FOR CUSTOMER EXPERIENCE PROFESSIONALS

Predictions 2016: The Spotlight On CX Helps And Hurts

Landscape: The Customer Experience Ecosystem Playbook

by Deanna Laufer and Rick Parrish
November 11, 2015

Why Read This Brief

Customer experience (CX) has become the top priority for business and technology leaders for good reason — few things drive customers' loyalty more than CX. With competition intensifying and executives' ambitions aimed high, CX pros will see growing interest in their nascent discipline from all corners of the enterprise. But they'll soon find that not all attention is good attention. In this brief, we describe the key positive trends for CX pros in the coming year and highlight the roadblocks that they'll likely encounter along the way.

Key Takeaways

Years Of Uncoordinated Technology Purchases Will Hamper CX Innovation
In 2016, as companies continue investing in new interfaces to meet growing adoption of digital experiences, we'll see companies bumping up against the limitations of their legacy technology more frequently. Companies will continue to fix discrete paths of customer journeys but should be wary that the high points they deliver may serve to accentuate potholes elsewhere in the experience.

CX Pros Should Be Wary Of Growing Interest
Business functions from HR to PR are applying CX techniques, and there is growing interest from CMOs who realize that brand, marketing, and CX must align. While CMO partnerships promise access to bigger budgets, CX pros should ensure that CMOs understand the importance of improving post-acquisition experiences and that other well-meaning colleagues are applying CX techniques appropriately.

Cash-Starved CX Pros Will Find Respite In Lean CX Methods
In 2015, limited budgets continued to hamper most CX pros' efforts. And in 2016, we'll see smart firms adopt leaner methods for customer understanding, design, and measurement. Guerrilla CX research, crowdsourcing, and social listening will take their place alongside traditional but more expensive CX techniques.

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CX In The Spotlight In 2016: Rich With Possibility; Fraught With Danger

From a once-nascent discipline, customer experience rose to the No. 1 priority for business and technology leaders in 2015.[1] 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.[2] 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. Don't expect startups that are built on unified customer data to make big gains here either: While Uber can experiment with Spotify access through APIs, easy data integration doesn't guarantee that these companies will deliver experiences that customers actually want or need.

› **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 example, in the rush to roll out mobile capabilities, Air Canada failed to integrate mobile with its existing digital touchpoints. So its

customers can book flights via its mobile app but can't amend other bookings made at aircanada. com on the app.[3] For many shortsighted companies, enhancing their front-end digital experiences to keep up with industry trends and satisfy customers' demand 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, like United Airlines did when it spent two years re-engineering its digital platforms to create a single source of truth for real-time travel information for both passengers and staff.[4]

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.[5] As a result, marketing often promised one experience while CX delivered another, like the US automaker that marketed passion over precision and then delivered a bland dealer experience and cars that were finely detailed but not much fun to drive. 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.[6] In the words of Salesforce CMO Lynn Vojvodich, "The new CMO is about owning the customer experience."[7] 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.[8] 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.)[9] 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.

› **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.[10] 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. To wit: Just as John Lewis made its move, GoDaddy separated CX and marketing when it simultaneously appointed a new CMO and added a CCO, and CMOs at companies like Electrolux strengthened their hold over CX.[11]

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.[12]

› **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.[13] And given its heavy resource requirement, it's no wonder that firms are looking for faster, cheaper alternatives. For example, online customer panels — a mainstay of the market research community — are making inroads into CX at companies like Direct Line, Entergy, and Regence BlueCross BlueShield to provide insights that feed CX, process, and product improvement. 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.[14] 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.[15]

› **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.[16] 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.[17] Under this backdrop, we're seeing a flood of budget-minded innovation through crowdsourcing from industry, like MyStarbucksIdea, to government, with Challenge.gov. Even the much-maligned US Transportation Security Administration (TSA) set aside $15,000 to fund a challenge to design the next generation of PreCheck lines.[18] Taking it a step further, we'll see savvy CX pros copy organizations like Intuit, Scottrade, and the US Consumer Financial Protection Bureau, turning the spotlight inward to drive innovation from employees across their business including groups like human resources (HR), customer service, and IT.[19]

› **New CX measurement tools complement surveys' shortcomings.** Last year, we predicted that emotionally-intelligent companies would look for new ways to measure sentiment.[20] Indeed we've seen companies jump on the sentiment bandwagon with text analytics, although few have mastered the art of measuring specific emotions.[21] 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.[22] For example, InMoment's Active Listening tool analyzes comments as customers type them into online forms to capture richer feedback. JetBlue Airways partnered with Infegy and SparkCentral to monitor social media conversations and gather feedback on the quality of its Fly-Fi service faster than surveys possibly could. 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.

