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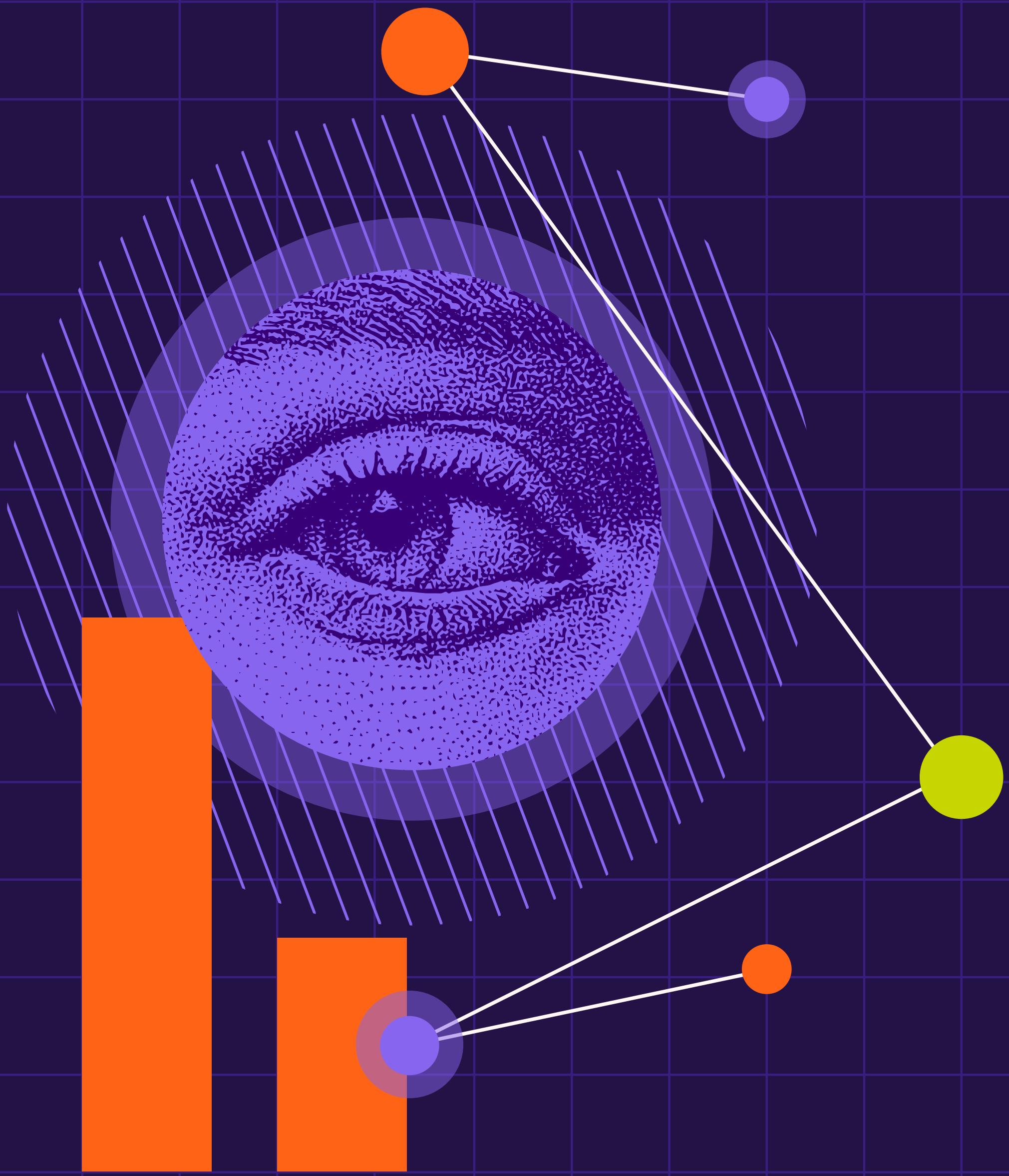

UNITED KINGDOM

The State of AI in Customer Engagement

Navigating the Integration Tax on the Path to Unified Autonomous AI

Contents

Foreword

The 2026 AI Paradox

The United Kingdom enters 2026 with substantial AI ambition but a persistent execution gap. In this report **we have surveyed 100 senior customer engagement and marketing leaders** to examine why brands continue to struggle with achieving true one-to-one personalisation and how they can shift from babysitting AI to a truly autonomous frontier.

63%

of digital marketing execs still struggle to deliver tailored experiences despite record AI investment (Gartner)

30%

of GenAI projects abandoned by the end of 2025 due to poor data & fragmented infrastructure (Gartner)

50%

of CMOs find it difficult to track AI-driven ROI across their fragmented tool stack

Going into 2026, UK brands are not short on AI ambition, but ambition alone is not enough. Only **16% of organisations have made AI the core driver of their customer engagement strategy. Yet 20% are still not using AI at all, and 31% of those who do use it are actively scaling back or auditing AI use cases; a direct symptom of deploying AI without a unified data foundation.**

The dominant pattern is the Integration Tax resulting from brands accumulating multiple AI tools that do not talk to each other. Each disconnected platform demands manual intervention. 40% of marketers in the UK have to review and edit every single AI output before it goes live. This creates administrative burden.

