



The State of **Customer** Engagement Report

2023

Learn about the latest customer engagement trends from more than 4,700 business leaders and 6,000 consumers across the globe.

↓
Read the
report

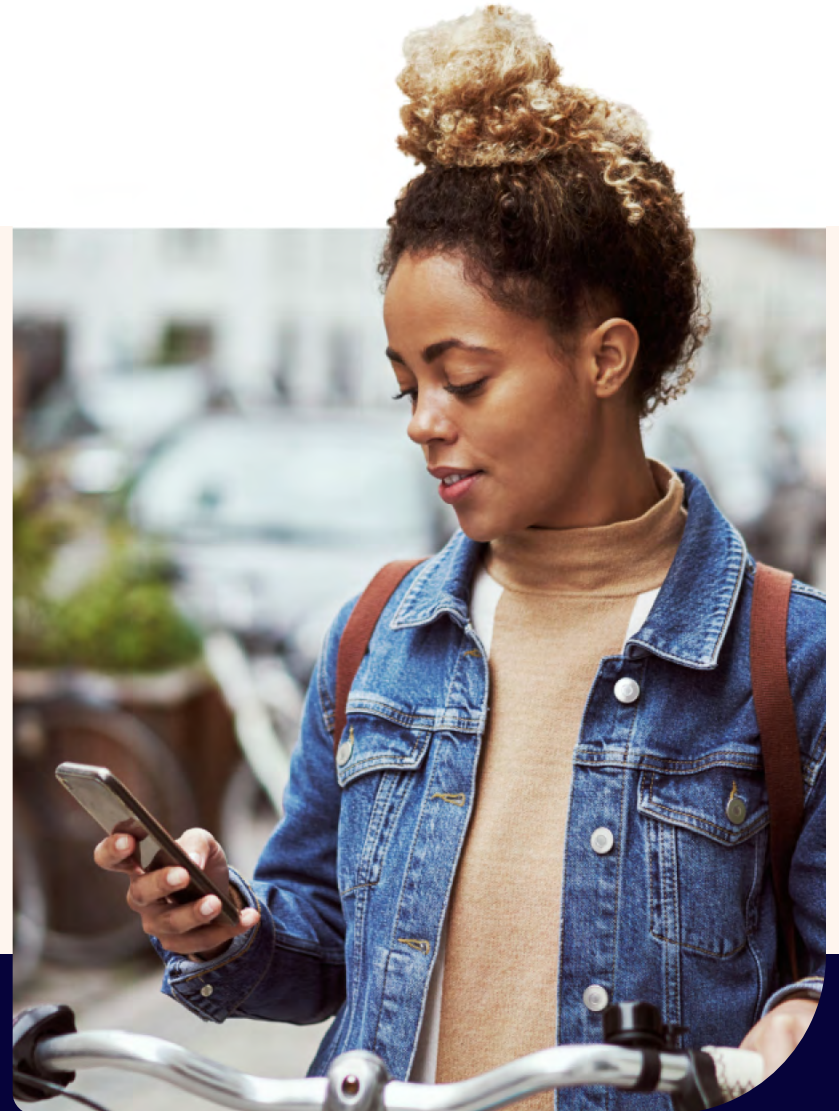


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Introduction

A new way of doing business

The past year has mandated a new approach to business. Facing economic uncertainties and a contraction of marketing budgets, brands know they need to do more with less. They need to continue acquiring new customers while also increasing customer loyalty to generate more repeat business. And they need to do all that with fewer resources.

Twilio's annual **State of Customer Engagement Report** finds that, in 2023, the most successful brands use digital [customer engagement](#) to drive growth and increase resilience in a rapidly changing landscape—even against these headwinds.



60% of brands say that investing in **digital customer engagement** has improved their ability to meet changing customer needs.

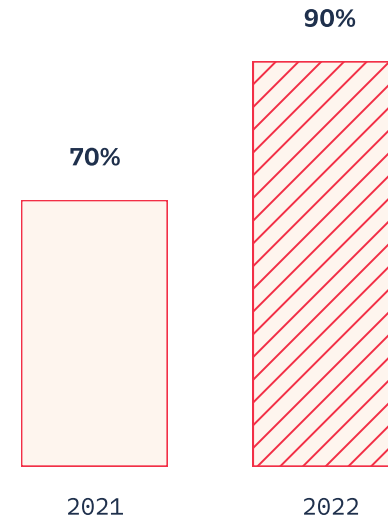
Three macro influences are driving this investment in digital engagement

- 1 The direct-to-consumer relationship revival
- 2 The urgent need to protect consumer privacy
- 3 The continued digital transformation of business

These trends span industries, countries, and organization types, and those that ignore them risk losing relevance and market share. Digital engagement strategies need to empower companies to respond to their customers' needs in real time. [First-party data](#) and [zero-party data](#) are critical to keeping customers engaged in this new environment. That's even more urgent as we inch closer to a future where [third-party cookies](#) are obsolete and unwelcome.



Digital customer engagement is the way brands build relationships with new and existing customers through digital channels such as email, social media, messaging, and live chat tools



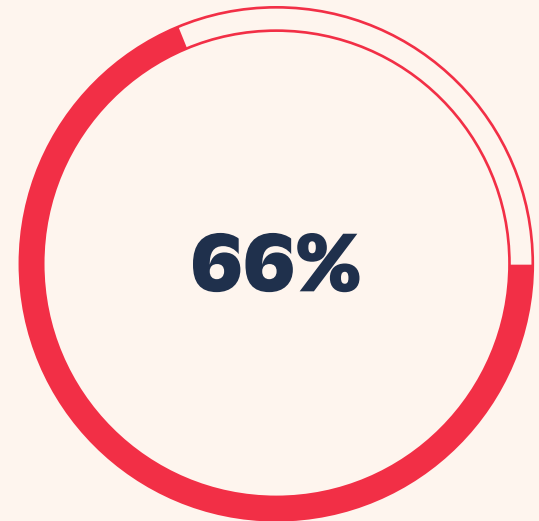
Those who embrace digital customer engagement are seeing results, despite the challenging economy. Our data shows that **investment in digital customer engagement increased revenue by 90%** on average, up from 70% last year.

With numbers like that, the strategic importance of digital customer engagement is undeniable. It's clear that leaders see just how vital it is to the future of their business. That's why brands expect to almost **double** their investment in real-time personalization over the next three years.

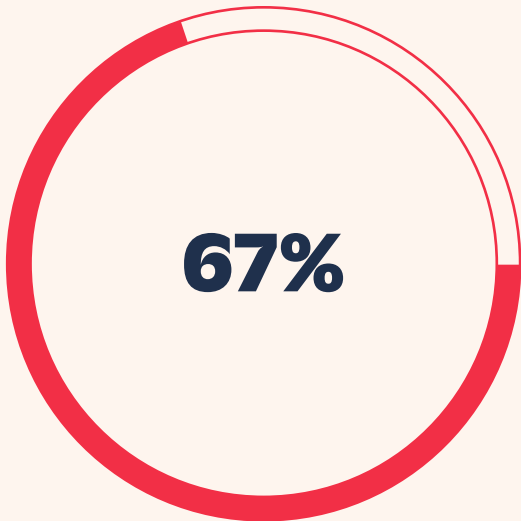
Consumers revealed they spend an average of **21% more** when brands personalize their experiences

There is strong evidence that personalization has a huge impact on consumer spend. However, how brands approach personalization can make the difference between success and failure. Those that do it well, using first-party and zero-party data in real time and putting users first, will win in 2023.

This requires a solid data activation strategy, in which brands leverage insights from customer data and to develop rich profiles that enable better experiences and ultimately grow loyalty and **customer lifetime value** (LTV).



66% of consumers claim they will stop using a brand if their experience is not personalized.



Two-thirds of consumers prefer that brands **only use first-party data** to personalize engagement with them.

