

A Forrester Consulting
Thought Leadership Spotlight
Commissioned By Adobe

May 2018

The Business Impact Of Investing In Experience

A Spotlight On Retail

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Introduction

Customer experience in retail has moved quickly from being a competitive differentiator to a business imperative. The retail industry is under constant pressure due to fierce competition, market consolidation, and digital innovation. Orchestrating highly personalized, omnichannel experiences for customers and prospects is increasingly necessary to achieve business goals. Therefore, retailers that excel in delivering contextually rich customer journeys are known as industry leaders. These firms are notable, not just for the satisfaction of their customers and employees, but for their business performance as well.

In February 2018, Adobe commissioned Forrester Consulting to evaluate the business impact of investing in customer experience across the customer life cycle. Forrester conducted an online survey with 1,269 marketing, advertising, CX, digital, and analytics business leaders at global enterprises to explore this topic. This spotlight focuses on the results of the 165 respondents we surveyed from the retail industry. We found that retailers that invest in experience transformation across people, process, and technology disciplines demonstrate superior performance. These firms — that we have defined as experience-driven businesses (EDBs) — deliver on metrics that align to their revenue growth, customer acquisition, and customer retention goals.

KEY FINDINGS

- › **To thrive, retailers prioritize improving experiences that drive acquisition, loyalty, and growth.** Eighty-one percent of retailers are prioritizing an improved customer and prospect experience in the next 12 months. In hopes of achieving improved customer acquisition, increased customer loyalty, and strong revenue growth, their focus on omnichannel imperatives will enrich the entire customer journey.
- › **All retailers can borrow proven best practices from experience-driven retailers.** Leaders in experience-driven retail do things differently. They succeed in putting customers at the center of every business decision by clearly budgeting for experience improvement initiatives and by actively fostering an employee culture of customer-centricity.
- › **It pays to be an experience-driven retailer.** Experience-driven retailers attract customers that return, buy, and advocate for the brand at high rates. As a result, retail EDBs have higher revenue growth rates than other companies and significantly exceed expectations on bottom-line profitability and stock price.



Experience-driven retailers are 1.6x more likely to have seen increased customer advocacy and 1.8x more likely to be leaders in brand equity metrics.

As Global Retailers Invest In CX, Experience-Driven Businesses Emerge As Best In Class

Given the competitive pressure of the retail industry, it comes as no surprise that customer acquisition, customer retention, and revenue growth are top priorities (see Figure 1). Customer and prospect experience ranks highly as well — 81% say improving CX is a critical or high priority. However, to drive the experiences that will attract new customers and delight existing ones, retailers need: an organization built for customer obsession; processes that drive continuous improvement through customer feedback; and technology that enables strong experiences. We found that:

- › **To achieve top priorities, global retailers invest in connecting customer and prospect experiences across channels.** Retailers are investing in better managing the entire customer journey. More than a third are focused on improving cross-channel experiences. The same percentage is focused on improving content marketing capabilities. It's clear that retailers emphasize these omnichannel imperatives above single channel improvements, like website updates — a focus for only 26% surveyed.
- › **Experience-driven retailers demonstrate consistent commitment to CX.** Our survey outlined best practices for building superior experiences and asked respondents to rate their organizations' effectiveness along people, processes, and technology pillars. While respondents rated their organizations highly on many individual experience categories, we found that retailers have difficulty embracing CX best practices consistently across categories. We conducted a maturity assessment to identify companies in our survey who lead the industry in employing best practices in people, process, and technology, and only 30% can claim the fact that they are experience-driven businesses (EDBs) (see Figure 2).¹