16%

of UK organisations have fully integrated AI as their core customer engagement driver

31%

are currently scaling back or auditing AI use cases, a warning signal for the industry

40%

of UK marketers review and edit every single AI output before go-live, i.e. the visible integration tax

Kshitij Hastu

SENIOR VICE PRESIDENT SALES, UK, NORDICS, NORTH AMERICA

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THE GREAT SHIFT

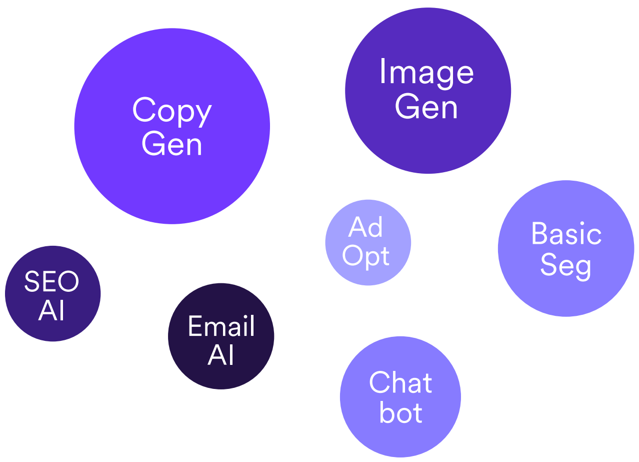
How AI evolves from fragmentation to integration

The transition from scattered, siloed AI tools to a connected, orchestrated AI-native platform defines who wins in customer engagement going forward. Brands still operating across 47+ isolated tools are paying an Integration Tax with every passing quarter.

2024-25

THE HYPE & EXPERIMENT ERA

Scattered & Siloed



47+ Isolated tools

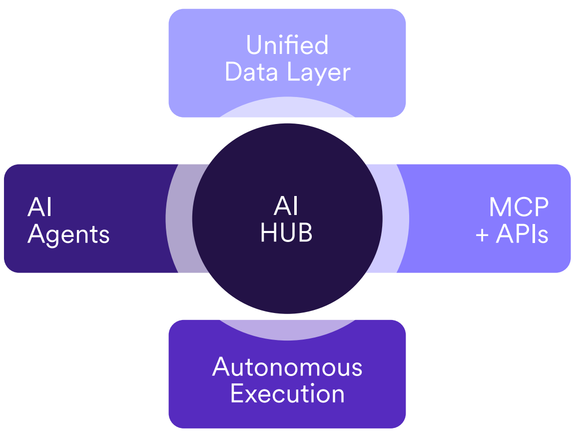
30% Adoption rate

Low ROI clarity

2026+

THE EFFICIENCY & INTEGRATION ERA

Connected & Orchestrated



1 Unified stack

3-5x Efficiency gain

High ROI clarity

Point solutions **The Shift →** AI-Native Platform Intelligence

The Current State

MOVING BEYOND THE FUEL PROBLEM

According to Gartner's 2026 Strategic Outlook, **74% of marketing organisations** now cite architectural debt (the inability of legacy and siloed stacks to handle real-time agentic triggers) as the primary reason their AI initiatives fail to deliver measurable ROI.

In the United Kingdom, the limitation is not the AI model's intelligence, it is the infrastructure latency that builds from using numerous siloed tools patched together.

UK brands face a two-track reality: Leaders are compounding their advantage with every customer interaction, while Experimenters risk the content trap, producing more, faster, without improving relevance or CLV.

38%

Standalone "add-on" and no core infrastructure change

48%

Bridged: older systems patched to AI-native platforms.

14%

AI-native engine: central real-time decisioning

86% of brands in the United Kingdom are not operating on a truly AI-native architecture.
That means the majority are still paying the Integration Tax, in human hours, delayed execution, and missed revenue moments.

CHAPTER 1

Maturity & Adoption

A Divided Landscape

The United Kingdom's AI market is splitting into clear groups. 16% of brands have made AI the core driver of customer engagement. At the other end, 20% are still not using AI at all.

The Leaders - 16%

AI is the core driver of customer engagement strategy, enabling one-to-one omnichannel personalisation at a scale previously thought impossible.

CORE CAPABILITIES

- Unified real-time customer data layer
- AI as a central decision-making engine
- One-to-one omnichannel personalisation at scale
- Zero manual AI babysitting overhead
- Autonomous brand-compliant content

COMPOUNDING ADVANTAGE

Every campaign makes the brand's AI smarter. Every data point deepens the feedback loop. This gap is structural, not tactical.

The Scalers - 28%

Moving past one-off automation into personalisation and predictive insights.
But without native architecture, they risk becoming permanently stuck in the messy middle.

CORE CAPABILITIES

- Dynamic personalization in active use
- Predictive analytics deployed
- Moving beyond basic automation
- Some cross-channel AI however (not yet unified)
- Moderate manual oversight is still required

THE CRITICAL WINDOW

Scalers are close. Without a native architecture, they risk falling behind as autonomous AI raises the competitive bar.

The Experimenters - 35%

The largest group in United Kingdom. Using AI for isolated tasks without a unified data strategy, capturing only a fraction of the value.

CORE CAPABILITIES

- Subject-line optimizers and basic copy tools
- No unified customer data foundation
- Cannot orchestrate in real time
- Failing to capture the behavioral data value
- High integration tax, low AI ROI

THE CONTENT TRAP

Producing more content faster, but failing to improve relevance. Volume without intelligence leads directly to engagement fatigue.

