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The Business Impact Of Investing In Experience

How Experience-Driven Businesses
Survive and Thrive in Uncertain
Business Environments



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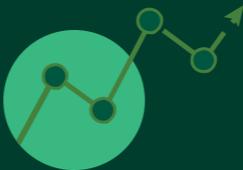
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38% of survey respondents' organizations qualify as experience-driven businesses because they embrace best practices across people, process, and technology pillars. This is up from 31% in 2018.



EDBs grew revenue 1.7 times faster and increased customer lifetime value 2.3 times more than other companies in the past year.

Executive Summary

Today's business environment is more challenging than ever before. In an environment pervaded by growing uncertainty, businesses must not only understand their customers, but also rally around customer experience (CX) to survive and thrive. Around the world, companies are being charged with the tasks of meeting and anticipating the ever-changing needs and expectations of customers through highly contextual and personalized experiences. Though it requires a great deal of work to commit to customer experience, being an experience-driven firm is no longer a luxury, but a business imperative.

KEY FINDINGS

- › **Nearly all firms prioritize CX, but only some commit seriously to being experience-driven businesses (EDBs).** In today's business climate, businesses are tasked with prioritizing initiatives focused on retention and improving experience across the customer lifecycle to meet and exceed customer expectations. However, not all businesses commit equally to CX excellence across people, process, and technology pillars. Those that do are called experience-driven businesses. Today, 38% of respondents qualify as EDBs — a jump from 31% in 2018.
- › **EDBs differ in behavior and the challenges they face.** EDBs are much more likely to invest broadly and significantly in CX initiatives. Due to their commitment to CX, these organizations face challenges such as higher marketing costs, slower time-to-market, and slower time-to-insight. However, these short-term upfront costs pay off with EDBs reaping the benefits of long-term, holistic CX.
- › **Investing in experience drives superior business impact for EDBs.** The long-term investments experience-driven businesses make in improving CX are paying off. EDBs grew revenue 1.7 times faster than other companies in the past year compared to 1.4 times faster in 2018. Additionally, experience-driven businesses have happier employees and superior performance across the entire customer life cycle — from attraction to advocacy.

Only Some Businesses Commit Seriously To Being Experience-Driven Businesses

The uncertainty around the recent global pandemic has only highlighted the urgent need to meet customers where they are. That means accelerating the commitment to digital experiences. In surveying 434 global digital business, marketing, and analytics professionals, we found that:

› **Global enterprises prioritize improving CX across the entire life cycle.**

Improving experience, increasing retention, and revenue growth emerged as the most critical priorities for respondents' enterprises in the next 12 months. There were some significant changes in prioritization since 2018, though. Leveraging big data and analytics jumped spots in the ranked priorities from twelfth in our 2018 survey to the fifth spot in 2021. On the other hand, priorities such as addressing rising customer expectations and reducing costs dropped in terms of prioritization (see Figure 1).

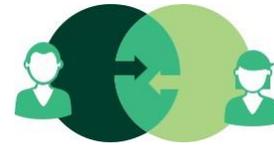


Figure 1

“How much of a priority are each of the following likely to be at your organization over the next 12 months?”



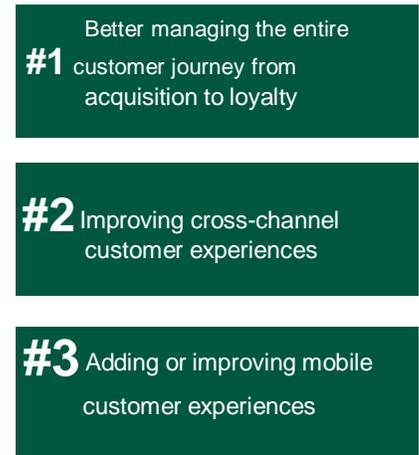
Base: 434 manager level and above marketing, CX, and digital business decision-makers with responsibility for CX technology decisions and metrics development

› **Uncertain times have only amplified the need for organizations to rally around CX tactics.** Half of respondents report that enterprises are committed to managing the entire customer journey better. And, due in part to our current business climate and acceleration towards digital experiences, improving cross-channel customer experiences (43%) and improving mobile customer experiences (42%) are top CX improvement priorities over the next year (see Figure 2). The top ranked tactics enterprises are using to improve their CX is improving measurement (30%) and transforming culture (27%).

