THE 2025 UK RETAIL CUSTOMER EXPERIENCE REPORT
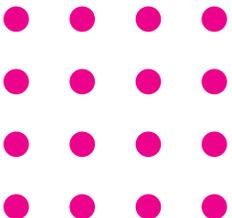
ContactBabel uncovers how evolving customer expectations, AI, and automation are shaping the future of the industry

CONTACTBABEL

UK RETAIL & DISTRIBUTION CONTACT CENTRES

The retail and distribution sector is one of the main users of contact centres in the UK, with around 82,500 agent positions and 600 contact centre operations.

This vertical market includes catalogue/direct mail retailers, package couriers, High Street retail support and e-tailers. There has been a great deal of upheaval across the industry, with most of the catalogue companies announcing major job losses in the past decade, and major High Street brands struggling to compete or closing entirely when faced with a digital competitive onslaught. The retail sector is an enthusiastic user of outsourced customer contact.

Taking ecommerce into account as well, the retail contact centre sector as a whole has been growing in an organic fashion, supported by the consumer boom and massive increase in online shopping, which has often required additional telephone or digital support.

The typical mail-order / catalogue model of retail, which used a great deal of telephony, moved swiftly to the online world, with consumer confidence in the security and utility of web sales growing rapidly, even in formerly disenfranchised groups such as the elderly and lower-income segments (there has even been research published showing that email now is the preferred channel of choice for the over 55s).

Delivering an integrated omnichannel experience is vital to the retail experience: customers view the business as one brand, regardless of channel, and the retail and distribution sector has been at the forefront of email-based customer service, consistently handling a greater proportion of interactions through email than an average UK business.

As ever, pressure on margins has increased for many companies, with price-comparison sites adding to the consumer power, especially for products available through other retailers. The result is that retailers desperately need to cut the cost of contact, with telephony seen as a higher-cost channel for them.

The use of web chat as a relatively cheap and immediate channel will continue to grow strongly, meaning that retail contact centres have tried to replace telephony agents with chat agents (both real and virtual AI). Although automation and online self-service is certain to increase, the handling of non-telephony interactions by agents has supported growth within the online retail sector.

The use of proactive outbound customer service (emails, calls or SMS about delivery status or the start of a sale) reduces inbound calls and improves customer satisfaction, and is something that is increasingly seen amongst online retailers and also distribution firms, which have also embraced mobile apps.

Retail is highly influenced by customer sentiment which directly impacts upon discretionary expenditure. Concerns about job security, cost of living and inflation, as well as the cost of imported goods have a dampening effect on the retail sector.

Many retailers operate at extremely tight profit margins, and higher import costs and the increase in the National Minimum Wage and Employers' National Insurance will result in increasing margin pressure which may halt investment and force internal cost-cutting measures which could then impact upon the contact centre, with outsourcing seen as a serious option.

Through detailed analysis of surveys with hundreds of UK contact centres, ContactBabel has identified four significant concerns and issues which are found in many retail & distribution customer contact operations:

• Increase profitability in calls
• Reduce cost per contact through automation
• Manage younger customers more successfully to improve loyalty
• Learn actionable insight about the competition.

The report also considers ways in which retail & distribution contact centres can alleviate these challenges without damaging CX or increasing their costs.
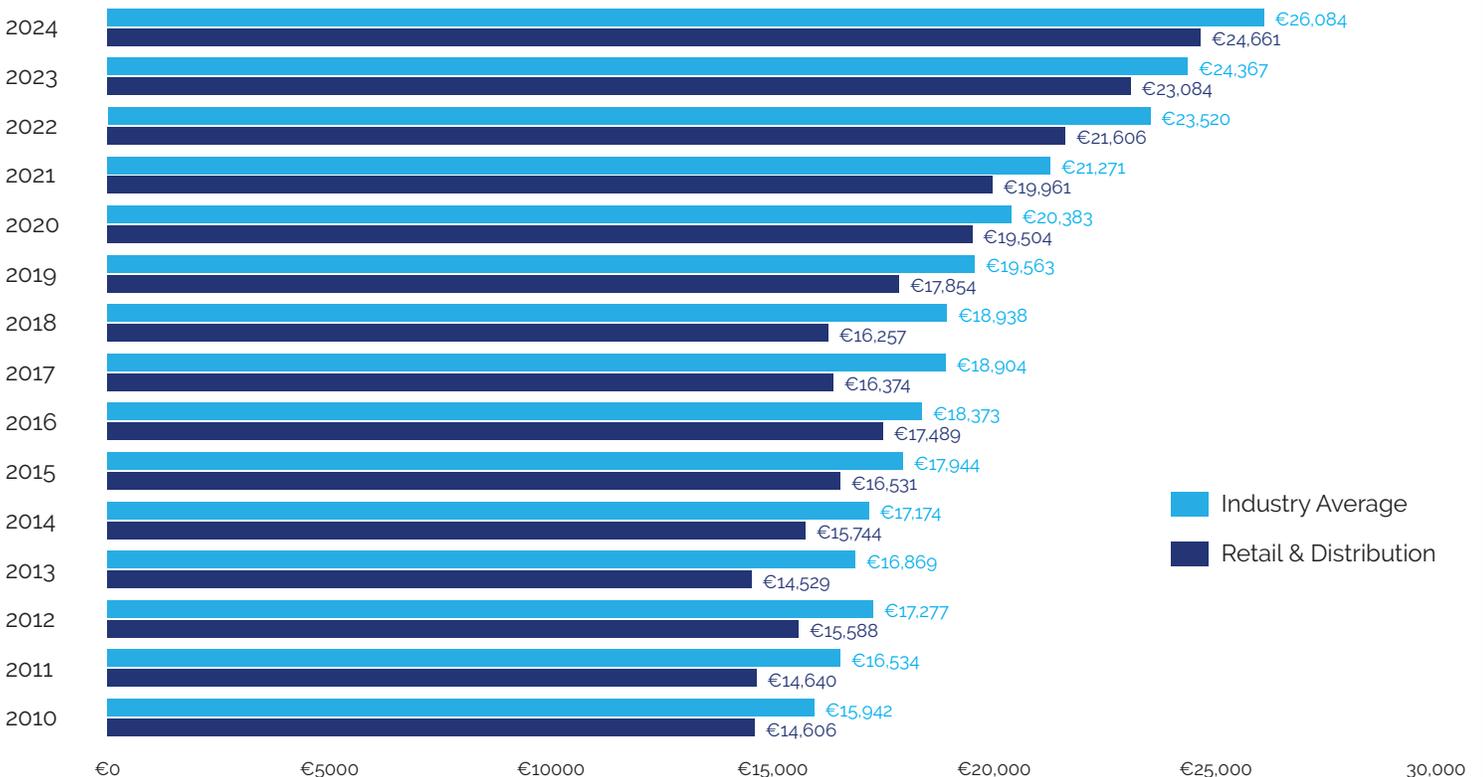
BUSINESS ISSUE #1: IMPROVE CALL PROFITABILITY

