



Adrian McDermott:

Hi, I'm Adrian McDermott, the CTO of Zendesk. And today what I want to do in this recording, is really take you through a presentation that we give our customers. It's called The Five Big Bets for the Future of CX. Why do we do this? And why am I giving this presentation to you as part of the tech summit? Well, what we do with this presentation is we try and frame for our customers, what we think the internal innovation, exogenous forces in the market, and just things that are happening, that our customers are asking about. We try and frame all those things as a strategy for them, so that they understand the investment that we're making in product. And I think it's interesting for us to look at the way we tell people outside the company, what we're doing inside the company in product development as a whole, and where that means we're taking the product, both in the relatively short term, long term, depending on how you think about it, and in the long term.

So let's talk a little bit more about that and jump into the presentation.

I love this quote, "We tend to overestimate the effect of technology in the short run, and underestimate the effect in the long run." I've been at Zendesk for 12 years, working in product, leading engineering and those kind of things. Maybe I've met you. And if I haven't, maybe I should, we should grab a coffee. But anyway, I think over that time I can look back and see with perspective the things that I thought would happen really quickly, the things that actually took a lot longer, but then overall the effect and the growth that we've had as we've gone in my tenure from a \$4 million run rate and 10,000 small customers, to a \$1.3 billion run rate. And so I think about these effects and we frame these effects for our customers in terms of five big areas, conversational service, AI, customer journey, the thing that we talk about, customer intelligence and of course our platform, which is a huge and momentous investment for us, a move and I think is fundamentally important.

And in each of these areas, what I want to do is look at a short term by 2025, and a long term bet by 2030, which is further away. And hopefully we can see bigger changes influencing both the market and the way that people do customer experience and the expectations of customers, over that timeframe. So let's jump in and look at the first big bet. The first big bet is in the area of conversational service and our hypothesis, which we strongly believe, is that conversational service will be dominant and proactive by 2025. And then by 2030, every business will live and provide conversational support everywhere that you are. What does that really mean? And why is that important?

Messaging, I think it's hard to deny, it's completely changed the way we communicate with each other and to a certain extent, with businesses, right? There are so many different messaging channels and messaging applications. We communicate with family, friends, peers, et cetera, through text based messaging now. Phone used to be dominant when I started working in business and for many years after that, and you would call, you would leave voicemails, et cetera. No one leaves voicemails anymore, or hopefully they don't, because I never listen to them. And we use messaging applications. I think what's interesting about what some of our customers are doing, and we have some examples here on this slide, Four Seasons, Logitech, Anheuser Bush, AB InBev. They're reaching their customers. They're interacting with them in these applications in really interesting ways. AB InBev is delivering beverages once a week off a



truck to 10,000 bodegas in Brazil, and they're ordering, instead of through multiple sheets of carbon paper, they're ordering through the application.

Four Seasons obviously develops concierge experiences for their customers that are very rich, through whatever messaging channel that customer wants to use, which is super important. So I see the futures here as just an evenly distributed, that everyone's already doing it. And by 2025, the messaging will just be the dominant platform and the use of messaging has increased dramatically and will soon dominate. In our channel list, in the way that channels come into Zendesk, what we see is just this move towards messaging and messaging growth. I think one of my frustrations here, just because I'm speaking to internal parties, is that giant block of API tickets is something that I'd really wish we could peer more into and understand. There's so much data in there about how our customers are using our system and a greater understanding would be awesome. But as it grows, the messaging channel, I think the expectations about what you can do become really important.

Richer, proactive experiences can be developed across all stages of the customer lifecycle. Something that the Switch team really taught me when we acquired them a few years ago and they came into the company, was that the messaging window has become the application, the runtime environment, for customer conversations, whether that's for sales, whether you can shop, you can browse catalogs, you can communicate, you can order, you can give your location for delivery, you can survey. All of these things can happen in that managing channel. You're not jumping out into email. You're not going into another application and doing it. The messaging window is the development window. And so 2025, I think we're going to see our customers more and more taking the approach of Logitech or AB InBev, where so much action happens in the messaging window. And they're using our C-paths, our platform basically, to build those experiences.

