

White Paper

A Platform Approach Is Critical to Customer Engagement Success and Building Trust

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EXECUTIVE SUMMARY

In today's digital world, companies are competing on experience, regardless of whether they believe it or even understand it. They may have a unique product for a little while, but soon it will be copied and will pop up on a website or a marketplace elsewhere. Or they may have the best price, but that only lasts until another company is willing and able to sell the same or similar product at a lower price. What makes a company unique in today's digital world of largely undifferentiated products and nearly equivalent pricing is the customer experience it provides. Businesses are realizing that better customer satisfaction comes from deeply understanding their customers and delivering fewer, but more meaningful, interactions that will increase profits. By focusing solely on profit and revenue as a top success metric, they lose sight of the customer.

A critical part of that experience is how trustworthy the company is with the customer's data. Laws and regulations prohibiting the sale of personal information and sovereignty laws and regulations will complicate the sale and usage of customer data, necessitating in-house collection of high-quality data for generating customer insights. At the same time, consumers' growing savviness and interest in understanding how companies collect and use their personal data are driving companies to change their data management approach. That is why, in 2023, an important piece of any digital customer engagement strategy must be centered around building trust around reliability, security, privacy, and compliance.

To achieve that trust objective, while better serving the needs of their customers, more organizations are seeking to adopt a customer engagement platform (CEP) defined by IDC as a flexible, interoperable set of customer data tools (such as a customer data platform) and omni-channel communications tools (such as email, SMS, WhatsApp, voice, and video) to build innovative solutions that drive personalized interactions at scale, across the customer life cycle. And a critical part of the CEP is the ability to protect and secure customer data. When organizations select their marketing, customer service, ecommerce, or customer data platform (CDP), or any other component that touches customer data, the security and privacy of customer data should be a key selection criterion and should be at the top of the list for any upgrades to the platform.

Methodology

As society shifts from a primarily physical experience to a primarily digital experience, it is important to understand what is critical to the customer. To better understand where customer and business priorities are, IDC fielded a survey during the summer of 2022 that focused on the intersection

between customer engagement and trust through a technology lens. There were 1,600 global respondents from the United States, the United Kingdom, Germany, France, Japan, Singapore, Australia, Brazil, and Mexico. The survey focused on respondents in the marketing, customer support, customer experience, and product engineering roles who were broken down equally across four industries – retail, financial services, healthcare, and "other."

Note: All numbers in this document may not be exact due to rounding.

CUSTOMER ENGAGEMENT IS THE KEY TO FUTURE CORPORATE SUCCESS

Not that long ago, customers made their purchase decision – if and when they had a choice – on the product itself and the price. Today's marketplace is extremely competitive where there is little differentiation between products and pricing. Brands and companies compete for the attention of every customer in an evolving digital and physical world. Even if a company can capture the attention of a customer, it may still lose the customer as they cross channels, or are asked for additional and unnecessary data, or simply because of the lack of trust due to news of a data breach with the company they just decided to purchase from. The result is that the customer ends up having a poor experience that drives them to another company in the marketplace. In addition to that, the past few years have been tumultuous, and if companies have learned one thing, it is that corporate success hinges on customer engagement and the experience a customer receives.

Customers Have Made Experiences Crucial ...

In the modern world, the physical and digital experiences a customer has from the initial interaction to the chat with customer service have become crucial. And the sad part is that almost everyone has a less-than-stellar customer experience story that they can tell. For some, it might be the inability to complete a transaction online. For others, it might be the disconnect between the digital experience and the physical experience, such as when you purchase something online and then go to the store to pick it up and it is out of stock. Or for some, it comes down to an employee or a system not protecting the customer data the way the customer expects their data to be handled. The end result of any of these or other poor experiences is often the same – customers have a number of options to choose from, and they choose to take their business somewhere else that has a better customer experience.

In our research, IDC has found that almost three in four customers say a good customer experience is a key to them remaining loyal to a brand (see Figure 1). And if they are loyal, they are five times more likely to purchase again. That should be enough to drive most companies to invest in a good customer experience, but it isn't just about the relationship with one customer – it is about a relationship with a whole ecosystem of customers.

FIGURE 1

Customers Have Made Good Experiences a Decision Criteria



73%
of customers say a good
experience is key to
brand loyalty

Loyal customers are **5x** more likely to purchase again

Customers tell **9** people about a positive experience ...