Figure 1

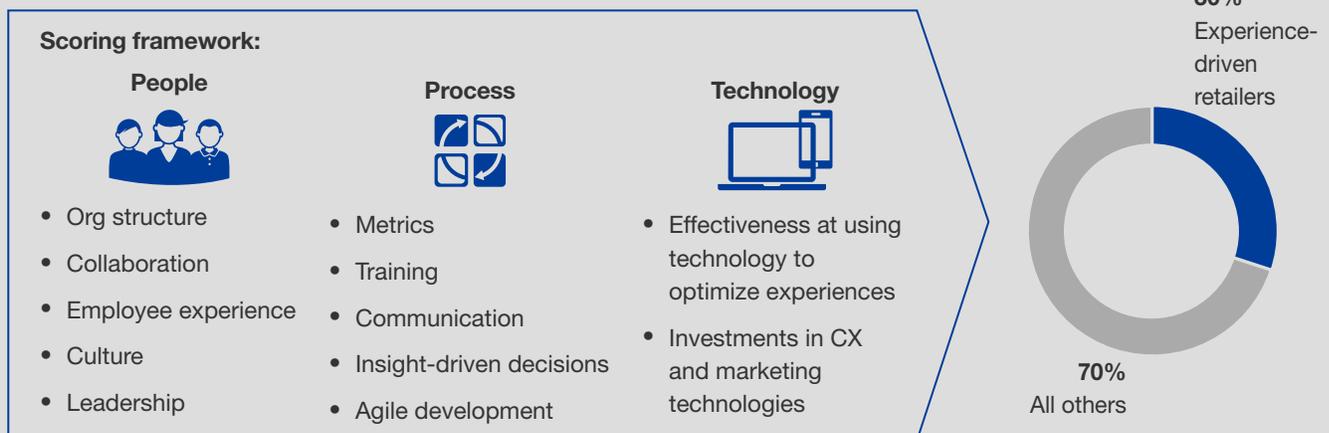
Top business priorities over the next 12 months (rated "critical" or "high" priority) (Showing top three)



Base: 165 CX technology and metrics decision makers at global retail companies
 Source: A commissioned study conducted by Forrester Consulting on behalf of Adobe, February 2018

Figure 2

We used a three-pillar scoring framework to define experience-driven businesses.



Base: 165 CX technology and metrics decision makers at global retail companies
 Source: A commissioned study conducted by Forrester Consulting on behalf of Adobe, February 2018

Learn From Retail EDBs To Achieve Top Priorities

The path to becoming an experience-driven retailer is a long one, requiring broad investment in the organizational, process, and technology changes that put customers at the center of every business decision. Organizations not as far on their journey can learn from the hallmarks of EDBs in their industry. We found:

- › **Experience-driven retailers dedicate budget to the initiatives that put the customer at the center of the operation.** One way to recognize an EDB is by looking at how the CX budget is allocated. Retail EDBs are much more likely to have dedicated budgets for specific CX and marketing initiatives than less mature retailers: 80% have a specific budget for customer feedback management compared to just 48% of less mature companies. The ratio is similar for content management and customer analytics budgets as well.
- › **Retail EDBs foster a strong employee culture of customer-centricity through incentives and celebration.** More than any other single indicator of maturity, retail EDBs reinforce customer-centric behaviors through rewards and celebrations at higher rates than other retailers. By encouraging companywide enthusiasm for customer-centric behavior, retail EDBs help ensure that their employees do their part in contributing to superior customer and prospect experiences.
- › **Retail EDBs weigh privacy concerns with advanced CX capabilities.** The top concern EDBs report facing is security and privacy. This is not surprising given the fact that retail EDBs seek attribution across offline and online channels to better recognize and serve individual customers. New digital capabilities increasingly blur the distinction between what feels cool or useful and what feels “creepy” to customers, and CX pros play a big role in understanding customer sentiments so their companies can walk this line.²

RETAIL EDBS ACHIEVE ACQUISITION, RETENTION, AND GROWTH GOALS

Retail EDBs don't just delight their customers with personalized and easy experiences, they also grow the business and outperform other retailers on the metrics that address their top priorities. Across a broad range of metrics throughout the customer journey, we found that EDBs achieve (see Figure 3):

- › **Stronger brand equity and better customer acquisition from loyal customer advocates.** Retailers emphasize the importance of acquiring customers in new segments or markets. Retail EDBs were 1.6x more likely to cite increased customer advocacy as a benefit of their CX investments. They benefit from word of mouth as a highly effective way to win new customers. Retail EDBs are also nearly twice as likely to be in a market-leading position for brand equity metrics, which further supports their acquisition goals.



“Digital agility is progressed through constant customer feedback. Investing more in consumer-based opinions generates more leads and garners revenue at a much quicker clip.”

