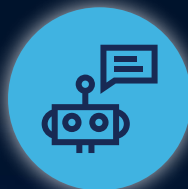


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# Strategy and Leadership Predictions for Customer Service Leaders



Customer service leaders have struggled to shift phone interactions to digital channels. The advent of generative AI (GenAI), capable of facilitating seamless voice interactions, is encouraging leaders to reevaluate their strategies. However, this technology also poses a risk of increased fraud.

# Overview

## Key findings

- Phone remains the most-preferred channel across generations, and the percentage of customer service journeys resolved in self-service remains stagnant.
- Service leaders are investing in customer-facing conversational AI solutions, including use cases that leverage voice-enabled GenAI. These use cases promise to improve self-service resolution rates through more natural, human-like conversations.
- Legitimate organizations are not the only ones interested in generative and conversational technology; organized crime syndicates and individual bad actors are increasingly leveraging the same technology to power fraud at scale.

## Recommendations

- Reexamine your omnichannel strategy in light of advancements in voice-enabled conversational AI.
- Create a plan to combat increasingly sophisticated customer service fraud that uses voice-enabled conversational AI.
- Evaluate whether your investments in self-service portals will yield diminishing returns as customers move to third-party AI solutions for help. If so, reinvest those resources in partnering with AI vendors to ensure their models accurately reflect your customers' needs.

# Strategic Planning Assumptions

300% ▲



**By 2027**, service organizations will see a 300% increase in fraud attempts over 2023 levels, leading to layered security that increases customer effort.

30%



**By 2028**, 30% of Fortune 500 companies will offer service only through a single, AI-enabled channel that allows communication through text, image and sound.

70%



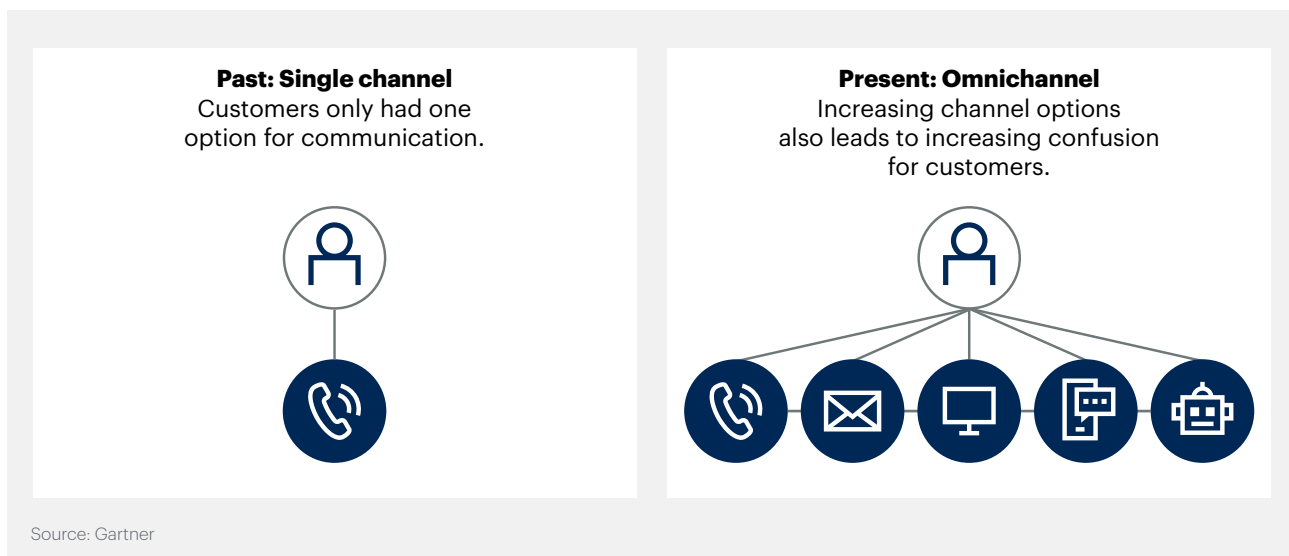
**By 2028**, 70% of customer service journeys will begin — and be resolved — in conversational, third-party assistants built into customers' mobile devices.

