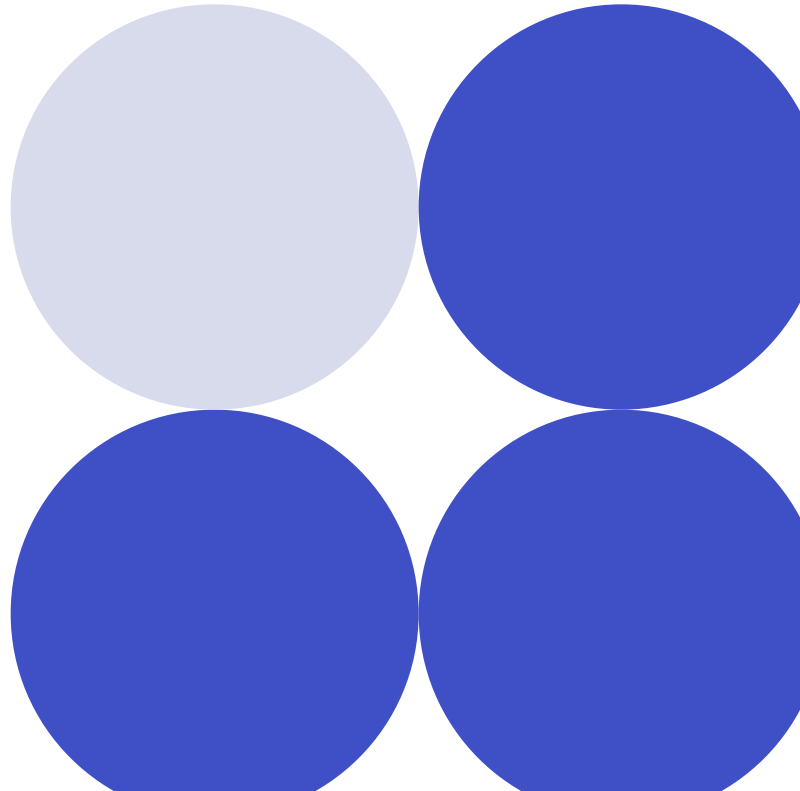
From Medallia Market Research August 2024 CX Practitioner AI Survey (n = 820); "For each of the following statements, please select the choice that best represents your level of agreement."

Data analysis is the #1 use case organizations have pursued.

Single most important AI use case, % citing

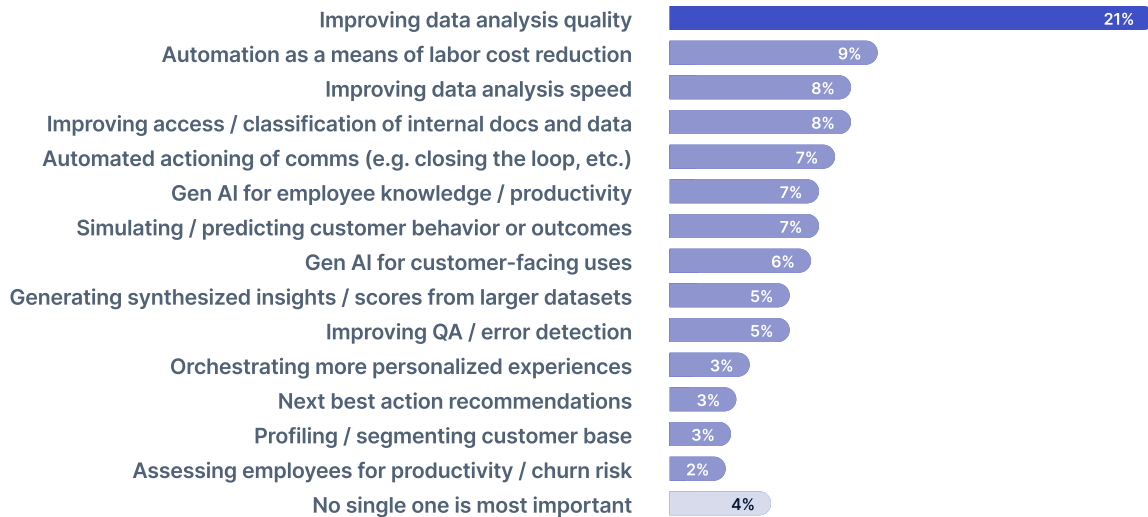| Use case	%
Improving data analysis quality	21%
Automation as a means of labor cost reduction	9%
Improving data analysis speed	8%
Improving access / classification of internal docs and data	8%
Automated actioning of comms (e.g. closing the loop, etc.)	7%
Gen AI for employee knowledge / productivity	7%
Simulating / predicting customer behavior or outcomes	7%
Gen AI for customer-facing uses	6%
Generating synthesized insights / scores from larger datasets	5%
Improving QA / error detection	5%
Orchestrating more personalized experiences	3%
Next best action recommendations	3%
Profiling / segmenting customer base	3%
Assessing employees for productivity / churn risk	2%
No single one is most important	4%

