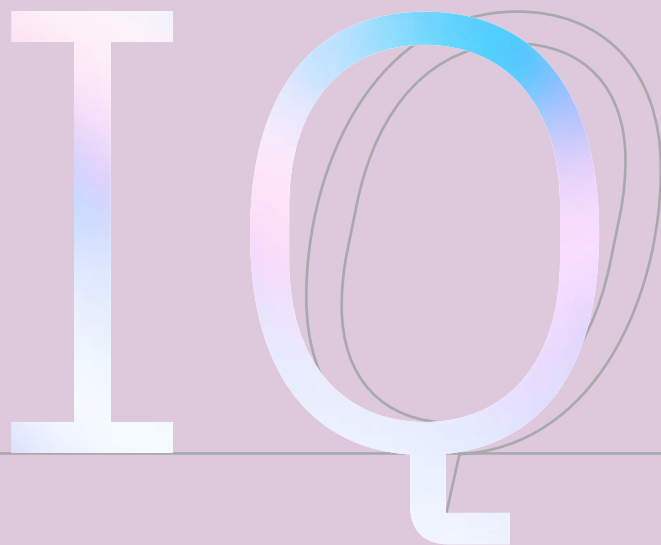


Intelligent Industry



Explore Intelligent Operations

IBM's experts explain how innovation can drastically reduce costs while increasing value and customer satisfaction.


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It takes two to talent


Get to know our services, powered by collaborative AI tools that help HR teams build and manage personalized experiences that reach more employees in less time.

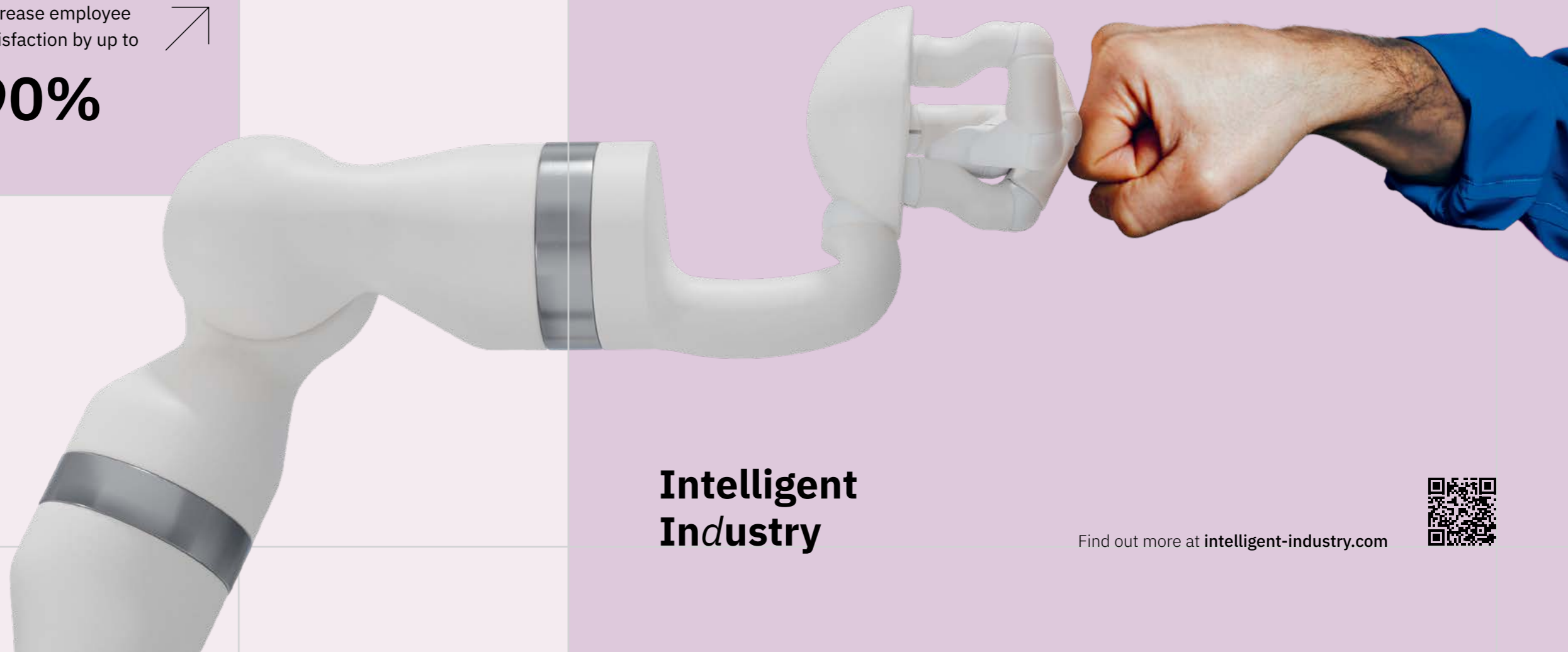
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Automotive

Aerospace & Defense

Innovation is driving a change in back-office operations that elevates the value proposition for businesses facing international competition and cost pressure a lot closer to home. This applies to all industries—Automotive, Aerospace & Defense, Industrial Manufacturing and Service—but nowhere is this clearer than in the German automotive industry.

In this second issue of *IQ*, we're exploring tomorrow's back-office disciplines with IBM experts. And they'll show us how the marriage of human and digital investments is presenting new opportunities and efficiencies for businesses that need leaner operations.

But securing the future of automotive manufacturers and suppliers is not simply a technology challenge. Companies will have to look to every part of their business to do more with less, to deliver a new tier of value to the wider organization, and to find the right path that lets them re-focus on their core products.

From Finance to Customer Service, the impact of AI goes well beyond cost savings. By taking on repetitive tasks, AI precision is unlocking new levels of productivity. Natural language input, which is better than it's ever been, is delivering insights through assistants, agents and dashboards that drive better business outcomes and allow for more access.

Though we can't forget the indispensable impact of great human partners, AI is certainly driving a value revolution in business process operations. Embracing the transformative capacity that's now accessible through outsourcing models can be the boost Germany's industry needs on the road ahead.

So let the IBMers tell you from their vantage point.

- 08 The competition never sleeps: European automotive companies face critical moment in Business Process Operations
- 16 AI-powered HR
- 20 AI puts finance back in the black
- 24 Buying better: the evolution of procurement
- 30 Every customer, everywhere, all at once
- 34 Cognitive customer service

Industrial Manufacturing

Industrial Service

The competition
never sleeps:

European
automotive
companies face a
critical moment in
Business Process
Operations

A conversation with *IQ* magazine editor, Christopher Maycher,
Lead Operations, Melanie Balsfulland and
IBM Discrete Manufacturing Industry Leader, Marcus Claus.



Melanie Balsfulland
Lead Operations | DACH Region



Marcus Claus
Discrete Manufacturing Lead | DACH Region

First thing's first.
Why is now an interesting time to have the conversation about Business Process Outsourcing (BPO) or Business Process Operations?

Marcus: The pressure right now in the industry hasn't been as high in the past years, for automotive OEMs (Original Equipment Manufacturers) as well as the suppliers, as we see it today. And it's coming from different angles.

To lay a foundation that's going to be competitive over the next 10 to 15 years, automotive companies have to act now.

And if they don't act now, then others—especially Asian competitors—will start from a completely different baseline in terms of legacy, product portfolio, company functions and services, labor costs, and many others. These competitors are already operating on this new foundation. If traditional European automotive suppliers and manufacturers don't realign to tomorrow's needs, then the risk is that they won't be competitive again.

Melanie: I think what has changed now is that within automotive companies, and importantly their products, the value chain has migrated more and more towards the East in many areas. A lot of displays and electronic parts, for example, are all produced in Asia.

And meanwhile, Asian companies take the value chain by themselves instead of selling their products to German automotive companies. The cost pressures increased, along with logistics costs and a lot of other areas. Even more now, automotive companies are under pressure to find their differentiator on the market. And they need to ensure they operate as efficiently as possible to be competitive against the Asian competitors.

Marcus: That's absolutely right, Melanie. Because for a time German automotive companies were really mastering that international way of collaborating and working together with other companies. So there was some kind of vertical value chain between these companies. But now other players are covering that on their own across the full vertical stack.

