

2017

Customer Experience Trends: The Year of Operational Excellence

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Executive Summary

CEOs Will Double Down on Operational Excellence in Customer Experience Management in 2017

Putting the customer first will remain a top priority for CEOs throughout 2017 as senior executives around the globe continue to transform the enterprise from the outside-in *and* inside-out. How? By delighting customers and delivering exceptional experiences independent of existing and emerging devices, channels, products, brands, and business units.

Why does customer experience (CX) remain on the C-suite's top priority list after five-plus years of talking about and investing in it? The reason is simple: a growing number of senior executives realize that *effectively managing lifetime relationships* with prospects and customers can literally make or break an organization's topline growth and bottom-line results. Based on their initial forays, they've learned that operationalizing customer experience takes considerable – and even formidable – time, treasure, talent, and technology.¹ They've seen first-hand that creating a culture that delivers exceptional customer experiences cannot be done quickly or easily.

The emphasis on *lifetime* relationships is not accidental. For customer experience management (CEM) to spawn lasting “magic” that radically alters the business in the customer's eyes, the organization must provide exceptional experiences *over and over again*. Once, twice, or a handful of times in a customer's journey is not enough – the experiences must be marvelous every single time, over the full lifetime (value) of the customer.²

Look no further than Amazon, which provides extraordinary, exemplary customer experience all the time. Delivering Amazon-like moments of truth requires far more than a portfolio of typical CX products (e.g., personalization,³ content management systems,⁴ e-commerce,⁵ analytics, support for mobile and social, location marketing,⁶ etc.) or edgier CX technologies (like cognitive computing, virtual reality, or drones for delivering products).⁷ Delivering these moments of truth requires a business culture that puts the customer first all the time; a deep culture change that will not happen without strong executive leadership and organizational change up, down, and across all tiers of the business.

A growing number of senior executives realize that effectively managing lifetime relationships with prospects and customers can literally make or break an organization's topline growth and bottom-line results.

In 2017, CEOs, CMOs, and other C-suite leaders will step back to consider *how* to realize the CEM payoff by providing an exceptional customer experience all the time. Trends in 2017 will be driven by this one fact: companies will systematically seek to operationalize CEM instead of merely testing the waters, blowing budgets on big-time projects (such as multimillion dollar omnichannel initiatives), or placing all their bets on emerging technologies. In the minds of senior executives, it's past time for experimentation; they want results – and that fact alone will drive 2017 trends. The C-suite will seek to answer these questions:

- **Change management:** How can leaders really change the organization's culture to deliver unforgettable, exceptional customer experiences that lock in brand loyalty?
- **Innovation:** How can enterprises tap into their employees' brain trust to truly innovate customer-centric processes and enhance products and services to take advantage of technology?
- **Outside-in and inside-out:** How can the organization align the outside-in customer journey with internal inside-out processes that touch the customer, and thereby achieve operational excellence?
- **Technology:** Are there new, differentiating technologies that will change an industry's game; if so, what are they and how can they be applied to provide the greatest operational value?
- **Security:** With the very real risk of cybercrimes and the potential for panic on the rise, how can the C-suite protect highly sensitive customer data, avoid losing their hard-earned customer trust, and thwart crippling outages based on massive security breaches and malicious hacking?

Trends in 2017 will be driven by this one fact: companies will systematically seek to operationalize CEM instead of merely testing the waters, blowing budgets on big-time projects (such as multimillion dollar omnichannel initiatives), or placing all their bets on emerging technologies. For senior executives, it's past time for experimentation; they want results – and that fact alone will drive 2017 trends.

Organizational Issues Will Increasingly Drive Customer Experience Management Initiatives in 2017

With these questions in mind, and the C-suite's determination to operationalize CEM for the lifetime of its customers, three significant organizational trends will drive customer experience initiatives in 2017:

Trend 1

Organizational change management will bolster CX initiatives that could otherwise fail.

Change management is such a perennial problem that it could be on the trends list every year.⁸

What's different in 2017? The answer is that many organizations' strategic CX initiatives haven't made a dent in their customer care culture – so it's time to focus on the real problem. Leaders now realize their CX investments will only go so far without overcoming employee and mid-management resistance, in 2017 and beyond.

But that's not even half the battle: most companies are stuck and don't know what to do next. For example, do they ask HR to lead an internal initiative (probably not); do they engage a change management firm to help (maybe); do they call their favorite management consultants (possibly); do they retain or hire individuals who specialize in change management methodologies (definitely); do they hire leaders who've driven successful initiatives at other firms (probably) – just what do they do to get unstuck? The 2017 trend will be to shine a spotlight on change management approaches, lessons learned, best practices, methodologies, and techniques; then, doing something about it will be the big challenge.

