

# The Future of Customer Engagement

Achieving ROI With Loyalty, Personalization, and AI

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An original research report from Apply Digital



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# Executive Summary

Lauren Milne  
CHIEF STRATEGY OFFICER

Customer engagement is key to any business's success. Regardless of industry, it's essential to understand how your buyers interact with your brand. What are their needs, wants and values? Are you exceeding their expectations? Whether you're B2B, B2C, or B2B2C, these are questions that every strong business strategy should be able to answer. Still, deploying the tactics to truly engage customers is easier said than done.

In this report, we surveyed senior decision-makers in IT, marketing, and other disciplines from across North America to learn about their customer engagement pain points. We learned that, even with significant resources, businesses are struggling to achieve ROI on their customer engagement initiatives. Many are embracing AI tools in the hopes of realizing ROI from their efforts. But how effective is this approach?

Today, AI is riding a wave of hype, mostly based on developments in the field of generative AI. And there is much to be excited about. But at Apply Digital, we believe that AI on its own is not enough. AI must be leveraged together with other tools, tactics, and technologies to deliver truly great customer experiences.

"conversational chatbots, generative tools, and personalization engines cannot be a panacea for all disengaged customers."



When implemented correctly, personalization and loyalty efforts can improve ROI — and if they don't, it's critical to unpack why. Often, enterprises are structured in silos, resulting in their organization lacking horizontal and vertical alignment of their goals. This can lead to an organization's customer data — key to creating engagement strategies that ultimately drive revenue — being dispersed across platforms and teams, making it difficult to put that valuable data to work.

The takeaway? While AI tools can be helpful, conversational chatbots, generative tools, and personalization engines cannot be a panacea for all disengaged customers. But emerging AI tech can support a holistic and robust engagement strategy, helping you move faster and scale better — once you've laid a strong data-first foundation to truly connect with your customers.

✦ Questions? Reach out at [hello@applydigital.com](mailto:hello@applydigital.com) or check out our website [www.applydigital.com](http://www.applydigital.com).



# Methodology

For this research report, we wanted to uncover how today's digital leaders are navigating customer engagement in 2024 from strategic, technological, and experiential perspectives. We worked with Censuswide to conduct a survey of 500 senior managers in North America (USA and Canada). These leaders have the power to make decisions about tech, marketing, or commerce, and work at organizations that earn \$500M in annual revenue.

Respondents were asked detailed questions about their organization's past and current customer engagement strategies. They were also asked to look ahead to the future and respond to questions about potential investments and tactics. Questions included topics such as artificial intelligence (AI), loyalty rewards programs, gamification elements, and data analytics.

Answers to the survey questions reflect respondents' positions on customer engagement and are presented in this report as both stand-alone data points, as well as charts and graphs.



# Unpacking the customer engagement landscape

We live in an era of rapidly emerging technologies, shortening attention spans, and increasing competition. These factors have made it difficult for businesses to fully understand and engage with their customers. As a result, the tried-and-true methods of customer engagement — such as loyalty and rewards programs, and personalization engines — are seemingly not delivering the ROI they might have in the past.

Customers want businesses to understand them<sup>1</sup>, but enterprise businesses are struggling to deliver truly personalized experiences across channels. Senior leaders are now turning to new technology in the hopes it will help them spur increased engagement where classic customer experience (CX) and customer engagement strategies have fallen short.

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<sup>1</sup> “73% of customers expect better personalization as technology advances.” | [State of the Connected Customer, Salesforce](#)

<sup>2</sup> “Gen AI: too much spend, too little payoff?” | Goldman Sachs

<sup>3</sup> “2024 Global Consumer Trends Report” | Qualtrics

With all the excitement surrounding AI, it’s no surprise that 93% of senior leaders surveyed see AI as important to their organization’s current customer engagement strategy. However, “AI” is an umbrella term that includes many different applications — so how are organizations leveraging AI tech in the real world?

Our data shows that many businesses are using AI for behind-the-scenes tasks, with 73% of respondents using AI to conduct data analysis and 68% for chatbots — applications in which AI has already had a strong presence.

Generative AI tools (used to create images, video, and text) are steadily growing in popularity, but quantifiable ROI from the use of these tools remains elusive.<sup>2</sup> Moving forward, businesses will have to be smart when deciding the right time and way to implement them. This requires adopting a strategic mindset to balance the efficiency and speed of AI with the genuine human output and interaction that customers crave.<sup>3</sup>



# This report will explore how businesses can:

1. Revive and boost personalization and loyalty tactics
2. Balance AI enthusiasm with strategic integration
3. Navigate the challenges of implementing tech, tools, and tactics





# Personalization and loyalty:

Boosting the  
tried and true



When it comes to the ways senior leaders approach customer engagement, there is growing skepticism about the effectiveness of loyalty programs and the importance of personalization engines. When senior leaders were asked to rank 21 tools, tactics, and technologies in order of importance, loyalty and rewards programs came in 16th, with personalization engines 13th.

