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Thought Leadership Paper
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The Business Impact Of Investing In Experience

Experience-Driven Businesses Drive Superior
Business Performance By Investing Broadly In
CX Across The Customer Life Cycle

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31% of survey respondents qualify as *experience-driven businesses* who invest broadly in CX and embrace best practices across people, process, and technology pillars.



Experience-driven businesses grew revenue **1.4x** faster and increased customer lifetime value **1.6x** more than other companies in the past year.

Executive Summary

Customer experience has quickly moved from competitive differentiator to business imperative. In a world where the answer to almost any question is at our fingertips, where AI is becoming a part of everyday life, and where we can get a week's worth of groceries delivered to our homes in less than an hour, consumers and business buyers have come to expect highly contextual and personalized experiences. Enterprises prioritize and invest in building the capabilities to deliver real-time, contextual experiences at scale because research has shown again and again that superior experiences drive business growth. For example, in a recent survey of 1,024 companies, Forrester found that customer-obsessed companies have the highest median three-year growth in sales, the highest levels of customer satisfaction, and the highest levels of employee satisfaction.¹

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 in eight industries and nine countries to explore this topic. All respondents are involved in selecting technologies to support CX and marketing initiatives and in defining metrics to evaluate success. Our study showed that organizations that invest in transformation across people, process, and technology disciplines — what we're defining as experience-driven businesses (EDBs) — have happier employees and superior business performance across the customer life cycle.

KEY FINDINGS

- › **To thrive, enterprises invest in improving experiences from acquisition to loyalty.** Enterprises are working to improve experiences across the entire customer journey in order to meet their growth, retention, and CX goals.
- › **Most organizations have made significant progress, but less than a third qualify as experience-driven businesses.** Few enterprises completely embrace CX best practices across people, process, and technology pillars. We conducted a maturity assessment of our survey respondents to identify those who are furthest down the path of CX transformation. Thirty-one percent qualified as experience-driven businesses.
- › **It pays to be an experience-driven business.** Experience-driven businesses are making the required broad investment in CX and they see significant returns on these investments. EDBs outperform other companies on a variety of metrics across the entire customer life cycle — from greater return on ad spend, to higher average order values, to greater customer retention and advocacy. Industry-specific results also show that experience-driven businesses are more effective at driving performance toward their specific goals.

Global Enterprises Are Investing In Improving CX Across The Life Cycle

In exploring the business priorities of CX, digital business, and marketing leaders at global enterprises, we found that (see Figure 1):

- › **Top priorities for firms are higher retention and revenue and improved CX.** Enterprises are juggling many business priorities. Revenue growth, customer retention, and improving customer experience emerged as the most critical priorities in the coming year. The majority of respondents also characterized everything from improving big data capabilities, to regulatory compliance, to cost reduction as “high” or “critical” priorities.
- › **To achieve these goals, enterprises invest in improving customer and prospect experiences across the life cycle.** Respondents indicated that their organizations are focusing on improving experiences across the entire journey from prospect to customer — including areas like content marketing that span journey stages and channels — over improving experiences in specific channels like websites, email, mobile, or social media.

Figure 1

Top business priorities in the next 12 months (Percent “high” or “critical” priority)



Experience improvements being prioritized in the next 12 months (Showing top five)



Enterprises invest in improving cross-journey experiences over investments in specific channels in order to achieve their broader business goals.

Base: 1,269 CX technology and metrics decision makers at global enterprises
 Source: A commissioned study conducted by Forrester Consulting on behalf of Adobe, February 2018

Experience-Driven Businesses (EDBs) Embrace CX Best Practices Across People, Process, And Technology

Driving superior customer and prospect experiences requires: an organizational structure and culture of customer obsession; processes that prioritize customer-driven continuous improvement; and technologies that enable these experiences. For the purposes of our study, we identified best practices along people, process, and technology pillars and asked respondents to rate their organizations' effectiveness along these pillars. Our analysis revealed that:

› **Most firms claim to embrace CX best practices along people, process, and technology pillars, but few are fully committed.**

Respondents gave themselves a good amount of credit for their work toward building better customer experiences. More than 60% rated their organizations in the top two response boxes of our survey questions — claiming 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, less than a third, and as few as 22%, said their organizations fully embrace and invest in these three pillars.

