

2024

CONSUMER PRODUCTS ISSUE 3

Guide to Next.



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sapient



2024

How Consumer Products companies can create the most impact in the coming year—on their business and their shoppers.



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● Making Net Zero Goals Profitable

CAN CPGS ACHIEVE PROFITABLE SUSTAINABILITY?

Increasing global inflation has exposed the fragility of what Stephen Picard, vice president of strategy consulting at Publicis Sapient, deems “green pet projects”—that is, sustainability or emissions goals that do not create market value.

How can consumer products (CP) companies, from electronics to consumer-packaged goods (CPG) to luxury, determine the difference between a green pet project and a sustainable company transformation that provides long-term value?

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As soon as companies engage in sustainable actions beyond compliance, which very few have done, their long-term value increases due to a perceived ability to mitigate reputational risk and bolster customer and employee loyalty.

”

**STEPHEN PICARD,
VICE PRESIDENT OF
STRATEGY CONSULTING
AT PUBLICIS SAPIENT**

There are three pillars of sustainable transformation: consumer behavior, data and action. When combined, these pillars will make sustainable efforts truly profitable.



Engaging consumers in sustainability

While consumer discourse around sustainability strengthened in 2023, consumer behavior has been slower to change than many CP firms imagined. A Publicis Sapient survey found that 77 percent of U.S. adults say they would avoid retailers that aren't sustainable, but only 54 percent also say they purchase products even if they know they aren't sustainable.

It seems that although most consumers care about sustainability, it doesn't always influence their purchasing behavior. This is often because of rising costs of living limiting sustainable purchasing power.



According to Emmanuel Krantz, senior director of CX and innovation at Publicis Sapient, the cost-of-living crisis has continued to accelerate polarization between consumers and societies that act on sustainability and those that don't. During economic downturn, higher-income consumers are still able to purchase more expensive and more sustainable products, while lower- and median-income consumers fall back to looking for the lowest prices.

At the same time, even if many consumers are prepared to pay more for sustainable products, a lack of accessible recycling and product disposal options can get in the way of a product's intended impact.

For example, around 25 percent of recycling from “single-stream” recycling programs (found in the majority of U.S. neighborhoods) is contaminated, and goes straight to the landfill. On top of that, research suggests that [U.S. consumers only recycle about half of their household recyclables](#). This means CP firms need to think beyond consumer behavior to achieve net-zero goals.

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Initially, many CP companies turned the responsibility of sustainability onto consumers, asking them to pay more for sustainable products, or go out of their way to reuse or recycle goods and packaging. As the economy has worsened, we see a growing sentiment among consumers that this responsibility should in fact sit more with big companies—as it is often their large-scale business practices that are doing the most harm—and that many of their consumer-facing efforts to address sustainability are superficial.

”

**EMMANUEL KRANTZ, SENIOR
DIRECTOR OF CUSTOMER
EXPERIENCE AND INNOVATION
AT PUBLICIS SAPIENT**



Using emissions data for sustainability

As looming regulations come to the forefront, sustainable consumer behavior needs to be combined with robust emissions data, which will also help to drive profitable corporate action.

Companies operating or incorporated in the EU will have to begin to measure scope 3 emissions in the 2024 financial year, to begin reporting in 2025, according to [the EU's Corporate Sustainability Reporting Directive \(CSRD\)](#). This is because scope 3 emissions account for the majority of overall emissions in most industries, and [more than 90 percent of overall emissions for the capital goods sector, specifically](#).

While reporting mandates in other regions like the U.S. haven't been confirmed, CP firms that invest in the technology required to collect this data will not only be prepared for future regulations closer to 2030 but will also be able to use the data to strategically identify areas of opportunity that will lead to maximum emissions reductions.

[Only 44 percent of companies in manufacturing and apparel industries report scope 3 emissions](#), according to research from 2021. In order to respond to this growing need for scope 3 emissions data, CP firms need to take a new approach:

- Invest in cloud-based, ERP emissions data management to store and analyze scope 1, 2 and 3 emissions and operations data in real time on a single platform
- Identify the top contributors to GHG emissions from suppliers, transportation and manufacturing, and identify where emissions reductions can also reduce costs



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Without partnerships, true sustainable transformation, involving data, consumer behavior, and action isn't possible.

”

**ODED LAVIE, VICE
PRESIDENT OF
INNOVATION, CREATIVE
TECHNOLOGY AND
BUSINESS DEVELOPMENT
AT PUBLICIS GROUPE**

Creating sustainability partnerships

Deciding which sustainability project to implement to actually move the needle toward net zero (and long-term profitability) is still a major obstacle for CP companies due to lack of internal knowledge and resources.

In 2024, long-term collaboration across technology providers and sustainability experts will be essential, because most CP firms don't have the internal expertise required to create impact.

- **Technology providers** can help marry ERP operations data and real-time carbon emissions to optimize the product lifecycle
- **Sustainability experts** can analyze the complexities of environmental impact while offering out-of-the-box solutions like green manufacturing processes. The challenge is there, but finding a unique competitive differentiator can help organizations set new industry standards
- **Environmental, social and governance (ESG) consulting** can help test the viability of a completely new business model and scale it profitably

2024 sustainability trends by sector

Finally, CP firms should think about the maturity of their sector when it comes to 2024 investments.

These are the top sustainability recommendations from our industry experts, based on consumer trends, proprietary research and sector expertise:



CONSUMER ELECTRONICS AND WHITE GOODS INDUSTRY SUSTAINABILITY

- **E-waste management:** Many consumers don't properly recycle or dispose of e-waste, but retail partnerships for reuse and secondhand purchases can make a circular economy more accessible for consumers
- **Carbon-neutral shipping:** Maritime shipping contributes to 3 percent of worldwide GHG emissions—more than flying. As the airline industry latches on to sustainable airline fuel, electronics companies need to measure their shipping emissions to make progress toward net-zero goals



BEAUTY AND PERSONAL CARE INDUSTRY SUSTAINABILITY

- **Clean beauty:** As consumers embrace the trends of “de-influencing” and “minimalism,” consumer engagement, healthcare and subscription models can increase customer lifetime value without incentivizing consumerism
- **Personalization:** Consumers will pay more for personalized beauty products that address all of their needs at the same time, combined with sustainable ingredients as an added bonus



FOOD AND BEVERAGE INDUSTRY SUSTAINABILITY

- **Industry partnerships:** Sector partnerships, like the sustainability partnership between AB InBev, Colgate-Palmolive, Coca-Cola and Unilever, will drive industry-wide standards and learning while also reducing costs
- **Product lifecycle management:** To systematically reduce scope 1 and 2 emissions, engage in product lifecycle management, partnering with experts on solutions to reduce waste, rather than siloed sustainability projects that don't drive long-term value



● Modernizing for Agility

WHY OPERATING MODEL TRANSFORMATION SHOULD BE THE #1 PRIORITY FOR CPGS

Consumer products (CP) is arguably the industry facing the most disruption and behavioral changes caused by widespread adoption of [generative artificial intelligence](#) (AI). From the potential to remove the retailer as the middleman, scale content and marketing personalization and connect with younger customers, CP firms have a lot to gain from innovation.

What will separate the technology leaders from the technology laggards in the consumer products industry? It comes down to whether or not companies are centralizing their digital capabilities and strategies through a digital operating model.

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Without a consolidated digital operating model, employees have to work with fragmented artificial intelligence models across different brands, and will create less intelligent generative AI tools because knowledge and resources aren't connected. For brands that end up in this scenario, it's then 3x more expensive to fix things. ”

DANIEL LIEBERMANN,
MANAGING DIRECTOR
AT PUBLICIS SAPIENT



For years, CP companies have used a business operating model centralized around their products, siloed by region and even by departments within regions. As technology like generative AI becomes more and more powerful, [the importance of operational agility can't be ignored.](#)

But after a year of economic headwinds, how can CP firms make the transition from a product-based operating model to a digital operating model efficiently and cost-effectively? It comes down to an iterative, step-by-step approach.

Why 2024 is the year to transition to a digital operating model

In 2024, experts predict reducing inflation across regions, passing on potential cost savings across the supply chain to CP firms and, with the advent of AI-based technologies increasing in public usage, consumer firms need to stay ahead of the game.

Reducing costs due to inflation

After a year of sustained inflation, many CP brands are facing smaller-than-expected margins, and they have to make tough decisions on what to invest in and where they can cut costs.

At first glance, the costs of building out a new digital-first operating model (centralizing and consolidating digital capabilities) are daunting for many firms. But in the long term, having a central artificial intelligence and data hub can save CP brands money and time across brands, especially when utilizing first-party (1P) data for new large language models (LLMs) and algorithms.



DIGITAL OPERATING MODELS IN PRACTICE: CENTRALIZED CONSUMER INSIGHTS

A global consumer electronics company wants to create a consumer insights hub, where employees can analyze consumer data to personalize marketing for the Gen Z segment.

Smaller regions don't have the budget to invest in analytics talent, technology and training resources and because they're organizationally siloed from larger regions, they can't scale data insights.

If business units from different brands and regions can all access data from the same centralized structure, smaller regions can still access and utilize centralized consumer insights and apply them to their own decision-making to decrease time-to-market.

Rapidly taking advantage of new technology

Given the complex organizational matrix between regions and brands within global CP firms, the operating model is often the key linchpin to success with new technology.

DIGITAL OPERATING MODELS IN PRACTICE: GENERATIVE AI INCUBATOR

A global spirits company wants to create a conversational AI-powered chatbot for retailers to answer shipping and delivery questions for several brands in the U.S. market, but some brands have fully siloed sales processes, from manual to self-service as well as in-person.

Some brands don't have the technical capabilities to pilot a chatbot, and any efficiencies from generative AI couldn't be scaled or transferred across brands in the future.

If digital capabilities were centralized at a company level, new projects and learnings from generative AI could be efficiently scaled across the company and progressively honed over time.

Three
opportunities for
conversational
AI in the CPG
industry



“ 2024 is the year where being digital-first is fundamental. There's no choice but to invest in generative AI, which requires a lot of agility, and means there's also no choice but to transition to a digital operating model. ”

SABRINA MCPHERSON, SENIOR MANAGING DIRECTOR AT PUBLICIS SAPIENT

The three stages of AI operating model transformation

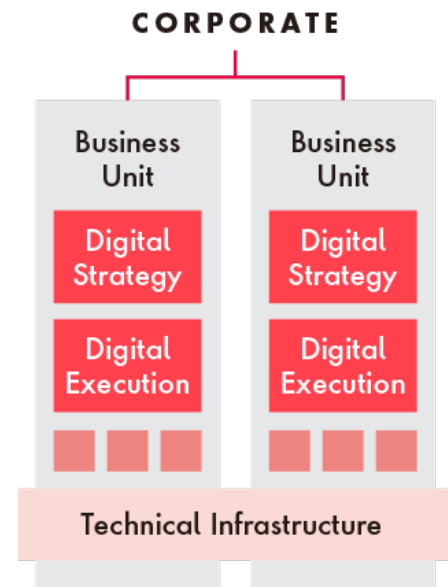
GENERALLY, MOST CP FIRMS START WITH A DECENTRALIZED OPERATING MODEL THAT IS NOT TRULY “DIGITAL-FIRST.” STEP BY STEP, FIRMS CAN BEGIN TO CONSOLIDATE THEIR DIGITAL CAPABILITIES, LIKE AI, FROM BEING DECENTRALIZED TO A DIGITAL CORE.

HERE’S HOW EACH OF THESE DIGITAL OPERATING MODELS WORKS IN CONJUNCTION WITH AI CAPABILITIES:



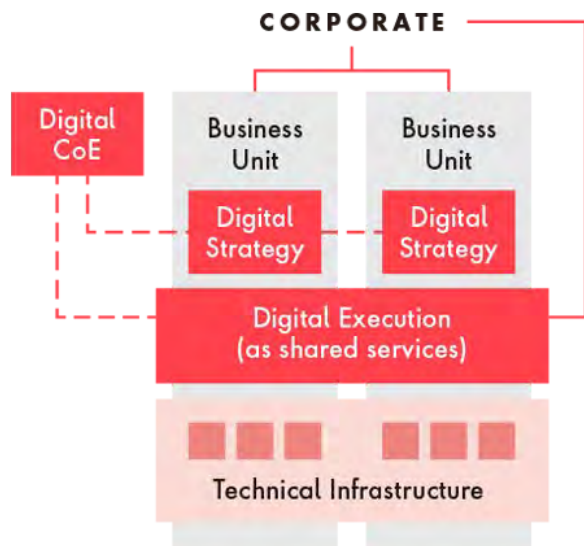
A DECENTRALIZED DIGITAL OPERATING MODEL

In this model, each business unit manages AI technology, strategy and delivery independently, with very little exchange. This model isn’t scalable, and it often comes with a lot of cross-region duplication. Usually, AI solutions are purpose-built for specific needs or groups, and there’s minimal digital resource allocation.





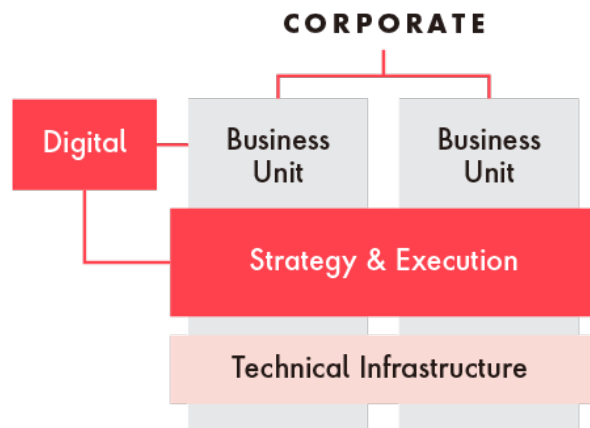
A DIGITAL CENTER OF EXCELLENCE (DCOE) OPERATING MODEL



This operating model (the DCoE) creates expertise and consistency around AI across business units and provides a single source of AI metrics and data. However, the AI strategy and execution are still left up to siloed brands and regions—and the AI center’s success still relies on the separate business units’ budgets.



A DIGITAL CORE OPERATING MODEL



The digital core operating model gives a centralized hub full control of all AI investments and budgets, as well as digital experience and OKRs.

While regions would still have a limited ability to execute AI strategy, they’d use solutions and resources from a global AI team. When CP companies adopt this top-down mentality to drive acceptance across the organization, it makes it easier for each business unit to adapt to AI changes because they don’t need to reinvent the wheel with new AI projects and can start from a central repository.

How can consumer products firms prepare for an AI-optimized operating model?

While the goal of transitioning to a digital-first operating model is to create more speed and agility to adapt to new technology like AI, successfully transitioning digital capabilities the center of a company takes longer than expected.

TAKING A STEP-BY-STEP APPROACH

Using a pilot operating model, CP firms can isolate one or two strategic priorities, like generative AI, to test with a new operating model while they still have the rest of the business operating as usual.

This allows the business to work out the kinks and gathers feedback to iterate on and does it in a seamless way that doesn't fully disrupt the rest of the business.

FOCUSING ON ACCOUNTABILITY AND ORGANIZATIONAL CULTURE

The other piece to enabling digital operating model success is change management. CP firms can stand up a solid DCoE or hub, but if business units aren't motivated to utilize that center of excellence through AI projects and AI budgets, they're not going to be able to advance quickly enough.

Many companies realize only after investing in new technology that it's more about the people and process components and not about the data, the tool or the luminary behind it.

"It's been decades since we've seen a technology as powerful as generative AI. We're already seeing that the companies ready to receive this technology, and that are converting it into profits, are the ones with digital-first operating models. If there's ever been a perfect time to invest in this, it is right now."

**DANIEL LIEBERMANN,
MANAGING DIRECTOR
AT PUBLICIS SAPIENT**



2024 operating model takeaways, by sector

And with many nuances dependent on the product types CP firms cover, Publicis Sapient experts have broken down the key next steps for each of the biggest sectors:

CONSUMER ELECTRONICS AND WHITE GOODS INDUSTRY OPERATING MODEL

- **B2B customer engagement:**
[As B2B sales go digital](#), generative AI capabilities can power customer service interactions, from emails to chatbots to product information. A centralized digital operating model ensures that processes and advancements can scale across brands and regions, and avoids duplication of efforts

BEAUTY AND PERSONAL CARE INDUSTRY SUSTAINABILITY

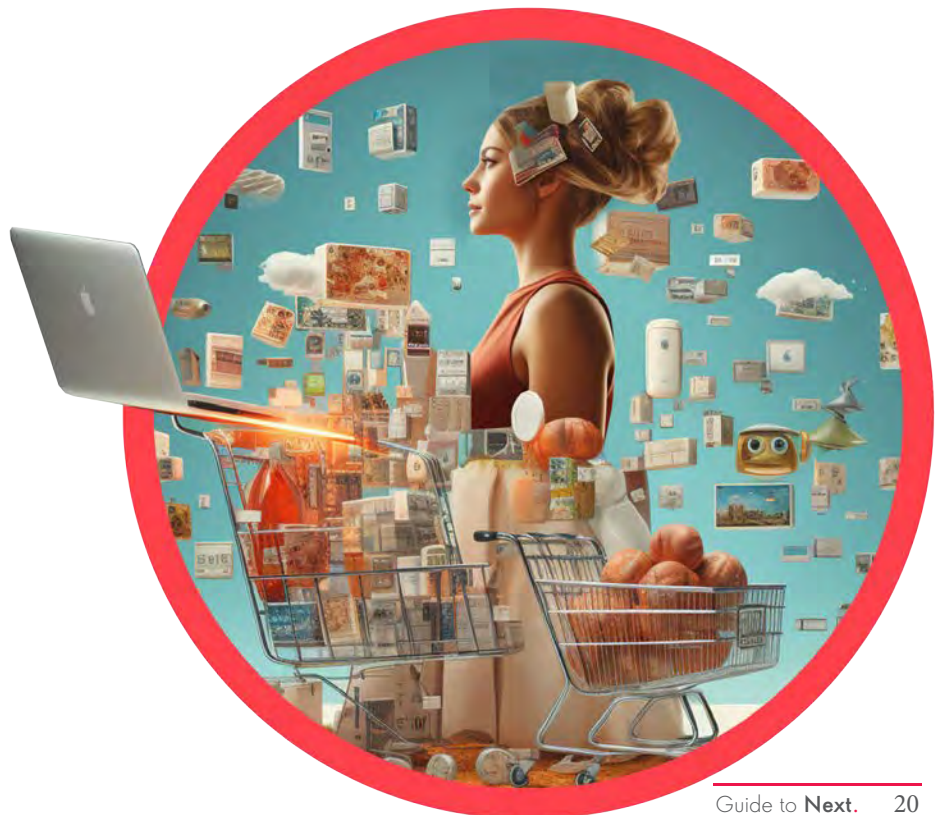
- **Move quickly through test-and-learn:** Because beauty and personal care brands have more direct-to-consumer interaction with consumers, generative AI has the opportunity to make more of an impact through personalized marketing messaging faster than other sectors that only engage through retailers. Your digital operating model needs to support centralized AI capabilities that can surface insights and engage with consumers across brands

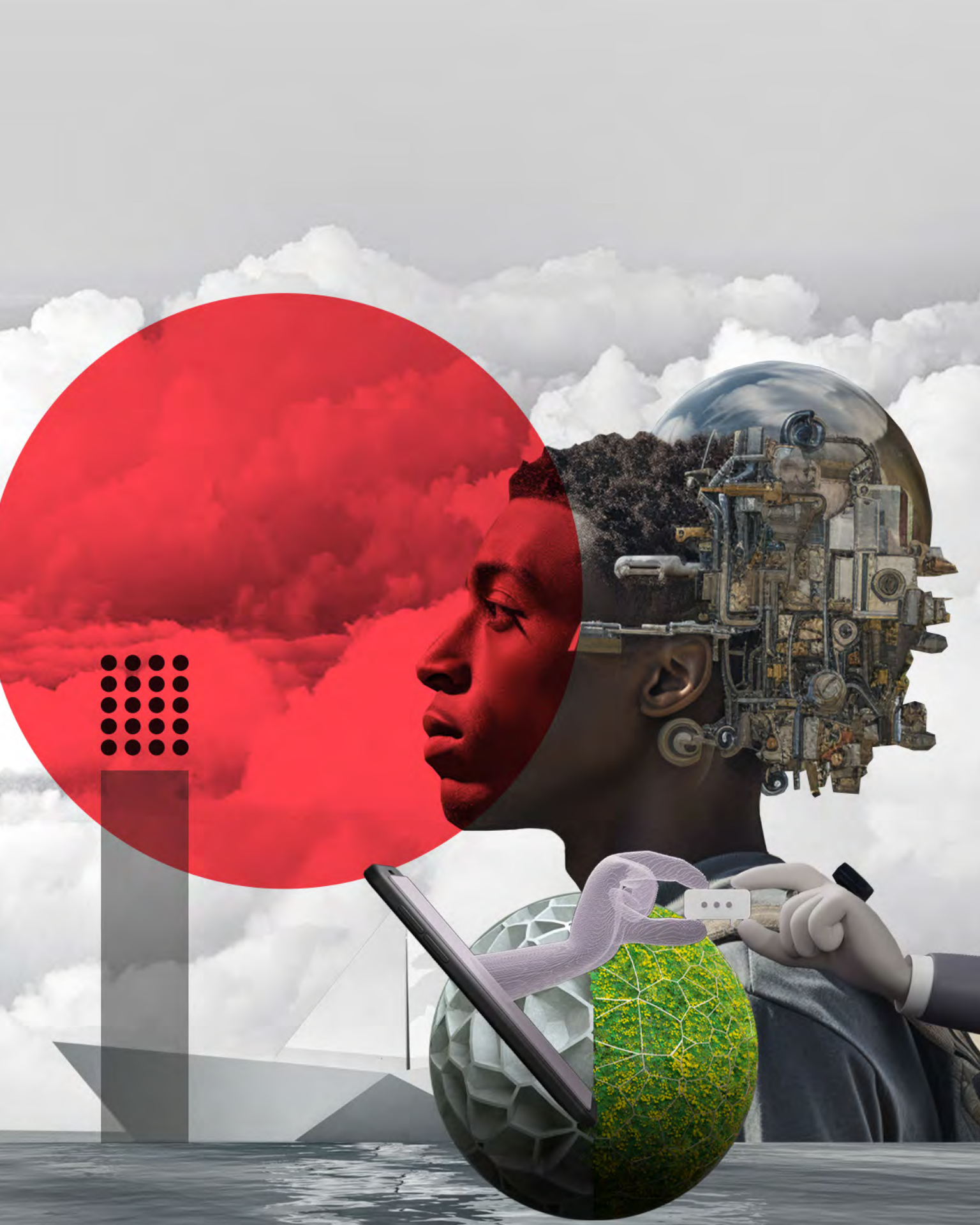
- **Tap into consumer insights:**
Generative AI can quickly surface upcoming trends from consumer channels, like TikTok or YouTube, to inform new products and predict customer needs. A centralized AI-powered insights function can disseminate trends and predictions across brands and regions

FOOD AND BEVERAGE INDUSTRY SUSTAINABILITY

- **Accurately forecast demand:**
Generative AI can produce synthetic data to predict demand from retailers and consumers, but this requires centralized analytical and artificial intelligence capabilities

To transition to a digital operating model fit for the future, contact Publicis Sapient.