› **Not all businesses commit equally to excellence across people, process, and technology.** Those that do are experience-driven businesses. For the purposes of our study, we identified best practices along people, process, and technology pillars and asked respondents to rate their organizations' effectiveness within them. Most respondents seemed to give their organizations a good amount of credit for their work on each of the three pillars. More than 60% of respondents claimed that the best practices we outlined describe their people or processes "Very well" or "Completely," or that they are "Very" or "Extremely" effective in using technology to accomplish a variety of goals. However, in most cases, less than a third fully embraced each of the three pillars.

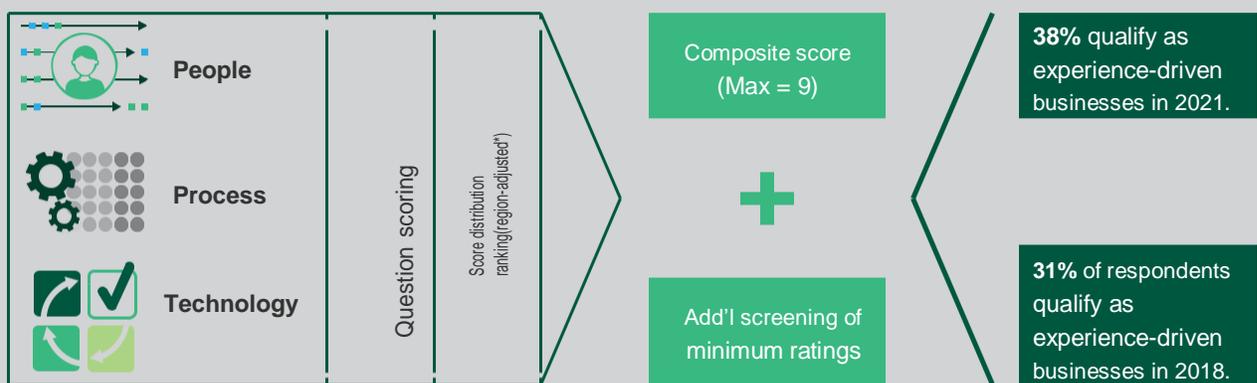
As we did in 2018, we conducted a maturity assessment to identify the companies in our survey who consistently embrace CX best practices across people, process, and technology pillars. We call these leaders experience-driven businesses. In 2018, Forrester found that 31% of respondents belonged to fully committed experience-driven businesses (EDBs). In 2021, this number rose to 38% (see Figure 3).

Figure 2
Top Customer And Prospect Experience Improvements



Base: 419 manager level and above marketing, CX, and digital business decision-makers with responsibility for CX technology decisions and metrics development at organizations that prioritize improving the experience of their customers/prospects

Figure 3
Maturity Framework



Base: 434 manager level and above marketing, CX, and digital business decision-makers with responsibility for CX technology decisions and metrics development

Note: Scores were ranked at the regional level to eliminate regional/cultural rater bias from the analysis. For this exercise only, Australia scores were considered as part of the European distribution.

EDBs Behave Differently And Face Different Challenges

Being an experience-driven business is not easy. It requires a relentless commitment and investment in CX across people, processes, and technology, even while weathering a storm. We found that:

› **EDBs invest more broadly in initiatives that support strong CX.**

Experience-driven businesses are more likely to make broad investments in specific CX and marketing initiatives than other companies. On average, they have 12 dedicated budget lines in the 2021 fiscal year towards CX, as opposed to only eight for non-EDBs (see Figure 4). Most notably, in the next year, EDBs plan to invest in cross-channel experience design, data integration/management, and personalization and testing (see Figure 4). In 2021, EDBs have also increased budget lines across nearly all investment categories since 2018, except for journey analytics and physical location experience design. Firms dedicated to experience were steadfast in their investments, even during the uncertainty of the ongoing pandemic.