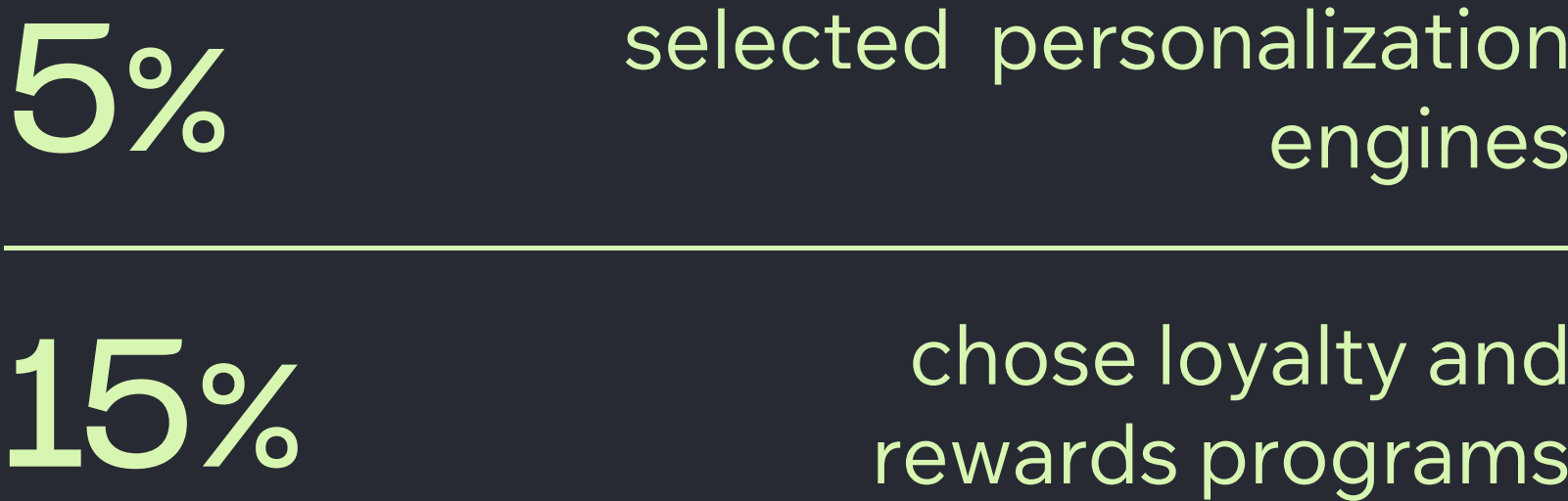
Even if these rankings may seem low, our survey revealed **that 47% of respondents still see loyalty and rewards programs as a highly effective tool for repeat business.** However, there’s a divide between senior leaders who think customers are losing interest in loyalty programs (43%) and those who disagree with that sentiment (43%).

As for personalization engines, 81% of respondents had a net positive response to its overall importance, but its low ranking compared to other tools and tactics suggests a decline in personalization’s significance to their holistic strategies. This is further highlighted when senior leaders were asked about personalization as a key driver of customer experience: only 34% said personalization is essential for superior customer experience, compared to 53% who see it as a key driver, but not the only important factor.