Consumers are also increasingly concerned about security, privacy, and personal data tracking: 98% want businesses to do more to guarantee the privacy of their data and be transparent in how their data is used. Brands are keenly aware of the challenges this presents.

Forty-two percent of business-to-consumer (B2C) business leaders say that finding a balance between security and customer experience is the biggest challenge of 2023

At the same time, 40% of B2C business leaders say protecting customer data is a top challenge. That's why **89% of brands plan to implement first-party/zero-party data strategies to further protect consumer privacy.** In Australia, that number is a massive 98%. Ensuring safe handling of all customer data is essential for brands that want to inspire customer loyalty and not fall prey to bad actors.

Methodology and data sources

When putting together the State of Customer Engagement Report 2023, Twilio focused on **three key sources**

1

Insights of more than
4,700 **B2C leaders in key
sectors across the world**

2

Views of more than
6,000 global consumers

3

Data from our own
**customer engagement
platform**

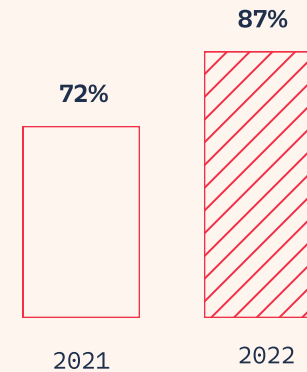
including Twilio Segment, the
leading customer data platform

Digital customer engagement **delivers**

Although there has been much talk of a global economic downturn, Twilio's research reveals that investment in digital customer engagement remains a top priority for enterprises.

In this economic environment, organizations are trying to do more with less: shifting away from investments in growth and zeroing in on quality of growth and return on investment (ROI). It's no longer just about filling the top of the funnel; the focus is now on improving the quality of prospects, nurturing those leads, converting them more effectively, retaining customers, and earning their loyalty.

Such investments paid off in 2022 just as they did in 2021. In other words, digital customer engagement helps to drive results regardless of the wider economic picture.



87% of brands increased their investment in digital customer engagement in 2022 compared with 72% in 2021.



97% of brands expect their investment in digital customer engagement to **almost double** in three years.

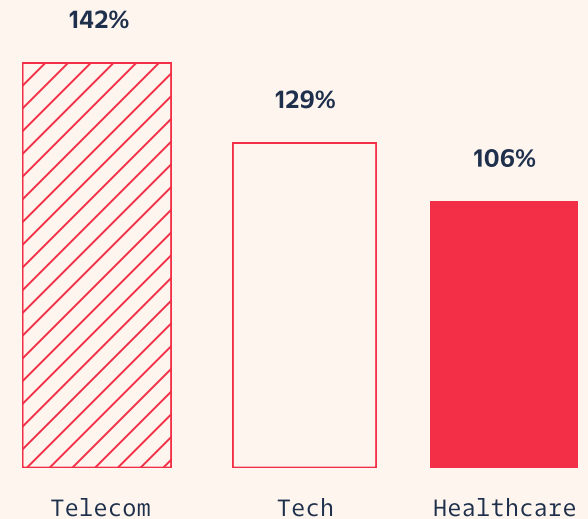
Digital engagement maturity model

To better understand the success of companies across a spectrum of digital engagement maturity, we divided our audience into three distinct groups: leaders, framers, and beginners.

Customer engagement leaders include companies that have the highest level of maturity in the use of personalization, first-party data, and percentage of customer engagement that is digital. After normalizing scores from four specific questions in the survey, the leaders are the highest-scoring group. **Customer engagement framers** are in the middle and **customer engagement beginners** are in the bottom group.

We found that customer engagement leaders, while working hard to develop and execute omnichannel customer engagement, are seeing the biggest results from their investments in digital customer engagement. Among customer engagement leaders, such investments increased revenue by an average of 123%, and 27% said these investments tripled revenue.

By contrast, customer engagement beginners saw a smaller 67% increase in revenue from digital customer engagement investments. In addition, 82% of customer engagement leaders met or exceeded their company's financial goals for 2022, while only 62% of customer engagement beginners did so.



Investment in digital engagement spans industries

Healthcare brands expect to double their investment in digital customer engagement by 2026, while **tech** and **telecommunications** organizations expect to go even further, with increases of 129% and 142% respectively.

Five fundamentals of digital customer engagement

Five key takeaways emerge from the data in this report

These core principles are crucial to brands that want to improve their digital customer engagement over the next year.

- 1** Consumers' patience for impersonal experiences hits a low

- 2** Real-time personalization boosts customer lifetime value

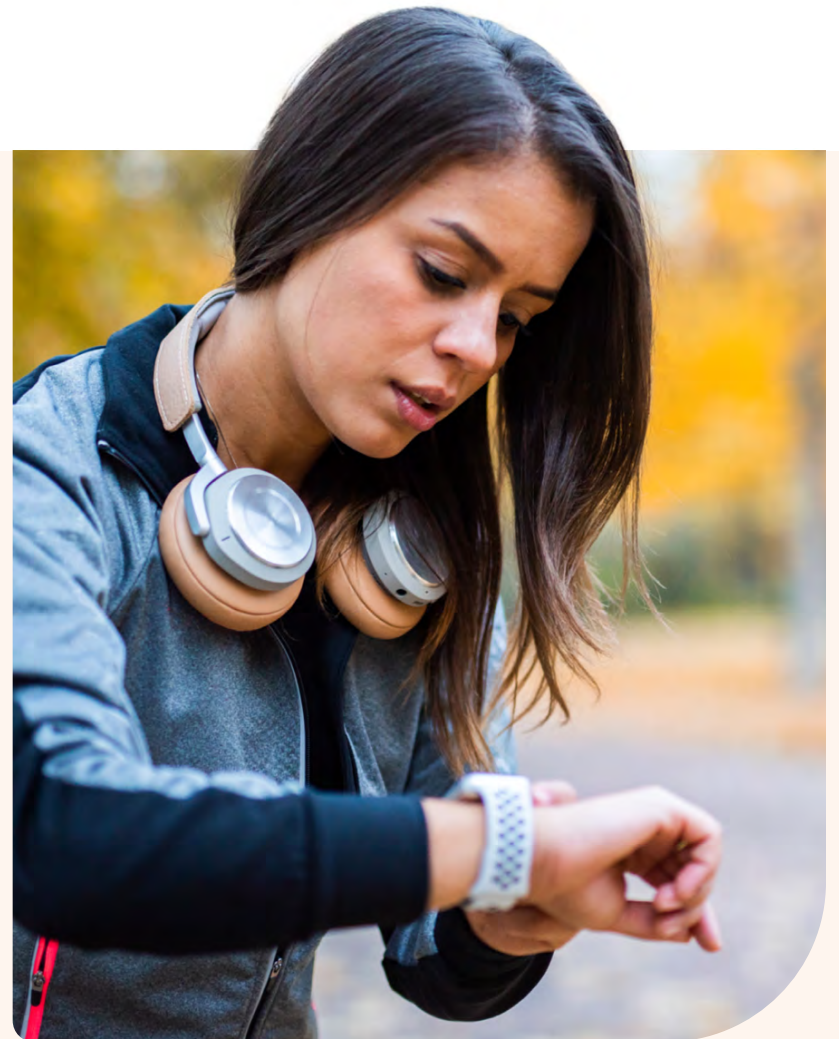
- 3** Consumers want a faster transition to a cookieless future