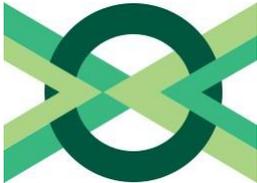
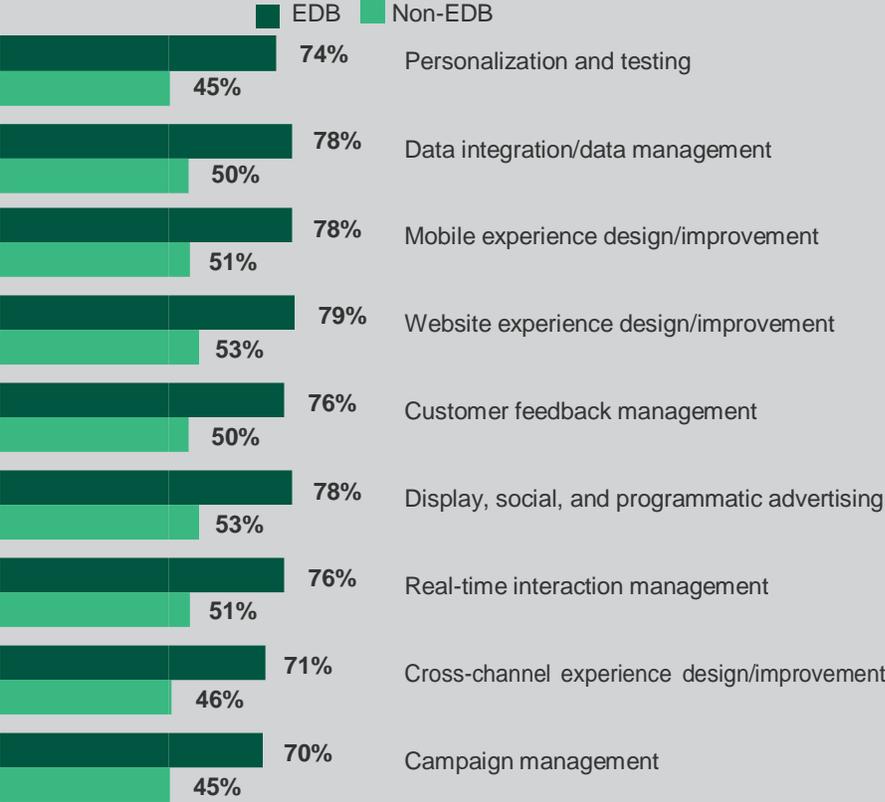


Figure 4
Categories With Dedicated Budget Lines For
2021 “Yes, we have a specific budget.”



Avg Number Of Dedicated Budgets

Experience-Driven Business	12 categories
Non-Experience Driven Business	8 categories

Base: 434 manager level and above marketing, CX, and digital business decision-makers with responsibility for CX technology decisions and metrics development
 Note: Showing budget areas with biggest differences between groups 25%+

› **EDBs face more privacy/security, alignment, and measurement challenges than non-EDBs.** All firms face challenges in achieving their customer experience priorities. The challenges that firms face vary depending on their commitment to experience. We found that security/privacy concerns (34%), lack of alignment (26%), and outdated technologies (26%) are top of mind concerns for forward-looking CX professionals in EDBs. On the other hand, businesses that aren't experience driven struggle with a set of different challenges. Non-EDBs struggle more with operational and cultural challenges such as organizational change management, budget constraints, and turning data into insights (see Figure 4).

Figure 4 (Cont.)

Categories With Dedicated Budget Lines For 2021

“Which of the following challenges does your organization face in achieving its customer/prospect experience priorities?”



Base: 434 manager level and above marketing, CX, and digital business decision-makers with responsibility for CX technology decisions and metrics development

Note: Showing budget areas with biggest differences between groups 25%+

› **EDBs face short-term challenges due to their CX commitment.** Experience-driven businesses have remained committed to broad investments in CX during unprecedented times. And these investments come with some upfront, customer-obsessed costs. In 2021, EDBs reported higher growth rate in marketing costs than their non-EDB counterparts. This includes cost per acquisition (5.3% to 2.2% non-EDB) and cost per click (5.3% to 2.4% non-EDB). EDBs also saw much slower speeds to market and insight than their counterparts. Experience-driven businesses face challenges and pay these upfront costs in order to reap the full, long-term benefits of CX.

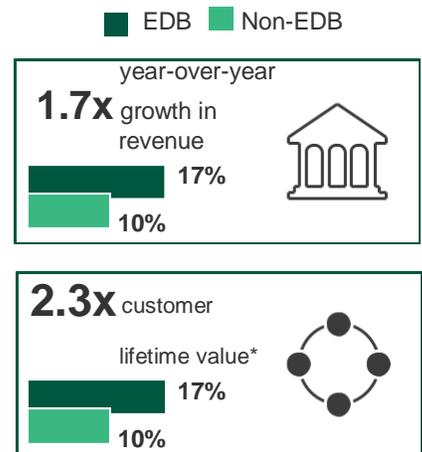
Being an experience-driven business is not easy. It requires a relentless commitment and investment in CX across people, processes, and technology, even while weathering a storm.