As businesses which tend to operate on low profit margins, most organisations in the retail & distribution sector keep a very close eye on their costs.

The chart below shows that the sector has always paid significantly lower agent salaries than the contact centre industry as a whole, although the rise in the National Minimum Wage and Employers' NI is impacting retailers' costs and driving them to look at what can be done to increase call profitability through cost reduction and increasing sales per contact.

Figure 1: Average Retail & Distribution agent salaries, 2010-2024

Year	Industry Average	Retail & Distribution
2024	€26,084	€24,661
2023	€24,367	€23,084
2022	€23,520	€21,606
2021	€21,271	€19,961
2020	€20,383	€19,504
2019	€19,563	€17,854
2018	€18,938	€16,257
2017	€18,904	€16,374
2016	€18,373	€17,489
2015	€17,944	€16,531
2014	€17,174	€15,744
2013	€16,869	€14,529
2012	€17,277	€15,588
2011	€16,534	€14,640
2010	€15,942	€14,606

Average inbound call length has traditionally been a metric which most contact centres have tracked, as it is directly related to cost and is also easy to quantify.

Some years ago, enlightened operations began to regard this metric with wariness, as a call which is cut short too quickly can often mean a worse experience for the customer (with lower revenues over time), lower first-call resolution rates (which increase costs in the long-term) and fewer cross-selling or upselling attempts being made.

However, increased call lengths also mean increased costs and reduced agent availability, and businesses that keep a control on call duration also manage other metrics that are vitally important to their customers, such as queue times and call abandonment rates.

As the chart shows, average call duration across the whole contact centre industry has risen, mostly due to easier and shorter calls being handled by self-service.

However, despite the retail & distribution sector's call durations increasing in the past 10 years, there has not been the same excessive and ongoing rise seen in sectors such as finance, insurance or utilities.

While opportunities certainly exist for retail and distribution contact centres to cut call lengths – positively impacting cost and operational efficiency – these businesses should also look at other opportunities to improve the profitability of their live contacts with customers.

Figure 2: Average service call duration, Retail & Distribution vs industry average, 2004-2024

Agents that are on calls obviously cannot also be answering new calls: therefore, queue times tend to rise as call durations increase.

Speed to answer plays a vital part in improving the customer experience, and also feeds into other performance measures such as call abandonment rate: obviously, the longer the queue, the more people will abandon the call.

Quite apart from the additional costs being borne by companies with longer calls, the effect on customer experience is pronounced: our annual surveys with thousands of UK customers consistently report that the key drivers for positive customer experience are short queue times and high first-contact resolution rates.

Unlike other major vertical markets, the retail & distribution sector has done a good job of keeping queue lengths and call abandonment rates to a reasonable level.

Median average speed to answer for the retail & distribution sector is only 20 seconds – a figure which has remained remarkably steady over the past 10 years, despite an increase seen in the pandemic. This is particularly impressive as the median contact centre industry average has risen to 47 seconds.

Median call abandonment rates for retail & distribution contact centres are 3.0%, compared to an industry average of 5.0%.

In general, the sector seems to be managing its operational performance effectively, which is vital in a business environment that generally cannot rely on long-term customer loyalty.