One in five CX practitioners cite "enhancing the quality of data analysis" as their organization's top use case for AI — 2x more common than any other objective. Improved data analysis translates into better outcomes. By identifying themes within data, CX teams can swiftly and confidently transition from insights to action.

For example, performing root cause analyses can reveal why customers feel the way they do and why indicators like impact scores or sentiment have shifted. Armed with this knowledge, you can implement changes that genuinely enhance customer experiences.

Impact is measured by how fast AI delivers insight and drives action.

How organizations are measuring impact of AI
Top 7 of 13 choices shown

1 % time saved (46%)

2 speed % improvement (43%)

3 $ cost reduced (42%)

4 $ revenue growth (38%)

5 % error reduction (37%)

6 customer feedback on AI-related experiences (34%)

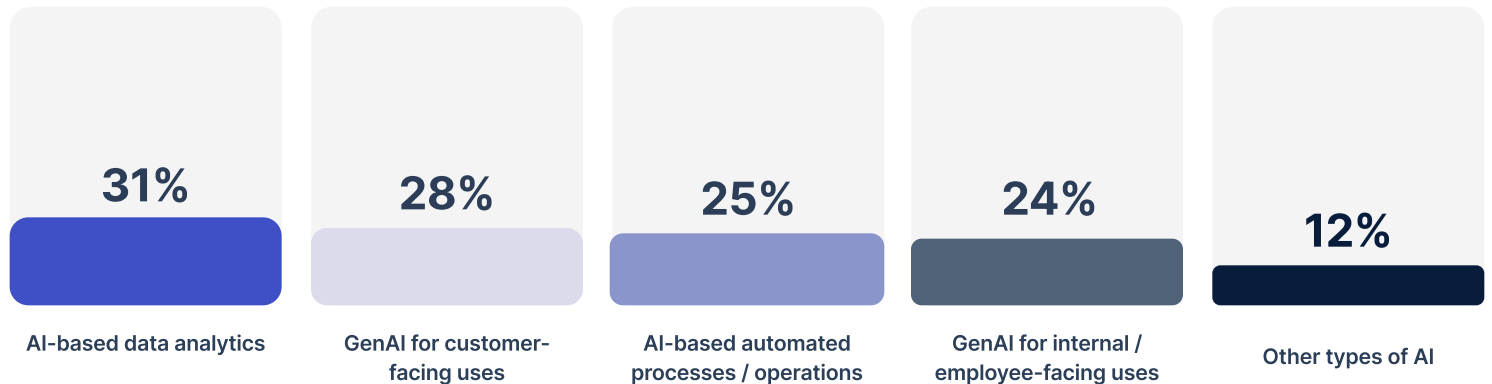**7** employee feedback on AI-related capabilities (33%)

CX practitioners are prioritizing measurements like time saved and speed of improvements, because these metrics directly correlate with their ability to create a continuous cycle of improvement within their organizations. By reducing the time and effort needed for data collection and analysis, AI empowers teams to respond faster to customer needs and accelerate experience improvements.

The result? Better customer loyalty and the ability to deliver on brand promises with confidence.

Additionally, customer and employee feedback are among the top ways organizations are measuring AI's impact. Without proper feedback collection, you risk overlooking the full potential of your AI-driven initiatives.

There's plenty of room for growth and improvement.

Proportion of CX practitioners saying their organization's current capabilities are "advanced"
by AI type

31%	28%	25%	24%	12%
AI-based data analytics	GenAI for customer-facing uses	AI-based automated processes / operations	GenAI for internal / employee-facing uses	Other types of AI

Despite some encouraging signs, the majority of practitioners recognize that there's significant room for improvement in their AI capabilities. Fewer than one-third of brands currently label their AI-based data analytics as "advanced."