So, we're talking a lot about these new challenges on the products side, but what's changed on the people or the workforce side of things that's contributing to today's environment?

Melanie: I think the rationale between digital and human workers as building one workforce was never as important as it is now. And also, it's compounded by the lack of talent we currently have in Europe.

With the current innovative technology, we're finding a good opportunity to compensate for this with AI assistants that can help be more efficient and complete a higher volume of work tasks and processes within the same timeframe and capacity.

This is exactly how BPO is being redefined right now. As a new service that's no longer about having cheaper personnel costs somewhere in a low-cost country. It's really about making maximum use or power from a human workforce that's augmented with a digital workforce as co-workers.

However, all these products and efforts and promises will only make a difference if clients are willing to transform and adapt their behaviors to the new way of working.



As recently as last year, a lot of these automotive companies were talking about product transformation and upskilling to create software-defined products. Is it fair to say that there's an operational transformation that needs to happen first?

Marcus: Changing the workforce is completely related to this idea of not being able to compete over the full vertical stack.

And the question everyone in the industrial industries, and especially to the automotive companies as they are always the front-runner, should be asking is: What jobs and skills are really necessary in the future?

They are definitely no longer needed to the same extent today for operational back-office management. They have to invest in their product; they have to invest in R&D [Research and Development]; they have to invest in software-defined development and so on. And if they aren't able to tackle their own back-office efficiency compared to their competitors, then they won't be able to build up those needed and necessary jobs in those product-related areas.

So, in a sense it's now or never.

Marcus: Yes, it is definitely.

Do you think this is a uniquely European problem related to work culture and labor laws?

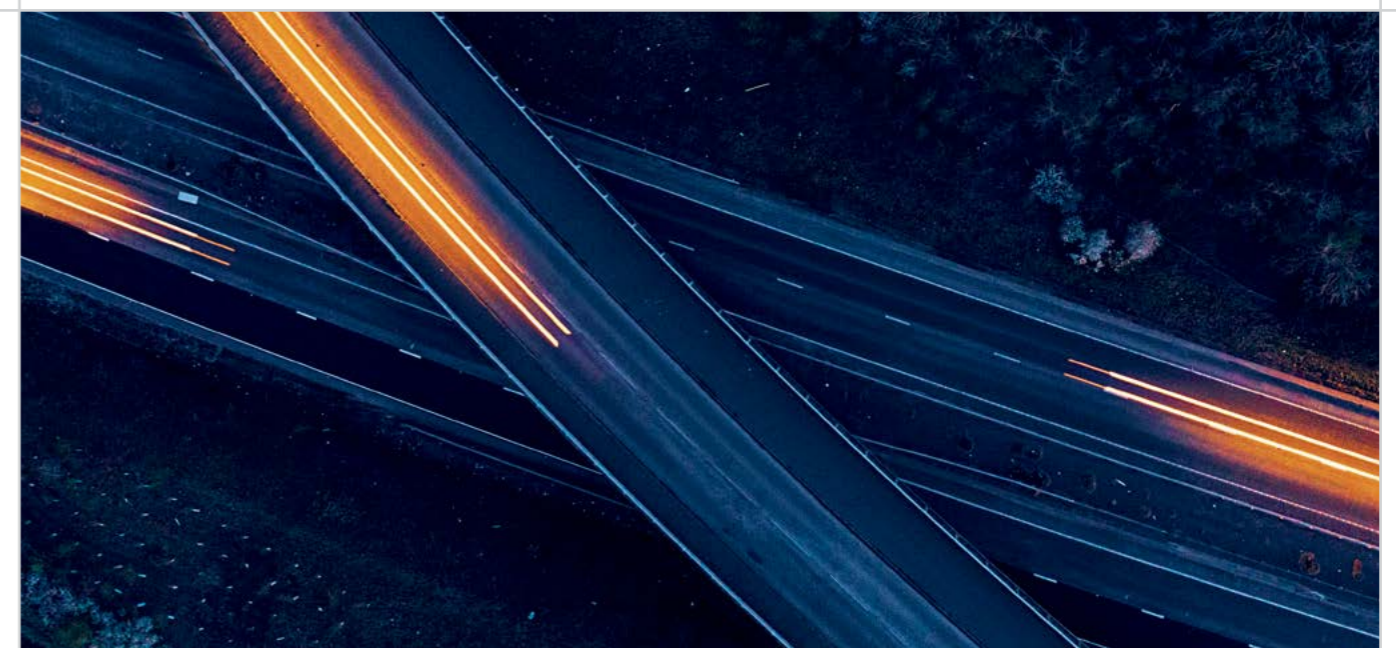
Marcus: I think it's not really a labor problem. It's more an industry culture change that needs to happen.

In the past, value creation was primarily optimized via the supply chain and product areas. Many administrative functions were not optimized to the extent that they could have been.

It's really a point of no return and there are solutions on the table—like BPO—to get efficiency back again while realizing cost savings.

Melanie: And let me add two things here. Firstly, I believe it's a cultural aspect because when we observe some of the long-standing Asian suppliers, they have been practicing this for years, far more extensively than what we have witnessed with German automotive suppliers and manufacturers.

And secondly, for a long time, German quality carried a value that could be factored into the sales price. But over the past years, production sites and even engineering hubs have moved out of Germany because of cost pressure. Meanwhile, the production of new car technology is increasingly shifting towards Asian automotive suppliers instead of domestically manufactured products. As a result, the basis for this quality premium is now removed. Customers are simply not willing to pay more for a German car like they used to in the past.



How do you address that culture shift in a way that these companies can still feel in control of their future? That seems like a very big emotional hill to get over as a corporate culture.

Melanie: I think that's exactly the challenge that current Board members face—integrating the traditional culture of these well-established organizations with the concept of a modern company that does not solely rely on internal innovation. They can become a part of the future. But only embracing a powerful partnership system enables them to swiftly adopt future products rather than solely focusing on creating them in-house.

That's the cultural shift: being an integral part of a diverse value chain, rather than solely being responsible for the entire end-to-end value chain.

How can we as technology leaders address this cultural shift when the solutions are largely asset or product-based?

Melanie: So, I want to phrase that question a little differently. The question should be: In a time when everyone talks about technology, is there still room for people?

Everyone talks about assets. And although the conversation around technology is shifting toward asset-based service, nevertheless, the biggest asset we all have is the human workforce and human brain. We should recognize technology as an asset that supports and enables our goals. And as a co-worker that's not here to replace humans as such. And that's how these companies can hold on to their culture—through their people.

So, the new value proposition is more about combining humans and technology to make everybody more powerful and productive.

Marcus: Exactly. So, the old strategy was only on labor arbitrage going from west to east. And depending on what was needed from a savings point of view, you were going to Eastern Europe, or you were going to further offshore based on what kind of price tag you have to meet.

But with AI it will be a combination. You'll be able to secure jobs. You'll be able to enhance efficiency. You'll be able to get the most out of it, but of course, in some kind of combination with this labor shift.

What hurdles do European automotive companies face in outsourcing their non-core functions??