BFSI

38%

have made AI the core strategy driver. Banking leads on structured deployment and compliance-driven data infrastructure

RETAIL

30%

Retail risks the content trap, i.e. more creative output, less engagement relevance

THE IMPLICATION

The United Kingdom is becoming a two-speed market. Banking brands are investing in data infrastructure and moving toward fully autonomous engagement. Many retail brands risk getting stuck producing more content faster, without actually improving relevance to each customer.

CASE IN POINT

The AI Advantage

CHALLENGE

A top-rated global weather and local discovery application serving over 100 million users faced a utility trap. While users relied on them for daily essentials, engagement was brief and transactional. They needed to transform a quick utility check into a habit-forming experience through deep behavioral and location-based insights.

IMPACT

By leveraging advanced automated segmentation, the brand achieved a **3X increase** in mobile engagement and generated **25 million incremental app** opens by delivering weather-contextual content.

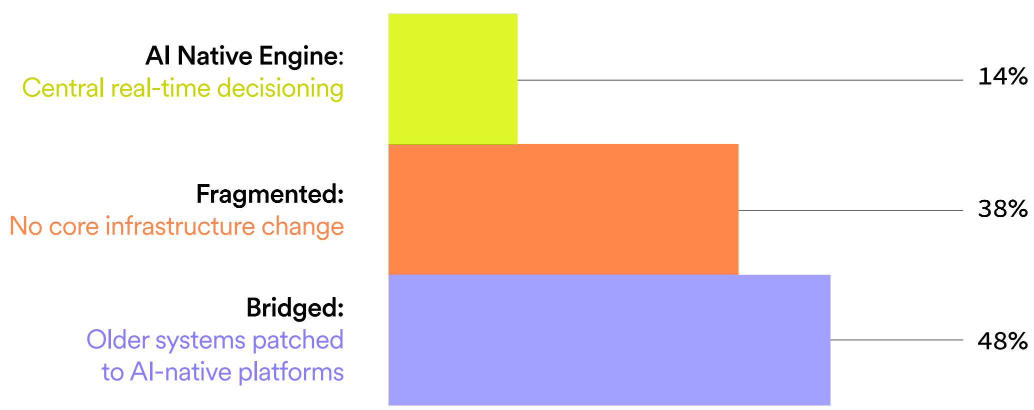
CHAPTER 2

The Integration Cost

Beyond the Add-on

The primary inhibitor of ROI is the Integration Tax, which is the hidden operational cost of managing disconnected AI tools. As brands rush to adopt AI, this fragmentation has become the primary bottleneck, transforming a speed-to-market technology into a manual-review burden.

How AI is actually wired into the tech stack.



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38% of brands across all sectors in the United Kingdom currently deploy AI as a standalone bolt-on tool.

The Fragmented Approach

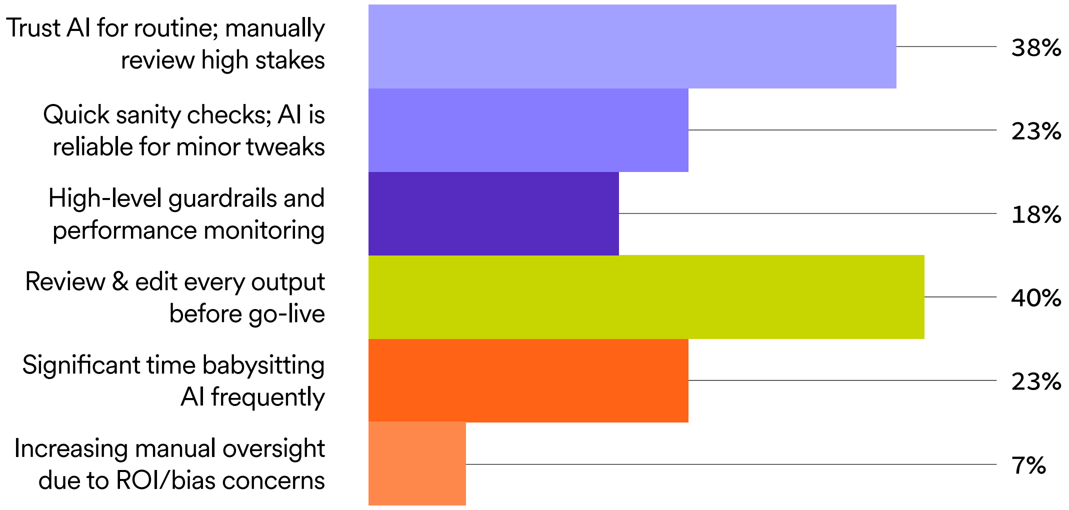
By treating AI as a peripheral feature and not a native component of their engagement infrastructure, these organizations create intelligence silos that cannot communicate with the core customer data layer in real-time. This essentially leads to brands not being able to accurately personalize their engagement and ultimately losing customers.