That's why we internally are investing so much in messaging in agent workspace and in our infrastructure to build that. And that's why longer term, I think, what we see is messaging being embedded in ever more experiences by 2030. We already have a customer that's building on the apron down by the airplane experiences actually, and they communicate back to a central 24 hour help desk in Paris to reduce plane turnaround time anywhere in the world. I think messaging support embedded in gaming, in AR, in VR, in every application, is what we should expect, basically by 2030, where messaging is in whatever you're using, whatever you're doing, you can message someone and have a conversation and support is embedded within it, and it's part of the experience. So, that's bet one. Let's move on to bet number two. Bet number two is all about AI. By 2025, all service will be AI first and by 2030, AI will replace 75% of frontline customer interactions.

Pretty confident about this. A few years ago when I did a big bet's presentation, there was some bet which was in three to five years, AI won't be terrible anymore, because I think a lot of people at the time were having these early artificial intelligence or bot experiences that were not great customer service. They were somewhat frustrating in terms of understanding the NLP that you were experiencing or the ability to recognize speech. I think what we're seeing now, whether it's self driving cars, which yes, occasionally leap 20 meter rivers, or the fact that AI is actually now



better at detecting fractures in x-rays and this is FDA approved, than humans, I think what we're seeing is the progress in this field of research is just tremendous and breathtaking. We, ourselves, are really beginning to use some of this. We've talked for a while about how, in customer experience in customer service, we're deploying AI for automation, recommendation and prediction.

And we have these features that we've built, whether it's answer bot for automation, macro suggestion, or content queues, to predict holes in the application itself. And then as we move forward, we've been thinking about awareness, consideration and conversion, adoption retention, et cetera. The life cycle of a customer as they go through from figuring out who you are, to buying, to thinking about your product, buying your product and staying with you and having issues. We're really strong in this reactive mode, and I think this is the nature of customer support, it tends to be reactive. You come in, you ask a question, and it comes back. You could argue that from a preventative point of view with content queues, we have some things happening, but really, these future areas as we branch out to be more proactive and more preventative, I think are really interesting for me, like identifying trends in people's customer service.

This is, for a lot of leaders, this is the holy grail of their support system. They should be able to look at it and see some report and it says, "Hey, this is what's going on today, or this has changed, or these are the things that you need to go look at," right? Helping customers, evaluating their experience, figuring out how to improve it, and then ultimately using AI, all our success tools that are out there in the market right now, but better, to really predict how you can get customers to keep coming back, to engage, to ultimately buy more product. And then on the proactive side, figuring out what interactions to start with your bot, because you see what a customer's doing, or you see where a customer's struggling. How you can connect more with those customers and all of the suggestions you could make for conversion, engagement, better use, and these kind of things. So much more that can be done, and I think it's really exciting.

I think we've laid some great foundations. We have some great models running. We need to do so much more and yes, it's expensive, but it's interesting work, but it really is going to pay off for our customers. Then by 2030, I think more and more jobs are going to... We're going to want to be replacing not necessarily the jobs, but these interactions that are repetitive and less value with artificial intelligence, and more jobs can be replaced with artificial intelligence. I don't think what that means is that we're necessarily going to see 75% of frontline workers laid off. There is this example from history where the deployment of automated tele machines in banks led not to a reduction in bank employees, but an acceleration, because banks became so much more useful when you could get your money at any point, which meant that they could use the humans to provide better, more interesting services.

And I think for any business, this is going to be true. Most people who start automating things with Zendesk don't necessarily then go replace the humans. They think about how to build better quality experiences, because for so many businesses, it's service that differentiates who you are as a company and what you do. And those investments in service can be made more intelligently and more smartly directed towards growing your business, not just keeping your



customers or dealing with operational issues. I think it could be a tremendous shift in the quality and interest of work that is done and the experiences that we get to have as consumers, as employees, as citizens, et cetera. So, that is bet number two. Bet number three, customers will drive all service, and by 2025 and by 2030 hyper specialized support will be available for anything, at a price. What are we thinking here?