However, in a low-margin environment, retailers are always looking for ways to decrease their costs and make more sales when the opportunity arises.
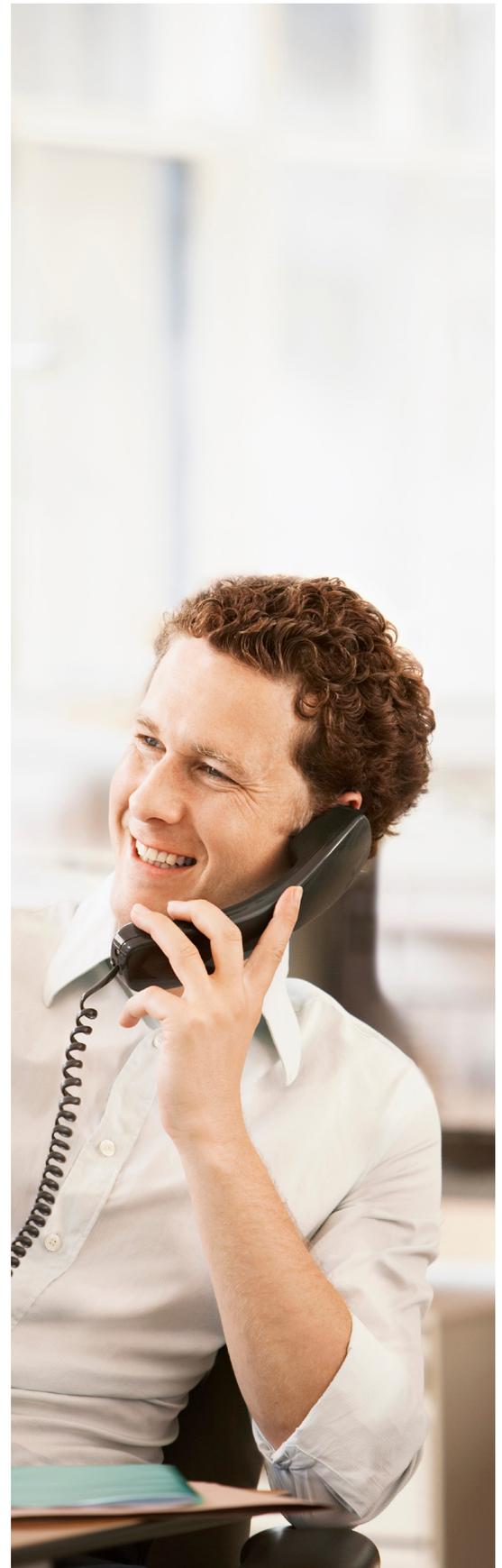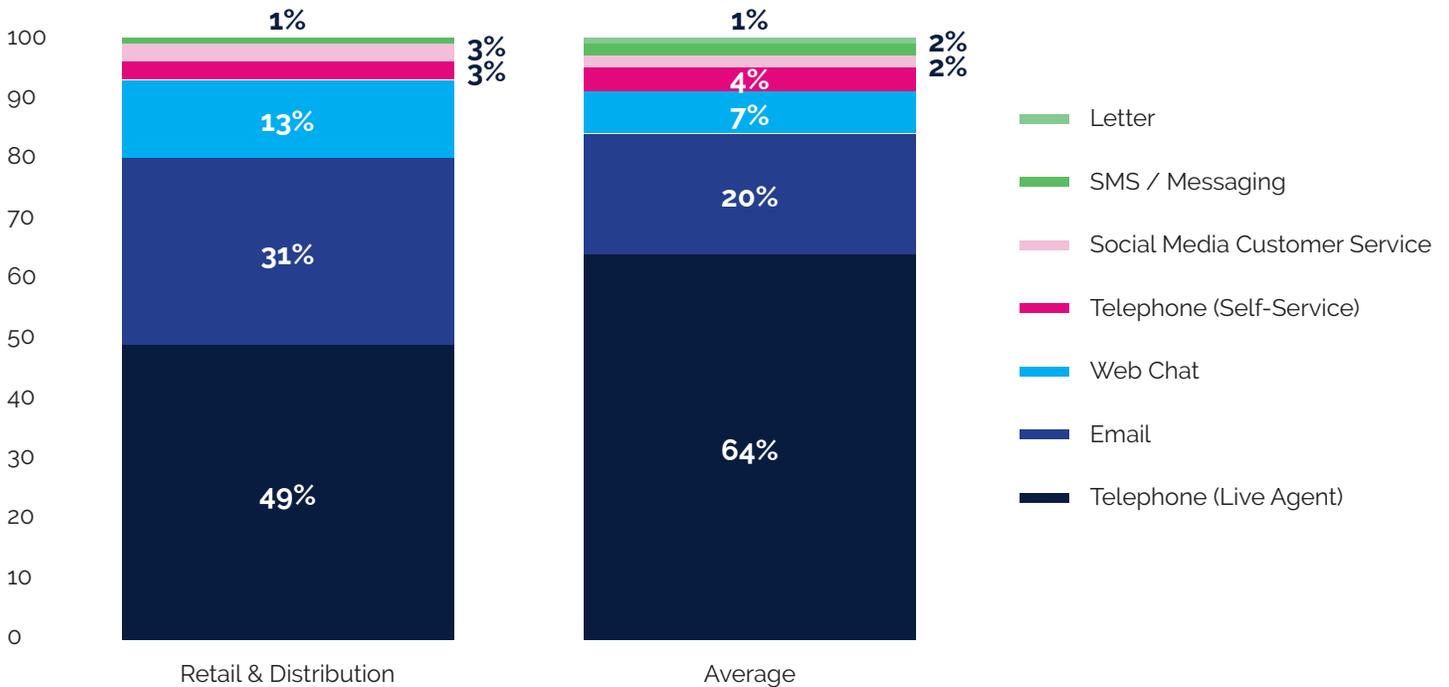
BUSINESS ISSUE #2: REDUCE COST PER CONTACT THROUGH AUTOMATION

The retail & distribution industry has a very different use of customer communication channels from the industry as a whole, being much more likely to use email or web chat.

Despite the very high relative levels of digital interactions, it should be noted that the live telephony channel is still the largest, and that customer preference for using this is actually growing in cases of high urgency and complexity.

Figure 3: Proportion of inbound interactions by channel, Retail & Distribution vs overall

Legend:
- Letter
- SMS / Messaging
- Social Media Customer Service
- Telephone (Self-Service)
- Web Chat
- Email
- Telephone (Live Agent)

Retail & Distribution: Letter 1%, 3%, 3%, Web Chat 13%, Email 31%, Telephone (Live Agent) 49%

Average: 1%, 2%, 2%, 4%, Web Chat 7%, Email 20%, Telephone (Live Agent) 64%

On the whole, retail & distribution companies have embraced web self-service and digital channels, and while they lead the contact centre industry in terms of use and sophistication, there are always opportunities for improvement.

On average, over 28% of calls received to UK retail & distribution contact centres are from customers who have tried and failed to solve their issues online through self-service, a figure much higher than the contact centre industry average of 21%.

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To improve self-service, AI can analyse the types of issues that are commonly resolved first time, and suggest enhancements to self-service tools to empower customers to resolve similar issues without contacting an agent.