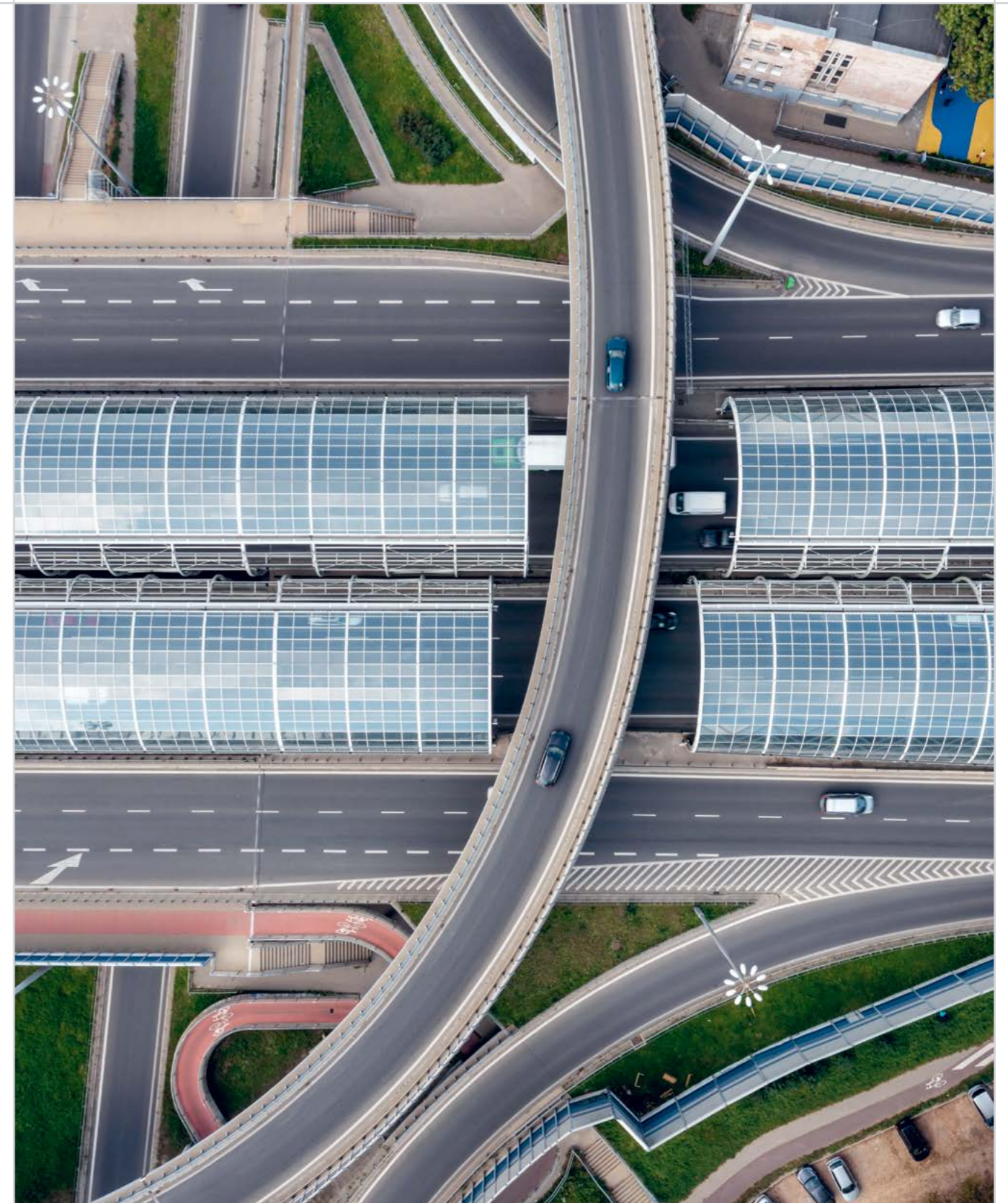
Melanie: Well, they need to see the advantage. Our technology lets us handle work differently. Being more responsive and creating better customer experiences. Now, with BPO, we can help our clients focus on the health of their core business instead of getting distracted with the work of moving their non-core functions into the future. With the right BPO engagement, that side of the evolution can be supported by us.

I think German automotive companies are in a position where they aren't seen as state-of-the-art anymore. They missed some key investments in the past and now stepping up, to get back up to date, is going to be a heavy lift and investment. And that's why they need to focus on accentuating those things that made them competitive and recognized as the specialists they are.

To get back to that leading position it's going to take the power of strong partnerships. Innovators from all disciplines working together. We need to use our core values to push us to invent and to create the right new products and new assets, to create new things that really address today's problems and aren't too focused on the future.

What made us successful in the past is what will guide us into the future—that inventor DNA at the core of the German industry.

Well-said.



AI-powered HR

The human-AI relationship that's more than addressing employee needs while generating cost savings through more efficient HR operations and experiences.

With HR expert, Simon Haller.



“We can meet the employees where they are, give them access to the HR environment 24/7 on their personal devices, and answer their questions much faster, more easily, and more correctly than before.”

These days, layoffs hardly make the news. Spurred by economic pressures and new directions for businesses, worker engagement matters now more than ever. According to Bloomberg Intelligence, one in three European automaker factories is underutilized. In some of their plants, less than half of their production capacity is running.

All over the world, manufacturing companies are grappling with the need for skill changes to produce digitally defined products and implement cutting-edge manufacturing techniques. And despite the technological nature of these problems, where companies really struggle is in attracting, retaining, and developing or reskilling the workforce that will build this future.

In this human-oriented field, the rise in generative and natural language-base AI models and Virtual Agents are driving up the employee engagement with 24/7, low-hurdle connection to HR and in some cases solving more than 60% of employee inquiries immediately. This saves time and money. But HR Business Process Outsourcing's (BPO) adoption of technology also increases its strategic advantage with benefits that lead to improved employee engagement and drastically reduced capacity needs, driving even more productivity improvements and labor arbitrage opportunities.

And today, AI is accelerating everything. As an IBM study points out: 4 in 5 executives say AI will change employee roles and skills. As manufacturing becomes more digitally defined, the demand for new skills is on the rise. Automation, data analytics, and advanced manufacturing techniques require a workforce that is technologically savvy and adaptable. “You have top people that are moving throughout the shop floor and that are highly skilled and highly invested in what they're doing with the company and their impact on the final product,” says Simon about the need to keep valuable employees engaged and developing constantly.

HR plays a pivotal role in helping companies navigate these challenges by adopting a strategic approach. This involves not just administering HR functions but also providing data-driven insights to inform strategic decisions. “You need to professionalize HR in a way that says you're not just there to administer the work for clients. You're there to help the company make the right strategic decisions, inform the board and the CEO with the right data about the employees. So that they can make the right strategic decisions,” explains Simon.

With outside support and perspective on HR, companies can focus on core competencies and strategic initiatives.

Simon highlights the benefit of releasing administrative burdens: “What it does give you as the client is the opportunity to resize your workforce and ask yourself, ‘What people do I still need? What capabilities do I still need? What capacity do I still need and how do I focus these capacities?’”

But even with the right workforce, employee engagement is key to accepting changing dynamics. Through better tools and processes and by utilizing advanced technologies, HR BPO providers can offer user-friendly platforms and Virtual Agents that simplify HR tasks and improve the experience of both employees and HR professionals. As Simon says, “Employees eat up a lot of HR capacity through simple questions. ‘How do I change my address in Workday and then SuccessFactors?’ ‘I need a leave of absence and how do I do that?’ If we do this right, I can give that person a tool that takes care of 60-70% of those inquiries and questions, catching them on the first step.”

And AI and automation are enhancing that value-add for both employees and clients. These technologies can automate repetitive tasks, freeing up HR professionals to focus on more complex and strategic work. “What we have to be cognizant about is that with the advancement in artificial intelligence, we are also able to drive employee engagement.

We can meet the employees where they are, give them access to the HR environment 24/7 on their personal devices, and answer their questions much faster, more easily, and more correctly than before,” says Simon.

Virtual agents can help employees and managers by providing instant support and guidance. These AI-powered tools can handle a wide range of employee HR needs from benefits enrolment to performance management. “We’re targeting that AI operating model where you will have that virtual agent working together with the employee, with the manager of the employee, and in the end also with the HR team,” Simon illustrates about the future of natural language assistants.

In IBM’s own HR transformation, we developed a holistic Virtual Agent called AskHR, servicing our employees for all their HR related queries and topics. And across our global HR organization in 2017 alone, IBM realized \$107M USD in savings as a result of AI enablement.

With more tools than ever to facilitate upskilling and reskilling of the workforce, BPO partnerships can be the key to ensuring your employees thrive in a digital manufacturing environment. On the hire-to-retire lifecycle, retaining skilled employees is crucial for maintaining a competitive edge.

These AI-enabled tools have shown impressive results for IBM clients, like 40% improvement in Net Promoter Score (NPS) and engagement scores, 25% reduction in turnover, 8% lower total HR cost per employee over their lifecycle.