EDBs' Reward for Their Focus On Customers: Superior Business Performance

Experience-driven businesses prove upfront costs associated with CX investments are worth it. Customer experience transformation requires companies to quantify experience quality and its link to the organization's overall metrics.¹ Customer and business impact metrics are some of the strongest proof points when making a case for increased investments in experience. In this study, we found that investing in experience drives ROI and is critical to thriving today's business environment. We found that:

› **Experience drives greater customer retention and lifetime value.** EDBs experience greater customer and business benefits from their investments than non-EDBs (see Figure 5). In particular, EDBs are closer to achieving top priorities via their CX investments, including improved customer retention and increased customer lifetime value (see Figure 6).

Figure 5

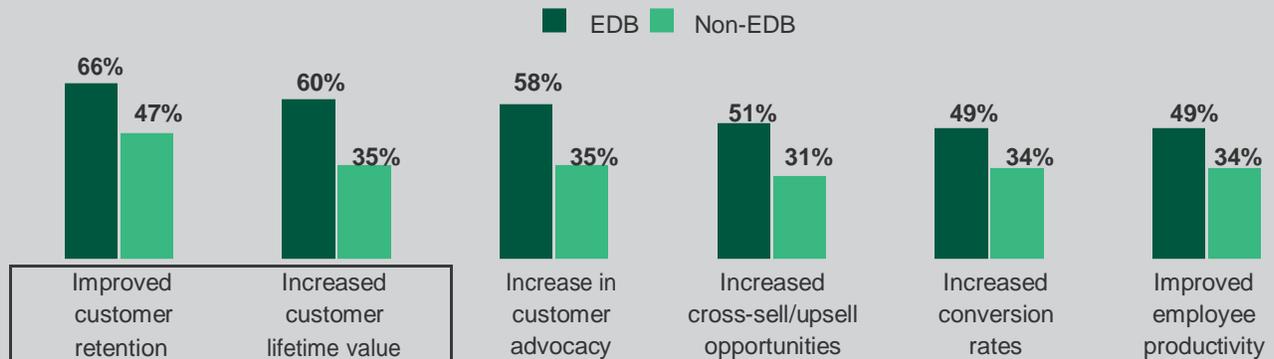


Base: 434 manager level and above marketing, CX, and digital business decision-makers with responsibility for CX technology decisions and metrics development

*Base: 253 manager level and above marketing, CX, and digital business decision-makers who use customer experience metrics to measure marketing/CX success

Figure 6

“Which of the following benefits has your organization seen from its investments in building better customer/prospect experiences?”