● Innovating to Stay Ahead – Gen AI

WILL GENERATIVE AI FINALLY SOLVE THE CUSTOMER DATA GAP IN CONSUMER PRODUCTS?

Artificial intelligence, or AI, has been available to consumer products (CP) brands for years, but in 2024 it's rapidly evolving its ability to perform tasks due to the advancing area of [generative AI](#).

AI can now sit on new large language models, which can ingest “big data,” or vast quantities of complex and unstructured data sets that have previously been very difficult for CP companies to tap for insights.

For an industry that's previously been reliant on retailers for customer data, large language models present an incredible opportunity to understand consumers much more quickly and efficiently, and respond to those insights.

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Generative AI enables brands to outsmart their competition via scalable personalization and trend forecasting. As a result, companies can now surface emerging trends, predict demand and react much faster than ever before.

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**RUBA FARAH, CONSUMER
PRODUCTS DATA STRATEGY
LEAD AT PUBLICIS SAPIENT**

What are the best sources of consumer data?

Consumer data comes in many forms and from many different sources. There are also a wide variety of data types that aren't about consumers, but that give CP brands insight into consumer behavior.

Big data sets that could be useful to CP companies in understanding consumer behavior across sectors include:

- E-commerce product reviews
- Social media posts and comments
- Weather data
- Retail transactions
- Social media brand/consumer engagement
- Member acquisition touchpoints
- Third-party consumer research
- Property and real estate transactions

For example, a furniture manufacturer could anticipate demand in zip codes with hot real estate markets using real estate transaction data. A makeup brand could anticipate new trends through an influx of customer product reviews on Amazon. The possibilities are endless, and now with generative AI, they're a lot more accessible.



CONSUMER GOODS DATA STRATEGY: THE BASICS

Consumer data strategy, generally, refers to the acquisition, management and use of data. This means [establishing a process to capture, organize and analyze data](#) across multiple sources to inform decision-making across the entire organization.

In 2024, brands should be using this data to analyze and reveal patterns, trends and associations about consumers and business strategy. For example, many CP firms stand up [direct-to-consumer \(DTC\) selling channels](#) as part of a larger consumer data strategy, in an effort to get more first-party data.



Why is consumer data strategy important for consumer products brands?

Consumer data has always been an underutilized resource for CP firms, because of how difficult it is to scrape for practical insights at pace and at scale. Thus far, many CP firms have a fractured consumer data strategy, due to a lack of first-party consumer data.

Very few CP firms currently utilize large consumer data sets to inform business decisions—most advanced

analytics use cases, like [predictive analytics](#), for example, use smaller, structured data sets that don't cross business functions. But if CP firms did have data sets as large as the entirety of Instagram or Google search results as their playground, they could drastically increase their profits.



USE CASE: BEAUTY BRANDS ON TIKTOK

According to Google, [40 percent of young people conduct internet searches on Instagram and TikTok](#)—using influencer videos to decide what beauty products to buy. TikTok data, like comments and videos, is unstructured and difficult to analyze. But using a large language model, artificial intelligence can easily predict trends, preferences and patterns from this large and unstructured data set, telling a brand which influencer to work with, what their ads should look like and which products are about to go viral.





When businesses talk about generative AI, it's often discussed or portrayed as a simple undertaking, another implementation project. However, for a medium-sized CPG company, the reality is quite different. Implementing generative AI demands a strategic investment in data management and a well-thought-out strategy from the outset. This early commitment sets the foundation for smoother and faster data utilization, creating the efficiency and agility needed.



RUBA FARAH, CONSUMER
PRODUCTS DATA
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How does generative AI change consumer data strategy?

In order to extract insights automatically and at scale from big data, [CP firms need to invest in artificial intelligence](#), and specifically, large language models across key data sets.

Right now, some CP firms democratize consumer data, customer data, supply chain data and more in a centralized, cross-functional “hub.” But these data hubs are often only usable by internal analytics experts that surface insights manually and on a lag, to the point where it's not able to keep up with the pace of consumer demand.

There are two new main use cases for CPG companies when it comes to big data, with the advancement of LLMs: **demand forecasting and trend forecasting.**

Traditionally, demand forecasting models rely on historical data, are prone to manual errors and have such a high margin of error that they can be difficult to trust. At the same time, consumer trend forecasts are so far behind the pace of social media that manufacturing can't keep up. If CP companies can layer an LLM onto their demand and trend forecasting, they'll be able to predict at a higher level of accuracy, leading to less waste, higher revenue and more consumer engagement.

Three ways to unlock the value of big data for consumer products companies

In 2024, most CP brands won't yet be able to unlock the full value of big data for demand and trend forecasting, but that doesn't mean it's not time to invest.

In fact, the opposite is true. The more data an LLM has, the more useful it is, which means the faster the better for data-driven CP firms.

These are the top priorities for CP firms looking to utilize generative AI as a part of their overall data strategy in 2024:



Establish clean and usable data

While LLMs can analyze unstructured data, artificial intelligence will derive far less meaning from unlabeled numbers in locked spreadsheets than from organized data in a cloud-based data lake. CP firms should remember the motto: "Garbage in, garbage out." CP firms should begin by taking inventory of different data sources, cleansing the existing data and finding interoperability between those sources.



Dedicate resources to data management

Without passionate and expert stakeholders, valuable data will sit and collect dust. CP firms should dedicate resources to internal data experts to drive a modern, innovative consumer insights and overall data strategy that's company-wide. This data core will become more and more valuable as generative AI gains the ability to create content and make predictions, as CP firms will need strict safeguards in place to prevent misinformation and bias.



Start small with test-and-learn

2024 is the year for CP firms to overcome obstacles and find competitive advantages through big data that's already out there. Tackling a specific problem or use case, like the continued impact of inflation on holiday shopping or the opinions of consumers on new packaging, can quickly prove out the best value for LLMs within an organization, and help shape the future trajectory of big data's impact.



2024 big data priorities, by sector

And with many nuances dependent on the product types CPG firms cover, Publicis Sapient experts have broken down the key use cases for big data in each of the biggest sectors:

ELECTRONICS AND WHITE GOODS INDUSTRY

- **IoT interactivity:** Generative AI has the power to connect data across personal electronic devices to form better responses, recommendations and insights. Generative AI combined with natural language processing (NLP) will improve engagement across electronics products.

BEAUTY AND PERSONAL CARE INDUSTRY

- **Personalized Rx:** Consumers want tailored and personalized beauty and personal care products and regimens, which are currently impossible for large CP brands to offer. Generative AI can synthesize recommendations from large data sets to create a better recommendation model for consumers.

FOOD AND BEVERAGE INDUSTRY

- **Decrease waste, increase sustainability:** If CP firms can increase the accuracy of demand forecasts, they can decrease retailer waste. Using retailer data and inflation forecasts, generative AI can inform a more accurate and efficient prediction algorithm.

To unlock the value of consumer data with more revenue and more precision in 2024, contact Publicis Sapient.

Next starts now.

Contact one of our industry experts to assess how your unique business can apply these insights to realize high-value outcomes.



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Or learn more about the proven offerings that help consumer products businesses transform at **publicissapient.com/consumer-products**



Publicis Sapient is a digital business transformation partner helping retailers like Carrefour, Pandora and Falabella get digitally enabled, both in the way they work and the way they serve their customers. As digital pioneers with 20,000 people and 50+ offices around the globe, our experience in technology, data sciences, consulting and customer obsession enables us to evolve our clients' businesses with products and services that put shoppers first.

2024

ISSUE 3

Guide to Next.

FINANCIAL SERVICES



**EMBEDDED FINANCE:
UNLEASHING THE POTENTIAL FOR FUTURE GROWTH**





Embedded Finance: Unleashing the Potential for Future Growth

EMBEDDED FINANCE (EF) HAS EMERGED AS A TRANSFORMATIVE TREND IN THE FINANCIAL SERVICES INDUSTRY OVER THE PAST FEW YEARS, WITH ITS MAINSTREAM ATTENTION SKYROCKETING IN THE LAST TWO YEARS.

By integrating financial services into non-financial platforms and experiences, embedded finance aims to redefine how we interact with money, payments, insurance and banking.

Embedded finance refers to the integration of financial services and products into non-financial platforms or applications, allowing customers to access financial services seamlessly within the context of their everyday activities. It essentially means bringing banking and financial services to where customers already are, rather than requiring them to visit traditional financial institutions (like 'Buy Now, Pay Later' (BNPL) services).

Traditional financial institutions and challengers have the power to provide consumers with a frictionless financial future. But how can banks seize this opportunity and create a clear strategy that reshapes customer experience and drives growth?

Key factors: The rise of embedded finance

The market opportunity for embedded finance is significant and has been rapidly growing in recent years. Here are some key factors contributing to its rise:

1. DIGITAL TRANSFORMATION

The increasing digitization of various industries, such as e-commerce, ride-sharing, food delivery and others, has created opportunities for embedding financial services. This is because digital transformation has lowered the costs of digital strategy integration, removing a traditional barrier to the embedding model. By integrating payment processing, lending, insurance and [other financial services](#) into these platforms, businesses can offer a more comprehensive and convenient experience to their customers.

2. ENHANCED CUSTOMER EXPERIENCE

Embedded finance simplifies financial transactions by eliminating the need for users to switch between different apps or platforms. It streamlines the process and provides a seamless experience within existing products and applications, increasing customer convenience and engagement. This leads to increased product sales, service usage and customer growth.

3. ACCESS TO NEW CUSTOMER SEGMENTS

Many non-financial companies, such as retailers, marketplaces and technology firms, have a large customer base and deep insights into consumer behavior. Integrating finance use cases through software, they can leverage this customer base and extend their reach into new segments, including underbanked or underserved populations.

4. MONETIZATION OPPORTUNITIES

There is potential for companies to generate additional revenue streams beyond their standard offerings. By partnering with financial institutions or leveraging fintech solutions, businesses can earn fees or commissions from transactions, lending, insurance or other financial activities conducted through their platform.

5. INNOVATION AND COMPETITION

Fintech startups have been disrupting the traditional financial services landscape by leveraging technology and offering user-centric solutions. Traditional industries can stay competitive by adopting similar strategies, leveraging fintech innovations and enhancing their value proposition.

6. REGULATORY ADVANCEMENTS

Governments and regulators have been adapting regulations to encourage innovation and competition in the financial sector. Open banking initiatives, which promote the sharing of customer data securely between financial institutions and third-party providers, enable the development of embedded finance ecosystems.

Embedded finance early entrants and macro impacts

In the initial wave of embedded finance propositions, non-bank players began to take the lead, showcasing varying levels of depth and focus in their offerings. Traditional banks have started launching individual embedded finance initiatives in select markets and products, while simultaneously exploring partnerships.

The potential of embedded finance in banking and insurance is yet to be realized. As more organizations look to digitally transform their offerings, a focus on integrated systems enabling financial products and services and honing on platform strategy will be a key focus in years to come.

Currently, [embedded finance use cases](#) predominantly revolve around payments, with “Buy Now, Pay Later” (BNPL) services gaining global recognition. Although alternative lending use cases are gaining traction, larger ecosystem plays are still in the early stages. Alternative lending technologies in the coming years will focus closely on data to develop a better understanding of consumers’ financial health, which will help get loans approved faster.

Fintechs and banks are facing challenges in scaling with partners and ensuring the viability of their offerings. Scaling in a partnership-driven model has proven to be more complex than anticipated, leading to a reevaluation of strategies.

To stay competitive, there is an [opportunity for incumbents](#) to expand their presence through organic and inorganic capability building. Financial institutions should approach embedded finance by exploring new digital platform models, building partnerships to open distribution channels and embracing non-traditional revenue streams. This will provide the opportunity to introduce new product and service offerings (like digital wallets), retain and increase customer loyalty, gain access to a new customer base and increase revenue by providing additional financial services, such as lending and insurance.



Embedded finance capabilities needed for the future

In their pursuit of the “next” phase of embedded finance, financial institutions must focus on developing the following capabilities:



PROPOSITION DEVELOPMENT WITH PARTNERS

Moving beyond a traditional financial product mindset, banks should collaborate closely with partners to create blended propositions—ones that combine financial services with non-financial offerings. This customer-centric approach will unlock new value propositions and enhance the user experience.



PEOPLE AND OPERATING MODEL

Strengthening partner management and internal coordination capabilities is critical to surface banking capabilities effectively. Establishing a clear path to integrate Banking-as-a-Service (BaaS) capabilities into the existing infrastructure is also necessary, enabling seamless coordination between embedded finance and core banking functions.



TECHNOLOGY

To ensure readiness for BaaS integration and future scalability, incumbents should transition toward decoupled, modern architecture that can scale. This architecture should be flexible, interoperable and aligned with broader technology modernization efforts within the financial institution. This will empower financial institutions to adapt to evolving customer expectations while efficiently supporting a network of BaaS partners profitably.

Embedded finance: Seizing the opportunity

The market opportunity for embedded finance is vast, with the potential to impact multiple sectors. It ranges from small businesses integrating payment processing to large platforms offering a full suite of financial services. The size of the opportunity can be seen in the valuation of companies operating in this space, as well as the investments and partnerships being formed between fintech startups, established financial institutions and non-financial companies.

Overall, embedded finance represents a powerful trend that enables businesses to enhance customer experiences, drive revenue growth and reach new market segments by seamlessly integrating financial services into their existing platforms or applications.

To capitalize on the potential of embedded finance, incumbents must focus on key areas to differentiate themselves and scale effectively. There is a [clear roadmap for banks](#) to seize this opportunity:



DEFINE THEIR TARGET MARKET.

This is both in terms of partners and customers, to identify opportunities for differentiation and scalability. This will enable financial institutions to align their efforts and resources toward developing compelling embedded finance propositions.



THINK HARD ABOUT VIABILITY.

Banks must carefully evaluate the effort required to open up their capabilities and scale effectively with partners. This assessment should take into account the potential ROI and the overall sustainability of embedded finance initiatives.



BUILD A COMPREHENSIVE CAPABILITY STRATEGY.

Banks should identify which parts of their technology stack and operating model are ready for BaaS integration and determine areas that require strengthening through internal development, partnerships or acquisitions. The goal is to create a robust and adaptable infrastructure that aligns with the broader financial institution's system modernization efforts.



Next starts now.

Embedded finance holds tremendous potential for reshaping the financial services landscape, offering innovative customer experiences and unlocking new revenue streams. We believe that those who are early to market stand a better chance of succeeding. Publicis Sapient can help financial institutions drive successful adoption and build modern architecture to pave the way for a future where financial services are seamlessly integrated into our everyday lives.



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**SUPER APPS:
A NEW WAVE OF DIGITAL DISRUPTION IN BANKING**





Super Apps: A New Wave of Digital Disruption in Banking

IN RECENT YEARS, THE CONCEPT OF A “SUPER APP” HAS EMERGED AS A DISRUPTIVE FORCE IN THE MOBILE/SMART PHONE INDUSTRY, PARTICULARLY IN ASIA, WHERE PLATFORMS LIKE WECHAT AND ALIPAY HAVE TRANSFORMED THE WAY PEOPLE INTERACT WITH DIGITAL BANKING.

Super apps are multi-functional, all-in-one digital platforms that can integrate a wide range of services delivered directly to consumer smart phones. But can this one-stop shop super app concept translate to banking apps?

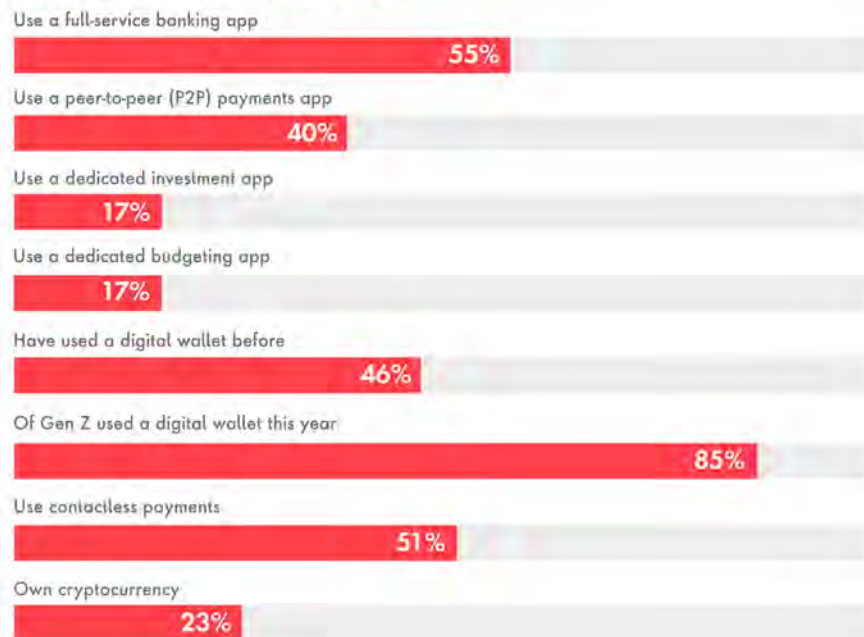
The rise of super apps

Surprisingly, the concept of super apps isn't entirely new; the idea was introduced by BlackBerry's founder, Mike Lazaridis, over 10 years ago. With consumers leading the charge on a mobile-first future, the demand for an all-in-one platform has continued to evolve, and looking ahead, in 2024 demand will continue to rise as will the level of complexity needed by customers from digital banking apps.

The success of super apps is convenience and simplicity for consumers. As an all-in-one platform, users can use the app for messaging, shopping, transportation (like Uber and Lyft), food delivery and paying bills. The question remains: with the number of apps downloaded on consumers' smart phones growing daily, can all consumer needs really fit under one umbrella?

The future of financial super apps in 2024

U.S. Financial Service App Usage



Sources: Daxue Consulting; Finder; Associated Press; Boston Herald; Global Payments

Mobile banking is a right, not a privilege

Mobile banking is no longer a luxury, as more than half of consumers are using a full-service banking app (with even more taking advantage of digital wallets).

Even so, consumers are struggling to manage their finances across multiple banking platforms, which is something the super app is trying to solve. The convenience factor of a one-stop shop plays a vital role, offering 24/7 access, personalized experiences and enhanced security—all of which have continually attracted consumers to seek out alternatives to traditional banking.