- 4** Consumers trust brands less than brands realize

- 5** Balancing security and customer experience is vital

Trend 1

Consumers'
patience for
impersonal
experiences
hits a low

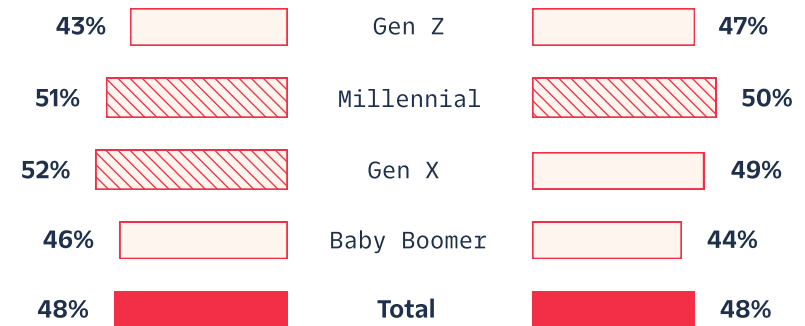


Activate data in the right way

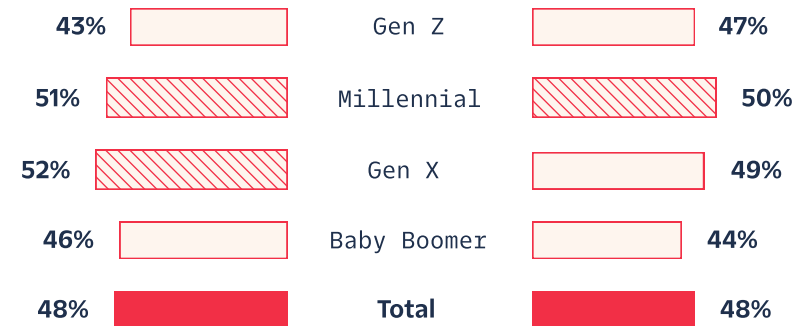
Consumers are demanding more than ever from brands: highly personalized offers, messages on the channels they prefer, and a customer support experience that resolves issues immediately. These demands can only be met by collecting, unifying, and activating customer data. And brands that can't meet these high expectations are leaving money on the table and probably losing customers, too. When a company meets or exceeds consumer expectations, companies that don't follow suit become beginners in their categories.

Using consumers' preferred channels to communicate is more important for Millennials and Gen Xers. Communicating with consumers using the right frequency is slightly more important for Millennial consumers compared to Boomers.

Communicating using consumers' **preferred channels** is extremely/very important



Communicating using the **right frequency** of communications is ranked extremely/very important



Brands need a cohesive engagement strategy that is consistent across channels and powered by real-time data to meet consumer expectations, or risk falling behind the competition

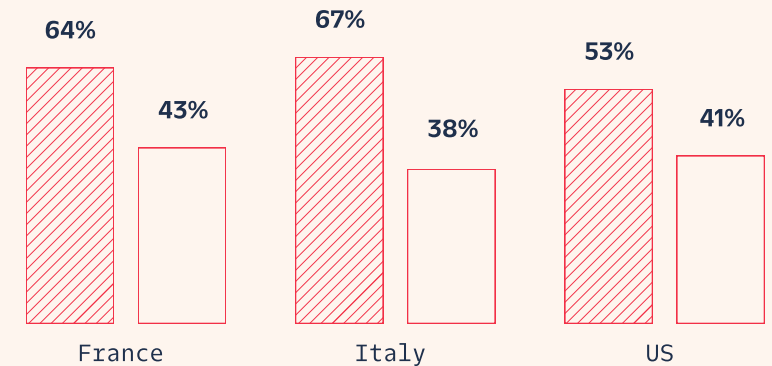
Data volume on Twilio Segment hit an all-time high in 2022, with a record **11.7 trillion API calls**—a strong sign that brands are increasingly leveraging data from different applications to create a unified customer experience. Twilio Segment also found that companies are starting to move their focus beyond data collection and into data activation.



The stakes for creating these types of experiences **have never been higher**

The key here is investing in data-driven engagement tools and personalizing interactions with each customer on their terms. Currently, consumers are struggling with too much information and too many choices. Brands need to use the insights they have to help customers make informed, confident decisions.

This means a shift away from a promotional mindset to one that puts service first, utilizing zero- and first-party data to create highly tailored, genuinely useful experiences.

Our research found that 51% of consumers report being frustrated with their interactions with brands over the past year, and 66% of consumers would quit a brand if their experience isn't personalized. Brands are aware of the risk—64% of brands report that their customers are frustrated—but are they doing enough?



2022  A greater number of consumers in **France, Italy, and the USA** are frustrated with an inconsistent digital experiences compared to last year.
2021 

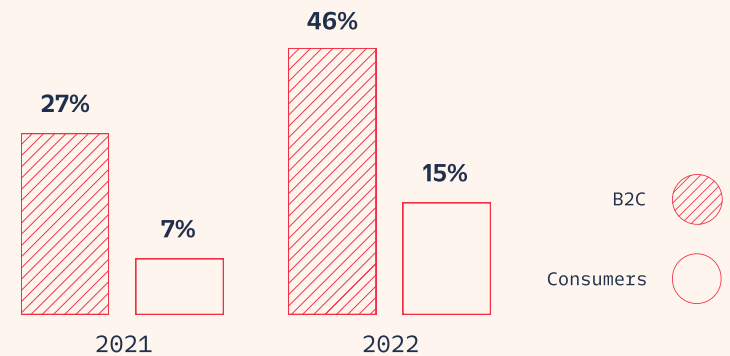


66% of consumers say they will quit a brand if their experience isn't personalized. Among Gen Z, that number rises to a staggering 75%.

The gap in personalization perception



There's a persistent gap between how well brands think they're providing personalization and what consumers think. In this year's survey, **46% of brands believed** that they were doing an excellent job of providing personalization, but just **15% of consumers agreed**. This perception gap (31 points) is even bigger than it was in 2021, when it was a 20-point difference. For consumers, who will dictate the pace of change, good personalization is real-time, contextualized, and precise.