› **Experience-driven businesses demonstrate consistent commitment to CX at the highest level.** An enterprise may embrace customer centricity through its organizational structure and culture, through rigorous and data-driven processes, or through advanced digital capabilities, but it's difficult to excel consistently in all areas. We conducted a maturity assessment to identify the companies in our survey who consistently embrace CX best practices across people, process, and technology pillars.² We call these leaders experience-driven businesses (see Figure 2).

› **The extent to which firms are experience-driven varies by industry, customer focus, and company size.** Financial services and manufacturing companies had the highest proportions of EDBs in our survey (44% and 39%, respectively). B2B technology companies and government agencies were least likely to qualify as experience-driven (20% and 22%, respectively). Consumer-focused companies are more likely to be EDBs than those with primarily B2B business models (33% versus 25%, respectively), which is consistent with data from Forrester's Customer Experience Index (CX Index™).

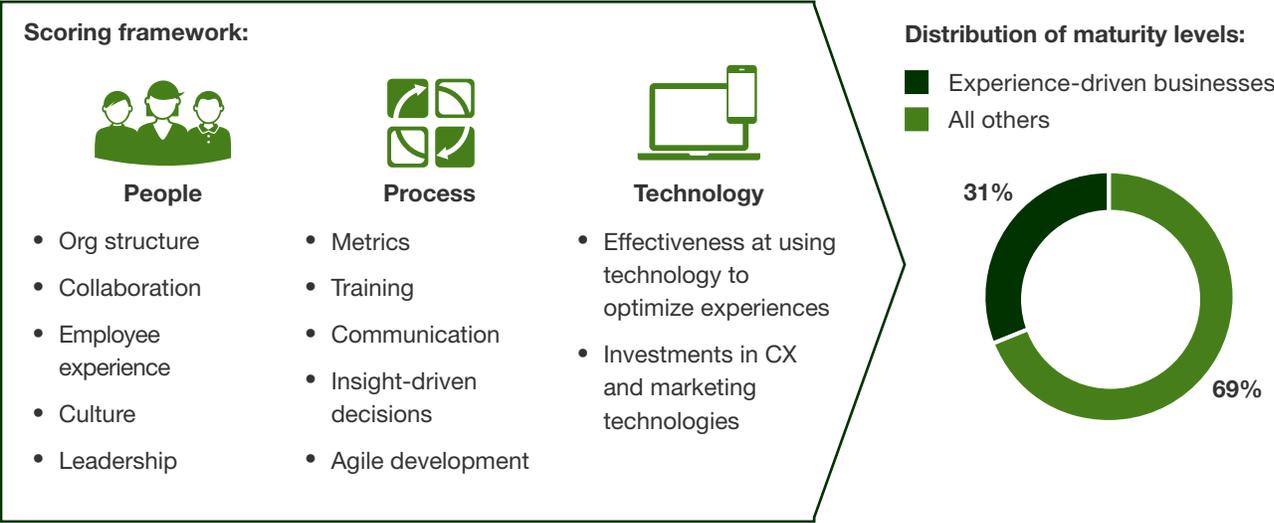
“We rank our employees and give them bonuses based on the metrics of customer experience, growth, and risk management.”

*Customer success manager,
US financial services
company*



For example, Forrester’s 2016 B2B Tech CX Index revealed an average CRM sector score of 54. Companies in Forrester’s 2017 US CX Index (which evaluates consumer experiences) fared much better, with sector scores ranging from 59 to 74.³ Business complexity also plays a role in an enterprise’s ability to become experience-driven. Thirty-two percent of enterprises with less than 10,000 employees qualified as EDBs compared to 26% of those with 10,000 or more employees. However, with enough means to invest in superior CX, big companies still thrive as EDBs. For example, 36% of firms with more than \$5 billion in annual revenues are EDBs compared with 29% of firms with revenues of less than \$5 billion.