But digital tools and AI advancements can only take you so far. Clear communication and transparency are essential to HR operations. Engaging with Workers Councils and the Union through open dialogue and providing clear data and information can help build trust and support and ensures fair treatment of employees in tough transitions or day-to-day. This includes offering the right opportunities and communicating changes in a respectful and considerate manner. “The challenge with downsizing is to do that the right way with the Workers Council, to communicate that the right way, to offer the right opportunities, and to actually make sure that you’re treating those people fairly,” says Simon.

He adds his conclusion: “This is not only about cost savings and not only about making things cheaper and replacing human interaction by technology. It’s about making sure that you know you’re doing things in a better way and in a way that captures more of your employees and helps them more—and as a side effect is generating cost savings.”

“We’re targeting that AI operating model where you will have that virtual agent working together with the employee, with the manager of the employee, and in the end also with the HR team.”



AI puts finance back in the black

With finance & accounting expert, Corinna Zeller.

Under pressure to meet new market conditions, companies need to consider technology-led operations that create both stability and growth.

Mergers, divestitures, and investor offerings often lead to comprehensive operational reviews and depend on a stable financial outlook. In finance and accounting, outsourcing lets companies use established structures that reduce overhead costs significantly without compromising quality. This streamlining enhances consistency and efficiency across various enterprise functions.

Today, advances in digital tools available through outsourcing give CFOs more influence throughout the organization. Using cutting-edge technology improves productivity and speeds up decision-making. This shifts the focus from just cutting costs to driving profitable growth.

“The CFO role has been changing significantly for some time now. It isn’t solely focused on accounting, control, and reporting figures anymore; instead, it involves leveraging those numbers to challenge other departments and collaborate effectively with various organizational units. Providing them with data insights sourced externally and internally helps provide a stronger foundation for decision-making—not merely within finance but across domains like supply chains or Human Resources,” says Corinna.



While larger enterprises with existing shared service centers can transition smoothly into Business Process Outsourcing (BPO) arrangements to benefit from infrastructure and tools, it’s smaller to mid-sized organizations who stand to benefit the most from IBM’s economies of scale and pre-configured systems developed through many client engagements. Outsourcing’s main value is a reliable structure that supports agility and flexibility, crucial for success in dynamic markets. Plus, BPO can complement ongoing Enterprise Resource Planning (ERP) transformations with experienced teams and specific task forces for specific needs, like centralized testing. Customized BPO contracts and Service Level Agreements (SLAs) enforce compliance with policies and procedures and result in clear roles and responsibilities for everyone involved.

As Corinna explains, “Captive shared service centers offer some benefits, though setting up these in-house teams requires substantial initial investment and accepting a high risk of failure. On the other hand, engaging with established BPO providers simplifies integration with existing structures, systems, and expertise to ensure smoother transitions and immediate implementation.

Additionally, outsourcing providers assume a lot of the risks associated with performance guarantees, facilitating quicker scaling and achieving promised annual savings targets efficiently.”

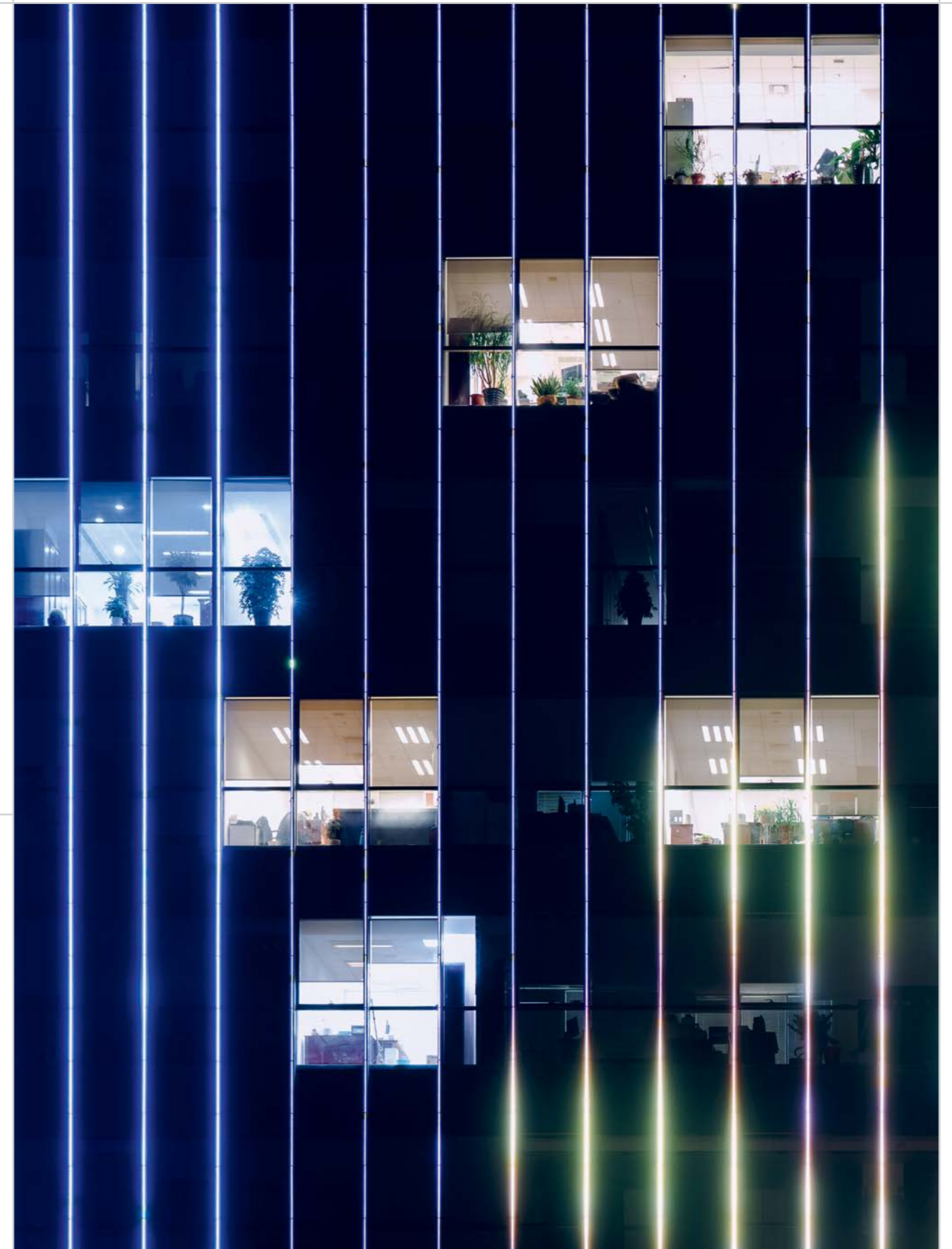
In terms of technology, using new cognitive tools alongside conventional methods improves analytic capabilities. For example, generative AI can capture and utilize external, internal and historical data to develop predictive insights, and put powerful reporting capability at your fingertips—anytime, anywhere. Generative AI can also streamline compliance audits by analyzing financial data to identify discrepancies and anomalies, reducing the amount of time human employees spend on monitoring and manual data crunching. “And still, getting the tools right—automation and generative AI—continues to be important. When the rules of automation tools are running smoothly, then you reduce the possibility of human errors dramatically. Plus, robots work day and night, on vacation and even on coffee breaks,” emphasizes Corinna.

Despite IBM's research showing that only one in ten organizations are already optimized with AI in finance, new generative AI capabilities can accelerate and expand the benefits and insights. In certain IBM client engagements, AI adoption has already helped reduce sales forecast errors by 57%, reduce uncollectible balances by 43%, minimized vendor queries by more than 70% and cut monthly close cycle time by 33%.

"For many firms transitioning towards BPO models, reducing direct supervision responsibilities lets executives focus on strategic initiatives rather than micromanage routine tasks. And trusting specialized vendors like IBM ensures consistent delivery against agreed service standards irrespective of underlying intricacies. Our agreed service contracts outline precise pricing schedules over the entire contract term that gives the reliable financial predictability that's important to an organization going through change," explains Corinna.