Based on analysis of past interactions, customers can be directed to specific self-service resources that have successfully resolved similar issues, reducing the need for agent intervention.
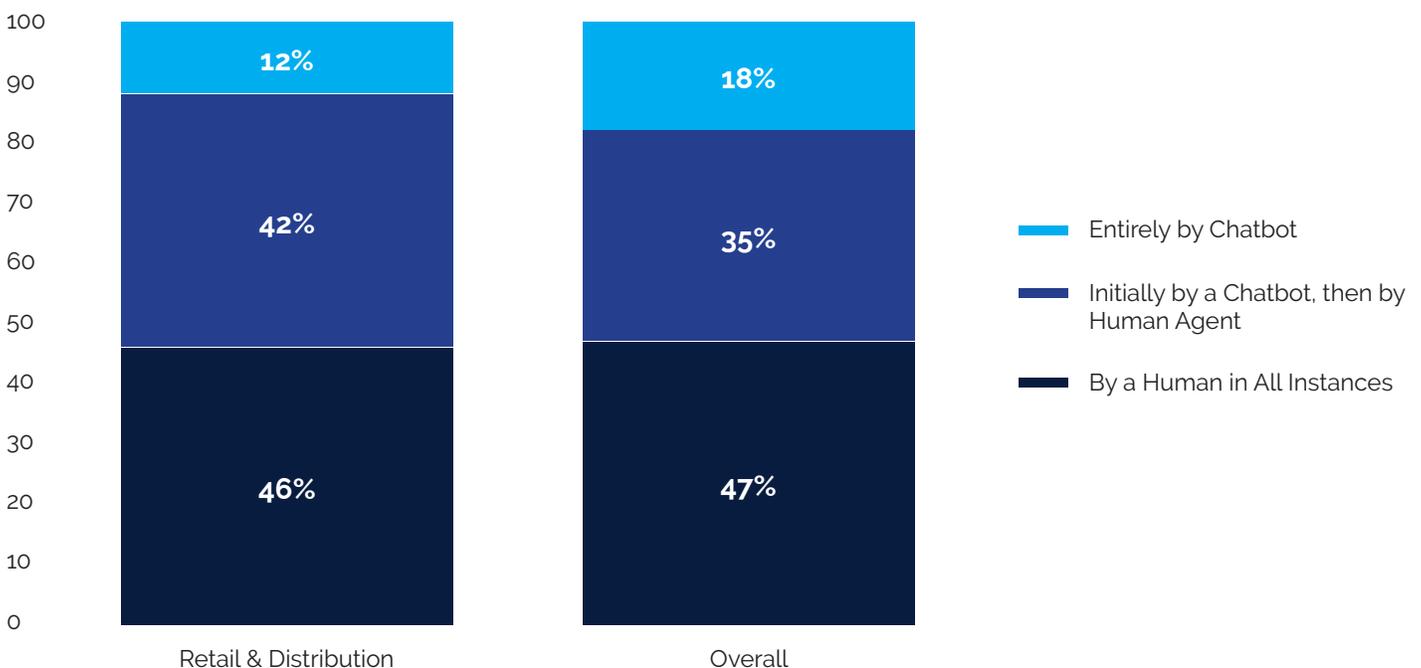
It is not only self-service that can be improved. While the retail & distribution sector's use of web chat is the highest of any sector, the use and effectiveness of intelligent automation can certainly be improved.

The chart below shows the proportion of web chats handled by chatbots. The use of live agents in retail & distribution sector is similar to the average contact centre, handling just under half of web chats without any use of automation.

The proportion of web chats handled **entirely** by chatbots is less than that of the industry as a whole, although retail & distribution companies have had success in triaging initial web chats, passing them to agents if the issue is complex.

The next stage is to implement more sophisticated applications that can handle more difficult issues, as well as recognising earlier in the interaction that it will require a live agent to reach a successful outcome.

Figure 4: Proportion of web chats handled by chatbots, Retail & Distribution vs overall

Legend:
- Entirely by Chatbot
- Initially by a Chatbot, then by Human Agent
- By a Human in All Instances

Retail & Distribution: 12%, 42%, 46%
Overall: 18%, 35%, 47%

Retail & distribution contact centres should urgently consider a greater automation of email, as 31% of its interactions come through this channel: the highest figure in the contact centre industry with the exception of the services sector (34%).
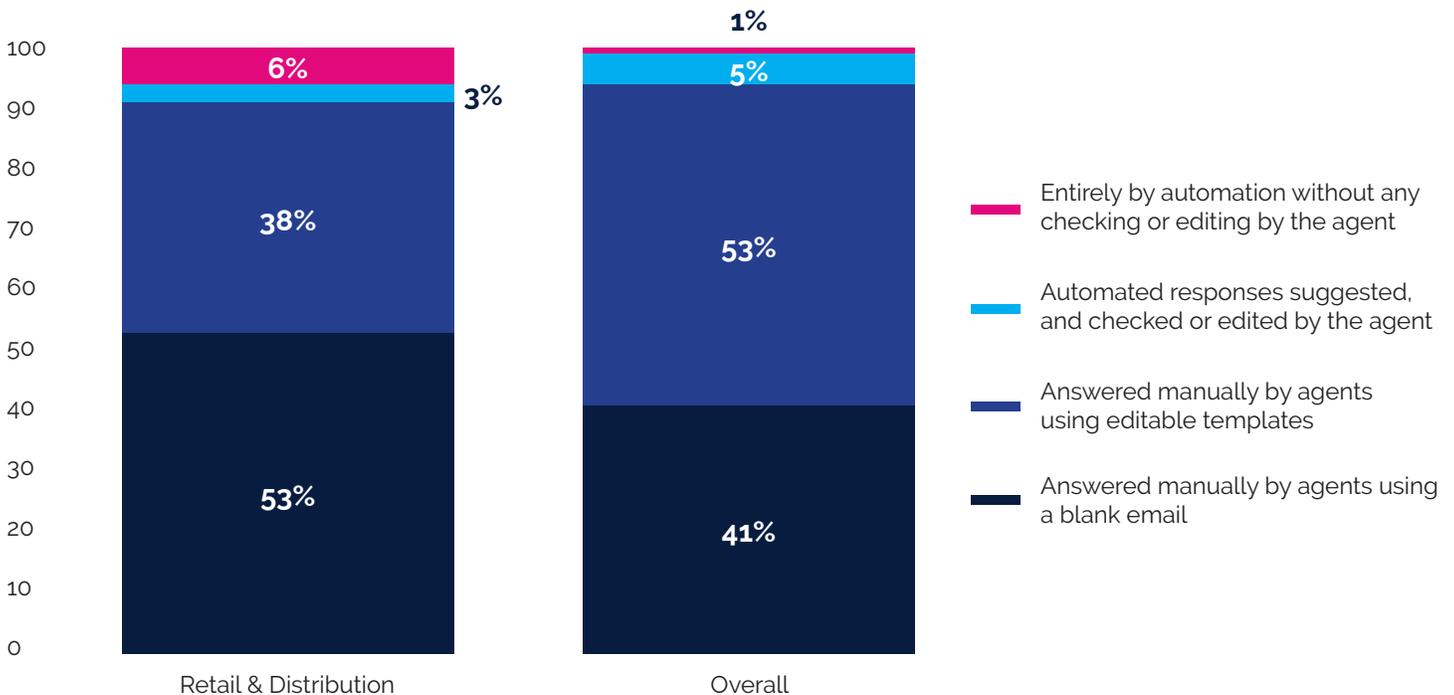
Yet more than half of emails are still answered by agents using a blank email, with 38% of emails written by agents with editable templates. Only 9% of retail & distribution emails use automation to speed up response time and maintain accuracy, and great opportunities exist within the sector.