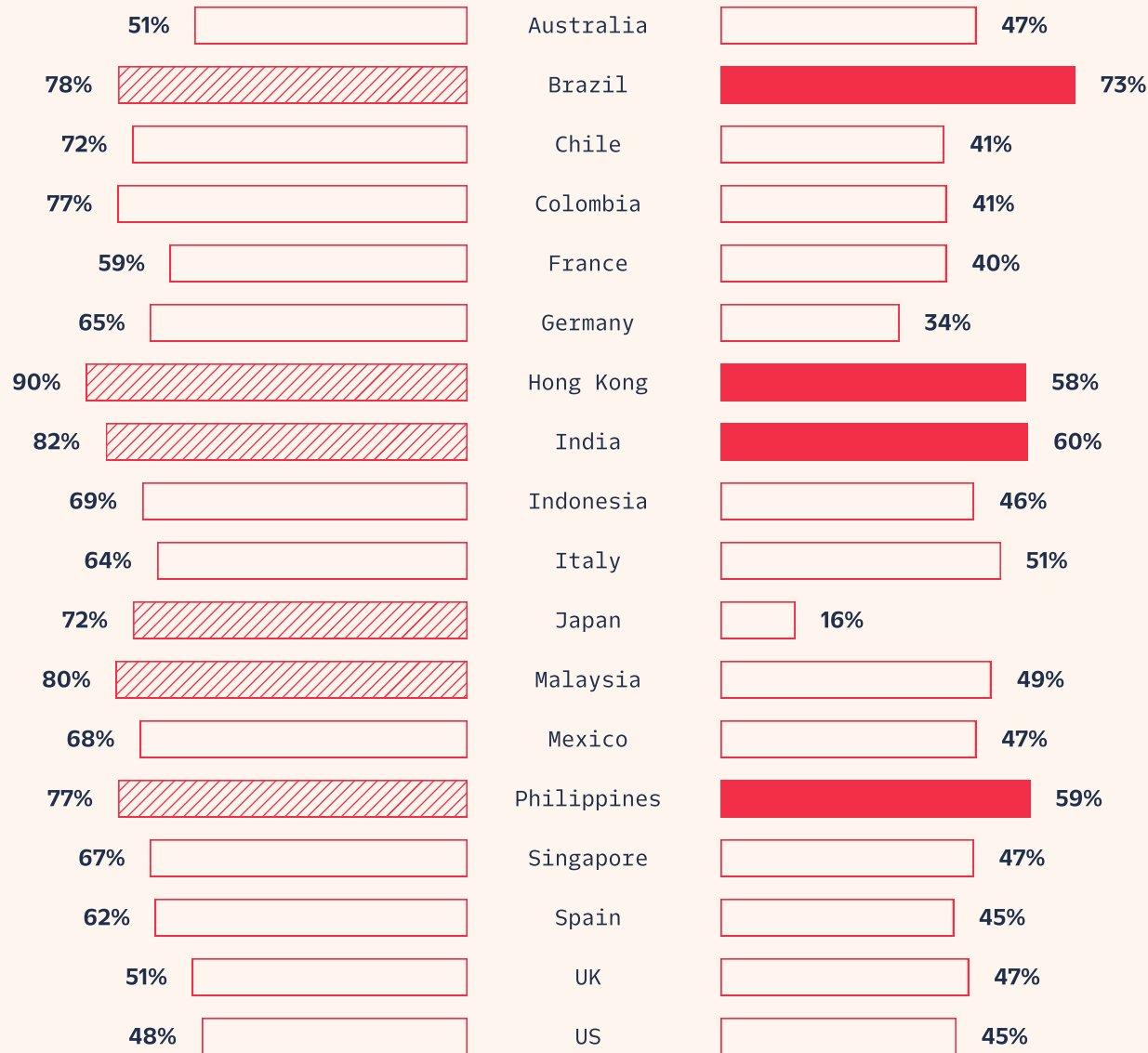


46% of brands believed that they were doing an excellent job of providing personalization, but just **15%** of consumers agreed.



Consumer frustration with inconsistent digital experiences is growing. **51%** of consumers report being frustrated with their interactions over the past year, rising from **46%** the year before.

Global view



Research shows that consumers in **Brazil, Colombia, Hong Kong, India, Japan, Malaysia and the Philippines** are more likely to quit a brand if their experiences aren't personalized.



Ensuring brands communicate with the right frequency is most important to consumers in **Brazil, Hong Kong, India and the Philippines**.

Resy seamlessly connects restaurants and diners

For [Resy](#), a global restaurant booking platform with more than 35 million users, personalizing real time communications between guests and restaurants ensures waitlists and reservations are properly managed.

Thanks to a solution built by Resy with [Twilio Messaging](#), restaurants can send a guest a text message confirming their reservation or that their name has been added to a waitlist, and another one letting them know when their table is ready. And if a guest is coming to celebrate a birthday, the restaurant can send a text message wishing them a happy celebration, confirm everything is taken care of and that they look forward to hosting them.

[Read more about Resy](#) ↗



Trend 2

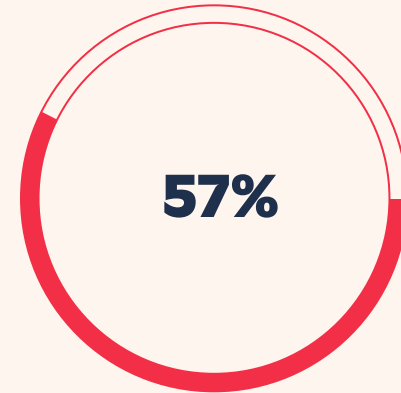
**Real-time
personalization
boosts customer
lifetime value**



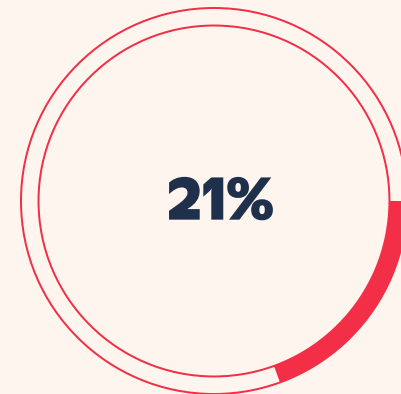
Build **real-time personalization** into your marketing and support experiences in order to grow **customer loyalty and long-term value**

Brands and consumers agree: **Personalization is essential.** When leveraged well, precisely, and in real time, personalization delivers a better customer experience, changes consumer behavior, and builds loyalty. The result? Steadily increasing customer lifetime value.

However, there is still a gap between what consumers and brands perceive as good personalization. That comes down to the quality of data, whether it's zero-party, first-party, or third-party. It also matters how well, and how quickly, companies leverage it to improve the customer experience. At its core, this is about how brands move beyond simple personalization and begin to truly individualize customer experiences – not just personalized product offers, but end-to-end experiences that are tailored to the individual.



More than half of consumers say they will spend more on a brand that personalizes experiences.

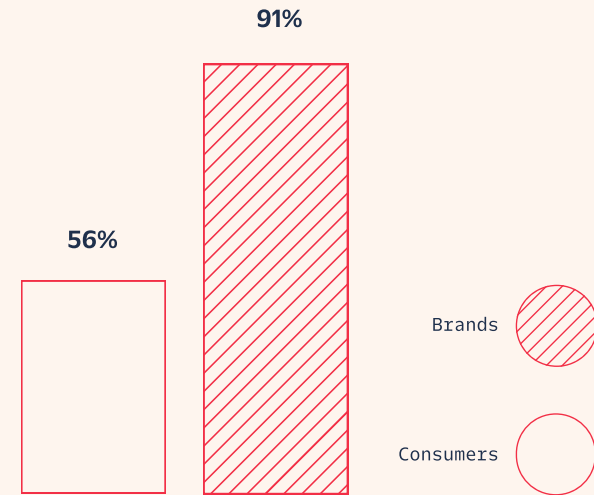


An average of **21%** more is spent by consumers on brands that personalize compared with those that don't.

Good experiences matter

Twilio Segment's State of Personalization Report 2022 found that 1 in 3 consumers (**38%**) say they will shop with a brand they've had a good experience with again, even if there are cheaper or more convenient options.

Customer expectations around personalization are changing rapidly. What they considered “good” before 2020 no longer suffices. As consumer brands transition to a world where they are now direct-to-consumer (D2C), bypassing retailers and other middlemen, a deep understanding of customers is essential. The [2022 Twilio Segment Growth Report](#) found that the bar for personalization was on the rise, with 47% of brands personalizing communications based on real-time customer behavior.



Although 91% of brands report that they often or always personalize engagement with consumers, just **56%** of consumers report the same. This perception gap reveals just how much work brands need to do to improve their approach to personalization.

This gap is also evident when it comes to brands that claim they provide ‘excellent’ personalized experiences to consumers. While 46% of organizations say they do, just 15% of consumers agree



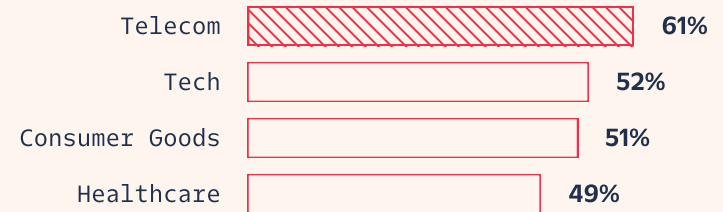
Simply adding a customer’s name at the top of an email isn’t enough any more. Creating a more complex, contextually relevant customer experience is what can help differentiate brands and develop loyal customers in the process.

In order to build those relationships, brands should focus on understanding each customer and engaging with them in a way that resonates. The [2022 Twilio Segment Growth Report](#) found that 67% of marketing and customer service leaders at B2B companies were making it a priority to keep current customers happy.

Focusing on customer retention and loyalty is a smart way of doing more with less in a challenging economy.



The largest personalization experience gaps between brands and consumers are in **India**, Singapore, and Italy. The global average gap is 27 percentage points.



Telecom brands say that consumers will spend **61% more** on a brand that personalizes versus one that doesn’t.



86% of consumers say that personalized experiences increase their loyalty to brands.

Zenyum simplifies dental care and builds lasting relationships

Zenyum takes pride in making everyday oral care more enjoyable and attainable. To ensure reliable communication and a personalized customer experience, Zenyum uses Twilio's Customer Engagement Platform, powered by Twilio Segment.