The impact of super apps in banking

This all-in-one solution provides a broad range of services within a single app, which can help financial institutions enable:

1. CONVENIENCE AND SIMPLIFICATION

Super apps consolidate multiple services and functions into a single platform, eliminating the need for users to switch between different apps. This streamlines the user experience and makes it more convenient, saving time and effort. Instead of downloading and managing several individual apps, users can access various services and perform multiple tasks seamlessly within a single app.

2. ENHANCED USER ENGAGEMENT AND RETENTION

Super apps provide a compelling reason for users to spend more time within the app. By offering a wide range of services, these platforms can keep users engaged, encourage frequent usage and increase user retention. The more time users spend within the app, the more opportunities there are for generating revenue and delivering personalized experiences.

3. NETWORK EFFECT AND ECOSYSTEM EXPANSION

Super apps often create an ecosystem of services and products that complement each other. As more users join the platform, the value of the app increases for both users and service providers. For example, a messaging app with integrated financial services can enable users to send money to friends, make payments and access other financial products. This network effect drives the expansion of the ecosystem, attracting more users and service providers to join the platform.

4. CROSS-SELLING AND MONETIZATION OPPORTUNITIES

Super apps can [leverage the vast user base and data](#) they accumulate to offer targeted advertising, cross-selling opportunities and personalized recommendations. By understanding user preferences and behavior, these apps can present relevant products and services, leading to increased conversions and revenue. Additionally, super apps can earn revenue through commissions or transaction fees for the services offered within their platform.

5. FINANCIAL INCLUSION AND ACCESS TO SERVICES

Super apps, particularly in emerging markets, can play a crucial role in providing access to essential services for underbanked or underserved populations. By integrating financial services, users can perform banking transactions, access loans, make payments and more, all within the same app. This helps bridge the gap between traditional financial services and users who may have limited access to physical bank branches.

6. INNOVATION AND DISRUPTION

Super apps drive innovation by pushing boundaries and exploring new possibilities. These platforms often collaborate with third-party developers and service providers, [fostering a vibrant ecosystem of innovation](#). By opening up their platform to external developers, super apps can introduce new services, features and integrations that enhance the overall user experience.

Challenger bank disruption to traditional banking

Financial services have, typically, been handled exclusively by banks and other financial institutions. But big tech firms like Google, Amazon and Apple want a piece of the pie and are seeking more from consumers' financial purchases.

Because of this, super apps may remove financial institutions as the “middle man” entirely—where big tech firms can provide every financial service a consumer may need.

So, what can banks do to stay relevant?



Next steps for financial institutions

According to Grand View Research, the global super apps market size is expected to reach [\\$426 billion by 2030](#). Financial institutions will be left with one question: *Do they join the party (embed within a super app) or create their own?*



Strategy: Embed vs. Develop?

Embed is best for FIs that want to...

- Offer their services in another firm's super app (branded or not)
- Become an infrastructure provider of choice with a Banking-as-a-Service (BaaS) or Payments-as-a-Service (Paas) proposition
- Bring offerings/products to market quickly, efficiently and more cost-effectively
- Gain access to untapped market segments

Develop is best for FIs that can...

- Think and compete differently (competition based on product/service --> monetizing engagement and data)
- Use open data to bolster quality of insights between sub-apps
- Retain customer trust & can navigate regulatory requirements with ease
- Implement experience in leveraging financial data to better understand customer segments



Super apps represent a paradigm shift in mobile application development by consolidating multiple functionalities and services into a single, seamless platform. With their convenience, user engagement potential, monetization opportunities and ability to enhance financial inclusion, super apps have become a significant trend in the mobile technology landscape.

DAVE DONOVAN, EXECUTIVE VICE PRESIDENT, OPERATIONS

The banking app of the future: A lifestyle platform

Whether a bank chooses to embed or develop their own super app, the banking app of the future will focus on personalization and customer-centricity. [Advanced analytics and AI-driven insights](#) will enable tailored recommendations. To stay relevant in the market, traditional financial institutions will need to make a decision to provide the back-end for all embedded financial services or develop their own super app to improve customer engagement, increase revenue streams and promote potential growth.

With all financial products and services living in one place, users will be empowered to make more informed decisions, whether that's through cryptocurrency or stock trading, lending, credit services, Buy Now, Pay Later (BNPL) services, personal finance management and beyond.



Next starts now.

Traditional banks must adapt and embrace the rise of super apps across industries to remain competitive. By investing in the right digital capabilities, banks can drive innovation and transformation in financial services.

It is crucial for financial institutions to anticipate and leverage future advancements, like AI, to meet customer expectations. Publicis Sapient is ready to partner with banks to help them navigate this digital transformation and help drive success in the evolving mobile-banking landscape.



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TYLER MUÑOZ

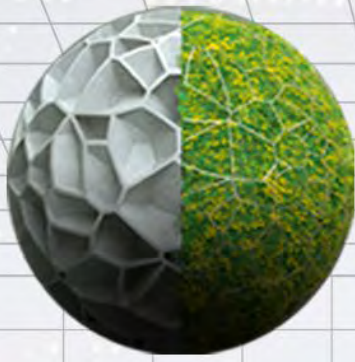
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**WHERE TO PLAY IN THE FUTURE OF GENERATIVE AI:
CUTTING THROUGH THE HYPE**





Where to Play in the Future of Generative AI: Cutting Through the Hype

THE FINANCIAL SERVICES INDUSTRY HAS WITNESSED A REMARKABLE SHIFT TOWARD THE ADOPTION OF ARTIFICIAL INTELLIGENCE TECHNOLOGIES TO COMBAT FRAUD, ENHANCE SECURITY, MITIGATE RISK AND OPTIMIZE CUSTOMER EXPERIENCE.

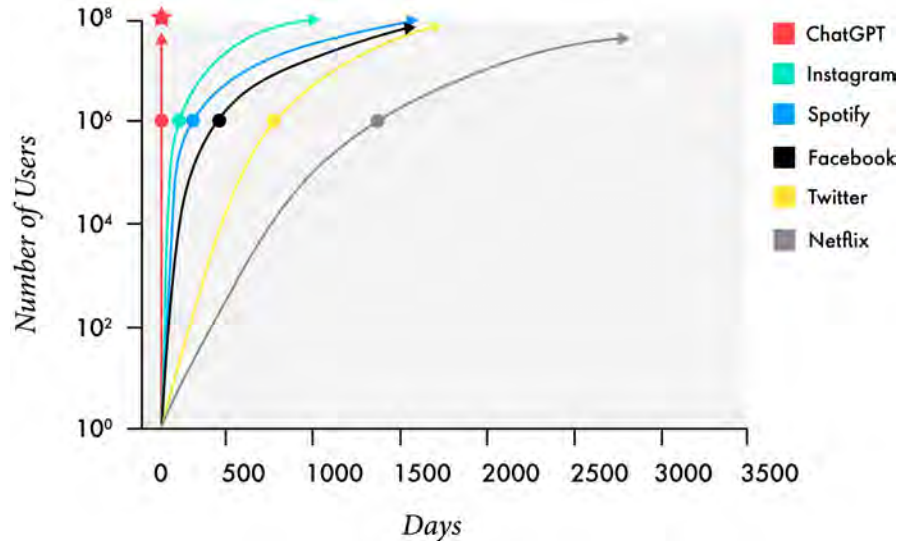
These tools have allowed financial institutions to improve their “cost to serve” in an operational capacity, streamlining business practices and allowing executives to focus on more strategic initiatives. Further, generative AI gives organizations the opportunity to better understand their customers—and turn those learnings into tailored, personalized experiences.

As organizations increasingly recognize the potential of AI and seek to keep pace with the market, can financial organizations navigate through all the hype surrounding this emerging technology and capitalize on the right opportunities?

‘AI’ as a term was first coined in 1956. For the last couple of decades, it’s been increasingly relied upon within financial services institutions for largely operational use cases, including fraud detection and credit decisioning. Generative AI exploded onto the scene with the fastest viral rate of adoption of any technology—taking just 60 days to get to 100 million users.

The pace of genAI adoption is faster than internet start-ups

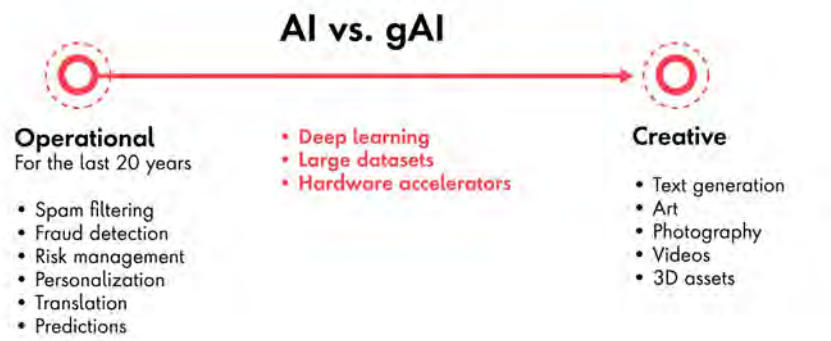
This pace of adoption is far faster than the speed of implementation at most financial institutions; yet, banking is one of the sectors that could see the biggest impact when it comes to revenue and cost efficiency. As financial institutions move forward with generative AI, they will need to define the problems they wish to solve with it and establish a clear cloud-based strategy for 2024 and beyond.



ChatGPT reaches 100 million users in six months

Reinventing financial services with generative AI in 2024

The use cases for generative AI are far broader than just operational in nature, with the ability to completely disrupt content creation. But while in creating personalized content for consumers, enabling everything from personalized artworks to templated job application letters, many senior executives have found the business applications to be less clear cut. What should CEOs actually be focusing on when it comes to generative AI, and why?



This visual shows the differences between AI and generative AI (operational versus creative).

Generative AI financial services use cases

There are three significant dimensions in how generative AI-based technologies will transform banking, from backstage operations to how coworkers interact with colleagues and enable better customer experiences.

Across these three dimensions, there are nine specific use cases that offer the most value to financial services enterprises now and in 2024.

BUSINESS MODEL INNOVATION

Creating new innovative propositions for customers that transform the value model.

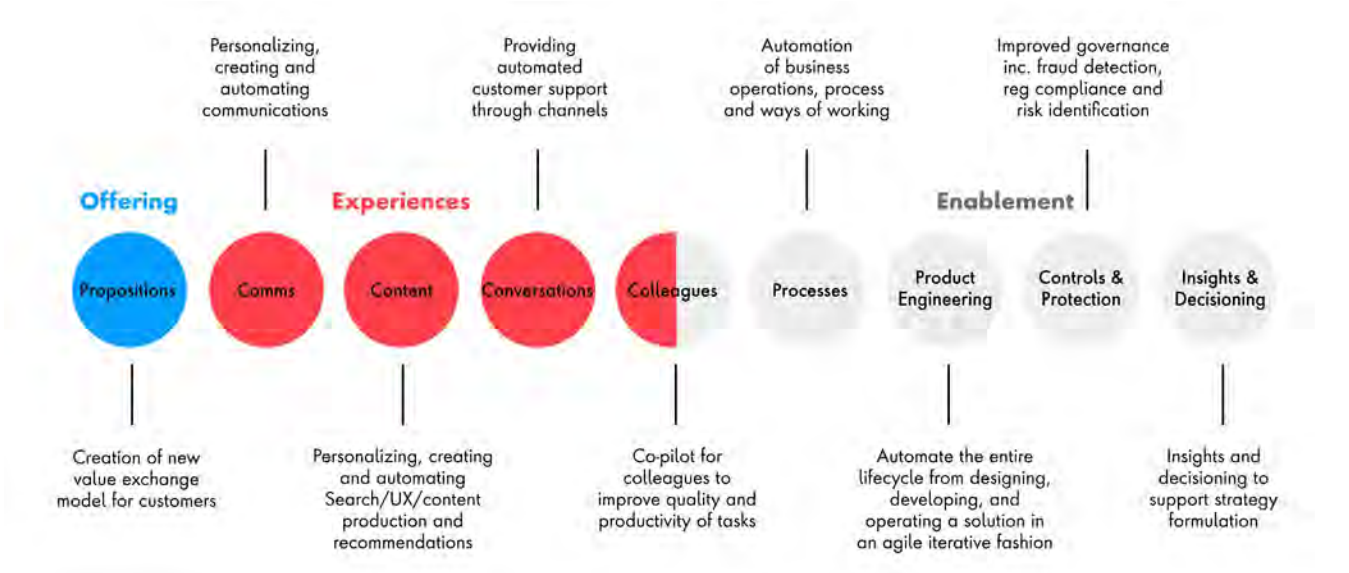
CUSTOMER & COLLEAGUE EXPERIENCES

Engendering new customer expectations, behaviours, and outcomes through better CX.

ENTERPRISE ENABLEMENT

Introducing new assets & capabilities as well as new ways of operating.

TO UNDERSTAND WHERE TO PLAY, A SYSTEMATIC APPROACH IS REQUIRED TO CAPTURE THE VALUE - 9X USE CASE CATEGORIES EXCIST ACROSS BANKS



Nine specific generative AI use cases for financial institutions.



While there is an incredible breadth of opportunities to consider, it's important to have a means of assessing the benefits, as well as the challenges, to prioritize them.

Klarna.

Klarna

Integrated ChatGPT for personalized shopping recommendations via its search and comparison tool.



MSE Chat

Uses ChatGPT and MoneySavingExpert's guides to answer questions about a wide range of financial topics.

Morgan Stanley

Morgan Stanley

Developed an AI-based engine called "Next Best Action," which delivers customized messages.



Publicis Sapient

Publicis Sapient – Developed a ChatGPT-driven chatbot that gives natural language answers to queries on insurance policies.



Bank of America

Bank of America - Using generative AI to create personalized onboarding experiences for new employees with tailored curricula and learning paths.



Trovata

Trovata – Launched a tool to automate cash workflows and business intelligence for corporate finance, accounting and treasury departments.



GMS

GMS - Experimenting with generative AI tools internally to help developers automatically generate and test code.



Deutsche Bank

Deutsche Bank – Developing AI applications for better risk management, efficiency and customer service.

JPMORGAN CHASE & CO.

JPMC

JPMC – Using a ChatGPT-based language model to detect trading signals from Federal Reserve statements and speeches.

Source: Whitesight.net, PS Research

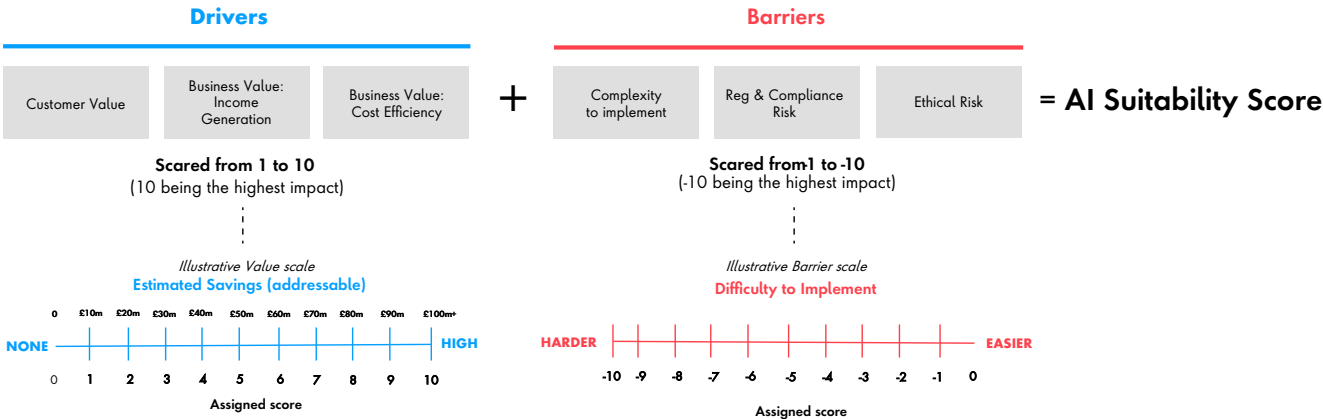


Publicis Sapient can help you establish AI incubators using our unique SPEED approach: holistically integrating strategic growth, digital product thinking, next-generation customer experience, engineering, data and AI.

AI Sustainability

While there is an incredible breadth of opportunities to consider, it's important to have a means of assessing the benefits, as well as the challenges, to prioritize them.

Publicis Sapient has developed an AI Suitability Score, which evaluates Drivers and Barriers and allows for the creation of a 'heat map' of opportunities across the business. Drivers assess customer value, income generation and cost efficiency. Barriers evaluate the complexity of implementation, regulatory and compliance risk, as well as ethics. Publicis Sapient can help you establish AI incubators using our unique SPEED approach: holistically integrating strategic growth, digital product thinking, next-generation customer experience, engineering, data and AI.





Generative AI: evaluate where to innovate

Generative AI has the power to shape the future of banking by [transforming customer experiences](#) and business processes at scale across different lines of business. While use cases are still emerging on an almost daily basis, the biggest question to keep in mind is not 'what' to innovate within but 'where,' as there will be a big variance in the suitability of opportunities for any financial services institution.

However, with the right strategic approach to generative AI, financial companies can prioritize resources and effectively leverage this transformative technology to create a genuine competitive advantage with measurable impact.



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2024

HEALTH

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2024

Artificial intelligence has the potential to significantly transform patient care experience as well as automate processes within provider, payer and pharmaceutical organizations. With generative AI evolving rapidly, what steps must healthcare organizations take in 2024 and beyond to improve clinical outcomes and keep the focus on patient experience with generative AI?

Generative Ai

Generative AI will change the game for how patients navigate the healthcare system, putting human relationships and personal experience at the center of provider organizations' strategy for 2024. While these priorities have always been at the heart of healthcare, generative AI has the power to scale the use of patient data to transform clinical health outcomes and patient experience at a previously unheard-of pace.

CURRENT PLATFORMS LIKE CHATGPT CAN PERFORM THE FOLLOWING TASKS:

- Create customized summaries that can be used to condense complicated medical diagnoses and treatment plans
- Simplify complex concepts to reduce patient confusion and empower them with the information they need
- Create content in different languages to help serve diverse patient demographics

The question remains: What should healthcare professionals focus on with generative AI when looking at the year ahead?



Patients report better clinical outcomes with better patient experience

Patients engaging in digital experiences do far better; they are three times less likely to have unmet health needs, and cancer patients who engaged in digital support had a significant drop in ER visits and survived five months longer on average compared to individuals who didn't use digital tools to support their healthcare needs.

When patients, both past and present, talk about a good healthcare experience, they usually mention an individual provider or clinical team who took great care of them. On the other hand, bad patient experiences are costly in terms of both provider reputation and litigation, affecting malpractice insurance premiums and pitting providers against patients.

Keeping healthcare quality indicators, including compassion, top of mind is a priority for medical organizations, with 71 percent of patients reporting that they've [experienced a lack of compassion](#) when speaking with a medical professional. Doctors, nurses and medical technicians, as well as paramedics and other practitioners, are facing increasing pressures to deliver, working excessive hours and dealing with patient frustration, often on a minute-to-minute basis.

Ultimately, it's a diagnosis for burnout and poor patient experience. Healthcare leaders should always be looking for ways to ease the strain on their people and optimize operational efficiency while improving patient satisfaction. In a healthcare industry that is focused on applying technology to solve their problems from an automation and experience perspective, generative AI will help the healthcare industry to achieve this strategically.



“

We are now seeing the potential of using AI to drive and scale these personal experiences, placing relationships back at the center of care.”

HUGO MANASSEI

GVP, Healthcare Transformation

What patients and the industry are asking for: healthcare, personalized

Patients have long been asking for a [future of healthcare](#) where digital healthcare technology rapidly evolves to enable medical teams to:

- Diagnose and treat medical problems faster and more seamlessly
- Provide a comprehensive approach to treating patients across systems and reports
- Alert patients with preventive recommendations to lower the risk of adverse health outcomes in the future, like heart disease or diabetes
- Provide a connected end-to-end experience to meet them where they are with their health needs, from initial encounter to discharge

In order to align generative AI's capabilities with patient expectations and business needs, healthcare business leaders looking at this from a revenue cycle perspective will need to develop strategic plans for applying generative AI in both front-end (scheduling, patient registration, eligibility and authorization) and back-end (claims management, reimbursement) processes. Generative AI can even review its own outcomes, using data from patient satisfaction surveys, net promoter research, and data analytics to ensure that organizations are on the right track with the initiatives implemented.