THE FRAGMENTED APPROACH	AI-NATIVE ARCHITECTURE
Every step requires human intervention. Data doesn't flow seamlessly. Context is always lost.	**Data, AI, and delivery in one unified layer. Context is never lost. Execution is instant.**
• DATA SILO Isolated, unsynced customer data	• UNIFIED CUSTOMER DATA Real-time, 360° profile
• MANUAL CSV EXPORT — HUMAN INTERVENTION	• NATIVE AI ENGINE Decides + Generates natively — AUTO
• GENERATIVE AI TOOL No brand context, no history	• BRAND COMPLIANCE CHECK Autonomous, no human needed — AUTO
• MANUAL REVIEW & EDIT — HUMAN INTERVENTION	• OPTIMAL CHANNEL SELECTED Web / App / Email / Push — AUTO
• ESP / SEND PLATFORM Siloed channel - no sync	• REAL-TIME SEND Milliseconds after trigger
• MESSAGE SENT Hours or days after trigger	
⚠ **HIGH INTEGRATION TAX & SLOW EXECUTION**	✓ **ZERO INTEGRATION TAX & REAL-TIME SCALE**

Supervision Tax

In the United Kingdom, teams are spending significant time manually auditing AI outputs instead of focusing on more strategic tasks.

How much time does your team spend supervising AI?



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THE SUPERVISION TAX

63%

of brands in the UK are spending significant time babysitting AI. This manual intervention leads to brands consistently missing the critical window to respond to customer intent.

THE IMPLICATION

The Integration Tax negates the efficiency and speed at scale, which are the benefits of AI. To achieve autonomous scale, brands must shift from AI-added to AI-native approach, thus eliminating the manual review loop in favour of a streamlined, unified decisioning engine.

CASE IN POINT

The AI Advantage

CHALLENGE

A leading general insurance powerhouse managing complex policy lifecycles was held back by a babysitting economy. Their marketing team was tethered to IT; launching a single campaign required manual data stitching, resulting in fragmented profiles and sluggish performance.

IMPACT

Transitioning to an integrated platform **reduced manual effort by 90% and go-live time by 93%,** enabling the team to launch launch multi-channel journeys in hours rather than weeks.

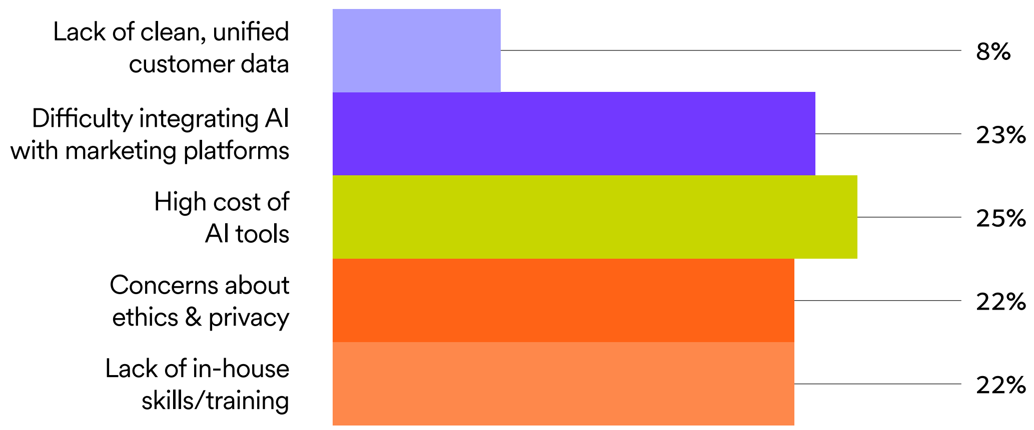
CHAPTER 3

Barriers to Scale

What's Actually Getting in the Way

The primary barriers to evolving AI from a niche assistant into a deeply embedded autonomous engine are structural and organisational.

Levels of Human Oversight in AI Workflows



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48% of respondents cite their top two blockers. Both barriers share the same root cause: a disconnected technology architecture.

THE DATA & INTEGRATION DEADLOCK

23% stalled by fragmented data and inability to integrate AI into disjointed marketing stacks.

THE COST TRAP

25% flag high tool costs. Much of this spend is wasted on redundant, siloed solutions that duplicate effort.

THE CONFIDENCE DEFICIT

22% have ethical and privacy concerns, a signal that without a governed, unified data layer, trust in AI outputs remains fragile.

THE SKILLS GAP

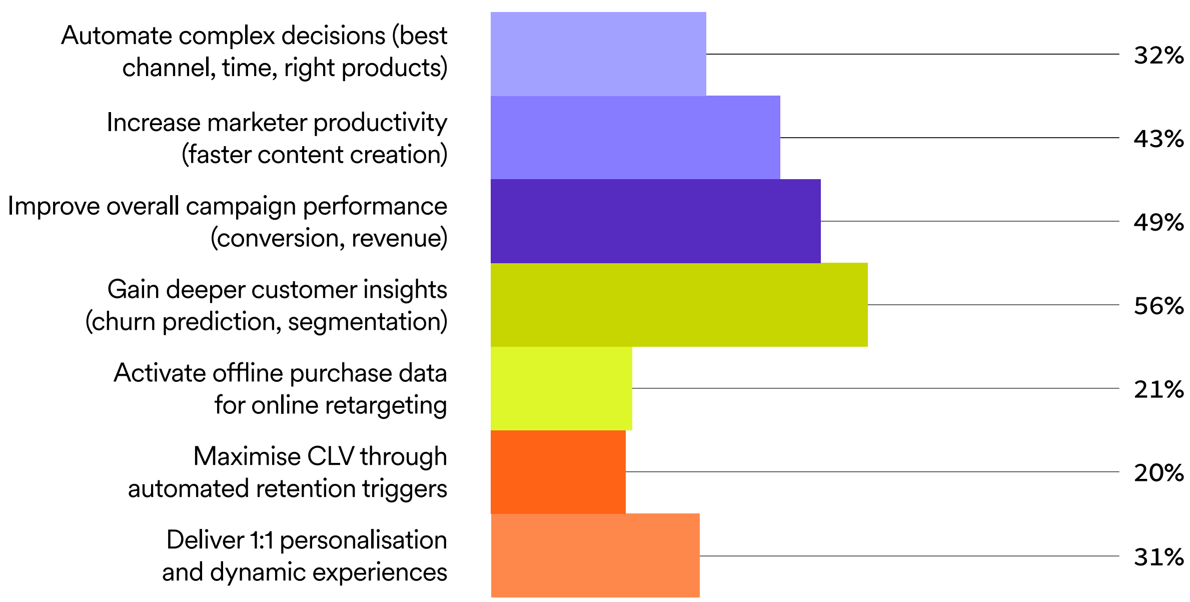
22% name skills as their barrier. Yet inability to scale AI is not a talent problem; it is an infrastructural