I think here we're getting to the nuts and bolts of support land, of the problem space of our customers, which is why I think it's super interesting. In the olden days when I was a lad and you called someone for customer service, it was really, you were following their script. They were in control. They were in charge. "Hi, this is Bob, New Country. Please give me your account number. How can I help you today? Give me account number," and then they run you through a series of steps. They control the conversation, they're in charge. I think with the advent of messaging platforms, with the elevation of customer experiences, we have different expectations as consumers now. I don't think we want to be run through a script. I think we see this in the way that we design bots as well. The power dynamic has shifted and companies are using CXR differentiator and customers expect better experiences. No longer are you going to navigate through that phone tree, like "Press one for support, press two for returns, press three, blah, blah, blah, blah. Please enter your 44 digit account number. Please enter your shipping number."

Now, we are building bots already that go from initial intent. "I'd like to do a return," "So, I see that you bought these shorts last week. These are the shorts that you want to return, right?" Things are getting smarter and they're jumping through and customers are putting themselves in control of the conversation. The script manager, the script author, the director of the narrative, the director of the play for a particular customer direction, is now the customer. They control the flow of the conversation and what it means. This, we should acknowledge with empathy, that this is very hard for our customers, the people who run customer experience, to deal with. They measure themselves, their KPIs around time to ticket served, time to ticket close, these kind of things.

They build customer journeys, customer flows, that are centered on various things. There's an industry, there's knowledge. It's 20, 30 years in the making from phone call centers that's all built up, and this is being disrupted. Disruption is hard. Zendesk created sort of the route, the methodology, for email help desks and disrupted that industry 13 years ago, with eight triggers in an automation. I think now we have to also take a point of view and help our customers see how they're going to build for the future, in this world where messaging gives you long running conversations, where you have to identify customer intent quickly and jump straight to that intent and build. And so by 2025, I think we're going to see more and more of that power dynamic shifting. And it's an opportunity for us as product people, as builders of engineers and as thought leaders to help our customers shift to this world where the power dynamic has changed and the customer owns the journey.

Moving to 2030, I think this is a great example. You could literally get someone to do anything for you at this point here on five others, an example, but hyper specialized support will be available for everything. And it doesn't necessarily have to come from first party. If I buy hardware wallet for crypto, I could go get support and pay for support anywhere, little risky, got to be, that's one



example. Or anything that you're setting up, there's a community there, and those communities are going to be monetized maybe with tokens, maybe with Fiat currency, who knows? But I think there are tons of different ways that support and experiences will be delivered. And hyper specialized support is something that people want, especially in high end experiences, in enterprise experiences and beyond. It won't just be our amazing customer, the Four Seasons, and their concierges, that are helping you with your every need.

It could spread out into any kind of community of support, which is socialized gig based, et cetera. And hyper specialized support will be available for everything, for a price. Big bet number four, by 2025, it'll not be about having all the data, it's having the right data and doing better things with the right data. By 2030, the notion of a system of record is going to change entirely in ways that are going to challenge technology significantly, and we'll talk more about that. I think through Zendesk history and through the history of the CRM industry that we are a part of and market space, there've been these ideas about customer 360, massive integration. You've got to get all of the data. Data is like Pokemon. You got to collect them all. Put them all in the same place. Admire collection of all of this data. I think where we're at really is, whether it's data lakes, data lake houses, snowflake, blah, blah, blah... [inaudible] is I think we're data rich and insight poor.

It's hard to really get a sense of what's going on with your customers as you go forward. And companies have been challenged both in sales in CX and in marketing to really get the right insight from the right data at the right time, for each of their customers. We used to be that we thought a lot about how I can build segments of customers and classify customers into groups, trialers, customers on enterprise, blah, blah, blah. And it's more and more now about getting to a point where you're personalized and building these experiences, and you have segments of one, "I'm just looking at this one customer, this one experience and the way that it works." I think it's very powerful, because companies that excel at personalization generate 44% more revenue than the average player. That's significant. But, to get that insight, to build those segments of one, it goes beyond having what you might think is the right data.