Digital business director, US retailer

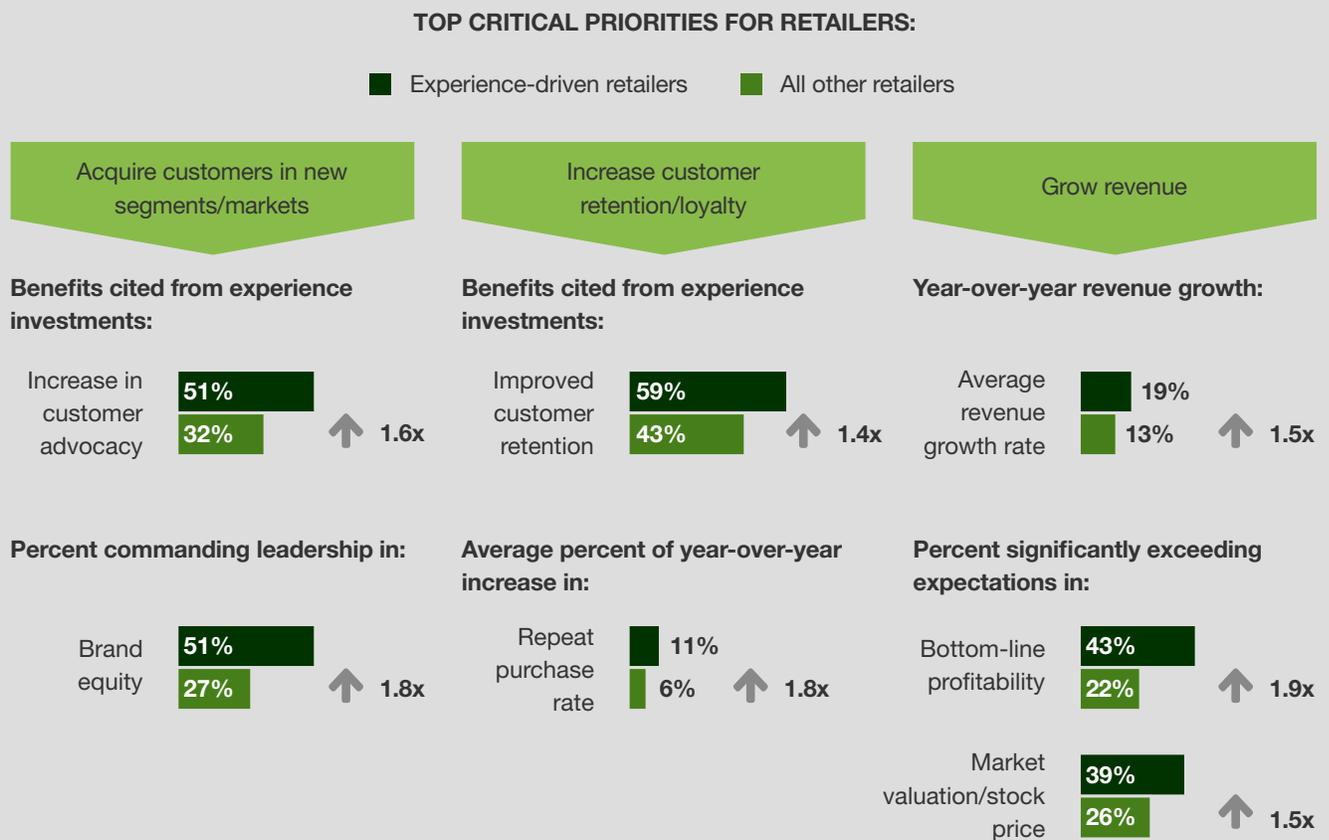


- › **Higher customer loyalty due to increased rates of retention and repeat purchases.** As result of their experience investments, retail EDBs are 1.4x more likely to benefit from improved customer retention. With greater retention comes a 1.8x increase in the average year-over-year repeat purchase rate.
- › **Better performance in the indicators that make shareholders happy.** At a top-line level, retail EDBs report an average revenue growth rate of 19% compared to an average of 13% among other retailers. They also exceed the expectations they set for the market in terms of bottom-line profitability and stock price by a factor of 1.5 or greater.

By driving superior prospect and customer experience, retail EDBs attract new customers that return, buy, and advocate for the brand at higher rates than other companies. As a result, these outstanding firms benefit from robust business growth.

Figure 3

Retail EDBs achieve acquisition, retention, and growth goals through brand, loyalty, and profitability strengths.