With Twilio Segment, a customer's purchases and e-commerce history with Zenyum is added to a customer profile, stored and accessible in one place for Zenyum's teams to access. By capturing first-party customer data, Zenyum can provide more tailored experiences across online and offline interactions, such as recommending products related to a customer's interests or needs, enabling them to truly engage with customers at every touchpoint.

[Read more about Zenyum ↗](#)



Trend 3

**Consumers
want a faster
transition to a
cookieless future**



**First-party and zero-party data
are the **key to long-term growth****

Consumers are ready for a cookieless future where zero-party and first-party data power personalized experiences, but brands aren't. Eighty-one percent of brands are still reliant on third-party data, and only 60% of brands are prepared for a world where third-party data is not available.

Meanwhile, consumers dislike cookies and are ready for more control over how their data is used. The end of cookies is as much about customer demand as it is about Google stopping their use. With an increasing awareness of—and demand for—consumer privacy, brands now must rethink their digital engagement strategies, **building direct relationships with consumers** in the process.



95% of consumers want more control over their customer data, placing top priority on “identity data”.

Data Direct from Consumers



The shift away from third-party cookies and toward zero-party and first-party data is an opportunity for brands to provide safe, secure, and highly personalized customer experiences. Because zero-party and first-party data comes directly from consumers, it is more accurate and better reflects present demand. This, in turn, boosts the ability to personalize, creating long-term customer loyalty in the process. Activating and using this data should be at the core of any successful strategy in 2023.

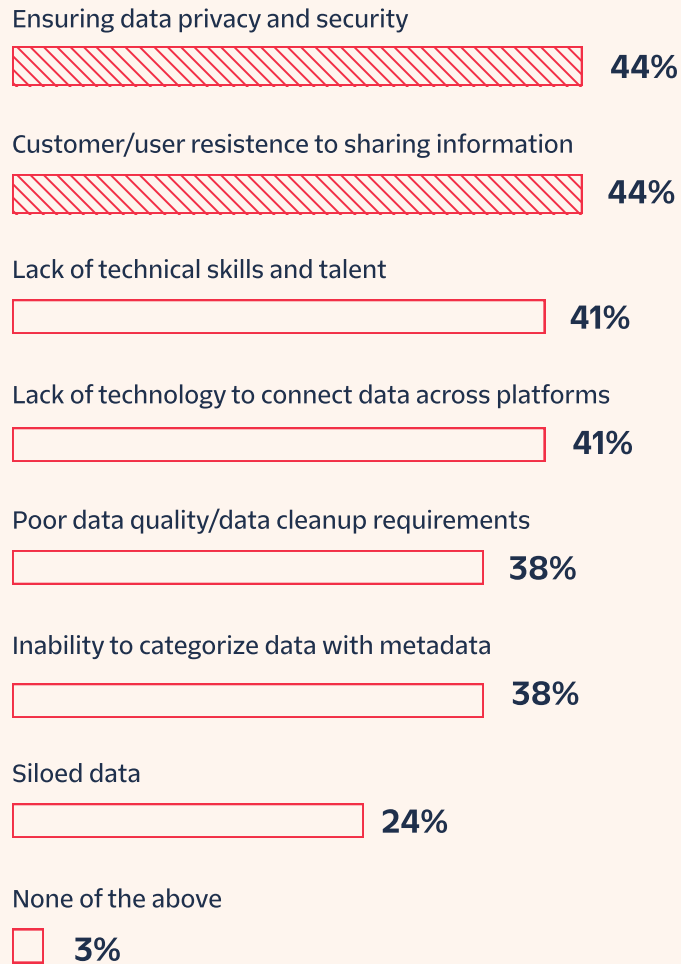


It's not just consumers who prefer first-party data: **89%** of brands report that using it for marketing purposes improves customer experience.

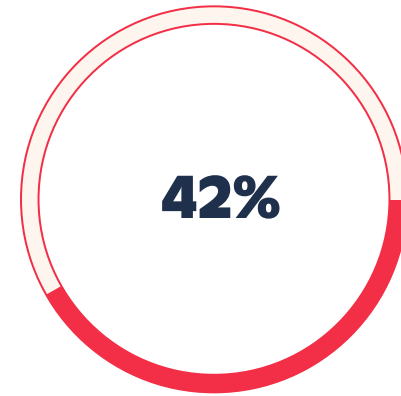
31%



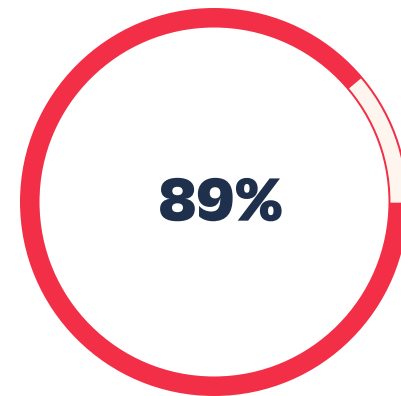
31% of consumers always or often opt to reject cookies on websites.



Ensuring data privacy and **customer resistance to sharing information** are seen as the main barriers to implementing first-party and zero-party data.

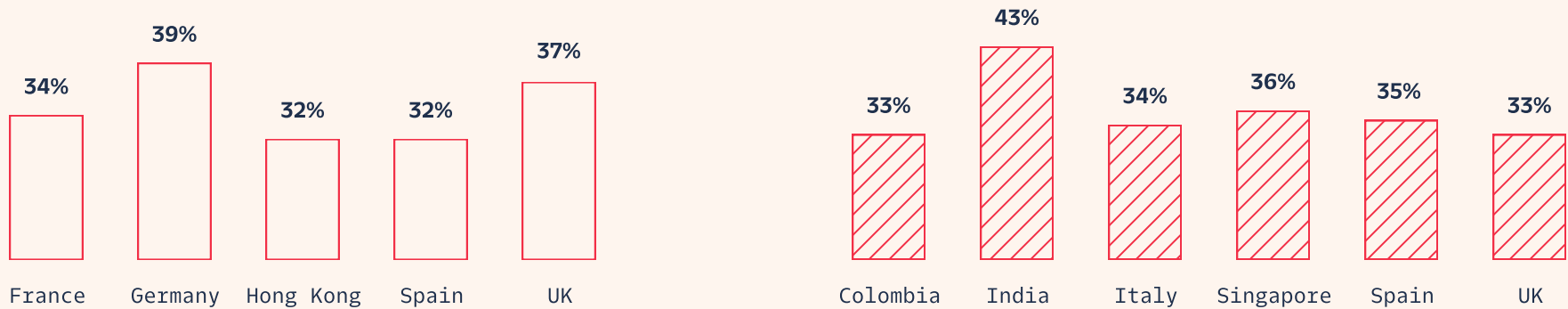


Strikingly, only **4 in 10** brands rate their collection of and access to zero-party data as excellent.



An impressive **89%** of brands plan to implement first-party/zero-party data in order to protect consumer privacy.

Global view



Consumers in **France, Germany, Hong Kong, Spain, and the UK** are more likely to accept cookies because 'it's too time consuming' to decline them. This suggests that countries with higher levels of privacy legislation are more likely to accept cookies due to consumers being overwhelmed by pop ups.

Brands in **Colombia, India, Italy, Singapore, Spain, and the UK** are more likely to view the move to first-party data as 'critical.'

Sanofi builds golden profiles, increases omni-channel engagement

Sanofi, one of the world's largest healthcare companies, needed a real-time, complete view of its healthcare providers (HCPs). Although sales representatives have regular on-site contact with HCPs, Sanofi struggled to capture customers' digital interactions on their website and other online channels.

