

SPECIAL REPORT

The AI Revolution

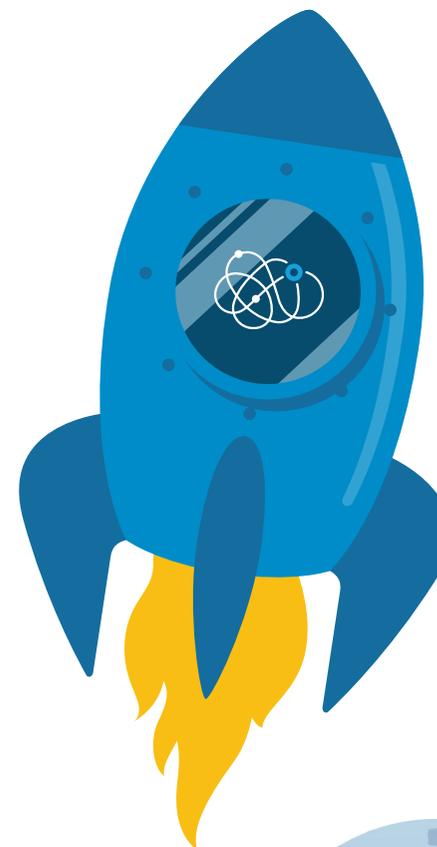
Insights into the next era of customer relationships

Today's kindergarten students will never know a world without artificial intelligence (AI), thanks to Apple's Siri. Something as commonplace as smartphone technology has put the power of AI into the hands of every consumer. Unsurprisingly, customers' expectations for smarter interactions are rising. Businesses are likewise finding countless ways to infuse AI into everything from their customer experiences to their internal operations.

To better understand this movement, Salesforce Research compiled insights from its 2016 and 2017 global studies of nearly 10,800 sales, service, and marketing leaders and over 7,000 consumers and business buyers. This report highlights key findings around customers' heightened expectations for tailored, relevant experiences, and how businesses are using AI to meet them.

Combined surveys generated responses from 10,785 full-time sales, service, and marketing leaders (not limited to Salesforce customers) from the U.S., Canada, Brazil, U.K./Ireland, France, Germany, Japan, Australia/New Zealand, the Netherlands, and the Nordics.* Due to rounding, not all percentage totals in this report may equal 100%. All comparison calculations are made from total numbers (not rounded numbers).

 *Salesforce Research provides data-driven insights to help businesses transform how they drive customer success. Browse all reports at salesforce.com/research.*



*Note: Data attributed to Salesforce Research's AI Snapshot Survey is sourced from U.S. respondents only.



- Customer Expectations Drive a New Era of Smarter Engagement**..... 4
 - 01** | AI Steps into the Business Strategy Spotlight..... 5
 - 02** | AI’s Rise Mirrors Customers’ Elevated Expectations..... 6
 - 03** | Customers’ New View on Data Raises the Stakes for Companies..... 7
 - 04** | Loyalty Trends Hasten the AI Revolution..... 8
- Businesses Embrace AI to Meet the Challenge**..... 9
 - 05** | AI Use Cases Span Sales, Service, and Marketing..... 10
 - 06** | Deeper Relationships Hinge on Smarter Sales..... 11
 - 07** | Sales Teams See Returns on Early AI Investments 12
 - 08** | Intelligence Fuels Elevated Customer Service..... 13
 - 09** | Top Service Teams Project a Big Role for AI..... 14
 - 10** | Spotlight: Dynamic Content Ushers in Hyper-Personalized Marketing 15
- Last Look: Companies Are Faced with Three Big AI Decisions** 16



Customer Expectations Drive a New Era of Smarter Engagement

We're in the midst of a technology revolution of unprecedented scale and scope in which AI is driving historic societal transformation. Additionally, AI promises to re-architect business models from the ground up – enabling companies to get closer to their customers, design hyper-personalized experiences, and deliver relevant (even pre-emptive) customer engagement in real time.

