

# Spotlight On 2016 CX Helps And Hurts

## Landscape: The Customer Experience Ecosystem Playbook

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### Customer Experience: Rich With Possibility, Fraught With Danger

Report Excerpt

From a once-nascent discipline, customer experience (CX) rose to the No. 1 priority for business and technology leaders in 2015.<sup>1</sup> With chief customer officers (CCOs) jumping into their second, third, or even fourth leadership role, CX methods proliferating across enterprises, and CMOs showing growing interest in CX, we expect customer experience to keep gaining momentum across organizations. But the road ahead isn't going to be smooth. CX pros will face familiar problems with legacy technology and tight budgets and should approach partnership entreaties with caution.

#### Legacy Systems Will Inhibit CX Transformations

Years of uncoordinated technology purchases across call centers, marketing teams, and product lines have come home to roost, hamstringing big CX innovation efforts. In 2016, as companies invest in new interfaces and adoption of digital experiences gains critical mass, companies will discover the limitations of their legacy technology more frequently and dramatically. As a result:

- › **Companies are limited to fixing stepping stones on the customer journey.** Disconnected enterprise systems harboring only partial profiles of customers have long been the bane of CX pros' efforts to transform customer journeys from end to end. In 2016, we'll see glimmers of success — Wells Fargo personalizing its ATMs and Expedia saving travel searches across devices — but short of rebuilding their technology stack, companies won't be unifying the end-to-end customer journey anytime soon.

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- › **CX high points accentuate potholes in the experience.** At the same time that new technologies, like Aloft hotel's robot butler, provide whiz-bang capabilities in some areas, disjointed legacy technologies still drag down other parts of the experience. For many shortsighted companies, enhancing their front-end digital experiences to keep up with industry trends and satisfy customers' demands will only complicate their back-end technology picture further. To overcome the limitations of point solutions, companies that are serious about transforming their CX will put their money where their mouth is.

**CMOs' Growing Interest In CX Will Threaten To Overwhelm CX Pros**

In recent years, the split between CX and marketing widened as CX grew into an independent business function and marketing focused on acquiring rather than retaining customers. As a result, marketing often promised one experience while CX delivered another. Smart CMOs realize that brand, marketing, and the customer experience must align. With this realization, many zealous and well-meaning CMOs will seek to lead CX efforts in 2016.<sup>2</sup> In this environment:

- › **CX pros gain access to bigger budgets, but at a price.** In 2015, budget shortfalls plagued 52% of CX pros' efforts to improve the customer experience at their companies.<sup>3</sup> That's why CX pros will welcome the added attention from CMOs in 2016 and the bountiful funds that they expect will follow. (CMOs will have plenty to give: Marketing budgets grew at a projected 8% in 2015, and marketers spent \$540 billion on advertising alone.)<sup>4</sup> However, CMOs won't simply write blank checks. Instead they'll require CX teams to prove that their projects improve key performance indicators that marketers care about like customer acquisition and engagement.
- › **Marketing threatens to dominate the CX discussion.** With their enormous budgets, large staff, and prominence on executive planning committees, CMOs can easily overwhelm the voices of even C-suite-level CCOs. In 2016, this phenomenon will become routine as CMOs seek to drive the CX discussion at senior levels. The result will be a good-news/bad-news story. The good news is that with CMOs discussing brand, marketing, and CX strategies in the same breath, these three efforts will become better aligned. The bad news is that CMOs' natural affinity for marketing-related efforts like personalized advertising and the use of customer interaction history to boost lead quality will give short shrift to the post-acquisition phases of the customer life cycle like onboarding and customer service that marketers traditionally ignore.
- › **Some CX pros let themselves become an appendage of marketing.** Excited about the promise of CMOs' support in return for a focus on marketing concerns, some CX pros will happily follow their CMOs' lead and concentrate on improving brand affinity and marketing funnels. These CX pros will even supplant their focus on tried-and-true CX metrics, retooling their measurement programs to support CMO-friendly metrics like brand recognition. As a result, marketing will become better than ever at promising experiences that customers want — while too many companies will become worse at actually delivering those experiences.

