McKinsey & Company

Where is customer care in 2024?

Gen Z consumers are picking up the phone, boomers are using digital chat, and AI technologies are reshaping the contact center. For customer care leaders, 2024 could be a transformative year.

This article is a collaborative effort by Eric Buesing, Maximilian Haug, Paul Hurst, Vivian Lai, Subhrajyoti Mukhopadhyay, and Julian Raabe, representing views from McKinsey's Operations Practice.
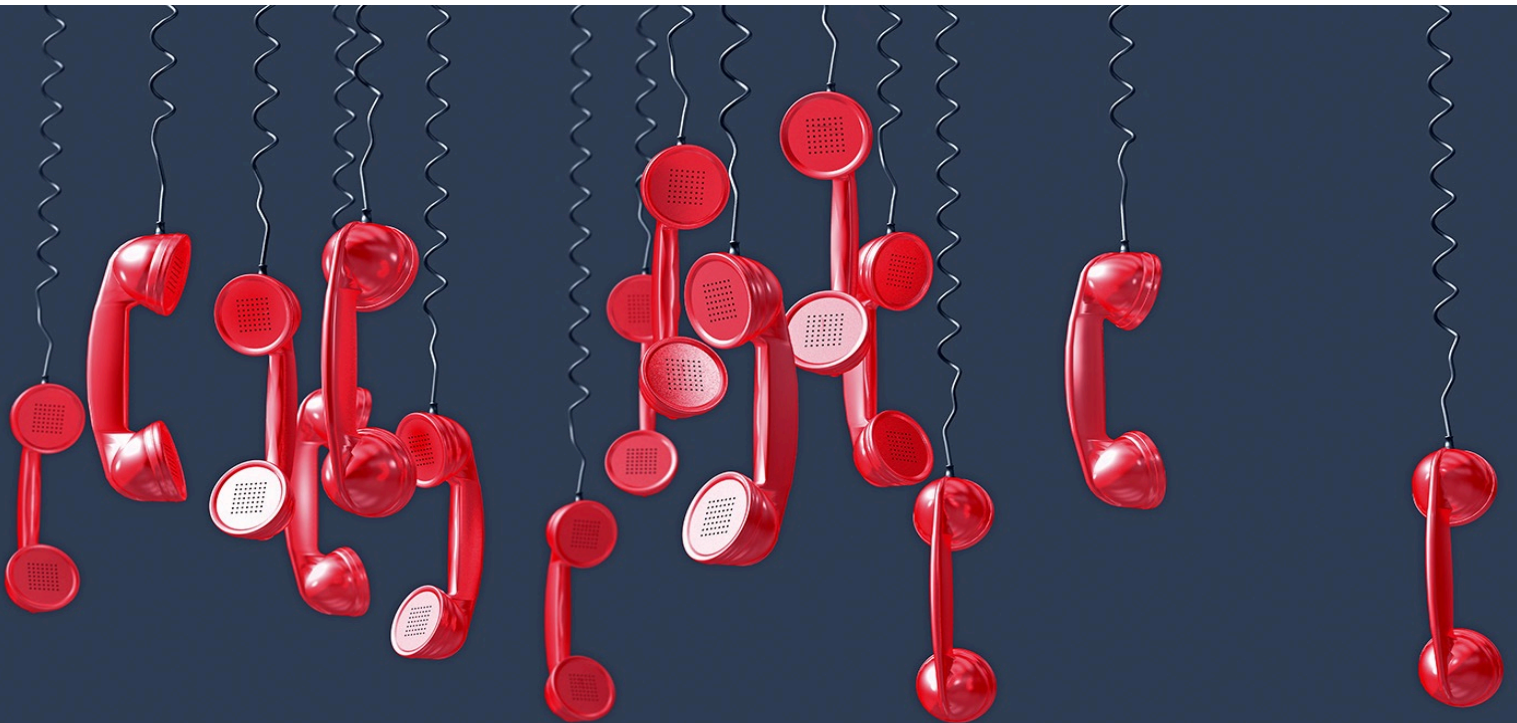
Customer care leaders are facing their greatest challenge in decades. They must prepare their organizations for an AI-enabled future while simultaneously meeting tough commercial targets and rising customer expectations. Our latest global survey suggests that many companies are struggling on all these fronts.

Major disruptions are always painful, and the transition from a care paradigm dominated by human agents to one steered by AI technologies may be the biggest disruption in the history of customer service. Can organizations find a route to hyperefficient, digitized customer care while retaining the personal contact and responsiveness that customers require?