... and **16** about a negative experience

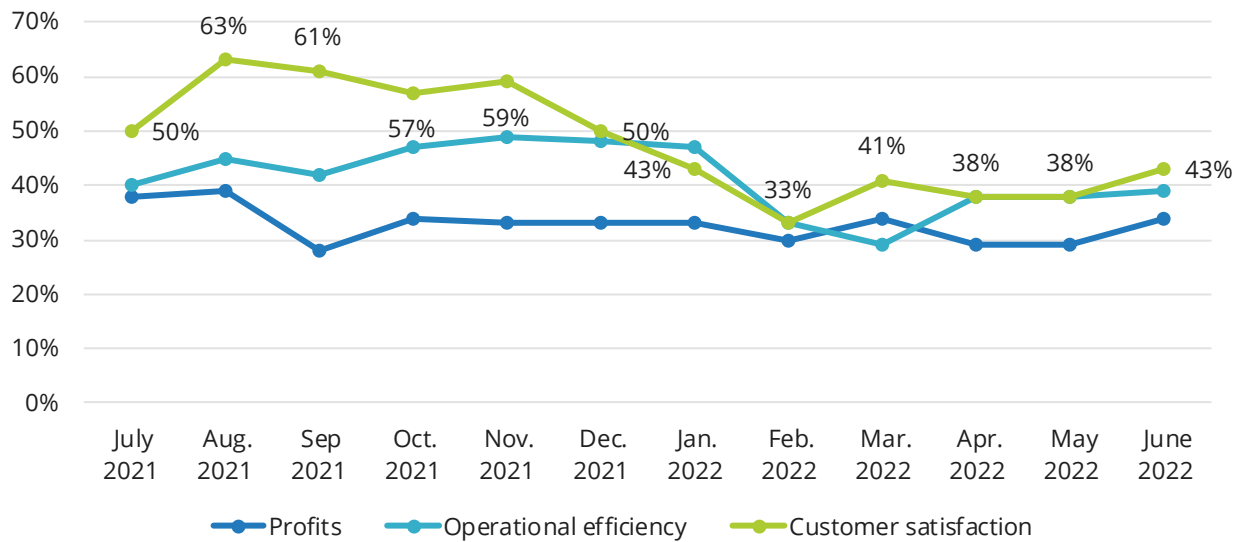
Source: IDC's *Future of Customers and Consumers Survey*, September 2020

... And Companies Have Begun to Respond

Companies have begun to respond to the demands from customers for a better digital and physical experience. Most would expect a C-level executive to place profit above everything else. But research shows that during and since the COVID-19 pandemic, improving customer satisfaction is a higher priority than either profit or operational efficiency as companies struggle to gain and retain customers (see Figure 2). Companies understand that getting new customers is expensive and that it is less expensive (and more profitable) to retain current customers. They also understand that a good customer experience is foundational to building long-term customer value. IDC research has found that most companies expect an approximately 7x return on their investment in customer experience-focused technologies – hence why they are focusing on the components necessary to build long-term trusted relationships with customers even if it means lesser revenue in the short term and prioritizing customer satisfaction knowing that it will lead to profits across the customer's lifetime.

FIGURE 2

C-Level Executives Prioritize Customer Satisfaction



n = 796

Source: IDC's *Future Enterprise Resiliency and Spending Survey*, March 2022

But improvement of the customer experience and customer satisfaction requires an investment of time and money. Companies need to invest in a modern digital customer experience platform or tools that contribute to the success of their customer experience, such as technologies that secure customer data and build trust. These platforms and components can include marketing technologies, CRM systems, communication platforms (CPaaS), contact centers, customer data platforms, customer feedback solutions, and more.