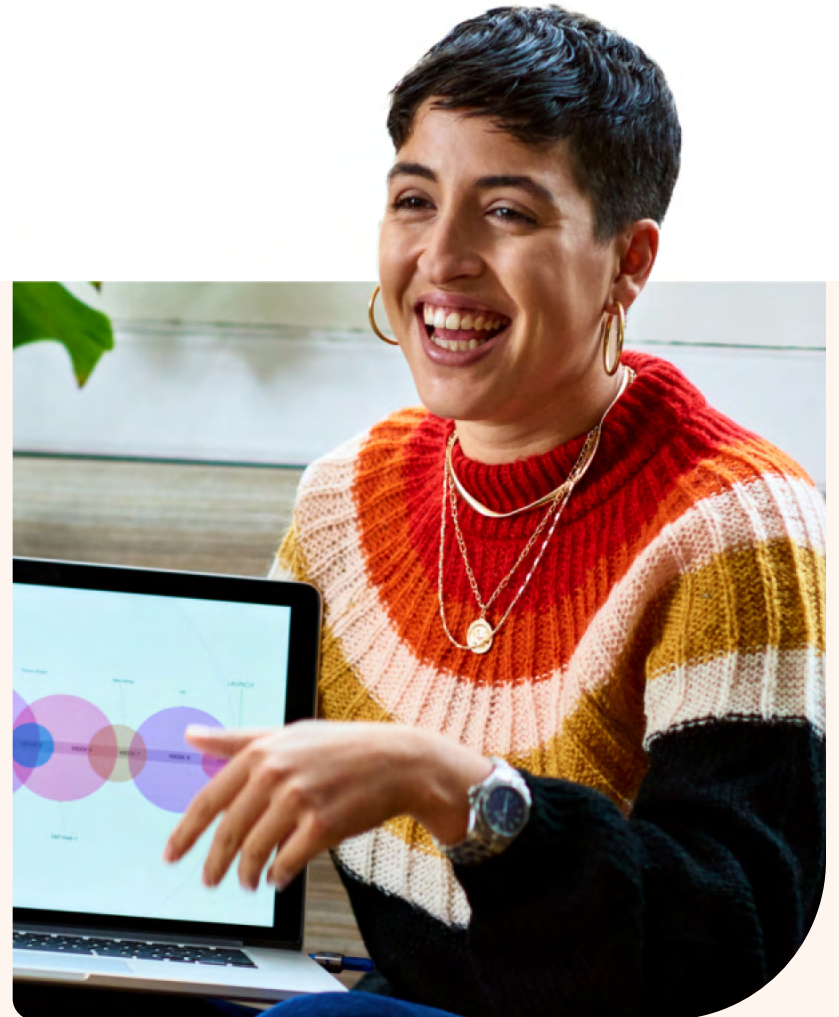
To provide better experiences for its HCP customers, Sanofi set out to collect its own first-party data and build accurate, real-time customer profiles that could power digital-first engagement and personalization. Sanofi turned to [Twilio Segment](#) to launch OneView: golden profiles, built using online and offline customer data from multiple sources. These profiles could then be used to build targeted, omnichannel marketing campaigns using [Twilio Engage](#).

[Read more about Sanofi ↗](#)



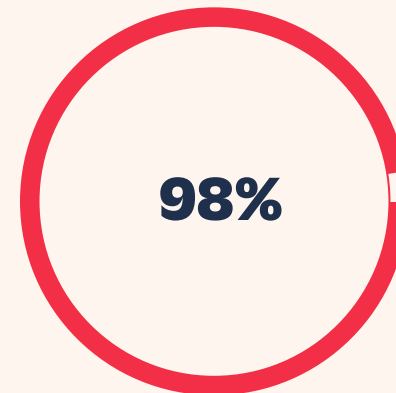
Trend 4

**Consumers trust
brands less than
brands realize**

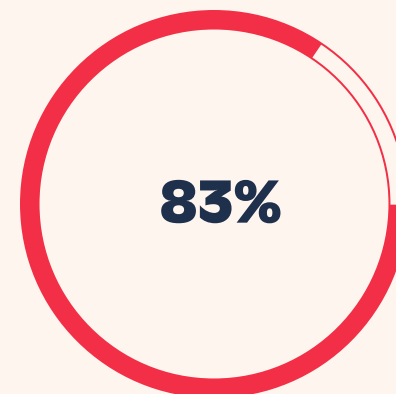


Business leaders need to make trust a core aspect of every customer relationship in order to **close the trust gap**

The consumer/brand trust gap persists, but brands are making progress in bridging it. In today's environment, how brands go about managing risk has the power to set them apart and help them build trust with new and returning customers alike. Using zero-party and first-party data to verify, authorize, and personalize customer interactions helps build digital bridges between an organization and its patrons.



98% of consumers want brands to do more to guarantee the privacy of their data, as well as be more transparent about how their data is used.



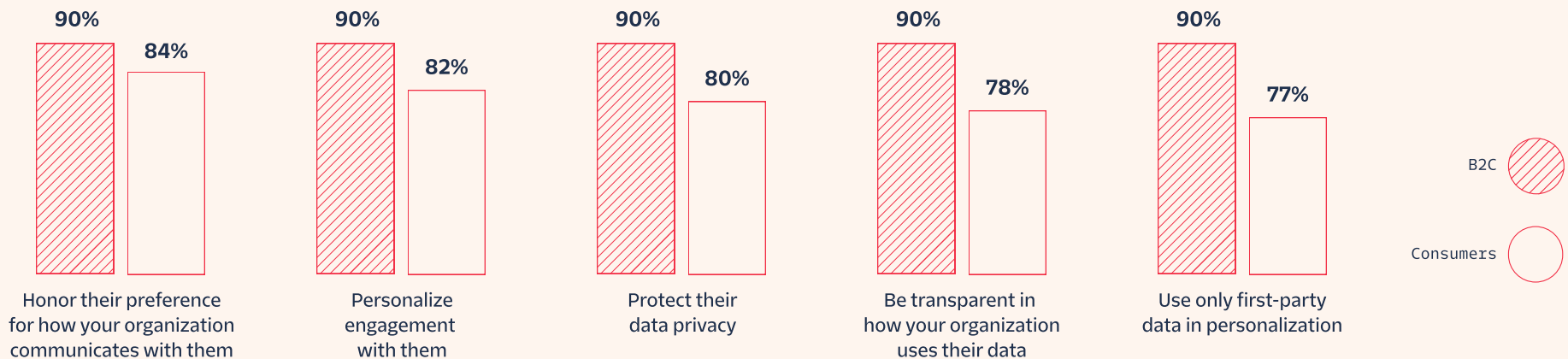
83% of consumers report that they trust brands more when their account identity is verified and authenticated.



Building consumer trust in a business goes hand-in-hand with ensuring their privacy—especially for companies looking to scale across borders. Whether the growth is domestic or global, customers expect more control than ever. And as more people view their data privacy as a fundamental human right, lawmakers worldwide have enacted legislation protecting consumers and ensuring their data is handled with care. How companies comply with these rapidly changing rules and how consumers perceive this change is likely to dominate the digital space in the coming years.

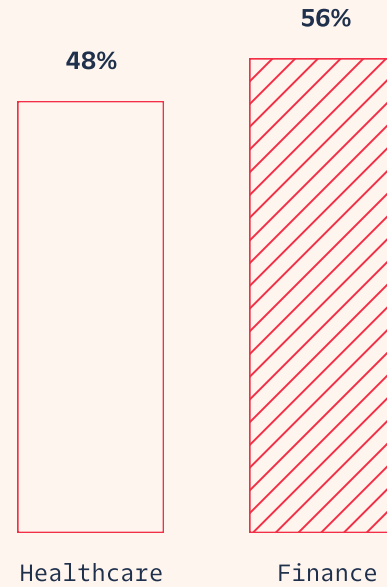
Consumer-to-brand trust gap

Consumers have less trust in brands than brands believe they do, with a gap of 6 to 13 percentage points on a variety of questions about transparency and data usage.