# Analysis

## What you need to know

For more than 20 years, service and support leaders have been trying ardently to deflect cases, contain cases in low-cost channels and minimize or eliminate the phone channel. They are investing in portals, chatbots, asynchronous messaging and other technologies aimed at expanding channel options. That strategy isn't working. As illustrated in Figure 1, instead of making it easier for customers to resolve issues, the proliferation of channels and options is only making the service journey more complex. Many customers default back to the channel they are most comfortable with: the phone. In fact, 52% of customers still use the phone at some point in their service journey.

**Figure 1: Channel proliferation has dramatically increased complexity**

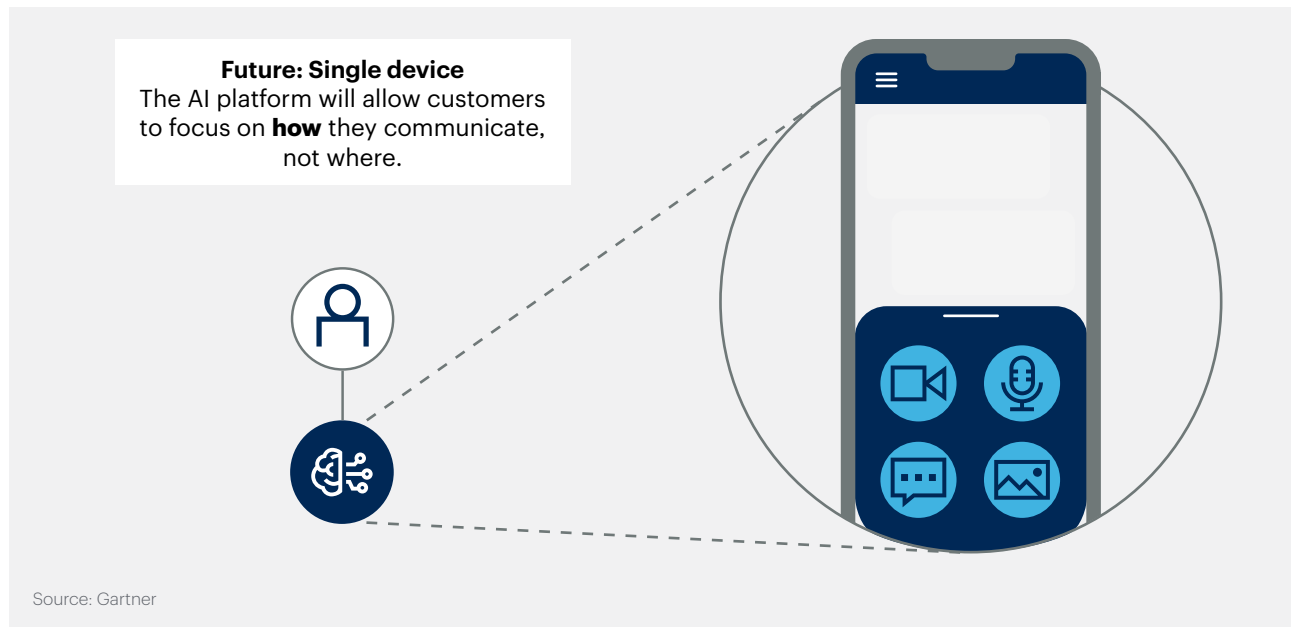


Enter GenAI: the latest in a series of technologies to promise to reduce reliance on assisted service and eliminate phone-based customer service. But while speaking on an analog phone may soon be a thing of the past, we'd argue that voice-based customer service isn't going anywhere — it will evolve to meet customers' and organizations' needs for simpler customer service.

In this year's predictions, we discuss how voice-based customer service will change. We posit that leaders will pivot from a long-held focus on which channels customers use, to a focus on how customers want to communicate.

As illustrated in Figure 2, we have the opportunity to leverage GenAI to once again simplify how we communicate with customers.

**Figure 2: GenAI creates an opportunity to simplify**



We envision a future where:

- Service and support leaders will offer a single channel with seamless transitions between different modes of interacting — e.g., voice, chat and video — even within the same interaction.
- Customers will gravitate to the least-effort option, resolving the vast majority of their service issues through third-party sources, namely mobile-OS-embedded conversational UIs like Apple AI and Google Gemini. In other words, they will simply ask their phone for the answer, without contacting service at all.