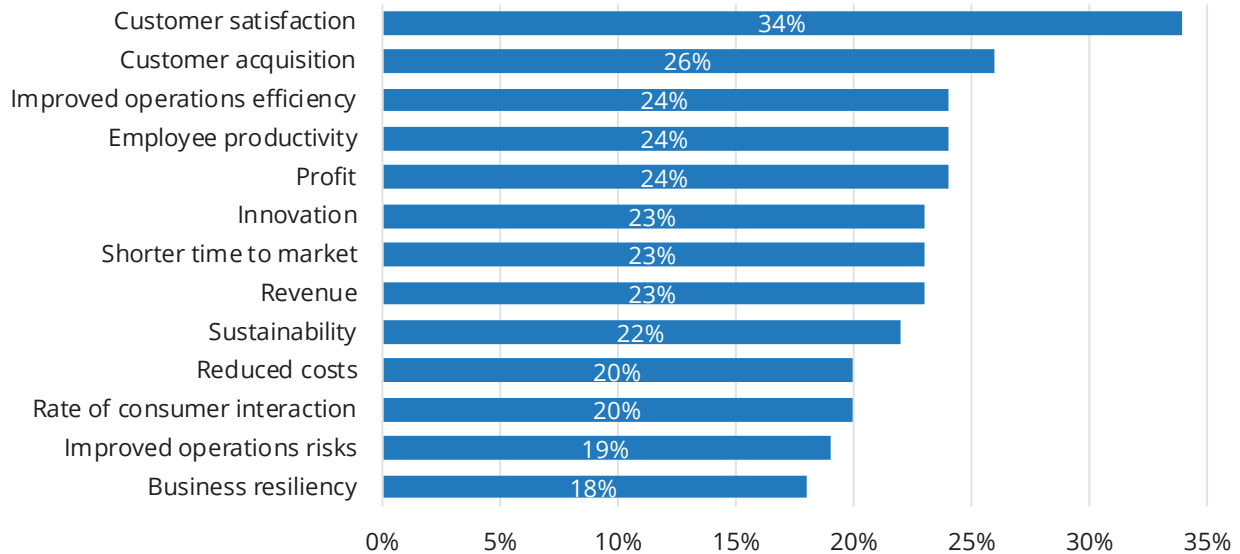
With the complexity of the modern customer journey, it takes a significant effort along with time and money to create an integrated customer experience, and companies have identified creating the technology infrastructure that supports that as a primary investment area. IDC research in 2022 found that for 31.5% of companies worldwide, one of their top 5 investment priorities is investing in technologies that improve the customer digital experience. Close to that, for 26.1% of companies, one of their top 5 investment priorities is investing in security technologies to protect their company and customer data along with 25.8% prioritizing big data and analytics technologies.

The reason for investing in technologies that support the customer experience is that companies have also identified that customer satisfaction is generally the top outcome they use to measure success. Approximately 34% of companies worldwide identified customer satisfaction as one of their top 3 outcomes ahead of profit, innovation, and even revenue (see Figure 3). In the same study, 26% of companies identified acquiring new customers as one of their top 3 outcomes and 20% identified the rate of customer interaction. Companies understand that the initial stepping stone for long-term success is by focusing on building customer satisfaction and loyalty.

FIGURE 3

Customer Engagement Leads to Successful Outcomes

Q. What are the top 3 outcomes used to assess the success of your company or organization?



n = 1,615

Source: IDC's *Twilio Trust Survey*, August 2022

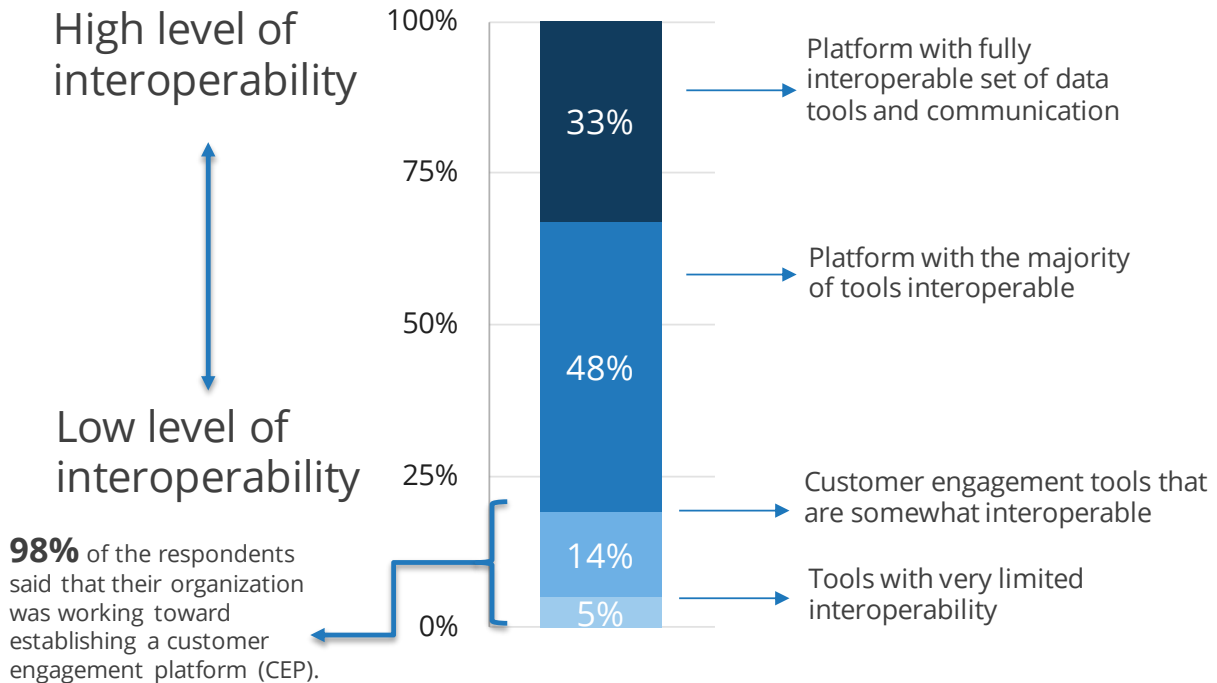
What technologies should companies invest in? The simple answer is that it depends. Every company is unique, its customers and business processes are unique, and its technology needs are also unique. But there is a correlation between the ability to effectively and efficiently connect business processes and data flows across a customer journey to improve customer satisfaction. Providing a modern customer experience that transcends both the physical and digital realms requires a set of tools often within the context of customer engagement. An important aspect to a platform as compared with a set of distinctive tools and applications is interoperability – the ability to connect business processes and data flows in such a way that it supports an improved or better customer experience.