Testing a use case for ChatGPT in healthcare

Publicis Sapient recently used ChatGPT to develop a series of prompts based on an individual's health situation geared toward finding out if the tool could support better health outcomes and found the following trends to report on:

- Dialogue flow is limited, and ChatGPT has a tendency to take action straight away
- Responses are extremely verbose; ChatGPT produced 40,000 words in response to 97 prompts
- Responses tended to be generic and lacked nuance; however, it responded with empathetic phrasing and apologized when it got things wrong



More data equals stronger analysis

In the case of one interviewee, the team set out to test whether ChatGPT could help improve their health outcomes, by crafting a series of prompts focused on:

- How the individual could lead a healthier lifestyle
- How good ChatGPT is at recommending preventive health activities
- What advice it had for the employee to support a lifestyle condition, such as GERD (acid reflux)

The subject in this example was a white, middle-aged male living in the city with a sedentary lifestyle, a stressful desk job, two teenagers, aging parents and several health conditions.

While the input from ChatGPT was initially generic, the more data that was provided (for example from the Apple Health app) the more ChatGPT provided stronger answers (e.g., when answering a question about a potential colonoscopy). This speaks to the need for effective implementation of patient data in generative systems to create more robust opportunities for use as the technology continues to develop.

Solving for the current limitations of generative AI

AI and machine learning are currently being used in healthcare; however, there are a few hurdles to overcome before generative AI will become fully embedded in future healthcare ecosystems.



ABILITY TO SHOW EMPATHY

Currently, it's difficult for generative AI to show a level of empathy comparable to human medical providers. Healthcare professionals should focus on how patient experience can be reimagined in this area so that patients can get their questions answered with compassion and humanity by virtual customer service representatives.



A PROACTIVE MINDSET

Being able to anticipate patient or member needs proactively requires an understanding of context. While software like ChatGPT can do this to a limited extent, generative AI of the future will be able to make these kinds of decisions faster, using patient data to drive personalized patient health insights.



ADDRESSING BIAS

To counter concerns of bias within data and training algorithms, healthcare organizations will need planning and strategy to ethically organize data in healthcare customer relationship management (CRM) software that uses generative AI.

What generative AI has in store for the future of healthcare

Generative AI has the potential to accelerate digital experiences, moving it from the impersonal to personal by using data to create valuable relationships between providers and patients, ultimately leading to improved health outcomes and automation of day-to-day functions at scale.

In the coming year, even generative AI's current capabilities could be harnessed for:

- Triaging the priority of a patient's health condition with generative AI using virtual emergency rooms or home equipment such as a portable pulse oximeter, building on same day [emergency diagnosis](#) services already in existence
- Developing automated text messaging services such as a Crisis Text Line to help individuals in crisis connect with mental health practitioners or fill prescriptions
- Automating providers' customer relationship management (CRM) capabilities like producing welcome letters and generating automated reports
- Streamlining claims management, auto-generating prior authorizations, creating claims summaries and drafting responses to appeals and grievances

Practitioners should take the next step now and consider how generative AI in 2024 can be embedded not only within specific digital tools, but in patient care management as a whole.

To learn more about maintaining a competitive edge and unlocking new sources of value through generative AI, reach out to Hugo Manassei below.

Next starts now.

Contact one of our industry experts to assess how your unique business can apply these insights to realize high-value outcomes.



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Or learn more about the proven offerings that help retail businesses transform at **publicissapient.com/health**



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2024

TRAVEL & HOSPITALITY ISSUE 1

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2024

How Travel & Hospitality companies
can create the most impact in the
coming year—on their business
and their customers.

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Solving Customer Lifetime Value

IN 2024, SHOULD TRAVEL AND DINING BRANDS STILL CARE ABOUT LOYALTY?

Loyalty members tend to be anything but loyal. Research shows that loyalty members overall are only active in half of the loyalty programs they belong to, according to a 2023 Publicis Sapient survey. Almost half of millennials, specifically, have changed their airline loyalty in the past year, according to a 2023 OAG survey.

Will travelers and diners still care about loyalty programs in 2024, and more importantly, should brands?

In 2024 and beyond, travel and dining brands will transition from transaction-based loyalty programs to preference-driven customer relationships—i.e., emotional loyalty.

Travelers will still rack up points for flights and diners will still buy meals with promotions. But artificial intelligence will allow brands to increase loyalty and customer lifetime value (CLV) through more granular segmentation, personalization and emotional loyalty.



What is emotional loyalty?

Emotional loyalty is when customers identify with a brand, are brand ambassadors, and make habitual buying decisions that defy rational explanation—leading to not only the outcomes above, but also:

- Long-term brand equity
- Increase in word of mouth
- Resilience of the brand to changes in the market or adverse conditions

For example, Starbucks loyalty program members generated 57 percent of U.S. revenues in Q2 of 2023, and active loyalty membership rose 15 percent year over year, despite the coffeehouse chain diluting loyalty points value and higher than average nationwide inflation rates at that time. This shows that when loyalty members aren't driven by convenience and price alone, and instead make habitual buying decisions that might defy rational explanation, travel and dining brands will retain CLV through adverse conditions.

Emotional loyalty vs. behavioral loyalty

On the opposing end, **behavioral loyalty** is loyalty that's purely driven by repeated transactions, because of convenience incentives like discounts. Emotional loyalty leads to repeated transactions, but it's driven by emotion-oriented rewards, like belonging, connection and identity.

For example, loyalty to an airline that is driven purely by perks, discounts and points means that "loyal" customers will be less likely to stay loyal during changes in the market and in the long term, over their lifetime.

[More than 20 million U.S. travel loyalty members alone faced a status downgrade in 2023](#), due to COVID-related decreases in travel. In this situation, behavioral loyalty members that were attracted by the discounts and the convenience of their status were willing to switch to whichever airline provided the most convenient or discounted option.

“

Most loyalty programs are still run like a monolithic program, where active members are bombarded with the same offers that don't necessarily align with their personal life and aren't able to dynamically change over time. Companies have been talking about this dynamic, predictive style of loyalty for many years, but very few are actually capitalizing on it at a time when we have more data capabilities than ever before.

”

**PETE GROVES, SENIOR
MANAGING DIRECTOR
AT PUBLICIS SAPIENT**



How to measure emotional loyalty

Instead of customer behavior history, brands can measure emotional loyalty through these KPIs:

- customer retention
- loyalty program transaction amount
- positive reviews
- referrals
- increase in percentage of revenue from subscribed customers compared to overall revenue

Combined with these KPIs:

- increased social media engagement
- increased brand searches
- increased customer satisfaction

When the loyalty KPIs in the first list improve solely in response to financial incentives like discounts or promotions and don't drive brand affinity, this is purely behavioral loyalty, which won't drive long-term CLV.

Five ways to drive emotional loyalty in 2024

As travel and dining brands switch their focus from behavioral to emotional loyalty, they'll need to adopt a test-and-learn approach.

These are the top ways travel and dining brands can cultivate emotional loyalty and customer lifetime value in 2024:



Understanding the 'why' behind customer behavior

AI can surface insights on what customers like, what they're doing and what they want, and connect those insights together. But companies should be focusing on the 'why' behind this data—and that's where they can create a strategy to drive emotional loyalty.

For example, a QSR brand can surface a segment of millennial customers that order takeout delivery every Sunday—but this insight isn't helpful without contextual data and insight to understand that it's because of a TikTok trend, a new HBO show or because of bad weather. It's important to understand what is driving customer behavior, and what role your products play in their lives..





Today's loyalty programs have trained us to value the one-to-one relationship between the points I earn and the product that those points can buy. What if points from a single hospitality brand loyalty program could be used for restaurants, activities and spa services at or around the location of your holiday booking, giving access to a wide array of enriching experiences that guests couldn't regularly afford? This builds true emotional attachment to the brand.



**J F GROSSEN, GLOBAL
VICE PRESIDENT OF
CUSTOMER EXPERIENCE AT
PUBLICIS SAPIENT**



Use the 'network effect' with other products

Customers that are emotionally connected to one brand, like the Ritz Carlton, will most likely be great ambassadors and purchasers of products and services associated with that brand. For a hotel, this could be spa products, the associated golf equipment rentals or the tea that's served in the room.

To drive emotional loyalty through brand networks, companies can use first-party data to understand which brands customers are connected to within their ecosystem and try to bolster those connections or even find new ones.



Don't reinvent the wheel

Dynamic segmentation, and personalization, requires a modern technological backbone. As companies test-and-learn in 2024, it's time to leverage current product investments, not reinvent the wheel. It's more efficient to beta-test and create one new loyalty segment driven by AI sentiment analysis within customer service chats, rather than replace the entire customer engagement platform.

Brands should be thinking about how they can recombine their current tech puzzle pieces (and products) for efficient engineering to drive value for customers.



Experience the customer journey

See and feel your customer experience journey—not just to run your loyalty program successfully, but to understand which parts of the journey might seem like costs but are actually drivers of emotional loyalty and customer lifetime value.

For example, through taking a holistic approach to the customer and employee journey, a restaurant chain might find that one-on-one interaction between employees and customers is an added cost compared to automated POS kiosks, but that these interactions improve customer satisfaction, increase brand affinity and drive customer lifetime value.



Data-share across partnerships

Brands need more first- and third-party data to create more dynamic segmentation (and personalization) for retention and acquisition marketing. Often, the data that brands are collecting themselves, like purchase history, isn't effective for segmentation. Brands need to look to their networks to create cross-industry partnerships, securing contextual data that will round out customer profiles rather than buying massive data sets and seeking to find connections between the data retroactively.

Unfortunately, most brands still aren't eager to share bits and pieces of customer information. Travel and dining brands need to orchestrate 'micro-experiments' with customer data, experimenting and tying together new first- and third-party data sets to identify potential data-sharing partnerships, like the Delta and Starbucks points collaboration.

“

Artificial intelligence in 2024 may expose cracks in institutional data, resources and privacy regulations. Brands should not expect hyper-accurate information just yet. It's about harnessing passionate minds to unfurl real value with the technology and data that your company does have, and figuring out what can benefit you.

”

**J F GROSSEN, GLOBAL
VICE PRESIDENT OF
CUSTOMER EXPERIENCE AT
PUBLICIS SAPIENT**

2024 travel and dining emotional loyalty takeaways, by sector

With many nuances dependent on business type, Publicis Sapient experts have broken down the key priorities for emotional loyalty in each of the biggest travel and dining sectors, based on 2024 predictions within these industries:



AIRLINES AND AIRPORTS

- **Destination Asia:** The Asian Development Bank predicts that [tourism could accelerate to pre-COVID levels in 2024](#), as soon as Lunar New Year in February. Airlines and airports can reactivate dormant loyalty members looking to travel to and from the Asia region next year through AI-powered data analysis.



HOSPITALITY

- **Event-based travel:** From Taylor Swift concerts to Olympic games, fans of all kinds will be embarking on international trips for event-based vacations. Hotels can take advantage of fans' affinities through event-themed collaborations for seamless travel experiences.



RESTAURANTS AND DINING

- **Focus on employees:** As [half of U.S. borrowers resume monthly student loan payments of at least \\$200](#), young consumers will be tightening their purse strings and looking for part-time work. Invest in AI that promotes employee satisfaction, like customer service support tools, to drive employee and customer loyalty at the same time.

To design a new approach to emotional loyalty, driven by artificial intelligence, contact Publicis Sapient.



Hospitality Technology Trends

THE TOP 5 HOSPITALITY INDUSTRY TECHNOLOGY TRENDS IN 2024

In 2024, hotel chains will need to invest in new technology to reduce operating expenses and entice loyalty from travelers post-pandemic.

While many hospitality technology trends focus on the guest experience—from mobile room keys to micro-mobility transportation solutions—hotels often forget about the back end. From mobile tipping options to sustainable construction, back-end technological innovation will propel digital-first companies to the top.

Publicis Sapient hospitality experts break down the top five trends that will be shaping the industry a year from now, based on our market research and industry expertise:



Employee management ecosystems

As business travel slowly ticks up, hotel companies can no longer expect a steady stream of minimum-wage workers to uphold service standards. How can hotels get workers and keep them this year?

According to research from Joblist, [almost one-third of hospitality workers regret quitting during the great resignation](#), the highest rate across industries. Bold hotels that form alliances with airlines, airports, restaurants or even other hotel groups can create flexible platforms for employees to move from one location, and one brand, to another. These integrated ecosystems will improve employee retention, employee satisfaction and increase customer satisfaction at the same time.

For example, global hospitality companies can unify multiple employee software platforms across brands, allowing employees to easily transfer to different hotel locations or even different locations under different brand names. This would allow hotels

to catch up to the “future of work” flexibility that many hospitality workers are craving as they leave the industry.

To make this happen, hotel companies will need to direct much more of their focus to software and data. In order to develop a strategy around which brands to partner with and what the back-end platform should look like, companies need to understand what their employees want—whether it is more flexibility around hours, location or job function.

Agile ways of working, new tech capabilities and data processes will all be crucial in the development and continuous optimization of these employee ecosystems. Hotel companies that can successfully integrate internal worker management platforms into a one-stop ecosystem, and provide employees with an excellent experience, will benefit from employee loyalty.



ACCORDING TO RESEARCH FROM JOBLIST, ALMOST ONE-THIRD OF HOSPITALITY WORKERS REGRET QUITTING DURING THE GREAT RESIGNATION



Mobile worker tipping

At the same time, hospitality workers can take better ownership over the guest experience through cloud-based tipping, referral and review programs. In order to compete for employees with restaurants and other customer service industries and provide a more personalized, human guest experience, hotels need to incentivize better service and make tipping easier.

Today's hospitality tipping process is ripe for disruption. Guests are eager to build relationships with hotel employees, especially [as extended stays become more popular](#), according to research from Lodging Econometrics.

Yet there are often no options to tip the majority of hotel workers outside of cash. While some hotels created mobile tipping options for housekeepers,

mobile tipping for front-of-house staff has yet to be implemented, despite the fact that front-of-house staff often have the most interaction with customers.

By 2024, hotel companies will need to upgrade their mobile guest technology, giving guests the option to tip or leave reviews for employees conveniently and in the moment.

“

Hotels are realizing that their traditional core revenue streams are not enough.

They're looking to create new revenue streams and defend against competition from online travel industries. Hotels know they need to set loftier goals and innovate. This can't be done without of course the technology, but also the right partnerships.”

**NICK SHAY, TRAVEL AND
HOSPITALITY INDUSTRY
LEAD AT PUBLICIS SAPIENT**



Back-to-the-basics customer service

From hotel chatbots to iPhone-controlled lighting, more and more of the hotel experience is being digitized—but that doesn't mean it should become less human. As new luxury hotel developments accelerate in the Middle East and [international inbound travel continues to increase in the region](#), domestic and international tourists will expect a delicate balance of advanced technology and a personalized human touch.

What does this mean?

Hotels need to go back to the basics when it comes to customer service, looking at the [guest experience journey](#) holistically.

For example, mobile hotel room service can allow guests to track their order time, see photos of the food and put in orders automatically to the kitchen on the back-end. But if mobile room service doesn't allow for menu modifications, this digital-first approach is no longer customer-centric.

Hotel companies will also need to modernize their tech stacks—from contactless check-in to cloud infrastructure—to continue offering digital-first, customer-centric experiences.



Sustainable hotel construction

To meet ambitious 2050 net-zero emissions targets set by regulators in the E.U., U.S., and Canada, hotel companies will need to address sustainability in 2024, starting with new construction, using IoT technology.

Embodied carbon in the construction and renovation of buildings is a significant contributor to global emissions, with hotel construction accounting for another [2 percent of](#)

[global carbon emissions](#), bringing the total footprint of the hospitality industry to 3 percent, according to the EHL Business School in the Hotel Yearbook 2023.

For example, constructing hotels made of timber, reused materials, or even opting for major renovations over new builds can heavily decrease GHG emissions. At the same time, avoiding deforestation and disruption to natural wildlife and ecosystems through [regenerative tourism](#) goes a long way.

In 2024, hotel companies, especially in the luxury sector, will need clear greenhouse gas (GHG) emissions reductions strategies in place for new construction, as financial valuation and consumer sentiment are increasingly linked to sustainability practices. By implementing IoT technology, hotels can work back from current measurements to determine how to approach new hotel builds, how to approach modifying current hotel practices, and how to market these new strategies to consumers.

Sustainability in construction will require a [highly automated tech solution](#) for transparency in deriving measures, monitoring progress and sharing data.



End-to-end connected guest data

As event-based travel heats up with concerts like Taylor Swift's global tour or athletic games like the 2024 Olympics hosted in France, hotels need to centralize guest booking data and integrate artificial intelligence (AI) to personalize booking experiences for music and sports fans.

According to forecasting from CoStar Group, [hotel occupancy rates in the U.S.](#) and [overall travel demand in Europe](#) will increase marginally in 2024, as business and leisure travel rates steadily climb toward pre-pandemic levels, albeit more slowly than previously predicted.

Utilizing occupancy data requires front-end and back-end software transformation. For example, geolocation technology tracking guest arrival could allow hotels to control traffic flow at the front desk, decreasing wait times and creating a more personalized check-in experience.

In 2024, hotels that offer connected guest experiences will need to focus on convenience, affordability and sustainability. Centralized data capabilities and AI will create even more opportunities for personalized customer service.

Looking ahead to 2024

Hotel companies must manage new challenges in areas such as sustainable construction, employee retention and ecosystems, connected guest experiences, and a return to traditional, humanized customer service.

At the end of the day, the hotel industry is a human industry, and a digital approach to the guest experience still must put the focus on the humans: customers and employees.

Keeping up with the speed of the industry and the challenges posed by new entrants will require hotels to move forward with bold bets, strategic alliances and innovative new solutions at every turn.



Next starts now.

Contact one of our industry experts to assess how your unique business can apply these insights to realize high-value outcomes.



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Or learn more about the proven offerings that help travel and hospitality businesses transform at **publicissapient.com/travel-hospitality**



Publicis Sapient is a digital business transformation partner helping retailers like Carrefour, Pandora and Falabella get digitally enabled, both in the way they work and the way they serve their customers. As digital pioneers with 20,000 people and 50+ offices around the globe, our experience in technology, data sciences, consulting and customer obsession enables us to evolve our clients' businesses with products and services that put shoppers first.

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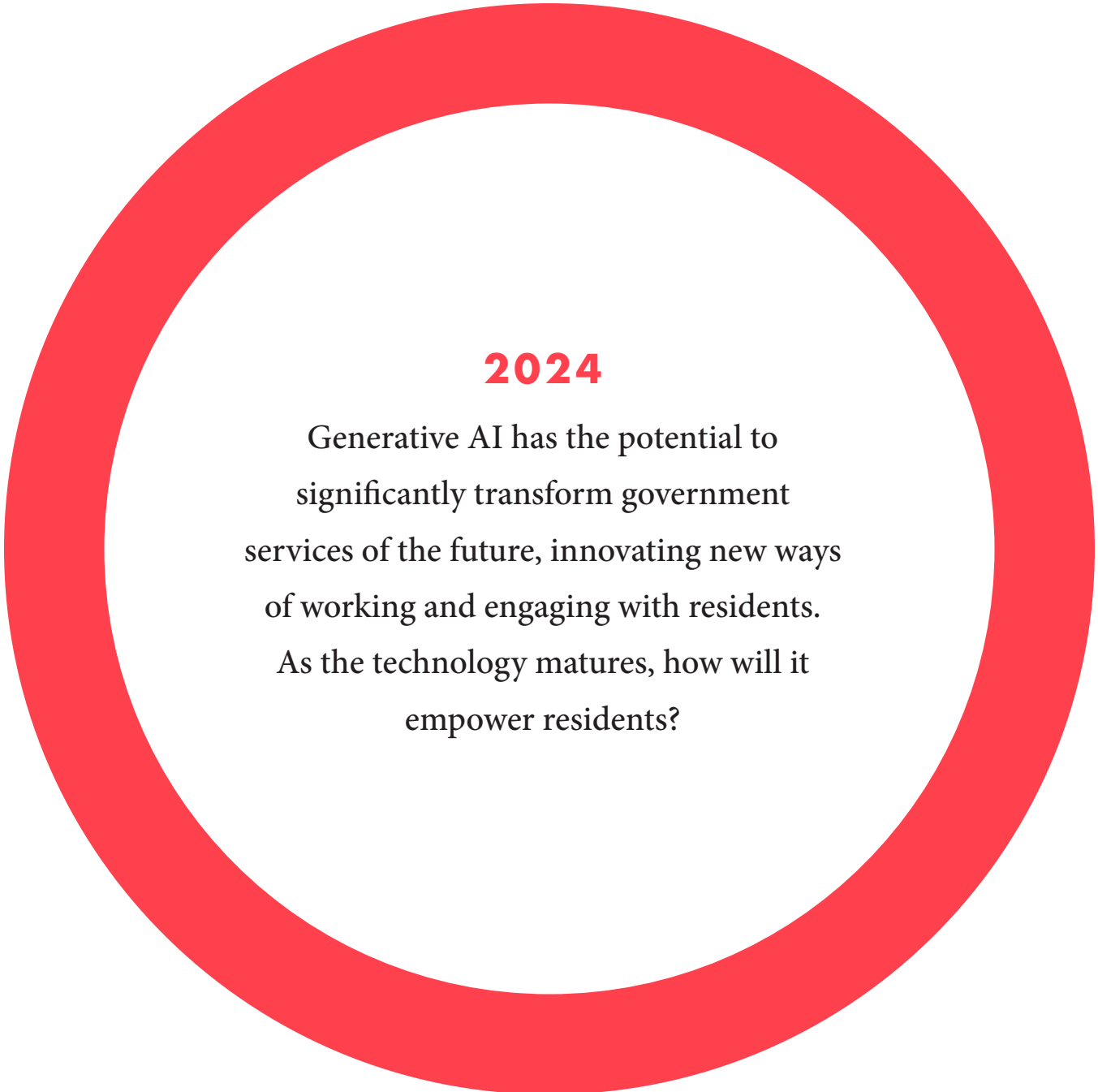
2024

PUBLIC SECTOR

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2024

Generative AI has the potential to significantly transform government services of the future, innovating new ways of working and engaging with residents. As the technology matures, how will it empower residents?