Unfortunately, these trends will also enable bad-faith actors to increase the breadth and impact of their efforts. We predict that fraudsters, already adept at manipulating human agents, will leverage GenAI and voice cloning to scale their operations to an unprecedented level, seeking first to bypass automated systems and second to fool live service agents. Organizations will, in turn, implement multilayered security requirements for even the simplest interactions.

The predictions, implications and recommendations below are intended to help you navigate what will be a difficult future technology and customer landscape.

## Strategic Planning Assumptions (continued)



By 2027, service organizations will see a

**300%** ▲

increase in fraud attempts over 2023 levels, leading to adoption of security efforts that increase customer effort.

**Analysis by:** Jason Bridge, Patrick Quinlan

### Key findings:



- Fraud is increasing — in particular, contact center fraud targeting assisted support:
  - Data compromises increased 78% from 2022 to 2023, while the number of victims declined, indicating that fraudsters are tailoring their attacks.<sup>5</sup>
  - Contact center fraud has increased by 60% from 2021 to 2023, with some organizations experiencing rates as high as 1 in every 800 calls.<sup>6</sup>
- GenAI makes it easier to defraud people and organizations by helping automate and scale fraudulent activities:
  - More than 350 systems are available for generating synthetic voices from text, some of which claim to do so from just three seconds of audio.<sup>6</sup>
  - Research has found that “scam and fraud” was the third-most-frequent goal behind GenAI misuse, trailing “monetization and profit” and “opinion manipulation.”<sup>6</sup>
- Use of GenAI in defrauding efforts also increases the chance that victims will fall for fraud. Research has indicated that people are highly susceptible to deceptive synthetic media, and that it worsens when the media uses a single modality, such as audio-only.<sup>7</sup>
- Strategies to counter fraud — such as identity verification, multifactor authentication and deepfake detection — are also evolving.



### Market implications:

- As GenAI tools become increasingly available and easier to use, fraudsters will add those tools to their arsenal. IBM's X-Force Threat Intelligence team observed over 800,000 posts in illicit markets and dark web forums in 2023 concerning AI and GPT technologies, and expect bad actors to build at-scale attacks once a particular technology establishes market dominance.<sup>8</sup>
- Combating fraud will require increasingly sophisticated and invasive means of identifying customers e.g., companies may require multifactor authentication, deploy liveness detection and voice biometrics, and ask customers to verify increasingly personal, but unique, data before resolving customer questions. Increasing protections may deter prospective customers from partnering with organizations and result in more customer churn among both security-minded customers and customers who are intolerant of high-effort experiences.
- Though the goal was to reduce customer effort, organizations focused on offering a single AI-powered channel may find their investments have actually increased customer effort. The reduction in effort offered by a single AI-driven channel may be offset by the effort required to protect a customer from fraud. Leaders will need to carefully balance strategies to reduce effort with those to protect customers.
- Leading CCaaS vendors, many of whom helped build the hype for GenAI solutions, will substantially increase their focus on identity and authorization solutions to support the need to combat fraud, potentially increasing the cost of these solutions..

### Recommendations:



- Designate a leader in your organization to stay abreast of developments in fraud tactics, and partner with your CISO organization to implement new methods to verify customer identities.
- Develop a training program for customer service agents to help them recognize signs of fraud.
- Consider the risk of fraud when building out your channel strategy, and the impact it would have on your customers. Ensure that sensitive or risky transactions are handled primarily by humans, not AI.
- Manage fraud through a multilayered security approach. Rather than waiting for the situation to be urgent, begin implementing additional security layers in a deliberate, thoughtful manner now.
- Leverage mobile devices' built-in security features, like face recognition and fingerprint scanning.

# Strategic Planning Assumptions



By 2028,

# 30%

of Fortune 500 companies will offer service only through a single, AI-enabled channel that allows communication through text, image and sound.

**Analysis by:** Christopher Sladdin, Kim Hedlin

## What might a single channel experience look like?



Imagine your customer encounters a product issue. The customer opens a chat window within your mobile app. Your AI agent greets them aloud and a “waving” emoji appears on the screen. The customer can say or type, “My product isn’t working. Let me share a picture of the error code I’m getting.” The customer snaps a screenshot that is autouploaded to the chat window.