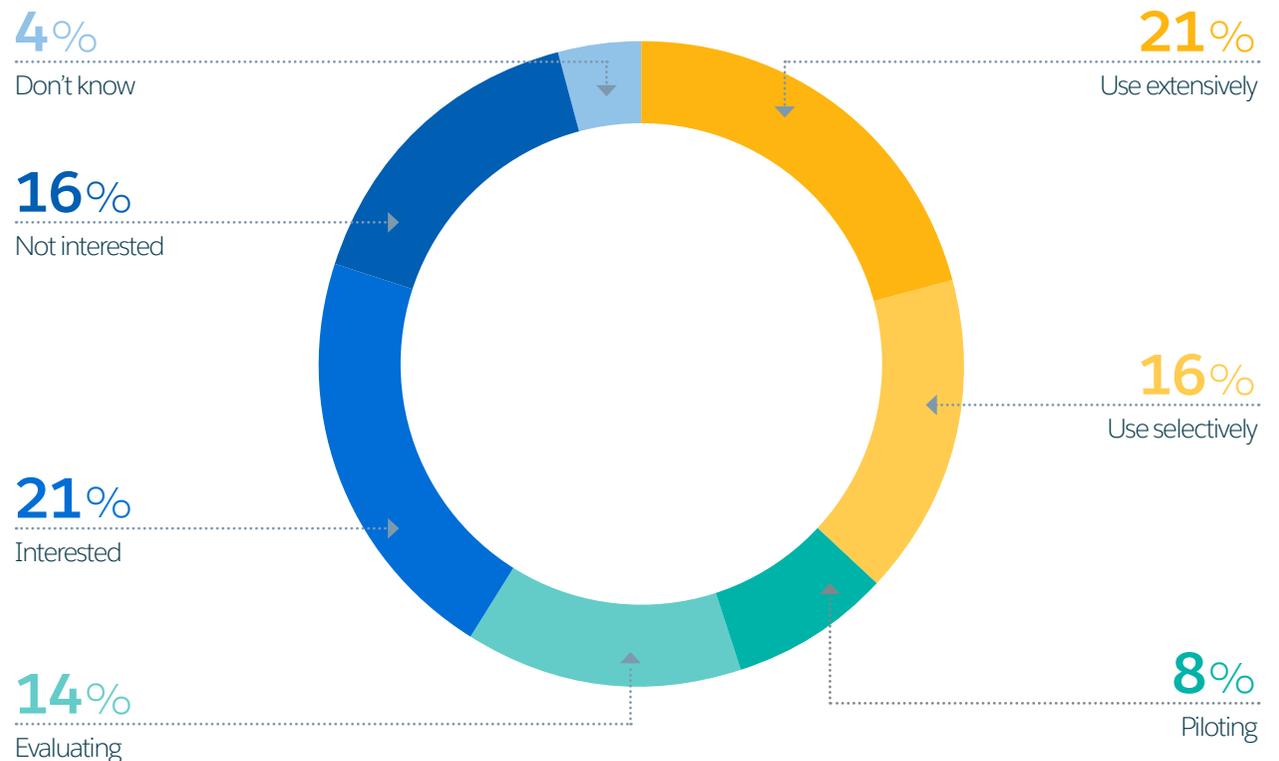
Just how much of a splash is AI making? A recent survey of sales, service, and marketing professionals in the U.S. shows a growing eagerness to capitalize on the opportunities AI presents. Already, **37% of teams are using AI**, and a further 22% are piloting or evaluating such solutions. Only 16% say their organization isn't interested in AI.

Clearly, a business world powered by AI is upon us. But why now? Let's take a look at which trends have precipitated this revolution.

AI Adoption Is on the Rise

While a minority of businesses use AI today, interest in the technology is pervasive and planned adoption is strong.

Percentage of Sales, Service, and Marketing Leaders Who Describe Their Organization's Use of or Plans for AI as Follows



For companies across different industries, the increasing maturation of AI technology is well-timed as they grapple with skyrocketing customer expectations.

The power dynamic between customers and companies has been reversed. Breakthroughs in cloud, social, and mobile technology have given customers more information, more choice, and more flexibility than ever before. As a result, **58% of consumers and 75% of business buyers say technology has significantly changed their expectations of how companies should interact with them.**

Now, AI-powered developments like individualized recommendations and automatic order fulfillments are raising the bar against which customers judge companies. Currently, 55% of consumers and 75% of business buyers expect personalized offers. **By 2020, 51% of consumers and 75% of business buyers expect companies to anticipate their needs and make relevant suggestions.**

The Age of the Customer Brings Elevated Expectations of Companies

In addition to providing them with greater access to information than ever before, technology has trained customers to expect individually tailored and, increasingly, predictive experiences.

Percentage of Consumers and Business Buyers Who Agree with the Following Statements



Customers' New View on Data Raises the Stakes for Companies

Data is at the heart of meeting the elevated expectations of today's connected customers. When applied wisely, the flood of customer data from countless devices and systems of record allows companies to know precisely when, why, and how to engage at the individual level.