From Content to Intelligence

The 2026 Pivot

The definition of AI utility is undergoing a critical pivot in the United Kingdom, shifting from surface-level content generation to deep, autonomous predictive intelligence.

What are brands trying to achieve with AI in 2026?



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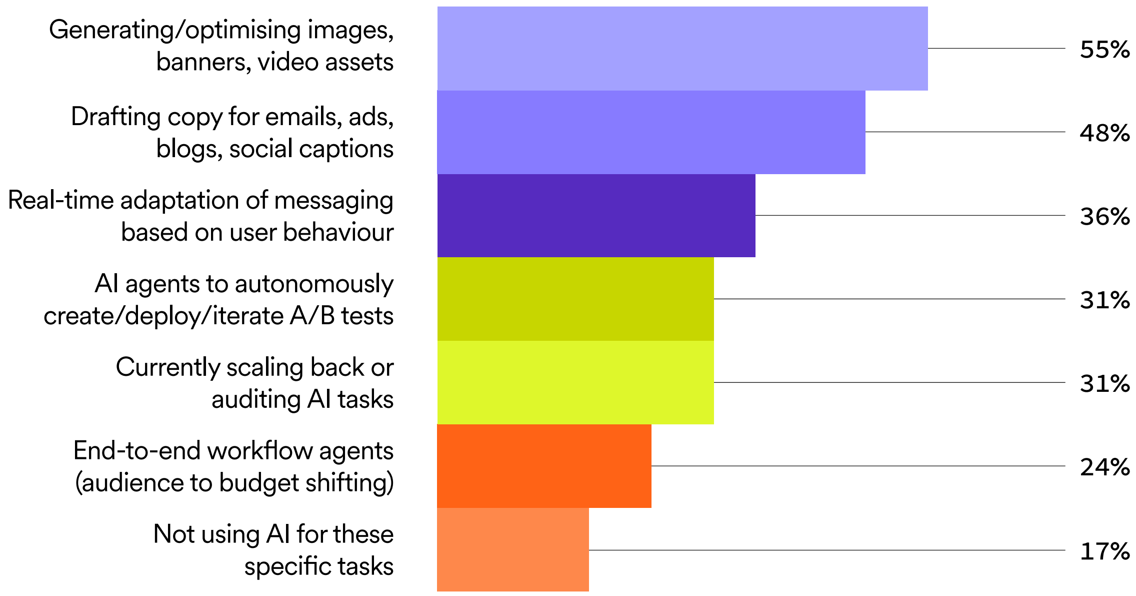
Where is AI actually deployed today?



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THE IMPLICATION

Content generation is becoming a baseline capability. The brands pulling ahead are using AI to decide who gets what message, through which channel, and at what moment. Brands that keep prioritising content volume over predictive intelligence will find that customers stop responding, because the content isn't relevant enough to cut through.

Investment Priorities

The Rise of the Autonomous Agent

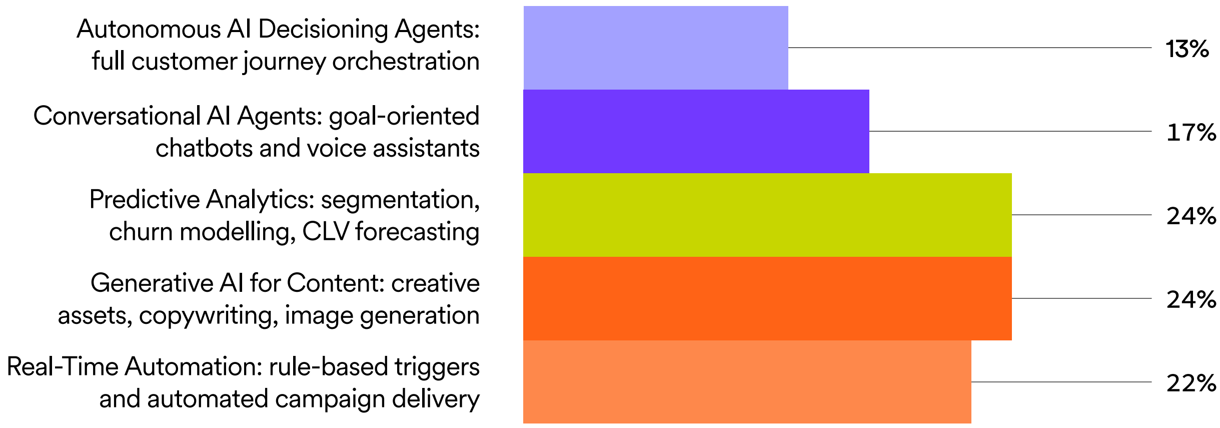
TOP PRIORITY FOR THE NEXT 12 MONTHS

24% Generative AI for Content

Where Brands Are Placing Their Bets in the Next 12 Months

Investment priorities tell the story of where the United Kingdom is heading. The shift from Generative AI for Content to Autonomous Decisioning Agents as a top priority is one of the clearest findings in this survey.