Right now, many customer care leaders feel trapped in no-man's-land. Technology has enabled them to evolve their operations significantly, and the traditional call center environment is rapidly becoming a thing of the past. Yet when these digitally enabled models underperform—and they often do—companies need to master entirely new approaches to performance improvement alongside their traditional tool kits.

To make matters worse, executives say that most of the challenges highlighted in our last survey are still present today (see sidebar, "Customer care in the spotlight"). Those challenges include rising call volumes, high levels of employee attrition, and persistent talent shortages. Meanwhile, some of the largest consumer-facing technology organizations in the world have become exceptional at digitally enabled customer care, which is lifting customer expectations everywhere, piling further pressure onto customer care staff and leadership at other companies.

Our survey reveals three major themes that are top of mind for customer care leaders. First, their priorities are shifting, from an overwhelming focus on customer experience to a multidimensional approach that also emphasizes revenue goals and technology transformation. Second, they are working hard to build future-ready AI-enabled ecosystems for their operations. Finally, they are boosting their capabilities by investing in employee upskilling programs and building stronger outsourcing relationships.

Reprioritizing core operations

When we began monitoring the sentiment of customer care leaders in 2016, their priorities were clear. Customer experience came first, followed at a distance by operational improvement, technology transformation, and revenue generation—in that order.

Over the past seven years, those priorities have converged (Exhibit 1). Revenue generation, which was mentioned by about one in 20 customer care leaders in our first survey, has been rising steadily in importance ever since. It is now a priority for a third of customer care leaders. But over the past two years, technology enhancements and operational improvements have seen the fastest increases. The expectation that customer care functions can do it all and do it well has never been higher.

Leaders also understand that they need to engage with their customers to delight them. Currently, only 11 percent of respondents say reducing contact volume is important to them, a 20-percentage-point drop over 12 months. Indeed, 57 percent of leaders expect call volumes to increase by as much as one-fifth over the next one or two years.

Exhibit 1

Customer care leaders are juggling multiple priorities.

Evolving priorities of customer care organizations over the past 7 years,[1] % of respondents (n = 348)

Legend:
- Customer experience
- Improving overall operations
- Technology
- Revenue generation
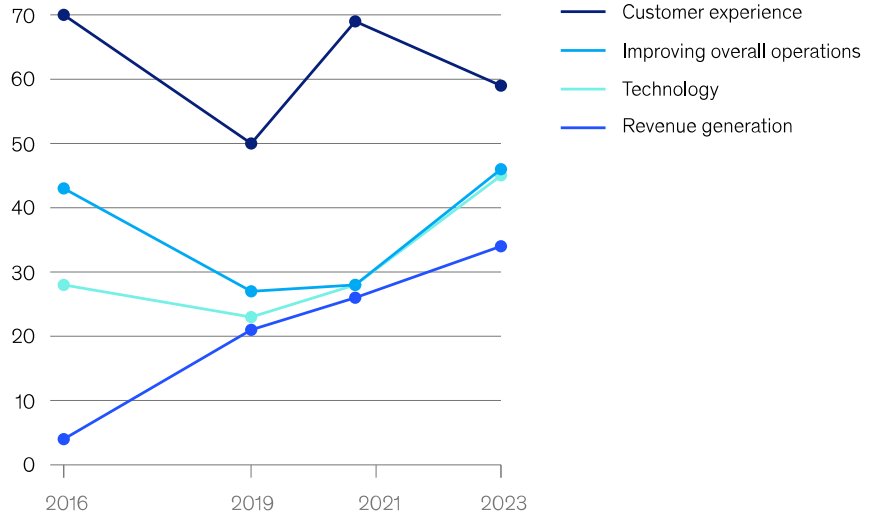
[1]Question: What are the strategic priority goals for your customer care organization for the next 3 years?

Source: McKinsey's 2023 State of Customer Care Survey

McKinsey & Company

Separate research suggests that these leaders are right to stay focused on direct personal interaction, even when many of their customers are young digital natives. In a recent McKinsey survey of 3,500 consumers, respondents of all ages said that live phone conversations were among their most preferred methods of contacting companies for help and support. That finding held true even among 18- to 28-year-old Gen Z consumers, a cohort that favors text and social messaging for interpersonal communications.