Figure 2
We used a three-pillar scoring framework to define experience-driven businesses:



Base: 1,269 CX technology and metrics decision makers at global enterprises
 Source: A commissioned study conducted by Forrester Consulting on behalf of Adobe, February 2018

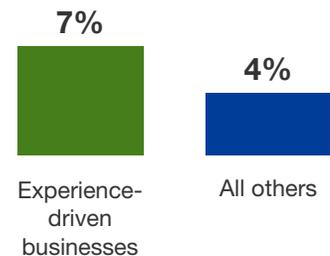
EDBs' Superior Performance Supports A Business Case For Broad CX Investments

Becoming an experience-driven business is a long-term commitment that requires broad investments to support organizational change, process improvements, and advanced technology capabilities. Our study evaluated the investments, challenges, and business outcomes of EDBs and compared them to other companies. This analysis can help CX, digital business, and marketing professionals who are not as far along in their journey build a business case for CX transformation. We found that:

- › **Experience-driven businesses invest deliberately in initiatives and technologies that support strong CX.** EDBs are more likely to have dedicated budgets for specific CX and marketing initiatives than other companies and they are more likely to be increasing their spending in these budget areas. Most notably, EDBs invest in cross-channel experience design — with dedicated, growing budgets for mobile, web, and physical location design — and in areas like customer analytics and real-time interaction management to help inform and optimize those experiences.
- › **EDBs make customer-obsessed, long-term tradeoffs.** Our data shows that EDBs sacrifice short-term wins in favor of creating holistic experiences. For example, EDBs report a greater average YoY increase in time-to-market than firms who are more likely to go to market in silos.
- › **EDBs are more aware of the challenges they face when striving to excel at CX.** CX pros at EDBs are more likely to name leadership commitment as an important challenge. That's because they are more mindful of the importance of senior leadership and organizational alignment as they set more ambitious CX-related goals. Security and privacy are also on the minds of CX pros in EDBs as they push the envelope on personalization and cross-channel orchestration.



Average YoY budget increase across CX investment categories:



“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*



EDBS CULTIVATE COMPETITIVE ADVANTAGE AT EVERY STAGE OF THE CUSTOMER LIFE CYCLE

The long-term investments experience-driven businesses make in improving CX are paying off. In reviewing a wide range of metrics across the customer life cycle, we found that EDBs drive superior performance and business value by (see Figure 3):

- › **Growing the business.** EDBs report driving faster topline growth, with an average revenue growth rate of 15%, compared to an average of 11% among other companies in our survey.
- › **Attracting prospects.** EDBs capture more mindshare than their competitors, which leads to greater interest in their products and services. For example, EDBs reported 1.6x higher growth in brand awareness metrics and 1.6x higher growth in new website visitors than their counterparts at less mature companies.
- › **Winning customers.** EDBs are more effective than others in turning prospects to customers — valuable customers. Their return on ad spend and number of newly acquired customers are growing at 1.9x the rate of other companies, and EDBs also report higher growth in total orders.
- › **Engaging customers.** EDBs are great at delivering experiences that keep customers engaged. Customers download their apps, submit forms and requests for information, engage on social media, and visit their websites more than they do with other companies.
- › **Retaining customers.** EDBs report 1.6x to 1.9x higher YoY growth in customer retention, repeat purchase rates, average order values, and customer lifetime value than other companies. What's more, EDBs are more effective at turning loyal customers into advocates. Half of EDBs saw increased customer advocacy as an outcome of their experience investments — a 1.5x lift over the 34% of other companies who saw the same benefit.
- › **Engaging employees.** Enterprises have long known that happier employees make happier customers — and by extension, happier shareholders.⁴ Our maturity assessment further supports this assertion. EDBs drive greater employee satisfaction than other companies at the individual, team, and department level. This enables these EDBs to deliver better experiences.

Average revenue growth rate for 2017 (or the next closest fiscal year):