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- › **The predicted decline of CMOs fails to materialize.** In 2015, UK retailer John Lewis eliminated its CMO position and created a new CCO role to lead both marketing and CX. In response, some commentators forecast that many companies would soon give CCOs control over the entire customer life cycle. Don't count on it. The CMO role will remain alive and well in 2016 as companies experiment with a dizzying array of options for CX and marketing leadership, including equal CMOs and CCOs and CMOs that control CX.

**Cash-Starved CX Pros Will Find Some Relief With Lean CX Methods**

Although a few companies find themselves flush with cash for flashy experience improvements, that's not the situation for more than half of the CX pros whom we survey. Given that CX and design talent aren't getting any cheaper, in 2016, we'll see smart organizations make the most of scarce resources by adopting leaner methods for customer understanding, design, and measurement.<sup>5</sup>

- › **Lean customer research takes hold.** We've long stressed the importance of observational research, including ethnography, to elicit customers' deep needs. But only 16% of companies tell us that they conduct this type of research.<sup>6</sup> And given its heavy resource requirement, it's no wonder that firms are looking for faster, cheaper alternatives. Online usability testing platforms that promise rapid feedback at a fraction of the cost of usability labs are seeing big interest from venture-capital firms. Without the luxury of time and budget, we expect to see more CX pros in 2016 kick research and experimentation into high gear with leaner guerrilla methods.<sup>7</sup>
- › **Crowdsourcing fuels CX innovation efforts.** Last year, we predicted that upstarts would extend their CX ecosystems through sharing economy partnerships and crowdsourcing to upend established markets.<sup>8</sup> This intensified competition, coupled with customers' rapidly rising expectations and compressed cycle times, places growing pressure on incumbents to innovate or risk being left behind.<sup>9</sup>
- › **New CX measurement tools complement surveys' shortcomings.** Last year, we predicted that emotionally-intelligent companies would look for new ways to measure sentiment.<sup>10</sup> Indeed we've seen companies jump on the sentiment bandwagon with text analytics, although few have mastered the art of measuring specific emotions.<sup>11</sup> In 2016, in addition to measuring emotion, we'll see companies invest in tools that promise to deliver faster, deeper insights to complement their costly survey programs.<sup>12</sup> For example, InMoment's Active Listening tool analyzes comments as customers type them into online forms to capture richer feedback. Finally, with the proliferation of mobile apps, we expect to see more companies investing in location-aware in-app feedback to boost their CX insights.

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**CX Techniques Will Proliferate Throughout The Enterprise**

CX pros have proven the power of outside-in techniques like personas and customer journey and ecosystem mapping. That's why other business functions from HR to public relations (PR) are asking CX teams for help or using core CX techniques on their own.<sup>13</sup> Just as other technical skills like coding have proliferated beyond their origins, the incorporation of CX into various business functions is poised to explode, and 2016 will witness the proliferation of CX techniques throughout companies.<sup>14</sup> As a result:

- › **CX teams see their dance cards fill up.** With business functions as diverse as HR and product development inundating CX teams with requests for training, one-off workshops, and long-term partnerships, CX teams that are positioned to train others in core CX skills will be best able to distribute the extra work.
- › **Smart CX and design agencies seize new business opportunities.** As departments like HR, PR, and technology management start using CX design methods, they'll find that their usual go-to consultancies don't have the skills to help. So these departments will approach CX and design firms for assistance. Some agencies are already getting ahead of the curve. In 2016, look for more leading CX and design agencies to position themselves for a wave of new business from all corners of the enterprise.
- › **A litter of new CX techniques leave CX pros scrambling to herd cats.** Teams throughout the enterprise that adapt CX tools and combine them with other practices will give birth to new techniques. Some of these tools, like new processes for rapidly combining empathetic design methods with rigorous data analysis, will represent important evolutions. Conscientious CX pros will spend long hours identifying which new techniques they should master, use, and evangelize — and which ones they should curtail.

**Endnotes**

<sup>1</sup> Seventy-one percent of business and technology leaders said that improving CX was a high or critical priority in 2015 — the top initiative we asked about. Source: Forrester's Business Technographics® Global Priorities And Journey Survey, 2015.