Base: Variable CX technology and metrics decision makers at global retail companies (N = 33 to 49 for retail EDBs, N = 54 to 116 for all others)
 Source: A commissioned study conducted by Forrester Consulting on behalf of Adobe, February 2018

Key Recommendations

With competition in retail so fierce, companies must start their experience transformations now. However, becoming an experience-driven business takes time and hard work. Insights from this study, coupled with Forrester's existing research into CX transformation, show that retailers should:



Get full-throated executive support immediately. Strong and sustained backing from senior leaders is essential to experience transformations. This is especially true in retail, where managers often favor short-term tactics like price cuts over strategic initiatives. To convert lip service into strong commitment, articulate a clear business case for the experience transformation that connects to executives' hot buttons — like driving revenue growth, higher margins, and stock price.³ Keep executives' interest by providing periodic feedback on how CX improvements are affecting these metrics.



Create a differentiating experience vision. A company's CX vision is its aspirational depiction of the intended experience for customers and prospects. It provides a north star for all of an organization's efforts, aligning them to deliver not just a positive experience but the right positive experience — one that resonates with customers and prospects and makes the brand stand out from a sea of similar competitors. Strong visions are: authentic, because they embody the brand's values; inspirational, in that they galvanize employees to act creatively and entrepreneurially; and mobilizing, because they are prescriptive enough to focus the entire organization around a specific course of action.⁴



Craft a road map for achieving the experience vision. Retailers that feel the urgency to transform often act before they think. As a result, they waste resources, fail to achieve their goals, and sour executives on CX. To create an effective road map, start by identifying key milestones, such as who the key stakeholders are and what resources it will require, and then determine how long each will take to achieve. Next, determine which activities depend on others. For instance, do you need to improve your customer feedback management program before you can understand how to enhance cross-channel experiences? Finally, assign owners to each milestone and hold those owners accountable for accomplishing their milestones.



Design new experiences from the outside in. Customer-centric design techniques ensure that experience designs fulfill the vision. Start with customer research and key techniques, like journey mapping, to understand how customers and prospects want to interact. Then deploy an iterative design process that includes prototyping and testing with customers repeatedly. Eventually, spread design techniques by tethering designers to other teams with a mix of reporting relationships, physical colocation, and frequent check-ins.