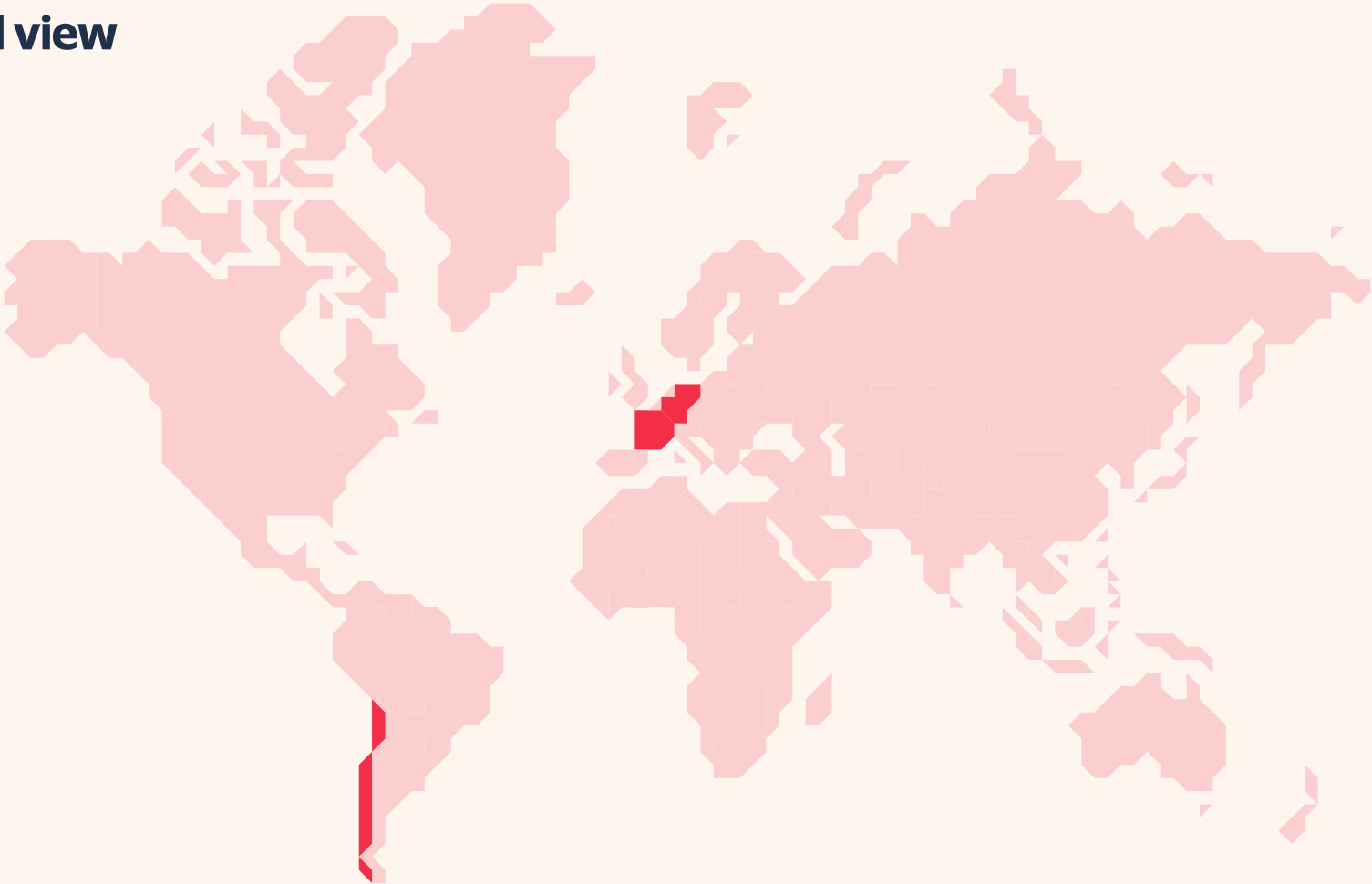
Four out of ten consumers said **they stopped buying a brand's products after their data privacy and transparency requirements weren't met.**

How brands communicate about the measures they have in place can help eliminate user confusion around brand-user information exchanges designed to keep accounts and data safe. It can help to clarify the goals of one-time passcodes and verification efforts. Doing so will build mutual trust and loyalty between consumers and brands.

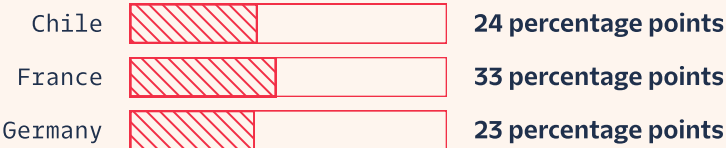


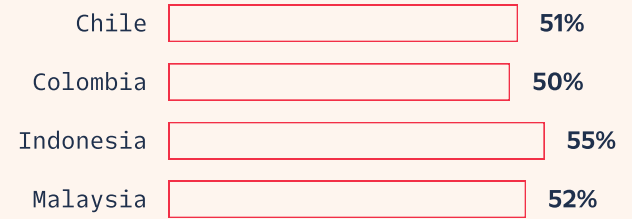
The finance industry is the most trusted sector among consumers, with **56%** saying they trust financial institutions to responsibly collect and utilize their data. The healthcare industry comes second, with **48%** of consumers trusting these organizations.

Global view

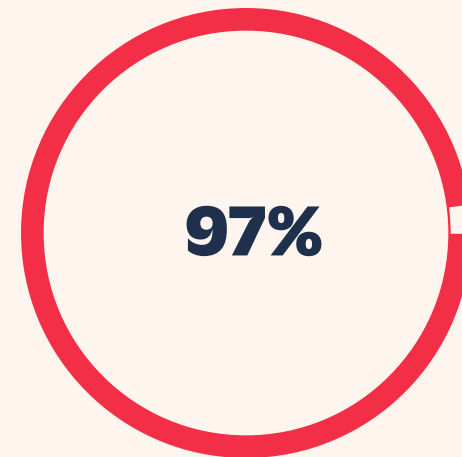


The trust gap in transparent data use between brands and consumers is at its highest in **Chile, France and Germany.**





A majority of consumers in **Chile, Colombia, Indonesia, and Malaysia** said they stopped buying from a brand after their data privacy and transparency requirements weren't met.



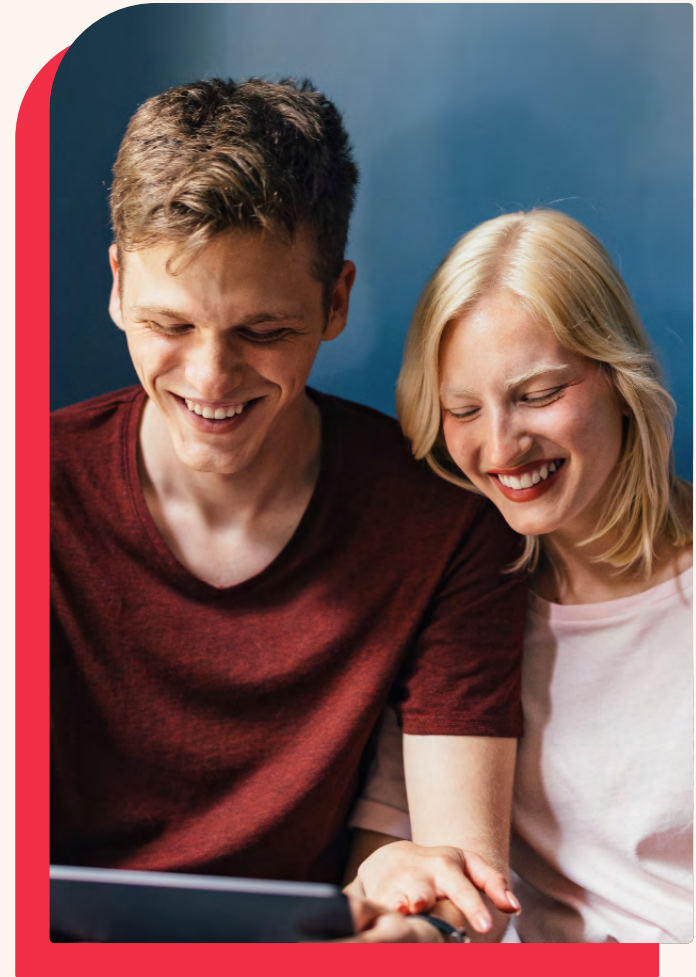
Almost 100% of Brazilian consumers report they trust more in brands that give them control over their own data.