Investment areas & prioritization



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Which predictive model is actively being used to target campaigns?

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THE IMPLICATION

Predictive AI is rapidly shifting from competitive differentiator to table stakes. Brands not yet deploying churn or CLV models are operating with a fundamental blind spot in their customer strategy.

CASE IN POINT

The AI Advantage

CHALLENGE

A multi-brand electronics retailer faced challenges due to data silos and manual content creation. The need was to move to delivering personalisation at scale, requiring deeper customer insights, advanced segmentation, and intelligent automation.

IMPACT

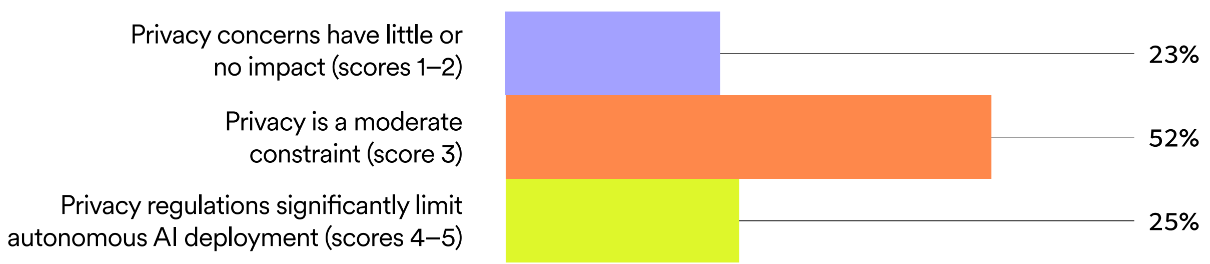
By leveraging an AI-native Customer Engagement Platform, the brand boosted creativity and productivity while reducing content errors. CRM-driven revenue share jumped from **8% to 25% (a 212% increase), while generative AI** helped reduce content creation time by 60%.

CHAPTER 6

Privacy and Ethics

The Regulatory Guardrails

As AI moves from generating content to making autonomous decisions, data governance stakes go up. In the United Kingdom, this shift happens against the backdrop of strong data protection regulation.



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BFSI

28%

of banking leaders cite privacy and ethics as a top barrier. Autonomous AI touching customer data across disconnected third-party tools creates regulatory exposure.

RETAIL

26%

of retail brands name privacy as a significant concern.

The Privacy and Utility Matrix: Where Does Your Stack Sit?

High Utility

DANGER ZONE

HIGH UTILITY · LOW SECURITY

AI drives outcomes but data privacy and compliance are unresolved, a liability waiting to surface.

RISK:
Regulatory fines, PII leaks, consumer trust erosion.

STAGNATION ZONE

LOW UTILITY · HIGH SECURITY

Strong compliance posture but AI is not being leveraged for outcomes. Governance without growth.

RISK:
Competitive irrelevance as early adopters compound their advantage.

← Low security

High security →

UNDERDEVELOPED ZONE

LOW UTILITY · LOW SECURITY

Minimal AI adoption and weak data governance. Needs foundational investment before scaling.

RISK:
Falling behind on both compliance and performance.

STRATEGIC LEADER ZONE

HIGH UTILITY · HIGH SECURITY

AI decisioning at scale with privacy-safe infrastructure. Full personalisation, zero compliance risk.

RISK:
None; this is where unified AI-native platforms sit.

High Utility

CHAPTER 7

The Autonomous Frontier

Offer Decisioning and Cross-Channel Parity

Customer engagement is evolving from AI co-pilots to autonomous agents, managing complex strategies and empowering marketers to focus on what matters most.

CURRENT REALITY

Is the same real-time offer reflected across every touchpoint?

73%

are still using manual or rule-based offer logic

30% Simple A/B tests to manually determine a winner for segments

28% Same offer shown to large segments, no optimisation

27% AI Decisioning Engine for 1:1 individual offers in real-time

15% Rule-Based Logic (if VIP, show Offer A; else Offer B)