<sup>2</sup> For more information, see the "Predictions 2016: The New Benchmark For Brand Management [121208]" Forrester report.

<sup>3</sup> Source: Forrester's Q3 2015 US And European State Of Customer Experience Programs Online Survey.

<sup>4</sup> Source: Michael Sebastian, "Marketers to Boost Global Ad Spending This Year to \$540 Billion," Advertising Age, March 24, 2015 (<http://adage.com/article/media/marketers-boost-global-ad-spending-540-billion/297737>); "Strong Economic Outlook Spurs Marketing Spending," The CMO Survey Blog, February 17, 2015 (<http://cmosurvey.org/blog/strong-economic-outlook-spurs-marketing-spending>); "Who Has The Biggest Marketing Budgets?" The CMO Survey Blog, March 6, 2014 (<http://cmosurvey.org/blog/who-has-the-biggest-marketing-budgets>).

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- <sup>5</sup> In a 2014 survey, 68% of eBusiness and channel strategy professionals said that CX and user experience (UX) roles are difficult to hire, and one in four reported that CX/UX is the area where they are most understaffed. Source: Forrester's Q3 2014 Global eBusiness And Channel Strategy Professional Online Survey.
- <sup>6</sup> Source: Forrester's Q4 2014 Global Customer Experience Peer Research Panel Online Survey.
- <sup>7</sup> For example, another health insurer used community events like blood-pressure screenings as an opportunity to recruit customers to test its upgraded interactive voice response system. See the "Guerrilla CX: Improving The Quality Of Your CX Despite Tight Budgets And Small Teams [122369]" Forrester report.
- <sup>8</sup> A customer experience ecosystem is the web of relations among all aspects of a company — including its customers, employees, partners, and operating environment — that determine the quality of the customer experience. See the "The Customer Experience Ecosystem Redefined [115904]" Forrester report.
- <sup>9</sup> These new market realities require a shift to a more democratized, agile, and design-oriented notion of innovation. See the "How CX Pros Innovate [118090]" Forrester report.
- <sup>10</sup> Forrester found that emotion has a bigger impact on customer loyalty than either effectiveness or ease, the two other dimensions of customer experience. Last year, we predicted that companies looking to differentiate based on the quality of their customer experience will jump on the emotional bandwagon. See the "Predictions 2015: The Race From Good To Great Customer Experience Heats Up [115792]" Forrester report.
- <sup>11</sup> Text analytics is the go-to tool for voice of the customer (VoC) program managers who want to measure sentiment. While text analytics lets companies uncover an additional layer of insights by sifting through feedback in the customers' own words, it's not a silver bullet, as accuracy is not guaranteed and vendor solutions require nontrivial time and resources to get started. See the "How To Use Text Analytics In Your VoC Program [110422]" Forrester report.
- <sup>12</sup> Surveys are the workhorse of CX measurement: 96% of the companies that say that they have a formal program for gathering and responding to customers' feedback use structured surveys. See the "Beyond Surveys: New Tools For More Effective CX Measurement [113646]" Forrester report.
- <sup>13</sup> Attendance at Forrester's CX Forums also portends the imminent explosion of CX skills throughout the enterprise. In 2014, fewer than a quarter of CX Forum attendees reported working in CX, user experience, or affiliated disciplines. About one-fifth of attendees (2,112) came from marketing/loyalty, another fifth worked in operations/eCommerce/product management, and the remaining three-fifths came from IT, strategy, innovation, and elsewhere. Source: Forrester's Forum For Customer Experience Professionals East, Forrester's Forum For Customer Experience Professionals West, and Forrester's Forum For Customer Experience Professionals EMEA, 2014.
- <sup>14</sup> There is ample precedent for the technical skills of one office diffusing throughout companies. Now that software is key to every business' survival, some firms encourage employees in nontechnical positions to learn to code. This gives staff members throughout the enterprise the ability to create the applications that they need instead of waiting on a centralized technology management office to find the time. The US government is even getting in on the action: Several agencies have paid for their employees to take coding classes and the US Department of Veterans Affairs offers in-house training.

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