Duolingo improves app engagement with secure contact syncing

Global language-learning app Duolingo was looking for a safe and secure way for its users to invite their friends to its service. “With Twilio Verify, we could ask for their phone number and then offer to sync their contacts,” said Nico Sacheri, Product Manager at Duolingo.

Duolingo can also ensure mobile users are who they say they are through up-to-date phone data, while confirming a user is in possession of their device. “Twilio helped Duolingo build a fun and frictionless customer experience while allowing our app users to build lasting relationships around the world,” says Sacheri.

[Hear from Duolingo ↗](#)



Trend 5

**Balancing
security
and customer
experience
is vital**



By leveraging the right technology, brands can build **no-compromise user experiences** that balance security with ease of use

Safe, easy **user experiences**

As digital acceleration continues, companies are trying to balance increasing digital vulnerability and ever-changing customer expectations. Technology, when used effectively, can meet those challenges.

When new customers go to create an account, they often run into friction. The same goes for logging into an account. Returning users have to deal with complex login processes like confusing CAPTCHAs and checking multiple channels for codes, resulting in frustration slowing, or even stalling new conversions.



In 2022, brands requested over 23 million user deletion requests on the Twilio Segment platform, a **69%** increase over last year.

Balancing **security and customer experience** is the number one challenge for business in 2023

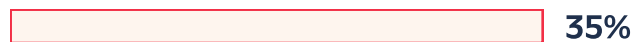
Finding a balance between security and customer experience



Protecting customer data



Lack of scalability of customer engagement solutions



Complexity of regulations



Disconnected customer journeys

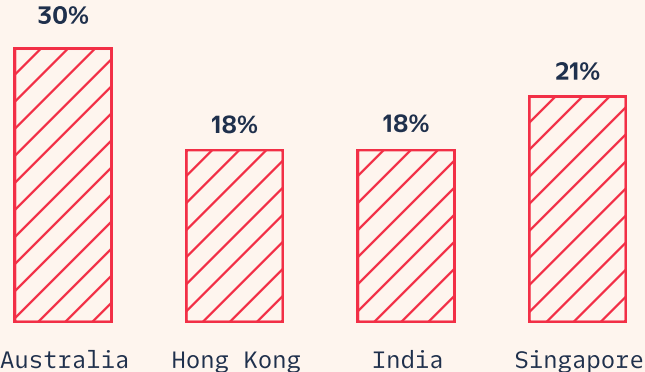
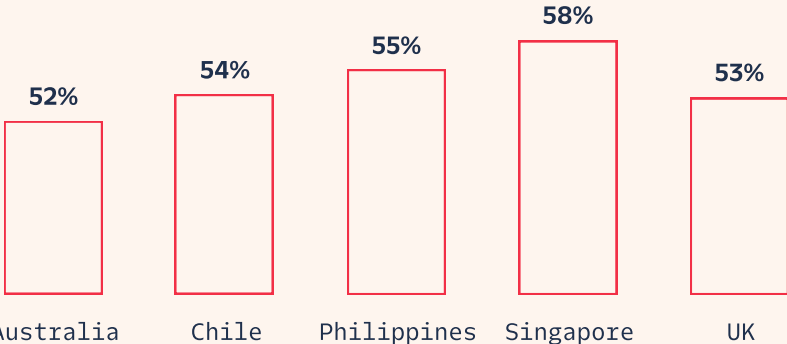


Insufficient personalization



Brands know that protecting customers is more important than ever, but building healthy revenue will always be at the forefront of their minds. Ultimately, businesses need to build a user experience that prioritizes both.

Global view



Over half of brands in **Australia, Chile, Philippines, Singapore and the UK** experienced contact center fraud last year.

In **Australia, Hong Kong, India, and Singapore**, consumers are more likely than the global average to report that their customer data was exposed as the result of a cyberattack on a brand they do business with.

Toyota Connected wins the race towards innovation

[Toyota Connected North America](#) (TCNA) is Toyota's software services innovation engine, bringing data, machine learning, and AI together to transform the way drivers interact with their vehicles. In order to build a secure, next-generation contact center solution for Drivelink, Toyota turned to [Twilio Flex](#) to create a more seamless experience for drivers and agents.

"Implementing Twilio Flex into our agent platform allows us to better centralize our communications with customers," says Dan Fischer, Call Center Operations Director for TCNA.

[Hear from Toyota Connected](#) ↗



Conclusion

Consumers are in the driver's seat

Despite the risk of a global recession, **83%** of consumers say that they'll purchase the same amount or more of goods and services in 2023. The best thing that companies can do to earn their business this year and beyond is listen to their preferences. Here's what our data tells us they value most.

First, **consumers want seamless customer experiences.** They expect brands to communicate on their terms: where, when, and how they prefer. This is why brands must invest in building rich customer profiles—to paint a clear picture of each individual customer. That's where data becomes crucial.

Consumers no longer want brands to rely on third-party data.

In fact, half of consumers in the past 12 months have left a website rather than accept cookies. To provide true personalization, brands must invest in the collection and activation of zero-party and first-party data.

Consumers are telling us they want to be understood by brands. Two-thirds say they'll quit a brand if their experience isn't

personalized. They're savvy enough to distinguish between the personalization of days past (e.g. custom fields like First-Name) and true personalization. They want perfectly timed recommendations and offers, and they want every interaction with a brand to pick up where the last one left off. Brands that offer those experiences will be the ones that win customer loyalty.

Lastly, **consumers want to trust the brands they buy from** to give them the right amount of control of their data, and to protect it from bad actors without impacting their experiences.

To sum it up, the top three words consumers gave to describe great customer experience were **“satisfaction,” “excellence,” and “trust.”** By paying close attention to the trends revealed in our research, business leaders have the opportunity to provide the types of experiences that not only boost growth in the short term, but also future-proof their enterprises in a rapidly changing world.

Glossary

Zero-party data

Data is data customers intentionally and proactively share with organizations. Examples include data from surveys, product quizzes, preference center settings, requests for updates and reminders, account creation, conversational pop-ups, contests, and product onboarding.

First-party data

Data about customers that is owned by the organization directly doing business with them. Data that you have collected directly from your customers, whether from their interactions on your website, questionnaires they have filled out or purchases that they have made, is first-party data.

Third-party data

Data about customers that is not owned by the organization or its customers, but by a third party, such as a social network, an advertising network, a search engine, or a mobile platform.

Customer engagement

The ongoing relationship between an organization and its customers, which includes all communications across sales, marketing and customer service.

Customer engagement leaders are the companies that have the highest level of maturity in the use of personalization, first-party data, and percentage of customer engagement that is digital. After normalizing scores from four specific questions in the survey, the leaders are the highest-scoring group. **Customer engagement framers** are in the middle and **customer engagement beginners** are in the bottom group.

Real-time personalization

The practice of instantly delivering customized communications to each customer in response to their interactions with that organization.



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

[Learn more about Twilio ↗](#)

Forward-Looking Statements

This report contains forward-looking statements, including, but not limited to, statements regarding Twilio's expectations regarding our platform and solutions, and expectations regarding the impact of recent and future privacy changes, including the deprecation of cookies, on third party platforms. These forward-looking statements are based on Twilio's current expectations and inherently involve significant risks and uncertainties. Actual results and the timing of events could differ materially from those anticipated in such forward looking statements as a result of these risks and uncertainties, which include those described in Twilio's filings with the United States Securities and Exchange Commission. Forward-looking statements speak only as of the date of this report and Twilio does not undertake any obligation to update or revise these statements, except as may be required by law.