In many cases, IBM's end-to-end BPO services with a combination of transaction and outcome-based pricing models has consistently led to increased reliability of business processes; like 98%+ accuracy level of forecasting data, up to a 70% increase in process efficiency across lead-to-cash, source-to-pay, and record-to-analyze streams. This reliability from the individual process to the long term forecast is changing BPO into a value-add solution that companies can use to improve operations, enhance efficiency, and drive profitable growth.

Generative AI can capture and utilize external, internal and historical data to develop predictive insights, and put powerful reporting capability at your fingertips—anytime, anywhere.



Buying better: the evolution of procurement

The best collaborator comes with a world's worth of data and the AI-driven insights that can put your budgets and plans to work the right way.

With procurement expert, Santosha Täger.



Modern procurement extends beyond merely seeking lower costs; it connects diverse products and services to the success of crucial organizational undertakings to maximize medium to long-term, top line effects.

An existential evolution is happening in procurement. Thanks to rapid advances in tech-driven processes, procurement is morphing into a key advisor influencing long-term business outcomes. “You need people with really deep and broad procurement skills—people with extensive experience on the operational side who fully understand the complete operational value chain within procurement and the wider business,” explains Santosha, highlighting the evolving nature of procurement beyond traditional roles. Today’s procurement experts utilize sophisticated analytics and real-time data to drive meaningful results.

While other back-office areas like finance and HR maintain steady routines shaped largely by regulations and standard procedures, procurement has transformed radically over the past decade. As noted by Santosha, previously focused solely on efficiency and savings, contemporary procurement professionals now engage strategically, aiming to significantly enhance return on investments. “We need to have the first-hand experience of how to run a strategic function within any given category. So, we basically need to really know procurement end-to-end to then be able to help the client on any level.”

Consider technological demands, for example, in any transformation program. Understanding precise technical prerequisites helps define and negotiate better service agreements centered on added value in the long run—that may be hard to quantify in the short term—instead of mere immediate expense reductions. Pioneer industries like banking and insurance increasingly exemplify this progressive tactic. They’ve proven that early investment frequently translates to substantial future returns.

Nurturing and promoting cross-function collaboration also shows significant benefits. Departments are now working together to determine actual needs before budget allocation, and if necessary, departing from past tendencies to favor established providers. But as Santosha says, the responsibility isn’t always easy. “Things have now gotten to a point where we have the task to challenge the business and no longer just purchase anything and everything. But rather make sure that what is purchased is really required and at the same time give the business the guidance on how we came to our conclusions.” Enriched with all the market knowledge and category expertise IBM brings to the table, transparent evaluation is done against defined standards and linked directly to corporate goals.



“Things have now gotten to a point where we have the task to challenge the business and no longer just purchase anything and everything. But rather make sure that what is purchased is really required.”

When you add cutting-edge technology to the mix, like IBM’s proprietary generative AI tools, Business Process Outsourcing (BPO) expedites this relationship growth. Armed with our own historical purchasing and pricing data, plus visibility of the spend under management for our global clients, IBM’s specialist advisors are more effective in applying market knowledge and category expertise to our clients’ operations. This technological power is already bringing functions like negotiation bots to life that can actually deliver that strategic value-add with less human input. “In the end, procurement teams will always need to demonstrate their contributions through the commercial upsides they can produce on any given contract that exists or in any service or product an enterprise or client wants to procure,” explains Santosha, tying AI development for procurement BPO squarely to client expectations.

But experienced people with deep domain expertise will remain indispensable, particularly in supporting clients with complex objectives in evolving markets.

The value proposition of outsourcing has never been better. Now, you can take advantage of the latest in AI technology, industry experience, and cost savings from an established global network of offshore locations. Santosha reinforces, “Modern procurement needs to be viewed more as the guide through a global product and services ecosystem that can help you tap into a universe of connected services and goods. And create the means to do something greater for your business, your clients and your shareholders at the same time.”

IBM clients are leading the way in intelligent Procurement:

52%
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And seeing the benefits:

100%
real-time visibility

20%
lower process costs

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Redesigning marketing activities can make sure automotive companies are ready to deliver next-generation customer experiences at scale.

With marketing operations expert, Sharad Somanchi.

European automotive brands are facing big challenges. Disruption and competition are becoming the new norm, and they'll need to take reliable steps to protect their future while keeping up with an evolving customer environment. A big part of their future success depends on effective and efficient marketing, increasing brand value, lowering sales costs and attracting a new generation of customers.

And digital-first commerce is shifting more of that essential customer relationship online. As marketing departments grapple with shrinking budgets, digital platforms offer more touchpoints at lower costs. But the promise of increasingly complex omni-channel campaigns is creating vast amounts of work that demand an operational re-think and a strong argument for technology-based outsourcing. "Clients need to overhaul their marketing operations to move away from long campaign and activation processes and realize their dream of personalization and faster time to market", says Sharad.

Marketing executives often have to deal substantial cuts during economic downturns; but maintaining relevance necessitates ongoing investment. Companies must adopt practices that allow rapid adaptation without compromising core objectives. While reducing agencies or focusing on performance marketing might seem like a viable solution, outsourcing marketing operations is a better choice for the whole organization. As Sharad describes: "We have the opportunity to bring scalable operations supported by technology quicker than agencies can, using intelligent capabilities and connected workflows for better customer experience."

Sharad further elaborates on transformative trends driving the need for modern marketing organizations. Saying, "It's about brand building, whereas for the established companies it's staying relevant and having the ability to perform at pace and scale." He suggests that classic advertising methodologies struggle to deliver required outcomes efficiently, noting that, "Traditional agencies have kind of lost their ability to drive the marketing engine."

Traditionally, marketing operations were characterized by slow iterative improvements, needing considerable resources and insights to improve their ability to reach objectives. But the modern commerce market requires quicker responses to competitive threats posed by digitally savvy entrants. According to Sharad, "The younger brands that are really investing a lot of money in marketing and pumping content into the market and coming up with new pricing models are eroding the market share of some of the big European incumbents." Implying that conventional methods fall short against nimble rivals. And the established companies face a dual imperative: preserving heritage brands while adapting swiftly enough to retain consumer interest.

And now with an AI-powered marketing system, companies can cut agency costs. They can focus on brand-building and media strategy. Meanwhile, complex tasks like campaign management, content personalization, and distribution can be handled in one place, closely tied to the business. "Once the creative direction and master assets are set, we need to explode the content into different formats. That's where the 'content factory' comes in," says Sharad.



“Once the creative direction and master assets are set, we need to explode the content into different formats. That’s where the ‘content factory’ comes in.”



Being ready for the complex challenges ahead means having a flexible and adaptable approach with a stable, technology-based operational layer connecting all parties and efforts.

Creating a closer link between global marketing operations and the core business makes marketing data much more valuable. Other departments, like customer service, sales, and finance, can use this data to make better decisions. Sharad says, “The relationship between sales, marketing, and service is crucial. We consider the broader impacts of the B2B customer experience and ensure feedback loops into sales and customer operations.”

Because of the critical role of data and MarTech in modern marketing, CMOs need to develop strong relationships with technology leaders. And in the next few years marketing will have a primary seat at the technology table, tightening relationships between CMOs and CIOs/CTOs who have a vested interest in technology-enabled efficiencies.

Even when outsourced, IBM’s proprietary AI tools can be integrated into the entire marketing process. This makes tasks like content creation, email campaigns, and web experiences more efficient. Clients also get access to these AI tools and insights, helping them make better business and marketing decisions. “What sets our marketing-specific AI tools and agents apart is that they evolve based on feedback from various cross-industry clients, enabling continuous improvement in our operations,” explains Sharad.

Though today’s interactions are task-oriented, as multi-modal generative models become smaller and can respond faster, goal-oriented interactions will become the new, more powerful standard. If we look to the future, marketers will be able to set broader goals. So, instead of asking for a catchy headline for a new campaign, a marketer can tell the AI tool that the goal is to grow customer engagement in the new campaign by 30% over the next six months.

Progressive marketing leaders often revisit which skills are redundant and which are required. They ask themselves: Can we do this work ourselves if we augment our people with gen AI? Those that answer yes continue to bring more work in house, reducing their reliance on traditional ecosystem partners. Though it remains imperative for companies to look for trusted, experienced partners that can help them accelerate their gen AI journey. In fact, a 2024 IBM survey found that only 5% of customer experience and marketing professionals surveyed have an organization-wide approach for generative AI best practices and governance. Half are still establishing these measures.