Our research found that only one-third of companies globally have a CEP that has a fully interoperable set of data and communications tools that stretches across the platform and the customer journey (see Figure 4). Almost half of the companies have a platform where a majority of the tools including data communications flows are interoperable, and almost 20% have a set of applications and tools that are somewhat interoperable or have very limited integration and interoperability. Most customer experience failures happen when moving from one set of actions on a customer journey to another, meaning approximately two-thirds of companies still have at least minor cracks in their customer journeys that customers can fall through, which explains why 98% of companies stated that they are working on establishing a CEP. As important as the technology is, that is only half the story because a key aspect to customer engagement is both the customer data and the corresponding enterprise data.

FIGURE 4

Successful Customer Engagement Happens Through a Lens of Technology

Q. Does your organization currently have a customer engagement platform (CEP)?



n = 1,615

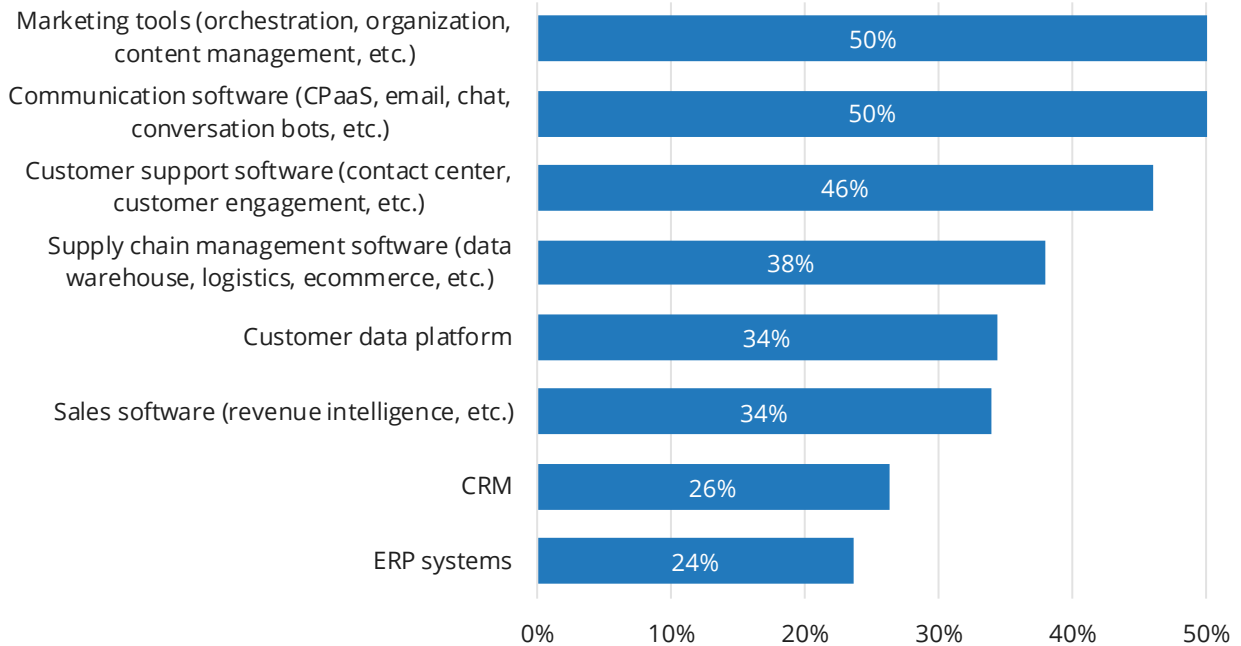
Source: IDC's *Twilio Trust Survey*, August 2022