The AI agent (thanks to its multimodal LLM) interprets the spoken and visual input and says, “I have suggestions for how you can troubleshoot. I’ve put a video in the chat for you to watch.” Throughout the conversation, the AI agent can recommend (but the customer can also choose) a different mode in which to communicate and receive information — e.g., talking, typing, and/or the use of images and video.

As necessary, the AI agent can proactively route the customer to a human agent, or the customer can request to interact with a human by speaking or typing in natural language. The transition to a human agent is seamless; a new user interface is not required.



## Key findings:

- Current channel portfolios are expensive to operate and create disjointed customer experiences:
  - Just 30% of customers obtain first contact resolution (FCR) today.<sup>2</sup>
  - The typical customer service journey involves 2.4 channels, although some customers report journeys involving eight or more channels.<sup>2</sup>
  - Multichannel journeys are costly for organizations. Journeys that involve two channels rather than just one result in a near doubling of the cost per resolution. Adding a third channel adds another nearly third to the cost.
  - Moreover, for each additional channel used, customer retention is reduced.<sup>2</sup>
- Service channels have historically been designed with a single mode of communication in mind. Chat is designed for typing. Phone is designed for speaking. But single-mode channels don't align with how customers interact and communicate in their everyday lives:
  - Even in a simple conversation, people speak with words, reference items in their environment, and use tone and gestures to express themselves.
  - Channels that allow multimodal communication to make it possible to give and receive information by speaking, listening, typing, reading, capturing, watching or gesturing.
- Limiting the number of channels you provide does not harm customer loyalty outcomes, as long as the channel offers a low-effort experience and delivers issue resolution.



## Market implications:

- Multimodal interfaces will lower customers' effort in service interactions by making automated conversations more intuitive and aligned to customers' needs, including facilitating seamless interactions with human agents when necessary.
- Companies will see moderate reductions in frontline headcount as more interactions are handled by AI. However, they will have an increased need for expensive, high-demand roles like AI engineers, data scientists and cybersecurity talent.
- Existing customer service vendors may find their market position disrupted. These vendors, whose legacy channels often offer only a single mode of communication, don't align with the vision of a singular, multimodal service channel and may lack the business and technical architecture to execute it.
- Accessibility concerns (such as for customers without internet or customers with low vision) will shape how service leaders design their multimodal channel. In some cases, especially in public sector organizations and highly regulated industries, companies will work to guide most customers to their multimodal channel but will not go so far as to only offer a single digital multimodal channel.



## Recommendations:

- Evaluate the cost benefit of a single, AI-enabled channel by considering both your current cost per resolution (not just cost per contact) and how much of your total service volume you expect to shift from assisted service to self-service. Weigh potential savings against the costs, which include AI specialists, GenAI run costs and energy costs for data storage and low-latency processing.
- Approach vendor negotiations when acquiring a single, multimodal channel solution with a comprehensive list of the issues types, transactions and responsibilities handled within your current channels. All vendors in this emerging space will sell a version of “We can do it all.” Find out what vendors can’t do by coming prepared with the specific business problems you need to solve.
- Consider your customers’ current habits of behavior when evaluating their readiness to use a multimodal interface. For instance, right now, many customers are familiar with using a voice command to set a timer or ask about the weather. They would be unlikely to try to use a voice command to complete a tax statement.
- Balance your desire while designing multimodal interfaces to control the end-to-end customer experience with customers’ preference to use third-party entry points. For instance, you may wish for your customers to initiate a service interaction by waving their hand in front of your product and saying your company’s name, but customers may default to using a general virtual assistant (“Okay, Google. Help me fix my toaster”).
- Phase out your existing channels incrementally as you introduce your new multimodal channel solution to customers. As with other conversational AI (CAI) channels, leaders should focus first on driving adoption and building customer trust, not a strict containment metric.

## Strategic Planning Assumptions (continued)



By 2028,

# 70%

of customer service journeys will begin — and be resolved — in conversational, third-party assistants built into their mobile devices.