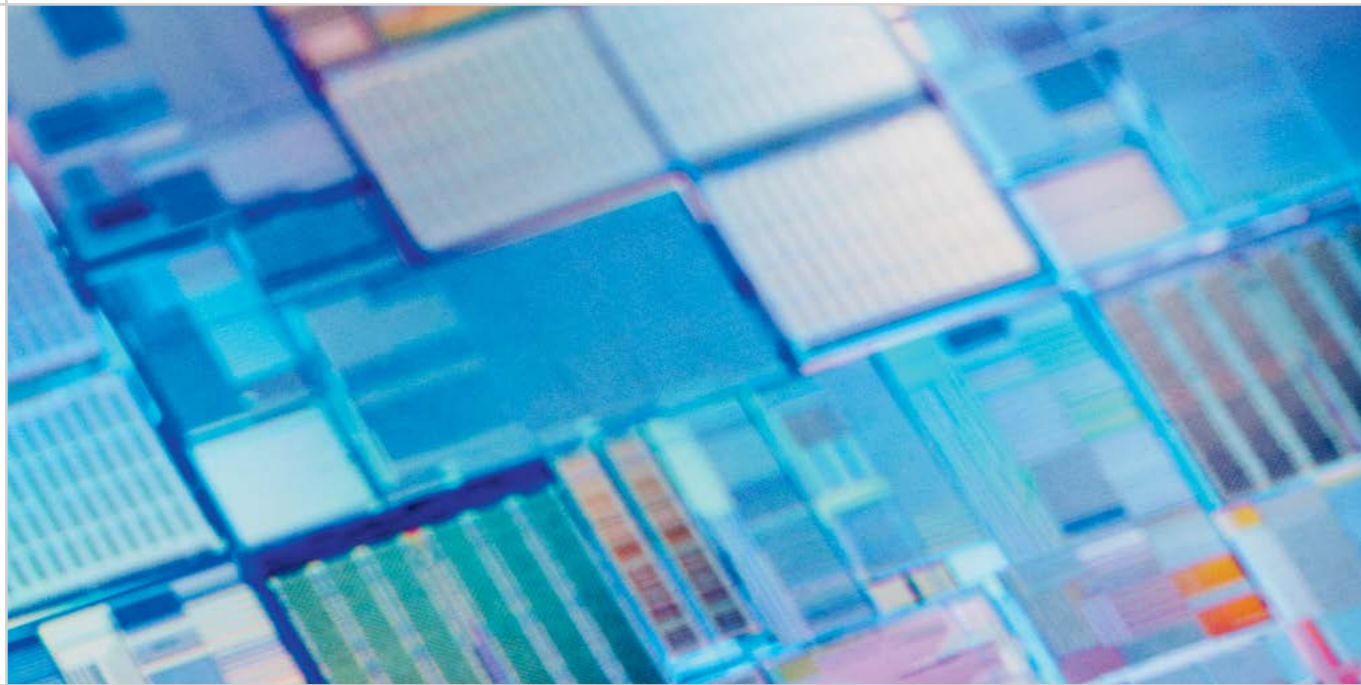
One example of the embrace of generative AI saw marketers at an integrated oil and gas company move to a behavior-based model where customer signals are automatically harmonized into a persona profile with relevant hyper-personalized offers generated and sent to customers. As part of a pilot, we helped them use generative AI to enhance customer profiles and dynamically A/B test content and subject lines on auto-generated personas per country. Campaign managers could generate hyper-personalized emails and push notifications in the local language in one click. With the help of IBM’s technology-led marketing approach, these marketers became more efficient, and voucher redemption rates and product sales rose by 24%.

Plus, in an outsourced environment, utilizing comprehensive datasets, previously managed exclusively by external partners, can help make technology innovations even more powerful. Historically, organizations relied heavily on outsiders providing fragmented insights derived from proprietary analyses. Today, forward-thinking entities have to strive toward self-sufficiency with sophisticated internal tools that help create holistic understanding.

Sharad explains, “Given our broader understanding of the customer experience—not only from a marketing perspective, but also from sales and service perspectives—we’re able to open up and integrate the data and insights and design these experiences while considering the broader implications of service and sales.” An approach that fosters greater coherence throughout organizational ecosystems.

Being ready for the complex challenges ahead means having a flexible and adaptable approach with a stable, technology-based operational layer connecting all parties and efforts. Whether dealing with short-term issues or long-term changes, success for Europe’s automotive brands will come from their ability to continuously reinvent and adapt.

Traditionally, outsourcing is seen as a way to cut costs. However, with a partner like IBM, outsourcing can add value. It can help make a greater impact for less in the changing market. And, most importantly, grow brands into leaders that express a future-facing confidence, not just in their products, but in their communications, too.



“AI and automation will take away some of the more boring or repetitive activities, ideally reducing attrition. And happier employees with more meaningful work reflect positively on the customer experience.”

Cognitive customer service

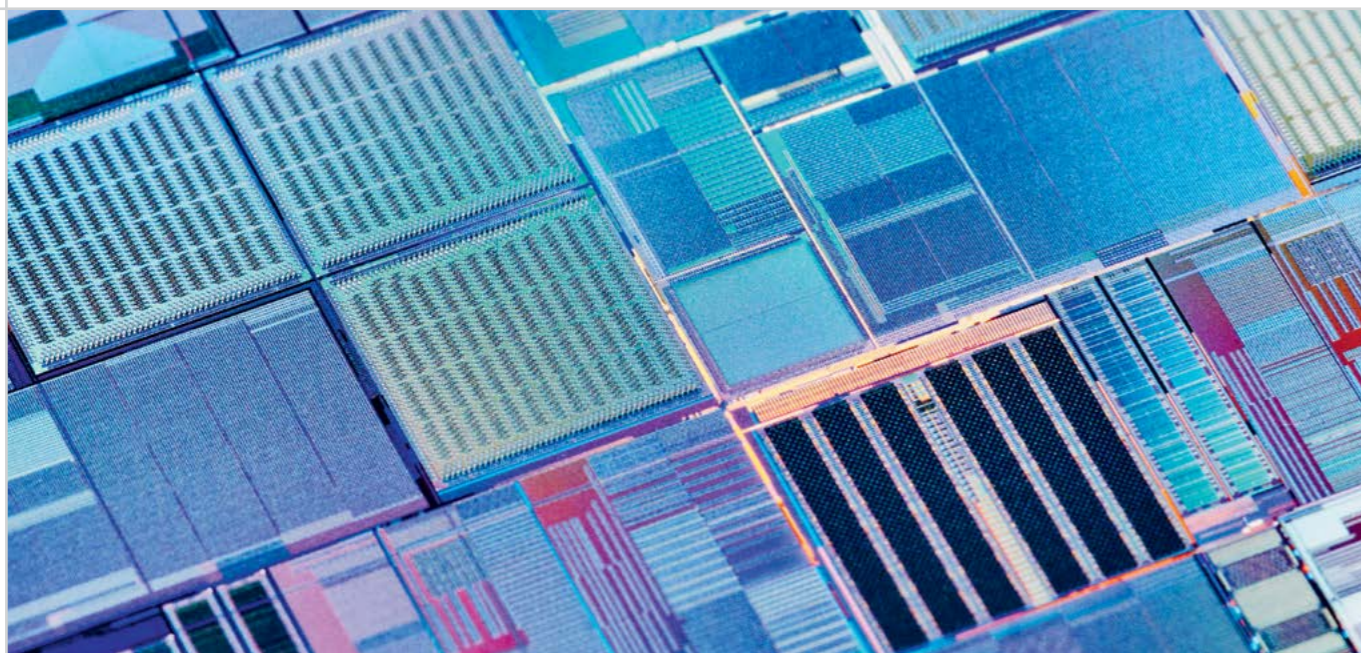
With customer service expert, Gabriela Seir.

Blending strategic experience transformation with cost-saving AI tools takes customer service, and its value, to the next level.