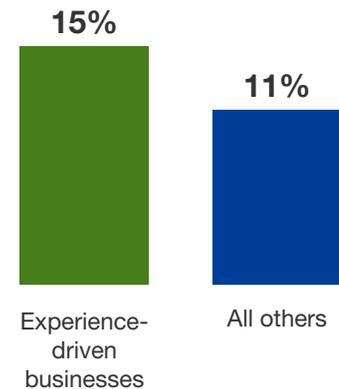
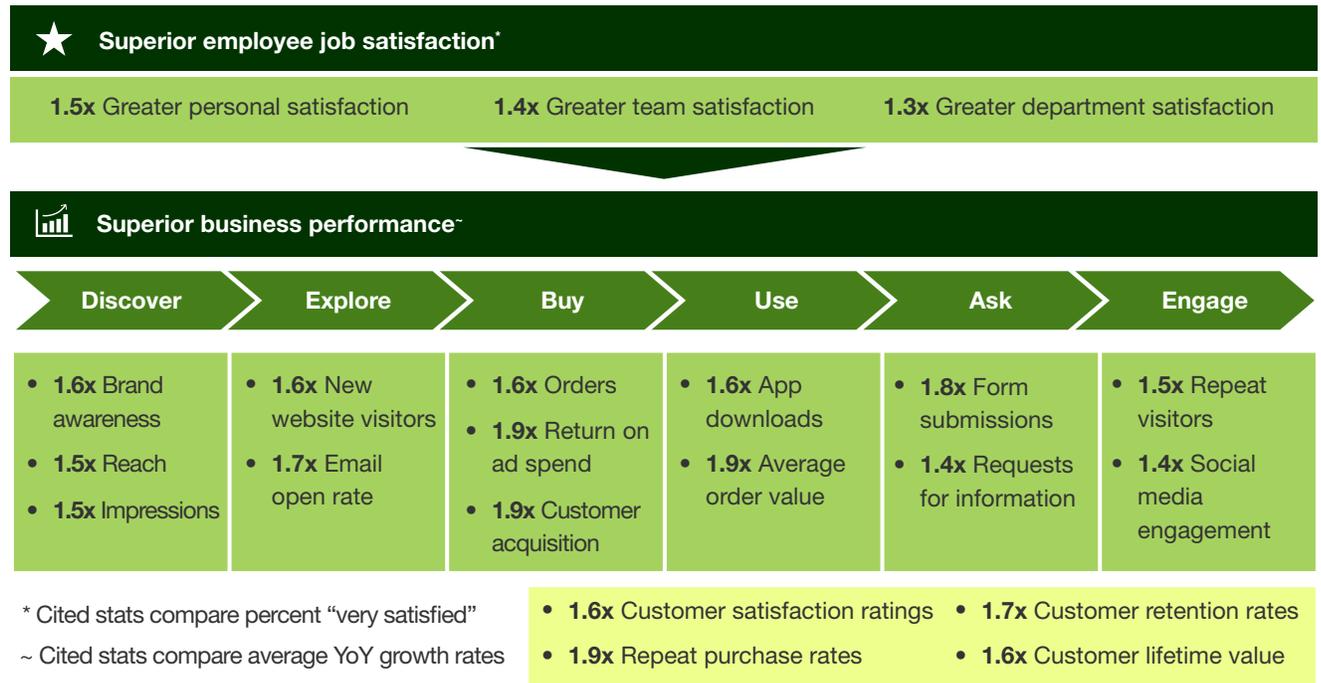


Figure 3

Experience-driven businesses have happier employees and superior performance across the customer life cycle.



Base: 1,269 CX technology and metrics decision makers at global enterprises
 Source: A commissioned study conducted by Forrester Consulting on behalf of Adobe, February 2018

INDUSTRY-SPECIFIC RESULTS REVEAL HOW EDBS ACHIEVE THE PRIORITIES UNIQUE TO THEIR BUSINESSES

The eight industries in our study share many of the same high-level goals, like growing revenue and improving CX, but they also have unique priorities to help them compete in their sector. Forrester has built models that demonstrate how CX improvements drive revenue in various industries, and the data shows that there is huge upside potential. For example, in the automotive industry, a manufacturer of mass-market cars could increase its annual revenue by \$873 million with just a one-point increase in its CX Index score.⁵ This study probed into a variety of further metrics that show industry-specific goals for improving CX and that support the business case for experience investments. We found that (see Figure 4):

- › **Manufacturing EDBs see increased conversion rates and loyalty through superior experiences and products.** Addressing rising customer expectations was the most critical business priority for manufacturers in our survey. To that end, manufacturing EDBs are 1.6x more likely to exceed expectations for customer experience metrics than other manufacturers and were 1.3x more likely to see conversion rates rise as a result of their experience investments.

“We revised our site design to create a more convenient browsing experience. After the revision, we saw higher click rates and an increase in orders.”