Generative Ai

HOW RESIDENTS WILL NAVIGATE GOVERNMENT SERVICES AS GEN AI EVOLVES

Generative artificial intelligence (gen AI) is more than just a buzzword. It has the potential to be a useful tool in the toolbox for government agencies and presents new ways of working and engaging with residents. There's a lot to consider. To get started, federal and state and local (S&L) agencies [must be upfront with defining gen AI](#). This lays the groundwork for transparency and knowledge-sharing with residents, as well as serves to understand how residents interact with government services and AI.

“

Residents have the right to know whether they are talking to a human or an AI bot. ”

ASEEM GUPTA

Executive Client Partner
State & Local



Why gen AI will transform government agencies

For governments, 2024 will be about exploring new ways of engaging with residents. By this time next year, the public sector will be updating transparency guidelines and providing clarity on how generative AI is being used when it comes to government interactions with residents.

As machine learning accelerates with new human input on a near-constant

basis, AI functions such as chatbots are becoming more “human” and articulate in their responses, being able to recognize “sentiment” in real time by interpreting voice, text and tone clues.

This has implications for operational efficiency and personalization of experience. Government agencies will need to create transparency and [effective data governance](#) around how customer service is delivered and whether it’s a human or computer at the other end of the phone line.

Gen AI is the future in 2024: more detailed use cases

In order to build the best use cases for ever-evolving tech applications, both federal and S&L agencies must start by defining what gen AI means to the public sector, including understanding what forms of gen AI residents are already using.

Agencies are already automating routine processes that are well-bound and established. Looking to the future, federal agencies have questions similar to those of commercial counterparts—questions such as, “What is AI and what are its potential use cases?” While there is apprehension in certain corners, there is more intrigue as to the potential use cases and applications that generative AI can solve for.

On the S&L side, agencies are exploring what gen AI means and its potential impact. Gen AI work is generally RFP-based as agencies seek practical use cases to apply AI in the S&L space. For example, can gen AI pull up a form and autofill the required information

on behalf of a resident who needs help filing an unemployment form? With gen AI, analytics are baked into it, adding automation and the feel of a “personal assistant” to the resident experience.

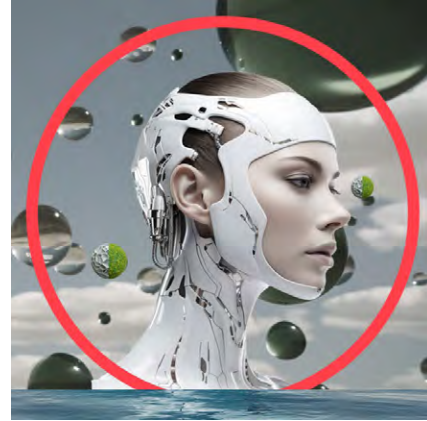
In 2024, residents are likely to see ever more [business use cases](#) generated around the functions and capabilities that government agencies serve. A focus on personalization and improved customer experience will be realized as the technology develops.

THE GO-TO-MARKET IMPACT WILL BE:

- More seamless delivery of government services to citizens
- Right-sized staff budgets as technology helps automate functions once thought only possible to complete with human help
- The ability to measure the success of different generative workflows using analytics ability

What government agencies should focus on with generative AI in 2024

Here are three focus areas that can help agencies understand what's at stake with generative AI.



1. RESIDENT EXPERIENCE

People are already using gen AI functions, such as interacting with AI customer service and with Google adding AI-generated content to its search results. Agencies need to continue to meet residents where they are.

2. KNOWLEDGE-BASED NEEDS:

Internal agencies and external residents will embrace using AI functions to get the information they need, when they want it.



3. PEOPLE PRODUCTIVITY:

Agencies must ensure ethics are put in place through guardrails, guidelines and governance.

Core challenges for future adoption of generative AI in the public sector

KNOWING WHO YOU ARE SPEAKING TO

Agencies are learning from the private sector when it comes to core challenges. In the gen AI space, attribution is a big one. When we speak to someone, we have the right to know if it's a person or an AI agent. As technology adopts increasingly human characteristics, this discussion will become even more critical. Unlike the private sector, residents engaging with the government will demand to know who is talking with them— the rules of engagement are different.

REDUCING ERRORS AND IMPROVING ACCURACY

Like humans, AI is not perfect—yet. Implementation of generative AI must be handled carefully to avoid real-world impact on residents accessing vital services. By 2024 there will also be a better understanding of the technology and data management protocols in place to comprehensively safeguard against inaccuracies.

SAFEGUARDING AGAINST SYSTEM BIAS

Particularly as government data systems deal with sensitive personal data, any use of generative AI needs to be developed in a way that avoids systemic bias in the data set or customer relationship management software that governments use. As the technology evolves, a close eye should be kept on this through data management.

Best use cases for generative AI in the public sector

There are many great use cases for gen AI in government services for residents, such as chatbot support, case management and intelligent case routing. In 2024, most use cases will be centered around content generation with the intent to accelerate the government's cycle of creating and approving material meant for dissemination. One example of this is accelerating the RFQ (request for quote) creation process by using gen AI to facilitate the compilation of standard solicitation language and allow the government to focus on the requirements of the bid. Another use case is drafting content with a certain voice that can be reviewed before publishing (think tweets or research summaries)—the content meets the criteria specified by the government and can go straight into editorial reviews. Yet another use case area is “personalized services,” the next-generation FAQ (frequently asked questions) services, where gen AI is leveraged to help customers navigate to program information most relevant to what they need.



Now's the time to put generative AI in the public sector toolbox

Gen AI is here to stay—and revolutionize—the way in which residents interact with the government in the public sector. Federal and S&L agencies must be upfront with defining gen AI and share knowledge with residents. The public sector should seize and maximize huge opportunities in which gen AI can bring value and empower residents and government agencies alike.

Next starts now.

Contact one of our industry experts to assess how your unique business can apply these insights to realize high-value outcomes.



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2024

How retailers can create the most impact
in the coming year—on their business
and their shoppers.



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● The Key to Profitable Commerce

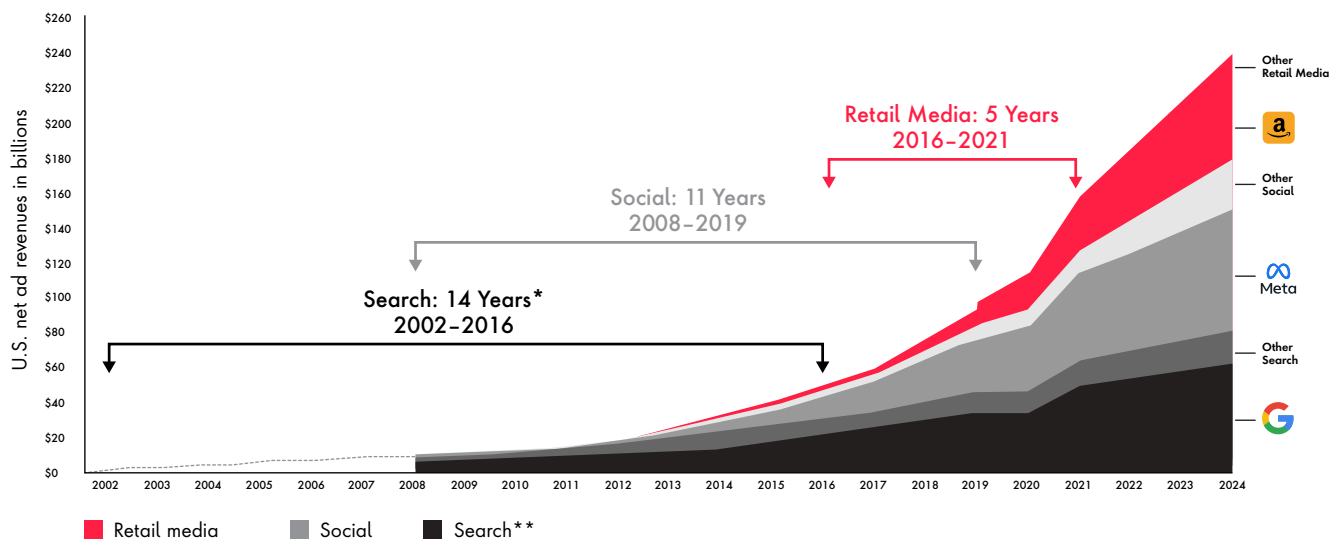
THE TOP 3 STRATEGIES FOR INCREASING RETAIL MEDIA NETWORK PROFITABILITY

The retail industry is transforming from an industry powered by transactions to an industry that runs on data-powered retail media. In fact, some retailers say that their marketplace fees and ad sales will become more profitable than sales of merchandise within the next five years alone.

This is all part of a continued trajectory of the fastest-growing digital ad format in history. Retail media has reached \$30 billion in revenue faster than both search and social, according to Luma Partners, and continues to fill a market need for consumer packed goods and branded manufacturers. Reuters projects that by 2028 revenue from [retail media networks](#) (RMNs) will account for 15.4 percent of all revenue from ads, eclipsing television as an advertising platform.

RETAIL MEDIA IS SCALING FASTER THAN PREVIOUS MEGA-TRENDS

YEARS FOR SEARCH, SOCIAL, AND RETAIL MEDIA ADVERTISING MARKETS TO GROW FROM \$1 BILLION TO OVER \$30 BILLION



With retail media's distinct advantage of owning customer transactions, advertisers can trust the closed-loop measurement available in retail media is proven performance for their ad dollars.

In 2023, retailers have been feeling increasing pressure to prioritize cutting operating costs over topline revenue growth. Looking forward, 2024 provides an opportunity for a long-term retail media profitability play that also drives customer lifetime value (CLV).

HERE ARE SOME KEY STRATEGIES THAT RETAILERS CAN CONSIDER TO INCREASE RMN PROFITABILITY IN 2024:

- Expanding into new markets
- Creating a value proposition for consumer-packaged goods (CPGs)
- Hyper-personalizing ad experiences



Retail media networks are the biggest e-commerce profitability play for retailers in 2024. Even retailers that partially invest in point solutions are seeing hundreds of millions in annual revenue.



**GUY ELLIOTT, RETAIL LEAD FOR EMEA AND APAC
AT PUBLICIS SAPIENT**



Expanding into new markets

The proliferation of RMNs has not yet fully translated to the European market, leaving an opportunity for global retailers across sectors to establish themselves as regional leaders.

Because many European retailers hesitate to invest more heavily in RMNs due to a lack of confidence in returns from the European market, there is a massive opening for technology expansion in this market that begins with better targeting and data strategy.

“It’s becoming more and more necessary for European retailers to harness their first-party data for more advanced targeting strategies,” says Elliott. “Implementing more precise audience segmenting is what will elevate not only your RMN, but any digital advertising.”

In June 2023, Albertsons Media Collective proposed new industry-wide standards for RMNs, which include transparency on RMN capabilities, like targeting offerings. As the industry begins to more openly disclose how RMN metrics are calculated, retailers with robust first-party data capabilities in Europe and beyond will rise to the top.

The RMN value proposition for CPGs

Another strategy to increase RMN profitability is to collaborate with competitor CPG brands outside of the retail industry. These collaborations would allow retailers to stitch together smaller pieces of data from many different contexts in real time.

For example, customer purchase history at a grocery retailer can inform RMN targeting for a CPG brand looking to increase repeat purchases. But combining purchase history with a customer's streaming data can identify new customer segments with targeted

advertising, like easy weeknight meals for parents turning on kids shows, or health and wellness supplements for customers streaming workout classes at home.

These legal and privacy data cleanroom collaborations will fuel advanced targeting within the next generation of RMNs, creating a much more engaging customer e-commerce experience.

“

There's a hesitancy out there that advertising could interrupt the e-commerce experience. But seamless advertising deepens customer engagement and improves customer experience with personalization across advertisers and house brands. ”

**RAY VELEZ, GLOBAL CHIEF TECHNOLOGY OFFICER
AT PUBLICIS SAPIENT**

Hyper-personalizing ad experiences

While robust loyalty programs are already the backbone of successful RMNs, retailers have an opportunity to kill two birds with one stone by further segmenting loyalty members to use as a testing ground for new offers and targeted advertising.

In most cases, loyalty program segments are differentiated by recent spend and/or points accumulation. An incredibly diverse group of customers are all hit with the same blanket offerings and promotions, a spray and pray approach. While the contact information that these loyalty members provide is valuable on its own, RMNs that further segment their promotional offers within their loyalty programs receive higher engagement and return business.

For example, a delivery driver that frequents a U.S.-based convenience store for snacks will appreciate very different offers than a single mom stopping by for coffee on her way to work. A monthly coffee subscription that allows the latter customer to accumulate points to save on gas would not be appealing to the former customer. A BOGO snack and hotdog promotion notifying the former customer as they pull in for a rest stop wouldn't be appealing to the latter customer.

EXPANDING E-COMMERCE MARKETPLACES

At the same time, less active loyalty members are also a diverse group that retailers can target more easily using services marketplaces. While a business customer purchasing farm equipment may only need to replace their products once every five years, retailers can offer maintenance services and other farm goods through third parties, turning an inactive loyalty member into a data-rich customer profile that can be nurtured and leveraged.

By taking advantage of these opportunities, retailers can position themselves for long-term growth and success in the rapidly evolving retail media landscape.



2024 retail media trends and recommendations by sector

However, retailers should also think about consumer behavior trends within their sector when it comes to 2024 investments.

These are the top retail media network recommendations from our industry experts, based on consumer trends, proprietary research and sector expertise.



B2B RETAILERS

- **B2B sales go digital:** While B2B sales thrive on customer relationships, younger B2B customers are craving streamlined, digital sales processes that they're used to in their personal life through marketplaces and hybrid sales processes



DEPARTMENT STORE RETAILERS

- **Fast-fashion returns proliferate:** Gen Z will continue to opt for low-cost and fast-fashion; to keep costs down, retailers will need to find ways to connect supply chain data with retail media advertising to optimize supply and demand



GROCERY RETAILERS

- **RMNs combat brand switching:** As many customers switched to owned brands to combat inflation, CPG brands will continue to rely heavily on RMNs to lure customers back to their products, despite the fact that CPGs will compete with ads from these owned brands



CONVENIENCE STORE RETAILERS

- **Loyalty-based promotions bolster RMNs:** C-store retailers can build strong RMN networks through closed-loop measurement via in-store screens and in-app advertising, relying on frequent visits and promotions served up through loyalty programs

To craft your retail profitability strategy for 2024 and beyond, contact Guy Elliott and Ray Velez below.



● Profitable Net Zero Strategies

THE RETAIL INDUSTRY CARBON EMISSIONS BLINDSPOT: WHAT'S NOT BEING COUNTED?

Decreasing greenhouse gas (GHG) emissions, namely carbon emissions, is not a new goal for retailers. However, many global corporations are struggling to obtain and utilize scope 3 emissions data effectively.

Upcoming mandatory reporting requirements are exposing a lack of accurate, end-to-end emissions data across the entire retail value chain, says Suzi Gulin-Warren, senior client partner at Publicis Sapient.

In 2024, the retail industry will need to invest in measuring their indirect GHG emissions to meet reporting requirements, satisfy shareholders and inform consumers—which won't be an easy task.



What do retailers need to get there?

- The technological infrastructure to evaluate sustainability data
- A platform to connect emissions data to underlying operations and the business model
- Collaboration within retail sectors to create emissions measurement consistency

The importance of carbon emissions data in the retail industry

In 2023, many retailers invested in downstream efforts to decrease scope 3 emissions, i.e., indirect emissions from retail suppliers, transportation partners and customers. New resale platforms, increased recyclable packaging and supplier tracking were amongst some of the most popular projects. The sense of urgency for these efforts is only increasing for 2024.

WHAT ARE SCOPE 3 EMISSIONS IN RETAIL?

In the retail industry, scope 3 emissions can represent more than 90 percent of total GHG emissions. In the retail industry, scope 3 emissions include emissions from product suppliers, procurement, delivery and consumer waste. An example of scope 3 emissions for retailers is coal and natural gas burned to dye and treat clothing fabric.

WHAT ARE SCOPE 1 EMISSIONS IN RETAIL?

Scope 1 emissions are GHG emissions produced directly by the business. For retailers, scope 1 emissions include GHG emissions produced from company-owned facilities, like stores or manufacturing plants, as well as company-owned vehicles. An example of scope 1 emissions for retailers might be refrigerants in a grocery store.

WHAT ARE SCOPE 2 EMISSIONS IN RETAIL?

Scope 2 emissions are emissions from the purchase of electricity, steam, heat or cooling. In the retail industry, scope 2 emissions include energy and utilities bills for all owned facilities and vehicles. An example of scope 2 emissions for retailers might be the electric bill for a storage facility.

“Reliable data is at the heart of sustainability. Understanding the data today is imperative to defining your future plans.”

**SUZI GULIN-WARREN,
SENIOR CLIENT PARTNER
AT PUBLICIS SAPIENT**

Decreased carbon emissions create higher shareholder value

Strong sustainability performance leads to better access to capital and new markets for retailers in the future, which could lead to higher profits as your cost of capital goes down, says Sudip Mazumder, retail industry lead at Publicis Sapient. In fact, [companies with superior ESG performance perform better financially and are valued higher in the market](#) compared to industry peers.



Carbon emissions reporting mandates are almost here

At the same time, mandatory emissions reporting is looming on the horizon, across several regions.

The Corporate Sustainability Reporting Directive (CSRD): requiring scope 1, 2, and 3 greenhouse gas (GHG) emission disclosures starting in 2025 from retailers operating or incorporated in the EU.

The Climate Corporate Data Accountability Act (CCDA): requiring scope 1 and 2 GHG disclosures in 2026, and scope 3 disclosures in 2027 from companies with total annual revenues of \$1 billion that operate in California.

However, many retailers are still behind on their scope 3 emissions reduction goals. What's holding them back?



"From bio-degradable packaging to resale platforms to carbon offsetting, retailers have a lot of sustainability strategies to choose from. But what differentiates retailers that are gaining the advantage with consumers and investors is that transparency and accountability, which comes from auditing and accurate data."

**SUDIP MAZUMDER, RETAIL INDUSTRY LEAD,
PUBLICIS SAPIENT**

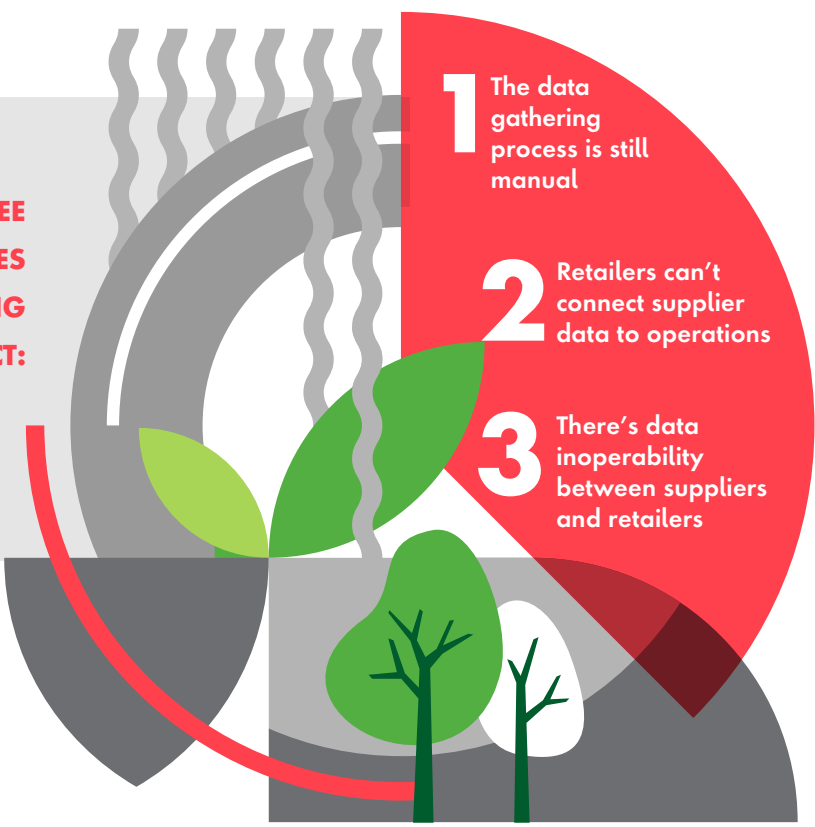
The top carbon emissions challenges in retail

Carbon accounting, or greenhouse gas accounting, is incredibly challenging for retailers as the heart of the data comes from suppliers.