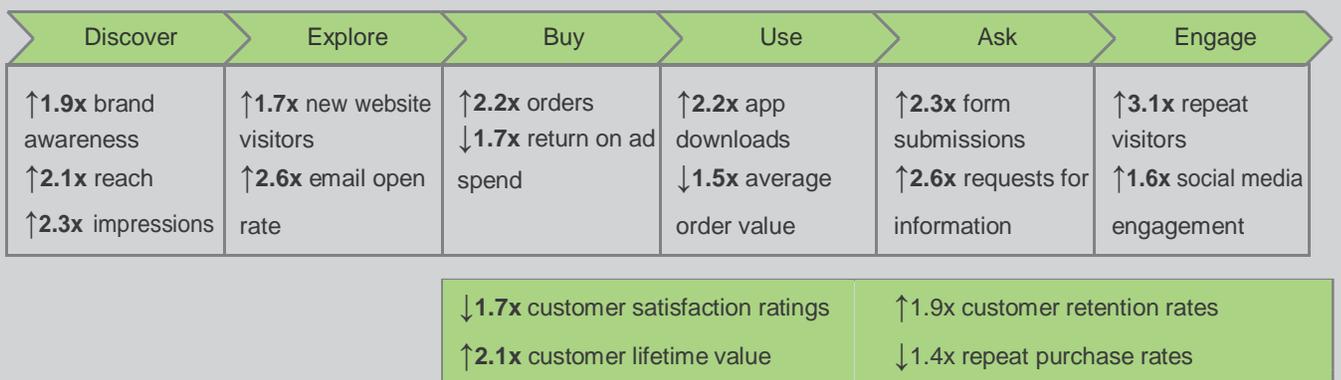
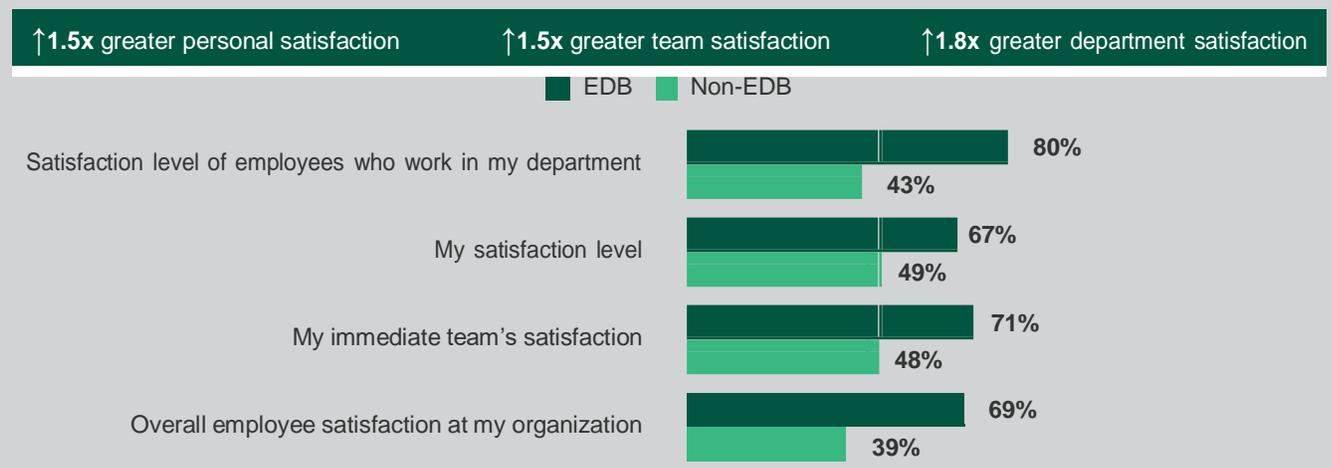
Base: 434 manager level and above marketing, CX, and digital business decision-makers with responsibility for CX technology decisions and metrics development

Note: Showing top 6

- › **EDBs have happier employees — even during the COVID-19 pandemic.** Happy employees make for happy customers, and employee engagement improves not only productivity, but value throughout the organization.² EDBs drive greater employee satisfaction than other companies at the individual, team, and departmental level. And that’s during a challenging time like the COVID-19 pandemic and remote work. CX professionals from experience-driven businesses report greater employee satisfaction across the board, enabling them to deliver better experiences. For instance, EDBs report a year-over-year increase of 1.8 times in department satisfaction (see Figure 7).
- › **EDBs cultivate competitive advantage at every stage of the customer life cycle.** The investments in CX are worthwhile for EDBs. In reviewing a wide range of metrics across the customer life cycle, we found that EDBs drive a superior performance and value across the board – from attraction to advocacy (see Figure 7).

Figure 7

“Overall, how satisfied are you with your current job role? On average, how satisfied do you feel others are at your organization?” Showing “Very satisfied”



Base: 434 manager level and above marketing, CX, and digital business decision-makers with responsibility for CX technology decisions and metrics development

Notes: Cited stats compare average year-over-year growth rates; arrows denote higher/lower multipliers than 2018

EXPERIENCE-DRIVEN BUSINESSES AVOID THE RACE TO THE BOTTOM

Most firms had a tough 2020, average year-over-year percentage increases for most KPIs have slowed since 2018. However, for EDBs, that deceleration was less pronounced.

This shows that experience-driven businesses were able to avoid a race to the bottom. They are able to cultivate competitive advantage and grow their bottom line most effectively — even in the midst of disruption.

For example, compare changes in performance on awareness and consideration metrics in 2021 and 2018 (see Figure 8). EDBs not only outperform non-EDBs (the multipliers are greater in the 2021 study) but for EDBs, the average percentage changes have dropped more since 2018 than for non-EDBs.



Figure 8

“Using your best estimate, what was the 2019-2020 year-over-year percentage change in your organization’s performance across the following awareness and consideration metrics?”