I think we could look at an example where we demographically, we have two customers, male born in 1948, raised in the UK, living... Prince Charles, Aussie Osborne, very different needs. This is back to that thing about segment of one. Marketing teams, and we've had one of these with Zendesk, with Connect for Zendesk. They're into CDPs, customer data platforms. I think more and more, the industry is moving towards customer intelligence platform. It's like fewer pieces of better, more relevant data, used in the right moment at the right time. And that's what CX is going to be all about. And I think this plays well to our strategy, to the way that we're thinking about this, to the way that we're thinking about our custom object schemers and the actions that we can take. We're not going out to capture every piece of data.

We need the operational data so that we can route and prioritize and respond and build great bots and build great experiences, but we don't want to be the system of record for every single atom, fact, signal from a customer. We can't. There's no value in that for us. And it's, I'll say, a very difficult and computationally expensive thing to do. And there's another reason why you don't want to do that, with great data comes great responsibility. More and more, whether it's



thinking about GDPR, REMS two, et cetera, et cetera, I think we're in a period of transition right now. While we're moving from the golden age of data collection or the dark age of privacy, depending on how you were to think about it, into an era of personal control. Here again, I think we can learn from some of the techniques in some of the thinking in web three and designing web three and crypto, but there's also the Fido Alliance, the fast identity online Alliance, where they're coming up with password-less ways of identifying people, where you're identified more by your device, et cetera, and these kind of things.

And I think now, once a company has access to your data, they get to keep that data. There is minimization. We do try and roll data off, et cetera. I think it's not unlikely by 2030, that as part of GDPR, [inaudible], a company gets only ephemeral or temporary access to your demographic data. You can see where I live while we're building the shipping label and doing that, and then that data disappears for you. Thank you for sending me those shorts, but now it's over. I think the ephemerality of it will challenge the notion of the system of record. How will you report across that if that data's anonymized or minimized? How can you build these static segments? How can you market without some kind of double opt in with a time limit? All of these privacy concerns are things that are really going to... It'll be led by Europe, but they're really going to challenge, I think, a lot of the notions of enterprise software, especially enterprise CRM software, whether that's marketing, support our sales.

And we are going to have to adapt and be agile, and also obviously spend a bunch of time thinking about data sovereignty and how we deal with that. But maybe double bring your own key, where our customer brings their own key, and our customer's customer also brings their own key and they both have to be open for us to see the data, and them to see the data. Maybe that'll change the emphasis and importance of data sovereignty concerns, and can I get an AWS zone in my country? I hope so, because that's maybe asking the wrong question on behalf of consumers sometimes, is what I feel. Still, that was big bet number four. Big bet number five, our final bet. Composability and low code will make it easier and faster than ever to build a dream customer journey by 2025.

And by 2030, any development work you need, you'll just be able to do it yourself. All the developers on the call are like "I already can" but, think about the rest of us. It's important to realize just how much developers are bottle necking what we do. It's interesting for me to get called into escalations with tons and tons of customers. And mostly we're able to resolve those, but so many of them, we need to pull in a developer like the other people in the value chain of Zendesk, talking to customers or doing success, delivering et cetera. They don't have the means or the tools to effect change for the customer, to deal with the product, to investigate the product, in many cases, to get what they need done. So developers, my people, really in short supply, and I think we feel that it limits our progress as a business sometimes.

I would love for engineering to be 3000 people, not 1,500. I think that we could do so much more, as long as we can build with efficiency and keep going. Our customers, our partners, a lot of our employees who are not in engineering, I think what they would like to be able to do is to be able to control more of their own destiny themselves. They would like to be able to build using low code, no code, techniques, basically point and click configuration. Think about flow





builder. Think about the original [inaudible] business rule management system. Complicated, but powerful. Now we're giving our customers more and more chances to build great experiences and great customer journeys in the way that they configure with little, no, or light coding necessary to get that done. And I think that's incredibly important. We are empowering people. We're empowering people to take control, to build great experiences.

