New Twilio Study Points to Lack of Customer Data as Major Obstacle to Reaping AI Rewards

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Twilio's fifth annual State of Customer Engagement Report shows consumers spend an average 54% more on brands that personalize experiences, yet only 16% of brands have the customer data they need to do so

49% of consumers say they would trust a brand more if it disclosed how customer data is used in AI-powered interactions

SAN FRANCISCO--(BUSINESS WIRE)--Apr. 9, 2024-- Businesses are successfully using artificial intelligence (AI) to power more personalized, intelligent interactions with their customers, but face challenges around transparency and lack of customer data, according to new research from Twilio (NYSE: TWLO). The customer engagement platform that drives real-time, personalized experiences for today's leading brands, released its fifth annual State of Customer Engagement Report today. The report, based on a global survey across 18 countries of more than 4,750 B2C executives and 6,300 consumers, explores how brands are implementing AI to build better relationships with their customers, where AI is yielding the most return on investment for brands, and what engagement trends are most important to consumers.

The report reveals the growing importance of brands disclosing how they use customer data to deliver AI-powered experiences. It also issues a clear warning about the risks of underestimating consumers' demand for transparency: While 91% of brands say they're transparent with customers about how AI uses their data, only 48% of customers agree.

"Customers today expect personalized experiences and want to understand how businesses use their data to shape those experiences," said Kathryn Murphy, SVP Product at Twilio. "It's imperative for brands to be clear about how they use AI, ensuring that they balance how they deploy it with equally robust measures to protect customer privacy. Transparency is not optional — it's a critical component of building and maintaining customer trust and loyalty."

Protecting consumer data is the most effective way to maintain trust

As businesses embrace AI to drive personalized customer engagement, they gather every customer's click, share, follow, like, and purchase to understand their preferences and needs. More than ever, businesses must keep their customers' data safe to maintain their trust. This year's report found that six in 10 consumers say protecting their data is the top way for brands to earn their trust. Almost half (49%) say they would trust a brand more if it disclosed how customer data is used in AI-powered interactions.

Consumers aren't the only ones worried about data privacy. Forty percent of businesses surveyed report that finding a balance between security and customer experience is one of their most pressing challenges this year. One particular area of focus for brands is reducing friction during the account signup process, while keeping customer data safe. In 2024, 40% of brands say they're prioritizing simplifying the signup and login process to improve customer engagement. In 2023, we saw billions of verifications through Twilio's platform. When a company is intentional about safeguarding information while maintaining the right amount of friction to keep out bad actors, whether through user or two-factor authentication, it fosters mutual trust.

AI bridges the disconnect between brands and customers, but activating data remains a challenge

The report uncovered a wide customer experience gap: 84% of businesses say they provide 'good' or 'excellent' customer engagement, yet only 54% of consumers agree.

The report found AI is helping businesses close this gap and improve their customer engagement. For example, seven in 10 companies already leverage AI to personalize content and marketing. As a result, these forward-thinking brands are realizing a number of benefits, including higher customer satisfaction scores (45% of companies), better data-driven decision-making (41%) and improved market segmentation and targeting (41%).

Although more businesses are embracing AI, the majority struggle to activate customer data. Only 16% of brands strongly agree that they have the data they need to understand their customers, and just 19% of businesses strongly agree they have a comprehensive profile of their customers.

AI-driven personalization boosts the bottom line

When companies embrace AI-powered personalization, consumers reward them by spending an average of 54% more with them compared to brands that do not. Additionally, 55% are willing to spend more money for a customized experience, while 48% say they've made a repeat purchase from a company based on the level of personalization they received.

Consumers expect brands to deliver highly individualized experiences and have little patience for those that don't: 64% of consumers surveyed would quit a brand if their experiences aren't personalized, while 31% say it's pushed them to purchase from a different brand entirely.

That is especially true among younger generations: Almost seven in 10 Gen Zers and Millennials would stop using a brand that doesn't deliver personalized experiences on their preferred channels. Additionally, more than one-third of them will abandon a brand that doesn't engage with them directly in real-time.

The full 2024 State of Customer Engagement Report is available here.

Report Methodology

Twilio's State of Customer Engagement Report is based on a survey of more than 4,750 B2C executives in key sectors and a parallel survey of over 6,300 consumers in 18 different countries. It also incorporates data from Twilio's Customer Engagement Platform.

About Twilio

Today's leading companies trust Twilio's Customer Engagement Platform (CEP) to build direct, personalized relationships with their customers everywhere in the world. Twilio enables companies to use communications and data to add intelligence and security to every step of the customer journey, from sales to marketing to growth, customer service and many more engagement use cases in a flexible, programmatic way. Across 180 countries, millions of developers and hundreds of thousands of businesses use Twilio to create magical experiences for their customers. For more information about Twilio (NYSE: TWLO), visit: www.twilio.com.

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