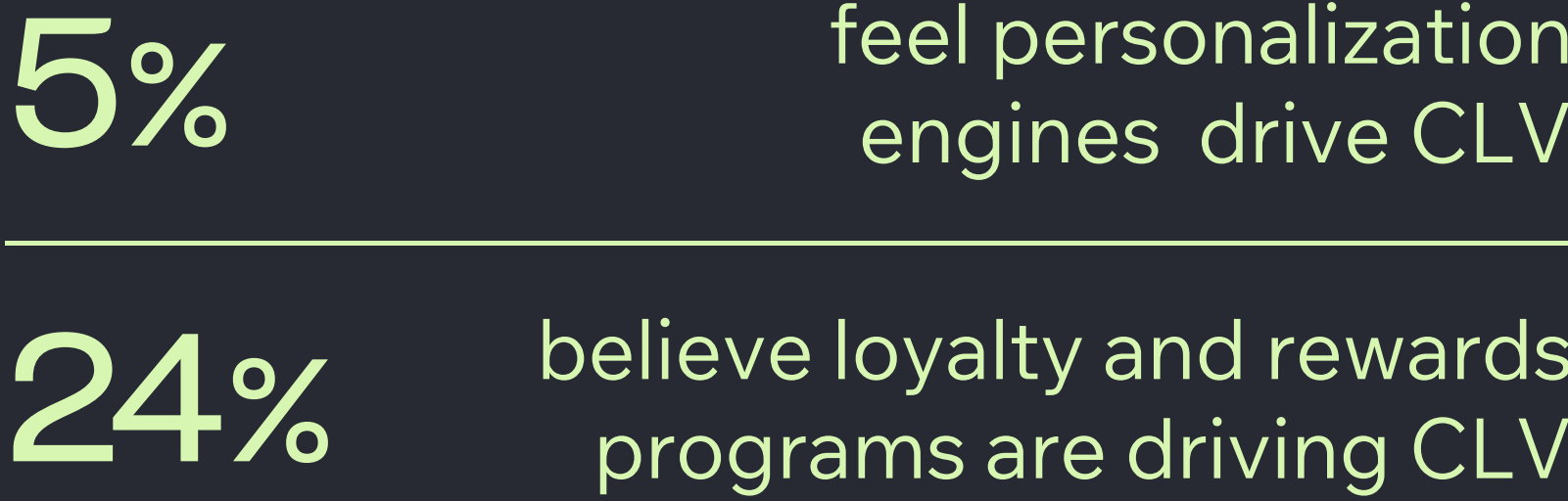
So why are decision-makers undervaluing loyalty and personalization?

Put simply, businesses are not seeing the ROI they’d hoped for from these initiatives.

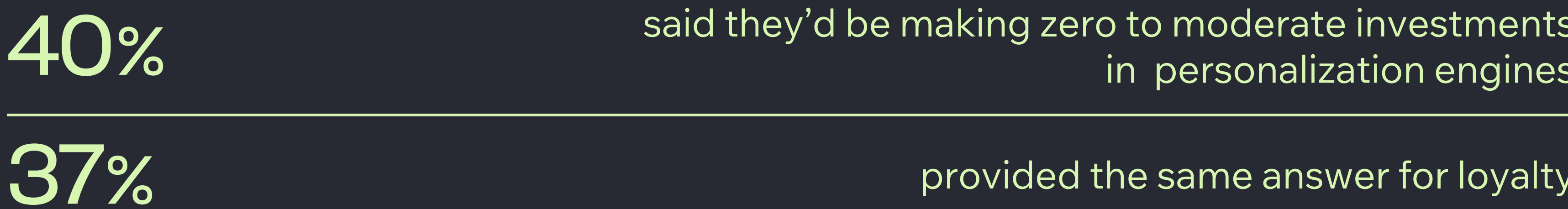
When senior leaders were asked to select the top four tools and tactics that are generating ROI



When it comes to enhancing customer lifetime value (CLV), the numbers are similarly low —



In practice, this shifting mindset on loyalty and personalization leads to a lack of investment: When senior leaders were asked what level of investment their organization will make in customer engagement tactics over the next one to two years,