It is important to remember that like the customer, the technological ecosystem that supports the customer needs to remain dynamic, flexible, and resilient. For example, by 2024, 50% of companies plan on upgrading their marketing technologies like orchestration, content management, and other parts of the marketing technology stack to remain relevant with customers (see Figure 5). This gives companies an opportunity to stay relevant with their customers as their customers increase and improve their technology. 50% of companies also plan on upgrading their customer communication applications such as CPaaS, email, chat, bots, and other applications, while 46% will upgrade their customer support and contact center applications and suites. This becomes even more critical as companies are able to tap into more of the data and value that come from direct customer communications. Underneath all of that, 34% of companies will implement a customer data platform as a way to manage and utilize customer data. The ability to effectively store, manage, and analyze the increasing amounts of customer data that is gathered needs an effective tool, and right now, the most effective tool is a customer data platform.

FIGURE 5

Companies Try to Maintain Technological Parity with Their Customers

Q. Two years from now, what tools and solution elements will be part of your current solution?



n = 1,615

Source: IDC's *Twilio Trust Survey*, August 2022

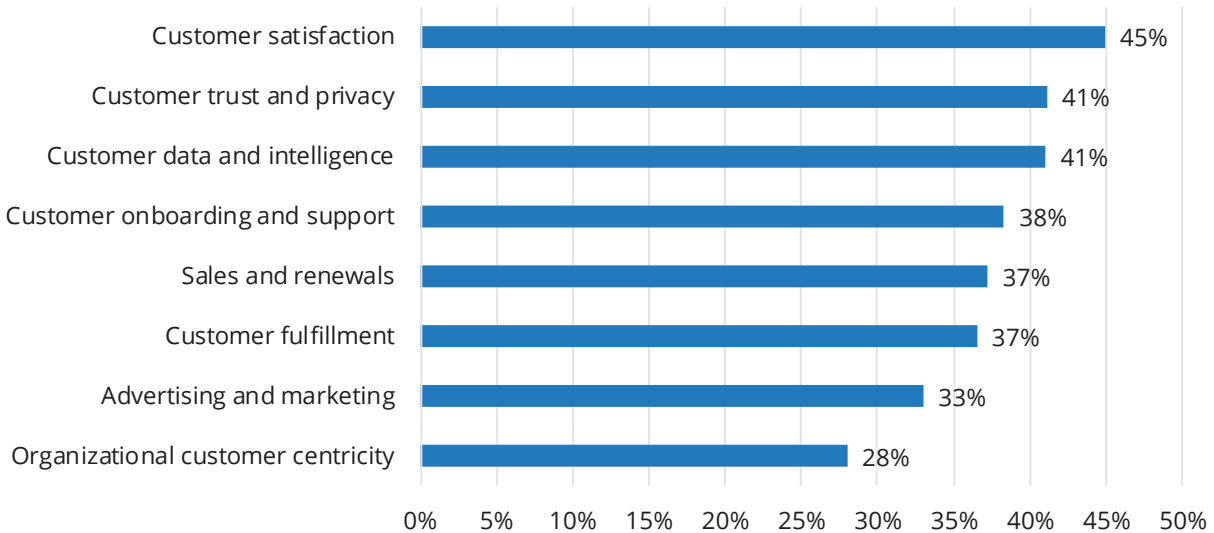
BUILDING A TRUSTED ENGAGEMENT PLATFORM

As mentioned previously, technology is only on part of what makes up a differentiated customer experience that results in customer satisfaction and loyalty. Personal data in the wrong hands can significantly damage reputations, so companies have begun to prioritize trust and privacy when it comes to their customers. When we examined the priorities of companies when it comes to the customer experience, customer satisfaction at almost 45% was closely followed by customer trust and privacy at 41% as a top 3 focus area (see Figure 6). And the dynamics of the changing market are having tectonic changes on customer data and customer data security. For example, as third-party cookies begin to crumble, there will be a significant move to first-party data. As the purchase and sale of data to third parties become more difficult, use of a trusted CEP will increase in importance as laws and regulations governing and restricting the movement and geographic location of personal data come into full effect (i.e., GDPR and Schrems II). For businesses that depend on data-driven customer insights, enabling the enterprise to collect first-party data in a transparent manner, aligned with customer expectations and intended to improve customer experience, will be paramount.