Reporting and tracking GHG emissions across the supply chain requires a robust, cloud-based data collection and management solution that can connect to your corporate network in a secured manner ideally via APIs.

If retailers invest in this technology now, they'll not only be prepared to accurately disclose scope 3 emissions, but can also collaborate more efficiently with other industry sustainability leaders to generate and analyze data for shared suppliers and drive remedial behavior if necessary.

THE TOP THREE CHALLENGES FOR MEASURING SCOPE 3 IMPACT:

- 
- 1** The data gathering process is still manual
 - 2** Retailers can't connect supplier data to operations
 - 3** There's data inoperability between suppliers and retailers

"The importance of sustainability in business is growing rapidly, comparable to the rise of digital technology just decades ago. Sustainability should be integrated into standard business practice and become everyone's responsibility. By prioritizing sustainability, organizations can not only reduce their environmental impact but also create long-term value, risk reduction and resilience. Therefore, it is essential to view sustainability as a fundamental aspect of business operations and prioritize it accordingly."

**SUZI GULIN-WARREN, SENIOR
CLIENT PARTNER AT PUBLICIS
SAPIENT**

A new approach to carbon management for retailers in 2024

To reduce their emissions, retailers need to invest in a sustainability data backbone. This is a centralized repository for all of a retailer's emissions data. The data can be used to track emissions, identify opportunities for reduction and report to regulators. A centralized data repository can help retailers to:

- **Automate the data gathering process:** A sustainability data backbone can help retailers to collect and track emissions data more accurately and securely. This is important for meeting regulatory requirements and for making informed decisions about how to reduce emissions
- **Connect supplier data to operations:** A sustainability data backbone can help retailers to identify opportunities for emission reduction across operations. This can be done by analyzing the data to identify areas where emissions are high and where there are opportunities for improvement

- **Ensure data operability between retailers and suppliers:** A sustainability data backbone can help retailers to collaborate with their suppliers and educate customers to reduce emissions. This can be done by sharing data with suppliers and customers so that suppliers can work towards reducing emissions throughout the supply chain and customers can understand how their actions like frequent returns have a negative environmental impact

For example, the Sustainable Retail Action Group (SRAG) is an industry association that brings together retailers from around the world to share best practices on sustainability. SRAG has developed several tools and resources to help retailers track and reduce their scope 3 emissions, including a data-sharing platform that allows retailers to share data on their emissions with each other.

Walmart and Target have already partnered with the Sustainability Consortium to develop a common framework for measuring and reducing scope 3 emissions. This framework is being used by hundreds of retailers around the world to track and reduce their emissions.

Top retail sustainability trends and recommendations by sector

In order to achieve success with net-zero emissions targets and sustainability projects, a sustainability data backbone is essential.

Once your data backbone is in place, these are the top retail sustainability initiatives to consider in 2024, across sectors:

DEPARTMENT STORE RETAILERS

- **Secondhand resale platforms:** Apparel retailers are experimenting with technology to provide new avenues for consumers to donate and reuse products, creating a circular economy. Retailers that can automate the authenticity and wear identification using artificial intelligence will create cost-savings and generate a competitive advantage in this growing market
- **Supply chain tracing:** As retailers test and learn with alternate supply chains for a circular economy, blockchain and IoT technology will be crucial to help in tracking and measuring the carbon emission across the supply chain

B2B AND SPECIALTY RETAILERS

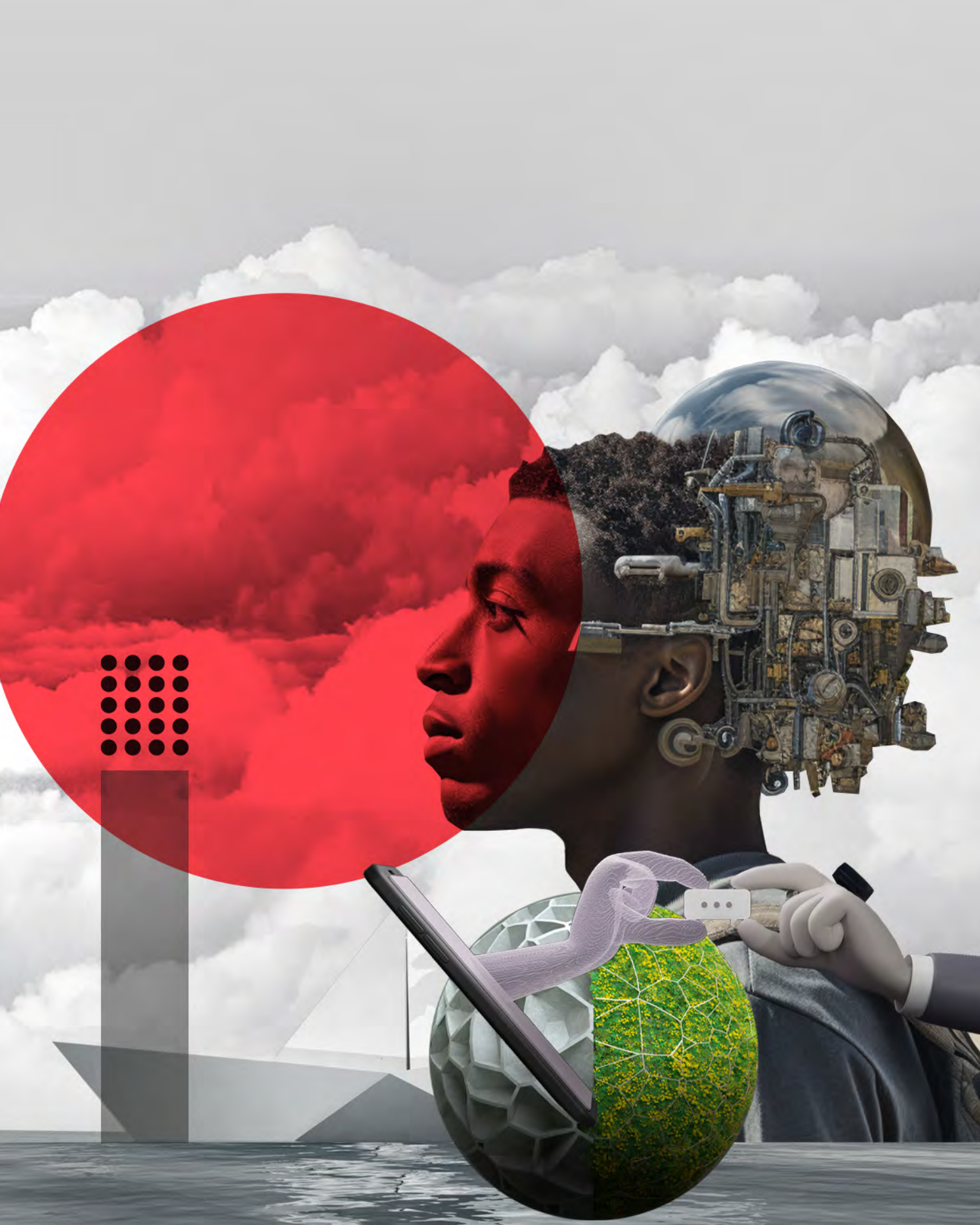
- **Ethical sourcing:** 71 percent of consumers in a Publicis Sapient survey said it's essential to know where products are sourced from. Ensure raw product materials are not only designed for durability and longevity, but that they are also ethically sourced
- **Incentivized recycling:** Partner with business customers for large-scale, incentivized recycling programs as part of a circular supply chain

GROCERY RETAILERS

- **Food waste AI:** Introduce AI and ML to implement better inventory management, offering discounts so that they can get items that are getting close to the expiry date off the shelf or partnering with food banks and other organizations to donate their products

A sustainability data backbone is an essential tool for retailers who want to reduce their emissions. By investing in a sustainability data backbone, retailers can make significant progress towards a more sustainable future with a net-zero retail strategy.

Contact Suzi Gulin-Warren and Sudip Mazumder to begin tracking carbon emissions across your retail supply chain in 2024.



● Unpacking Artificial Intelligence

TOP 5 RETAIL USE CASES FOR ARTIFICIAL INTELLIGENCE IN 2024, BY SECTOR

With the acceleration of generative AI, retailers are discovering how artificial intelligence (AI) models can enhance the customer shopping experience, from interactive chatbots to dynamic and personalized content.

However, only 54 percent of AI models move from pilot to production, according to a 2023 Gartner survey. While the future is bright for generative AI-powered shopping in 2030, there's quite a bit of data foundational work that's required for retailers to move their AI projects from ideas to reality.



What are the biggest AI opportunities for retailers in 2024?

For the retail industry, the biggest opportunities lie in artificial **intelligence experimentation** and **customer data management**.

“If retailers aren’t doing micro-experiments with [generative AI](#), they will be left behind,” says Rakesh Ravuri, CTO at Publicis Sapient.

In order to conduct these micro-experiments, it’s important for retailers to cleanse and organize their data, ensuring that it’s structured and can be used to correctly train new AI models. Retailers should also take this opportunity to evaluate use cases for artificial intelligence that aren’t based in generative AI, but that may drive a better customer experience or more cost savings.

These are some of the most high-value use cases for AI models across sectors next year, and how retailers can get started:



Specialty retail: AI-powered customer service

Already, specialty retailers are using AI-powered chatbots and [call centers](#) for simple customer inquiries—but generative AI can take these chatbots to a new level. IKEA’s artificial intelligence bot “Billie” has handled 47 percent of customer queries to call centers over the past two years, according to reporting from Reuters—and has allowed the Ingka group to train 8,500 call center workers as interior design advisors.

Generative AI will humanize chatbots for more complex and emotion-driven conversations, allowing retailers to investigate the potential of generative AI customer service.

Artificial intelligence can also elevate high-margin specialty services across sectors, from home design consultations to makeup appointments to jewelry fittings. Sephora, Ulta and Benefit Cosmetics are already expanding their services offerings in the beauty and cosmetics space, from skin evaluations to makeup color analysis, some powered by AI. At its immersive Shanghai location, Sephora employs AI for makeup inspiration, using the technology for color matching.

AI-powered visual tools can tell customers what color jewelry they should be wearing (silver or gold?), what pieces of furniture would look best in their new living room or what their skincare routine should be based on a photo of their face.

“

Retailers must shift their perspective on customer service interactions, including chatbots and email, from a mere transactional cost-saving approach to prioritizing authentic, humanistic experiences. Generative AI is an opportunity to deepen customer relationships and make customers feel respected and cared for, at scale.”

”

**SARA ALLOY, HEAD OF
EXPERIENCE FOR THE RETAIL
INDUSTRY AT PUBLICIS
SAPIENT**



Apparel and department store retail: the generative AI microchannel

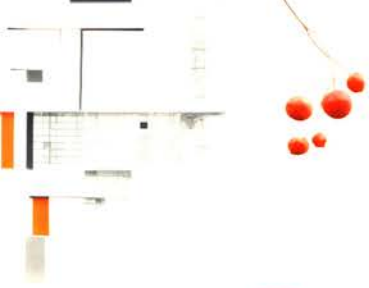


Approximately 63 percent of U.S. consumers begin their product search on Amazon, while only 3 percent start their search on a website— like a retailer-owned website— instead of on social media or search engines. How can retailers gain more customer headspace at the discovery stage of the customer journey?

Ravuri predicts that generative AI plug-ins being implemented into platforms like ChatGPT, Google Bard, Amazon or Apple could take shoppers all the way to checkout through a live link within the chat interface.

For example, Klarna's ChatGPT plug-in already allows shoppers to search for products across thousands of stores through natural language and creates live links to products that meet the customers' search requests.

Apparel and big box store retailers have a natural opportunity for these plug-ins, as many are already expanding into owned [ChatGPT-powered shopping assistants](#), like Mercari's Merchat AI and Zalando's own fashion assistant. As larger tech companies expand their ChatGPT-style product search offerings, retailers can follow along and meet customers where they are at the ground level of their search.



Grocery retail: conversational shopping assistants

The dream of fully conversational commerce is still far from a practical reality, but in 2024, it's time for grocers to begin experimenting with conversational shopping plug-ins on their own e-commerce websites.

Grocery retailers have a unique opportunity with conversational shopping assistants, as customers are open to new brands, products and ingredients that fit into their diet, budget and lifestyle—and this channel can also become a key part of [retail media networks](#).

For example, Instacart's search feature "Ask Instacart" allows shoppers to get personalized shopping recommendations through natural language questions, like "What's a good, easy, healthy dinner recipe?" CPG brands can then partner with retailers to sponsor products that fit customers' needs within this chat-like style of search.

Grocers can experiment with generative AI bots that would allow shoppers to create grocery lists based on their budget, dietary preferences, history and tastes through a quick conversation. As inflation continues to impact shopping decisions, especially in the U.K., shopping assistants that can empower shoppers to save money and time will stand out.





B2B retail: virtual selling knowledge assistant

A majority of B2B buyers—86 percent, to be exact— expect companies to be well-informed about their personal information during sales interactions, according to a Gartner survey, yet a lack of intelligent, connected sales support tools leaves B2B retail employees struggling to meet this expectation. Generative AI can help employees more quickly access internal sales knowledge and respond to common customer questions with the most effective language.

For example, Publicis Sapient experts are testing a prototype for a “colleague AI bot” that can answer questions that a new or even experienced sales hire would have. For example, a salesperson could ask, “I was told to check the

warehouse NCR for issues, what does that mean?” Or “Can you draft an email to [insert customer name] asking if they would like to upgrade to the new product model for their next purchase?”

This virtual selling knowledge assistant would be helpful across sectors but particularly for B2B clients that aren’t homogenous, often require bespoke solutions and are dealing with complex transactions that use industry jargon.





Convenience store retail: Dynamic Pricing Optimization

For convenience store (c-store) retailers, the conversational power of generative AI may prove its value later in the future than in 2024. However, other types of artificial intelligence, like dynamic pricing algorithms, can help c-store retailers improve margins right now.

While dynamic pricing has been in the c-store conversation for many years now, 2024 is a crucial year for action.

Unlike other retail sectors, customers are extremely price sensitive and have been even more so during periods of higher inflation this year.

Because c-store customers are highly sensitive to price changes, it's important for c-stores to implement machine learning when it comes to dynamic pricing, in order to keep trust

and avoid alienating loyal customers with price changes that are too frequent, or too drastic.

Electronic shelf labels that are used to implement dynamic pricing can also help reduce waste—automatically discounting products that are close to hitting their expiration date.

“

My suggestion to retailers is to look at customer journeys where you've made assumptions about complexity or scale issues. Generative AI might be able to solve some of those issues and invalidate those assumptions, and that's where you'll see differentiation.

”

**RAKESH RAVURI, CTO
AT PUBLICIS SAPIENT**

How to turn generative AI use cases into reality

There are a variety of valuable use cases for generative AI within the customer shopping experience—but retailers need to create a customer data foundation to make sure that AI pilot projects are part of the 54 percent (by Gartner) that actually move into production.

To get started, retailers should centralize customer data and data capabilities to get an accurate 360 view across stores, regions and partners.

Publicis Sapient can help you establish AI incubators using our unique SPEED approach: holistically integrating strategic growth, digital product thinking, next-generation customer experience, engineering, data and AI.



Next starts now.

Contact one of our industry experts to assess how your unique business can apply these insights to realize high-value outcomes.



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Or learn more about the proven offerings that help retail businesses transform at **publicissapient.com/retail**



Publicis Sapient is a digital business transformation partner helping retailers like Carrefour, Pandora and Falabella get digitally enabled, both in the way they work and the way they serve their customers. As digital pioneers with 20,000 people and 50+ offices around the globe, our experience in technology, data sciences, consulting and customer obsession enables us to evolve our clients' businesses with products and services that put shoppers first.

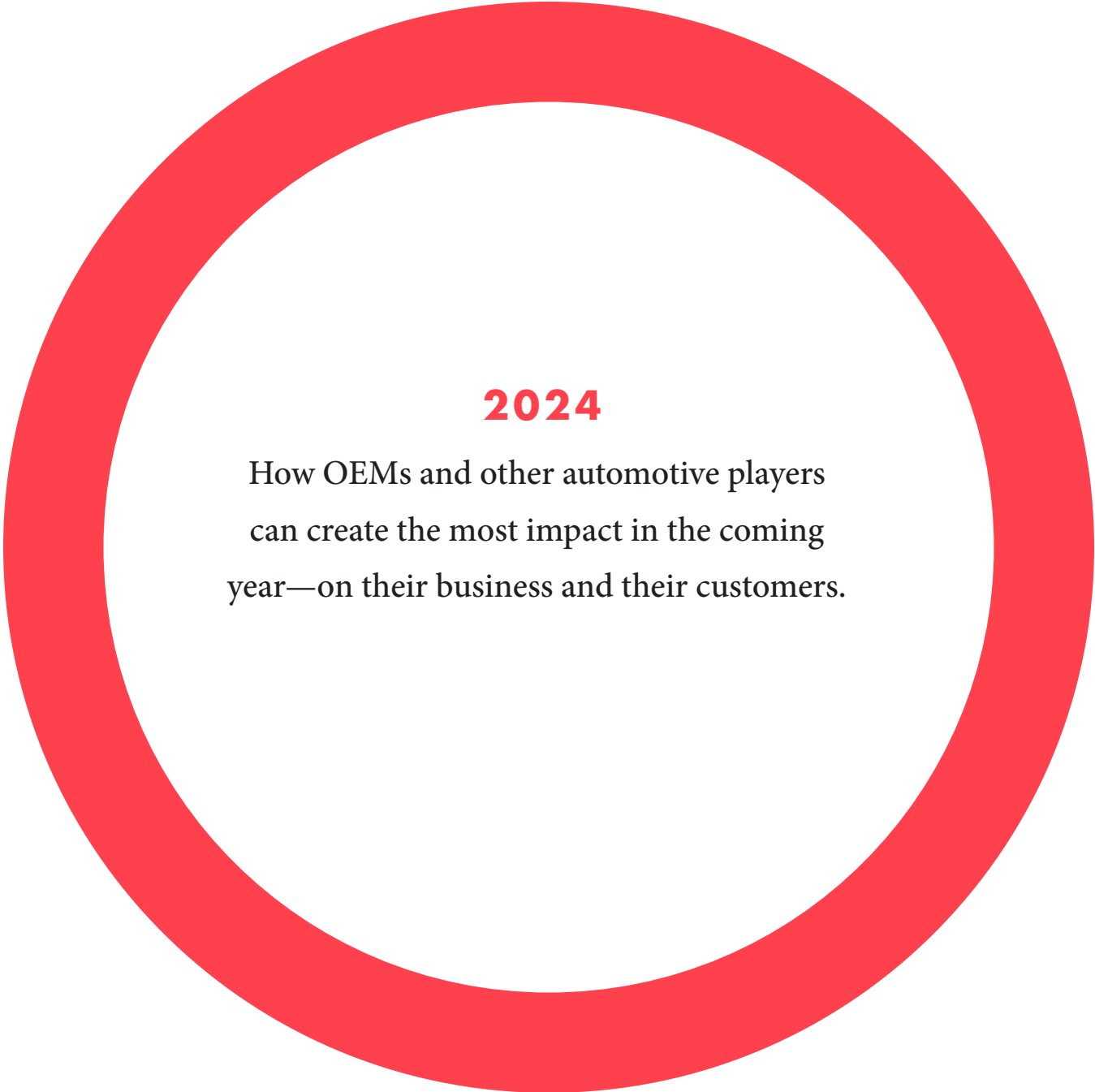
2024

TRANSPORTATION & MOBILITY

Guide to Next.

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sapient





2024

How OEMs and other automotive players
can create the most impact in the coming
year—on their business and their customers.