Generative AI’s automation and natural language capabilities are a game changer for the value proposition of customer service. Companies need to plan for a future of multiple technology-based touchpoints, meet strict service level targets, handle more customers with less budget, and deliver a delightful experience for both customers and employees.

Many of us have experience with companies that struggle with these tasks. Happy customers are loyal customers, and more importantly, great advocates. The goal is to strike the right balance between human touch and automation to deliver a more efficient flow or process, effective operations and the right tool for each touchpoint.

For instance, younger demographics prefer digital communication over traditional phone calls for many smaller customer queries. As Gabriela points out, “Self-serve capability is crucial. It’s convenient for the user and accessible 24/7. Digital is also the cheapest channel to serve and if AI tools and automation are developed and implemented properly, it’s a meaningful way to reduce customer service calls. So, it’s important to consider who your customers are and what products or services they use.” Understanding audience behaviors on different platforms and tailoring services appropriately can significantly enhance customer experiences by helping customers get to answers quicker.





Though this is not exclusive. A 2023 McKinsey study found that high-value clientele consistently choose phone calls because they consider live support integral to superior service standards. But preferences aren't limited solely to phones. As Gabriela explains, "They've figured out that it's not just about speed; it's about keeping customers happy. This might mean multiple touch points, some AI, some human. And measuring success in call lengths might not be the right metric, even though cost is still key." Today's customers are looking for versatility and choice across channels like online chats, social media, and emails.

"With AI, agents become higher skilled without lengthy training. They can recommend, sell, and consult," says Gabriela. "Combining AI and human expertise offers dual benefits: reducing manual tasks like routine queries and case resolution reduces cost per interaction and elevates employee roles into higher-value activities."

She adds, "AI and automation will take away some of the more boring or repetitive activities, ideally reducing attrition. And happier employees with more meaningful work reflect positively on the customer experience."

Underscoring technological integration beyond mere labor arbitrage, Gabriela explains, "Customer service has moved from being perceived as a cost center to become a profit driver, supporting revenue-generating activities." Traditional boundaries separating departments like sales, service, and marketing are blurring, creating cohesive high-quality representation throughout various touchpoints. Gabriela continues, "This needs to be an integrated, holistic perspective of each one of the customer's interactions with a business. When you take it a little bit broader, actually, the opportunity to see the full customer picture allows for more customized and personalized services. Plus, the interlock of data-driven insights can really help drive new product and service innovation."

This data transparency delivers a new power in these structures. Even though external vendors manage day-to-day operations, proprietary ownership rests firmly with the businesses. And the insights derived from connecting the data dots can be used for strategic decision-making, letting companies proactively address emerging challenges and capitalize on opportunities effectively. Gabriela notes, "Zero and first-party data is really interesting (...). Because it helps own the relationship with the customer. We need a 360-degree view to provide good service and understand what's been happening across touch points and (...) interactions."

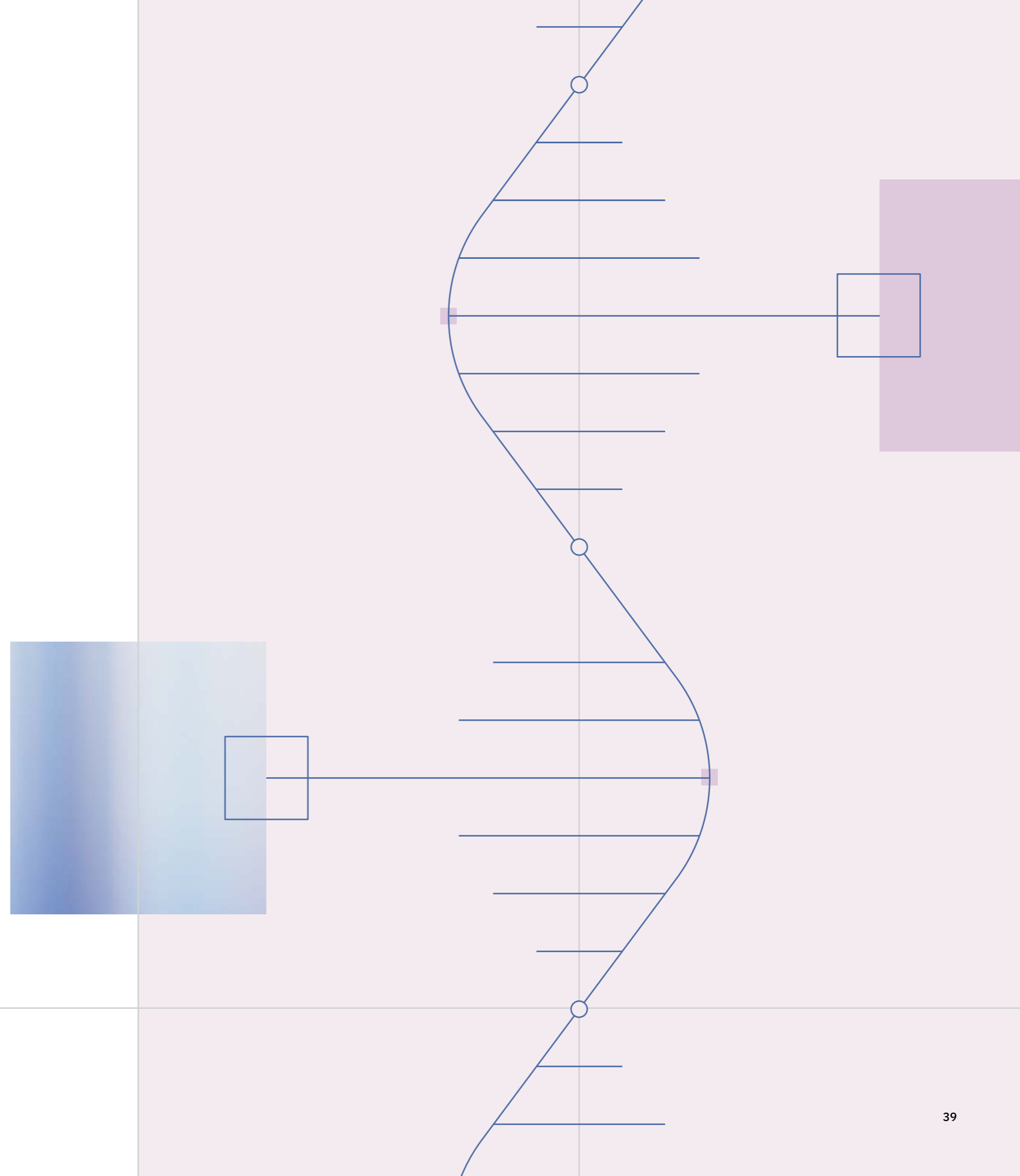
The approach to customer service operations that's driving today's success is looking at processes and the transformational technology available during an outsourcing transition. "Customer service typically works as an outsource model in most companies. But we're at the tip of the spear of technology and most companies don't think of customer service as a tech-driven operation," says Gabriela.