AI does not require data to be structured or closed, and natural language processing can understand a customer's email in context of who they are and what they have contacted the business about previously, as well as looking at the responses that have handled the issue successfully before and provided positive outcomes.

Retail & distribution companies should certainly look at moving more of their emails away from templatised responses handled by live agents, starting with trying to increase the proportion of emails handled by AI and then checked by agents before they are sent out, before moving towards having AI answer emails without any recourse to agents. This would cut costs very significantly, and impact positively on profitability.

As so many retail contact centres are small and may not have the IT budget sufficient for large-scale AI implementations, the opportunity exists for solution providers to deliver suitable applications at a reasonable price point.

Figure 5: Proportion of emails handled by automation, Retail & Distribution vs overall

Legend:
- Entirely by automation without any checking or editing by the agent
- Automated responses suggested, and checked or edited by the agent
- Answered manually by agents using editable templates
- Answered manually by agents using a blank email

Retail & Distribution: 6%, 3%, 38%, 53%
Overall: 1%, 5%, 53%, 41%

BUSINESS ISSUE #3: MANAGE YOUNGER CUSTOMERS MORE SUCCESSFULLY TO IMPROVE LOYALTY

Retailers are very aware that customer loyalty is vital to their long-term profitability, and although individual sales may be low-margin, enough of them together over a long period of time from a single customer will make a positive difference.

The following chart shows the difficulty that retailers have to develop long-term profitability with their customer base.

In particular, the proportion of younger customers stating that they have left a retail & distribution company within the past 12 months because of poor customer experience (or used another supplier instead) is considerably higher than for older age groups.

As such, the sector should pay particular attention to improving their customer experience for younger customers.

Figure 6: In the past year, have you left a retail / distribution company, or decided not to use them because of poor customer experience? (by age range)

Age range	Percentage
16-24	48%
25-34	35%
35-44	19%
45-54	15%
55-64	18%
65+	12%
Average	23%

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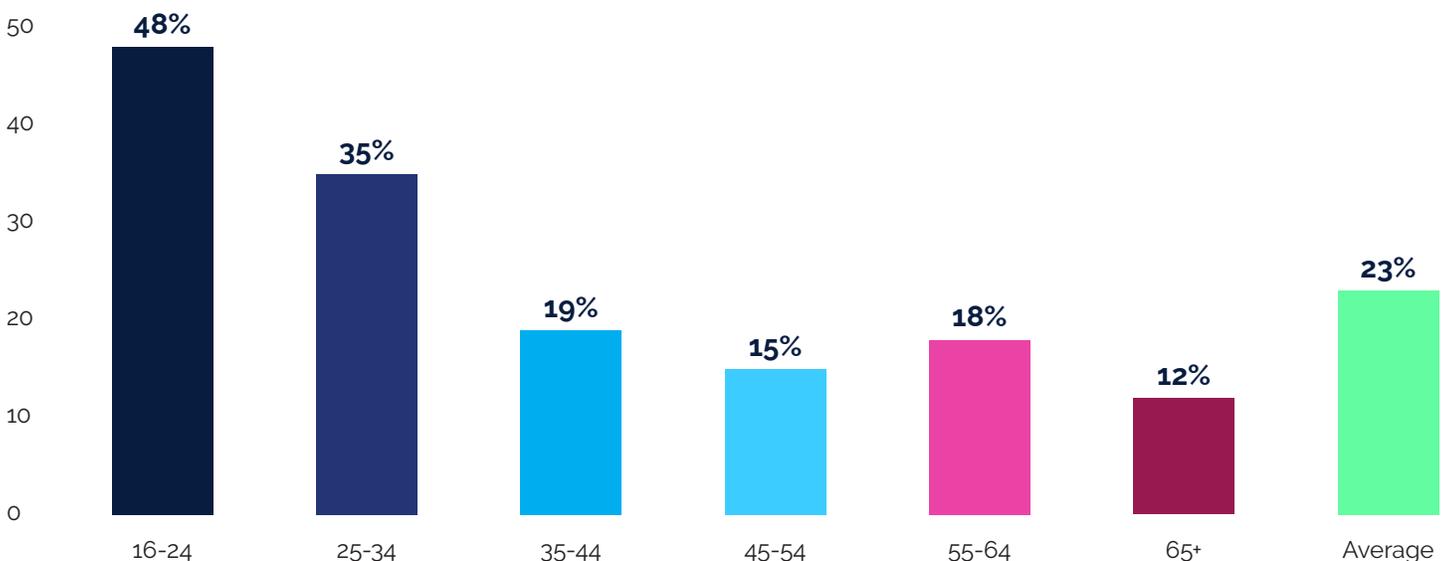
A "poor customer experience" can be construed in many different ways.
While the examples given in the survey question included long phone queues; not being able to answer a question; being passed around numerous employees; and experiencing rudeness from staff, it deliberately did not state that those were the only examples of a poor customer experience.

For many customers, especially younger ones and those contacting a retailer, their customer experience is in large part driven by their interactions with the website, app or digital support channels. If these are slow, inaccurate or unusable, then that will count as a poor customer experience.

Many decisions are made before individuals become actual customers: a slow-loading website; not being able to get through to the contact centre to ask a pre-sales question; a lack of information about a time-sensitive buying factor – all these and more will feed into the customer (or prospect) experience, and are also included in these figures.

So what does a poor customer experience look like for a younger customer, and does it differ from what longer-established customers most value?