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● Customer Lifetime Value

5 FACTORS IMPACTING AUTOMOTIVE CUSTOMER LIFETIME VALUE IN THE NEAR FUTURE

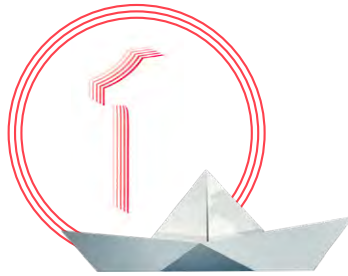
When a company tries to forecast the future of the automotive industry, trends like electrification and autonomous driving tend to dominate the discussion. While these are crucial factors to consider, they're far from the only thing that can secure a company's future. Instead of focusing on the value of their own products, businesses need to look at the value their customers offer.

Maximizing the lifetime value of customers is crucial to ensuring long-term success. But what key factors can businesses leverage to improve customer retention and loyalty? And how can they navigate these emerging trends?



New thinking is needed in order to maximize customer lifetime value; with the traditional single-transaction model no longer as viable as it once was, companies within the automotive industry need to refocus on CLV and the long term.

TREND



Connectivity

In Publicis Sapient's 2023 [European Car Ownership Report](#), it was found that 50 percent of car owners never interact with their vehicle's brand beyond the initial purchase of the vehicle itself. Of those that do, only 7 percent interact via an official brand app.

The remaining 93 percent represent customers that OEMs aren't making an effort to engage with beyond their initial purchase. Any brand that can capitalize on the use of engagement tools like mobile apps has the opportunity to massively increase the lifetime value of those currently inactive customers.

It's quite simple to expand on this idea and use it as a stepping stone to build a larger strategy for improving customer lifetime value (CLV), by leveraging the connectivity of apps and in-vehicle infotainment systems to improve the in-vehicle experience and therefore enhance customer satisfaction and build brand loyalty.

However, OEMs first need to uncover what aspect of these applications isn't being utilized effectively—why are so few customers using them? Common causes for low uptake of mobile apps include unoptimized, user-unfriendly design or a lack of marketing leading to low awareness. Alternatively, it might even be that there aren't any real benefits to using the app in its current form.

This last point—a lack of app utility—is a great springboard for building a connectivity strategy. Improving the utility of an official brand app can increase the number of customers using it to interact with OEMs, the potential for future transactions and improved customer lifetime value.

It's important to take the time to discover what customers truly find useful, though, or else this tactic may not result in any significant increase in engagement. Features like predictive maintenance prove popular with most audiences: Publicis Sapient found that 34 percent of car owners

feel predictive maintenance is the most valuable digital service, a significantly higher percentage than the next most-popular answer (connected car data at 18 percent).

Companies struggling for ideas should try to focus on a singular overarching goal instead of a specific function. For instance, one goal might be offering applications that leverage people's time as effectively as possible. In doing so, a development team might consider making maintenance more efficient, as this is a time-consuming task. Leading

on from that concept, they might develop a vehicle system that automatically books and schedules maintenance at registered dealers or one that can order replacement parts ahead of time to avoid supply chain issues.

Regardless of the service a company offers, the collection of customer data needs to be a consideration. Leveraging connectivity to create generic in-vehicle experiences can go some way toward improving CLV, but any new services must be personalized to be truly effective in meeting customers where they are, and producing customers for life.



Personalization

The key to better in-vehicle experiences is to know the customer in detail.

Modern vehicles offer a wealth of analytics that can help companies understand the driving pattern of an individual—and once companies have that pattern, they can start developing

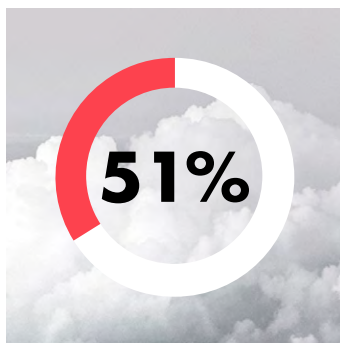
services that provide greater value.

Connectivity is a huge part of data-gathering efforts, as having the functionality to connect a mobile device to the vehicle will assist greatly in building unique driver profiles.

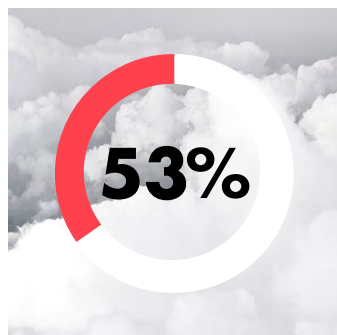
Even something as basic as using phone location data to highlight restaurants

or shops near the user is a type of personalization, but the more specific customer data a company can gather, the more personalized and useful the services they offer can be. By offering personalized services, it leads to improved customer value, increased retention rates and, therefore, increased customer lifetime value.

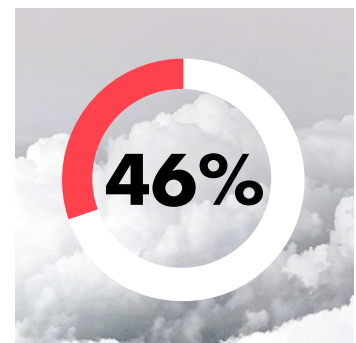
While the benefits of personalization are significant for both customers and businesses alike, data gathering is currently a sensitive topic. Publicis Sapient's [2023 Customer Data Survey](#) uncovered that 44 percent of consumers are unwilling to share their data with any company, so steps must be taken to make customers more comfortable providing personal data. For example:



of consumers want companies to clearly explain how data is being used



want the opportunity to opt out at any time



want companies to comply with privacy laws and regulations

It may be that an OEM has already taken these considerations into account, and in the case of privacy laws, they are legally required to in a number of countries. However, security should also be a major concern for any business seeking to improve CLV through personalization. Although increased connectivity allows for better, more personalized services, it also increases the need to protect the data gathered.

TREND



Cybersecurity

Modern vehicles are increasingly reliant on software for everything from basic dashboard displays to advanced autonomous driving systems. A greater focus on digital tools creates a greater quantity of important data in a vehicle's system, which in turn creates a need for more effective cybersecurity.

The advancement of vehicle technology creates something of a loop: to stay competitive, OEMs must implement more digital tools within their vehicles. Adding new features and functions comes with increased security risks for personal data sharing. Even if a company isn't explicitly focusing on personalization or improved connectivity, providing comprehensive data protection measures should be a priority. Additionally, it's a significant competitive differentiator when going to market.

Cybersecurity can seem like it's simply another factor to account for while working on projects that more directly affect CLV (such as personalization and connectivity projects). However, data protection and cybersecurity can go a long way toward improving and maintaining customer trust in a company. By demonstrating a strong commitment to privacy and security, automotive companies can foster long-term customer relationships and maximize CLV.



TREND



Health and well-being

Prioritizing customers' mental health and well-being is a great tactic for improving CLV, as—much like implementing measures to improve privacy and security—it demonstrates that a company cares about their customers beyond the initial transaction. It's also a highly topical factor to feature in your strategies, as mental health in particular is a subject that's gaining increasing attention in multiple industries.

Be aware that there may not be a “standard practice” to follow for transport and automotive companies implementing features to improve customer well-being; this niche is fairly uncharted territory as far as in-vehicle functionality goes. However, the lack of investment from most other OEMs presents an attractive opportunity for an innovative company to set itself apart.

As with other CLV optimization strategies, the more a company knows

about the individual drivers, the more value the features can offer. In the case of health and well-being features, personal customer data could offer the ability to create a personalized environment inside the vehicle. This might include adjustable ambient lighting, noise reduction technology, or wellness-focused in-vehicle services.

OEMs unsure about focusing their efforts entirely on improving mental health might find that focusing on physical well-being (or at least health and safety features) is a more concrete and actionable plan. For example, OEMs can implement features in a vehicle that can recognize drivers in distress, such as heartbeat sensors, which then alert emergency services to help resolve the situation or warn other drivers of the incident to prevent further road accidents.

TREND



The circular economy

While the concepts listed above are reasonably unconventional, they still rely on in-vehicle services and traditional single transactions to add value. To truly shift their focus to servicing customer relationships and providing long-lasting value instead of individual transactions, OEMs need to look at maximizing the vehicle usage period. Joining the circular economy is their best way of achieving this.

The circular economy refers to the sharing, leasing, reusing, repairing, refurbishing and recycling of existing materials and products (in this case, vehicles) for as long as possible. Some OEMs may think of this idea as costly—if they reduce their focus on individual transactions, isn't a loss of income inevitable? This isn't necessarily true; by diversifying their offerings into in-vehicle services and subscriptions, OEMs can maintain their revenue and drive growth by refocusing on long-term customer value.

One potential subscription to offer is a city-wide mobility service. As an alternative to a singular purchase, companies might allow the option to pick up specific vehicles as necessary. Vehicle sharing works especially well in urban center settings, where users have a wide variety of vehicles and locations to pick up from.

On top of the value these services offer, joining the circular economy can improve customer loyalty by appealing to customer preferences. The circular economy particularly advocates sustainability, and consumers right now are more conscious of their environmental impact and resource consumption than ever.

Note that joining the circular economy will require cooperation with other industries. Offering vehicle recycling programs or utilizing remanufactured components are also ways to embrace collaborative consumption, appeal to eco-conscious customers, and improve CLV. However, they may require the use of resources not readily available to the OEM at this time.

Automakers need new ways of thinking to drive customer lifetime value in the future

In many other industries, consumers no longer see personalized experiences and digital services as additional benefits but as necessities—such behavioral changes increasingly impact the automotive industry as well. From a volume perspective, new car sales are stagnating, and customers want more digital convenience and flexibility. These changes require a reinvention of how OEMs perceive value in their customers and their services.

These five factors are just a few ways a business can maximize customer lifetime value. However, the key takeaway is that new thinking is

needed in order to maximize customer lifetime value; with the traditional single-transaction model no longer as viable as it once was, companies within the automotive industry need to refocus on CLV and the long term.

Delivering value at speed, and doing so without compromising on any promises made to customers, is vital for success. Building on those successes with data-based insights is also crucial if ideas are to deliver value for the customer and the business in the future.

Industry players must stay attuned to emerging trends that may not yet be in the spotlight if they are to stay competitive into 2024 and beyond.



Sustainability

DRIVING SUSTAINABILITY IN TRANSPORTATION: EXPLORING UPCOMING THEMES FOR THE FUTURE

With wildfires burning across the United States and temperatures reaching record highs in mainland Europe and China, climate change and sustainable business have never been so important.

As the world becomes more aware of its carbon footprint and the effect climate change has on the planet, the push towards sustainability will have a considerable impact on the future of the transportation sector.

However, the most popular transportation method in the U.S. is the car, which is used by over 243 million Americans.

The environmental impact of the transportation industry is immense—transportation produces more emissions than any other sector.

Sustainability in business is now considered a major concern for car buyers which puts OEMs under enormous pressure from customers, environmental groups and [worldwide legislation](#) to adopt sustainable practices.



What's in store for 2024?

As EV mandates edge ever closer to becoming reality, the topic of sustainability looks set to dominate headlines and corporate agendas in 2024.

One of the most talked about technical advancements in the past year, however, has been artificial intelligence (AI). It's highly likely that established OEMs will

give AI and connected data considerable attention in 2024.

In addition to AI and data, automakers will also focus on key areas such as sustainable supply chain management, industry standardization, and perhaps most importantly, building a charging infrastructure for electric vehicles.

Here's a look at what lies ahead for the transportation and mobility sector in 2024

Sustainable supply chain management

When discussing sustainability in transportation, there's no better place to begin than the supply chain.

The key to sustainable and responsible supply chain management involves incorporating ethical, environmental and social considerations throughout the entire supply chain process. As such, OEMs are aggressively policing and maintaining their own sustainability standards and those of other suppliers they work with.

For example, in Indonesia, the world's largest producer of nickel (an essential component of electric vehicle (EV) batteries) OEMs are replanting trees to offset the environmental damage caused by nickel mining.

Meanwhile, in the context of digital business transformation, automakers are also implementing practices to minimize their negative impact on the environment. Some of these strategies include:



DATA COLLECTION AND ANALYTICS

OEMs gather data from various sources, including vehicle sensors and external systems, to gain insights into transportation operations, emissions and resource usage.

Once the data has been obtained, automakers can utilize a combination of the [circular economy framework](#) and advanced analytics to identify patterns, optimize routes and make data-driven decisions to promote fuel efficiency and waste reduction.



SMART WAREHOUSING AND INVENTORY MANAGEMENT

Most modern companies are undergoing some level of digital transformation. One prominent example is the implementation of IoT devices to monitor inventory levels and optimize storage. For the automotive industry, this development could give dealers the ability to better monitor stock, specifically the availability of new vehicles. In turn, this data would allow them to plan out lease renewal policies further in advance or develop promotional deals using a highly accurate representation of their stock.

TRANSPARENCY AND TRACEABILITY

As automakers embrace new technology, new opportunities emerge. For instance, blockchain can be used to create transparent supply chain networks. Utilizing blockchain technology, automakers can allow customers and relevant stakeholders to trace the journey of products or materials.

The main purpose of a digital business transformation is to give a business increased operational efficiency, one that reduces manual processes in favor of more streamlined digital alternatives.

Implementing blockchain technology can ensure responsible sourcing and fair labor practices are upheld throughout the entire supply chain.



INTERNAL AND EXTERNAL COLLABORATION

One of the ways to create a sustainable automobile supply chain is by implementing digital platforms that enable transparent communication and collaboration with suppliers, which has a number of benefits.

First, automakers can ensure that ethical labor practices and standards are being maintained by implementing these platforms. Good ethical standards can increase revenue by improving brand reputation.

Additionally, the use of digital platforms can allow OEMs to share sustainability goals and data with suppliers and aftermarket third parties to work together towards environmentally-friendly practices. Aligning on these targets can improve the relationship between OEMs and their industry partners, opening up future opportunities.



Automakers should also consider utilizing collaborative platforms to engage with stakeholders, local communities and NGOs to ensure their products align with community needs and contribute positively.

The takeaway

One trend seen throughout 2023, and expected to continue into 2024, is the extensive digital transformation of many automobile businesses. A key benefit of the transformation is that these businesses will share their data both internally and externally for a seamless end-to-end customer experience with sustainable practices in mind.

Data sharing is absolutely vital for ensuring that sustainability in business remains at the heart of every automaker's sustainable supply chain. It also makes sustainability more practical, governable and, crucially, more scalable. From a reputational, relationship and revenue perspective, integrating sustainability practices at an organizational level makes total sense for any entity in the auto industry.



Smart charging infrastructure

The West Coast, particularly the state of California, has arguably been the biggest driver of EV sales in North America.

Much of the growth of EVs in California has been spurred on by aggressive tailpipe regulations designed to phase out emissions, limit ICE (internal combustion engine) vehicles, and hit sustainability targets.

However, despite California's push towards sustainability and EV adoption, its power grid is already showing signs of strain. Aging power grids, from an infrastructure perspective, are a massive obstacle to the scaling of EV adoption and EV charging implementation. For example, in 2022, an epic summer heatwave brought California's power grid to the brink of collapse, causing the state to ask EV owners not to charge their cars because of how taxing it would be on the network.

In light of the current grid problems, there is a greater need for advanced charging infrastructure. This type of charging infrastructure can enable load balancing and give a wealth of benefits such as:

Grid stability & reliability:

Improvements can be made to ensure

the [electricity grid](#) remains stable by distributing the energy demand throughout the day

Demand response:

Creating advanced charging infrastructure with this capability makes it possible to manage demand during peak periods (preventing blackouts or grid collapse)

The integration of renewables:

Using renewable energy sources when the weather allows can help to reduce carbon emissions and promote sustainable energy use

Connected car data and the role of digital technologies in enhancing EV sustainability

While there is no definitive number, reports suggest that EVs can generate as much as 25 gigabytes an hour to over 30 terabytes daily, depending on their usage. As such, EVs are essentially computers with wheels.

Due to the wealth of data generated, connected vehicle apps are enormous data sources that can be translated

into intelligence. OEMs and aftermarket providers can use this abundance of data in the future to deliver compelling connected apps that have gamification elements such as challenges, rewards and milestones to promote eco-friendly driving habits amongst consumers. OEMs can also create in-app milestones and rewards for customers who complete specific sustainability-related objectives while also collecting and analyzing vehicle performance data and energy consumption.

Looking beyond the vehicle, automakers can also leverage connected car data to enter into collaborative partnerships with dealerships to conduct eco-friendly driving workshops and promote eco-friendly [driving features](#) within the OEM's vehicles.

Recent advancements in technology, such as AI (artificial intelligence), also allow OEMs to utilize their collected data further. OEMs can use AI to provide an analytical summary of the terabytes of raw data that is collected from the car. Once the raw data has been analyzed, OEMs can use this data for a myriad of purposes, such as predicting energy usage and driving patterns to suggest when to charge a car so it has enough energy to sustain the expected journey. Additionally, automakers can use this data to improve future EVs or influence other areas, such as charging infrastructure or battery design.

Third parties harnessing that analyzed data can also use this to help with the strategic positioning of charging stations. One of the biggest remaining obstacles to EV adoption in the North American market is range anxiety; using this data can help provide more information to consumers and manufacturers regarding battery degradation and usage. Additionally, the development of longer-running batteries allows for a greater adoption of EVs. Finally, connected car data can also be used to fuse with data coming out of an interoperable and public charging grid. The data harnessed from these grids and the EVs will also help with the smart planning required to power these charging networks. Data collected from a public charging grid would also help local governments to create a viable solution to sustain loads of users simultaneously plugging in their EVs at home.

Standardization and interoperability is a necessity

While there is much to praise about EVs and their contributions towards driving sustainability in transportation, ensuring consumer satisfaction is a challenge that has yet to be comprehensively overcome.

Recent EV releases have seen a decline in customer satisfaction due to poor usability from a digital infotainment perspective. Many users have felt the shift to an almost entirely touch-based display has led to the burying of features inside numerous layers of a digital menu. In the future, OEMs might consider simplifying their digital menus to ensure easy, intuitive use, or even a return to physical buttons where possible. Besides the interface, however, one of the other sources of customer dissatisfaction with EVs is the lack of standardization and interoperability. Just as the global smartphone market is moving towards USB-C charge ports, the same needs to happen from an electronic vehicle perspective.

At present, there is an ongoing format war in the North American EV charger market. On one side, there's the NACS charging platform, which was recently exclusively used by one manufacturer. On the other side, there is the CCS Combo 1 system, which is used by a number of automakers but has fewer readily available charging facilities. Conversely, there is a clearer picture emerging in Europe, with virtually all new electric cars having adopted the CCS Combo 2 as standard.

There are two prominent charging enterprises in North America, but a new initiative is emerging backed by some of

the largest automotive manufacturers in the world (such as BMW and Honda). This initiative aims to install at least 30,000 charge points in urban and highway locations, exponentially increasing the number of charging stations throughout the country.

Standardization and interoperability in charging systems are crucial for the global expansion of EV technology. While competing to be “the only name” in EV charging seems like an attractive prospect for businesses, it limits their audience, as some markets may only have access to competing chargers. Additionally, encouraging interoperability supports progress in EV technology, as it allows businesses to share information and work together to develop new innovations.



Generative Ai

3 OPPORTUNITIES TO SEIZE THE POWER OF AI IN AUTOMOTIVE

Artificial intelligence (AI) did not just hit the street in automotive, but it's quickly gaining traction with new use cases that illustrate its potential for mobility companies.

We have entered a new era that marks the democratization of AI. It's no longer a technology for data scientists and tech gurus. AI has become accessible to lay users through various open-source AI applications that make the technology consumable and actionable. When applied strategically, it can be a unique differentiator and a strong accelerator for growth among automotive companies.

Currently, numerous companies are exploring AI's potential to enhance their operations.

Once integrated and scaled, AI is poised to have a profound impact on the mobility industry.

However, business leaders must be willing to embrace AI experimentation. It's important to capture the opportunity now, rather than wait for perfection and mass adoption.



So, where should
OEMs, aftersales and
other mobility players
turn next?

We see three powerful ways to apply AI
today to gain a competitive advantage.



Elevating the driver experience through predictive maintenance and in-vehicle personalization

AI will continue to elevate the driver experience in terms of vehicle performance, safety and hyper-personalization.

For instance, being able to sense and respond to streaming data coming from a connected vehicle will transform maintenance as vehicle owners or manufacturers can proactively solve vehicle problems before they arise. Perhaps this is why the global market for automotive predictive maintenance is expected to grow at a CAGR of 26.2 percent from 2023-2029¹.

Addressing maintenance or repair issues before a service event happens will eliminate downtime for vehicles, reduce maintenance costs and keep vehicles on the road.

¹ [Market Intelligence Data](#)

AI WILL BRING THE MECHANIC WHERE THEY ARE NEEDED

AI also offers a new level of convenience for making repairs that can happen in real time at a user's home, or place of business.

Consider battery performance. Sensors on a vehicle can indicate when the battery is at risk of failure based on data about travel speed, weather conditions, traffic and more. AI in the future could also indicate how to optimize the battery based on those same conditions. This is especially useful for electric vehicles that rely on a battery charge or for commercial vehicles that bleed money when they are not operational.