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.[23] During the past two years, General Motors' CCO co-led the company's vehicle recall process, Cisco Systems designed its leadership transition from the outside in to consider its impact on the customer experience, and more HR departments dipped their toes into employee journey mapping. 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.[24] 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. That's how Fidelity does it. Fidelity's CX champions program trains volunteers throughout the organization to use CX methods to support their teams with only minimal support from the small central CX office. CX teams that aren't aligned to distribute the coming workload will face three unpleasant options: Work overtime to fulfill every request, beg for budget to hire more experienced CX pros, or prioritize requests and leave some colleagues to seek help from outside consultancies whose practices may not align with the CX team's efforts elsewhere in the company.

› **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. Prophet prepared toolkits and processes to help departments like these operationalize their company's CX strategy. Ideo recently launched Ideo University, an online platform that trains teams or entire organizations in design methods. And IBM Interactive Experience uses its proprietary IBM Design Thinking practice with clients. 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. Other new techniques, like touchpoint lists or internal process charts that masquerade as customer journey maps, will threaten to corrupt core CX practices. Conscientious CX pros will spend long hours identifying which new techniques they should master, use, and evangelize — and which ones they should curtail.

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Supplemental Material

Survey Methodology

We fielded Forrester's Q3 2015 US And European State Of Customer Experience Programs Online Survey to 214 CX professionals recruited by Forrester and our panel partners. For quality assurance, panelists are required to provide contact information and answer basic questions about their firms' size and principal business.

Forrester fielded the survey from June 2015 to July 2015. Respondent incentives included a copy of a report resulting from this data.

Exact sample sizes are provided in this report on a question-by-question basis. Panels are not guaranteed to be representative of the population. Unless otherwise noted, statistical data is intended to be used for descriptive and not inferential purposes.

The Forrester/ANA Q1 2015 Customer Life-Cycle Marketing Online Survey collected data from 61 marketing professionals sourced from the ANA's marketing leader database. Forrester screened responses to include only those respondents from firms that sell to businesses and/or consumers, who work at companies with 50 employees or more, and who have budget or management responsibility at their firms. For quality assurance, we required respondents to answer basic questions about their firm's revenues, industry, and job title/role.

Exact sample sizes are provided in this report on a question-by-question basis. Panels are not guaranteed to be representative of the population. Unless otherwise noted, statistical data is intended to be used for descriptive and not inferential purposes.

Forrester and Heidrick & Struggles conducted the Q3 2011 Forrester/Heidrick & Struggles Global Evolved CMO Online Survey of 191 organizations globally to evaluate the role of the CMO. Survey participants included decision-makers in CMO or senior-most marketer roles in the organization. Questions provided to the participants asked about required skill sets, strategic objectives, and personal development. The study began in August 2011 and was completed in September 2011.

Forrester and Heidrick & Struggles conducted the Q3 2013 Forrester/Heidrick & Struggles Evolved CMO Global Online Survey of 212 organizations globally to evaluate the role of the CMO. Survey participants included decision-makers in CMO or senior-most marketer roles in the organization. The survey respondents represent 41% B2B, 39% B2C, and 20% equal combination of both B2B and B2C. Industries include consumer packaged goods, software, financial services, consulting, retailers, insurance providers, media, healthcare, hotels, banking, wholesale and distribution, transportation, telecommunications, computers and electronics, real estate, and logistics services. Questions provided to the participants asked about required skill sets, strategic objectives, and personal development.

Forrester fielded its Q3 2014 Global eBusiness And Channel Strategy Professional Online Survey to eBusiness and channel strategy professionals. The panel consists of volunteers who join on the basis of interest and familiarity with specific marketing and strategy topics. For quality assurance, panelists are required to provide contact information and answer basic questions about their firms' revenue and budgets.

Forrester fielded the survey in September 2014. Exact sample sizes are provided in this report on a question-by-question basis. Panels are not guaranteed to be representative of the population. Unless otherwise noted, statistical data is intended to be used for descriptive and not inferential purposes.

Endnotes

[1] 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.

[2] For example, Olivier Mourrieras, former customer experience leader at Orange, now leads E.On's CX organization, and Jeanne Bliss is a CCO four times over. See the "Executive Q&A: Success Secrets From Senior Customer Experience Executives" Forrester report.