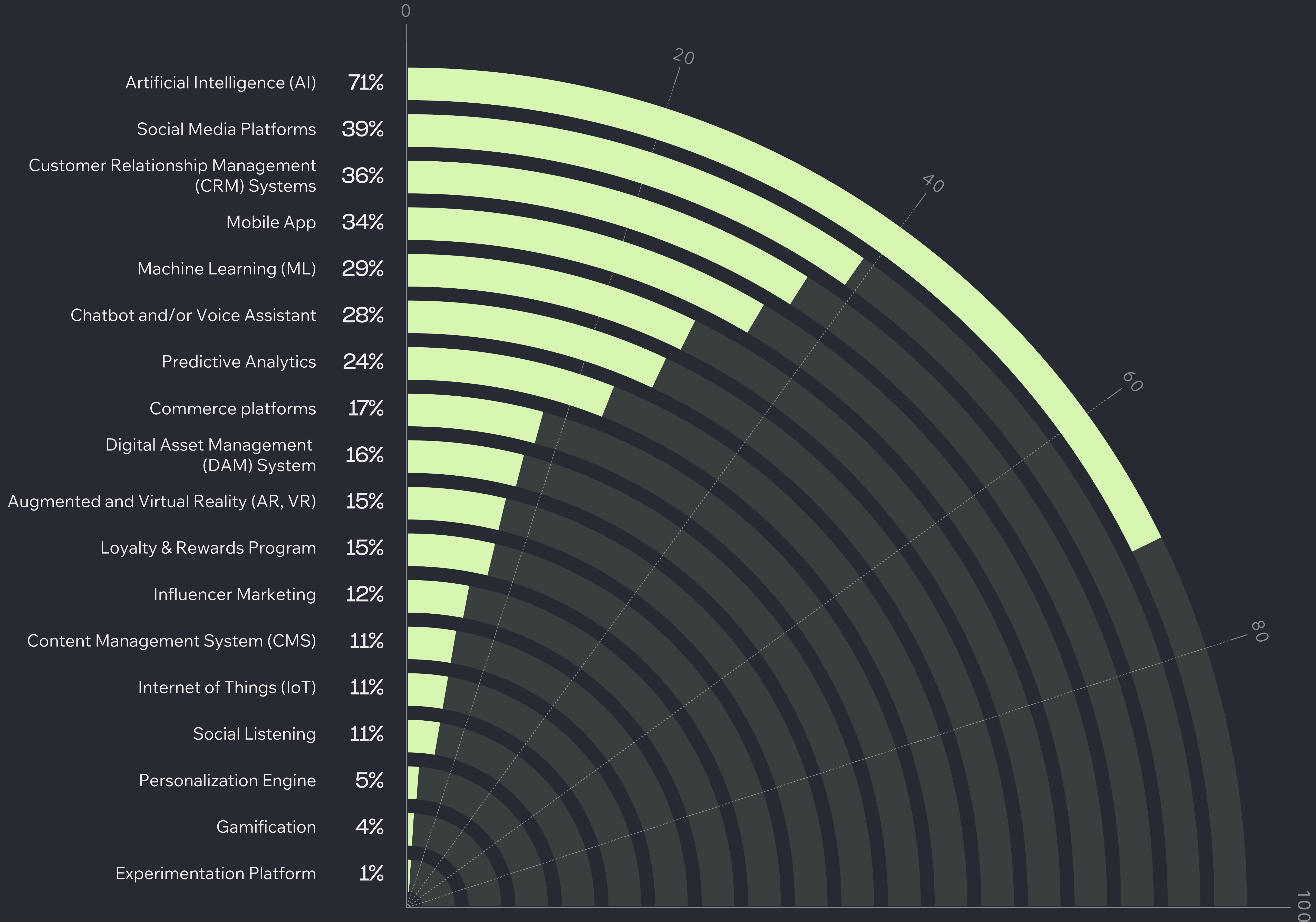




This raises the question:  
if personalization and  
loyalty aren't achieving  
ROI or engaging  
customers sufficiently,  
what will?

Our survey data suggests many businesses are adopting AI tools to enhance their customer engagement strategies. But while AI has been proven to deliver value in specific areas — for example, data analysis and chatbot automation — the assumption that AI is a ‘silver bullet’ to solve customer engagement risks downplaying other essential elements of the digital experience, ones that are crucial to keeping customers happy.

Thinking about your customer engagement strategy, to date, which, if any of the following, have given you the best return on investment?



\* As highly ranked as these tools and tactics are, it is important to note that their significance does not necessarily equate to higher ROI.





# What this means for businesses

Hi [customer name]!  
Based on your purchase history we recommend these items...

When done right, we know that personalization and loyalty can reduce friction and complexity — not to mention drive significant revenue<sup>4</sup>. We also know it can be painful for businesses not to see ROI for their initiatives. This does not mean, however, that businesses should give up on personalization and loyalty as key components of their customer engagement efforts.

For many, personalization means simply including the recipient's name in an email or template form, but generating loyalty takes much more than that. It must be approached in a meaningful way to produce meaningful results. Instead of giving it up entirely, it's best to recommit to truly understanding what customers want, leveraging AI as a tool to enhance their strategies, not replace them.

<sup>4</sup> "Brands that excel at personalization are 48% more likely to have exceeded revenue goals" | [Deloitte Digital](#)



Businesses will need to get back to basics and:



Identify gaps and pain points to deliver meaningful experiences

Fully unpack your current engagement strategies to get a better idea of what your customers want, the tactics and technologies you'll need to win them over, and ensure personalization and loyalty are leveraged across the customer journey.



Define your KPIs and start small to create momentum

The foundation of every best-laid plan is knowing where you're going. Have well-defined KPIs and goals that you can work toward — and by starting small, you can achieve early wins and buy-in for future, bigger initiatives.



Build a better view of your customers

Knowing what your customers need and want means that you will need to consolidate your customer data into one system for easy access and analysis.