**Analysis by:** Brad Fager

### Key findings:

- Low-effort third-party service experiences are attractive, given the alternative: When using official, company-owned channels, the typical customer journey is long, involved and complicated. Sixty-nine percent of journeys require multiple channels and 63% take more than 15 minutes to resolve.<sup>2</sup>
- For some customers, third-party sources of information already make the customer journey easier. In fact, 66% of Gen Zers and 60% of millennials first turn to third-party sources — e.g., a YouTube video or Reddit thread — when trying to resolve a customer service issue.<sup>2</sup>
- Third-party sources of information have been around long before GenAI hit the scene. But the advent of GenAI changes the way customers seek out and consume information. Forty-five percent of customers report using GenAI in their personal life, at work or both.<sup>1</sup>
- Apple and Google recently announced plans to integrate GenAI into their own smart assistants, with both companies starting to roll out the capabilities throughout 2024.<sup>3,4</sup> As providers integrate conversational GenAI into consumers' mobile devices, the usage of these tools will further grow.
- With GenAI embedded into mobile devices, customers may use their device's functionality to interact with service and support organizations — rather than the service organization's official channels. How effective these tools are at resolving issues will depend on mobile app architecture and level of data isolation.





### Market implications:

- Customer tolerance for legacy self-service will wane causing more customer-facing capabilities to be shuttered than added. Expectations for digital service will be driven by the simplicity of conversational GenAI and not the number of capabilities offered.
- Companies will outsource information retrieval/question answering to third parties. To support third party companies' ability to answer customers' questions, first-party brands will have to carefully maintain their knowledge management. Meanwhile, these brands will switch their own focus to completing transactions, not just providing information.
- Front-end investments in customer self-service will be diverted to back-end infrastructure to support third-party conversational UI. Ease of resolution will be defined by how well service technology systems draw upon knowledge and facilitate data exchange.
- Mobile apps will increase in effectiveness and adoption as a component of service strategy to capture customers in their mobile user experience. Customer data held within the app will dictate service delivery for each specific customer.
- Using CAI to determine intent will allow companies to elevate assisted service outcomes. Interactions reaching a human agent will be preselected as the most qualified opportunities for adding value and revenue generation.



### Recommendations:

- Build a roadmap that works backward from the assumption that knowledge-as-data will feed third-party sources first, and the company-owned channel second. Existing channels must be rationalized by mapping customer journeys and streamlining or eliminating points that lack CAI utility.
- Structure knowledge management to ensure equal accessibility for third parties and limiting of data anomalies. Given third-party access, security guardrails must be implemented to reduce data security risks and protection of the brand.
- Partner with product and digital teams to embed customer service workflows within existing mobile app strategy. As interactions get closer to mobile, service becomes closer to the product and should not exist as a separate appendage but rather embedded in the experience.
- Establish an evolving threshold for escalation based on customer intents, complexity and commercial opportunity. The critical point at which a customer should reach an agent will not remain constant and needs to align with the company's mission for assisted service.
- Use of best-fit AI with hybrid solutions driven by the prioritized use case requirements will optimize cost and customer experience by reducing dependencies.

# A Look Back

In response to your requests, we are taking a look back at some key predictions from previous years. We have intentionally selected predictions from opposite ends of the scale — one where we were wholly or largely on target, as well as one we missed.

This report is too new to have on-target or missed predictions.

## Evidence

<sup>1</sup> Gartner Managing Customer Service Journeys Survey.

<sup>2</sup> Gartner State of the Customer Survey.

<sup>3</sup> Introducing Apple Intelligence, the Personal Intelligence System That Puts Powerful Generative Models at the Core of iPhone, iPad, and iMac, Apple.

<sup>4</sup> Gemini Makes Your Mobile Device a Powerful AI Assistant, Google.

<sup>5</sup> 2024 Voice Intelligence and Security Report, Pindrop.

<sup>6</sup> Generative AI Misuse: A Taxonomy of Tactics and Insights From Real-World Data.

<sup>7</sup> As Good as a Coin Toss: Human Detection of AI-Generated Images, Videos, Audio and Audiovisual Stimuli.

<sup>8</sup> IBM X-Force Threat Intelligence Index 2024.

# Actionable, objective insight

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## Report

### Top 5 Customer Service Trends and Priorities that Matter Most

Explore emerging customer service trends, priorities and action steps to drive business impact.

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## Guide

### Customer Service Journey: Mapping to Maximize Value

Learn how to incorporate data-driven insights into your customer service journey mapping efforts.

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## eBook

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## Webinar

### Voice-Based Customer Service Isn't Going Anywhere

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