Analytics director, Chinese manufacturer



- › **Financial services EDBs exceed expectations for business success.** Revenue growth is the biggest priority for financial services companies. Financial services EDBs are 1.3x to 1.9x more likely than other firms to exceed expectations not just for revenue growth, but for profitability and market valuation metrics as well.
- › **Government EDBs' increased employee satisfaction and productivity help them meet their cost reduction goals.** Reducing costs is the biggest priority for government organizations in our survey. We found that government EDBs rated employee satisfaction in their department 1.6x higher than other government organizations. Happier employees support cost reduction goals because employee turnover is a major cost driver across industries. Government EDBs were also 1.6x more likely to cite faster software development cycles as a benefit of their experience investments, which further reduces costs.
- › **Healthcare EDBs foster loyalty through superior CX.** The number one priority for healthcare companies is improving customer experiences. To that end, healthcare EDBs were nearly twice as likely as other healthcare companies to cite improved customer satisfaction metrics as an outcome of their experience investments (50% versus 27%). Similarly, 50% of healthcare EDBs have seen an increase in customer advocacy, compared to 39% of others (a 1.3x difference).
- › **Media and entertainment EDBs invest in long-term customer experience benefits but forgo short-term efficiencies.** Media and entertainment companies see digital business acceleration as their biggest business imperative. Like EDBs in other industries, media and entertainment EDBs make sacrifices in short-term goals in favor of designing cohesive, cross-functional experiences. They were less likely than their industry peers to cite faster time-to-market as a benefit of their experience investments. However, media and entertainment EDBs did report stronger brand equity, CX, and customer lifetime value metrics than others.
- › **Retail EDBs attain higher brand equity and better customer acquisition from loyal customer advocates.** Retailers in our study emphasized 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.

“Better digital experiences have reduced the number of calls to our call center, reducing costs.”

Digital business manager, UK government agency



“We now have much better technology features that will help us better understand the customer and to justify [continued investment].”

CMO, German media and entertainment company



“We saw an 18% increase in customer retention in the second half of 2017 by utilizing personalization technology and by emphasizing that employees need to really know their customers.”

Analytics director, US retail company



- › **B2B technology EDBs exert their influence in the market with strong products and brands.** Increasing influence and brand reach in the marketplace is what keeps B2B technology leaders up at night. EDBs in this industry have a competitive advantage in this area because they are 1.7x more likely than their peers to command the market-leading position in brand equity metrics and in product reviews and ratings.
- › **Travel and hospitality EDBs turn happy customers into advocates.** Travel and hospitality companies focus their time and investments on increasing customer retention and loyalty. EDBs in this industry have a significant advantage in this area because they create experiences that customers want to tell their family and friends about. Sixty-one percent of travel and hospitality EDBs have seen increased customer advocacy as a result of their experience investments, which is twice as high as other travel companies who said the same (31%).

“Because we now know which customers have used our travel services more, we can offer better discounts which enhances the customer experience.”

*Digital business manager,
Canadian travel and
hospitality company*



Figure 4

EDBs in various industries are more effective at achieving their specific goals.

Industry	Most critical priority	EDBs' outcomes versus others in the same industry
 Manufacturing	Address rising customer expectations	1.3x have increased conversion rates 2x are leaders in customer loyalty metrics
 Financial services/ insurance	Grow revenue	1.3x exceed revenue growth expectations 1.9x exceed stock price expectations
 Government	Reduce costs	1.6x report higher department-level employee satisfaction 1.6x have faster software development cycles
 Healthcare	Improve the experience of customers	1.9x have improved customer satisfaction metrics 1.3x have seen increased customer advocacy
 Media and entertainment	Accelerate digital business	0.9x report faster time-to-market for new products 1.5x exceed expectations for CX metrics
 Retail	Acquire customers in new segments/markets	1.6x have seen increased customer advocacy 1.8x are leaders in brand equity metrics
 B2B technology	Increase influence and brand reach in the marketplace	1.7x are leaders in brand equity metrics 1.7x are leaders in product reviews and ratings
 Travel and hospitality	Increase customer retention/loyalty	1.7x are leaders in customer loyalty metrics 2x have seen increased customer advocacy

Base: 1,269 CX technology and metrics decision makers at global enterprises

Source: A commissioned study conducted by Forrester Consulting on behalf of Adobe, February 2018