Implement AI tech to enhance tools and processes\*

Whether AI is used for data analysis or chatbots, businesses can boost customer engagement through automation and speed.

\* For businesses who have a strong strategy and tech foundation

“Whether it’s disjointed customer profiles, siloed data, or lack of resources to create mass amounts of unique content, organizations struggle to fully understand their customers. Businesses need to get back to their ABCs instead of complex algebraic formulas. Start with simple, basic personalization strategies and nail those down. Achieve small wins, upskill your team, and layer in AI to help you move at speed and scale.”



Daniel Berger  
VICE PRESIDENT OF  
ENTERPRISE SOLUTIONS



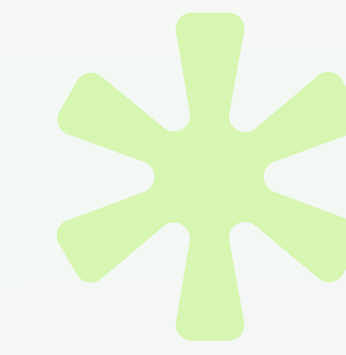
# The AI conundrum:

Balancing hype with  
strategic integration

Respondents to our survey repeatedly mentioned AI as a valuable element of their engagement strategy, with 71% of senior leaders saying the technology delivers the best ROI of their current tactics and tools. Leaders also said they intend to double-down on investments in AI in the coming years.

But what exactly do respondents mean when they refer to “AI”?

AI is a broad term that can mean many things: machine learning and generative AI \*, for instance, represent very different forms of AI that have vastly different applications for businesses. With AI dominating the headlines, it has been presented by the tech-savvy crowd and the media as an ideal, one-size-fits-all solution to every business need: *Trouble engaging with customers? Looking to adapt to coming trends? Want to generate loyalty with personalized content?* AI can help with all of these things.



## What's underneath the AI umbrella?

There is an important distinction to be made between machine learning models and generative AI.

While “machine learning is a subset of artificial intelligence that enables a system to autonomously learn and improve using neural networks and deep learning, without being explicitly programmed, by feeding it large amounts of data”<sup>5</sup>, generative AI “refers to deep-learning models that can generate high-quality text, images, and other content based on the data they were trained on”<sup>6</sup>. Beyond these forms, other examples of AI include machine vision, recommendation engines, and scoring algorithms. Most of the avant-garde innovations in AI are being made in the generative sector and are not currently as widely utilized in businesses as machine learning, which has significantly improved over the years and has been used reliably and to great effect by enterprises for decades.

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<sup>5</sup> “What Is Machine Learning?” | [Google Cloud](#)

<sup>6</sup> “What is generative AI?” | [IBM Research](#)