FIGURE 6

Companies Are Focusing on Protecting Customer Trust

Q. *Of the following CX initiatives, what are the top 3 priority focus areas for your company over the next 12 months?*



n = 796

Source: IDC's *Future Enterprise Resiliency and Spending Survey*, March 2022

But how do you protect your customer's data and inherently their trust? In many cases, it comes down to business processes and technology. For example, IDC has found that 58% of CEP users stated that they fully trust their solution versus 36% of non-CEP users globally, and that inherently makes sense. A CEP is an integrated platform of technologies aligned with business processes as compared with a set of independent technologies that need to be stitched together. For CEP users, security should be a core tenet of the platform that is inherent when it is implemented. For non-CEP users, companies need to go through the process of stitching applications together that are aligned with business processes, and then they need to go back and ensure that there are no potential security gaps – a difficult thing to do.

Customer Trust Is Built on Effective Security and Privacy

Given frequent data breaches and experiences with malware, phishing attacks, and password attacks, more consumers are beginning to pay more and more attention to cybersecurity, and they expect the companies that they work with to pay attention to it too. When asked about customers' interest in understanding the cybersecurity posture of the company, almost 60% of organizations said it had increased. Almost 20% of organizations reported that customer interest in cybersecurity has increased significantly, 33% reported that it had not changed, and only 9% reported it had decreased (see Figure 7).

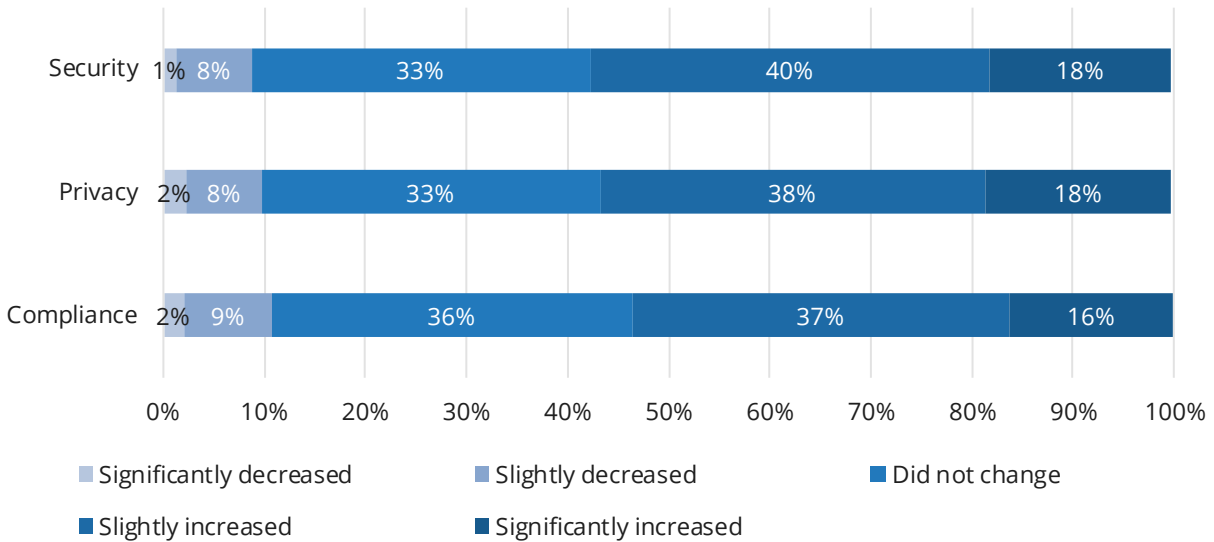
For example, in the United States, 72% of organizations say they have seen an increase in their customers wanting to know about their data security capabilities. For companies in retail, that number jumps to 86%. Also, in the United States, 73% of organizations say they have seen an increase in their customers wanting to know about their data privacy capabilities. For companies in healthcare, that number jumps to 82%. It is clear – customers are paying attention to organizational privacy and

cybersecurity posture and are making decisions to engage with companies or remain engaged based upon how well they protect their systems and data.

FIGURE 7

Changing Consumer Interest in Understanding Security, Privacy, and Compliance Capabilities

Q. *How much has consumer interest in understanding the security, privacy, and compliance capabilities of your organization changed?*



n = 1,615

Source: IDC's *Twilio Trust Survey*, August 2022

Customer interest in security, privacy, and compliance is increasing across the board, and companies are worried about their accountability to the security and privacy of customer data. More than half of companies indicate an increase in consumer interest, which will force them to act in alignment with their customers. Companies also realize that when it comes to customer data and internal systems, there is no such thing as perfect security. In our research, we found that only 25% of companies thought their security posture was very effective in supporting customer trust programs such as protecting customer data, whereas 37% of companies felt that it was only somewhat effective or not effective at all. That becomes an issue when customers begin to care more and more about security and trust.