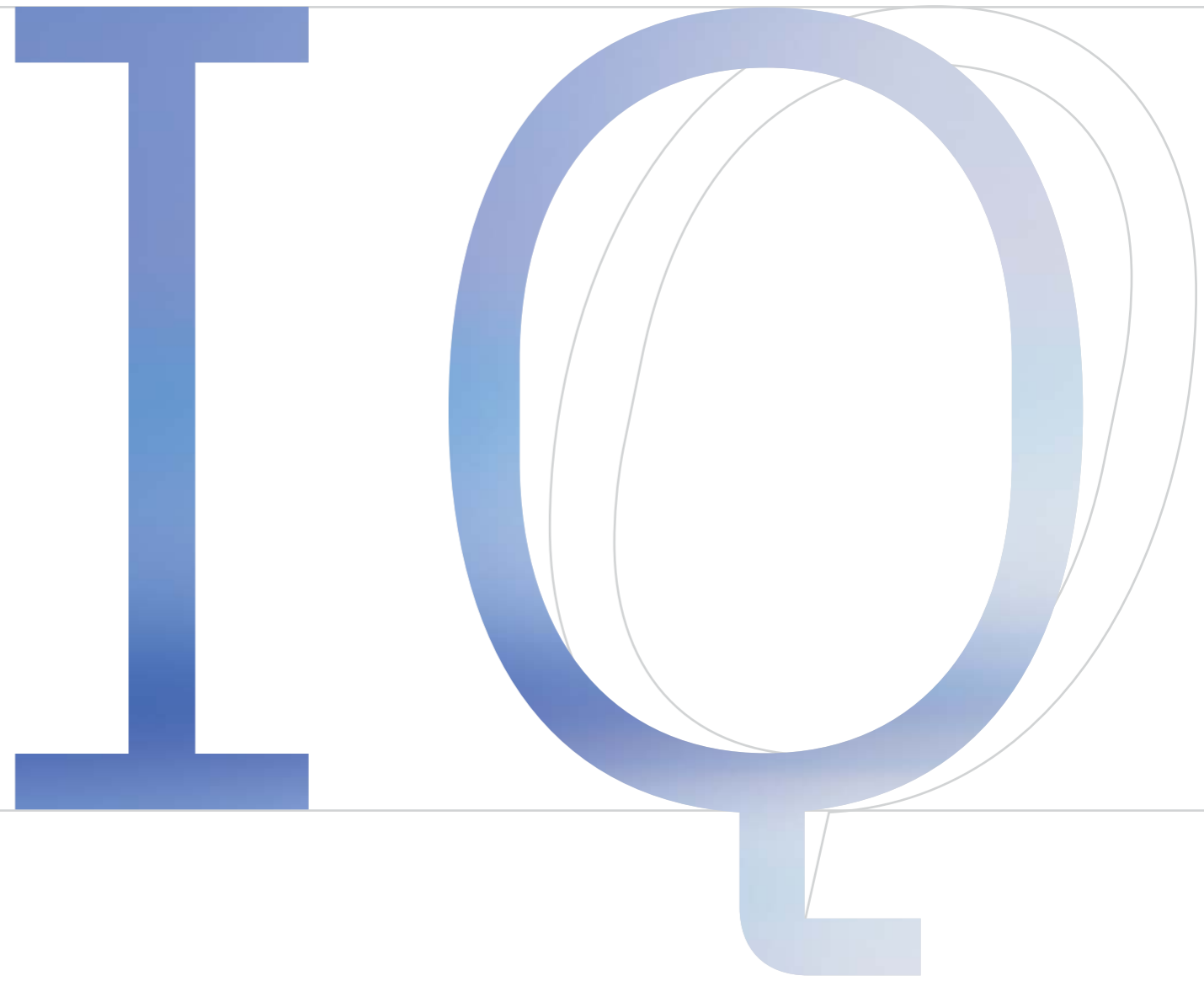
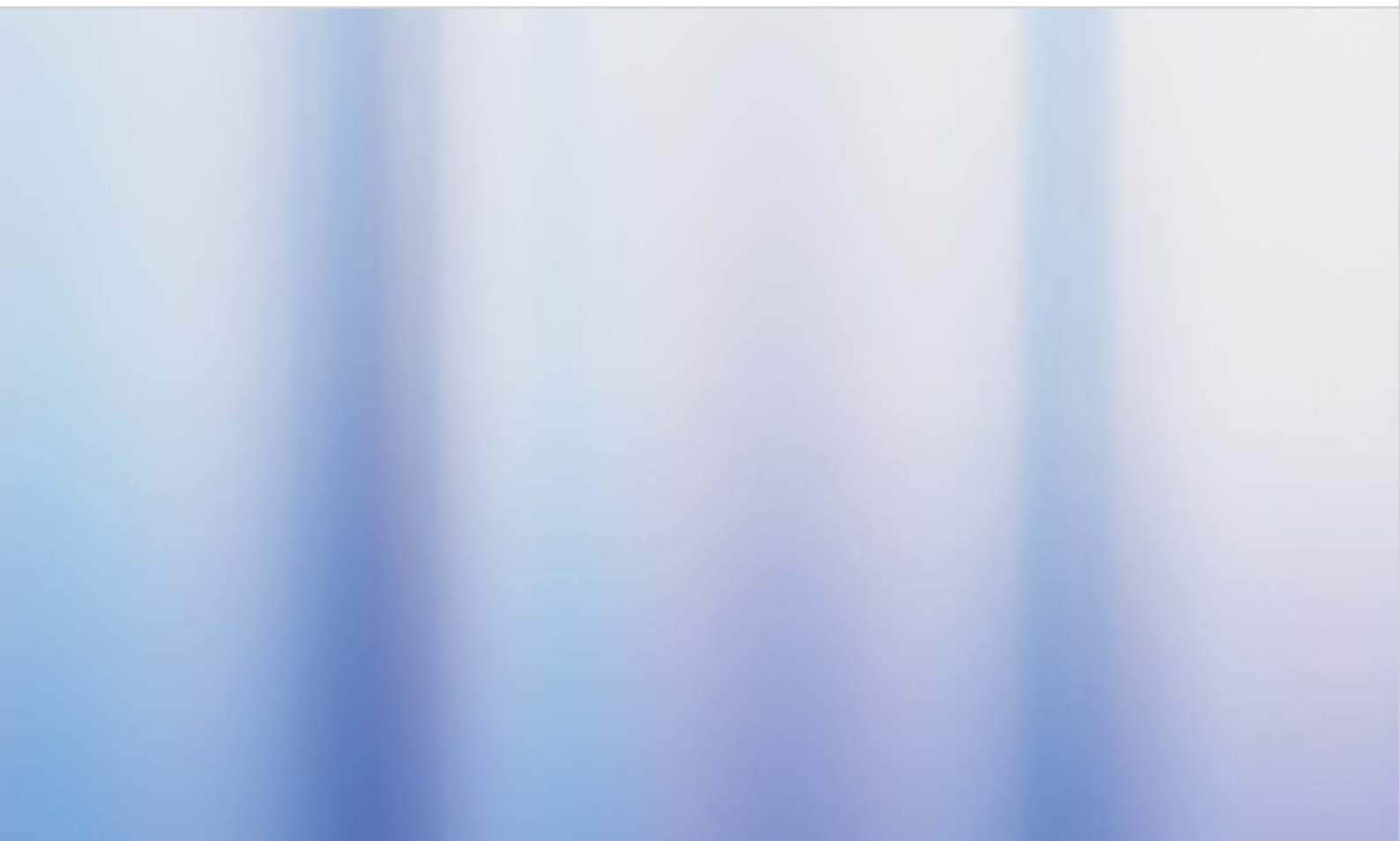
But not all companies may have the agility necessary to take advantage of the new opportunities, as Gabriela explains, "In small to mid-sized businesses looking to grow, a modern model starting from scratch is perfect because you don't have legacy systems and processes. In legacy companies data silos need to be removed to get the full-scale benefit from AI and automation."

Embracing digitally augmented customer service opens new avenues for optimizing costs and unlocking new revenue potential while simultaneously increasing NPS (Net Promoter Score) and customer loyalty. Mixing outsourcing and transformation marks a tangible shift for customer service initiatives and the business leaders who have to execute them. With this new type of cognitive customer care, customer service is becoming an indispensable power behind success in a competitive future.

"When you take it a little bit broader, actually, the opportunity to see the full customer picture allows for more customized and personalized services."

What made us successful in the past is what will guide us into the future—that inventor DNA at the core of the German industry





**IBM Consulting DACH
Team**

Marcus Claus
Partner
Discrete Manufacturing Lead | DACH-Region
marcus.claus@de.ibm.com

Melanie Balsfulland
Lead Operations | DACH-Region
melanie.balsfulland@ibm.com

Simon Haller
HR Operations Lead
simon.haller@ibm.com

Corinna Zeller
Finance & Accounting Operations Lead
corinna.zeller@ibm.com

Santosha Täger
Procurement Operations Lead
santosha.taeger@ibm.com

Sharad Somanchi
Marketing Operations Lead
sharad.somanchi@ibm.com

Gabriela Seir
Customer Service Operations Lead
gabriela.seir@ibm.com

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Schönaicher Straße 220

D-71032 Böblingen

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