Figure 7: What does a good customer experience look like to younger customers?
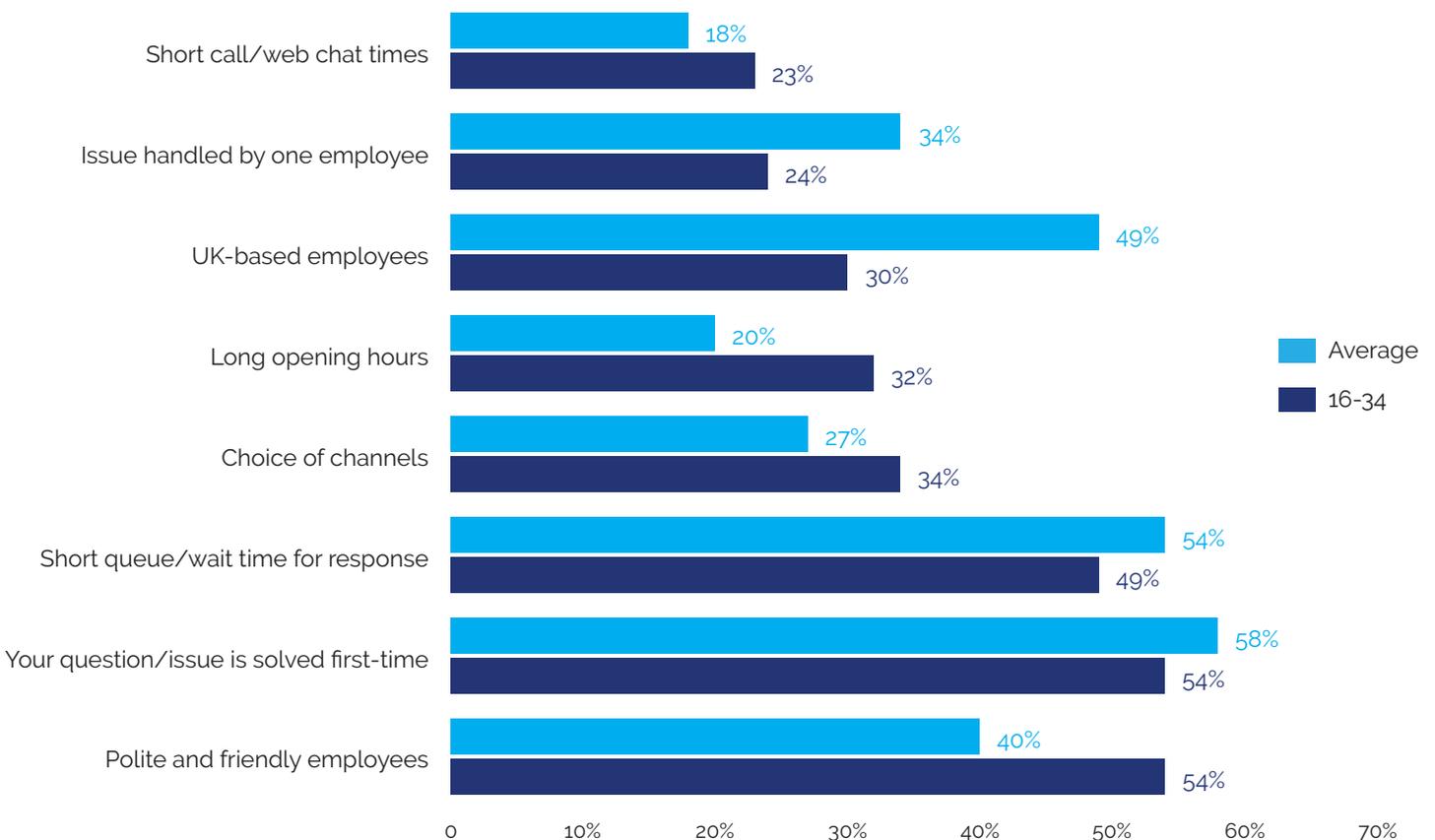
Survey respondents were provided with a list of eight factors that affect customer experience and asked to rank them in order of importance.

The chart above shows the proportion of respondents placing them in their top three, with the 16-34 year-old group split out to show the differences between them and the customer base as a whole.

While first-contact resolution is important across all age groups, it is particularly noticeable that younger customers place a far higher importance on having polite and friendly agents when they call a business.

This may be because the youngest age group have the least experience of dealing with businesses and contact centres, lacking the confidence that comes with years of speaking with businesses: having a friendly and approachable agent is valued particularly highly.

Younger age groups are also much more likely to value a choice of channels and long opening hours, the latter of which can be achieved through effective self-service options which younger customers are generally willing to try out. The previous section of this report looked at how AI can encourage uptake of digital channels and automated self-service, which are often channels of choice for younger customers.

How can agents manage younger customers more effectively? While some agents are naturally empathetic, experience and directed training can maximise it in others.

From the first moment, an agent can be made aware that the caller is younger, and prompted to use phrases and intonation that has worked well before with similar types of customer.

AI agent assistance can provide:

•   Agents with the understanding of where their conversational behaviour is falling outside of acceptable and previously successful norms (such as speaking too quickly or slowly, brusquely, or in a monotonous fashion)

•   An assessment of the meaning of non-verbal cues such as intonation, stress patterns, pauses, fluctuations in volume, pitch, timing and tone in order to support sentiment analysis

•   Understanding the actions and information that have been seen to provide successful outcomes in previous similar interactions, and relaying this to the agent within the call.

Research[1] has shown that repeat business and high levels of NPS are more associated with positive emotion than with a successful outcome or low levels of customer effort.

Just because a caller enters the conversation with negative emotions or concerns does not mean necessarily that they have to end it that way: the contrast and emotion of a seemingly intractable issue being resolved successfully can actually produce a higher positive emotion than if there had been no strong negativity at any stage of the interaction.

For young customers who are stressed about making a call, the opportunity to solve their issue in a reassuring and friendly manner has an even greater potential.

Retail & distribution companies should consider ways to create these positive emotions on phone calls, particularly with younger customers who are less likely to use the phone channel, and who – perhaps as a result of not having experienced any particular emotional connection with the brand – are more likely to have changed supplier in the past 12 months.