THE OPPORTUNITY

Cross-Channel AI Consistency

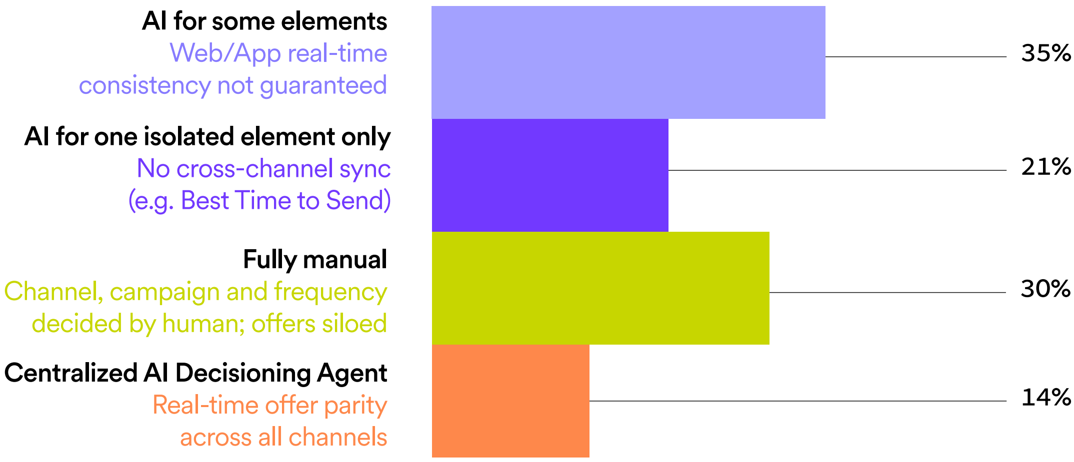
27%

using AI decisioning engine for 1:1 individual offers

- AI analyses purchase history, behavioural signals, and context
- Selects optimal channel, timing, and offer per individual
- Continuously learns from outcomes, improving with every interaction

Cross-Channel AI Consistency

Is the same real-time offer reflected across every touchpoint?



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CROSS-CHANNEL AI CONSISTENCY

86%

of the United Kingdom brands lack cross-channel AI consistency.

56%

are using AI across channels in a fragmented way. Either for one isolated element only, or without any guarantee of real-time consistency.

26%

of brands are planning to invest in predictive analytics in the next 12 months. But adding more AI to a fragmented stack doesn't fix the fragmentation. It just makes the silos more sophisticated.

Capability Comparison: Bolt-On vs Bridged vs AI-Native

CAPABILITY	BOLT-ON – 38%	BRIDGED – 48%	AI NATIVE – 14%
Data Freshness	Stale - periodic syncs	Semi real-time	Always real-time
Brand Alignment	Manual tone checks	Partial automation	Autonomous governance
Cross-channel Parity	Siloed by channel	Partial sync	Unified decisioning
AI Learning Loop	Broken - no feedback	Delayed	Continuous & real-time
Marketer Overhead	Very high	Moderate	Minimal
Compounding Advantage	None	Limited	Exponential

THE IMPLICATION

The goal is to utilize AI that operates as a single system. When decisioning is unified across web, app, and email, brands stop running manual tests to figure out the next best action for each customer. The system figures it ou and acts.

CASE IN POINT

The AI Advantage

CHALLENGE

A leading e-commerce platform needed to transition away from fragmented CRM tools to a unified, data-driven solution. They required a platform robust enough to handle high-stakes peak periods while supporting sophisticated personalisation.

IMPACT

By unifying customer data with an AI-powered platform and deploying the Intelligent Path Optimizer, the brand achieved **13% growth in purchase events quarter over quarter, a 3.76% increase in conversion rate for AI-powered flows,** and an 18.78% uplift in overall conversions.

CHAPTER 8

Strategic Roadmap

The AI-native Customer Data and Engagement Platform Framework

The data points to one imperative: move from fragmented AI experimentation to a unified, AI-native Customer Data and Engagement Platform. Every capability that closes each gap needs to be built in, not bolted on.

DATA

REAL-TIME DATA. PRIMED FOR ACTION

A single customer data layer that ingests, unifies, and segments in real time, giving AI the complete context it needs. No sync delays. No stale profiles. No broken feedback loops.

AI

PURPOSE-BUILT AI FOR ENGAGEMENT TEAMS

Not generic AI bolted on a legacy stack, but AI designed specifically for customer engagement: brand-aware content, predictive decisioning, autonomous A/B orchestration, and natural language journey building for non-technical marketers.

ENGAGEMENT

ENGAGE EVERY CUSTOMER. EVERY CHANNEL

Owned channels, connected channels, and every touchpoint in between, orchestrated by a single AI layer ensuring offer parity, timing optimisation, and message consistency across web, app, email, and push.

CASE IN POINT

The AI Advantage

CHALLENGE

A renowned international hotel chain was missing the “concierge opportunity.” Post-booking communication was purely functional, failing to engage guests with high-value add-ons like room upgrades or breakfast packages during the golden window before arrival.

IMPACT

Using AI to optimise post-booking recommendations led to a **354% year-over-year increase in email revenue and a 640% increase in breakfast**

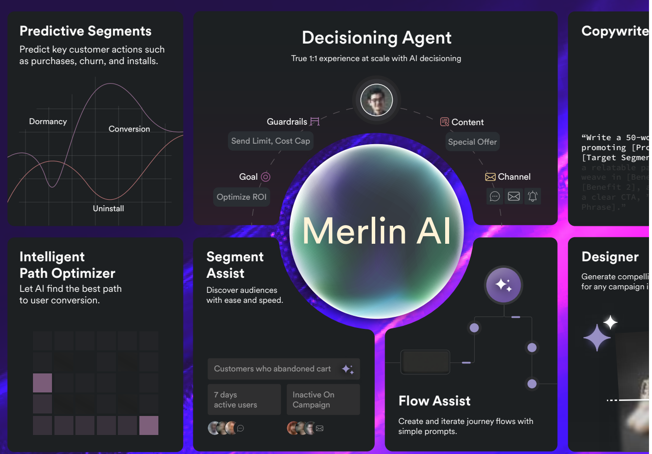
CHAPTER 9

The Solution

From Integration Tax to Zero Tax AI-Native Engagement

The MoEngage Merlin AI solution

Merlin AI is purpose-built for marketers, organized across three layers that together eliminate every gap identified in this survey, from the content creation bottleneck to the cross-channel decisioning deficit.