However, many companies have held back on leveraging that data – for fear of breaking customer trust. For instance, tailored shopping experiences can improve the customer experience, but risk stepping over a “creepy” line. **Only 12% of customer service teams and 18% of sales teams rate their ability to gather insights across the entire customer lifecycle as either excellent or outstanding.**

Yet, having grown accustomed to tailored, individualized experiences, customer attitudes towards their data have shifted significantly in recent years. Customers now expect companies to leverage their data, but expect a markedly superior experience in return. For instance, **58% of consumers are willing to share personal data in exchange for a personalized in-store or online shopping experience**, and 52% say the same for product recommendations that meet their needs. Enthusiasm for this data value exchange is higher for millennials.

Customers Are Willing to Share Data for Superior Experiences

Most customers understand that the personalized, predictive experiences they expect are made possible by the collection, integration, and application of data.

Percentage of Consumers Who Agree They're Willing to Share Personal Data in Exchange for the Following



A key component of the Age of the Customer is choice. Barriers to market entry have fallen, allowing new competitors to disrupt established industries. With a world of knowledge in their pockets at all times, customers can explore new products, and discover new alternatives, at the tap of a finger.

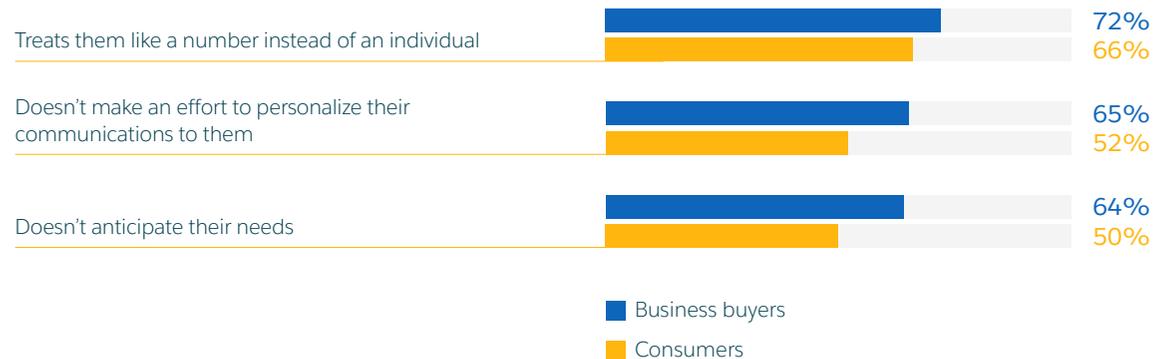
The competitive battleground is now squarely based on superior customer experience. Empowered by technology, customers are increasingly willing to abandon companies unable to meet their new expectations. For example, **half of consumers will switch from brands that don't anticipate their needs.**

That lends further urgency to a company's customer-centric transition, and can spell disaster for those that are unable to personalize experiences and adapt to customer needs quickly enough. In this climate of change, many firms are turning to AI to accelerate their evolution.

Treating Customers Like Numbers Is a Dangerous Business Strategy

If companies don't meet the elevated expectations of consumers and business buyers for personalized, predictive experiences, a majority are willing to switch to brands that will.

Percentage of Consumers and Business Buyers Who Are Likely To Switch Brands If a Company Does the Following



Businesses Embrace AI to Meet the Challenge

Over time, AI has the potential to become as ubiquitous as electricity or cloud computing. Data suggests we're not there yet, however. While many companies expect to use AI, only a minority are using it today. During this transitional stage, the opportunity to use AI to win market share is open to every enterprise.

Sales, service, and marketing leaders view AI as a tool to drive better customer engagement and increased revenue across their lines of business. Sales and marketing teams, for example, see opportunities to improve their lead scoring, while customer service teams foresee more intelligent classification and routing of their cases.

Customer-Centric Use Cases Are Viewed as Strong Contenders for AI

Ranking of Top AI Use Cases for Sales, Service, and Marketing Leaders

- 1 Sales and marketing lead scoring
- 2 Sales forecasting
- 3 Customer service case classification/routing
- 4 Sales opportunity scoring
- 5 Email marketing

Sales teams are shifting from delivering transactions to building relationships. Leading sales executives strive to become trusted advisors, adding value based on deep customer understanding.