	2021			2018*		
	EDB		Non-EDB	EDB		Non-EDB
Impressions	6.2%	2.3x	2.7%	8.6%	1.5x	5.7%
Reach	6.5%	2.1x	3.1%	8.5%	1.5x	5.6%
Brand awareness	7.8%	1.9x	4.2%	9.6%	1.6x	6.1%
Social media engagement	7.6%	1.7x	4.5%	9.3%	1.4x	5.9%
Number of RFPs/RFIs received	6.4%	2.4x	2.7%	8.4%	1.6x	5.1%

Base: 222 manager level and above marketing, CX, and digital business professionals who use awareness and consideration metrics to measure marketing/CX success

*Base: 545 CX technology and metrics decision-makers at global enterprises who use awareness and consideration metrics to measure marketing/CX success

Note: Showing average year-over-year increase

Key Recommendations

While being an experience-driven business is a proven strategy for driving long-term business success, it's hard work to become or remain one. As companies rebuild after the COVID-19 pandemic, they must:



Adapt the experience strategy to customers' mindset. Become more experience-driven by understanding that the pandemic's financial and emotional impact leaves consumers in distinct mindsets.³ Pioneer consumers, for example, are concerned with how brands innovate and save to ensure they remain protected in the long-term. Consumers in survival mode, in contrast, want advice on improving physical and mental well-being, flexible payment timelines, and to work with brands who contribute to a shared purpose.



Use new tools to efficiently (re)design experiences. In the design planning phase, get the qualitative insights required without in-person research and without sacrificing speed. Use tools that support qualitative research remotely.⁴ During design and implementation, apply advanced ways to test physical offerings using tools like VR as well as virtual user testing for digital experiences to test and learn more effectively. And, when optimizing experiences, measure in real time whether the new experiences are working both for customers and employees.



Reevaluate technology investments in the wake of COVID. While EDBs invest more in technology than non-EDBs, they must adapt the investment strategy to how they weathered the pandemic.⁵ For example, when it comes to the customer analytics spending of banks, those in survival mode should cut exploratory and new analytics projects to focus on existing projects that increase operational efficiency and/or improve customer intelligence.⁶ But banks in growth mode should spend more on unstructured data analysis to identify ways to differentiate through insight-driven experiences.



Lift up employees because they power any experience-driven strategy. To build a rock-solid foundation for excelling as an experience-driven business, firms must empower, enable, and inspire employees. A crucial focus: Preventing burnout for employees who are still feeling the continued effect of the pandemic. Firms must support employees with the technology they need for their day-to-day jobs to increase overall employee engagement.⁷