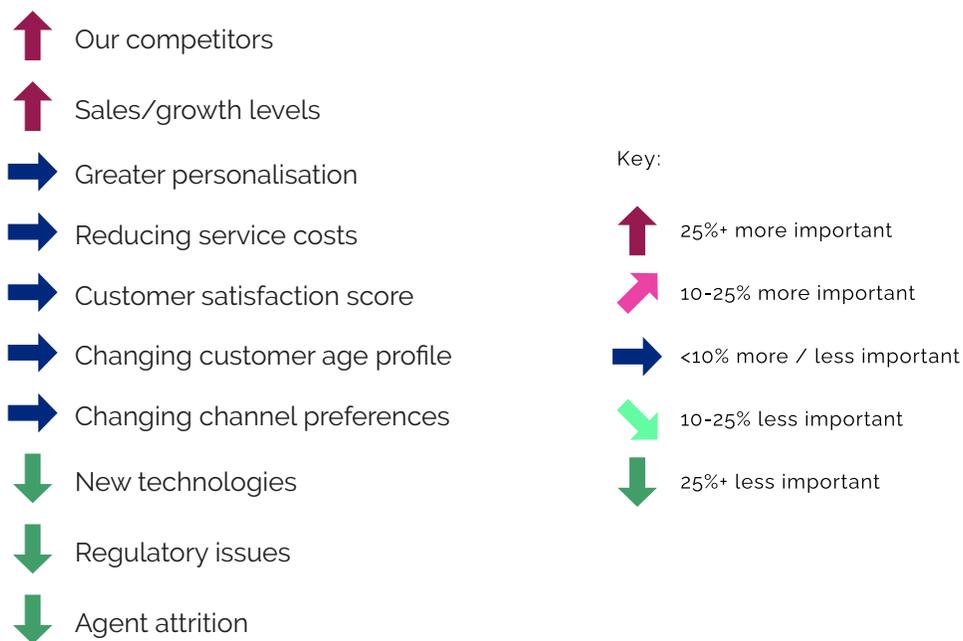## BUSINESS ISSUE #4: COMPETE SUCCESSFULLY WITH OTHER RETAILERS

The importance that retail & distribution companies place on various contact centre strategy factors can be seen in the chart below.

Businesses from all sectors were presented with 10 factors, and asked the question: "How important are these drivers for strategic contact centre change, where 0 is very unimportant, and 100 is vitally important?".

To show the factors that particularly stand out for each sector, the retail & distribution vertical market's score was compared to the contact centre industry as a whole, and the chart below shows the areas which differ most from the average.

Clearly, the retail & distribution sector places far more importance on their sales / growth levels and their competition than the contact centre industry as a whole. AI can provide the agent with suggestions about next best action, pull up relevant information from the knowledge base, make suggestions based on customer history, sentiment and past outcomes to provide optimal cross-selling and upselling opportunities.

Figure 8: Importance of contact centre strategy factors – Retail & Distribution vs overall industry

- Our competitors
- Sales/growth levels
- Greater personalisation
- Reducing service costs
- Customer satisfaction score
- Changing customer age profile
- Changing channel preferences
- New technologies
- Regulatory issues
- Agent attrition

Key:

- 25%+ more important
- 10-25% more important
- <10% more / less important
- 10-25% less important
- 25%+ less important

Retail & distribution companies also place far more emphasis than the typical business on understanding and competing with others in the same sector.

This section looks in more depth about how AI can help retail & distribution companies to understand their competition.

This is a very competitive business environment, with correct pricing and benefits vital to winning new business and keeping existing customers, particularly when the same or comparable goods and services are available from many other suppliers. Having a full and accurate understanding the competition can give retail & distribution companies a competitive advantage that directly impacts profitability.

AI can provide competitive information for retail & distribution contact centres through:

Real-Time Call Analysis: AI analyses conversations in real time, identifying when competitors are mentioned. Natural Language Processing (NLP) tools detect references to competing products, services, or companies, and flag these for further review.

Sentiment Analysis: AI gauges customer sentiment when they mention competitors, determining if the customer is discussing the competition positively or negatively. This insight helps understand how the market perceives the competition.

Competitor Product Comparisons: AI detects when customers compare the retail / distribution company's offerings and pricing with those of competitors, and recognises patterns to identify key areas where the competition may be perceived as stronger or weaker.

Trend Identification: aggregating data across multiple calls can identify long-term trends, such as noting which competitors are mentioned most frequently or which aspects of a competitor's offering are most often discussed.

Actionable Insights: AI report generation summarises competitive mentions, including frequency, sentiment, and any specific products or services discussed. These insights can be shared with marketing, sales, and product development teams to inform strategy.

Training and Response Optimisation: Based on the competitive insights gathered, AI can help train agents by providing them with talking points or rebuttals when competitors are mentioned.

Proactive Suggestions: During a call, AI agent assistance provides suggestions or scripts to steer the conversation in a way that highlights the company's strengths over the competition. For example, if a customer mentions a competitor's lower price, the agent can be prompted to discuss unique value propositions.

Knowledge Base Enhancement: AI updates and expands the contact centre's knowledge base with information about competitors, ensuring that agents have the most current data to hand during calls.