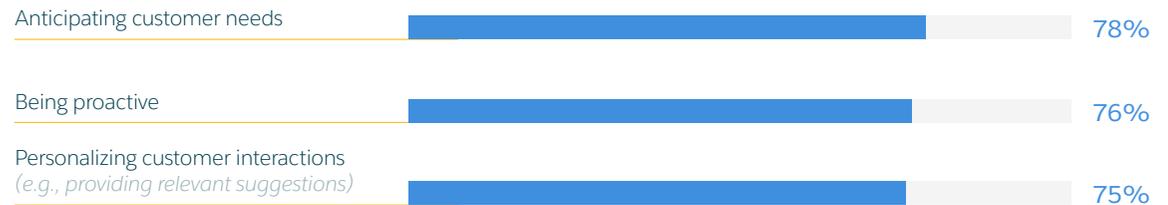
In today's landscape, that means providing personalized, prescriptive, and even anticipatory sales processes. In fact, no fewer than three-quarters of sales teams have increased their focus on such efforts over the past 12-18 months.

As companies move towards these lofty goals, a clear relationship has emerged between teams that are flourishing under a new dynamic, versus those who are floundering. **High-performing teams – those who have significantly increased their YoY revenue growth – are 3.1x more likely than their underperforming counterparts – those with negative YoY revenue growth – to currently use AI, or plan to do so within a year.**

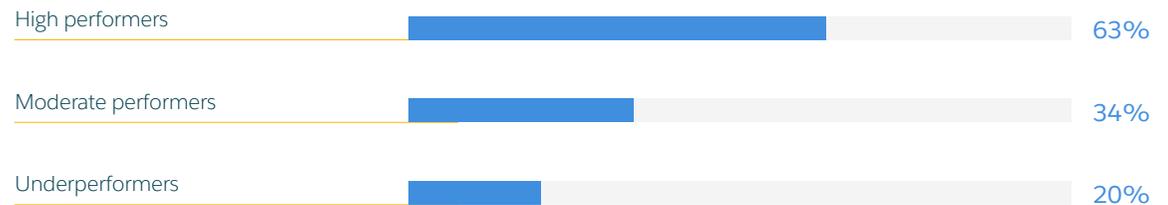
Top Sales Teams Are More Likely to Meet New Objectives with AI

The role of sales is no longer one of order-taker. To succeed in the Age of the Customer, sales teams are focusing on driving trusted advisor relationships with customers through personalized and proactive engagement. Top sales teams – those driving significant revenue growth under this new dynamic – are more likely to leverage AI.

Percentage of Sales Teams That Have Increased Focus on the Following over the Past 12-18 Months



Percentage of Sales Teams That Currently Use or Plan to Use AI within 12 Months



There is already evidence that AI has a direct impact on a company's capacity to thrive in the Age of the Customer. In the sales department, intelligent selling is already driving productivity improvements and increasing the speed at which sales teams operate.

Eighty percent of teams using intelligent selling say there has been a major or moderate positive impact on their sales reps' productivity, while 74% report a boost in sales velocity.

But more importantly, AI is helping sales organizations make that critical shift from simply facilitating transactions to building lasting, deep relationships with customers. Among those already using an intelligent sales capability, 83% report a major or moderate positive impact on customer retention, and 80% say the same for customer/prospect nurturing.

Smarter Selling Yields Big Results

In addition to impacting their ability to drive deeper customer relationships, users of intelligent sales capabilities report advantages to their operations.

Percentage of Sales Teams with Intelligent Sales Capabilities That Report a Major or Moderate Positive Impact on the Following



This chart is a partial list.
Source: "State of Sales," Salesforce Research, November 2016.

Customer service teams are particularly impacted by the Age of the Customer. In response to new customer demands, service teams have begun to dedicate themselves to achieving three key aims – personalizing customer interactions, providing proactive service, and taking into account a customer’s unique journey with their organization.

As with their colleagues in sales, a relationship between winning customer service teams and the presence of intelligent capabilities is apparent. **High-performing service teams – those who rate their performance versus the competition and overall service performance as excellent – are 1.5x more likely to use AI than underperformers** – those who rate their performance versus the competition as average or worse.

Service Teams That Excel Under Their New Mandate Are More Likely To Leverage AI

Most customer service teams have pivoted their strategies with goals of providing personalized and proactive customer experiences, but top teams – those whose service outperforms the competition – are more likely to have adopted AI.