Key Recommendations

While being an experience-driven business is a proven strategy for driving long-term business success, it's hard work to become one. Insights from this study, coupled with Forrester's existing research into CX transformation, yielded several important recommendations:



Determine the level of urgency of transforming into an experience-driven business. Greater freedom of choice for customers, coupled with competitors' strong CX prowess, increases the urgency of becoming an EDB.⁶ To assess freedom of choice, add up the “yes” answers to four questions: Can customers easily switch to competitors? Are competitors likely to provide greater choice in the near future? Can customers easily do without your firm's products or services? Do the firm's products or services create up- or cross-sell opportunities? To evaluate competitor CX prowess, add up the “yes” answers to the following questions: Do any major competitors offer better CX? Do they promote their great CX in marketing materials? Do they have large CX investments underway? Does the current state of CX create an opening for a disruptor with superior CX?



Lean into executive support as the keystone of CX transformation. Without strong and sustained CX commitment from executives, CX transformations will fail. To convert lip service into strong commitment, articulate a clear “why” for the CX transformation that connects to executives' hot buttons — like achieving goals on numerical metrics or leaving behind a certain legacy. Then, develop a vision and shared CX values.⁷ Finally, craft a road map for how to achieve the overall goals, with key milestones and objectives for each phase.⁸ This north star — the purpose coupled with a plan — will help overcome the inevitable setbacks every transformation encounters as executives notice the short-term sacrifices required to become and remain an EDB.



Model and track the ROI of being an experience-driven business. Anchor the ROI model around the benefits defined as north star success metrics (e.g., reduced churn or lower customer acquisition costs). Identify the necessary technology, people, and process investments to achieve these goals. Then define realistic ranges of investment and benefits, and a timeline for when investments and benefit occur. Add a risk adjustment to account for potential externalities and create a low investment/low benefit case and a high investment/high benefit case. Record a baseline on those metrics and create a scorecard that regularly reports the status of the CX transformation and whether benefits and ROI develop in line with expectations. If reality falls short of your original forecast, adjust the model with new assumptions based on what you observe.⁹