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SUMMARY

As a whole, contact centres serving the UK retail & distribution industry have seen call durations lengthen somewhat, although the impact upon speed to answer and call abandonment rates has been less.
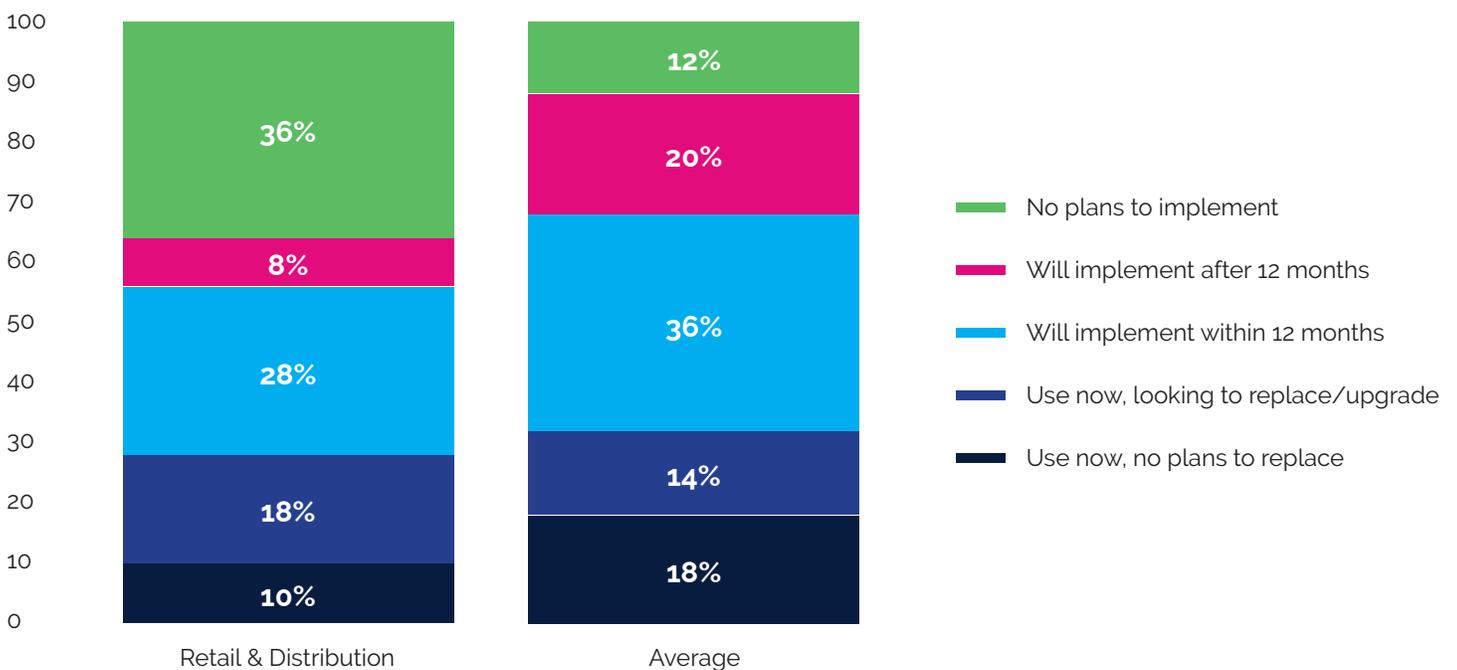
While this is positive for customer experience and sales opportunities, the low profit margins that many companies experience means that any chance to reduce the cost per contact while maintaining or improving sales levels is welcomed.

The level of digital contact in this sector is high, although most of emails and web chats are handled by live agents without any assistance from automated intelligent systems.

Retail & distribution companies should note that in order to improve customer loyalty, they need to interact with younger customers more effectively as this demographic shows a much greater willingness to defect. The sector also notes that it has a particular need to learn more about their competitors and use this within customer interactions.

Yet as the chart below shows, the retail & distribution sector has been no quicker than the industry in general to implement AI-enabled solutions, such as chatbots, analytics and agent assistance, although there is interest in implementing AI in the near future. This may be because of the relatively small average size and budget of many contact centres in this sector.

Figure 9: Current and planned use of AI, Retail & Distribution vs industry average

Legend:
- No plans to implement
- Will implement after 12 months
- Will implement within 12 months
- Use now, looking to replace/upgrade
- Use now, no plans to replace

Retail & Distribution: No plans to implement 36%, Will implement after 12 months 8%, Will implement within 12 months 28%, Use now, looking to replace/upgrade 18%, Use now, no plans to replace 10%

Average: No plans to implement 12%, Will implement after 12 months 20%, Will implement within 12 months 36%, Use now, looking to replace/upgrade 14%, Use now, no plans to replace 18%

Many businesses in the retail & distribution sector would benefit by focusing efforts on reducing the parts of phone calls which are unnecessary to customer experience, and there are great opportunities to do so without impacting effectiveness.

While the use of chatbots has risen, there are also major opportunities to apply automation to the handling of emails as well, which will significantly reduce the cost of service.

Furthermore, widespread adoption of AI-enabled interaction analytics can identify competitive advantages that retail & distribution companies can use to develop their offerings and prompt agents within calls with relevant information that can help to win new business or keep existing customers, particularly amongst younger age groups.

As a channel, telephony offers the unique opportunity to create long-term loyalty and even advocacy in an industry where product or service differentiation can be minimal and service is key to customer loyalty.

The retail & distribution sector has the opportunity to use AI-enabled automation and insight not only to improve the profitability of each customer contact, but also to create lasting business value and loyalty.

ABOUT CONTACTBABEL

ContactBabel is the contact centre industry expert. If you have a question about how the industry works, or where it's heading, the chances are we have the answer.

We help US and UK contact centres compare themselves to their closest competitors so they can understand what they are doing well, what needs to improve and how they can do this.

The coverage provided by our massive and ongoing primary research projects is matched by our experience analysing the contact centre industry. We understand how technology, people and process best fit together, and how they will work collectively in the future.

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  - Chatbots, Voicebots & Conversational AI
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  - Customer Interaction Analytics
  - First-Contact Resolution
  - Fraud Reduction & PCI Compliance
  - Omnichannel Workforce Optimisation
  - Remote & Hybrid Working Contact Centre Solutions
  - Self-Service
  - Voice of the Customer

- The UK Contact Centre Decision-Makers' Guide
- The US Contact Center Decision-Makers' Guide
- The UK Customer Experience Decision-Makers' Guide
- The US Customer Experience Decision-Makers' Guide
- Exceeding UK Customer Expectations
- Exceeding US Customer Expectations
- UK Contact Centre Verticals: Communications; Finance; Insurance; Outsourcing; Retail & Distribution; Utilities
- US Contact Center Verticals: Finance; Insurance; Outsourcing; Retail & Distribution
- AI in UK Contact Centre Verticals: Finance, Healthcare, Insurance, Public Sector, Retail & Distribution, Utilities
- AI in US Contact Center Verticals: Finance, Healthcare, Insurance, Public Sector, Retail & Distribution.
- The AI Series: how can AI can help contact centres' operational and commercial issues? Research reports: First-Contact Resolution; Revenue Maximisation; Workforce Engagement; Business Insights: Customer Insights; Agent Productivity; Digital Customer Contact; Contact Centre Cost Reduction; Customer Satisfaction.