Percentage of Service Teams That Have Increased Focus on the Following over the Past 12-18 Months



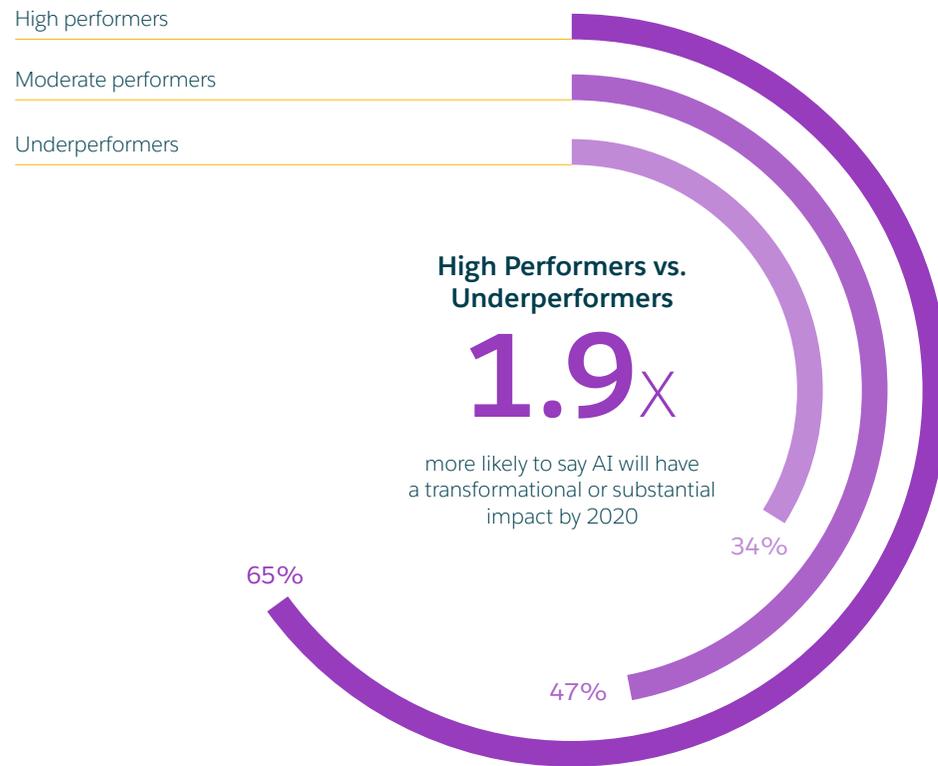
Percentage of Service Teams That Currently Use or Plan to Use AI within 18 Months



Leading service teams appear to be following their counterparts in sales. High performers are working to integrate AI into everything they do, and expect the technology to be a fundamental pillar in their strategies to match up to sky-high customer expectations in the years ahead.

High-performing service teams are nearly twice as likely as underperformers to say that AI will have a transformational or substantial impact on their practices by 2020. Nearly two-thirds (66%) of high performers share this sentiment, compared to only one-third (34%) of underperformers.

Percentage of Service Teams That Believe AI Will Have a Transformational or Substantial Impact on Customer Service at Their Company by 2020



Spotlight

Dynamic Content Ushers in Hyper-Personalized Marketing

Marketing departments are well-versed in using personalization to build customer engagement, but technological developments have raised the bar on what constitutes a truly personalized marketing experience.