Choosing the right vendors is key to ensuring that your organization's AI capabilities are not just sustainable but also scalable as technology continues to evolve.

Organizations are exploring new use cases.

AI use cases already being pursued

	Rank
Improving data analysis quality	1
Improving data analysis speed	2
Improving QA / error detection	3
GenAI for employee knowledge / productivity	4
GenAI for customer-facing uses	T-5
Generating synthesized insights / scores from larger datasets	T-5
Improving access / classification of internal docs and data	7
Automation as a means of labor cost reduction	8
Simulating / predicting customer behavior or outcomes	9
Automated actioning of comms (e.g. closing the loop, etc.)	10
Profiling / segmenting customer base	11
Assessing employees for productivity / churn risk	12
Orchestrating more personalized experiences	13
Next best action recommendations	14

Will be first pursued this year

Rank	
1	GenAI for customer-facing uses
2	Simulating / predicting customer behavior or outcomes
T-3	Improving access / classification of internal docs and data
T-3	Automated actioning of comms (e.g. closing the loop, etc.)
5	GenAI for employee knowledge / productivity
6	Automation as a means of labor cost reduction
T-7	Improving QA / error detection
T-7	Profiling / segmenting customer base
9	Improving data analysis speed
10	Generating synthesized insights / scores from larger datasets
11	Next best action recommendations
12	Assessing employees for productivity / churn risk
13	Orchestrating more personalized experiences
14	Improving data analysis quality

As companies begin to grasp the value of AI in accelerating data analysis and enhancing quality behind the scenes, they are turning their attention to how these technologies can enrich customer-facing interactions in the future. CX practitioners are turning their focus to genAI's potential to improve the overall customer experience. Based on our survey, many organizations plan to implement these initiatives this year, actively seeking tools that can simulate or predict customer behavior and outcomes.

From Medallia Market Research August 2024 CX Practitioner AI Survey (n = 820); "What are the main use cases of AI that your organization has already started pursuing? Select all that apply" / "Of those not pursued yet, are there any that your organization will begin pursuing in the next twelve months? Select all that apply". Rank by % selecting.

Conclusion

There's much to glean from the experiences of other CX practitioners when it comes to selecting, implementing, and using AI technology. While concerns about inaccuracies and job displacement linger, overall sentiment is optimistic about AI's current role and future potential. CX practitioners feel empowered, claiming a seat at the table in guiding AI implementation within their organizations. They're monitoring AI results based on metrics like speed, efficiency, and cost savings, and many have been pleasantly surprised by the outcomes.

However, as enthusiasm for AI grows, data privacy and security concerns remain significant. Practitioners understand the importance of safeguarding sensitive customer information while also trusting the accuracy of its outputs — making careful consideration critical when choosing a vendor.

At Medallia, we've seen AI work its magic for leading brands — lifting key metrics like NPS and first contact resolution (FCR), while giving productivity and revenue a nice boost. Now, with genAI joining the party, those benefits are getting an upgrade. Our goal is to make AI fit seamlessly into your CX strategy in ways that actually work for your business, making it simple to tap into the possibilities.

To learn more, check out our e-book to discover how AI is transforming CX.
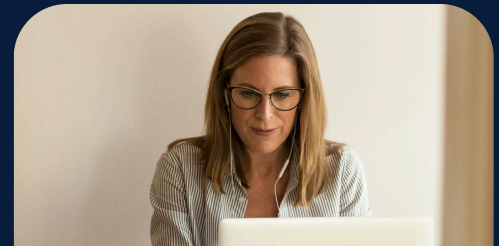
5 Real Ways AI is Transforming Customer Experiences

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Methodology

Medallia Market Research gathered responses from 820 professionals whose roles influence their company's customer or prospect experience (CX practitioners). The sample size included 62% U.S.-based experts, 22% from the UK, 9% from Australia or New Zealand, and 7% from Canada. Respondents were from companies ranging in size from 500 employees up to 100,000 or more. Companies have an annual revenue of $250 million up to more than $25 billion.

Respondents described themselves as VP level or above (27%), Senior Director or Director (38%), or Senior Manager / Manager (35%).

The survey took place between August 8–22, 2024.