NATIVE INTELLIGENCE

Built directly into the MoEngage CDEP, Merlin solves the data fragmentation cited by

60% of BFSI and 52% of Retail brands

by analyzing a single, real-time, 360-degree customer view.

AGENTIC ORCHESTRATION

Merlin's Decisioning Agents move beyond basic copy generation to autonomously predict and optimize the "Next Best Channel," "Optimal Time," and "Most Relevant Offer" for every customer.

BRIDGING THE SKILLS GAP

Merlin AI Flow Assist uses natural language processing (NLP), allowing non-technical marketers to build complex, cross-channel journeys using simple prompts (e.g., "Re-engage high-value customers who haven't opened the app in 7 days").

BUILD	DECIDE	PREDICT
Generative agents that produce brand-compliant creative, from copy to images to dynamic personalization code, without the manual review bottleneck.	Autonomous decisioning agents that replace manual A/B tests, rule-based offer logic, and siloed channel decisions with real-time, individual-level optimization.	Predictive intelligence that surfaces behavioral signals before a customer acts, turning churn risk, purchase intent, and CLV forecasts into automated real-time triggers.
COPYWRITER Conversion-optimized copy for subject lines, push notifications, banners, and in-app messages. Brand-aware from the start. LEARN MORE →	OFFER DECISIONING AGENT Delivers the best 1:1 offer to each customer on Web, App, Email, and beyond, simultaneously, with real-time parity. AI Auto Optimize, Custom Policy, and Priority Ranking are built in. LEARN MORE →	PREDICTIVE SEGMENTS Predict any customer behavior: conversion likelihood, churn risk, renewal propensity, uninstall probability. Segments auto-update in real time as signals change. LEARN MORE →
DESIGNER On-brand product images, banners, and campaign creatives generated from a text prompt. No designer bottleneck. LEARN MORE →	CAMPAIGN DECISIONING AGENT Goal-based agents that autonomously select the right campaign, value proposition, creative, channel, frequency, and timing for every customer. Churn Prevention, Acquisition, Cross-sell, and Repeat Purchase agents, all running simultaneously. LEARN MORE →	PRODUCT RECOMMENDATIONS Recommend the most relevant products to each customer on any channel, powered by real-time behavioral data and purchase history. LEARN MORE →
SEGMENT ASSIST Build precise audience segments from natural language. "High-value users who haven't purchased in 30 days" becomes a live segment instantly. LEARN MORE →		BEST TIME TO SEND Communicates with each customer at the moment they're most likely to engage, individually calculated, continuously updated based on behavioral patterns. LEARN MORE →
FLOW ASSIST Build complex, cross-channel customer journeys from a single prompt. No technical expertise required. Full journey in minutes. LEARN MORE →		INTELLIGENT PATH OPTIMIZER Multi-armed bandit experiments that determine the optimal journey path, channels, and timing for each customer, continuously self-optimizing without manual A/B setup. LEARN MORE →
JINJA ASSIST AI-generated dynamic personalization code blocks, making 1:1 content variables accessible to non-technical marketers. LEARN MORE →		NEXT BEST CHANNEL AI identifies each customer's preferred channel and routes communications accordingly, Email, SMS, Push, WhatsApp, or in-app. Always on their terms. LEARN MORE →

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MoEngage is a unified, AI-native customer engagement platform trusted by 1,350+ global consumer brands, including Travelodge, Unilever, Deutsche Telekom, Pizza Hut, Samsung, Adidas, Coca-Cola, Starbucks, Domino's and TopCashback. MoEngage combines data from multiple sources to help brands gain a 360-degree view of their customers.

MoEngage Analytics arms marketers and product owners with insights into customer behavior. Brands can leverage MoEngage Personalize to orchestrate journeys and build 1:1 conversations across the website, mobile, email, social, and messaging channels. MoEngage Inform, the transactional messaging infrastructure, helps unify promotional and transactional communication to a single platform for better insights and lower costs. MoEngage's AI Suite helps marketers develop winning copies and creatives, optimize campaigns and channels that boost engagement, and help with faster execution.

For over a decade, consumer brands in 60+ countries have been using MoEngage to power digital experiences for over a billion monthly customers. With offices in 17 countries, MoEngage is backed by Goldman Sachs Asset Management, A91 Partners, ChrysCapital, Dragon Funds, Schroders Capital, TR Capital, B Capital, Steadview Capital, Multiples Private Equity, Eight Roads, F-Prime Capital, Matrix Partners, Ventureast, and Helion Ventures.

MoEngage was named a Customers' Choice Vendor in the Gartner Peer Insights™ Voice of the Customer: Multi-channel Marketing Hub 2026 and the Gartner Peer Insights™ Voice of the Customer: Email Marketing Report 2025, Contender in The Forrester Wave™: Real-Time Interaction Management, Q1 2024 report, and Strong Performer in The Forrester Wave™ 2023 report.

To learn more, visit www.moengage.com