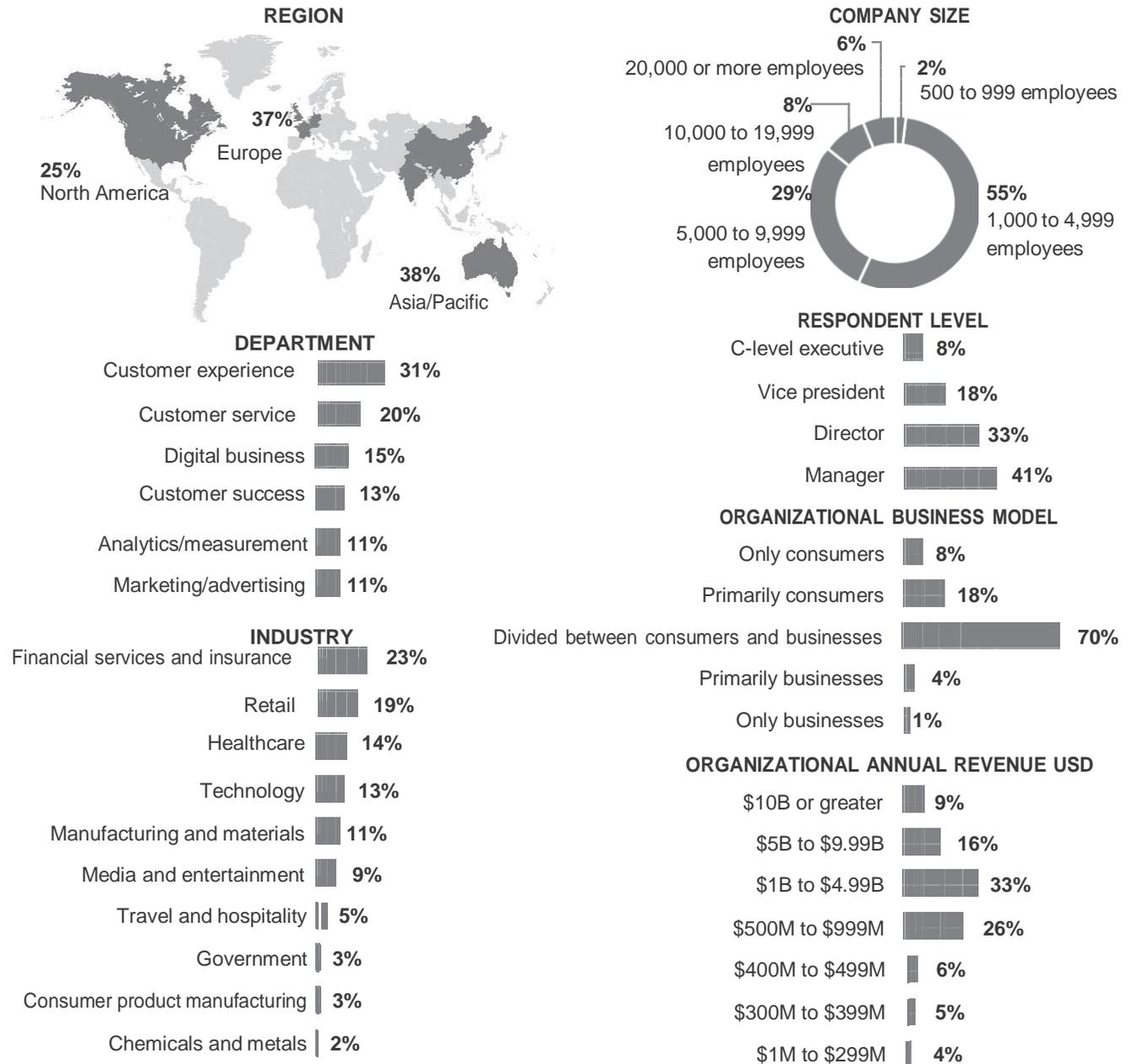


Model and track the ROI of being an experience-driven business. This was good advice before the pandemic, and it still is! Anchor the ROI model around the strategic priorities of the company coming out of the COVID-19 pandemic. Identify the necessary technology, people, and process investments, then define realistic ranges and timelines for investment and benefits. Monitor the status of the CX transformation and whether benefits and ROI develop in line with expectations. If reality falls short of the forecast, adjust assumptions based on the changes.⁸

Appendix A: Methodology

In this study, Forrester conducted an online survey of 434 cross-industry, manager level and above marketing, CX, and digital business decision-makers in Australia, Canada, China, France, Germany, India, the United States, and the United Kingdom to evaluate how customer experience-driven companies drive greater business impact compared to those that are not focused on customer-centric strategies. Survey participants included decision-makers in marketing/CX technology or purchasing, marketing analytics/customer insights, and/or CX measurement/metrics. Questions provided to the participants asked about their organizations CX prioritization, approach and challenges. The study began and was completed in March 2021.

Appendix B: Demographics



Base: 434 manager level and above marketing, CX, and digital business decision-makers with responsibility for CX technology decisions and metrics development
 Note: Percentages may not total 100 because of rounding.

Appendix C: Supplemental Material

RELATED FORRESTER RESEARCH

“Why CX: Proof That Investing in Experience Improves Revenue, Cost, And Risk,” Forrester Research, Inc., September 10, 2020.

“Predictions 2021: Customer Experience,” Forrester Research, Inc., October 23, 2020.

Appendix C: Endnotes

¹ Source: “How to Establish A CX Measurement Program,” Forrester Research, Inc., February 25, 2021.

² Source: “The Real Value of Work,” Forrester Research, Inc., September 23, 2020.

³ Source: “Anticipate US Consumers’ Brand Expectations During The Pandemic Recovery,” Forrester.