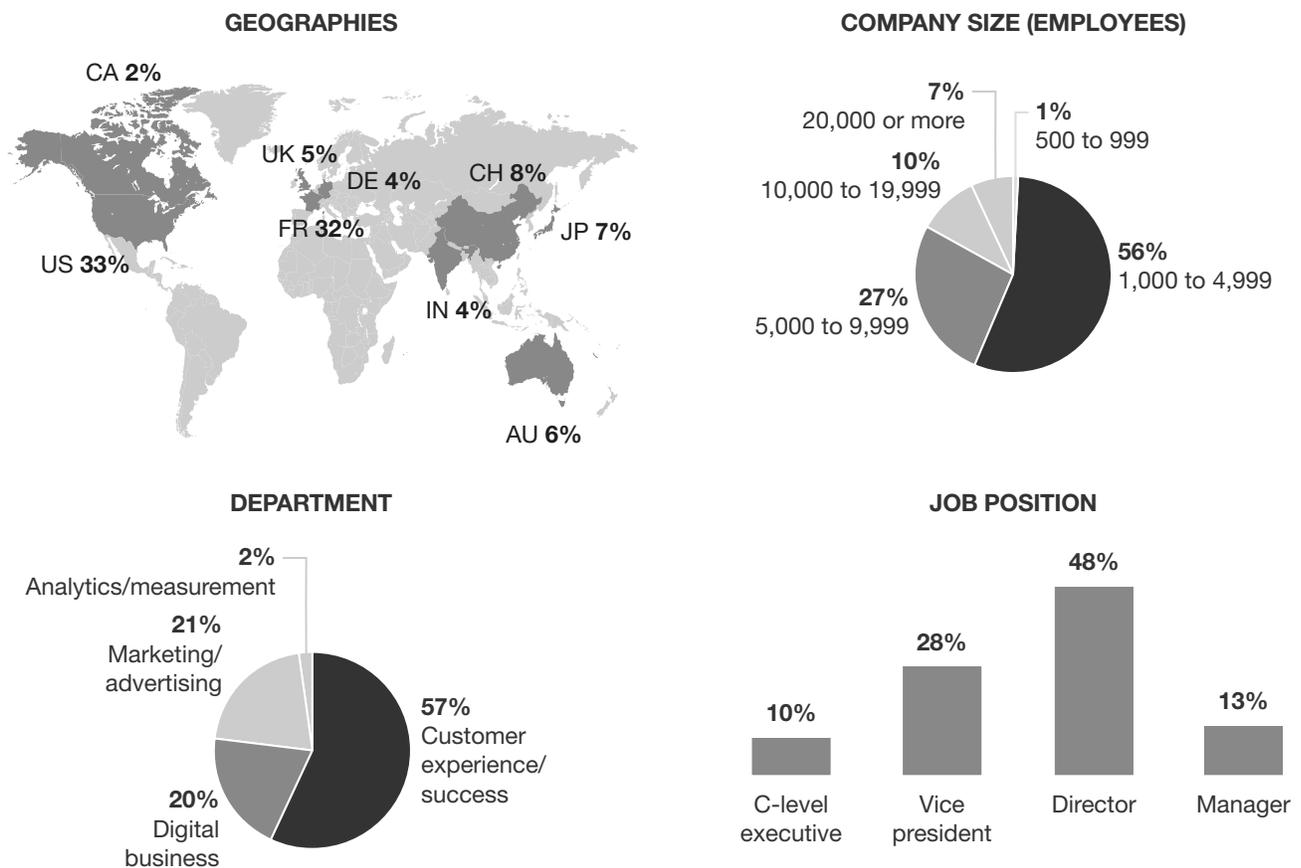


Enable employees with the right resources. Designing great experiences isn't enough. Firms must also ensure that employees have what they need to deliver experiences consistently. That means educating employees about the CX vision and the role they play in fulfilling it, then reinforcing customer-centric behaviors through routines, celebrations, and rewards. It also requires giving employees the training, information, and tools they need to execute their part of the experience.

Appendix A: Methodology

In this study, Forrester conducted an online survey of 1,269 organizations in North America, Europe, and Asia Pacific to evaluate their approaches to engaging customers and prospects across the customer life cycle and the investments they have made in these areas. Survey participants included decision makers in customer experience/success, marketing, digital business, and analytics roles. While the overall study included firms in eight industries (manufacturing, financial services and insurance, government, healthcare, media and entertainment, retail, B2B technology, and travel and hospitality), this report's analysis is limited to 165 respondents in the retail industry. Questions provided to the participants asked about business priorities and challenges, current approaches to supporting CX across the customer life cycle, and business metrics resulting from marketing and CX efforts. Respondents were offered a small incentive as a thank you for time spent on the survey. The study began in January 2018 and was completed in February 2018.

Appendix B: Demographics/Data



Base: 165 CX technology and metrics decision makers at global retail companies
 Source: A commissioned study conducted by Forrester Consulting on behalf of Adobe, February 2018

Appendix C: Supplemental Material

RELATED FORRESTER RESEARCH

“Masters Of The Top Four Retail Tech Trends,” Forrester Research, Inc., January 18, 2018.

“Customer Experience Takes Center Stage In The Future Of Retail,” Forrester Research, Inc., December 16, 2016.

“Drive Business Growth With Great Customer Experience, 2017,” Forrester Research, Inc., October 12, 2017.

Appendix D: Endnotes

¹ The maturity assessment to identify experience-driven businesses was based on responses to a series of questions about the respondent’s organization, processes, and effectiveness in using technology. Each question contained a series of statements reflecting best practices along these pillars of CX. Respondents rated their organization on a five-point scale, where a score of 5 reflected the strongest adoption of each best practice. The sum of the ratings reflected the respondent’s score for each pillar. For the technology pillar, respondents received an extra point for each technology their organization has adopted. The distribution of scores was divided into thirds to assess the individual respondents’ maturity level as high, medium, or low compared to the rest of the sample. This distribution analysis was done at the regional level to minimize any cultural bias in the ratings; for this exercise only, Australia was included as part of the European distribution. Experience-driven businesses were defined as those whose scores landed in the top third (high maturity) of at least two pillars, with no less than a medium level of maturity on the third pillar. Additionally, experience-driven businesses needed to demonstrate consistent commitment across pillars, with no rating less than 3 for any question/statement.

² Source: “How To Design And Build A Great Consumer Data Privacy Organization,” Forrester Research, Inc., March 8, 2018.

³ Executives at public companies find arguments that mention stock price compelling because they are compensated based on stock performance. Forrester has found that there is a correlation between a company’s CX quality and its stock performance. Sources: “Improving CX Through Business Discipline Drives Growth,” Forrester Research, Inc., March 26, 2018 and “CX Quality Can Affect Stock Performance,” Forrester Research, Inc., February 22, 2018.

⁴ Source: “Root Your CX Vision In Your Brand,” Forrester Research, Inc., April 26, 2018.