Likewise, data from sensors could reveal safety concerns. AI will enable a vehicle to react and respond based on driver behavior. Imagine a head dropping forward indicating fatigue, or hard braking indicating erratic driving. Flagging safety issues will not only keep vehicle operators safer, but it could also inform insurers of the likelihood of having an “insurable” event, leading to more nuanced data around risk profiles and allowing insurers to adjust premiums based on real-time data. Companies will identify more of these potential “flags” as they experiment with the use of AI.

Moreover, the potential applications of AI in the automotive industry can enhance day-to-day driver experiences through hyper-personalization. By integrating AI technologies, in-vehicle screens could showcase tailored content based on individual user preferences. Additionally, AI can actively engage with the user by providing relevant recommendations based on real-time conditions and historical data.

For instance, if the driver typically orders a black coffee on the way to work, at the standard commute time the vehicle could send a push notification that informs the driver of the nearest coffee shop, along with turn-by-turn directions and a discount offer.



Taking the kinks out of retail experiences

When we consider the shopping journey for a vehicle buyer, there are numerous points of friction. AI can become a sherpa of sorts, helping to eliminate or improve potential breakdowns in the process and navigating users beyond them. It can decipher signals in market behavior that are based on patterns across a collection of data points. OEMs will continue to sell in a multi-tier environment, so it's important to fix the cracks in the experience—whether it's

direct to consumer or through a dealership. OEMs, dealers and third-party brands can collaborate and share data to maximize the use of AI and address operational inefficiencies. Cleanrooms offer a shared environment in which brands that want to enrich experiences and hyper-personalize without moving first-party data can collaborate. Increased collaboration through AI will improve both the retail and ownership process for customers by creating faster seamless experiences with data managed centrally.

TAKING THE WHEEL AT LEASE RENEWAL TIME

For example, rather than a customer contacting a dealership when their lease is about to expire, AI will predict the best course of action for the customer and give the dealer multiple opportunities to engage the customer beforehand. Rather than waiting for overt signals, marketing teams could engage earlier with messaging about having the vehicle inspected, getting it replaced or offering buying options. AI-enabled recommendation engines can notify a customer (if they are looking for a specific vehicle) that it will be available at a certain location at a certain time. Offers can be tailored for a specific persona, such as the car enthusiast looking for a fully loaded vehicle. As AI gets smarter, it will get even better at customizing offers and communications.

Similarly, AI data can be used to improve after-sales retail. Vehicles today are more complex—they are essentially computers on wheels. The need for specialized skills to service these vehicles is greater and there is a shortage of service techs. Historically, OEMs create service bulletins or job aids to help techs fix issues on vehicles. In the future, AI can arm junior technicians to ask questions, troubleshoot, identify problems and make repairs they otherwise wouldn't have the expertise to do. This advantage improves dealership performance as they enhance quality by fixing issues correctly the first time.



Organizational enhancements

On the heels of the chip shortage and other supply chain challenges, there is increasing pressure to have better and future-forward intelligence around supply inventory. Knowing—or better yet, predicting—what inventory is available can improve marketing efforts, hyper-personalization and the overall buying experience for customers. AI offers a tremendous opportunity to better model and predict future demand and supply of vehicles. Imagine knowing in advance who will be buying what vehicle and when. More detailed prediction analytics will inform the timing of offers,

what kind of offer will resonate most with a customer and how an OEM or dealer can personalize the go-to-market offer faster based on customer data about preferences or past purchases.

AI also comes into play in the automotive aftermarket, which is projected to grow at a rate of over 6.4 percent CAGR from 2022 to 2028². The sequencing of parts is crucial to the production of a vehicle.

Many suppliers struggle with overstock and dealers, or those fixing vehicles cannot always access the parts they need. In fact, automotive brands are losing market share to Independent Aftermarket (IAM) participants, which include suppliers of spare parts and accessories, independent dealers and garage service providers.

With the help of AI, digital twin technology can create a virtual replica of an entire vehicle (including its software, warranty data, service history and performance) and they can also simulate warehouse supply—and even an entire organizational structure. Organizations gain a view into real-time supply and demand.

This comprehensive, data-driven picture can also help with determining customer purchase propensity, loyalty, brand affinity, or product affinity, and it can also support stock optimization because supply and demand are accurately modeled.

² [Global Market Insights, Graphical Research](#)

AVOIDING BUMPS IN THE ROAD

AI is driving many opportunities in automotive, but to fully take advantage, companies need some basics in place. First, although it's easy to buy and implement AI solutions, a business strategy should be driving and informing the use of AI. What is the organization trying to achieve and how can AI help solve those challenges or enable working in new ways?

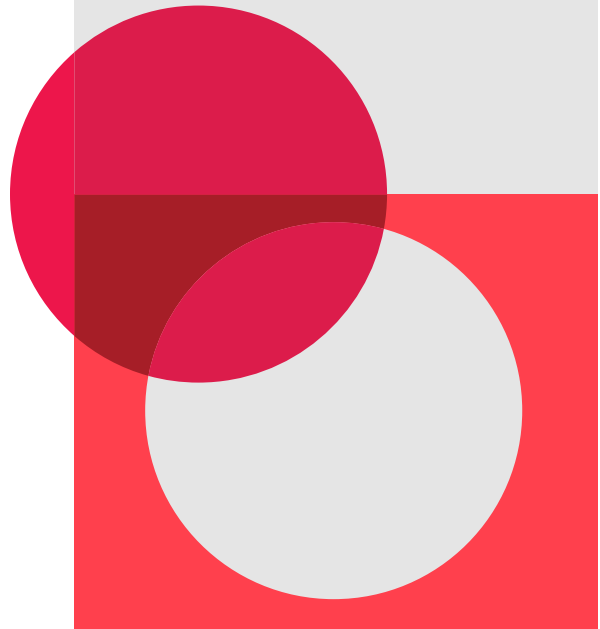
To build AI models responsibly and minimize bias and risk, it will be important to know who has access to the models and who is consuming the models. Hold them accountable for ensuring that raw or structured data hasn't been changed by a model. Make data accessible in a safe environment for data scientists and analysts to experiment. This is how new use cases for AI will be revealed and ultimately adopted.



What's next?

AI is here to stay and the possibilities it offers continue to grow. Automotive companies looking to begin or continue down their journey should buckle up for an exciting ride. To stay competitive, companies must begin their journey now and embrace the small sprints and progressive change in this fast-evolving environment.

By learning more about AI's power to drive automobile change, OEMs and other automotive players will enter a new era of performance.



Next starts now.

Contact one of our industry experts to assess how your unique business can apply these insights to realize high-value outcomes.



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Publicis Sapient is a digital business transformation partner helping retailers like Carrefour, Pandora and Falabella get digitally enabled, both in the way they work and the way they serve their customers. As digital pioneers with 20,000 people and 50+ offices around the globe, our experience in technology, data sciences, consulting and customer obsession enables us to evolve our clients' businesses with products and services that put shoppers first.

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TELECOMMUNICATIONS, MEDIA & TECHNOLOGY

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most impact in the coming year—
enhancing customers' lives and achieving
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● Customer Lifetime Value

Successfully measuring CLV is a nuanced issue. Telco companies that get it right will truly enhance customers' lives—and achieve considerable return on investment (ROI). Here's how to analyze and improve CLV for sustained profitability in the telco sector.

HOW TELCOS CALCULATE AND INCREASE CUSTOMER LIFETIME VALUE

On paper, customer lifetime value (CLV) sounds like a straightforward metric to assess—simply sum up the total amount that a customer has spent with you. But how CLV—or Lifetime Value (LTV)—is used in an organization is just as important as knowing what its value is.

Ultimately, CLV is about revenue. It's a business metric. One tactic to increase CLV is increasing personalization, which can drive cross-sell and upsell opportunities or reduce churn probabilities. This can be achieved by connecting customer experiences through an omnichannel lens and ensuring that it is holistic, bridging in-person and digital worlds. Frictionless experiences through customer journey transformation work are therefore an important element of CLV.

“

CLV is a business metric. It's about increasing how much a customer spends with the telco over time. ”

RAJ SHAH

Telecommunications, Media &
Technology Lead, North America



Why customer lifetime value is an important metric

Telco brands continue to face the most disruptive market conditions in decades. It's clear that reevaluating approaches to thrive in an unpredictable business landscape remains imperative. Typically, to grow their business, telcos rely on two main factors—[new customer acquisition and existing client retention](#) by increasing customer lifetime value.

But with the growth rate of telco subscribers plateauing, and churn remaining quite low, focusing only on growing the customer base does not necessarily drive growth for telco companies. Additionally, the cost of acquiring customers is about [five times the monthly average revenue per customer](#) and telcos need to look to the other side of the PxQ (Power Shares Exchange) equation to drive their growth. This means that industry leaders like Comcast, Verizon and T-Mobile have been looking at increasing the CLV by increasing ARPA (average revenue per account)

or ARPU (average revenue per user), to drive overall revenue of the company, while also looking at ways to decrease the cost to service a customer to increase overall profitability.

One of the keys to using CLV is to recognize that it will change over time. Telco companies can use first- and third-party data to project the potential CLV of a customer over time, and adjust pricing, offers and other strategies over the years. As an example, CLV can increase at certain lifetime moments. These are key moments for telco companies to act.

For example, a student graduating from school may switch from their parents' cellphone plan and is likely to have budget limitations—the customer's CLV may go down with their slimmer budget, but this budget will likely increase over time as their earnings and budgets increase. Telcos can create a great experience and retain the customer by doing things like moving them from one brand to another, such as from a high-cost prepaid to a lower-

cost prepaid, no-frills plan. In doing so, the telco can retain that customer and, by predicting that the customer's CLV is going to increase, can avoid both the cost of churn and reacquisition and be poised to offer new pricing and deals as the customer's needs and budgets increase. It's about moving the customer from their current CLV to their projected CLV.

This is why CLV is a business metric, not a satisfaction metric. Obviously, the more satisfied customers are, the higher their CLV should be. But it's not a direct correlation to satisfaction, it's about increasing how much a customer spends with the telco over time.

In 2024, telco companies need to seriously consider CLV as a top-level metric in order to meet targets and measure revenue generation capability more than net subscriber additions. CLV is clearly starting to rise to the forefront of how telco leaders are thinking about customers.

How to increase telco customer lifetime value

To increase CLV in the future, there are a few challenges that telco leaders should consider.

CHALLENGE 1:

**Identify potential CLV,
not historical CLV**

Telcos must identify the potential CLV (as opposed to the historical CLV) of a customer. Using predictive AI and machine learning, combined with first- and third-party data, will give telcos a series of projections about a customer's potential CLV and the factors that may impact it. Customer segmentation allows companies to identify additional markers in a customer's behavior and customer's history that indicate that they could have a higher potential CLV. Telco companies can take a "test-and-learn" approach to see whether or not customers are responsive to various initiatives that could be offered to them.

With data spread across customer service systems, legacy OSS/BSS (operations support and business support) systems, and digital touchpoints, telcos need to unify their data. Having a customer data platform (CDP) is foundational in order to [have a 360 view of a customer](#). It allows businesses to know where their customers have been, where they are now or where they could go, in real time.





CHALLENGE 2:

Bridge the gap in customer experience

After calculating the potential CLV of a customer, how do telcos go about driving new campaigns, products and experiences to improve CLV in the market?

First, combining customer data and unifying experiences helps customers understand telco company products, services, third-party offers and other value-added services. This will help increase ARPA or ARPU which will help increase CLV over time.

Second, using a test-and-learn approach will allow telcos to see which experiences will move the needle. Small, agile experience groups, or pods, should be able to quickly run tests to see if consumers react well and move to purchase new offers.

Finally, as telco customer bases measure in the millions, a small incremental move in the ARPA or ARPU in the top five percent of the customer base can create massive revenue and profitability swings. But the key is knowing which five percent to target. Telcos need to identify customers whose current CLV lags behind their potential CLV and create campaigns and experiences that help bridge that gap for those customers.

It's time to seize the moment and drive CLV

Telco companies should focus on growing average revenue per customer with additional value-added products and services. Those that drive CLV to enhance customer satisfaction will strengthen relationships, and ultimately increase customer lifetime value.



Sustainability

Tomorrow's leading brands should prioritize sustainability as a part of their future-facing core business strategy to help them maximize returns and thrive in the long term. The question to ponder remains—how will investment in sustainability amount to substantive and scalable gains in profit for consumer technology companies?

CONSUMER TECH COMPANIES MUST PRIORITIZE SUSTAINABILITY IN 2024 TO REMAIN PROFITABLE

Historically, anything outside the realm of maximizing returns has remained outside the focus and attention of the C-suite. That is beginning to change as corporations grasp the importance of investing in sustainability and appointing a C-suite chief sustainability officer (CSO) with the responsibility of driving the planning and execution of a company's sustainability strategy.

However, the CSO and their team remain a relatively low proportion of an organization's workforce. Moreover, CSOs are often

relegated to a narrow scope of influence and impact, making sustainability a departmental responsibility instead of something that can create real impact across the organization. The reality is that sustainability is seen as a far-away aspiration, cost center or, at best, a strategy much lower on the priority list—especially in an uncertain economic climate.

In the current business climate, no business can afford to be short-sighted.

Early adopters, new entrants, digital native brands and disruptors are taking a leadership position by making sustainability a competitive advantage that differentiates them and positions them to drive profitable growth in the years to come. Here are three imperatives for change in sustainability that organizations should take note of in 2024.



Imperative 1: Talent demands sustainability

Hiring and retaining top talent today requires that organizations think beyond compensation packages and perks and focus instead on the issues that are important to them.

In addition to making up more than half of the workforce, according to some sources, millennials are also keen to consider a company's social and environmental commitments when deciding where to work. As millennials continue to increase and dominate the lion's share of the workforce, their buying power and, by association, influence will grow.

Millennials already make up the largest proportion of the U.S. workforce. [Pew Research Center](#)



Imperative 2: Consumers make their preferences known through their wallets

Consumers are also making their intentions known through their purchase decisions, as 66 percent of U.S. customers and 80 percent of millennials and Gen Z [are willing to pay more](#) for sustainable products compared with less sustainable competitors. And 64 percent said that products branded as environmentally sustainable or socially responsible made up at least half of their last purchase.

A concerted focus on and investment in sustainability can also provide savings and operational efficiencies over the long term, thereby positively impacting profitability that cannot be easily met by the competition. Those moves will ultimately help to create brand affinity and increase customer lifetime value by reinventing the value exchange between businesses and their customers.

“By 2030 there will be a massive transfer of wealth beginning from baby boomers to millennials,” says Raj Shah, telecommunications, media & technology lead, North America

Imperative 3:

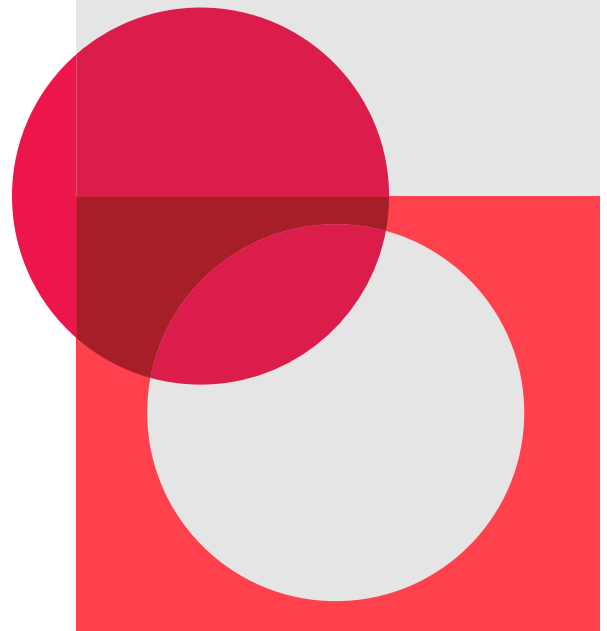
Investors see sustainability as a strong investment

The investment community is also keen to understand how companies will make net zero commitments a reality in 2024 and beyond, protecting against future economic shock with updated environmental regulations and compliance. The leaders in sustainability will consider how to best achieve long-term cost reductions through identifying environmental operational efficiencies, all of which make organizations moving towards sustainability an attractive investment prospect.

Investors want to see commitments that exhibit stronger governance frameworks around the impact of their operations on climate change, tangible actions to reduce emissions across the entire value chain and enhanced disclosures that go beyond regulated mandates that will assist in tracking the progress a company is making.

Now's the time to chart a sustainable path forward for consumer tech companies

In the hyper-competitive category of consumer technology, innovations are quickly copied, market share marginally moves between the same players and consumers see little difference beyond their own experiences and price promotions. Publicis Sapient can help chart a plan for organizations looking to introduce and evolve sustainability at their organizations for today's needs and tomorrow's future.



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Contact one of our industry experts to assess how your unique business can apply these insights to realize high-value outcomes.



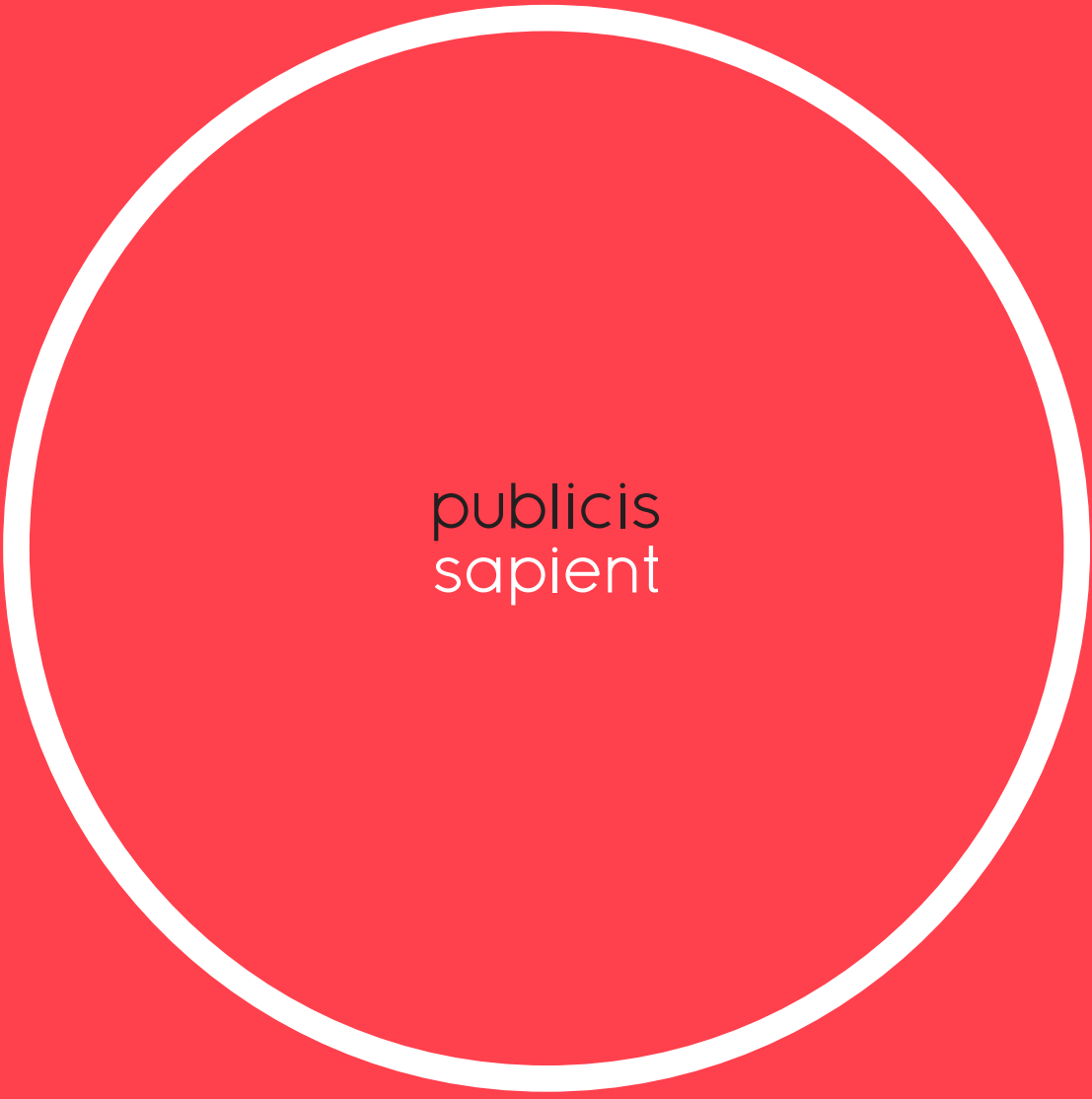
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