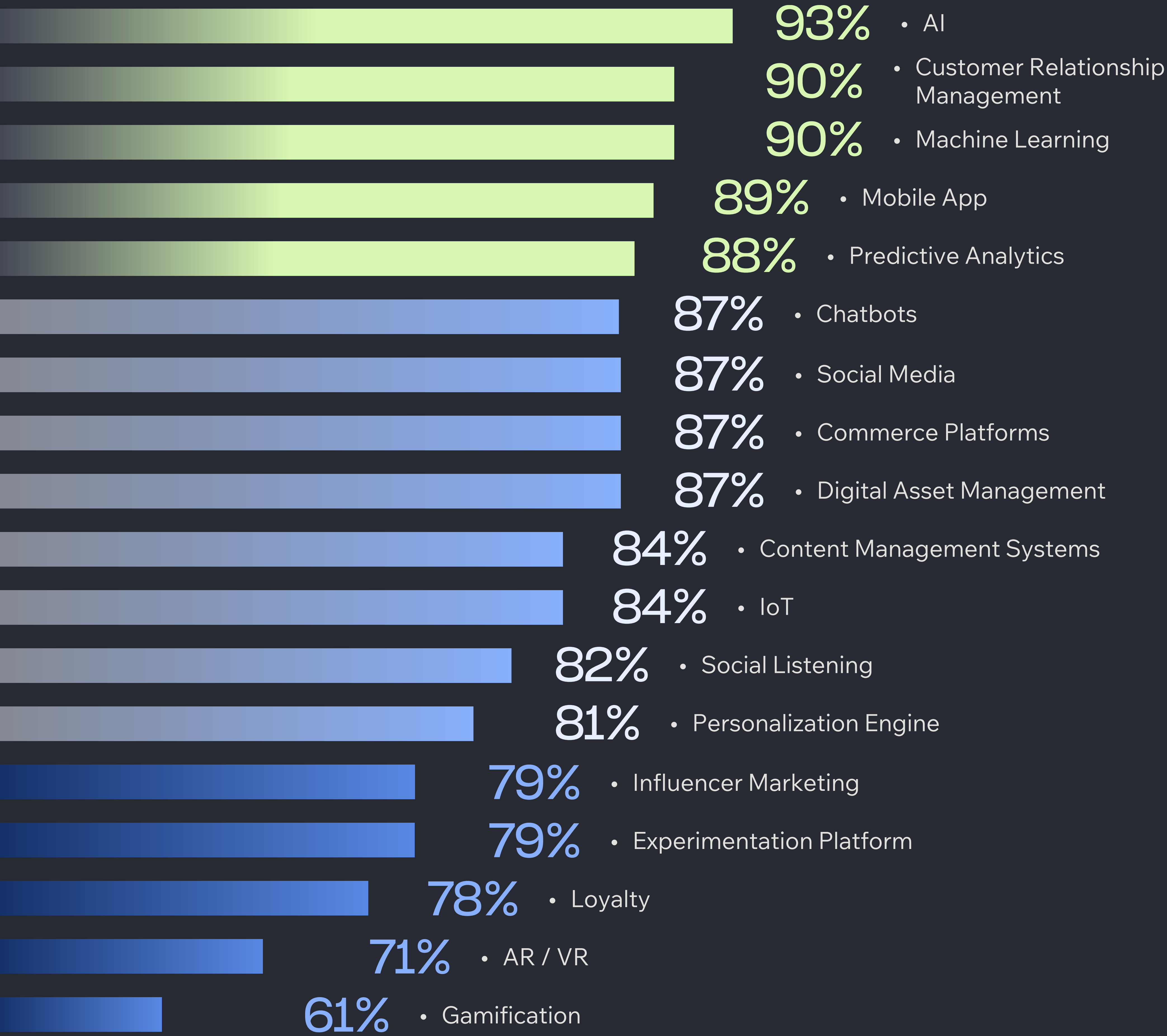
But in fact, achieving measurable ROI from AI means deploying it in those specific areas where the technology adds value.

Taking a look at how these tools are being implemented, 37% of respondents say they have implemented AI widely across their organization, while 62% say they are in the earlier stages of adopting the technology (either in the ideation stage or in initial deployments.) This data suggests many businesses are just beginning to implement AI, and may still be struggling to pinpoint precisely where the tools may be leveraged to the fullest extent.

Despite this uncertainty about where AI can provide the most value, however, there is one area where senior leaders are already seeing benefits: 93% of respondents say AI is important or very important to customer engagement strategies. Most are using it for data analysis (73%) and to power customer-facing chatbots (68%), demonstrating the value of AI in the context of customer service and personalization.

It is important to note that, even if most age groups do view AI as an important tool, our data shows younger professionals feel less enthusiastic about the technology than their older cohorts. As well, more than half of respondents surveyed (57%) said AI presents major data privacy and security risks, and 29% (almost a third) said they have ethical concerns about using the technology, providing a sober counterweight to AI hype.

Tools and tactics ranked by importance |







# What this means for businesses

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Wanting to benefit from new technologies, such as AI, is an entirely natural and positive instinct for change agents. Innovation is driven by new technology, change and creativity. However, moving too quickly can lead to jumping on board a train that hasn't fully laid down tracks. This risks breakdowns and false starts, not to mention making poor use of important investment resources.

So, take a look at your foundations before betting the farm on shiny new tech. Have you invested in the tried-and-true methods for customer engagement? Does your digital strategy accompany these methods and your business goals? Have you made the most of the data you already have or put systems in place to generate that data? These are all important questions to consider, even while still considering AI as one element of your overall strategy.



Once you've set your business up for success, AI can:



### Revitalize personalization approaches

Simplifying the creation of rules and automating testing will allow you to take out human biases and constraints.



### Act as an extra layer of analysis

Uncover hidden insights and patterns found within large volumes of data (call center transcripts, social media, etc.) to tackle needs that may have been left unmet.



### Sort through massive content libraries

Allowing your teams (and customers) to access information with ease and speed.



### Boost product discovery phases with innovative projects

Adapting to your current customer's needs and attracting potential clientele.

“We have recommendation engines, we have decision engines, we have machine learning. These are the pillars of traditional AI machine learning. What is new is generative AI, which has the potential to create content at a scale that far outpaces human beings. Generative AI may allow us to not only create content faster, but also allow us to experiment in front of a large swath of customers to see what works.”