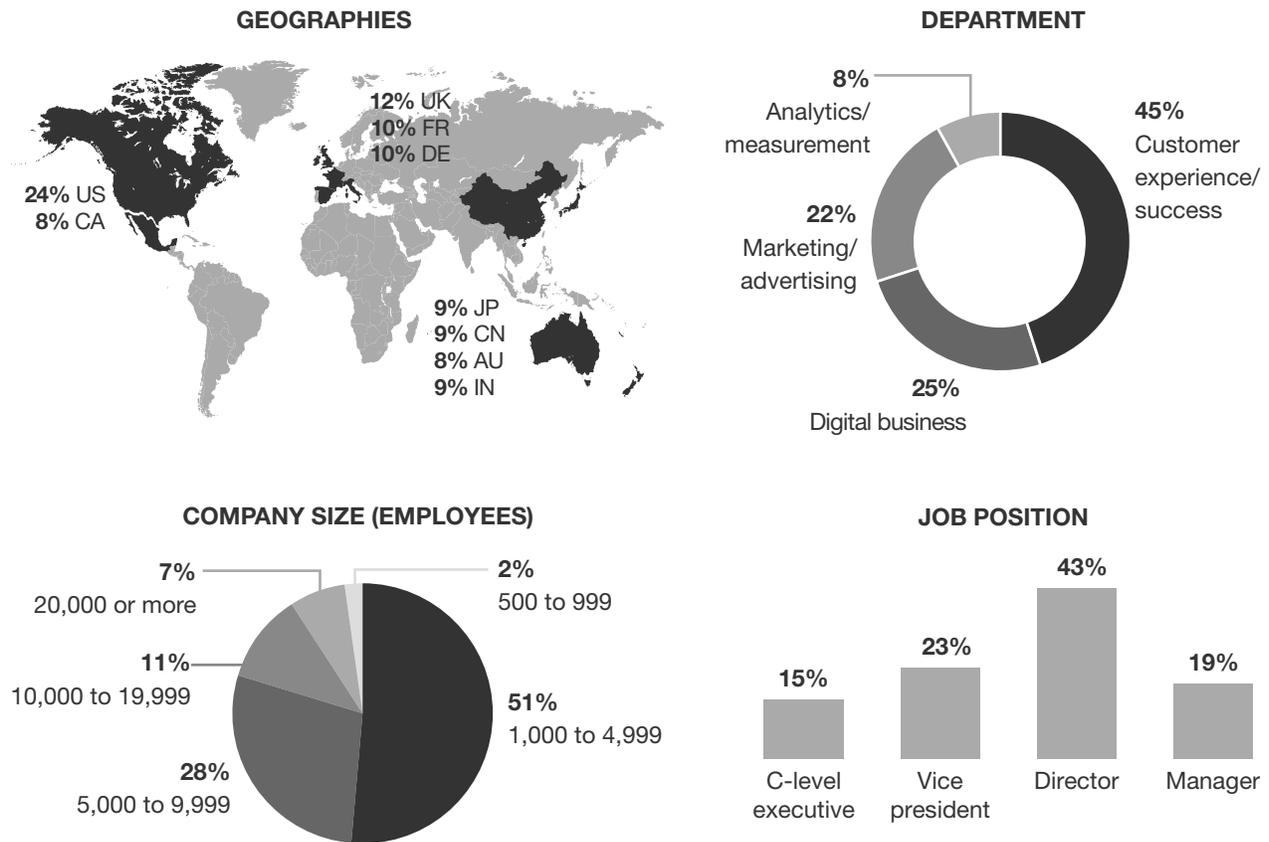


Invest in changing the organizational habits that undermine CX. Many organizational habits are not customer-centric. Take for example the urge to invest in a new technology (e.g., an app) or bring a new product to market quickly without first understanding the specific customer problem that needs solving. To change organizational habits, first identify and remove systems, processes, and policies that prevent employees from delivering great CX. Then enable employees to deliver great CX through role-specific training on behaviors and establish a routine of feedback and coaching on their performance.

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 at firms in eight industries: manufacturing, financial services and insurance, government, healthcare, media and entertainment, retail, B2B technology, and travel and hospitality. 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



Base: 1,269 CX technology and metrics decision makers at global enterprises
 Source: A commissioned study conducted by Forrester Consulting on behalf of Adobe, February 2018
 Note: Percentages may not total 100 due to rounding.

Appendix C: Supplemental Material

RELATED FORRESTER RESEARCH

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

“Establish A CX Measurement Program In Seven Steps,” Forrester Research, Inc., October 19, 2017.

“Elevate And Scale Your CX Measurement Program,” Forrester Research, Inc., October 19, 2017.

“The State Of CX Management Maturity, 2017,” Forrester Research, Inc., June 19, 2017.

Appendix D: Endnotes

¹ Source: “The Five Essential Steps To Plan Your CX Transformation,” Forrester Research, Inc., June 19, 2017.

² 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.

³ Sources: “Introducing The B2B Tech Customer Experience Index,” Forrester Research, Inc., August 1, 2016, and “The US Customer Experience Index, 2017,” Forrester Research, Inc., August 1, 2017.

⁴ For more examples of how employee experience drives business value, see “The Employee Experience Imperative,” Forrester Research, Inc., December 15, 2017.

⁵ Forrester’s CX Index measures how successfully a company delivers customer experiences that create and sustain customer loyalty. For more information see the Forrester report “The US Customer Experience Index, 2017,” January 16, 2018, and see the Forrester report “Drive Revenue With Great Customer Experience, 2017,” January 18, 2017.

⁶ Source: “The Five Essential Steps To Plan Your CX Transformation,” Forrester Research, Inc., June 19, 2017.

⁷ A set of shared values flows from the vision and clarifies the intended experience.

⁸ A laser-like focus on customer experience (CX) is the best path to business success. Forrester has proven this by analyzing major brands’ financial results and showing that they correlate with how customers perceive their interactions with those brands. Few companies have achieved that focus — for most, it will require a journey of deep transformation toward a new mindset and a new way of operating. The CX transformation playbook is Forrester’s framework for how to complete this journey successfully. To read our CX transformation playbook, see the Forrester report “Why And How To Lead A CX Transformation,” June 19, 2017.

⁹ For more information and tools for calculating the ROI of CX investments, see the Forrester report “The ROI Of CX Transformation,” June 19, 2017.