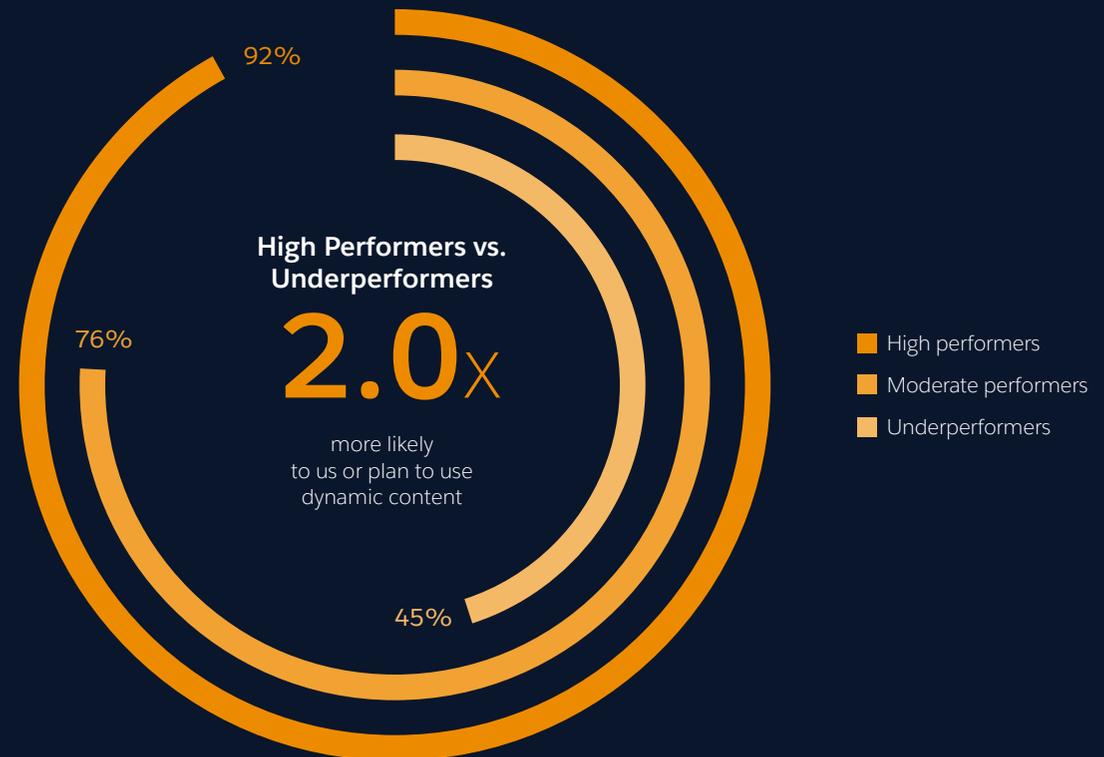
In their quest to deepen customer relationships, many marketers have moved from simple segmentation to dynamic content strategies, powered by machine learning, to tailor communications and offers to individuals.

It's becoming an increasingly popular tactic amongst high performers. **Ninety-two percent of high-performing marketing teams – those who are extremely satisfied with the current outcomes realized as a direct result of their marketing investment – use dynamic content or plan to do so within 12 months.** This represents twice as many as underperforming marketers – those who are slightly or not at all satisfied with their outcomes.

Top Marketers Overwhelmingly Leverage Dynamic Content

Dynamic content presents marketers with an unprecedented opportunity to engage individuals on their unique customer journeys. While more than nine in 10 high-performing marketing teams – those most happy with the outcomes of their marketing investments – have embraced dynamic content, less than half of their underperforming counterparts have done the same.

Percentage of Marketing Teams That Currently Use or Plan to Use Dynamic Content within 12 Months



Last Look

Companies Are Faced with Three Big AI Decisions

As companies look to leverage AI to help them compete in the Age of the Customer, three decisions loom large.

Where should you apply AI?

Only 16% of sales, service, and marketing execs say they've completely defined their processes for embedding the outcomes of AI analysis into their business practices.[†]

AI can certainly play a role for companies looking to deliver on elevated customer expectations. But recognizing AI's potential isn't enough. To derive real value, companies must carefully examine how the technology will fit into their specific business processes.

How can you drive buy in?

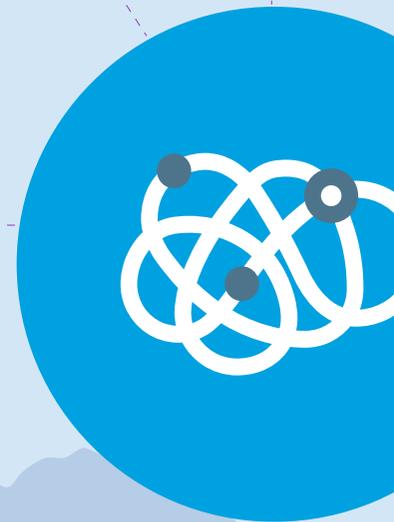
Only 23% of business users with interest in AI say they have complete confidence in the capacity/bandwidth of their employees to execute on an AI business strategy.[†]

Business users must be assured that AI adds value and helps them drive deeper engagement with customers, rather than adding a technology-based hurdle to their daily duties. To help drive adoption across the company, evangelists must show business users how AI adds value and drives meaningfully deeper engagement.

Do you make or buy?

*82% of IT teams say they're experiencing a skills gap in data science, or anticipate such a skills gap within two years.**

Many companies have identified a challenging skills gap when implementing AI in their business. Others plan on partnering to sidestep the challenge of hiring a full team of data scientists. There's a major decision for companies to make – balancing the imperative to own their differentiator and the necessity of entering into a battle for data science competency.



[†] Source: AI Snapshot Survey, Salesforce Research, February 2017.

* Source: "State of IT", Salesforce Research, April 2017.



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