There's also evidence that younger consumers are getting tired of the digital self-service paradigm. One financial-services company reports that its Gen Z customers are 30 to 40 percent more likely to call than millennials, and they use the phone as often as baby boomers. Premium-segment customers of all

ages also prefer the phone, with many saying that live phone support is part of the premium service they are paying for.

These findings don't point to a future of phone-only customers, however. While customers of all generations prioritize support from a real person, they also want the flexibility to use different channels according to their needs. Digital-chat services have achieved a high level of acceptance across generations, and email remains important, especially for older consumers (Exhibit 2).
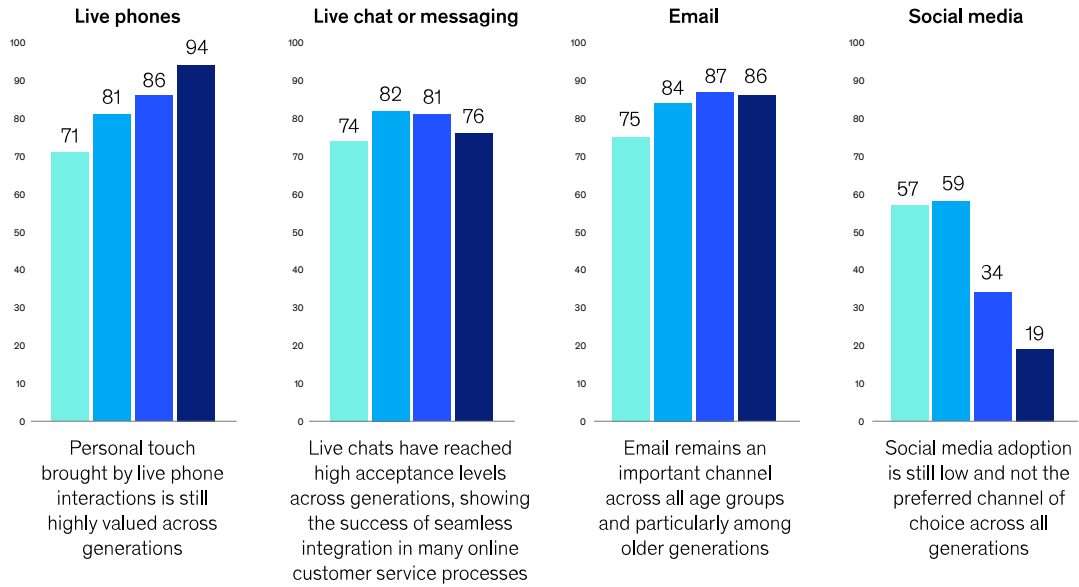
The need to excel in service across multiple channels creates extra challenges for customer care leaders, especially when budgets are tight. And 37 percent of respondents in our survey say that cost is still a key priority. This tension is driving

Exhibit 2

Consumers are evolving to be more accepting of nonphone channels, but live phone channels are still valued across all types of consumers.

Likelihood of reaching out to customer care by channel and generation,[1] % of respondents (n = 3,500)

Legend: Gen Z (18–28) | Millennials (29–43) | Gen X (44–58) | Baby boomers (59 or older)

Live phones

Gen Z	Millennials	Gen X	Baby boomers
71	81	86	94

Personal touch brought by live phone interactions is still highly valued across generations

Live chat or messaging

Gen Z	Millennials	Gen X	Baby boomers
74	82	81	76

Live chats have reached high acceptance levels across generations, showing the success of seamless integration in many online customer service processes

Email

Gen Z	Millennials	Gen X	Baby boomers
75	84	87	86

Email remains an important channel across all age groups and particularly among older generations

Social media

Gen Z	Millennials	Gen X	Baby boomers
57	59	34	19

Social media adoption is still low and not the preferred channel of choice across all generations

[1]Question: When you have an issue that you have already tried to solve via self-service, how likely are you to reach out to customer care through the following channels?
Source: McKinsey Customer Service Survey, May 2023

McKinsey & Company

companies to look for ways to control the customer care costs that go beyond call volume reduction, with automation and outsourcing the most frequently cited levers.

Creating a future-ready AI ecosystem

The tensions in modern customer care are clearly seen in companies' approaches to advanced digital technologies. Our survey demonstrates that digital has already become a decisive differentiator.

Among respondents who report that their operations are delivering better-than-expected performance, more than half have high levels of digital integration. Banking, telecommunications, and travel and logistics are among the leading industries in this regard.

