Customer Experience Leadership Trends, 2015-2018

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Digital Disruption Forces Change, 2015 And Beyond

In 2014 many of the significant business technology trends were gradual and predictable — like the continued growth of cloud, analytics and big data, and the consumerization of IT. Other trends, such as the internet of things, seized everyone's imagination (if not their wallets) while previous darlings from 2-3 years ago, like gamification, slipped out of sight with nary a whimper. But the biggest, most important trend in 2014 — *business transformation that is triggered by digital disruption* — will get even bigger and will drive other big trends in 2015 and beyond.

Need proof? According to a CEO survey commissioned by Accenture, breakaway market leaders in virtually every industry and geographic region (except the European Union) are aggressively embracing *business transformation* in response to current and anticipated disruptive forces. In fact, 52 percent of the executives surveyed expect digital to "completely" or "significantly" transform their industries — based on a survey of more than 1,000 executives across 20 countries and 12 industries.[1] These senior executives are embarking on new transformation initiatives in the race to become, or remain, the new leaders in their reinvented industries. And those CEOs are looking to customer experience as a means of establishing, or maintaining, a leadership position in their markets while the business transformation projects are underway. In fact 89% of 200 companies surveyed by the Gartner Group plan to compete primarily on customer experience by 2016.[2]

The 2014 software and services vendor landscape mirrored this trend with a disruptive theme of its own: the consolidation of customer experience offerings. For example, in 2014 the analytical software vendor Verint, acquired Kana, a customer service software company; while EnerNOC, a provider of energy intelligence software, acquired Pulse Energy, a supplier of customer engagement software for the utility sector; and the world's third-largest advertising agency, Publicis, bought Sapient, a service provider with deep skills in technology, marketing, communications, consulting and omnichannel commerce. As the year closed, private equity firm Accel-KKR acquired not one but two web content management vendors — Ektron and EpiServer — with a focus on customer experience. These examples illustrate just how much the customer experience vendor landscape is consolidating in response to digital disruption.

2015 to 2018 promises more reactions to digital disruption, which will dominate the business technology scene for years to come and drive three important megatrends in 2015. Two of the trends will actually fly in the face of accepted truths about who is leading and implementing customer engagement initiatives, but make sense when one stops to analyze it:

- Organizations will increasingly embrace transforming the business, looking far beyond strategic, requisite changes in marketing, sales, service and support.

- CMOs will lead fewer customer experience initiatives than everyone thinks and expects, but new roles will emerge.

- CIOs will continue to play a crucial role in customer experience by partnering with business executives across the organization — in numbers far larger than expected.

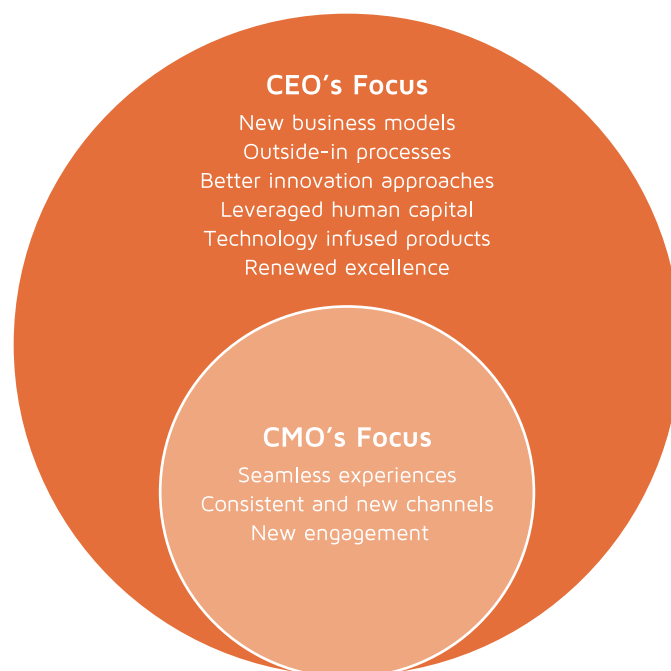## Business transformation: the logical response to digital disruption

As digital disruption makes greater inroads into industries and the businesses operating within those sectors, companies are reacting quickly with new business models and customer strategies for how their marketing, sales, support, and service organizations will engage with customers across analog and digital channels. But that alone isn't enough to guarantee market relevance, much less to lock-in long term staying power within the industry. As digital disruption unfolds more broadly, often leaving chaos, carnage, and even disruptive damage in its wake, it forces — or should force — massive changes beyond the day-to-day operations of sales, marketing, support, and service.

For example, digital disruption can catalyze the launch of new technology-intensive products and services, like smart appliances, smart airplane seats,

smarter cars and smart (personalized) buying experiences at Starbucks or Best Buy. It can upend established business models and supply chains, requiring radically new partnerships or a rethink of "what business are we in?" Plus disruption can propel the total revamping of an organization's end-to-end business processes, starting from the outside and working backwards into internal operations. And those are only a few of the possible outcomes from digital disruption. That's why in 2015 so many organizations will launch new strategic business transformation initiatives, spearheaded by the board of directors, the CEO, COO, other CxOs, the CIO and/or the CMO. These initiatives will go well beyond the digital transformation already happening in sales and marketing.

Figure 1.