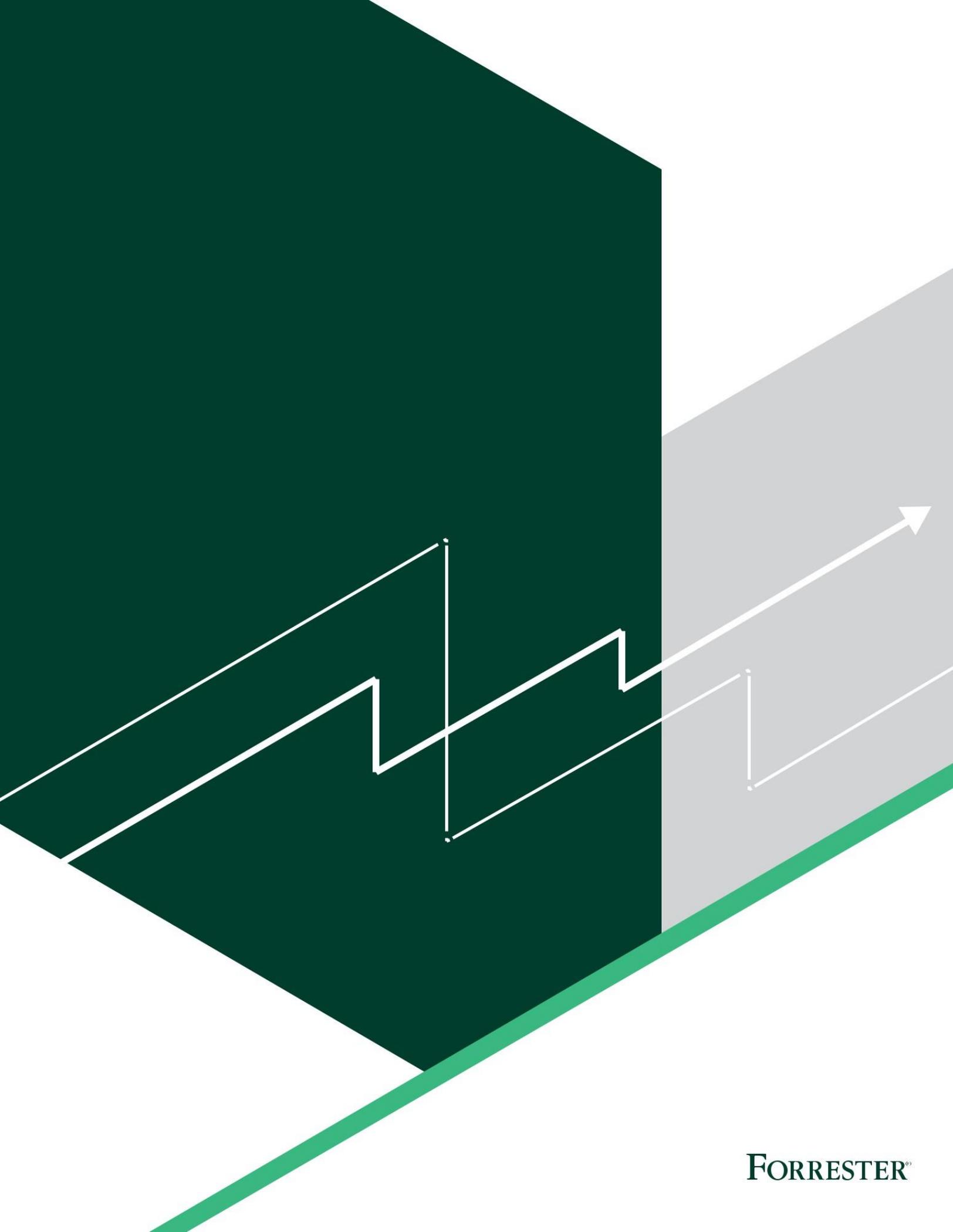
⁴ Source: “Modernize Your Customer Research,” Forrester Research, Inc., October 2, 2018; Kelly Price, “Conducting Customer Research Remotely: Tips, Tricks, And Resources,” Forrester Blog.

⁵ Source: “Assess Your Recovery Potential,” Forrester Research, Inc., October 5, 2020.

⁶ Source: “Collection: Banking Professionals Must Review Their Marketing And Customer Experience Budgets In The Wake Of The COVID-19 Pandemic,” Forrester.

⁷ Source: “Forrester’s EX Index: A Deeper Look at The Data,” Forrester Research, Inc., March 4, 2020.

⁸ Source: “The ROI of CX Transformation,” Forrester Research, Inc., January 22, 2021.



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