Brian Browning

VICE PRESIDENT OF ENTERPRISE  
SOLUTIONS AT APPLY DIGITAL





# Navigating the complicated Ts:

Tools, tactics,  
and tech





Today, when we talk about innovation, we're usually referring to the digital sphere. With the development of new tools, technologies, and tactics meant to drive business results and growth — as well as foster customer engagement, loyalty and personalization — much of contemporary innovation happens in the context of digital platforms.

For businesses not focused on digital tech, it can be challenging to adapt to and adopt new tools and ways of thinking, even if they are championed by change agents who understand how they can provide value for enterprises. For these change agents, there are internal and external barriers to consider: many are industry-specific, but from our experience with clients, we know there are common barriers that show up consistently across industries, markets, and services.

In our survey, senior leaders acknowledged the complexities of these challenges. When respondents were asked about the most relevant challenges facing their businesses, customers' resistance to change came out on top at 90%, with all other options (such as lack of internal expertise, budget constraints, difficulty collecting data, among others) also garnering high scores. Our data suggests that businesses face many different challenges with similar levels of importance, both internal and external. Leaders' responses also suggest they may be overestimating the difficulty of these challenges due to a lack of knowledge and/or confidence in their company's ability to overcome said obstacles.

These findings strongly support the need for strategic partnerships when implementing modern tools and technologies.

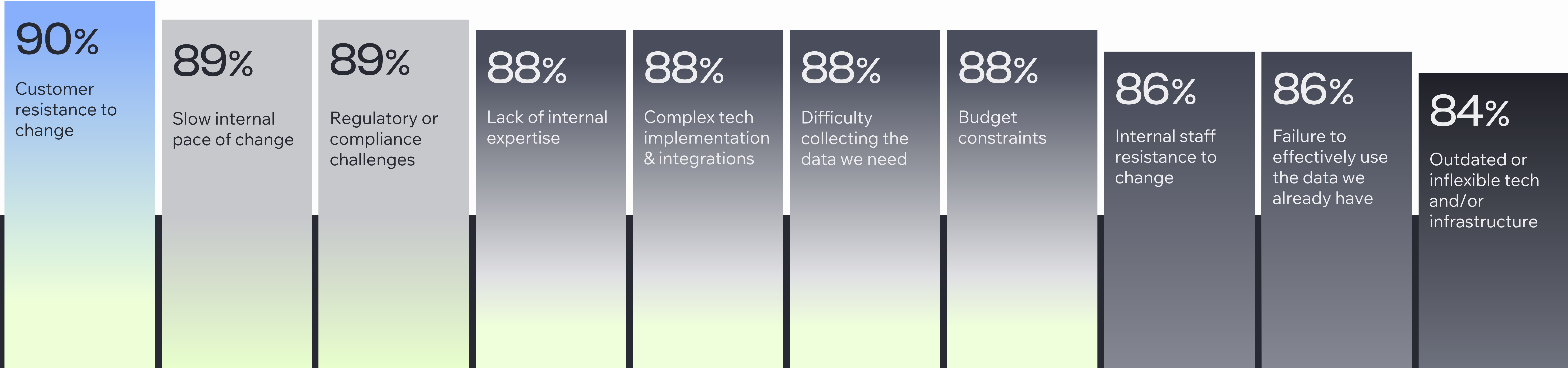
Companies also need to clearly articulate the benefits of any proposed change to customers, to demonstrate value and mitigate any concerns.



# In-house challenges

Among internal barriers, one of the key elements preventing digital innovation is investment disconnect, with aspirations of utilizing AI and other tools not yet fully aligned with the internal capabilities of the business. Although decision-makers recognize the value of these technologies (especially for customer engagement, with 90% of respondents regarding CRMs as their most important tool at the moment), they are failing to invest strategically, leading to an expected rise in ROI without first building a foundation to allow the tech to reach its full potential.

Conversely, some organizations are also exhibiting internal inertia, with skill gaps and budget constraints forming the main reasons why they are unable to capitalize on new technologies even after investing in them. This divergence between expectation and reality may lead to diminished perceived importance of new tech and reduced financial commitment.



| Challenges impacting the org's ability to achieve customer engagement goals





# What this means for businesses

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Resistance to change can be daunting to overcome in any sector, but especially for more traditional B2B industries such as manufacturing or distribution, where reluctance to embrace change can lead to stagnation. Our data suggests senior managers are very aware of the many challenges they face when trying to innovate, with internal and external pressures leading to mismatched expectations and a belief that these tools, tactics and technologies are simply not working for the business or, even before implementation, a general lack of faith in their ability to generate ROI.