I can tell you in my experience, the best product champions we have out there in our customers and in our partners for Zendesk, are the ones who crack the code on being able to control their own destiny and control the system generally, without resorting to code or breaking out of some kind of environment, but by just knowing the system code and being able to turn the dials, control the knobs, build the flow, do those kind of things and satisfy their own needs. Garner says 70% of apps will be low-code no code by 2025. We need to be riding that wave because so much of our captive audience, so many of our customers, this is what they want. This is how they want to control their system. They are heads of customer experience, customer support, chief customer offices, CEOs of startups. And they don't necessarily want to code their solution for their perfect customer journey.

They don't expect it to come out of the box either, they're willing to put in a shift, but they'd like it to be possible for them to do it. And I think that is what we have to enable, because it's a force multiplier and it unlocks so much business, so much goodwill and so much expansion for us. I think from taking a developer viewpoint there, if we think about the developers in customers, partners, prospects ecosystem, and our employees in solution consulting and professional services and advocacy, they want is to be able to compose new solutions from existing work rate, whether that's using ZPO, workflow automation, data tools, reporting tools, air table, Google sheets, doesn't matter. They want to be able to compose and composability is the compound interest of software. So for me, hand in hand, we are building more low-code experiences, is emitting Zendesk engineering and product, emitting more composable assets, where I can take a thing and use it out of context in ways that we would never imagine, but have it work as a whole.

Whether that's our routing engine, the way that we do agent states, business rules, our email engine, composable and reusable. I think that adds power to our developer developers in product development. I think it adds value for our field and go to market employees and everyone else in the Zendesk ecosystem, if we can do that. I think it unlocks a lot for us. And then as we move towards 2030, I think citizen developers will continue to unlock monster software development growth. If they can develop anything that they need and have that expectation, and remember that once expectations are set in an industry, we as a customer have to conform to that. As a vendor, rather, we'll have to conform to that. We will have to deliver software that meets basic expectations of customers. So we're not talking about giving people access to Kubernetes environments and getting to deploy.

That is not what citizen developers are doing. Citizen developers are configuring dragon power, composable power, to create experiences that we want to stand behind and empower and to get access to data that they can report upon and use and manage their businesses. It'll be a force multiplier for us if we can do this. And I think it's tremendously important. I think we're already



investing in building here and more is better, in my opinion. So that's the final bet, bet number five. So we've enumerated the five big bets for the future of CX. And I think again, just to reemphasize, we build this presentation. We communicate it to customers that relate every year because what we want to do is logically frame our strategy, our product strategy and our business strategy for our customers, in a way that helps them make sense of the investments that we're making in product development, of the things that we are building.

We're investing in conversational service very significantly. We're investing in artificial intelligence and machine learning we acquired cleverly. We're building tons of features because we recognize there's so much opportunity in our problem space, and then the problem space of just customer engagement for our customers, that we can apply AI as it exists today, not the science fiction version, we can apply it now and help them go on a real benefits, real savings and build better experiences, train their workers faster, these kind of things. We're investing in customer journey technology and thinking about it, thinking about this inversion. I think we need to do more here. We need to help our customers understand how to manage and govern, for example, a conversational service, a bot driven customer service experience, but also help them understand how to manage customer experiences that they're building for the modern consumer who has different expectations, especially coming out of the pandemic.

People's expectations around service have changed and they're not getting lower. We talked a little bit about customer intelligence and data. I say, this is an important shift for us. It's also an important competitive point. We're not trying to get it all. We want fewer better pieces to drive targeted richer insights, build better experiences, and we are all about efficiency. I think people want to hear this message. They're tired of building giant data lakes and then not quite knowing what to do with them, how to deploy them, what value they add. And then finally, platforms developers. Low code, high code, doesn't matter. Enterprise unlocks tremendous growth for us. It is where the next step function of growth comes from, over the next five to 10 years. This is our strategy. We should acknowledge it. And to build that enterprise product, we have to be a flexible platform, we have to emit composable services and we need low code environments, but we also just need platformification and flexibility built into everything that we do.

It's the posture we need to take and how we need to think, and it's tremendously important. So those are the five big dots for the future of CX. Ask me a question, shoot me questions. Hopefully it stimulated some thought for you and I really enjoyed sharing them with you. Thank you very much.