How have companies responded? They have responded by focusing on those areas and technologies that are critical for securing customers and internal operations. For security, globally, recovery is the most important, followed by identity and access management, threat detection, and encryption (see Figure 8). It makes sense that the area of highest importance is building resiliency – if a company can't function, then it doesn't benefit either the company or the customer. But a close second is how a company engages with a customer in a secure way that protects the customer, the customer's data, and the company. Next in line is threat detection and response along with encryption – how does a company protect customer data and ensure that it is the customer that it is engaging with. All of this

points to the fact that having a layered approach is important and that security needs to be integrated into the solution.

FIGURE 8

How Important Is Security?

Q. When thinking of your current solution, please weigh the following areas of security by importance.

	Global	United States	EMEA	APJ	LATAM
Availability, resiliency, backup, and disaster recovery	15.9	15.7	15.2	15.9	16.7
Customer identity, credential, and access management	14.5	14.0	14.6	14.5	14.8
Encryption and key management	14.3	14.6	14.0	13.7	14.7
Threat detection and response	14.3	13.8	14.7	14.1	14.7
Lack of security integration across tools	14.0	14.3	14.2	14.2	13.2
Administrator identity and access management	13.7	13.9	14.1	13.4	13.2
Configuration of controls and configuration management	13.4	13.7	13.2	14.2	12.6
Total	100	100	100	100	100

n = 1,615

Notes:

Respondents are allocated 100 points.

Data indicates mean number allocated.

Source: IDC's *Twilio Trust Survey*, August 2022

But it isn't just about security; privacy is important too. Privacy is the other side of the security coin where the focus is on protecting the customer data, and it is just as important as security. There is still a significant portion of the market that lacks confidence in the privacy protection offered by CEP solutions. When asked about current solutions, companies globally responded that the most important aspect is around data protection and specifically how to hide and anonymize customer data such that if a bad actor was able to get ahold of the data, it can't be tied back to a specific customer (see Figure 9). Close behind data protection was making sure that companies met the requirements of laws like GDPR, CCPA, and others. Closely following meeting regulatory requirements were data governance, data sovereignty, and multiple aspects of data handling and control. This is appropriate as data governance, data discovery and classification, and data sovereignty all make it easier to protect data when a company understands what it has and how to manage it better.

However, there were some variations based upon the region of the world. For example, in EMEA, the most critical item was meeting the requirements of data protection regulations, which makes sense given GDPR. This was closely followed by data access controls and monitoring, which is critical to protecting privacy. In APJ, it was making sure that customers and partners understood what the

privacy policies are and how the company was meeting them. In Latin America, data protection was clearly the most important area by a significant portion.

FIGURE 9

How Important Is Privacy by Geographical Region?

Q. When thinking of your current solution, please weigh the following areas of privacy by importance.

	Global	United States	EMEA	APJ	LATAM
Data protection including obfuscation and pseudonymization	10.8	10.6	10.1	10.0	12.4
Data protection law, regulations, and legal judgments	10.3	10.1	10.5	10.3	10.3
Data governance and integrity	10.2	10.0	10.0	10.2	10.5
Monitoring, reporting, and transparency of privacy policies	10.1	9.9	10.2	10.8	9.5
Data sovereignty	10.0	10.0	10.1	9.8	10.2
Access controls and data minimization	9.9	9.9	10.5	9.7	9.5
Data handling standards and usage policies	9.9	10.1	9.7	10.0	9.7
Data discovery, classification, and categorization	9.7	10.5	9.5	10.0	9.0
Legal and contractual obligations for privacy	9.6	9.3	10.0	9.4	9.7
Data subject access request	9.6	9.6	9.4	9.9	9.3
Total	100	100	100	100	100

n = 1,615

Source: IDC's *Twilio Trust Survey*, August 2022

But how does it compare when a company is using an integrated CEP as compared with using a set of tools? Is there a significant difference from a security and privacy perspective between a CEP and a set of tools? The respondents said there are. Our research found that for those companies that were using just a set of tools, the respondents readily identified the weaknesses they deal with in using a set of tools with limited interoperability. For example, what is also the most important strength in security, which was availability, resiliency, backup, and disaster recovery, was the greatest weakness (49%) by those companies that used tool sets with limited interoperability. When it came to privacy, data governance and integrity was the greatest weakness at 45%.

There was high agreement among respondents globally that using a set of disparate tools caused potential security and privacy issues – a finding more notable given the variability in tools employed. CEPs present an opportunity to remedy these shared, global pain points when it comes to privacy and security. CEPs with full interoperability provide better protection of public, confidential, and restricted data than a set of tools with some or limited interoperability.