Those high performers are in the minority, however. Only 8 percent of respondents from North America report greater-than-expected satisfaction with their customer performance. In Africa, Europe, and the Middle East, the figure is 5 percent. Among

organizations reporting that performance was in line with or lower than expected, more than 80 percent also say their levels of digital integration are partial or low.

Leaders agree that they need to get digital right. More than half of the respondents to our survey expect the share of inbound contacts that take place through digital channels to exceed 40 percent in the next three years.

Artificial intelligence will play a decisive role in future customer care ecosystems. Respondents to our survey are already deploying AI tools in a variety of applications, including chatbots and automated email response systems, training and support for call center agents, back-office analytics, and decision making.

Over the past 12 months, the availability of powerful generative AI (gen AI) tools, especially large language models (LLMs) that can parse and respond to unstructured text or speech, has opened new possibilities for technology in customer care. More than 80 percent of respondents are already investing in gen AI, or expect to do so in the coming months, with leaders highlighting a wide range of potential applications.

One European subsidiary of a global bank replaced its well-established rules-based customer chatbot with a new system based on gen AI technology. Seven weeks after launch, the AI chatbot was 20 percent more effective at successfully answering customer queries than the old tool. The bank has already identified a road map of improvements that could double its performance in the coming months.

Early adopters are extremely ambitious about the potential of gen AI. The executive in charge of customer care at one major global organization told us that they expect 100 percent of customer interactions to be AI-enabled in the coming years, using a combination of technologies including new virtual assistants, agent-assist tools, and AI-powered voice analytics.

For most companies, however, the gen AI customer care revolution is still in its early stages. Leaders highlight multiple issues that are making it hard for them to integrate these technologies into their existing processes and workflows. The issues

include technical challenges regarding deployment and scaling; concerns about safety, security, and governance; and difficulties in defining the desired outcomes from, or business case for, gen AI investments (Exhibit 3).

Rethinking skills

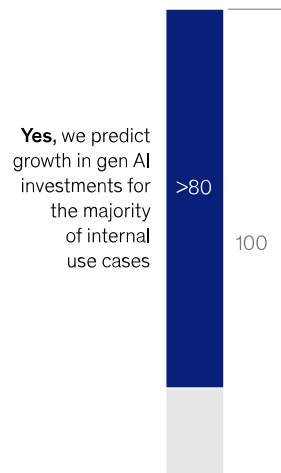Today, customer care organizations lack many of the critical skills they need to deliver excellent service and navigate the transition to a digitally mediated, AI-enabled world. In part, that's because customer care leaders have been running to stand still. Record levels of staff attrition following the COVID-19 pandemic meant that supervisors spent much of their time interviewing and bringing new staff up to speed. They spent less time mentoring their established teams, a problem exacerbated by the introduction of hybrid and remote working arrangements. Some agents and team leaders have spent years working with little interaction or coaching from their managers.
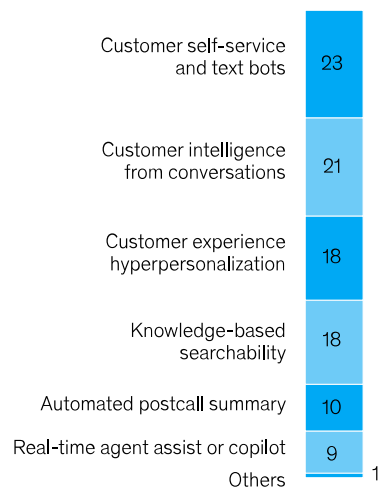
Exhibit 3

Gen AI is top of mind for customer care leaders, but scaling AI is their biggest challenge.

Organizations' generative AI (gen AI) investment prospects, targeted areas, and challenges,
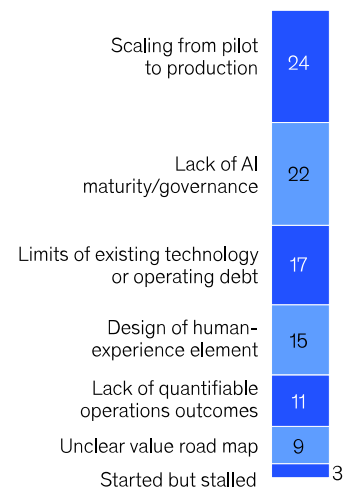% of respondents (n = 348)

Organizations predicting growth in their gen AI investments[1]

Yes, we predict growth in gen AI investments for the majority of internal use cases