CEOs Respond More Broadly To Digital Disruption Than CMOs

CEO's Focus
New business models
Outside-in processes
Better innovation approaches
Leveraged human capital
Technology infused products
Renewed excellence

CMO's Focus
Seamless experiences
Consistent and new channels
New engagement

No industry is immune to these deep and profound changes. Business transformation fueled by digital disruption will occur just as easily in sleepy industry sectors like power generation as in high tech and automotive manufacturers that deeply imbed technology into every product. Take utilities, for example. Old and creaky electricity companies that haven't changed in decades are now jumping through hoops to transform quickly in light of massive disruption. Big technology innovations, like smart grid and the NEST learning thermometer, redefine the products and services that power generators sell and how they engage with customers. And although CEOs of power companies view customer experience as vitally important to their futures, they still see it as only one of many parts of the business requiring large-scale transformation. This trend will only accelerate between now and 2018.

A forward-thinking CIO at a previously sleepy utility once described how technology transforms everything when he recounted how the company used to think about its products and services. The CIO explained that for decades the company was a power utility. When technology became more pervasive, the company recast itself as a utility that used technology. The CIO then added that the firm now views itself as a technology company that happens to produce power. More organizations will make similar shifts over the next three years, largely driven by digital disruption.

CMOs will have less influence than expected but new roles will emerge

Sometimes it seems we're living in *The Year of the CMO* (or maybe the decade of the CMO?) We often read of visionary CMOs rallying the organization through massive digital disruption, leading the charge in transforming the customer experience, and sprinting to the digital finish line in the race for greater competitiveness. But just like *The Age of the CIO* (prior to the Great Recession) and *The Age of the CFO* (during The Great Recession), hype

exceeds reality. Some CMOs will deliver far above and beyond expectations, while others will struggle to transform firms that are mired in old business models or stuck on outdated technologies. It's understandable: charting a new customer strategy, changing the customer experience, and deploying a raft of groundbreaking technologies is only part of the heavy-lifting. Moving to a transformed customer experience also means massive organizational change, and change is hard.

Still, the results are surprising. CMOs are the decision-maker in approximately 10% of the customer experience initiatives in Digital Clarity Group's recent survey of more than 200 business and IT executives.[3] This is only slightly more than decision-maker roles for senior executives in procurement, legal/compliance, finance, and the board of directors in the same survey. And the percentage of CMOs in medium sized businesses is even less than enterprises.[4] The one bright light is that CMOs are more influential in B2C than B2B businesses, but this involvement is still less than in 10% of customer engagement and commerce initiatives.

Why are CMOs getting so little traction — counter to conventional wisdom? Interviews with business and IT stakeholders across North America and Europe show that some CMOs have experienced project failures and are restarting their initiatives; others are working on larger business transformation projects and haven't yet reached the customer engagement and commerce stage; and also more of these initiatives are being led by executives with newly emerging titles — like the executives for customer experience who often report to senior executives in regional or divisional business units. (Encouragingly, in our survey of 200 companies, individuals with non-traditional titles are decision-makers in approximately 20% of customer engagement and commerce initiatives, roughly twice the involvement of CMOs.) And, on the other end of the spectrum, many SMBs don't yet have CMOs.

Surprise — CIOs will drive customer experience alongside the business

As IT infrastructure and apps move to the cloud, as employees bring their own technology (BYOT) to work, and as ambitious business peers make a land grab for slices of applications, many industry watchers have simply written off the CIO as a relic of the past. Or they have relegated IT to being a handful of experts who oversee outsourcing, project manage contracts, and publish usage policies for the business. When seen through this restrictive lens, then it's true — those types of IT organizations don't play a decisive role in the technology selection, application development, and information management required for strategic customer experience initiatives.

But wait, not so fast. The same survey that uncovered low influence in customer engagement initiatives by CMOs also revealed that CIOs were more influential in customer experience than any other executives, including COOs, presidents, and CEOs. CIOs will influence technology solutions for marketing, sales, service, and support because the old-school, hardwired CIOs of yesterday are being replaced by business technology executives who focus on new challenges, like embedding technology in products and deploying technology to gain, delight, service, and keep customers. Sometimes these next generation CIOs have run sales, marketing, or other customer-centric business units. Or, they may have been seconded from IT to the business to expand their horizons and customer-facing roles.

Plus, recent interviews with organizations in a range of industries show that some marketing-led customer experience projects have encountered problems, requiring them to be restarted with greater IT involvement. Often IT is in high demand because of its large-scale project management and strategic planning expertise. This bodes well for the CIO's continued clout and involvement in customer experience projects, especially when teamed with strong business partners.

Notes

1   This survey, conducted in Q4 2013 by The Economist Group, surveyed senior corporate leaders in 20 countries around the world in 12 major industries. "*CEO Briefing 2014, The Global Agenda: Competing in a Digital World.*" The PDF is available at http://www.accenture.com/SiteCollectionDocuments/PDF/Accenture-Global-Agenda-CEO-Briefing-2014-Competing-Digital-World.pdf.

2   In 2014, Gartner group surveyed 200 executives responsible for customer experience in companies larger than $500M. For more information, see "Gartner Survey Finds Importance of Customer Experience on the Rise — Marketing Is on the Hook." http://blogs.gartner.com/laura-mclellan/10-proof-points-why-customer-experience-is-the-next-big-thing/.

3   Digital Clarity Group surveyed 202 business and IT executives in 24 industries in North America and Europe in December 2014.

4   This survey defined small and medium-sized business as $500M to $1B in revenues.

For additional information, also see:

Digital Clarity Group, "Beyond Marketing: Why Digital Disruption Requires a Deeper Transformation," available at http://www.digitalclaritygroup.com/beyond-marketing/.

Digital Clarity Group, "Business 2020: Six Key Dynamics Will Determine Success," available at http://www.digitalclaritygroup.com/business-2020-six-key-dynamics-determine-success-3/.

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Digital Clarity Group

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