[3] Consumers may be using multiple touchpoints together, but it's not easy to create a compelling experience that extends across these touchpoints. Many firms still operate in organizational silos and are burdened with legacy technology that hinders their ability to deliver compelling cross-touchpoint experiences. A channel-by-channel approach has led many brands to optimize individual touchpoints to deliver a fantastic experience in isolation — but one that fails to allow the consumer to continue his journey on to the next touchpoint. See the "Manage The Cross-Touchpoint Customer Journey" Forrester report.

[4] In the age of the customer, technology trends will mature in three phases: 1) a dawning phase, which will spur invention-rich point solutions; 2) an awareness phase, which will push the limits of point solutions; and finally 3) an acceptance phase, which will force end-to-end technologies into the mainstream. See the "The Top 10 Technology Trends To Watch: 2016 To 2018" Forrester report.

[5] Fewer than a fifth of CX teams now report to CMOs, and fewer than a quarter of marketing departments prioritize customer retention, according to recent Forrester surveys. According to a survey of 214 attendees at Forrester's CXNYC 2015 Forum, only about 19% of CX teams report up to CMOs. That's practically identical to the 18% that report directly to CEOs and not much more than the 13% that fall under CCOs or the 11% that work for chief operating officers.

The number of marketing departments that prioritize customer retention has actually declined over the past few years. According to the Forrester/ANA Q1 2015 Customer Life-Cycle Marketing Online Survey, just 22% of marketers prioritize retaining existing customers. That's the same result as the Forrester's Q3 2013 Forrester/Heidrick & Struggles Evolved CMO Global Online Survey — but 8 percentage points less than the 30% of marketers who reported focusing on customer retention in the Forrester's Q3 2011 Forrester/Heidrick & Struggles Global Evolved CMO Online Survey.

[6] For more information, see the "Predictions 2016: The New Benchmark For Brand Management" Forrester report.

[7] Source: "CMOs Taking Control Of The Customer Experience," Engage Employee, (http://engageemployee.com/cmos-taking-control-of-the-customer-experience).

[8] Source: Forrester's Q3 2015 US And European State Of Customer Experience Programs Online Survey.

[9] Source: Michael Sebastian, "Marketers to Boost Global Ad Spending This Year to $540 Billion," AdvertisingAge, 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); and "Who Has The Biggest Marketing Budgets?" The CMO Survey blog, March 6, 2014 (http://cmosurvey.org/blog/who-has-the-biggest-marketing-budgets).

[10] John Lewis promoted its marketing director, Craig Inglis, into the new customer director role. Source: Sara Spary, "As John Lewis promotes Craig Inglis, are we witnessing the rise of the customer director?" Marketing Magazine, September 9, 2015 (http://www.marketingmagazine.co.uk/article/1363284/john-lewis-promotes-craig-inglis-witnessing-rise-customer-director).

[11] GoDaddy announced Barb Rechterman as its new CCO and Phil Bienert as its CMO in March 2015. Source: "GoDaddy Names Chief Customer Officer & New Chief Marketing Officer," Business Wire press release, March 5, 2015 (http://www.businesswire.com/news/home/20150305005959/en/GoDaddy-Names-Chief-Customer-Officer-Chief-Marketing).

[12] 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.

[13] Source: Forrester's Q4 2014 Global Customer Experience Peer Research Panel Online Survey.

[14] UserTesting received $45.5 million in funding in January 2015, and most recently prototyping and usability testing startup CanvasFlip raised $1.2 million in September 2015. Source: "A $45.5M Announcement and a Big Thank You from UserTesting," UserTesting blog, January 28, 2015 (https://www.usertesting.com/blog/2015/01/28/funding-announcement) and Shweta Modgil, "Hyderabad Based Usability Testing Startup CanvasFlip Raises $1.2 Mn From Bessemer To Explore International Markets," Inc42, September 14, 2015 (http://inc42.com/flash-feed/canvasflip-funding).

[15] 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" Forrester report.

[16] 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" Forrester report.

[17] These new market realities require a shift to a more democratized, agile, and design-oriented notion of innovation. See the "How CX Pros Innovate" Forrester report.

[18] Source: "Next Generation Queue Design and Model," Innocentive (https://www.innocentive.com/ar/challenge/9933343).

[19] Intuit gives each employee "unstructured time" to spend on personal interest projects either individually or as part of an ad hoc team. For the past three years, more than half of the innovation awards that Intuit founder Scott Cook gave out have gone to projects that emerged from these unstructured-time activities. See the "How CX Pros Innovate" Forrester report.

[20] 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" Forrester report.

[21] 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" Forrester report.

[22] 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" Forrester report.

[23] 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.

[24] 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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