We believe the best way to address the insecurities that can arise in a culture of innovation is by gaining knowledge and involving stakeholders from the very beginning. The more a business understands its organizational systems and where problems may arise, the more it will come to understand what road to take and the technology it needs to make it happen. By learning the lay of the land before developing strategies and making investments, the journey ahead will seem much less daunting — and your efforts will lead to better results.



Remember these steps to gain the confidence your business needs to move forward:



Manage expectations

Prioritize objectives and clarify the resources, tools and maintenance needed to reach them.



Involve your stakeholders

Engage with the right people to ensure vertical and horizontal alignment in your organization.



Create a solid strategy and roadmap

Ensuring these two elements align with your business goals will set you up for later success.



Invest accordingly

Allocating resources that make sense in the long-term, and can be tiered to reduce unnecessary stress to your business.



Upskill your team

Recognizing skill gaps and bridging them through training is a great way to stay fresh and gain confidence.



When in doubt, reach out to an expert

Understanding the limitations of your business is key, and this is where an expert partner can become an invaluable resource for insights, strategy, and implementation.



Make the most of flexible, composable tech

Composable tools allow companies to invest in specific areas of impact, while also preserving their ability to change directions at any time.

“Vertical and horizontal alignment is crucial, especially when understanding how an organization is set up. Where is connection critical, and where is it getting lost? With this mindset in place and the right stakeholders in the room from the get-go, your business will be able to think, work, and deliver more cohesively and effectively.”



Lauren Milne  
CHIEF STRATEGY OFFICER



# The Final Word

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The decision-makers we surveyed are clearly concerned about declining customer engagement, leading them to question the true ROI of long-standing personalization and loyalty programs. But this narrow perspective risks missing the bigger picture. Focusing only on specific tactics — while hoping that AI will act as a magic bullet for lackluster engagement — simply won't solve the problem of disengaged customers. So what will?



At Apply Digital, our experience has taught us that only a truly holistic approach to customer engagement can achieve consistent results. This means adopting a data-first mindset to understand your customers: what they like, what they don't, what they expect — and then striving to exceed those expectations. In practice, this means leveraging your valuable customer data to power personalization and loyalty programs, but also delving into deeper insights around the products your customers are interested in, the messages they resonate with, and the brand partnerships that pique their interest.

Add the 'cherry on top', making the most of new technology such as AI to support your strategy, and you have a strong foundation to connect meaningfully with customers.









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“A customer engagement strategy that delivers on key goals and demonstrates impact will instill confidence in a business’s ability to drive ROI. And in turn, this confidence will enable more opportunities to innovate and experiment. There are exciting opportunities ahead for leveraging AI to boost tactics like augmented reality (AR), virtual reality (VR), and gamification, allowing teams to create content faster and empower customers with more customization and hyper-personalization.”



**Alison Hawkyard**  
VICE PRESIDENT OF  
BUSINESS DEVELOPMENT, NA

Looking ahead to 2025, businesses should focus on:

 Developing smart, strategic KPIs that align with business outcomes	 Simplifying tactics and getting back to personalization basics to meet customer needs	 Investing in upskilling their teams so they’re ready to scale at speed with new tools
 Developing new partnerships to implement new technologies and tactics effectively	 Digging deep into customer data for fresh insights around products and services	 Using AI to enhance — not replace — existing customer engagement strategies

<sup>7</sup> 41% of UK customers are more likely to buy from a business after a personalized experience | Apply Digital

At the end of the day, it’s imperative to remember that personalization and loyalty remain key drivers of customer engagement and retention.<sup>7</sup> Success will depend on quality of execution, and whether or not businesses have properly laid the foundations for future transformation. Luckily, there are multiple resources and experts that can help guide their decisions and ensure that they are ready for the road ahead.

Are you a company looking to strengthen your customer engagement strategies?

Apply Digital partners with businesses to deliver innovative digital experiences that engage and convert customers. By taking a strategic and technical approach, we can ensure that your work aligns with your business goals and drives outcomes. Together, we can position your business to succeed in 2025 and beyond.



# Credits

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# About Apply Digital

We are a global digital transformation partner for change agents. Leveraging expertise that spans Business Transformation Strategy, Product Design & Development, Commerce, Platform Engineering, Data Intelligence, Change Management, and beyond, we enable our clients to modernise their organisations and deliver meaningful impact to their business and to their customers. Our 650+ team members have helped transform global companies like Kraft Heinz, NFL, Moderna, Lululemon, Games Workshop, Atlassian, and The Very Group.

Visit [applydigital.com](https://applydigital.com) to learn how we can unlock your company's potential.