REGION AND INDUSTRY-SPECIFIC INSIGHTS

The top 2 outcomes used by European organizations to measure success are customer satisfaction/loyalty (NPS) at 31% and employee productivity at 27%. Consequently, European organizations reported that customer satisfaction has improved the most over the past two years (26%), higher than any other region included in the study. APJ organizations report improving the most in customer acquisition over the past two years, with an average 26% improvement. For LATAM respondents, customer satisfaction and loyalty (46%) are the main criteria to measure success. In detail:

- European organizations have limited trust in the customer engagement solutions that they are currently using (only 24% of European companies fully trust their solutions). Currently, 19% of CEP users fully trust their solution in APJ, while 25% of non-CEP users fully trust theirs. 26% of LATAM respondents using a customer engagement platform fully trust their solution.
- European organizations have low confidence that their current customer engagement solutions provide the correct level of security, privacy, and compliance capabilities. While 54% of American organizations are very confident that they have invested in the right tools for these capabilities, only 39% of European organizations are very confident in these investments.
- Over the past 12 months, consumer interest for security capabilities have increased by 52% across Europe. Meanwhile, while APJ organizations' interest in security capabilities grew in the past 12 months, only 29.3% of organizations are confident when it comes to receiving ROI from privacy capabilities investments and in the ability of their technology to address the risk of significant negative impact on key business outcomes. LATAM respondents indicated that their consumers' interest in understanding the security capabilities of their organization's customer engagement solution slightly increased by 33%.
- Certain digital strategies are strongly associated with improvements to business outcomes. 49% of APJ respondents report a 25-49% improvement in operational efficiency. The same percentage of APJ respondents report the same improvements in decreasing time to market – these improvements are strongly associated with use of marketing tools and customer support software.
- 72% of U.S. consumers have showed an increased interest in understanding the security capabilities of technology solutions in the past 12 months compared with the global average of 57%.
- Change in consumer interest in privacy capabilities was especially high for U.S. respondents. While 56% of respondents worldwide indicate that consumer interest in privacy capabilities has slightly or significantly increased, 73% of U.S. respondents indicate the same.
- 64% of U.S. consumers have showed an increased interest in understanding the compliance capabilities of technology solutions in the past 12 months compared with the global average of 54%.
- U.S. retail presents the greatest opportunity for customer engagement platforms. 26% currently use a set of tools with limited interoperability, and 100% plan to establish a CEP. Only 24% of European retail organizations believed that their investments in security capabilities had eliminated the risk of significant negative impact on key business outcomes.

ADVICE FOR THE DIGITAL-FOCUSED ENTERPRISE

Companies are caught between the proverbial rock and a hard spot. The more digital the world becomes, the more companies will need to depend on customer data to be able to provide a personalized and satisfactory customer experience across the customer journey. But more data comes

with its own sets of problems as companies try to manage ever-increasing amounts of data and then integrate that data across systems and platforms, all while protecting it and using it appropriately.

The key to a loyal customer for organizations today and tomorrow is by focusing on building trust through good technology-enabled experiences and by understanding what the customer wants and needs when it comes to that trust. How can an organization accomplish this in such a dynamic world? It can accomplish this by being customer focused on not only products and business processes but also the technologies you use to engage with the customer. Specifically, every company should:

- **Know its customer.** People are complicated enigmas. Any customer experience management effort has to begin and end with knowing your customer. Constructing a level of cognitive empathy with a customer requires deep, direct, and contextual data about the customer and the technologies to do the analysis both during and after any sort of engagement.
- **Take a digital-first approach.** Organizations must take a digital-first approach to customer experience by integrating digital touch points and customer data established during the pandemic. This is required to better contextualize customer conversation, journey, and experience that is aligned to desirable customer outcomes.
- **Understand that intelligence leads to better experiences.** In a technology-focused world, customer data and intelligence hold the key to better experiences. Increased customer data availability due to the shift to digital consumption behaviors presents technology buyers with the opportunity to better empathize with their customers and personalize experiences.
- **Recognize that trust is foundational.** Customers want to trust – they understand that any transaction requires giving something including data to get something. But they also want experiences that have low friction, are enjoyable (or at least tolerable), are relevant to their specific interests, and are transparent. Systems and processes that enable and reinforce trust should be table stakes.
- **Use technology to enable trust.** The foundational question that customers ask when it comes to trust is how are you protecting their data? The best way to protect customer data is through a fully interoperable customer engagement platform. These CEPs provide better protection of customer data than a set of tools with some or limited interoperability, which can help establish those trusted relationships with your customers across any channel.

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