>80

100

Customer care leaders' planned area of gen AI investment[2]

Customer self-service and text bots	23
Customer intelligence from conversations	21
Customer experience hyperpersonalization	18
Knowledge-based searchability	18
Automated postcall summary	10
Real-time agent assist or copilot	9
Others	1

Biggest challenges to customer care leaders' gen AI investment[3]

Scaling from pilot to production	24
Lack of AI maturity/governance	22
Limits of existing technology or operating debt	17
Design of human-experience element	15
Lack of quantifiable operations outcomes	11
Unclear value road map	9
Started but stalled	3

[1]Question: How do you predict the growth in generative AI investments to look in the next 24 months?
[2]Question: Where are you most eager to unlock generative AI capabilities in your care operations?
[3]Question: What are some challenges that prevent you from integrating generative AI?
Source: McKinsey's 2023 State of Customer Care Survey

McKinsey & Company

Staff turnover has now slowed, and two in three leaders in our latest survey say upskilling and reskilling are critical priorities. Companies highlight a range of benefits that accrue from effective upskilling and reskilling programs, including improvements to employee morale, increased productivity, and faster adoption of new technologies and working methods. Meanwhile, technology is changing upskilling programs. Twenty-one percent of leaders tell us that they are already using AI-based tools to train and support their customer care staff.

AI-based agent support systems are already becoming a key tool for companies seeking to offer extremely effective personal service to demanding customers. These systems can help agents resolve complex queries the first time, simultaneously reducing care costs and boosting customer experience.

One global construction equipment company, for example, uses a gen AI system to help its call center staff navigate thousands of pages of technical-support documentation. The system selects the appropriate steps to resolve a customer's problem in seconds, based on free text questions entered by the agent and background information such as the serial numbers of vehicles and parts. The tool has cut average call resolution times from around 125 minutes to a few seconds, and it is currently saving customers €150,000 to €300,000 per day in reduced asset downtime.

Elsewhere, companies are using AI to transform the way they manage and support their customer care agents. New AI-based tools can optimize call volume forecasting, for example. This approach helped one company improve forecast accuracy by seven percentage points, while halving the work required to manage team capacities and schedules. The change improved customer service levels by

more than 10 percent, while cutting staffing and overtime costs by more than 5 percent.

Companies are also looking outside their organizations for innovative ways to fill capability gaps. Outsourcing, once viewed primarily as a way to reduce costs, is increasingly seen as an effective source of additional skilled capacity and innovation capabilities. Fifty-five percent of the companies in our survey currently outsource part of their customer care operations, and 47 percent of those organizations expect to increase their outsourcing over the next two years.

Outsourcing relationships are becoming deeper too, with respondents telling us that they are now using their business process outsourcing for a range of activities that extends far beyond traditional call and email handling. They include content management and digital-marketing services, payments handling, and the development of AI-based customer care tools. Following the blueprint established by major players in the industrial products, medical device, software, and e-commerce sectors, some companies are now working with outsourcing partners to set up global innovation hubs that will drive the development of next-generation customer care technologies.

———————

Our survey suggests that customer care organizations are running at two different speeds. In the fast lane, top performers have seized the opportunities presented by advances in digital technologies. With ruthless prioritization, they are investing capital to drive efficiency and service excellence across the customer journey. The best have already reshaped their organizations around highly integrated digital platforms. One high-performing company with more than 5,000 service agents is on track to deliver 75 digital-experience improvements this year, for example.

Other companies are still in the slow lane, struggling to fit a patchwork of digital point solutions into legacy care ecosystems. Unsure where to put their dollars, they are trapped in a cycle of continual system adaptation with no clear destination or road map.

In 2024, both types of organizations may need to shift their positions on the road. Gen AI is raising the bar for performance, productivity, and personalization in customer care, and tomorrow's fully AI-enabled care organizations will operate very differently from those of today. It's time for companies to look at their care ecosystems with fresh eyes. They should formulate an independent perspective on the changing expectations of their customers and the role of advanced AI in their organization. The future of customer care is calling. Leaders should answer with a bold vision and an aggressive time line for change.

Eric Buesing is a partner in McKinsey's Charlotte office, where **Paul Hurst** is an associate partner; **Maximilian Haug** is an associate partner in the Boston office; **Vivian Lai** is a consultant in the New York office; **Subhrajyoti Mukhopadhyay** is an expert in the Chicago office; and **Julian Raabe** is a partner in the Munich office.