Trend 2

CEM innovation efforts will systematically surface new ideas.

Global surveys of CEOs over the past five years have shown a remarkable, sustained focus on CEM. For example, 88% of nearly 1,300 CEOs in KPMG's 2016 report are concerned about retaining customer loyalty.⁹ Ninety percent of 1,409 CEOs in PwC's 2016 survey are changing how technology delivers on wider stakeholder expectations.¹⁰ In IBM's 2015 survey of 818 CEOs, executives expect more digital engagement over the next three to five years.¹¹

But technology is not the whole story; leaders are now emphasizing innovation because it takes more than digital and culture change to beat the competition. Breakthroughs also require new ways of thinking.¹² Need proof? Over half of the CEOs in KPMG's survey ranked R&D and innovation technologies as generating the greatest return in successful stakeholder engagement.

"[W]inners in the innovation game . . . will . . .

. harness technology and innovation to deliver products and services that are cost-effective, convenient, functional and sustainable."¹³ For

example, an idea as simple as contextual commerce that allows customers to buy products in the moment without having to go to the shopping cart or check-out is a powerful creative concept. To surface ideas in 2017, companies will systemize how they identify innovations that delight customers. A growing number of employees will be given time to collaborate and brainstorm, and compensated to bubble up new, differentiating ideas. Executives will be compensated on innovation, and new processes will operationalize the ideation.

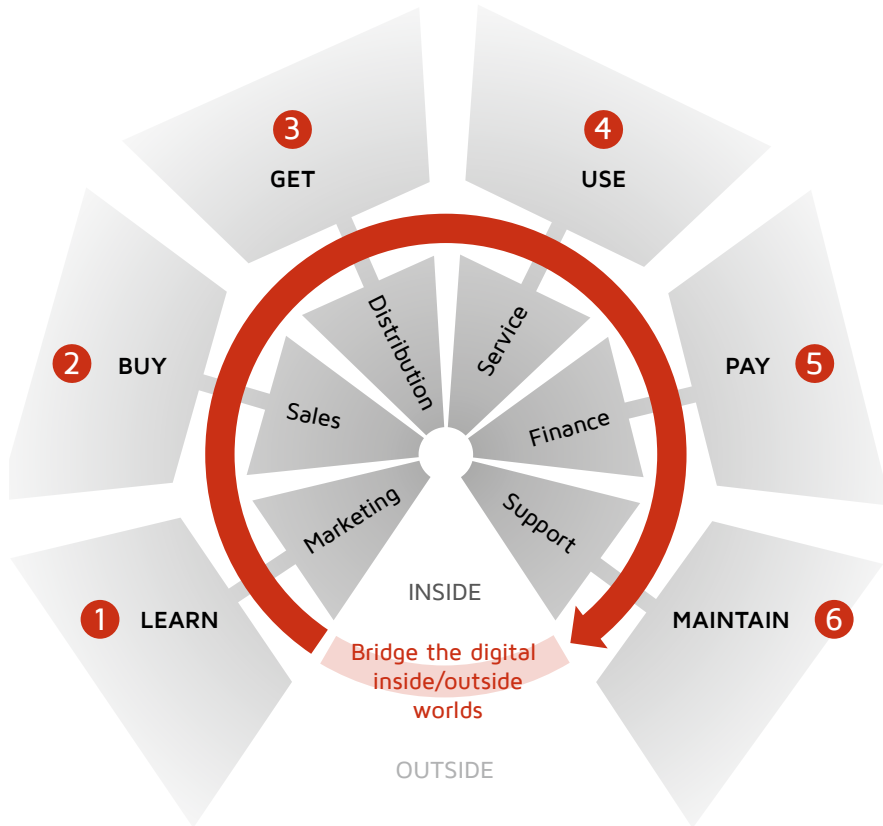
Trend 3

Operational excellence will align outside-in and inside-out thinking.

Broadly speaking, there are two ways to transform the organization. One way, which focuses on the customer journey, is widely known as an “outside-in” approach. Most firms start here because they are trying to look at customer engagement with fresh eyes from the only point of view that really matters – their customers’. They work hard to map the customer experience, both digital and physical, across devices, channels, brands, business units, etc. so they can provide delightful experiences at all times, under all circumstances. The other, less-used CEM approach is to focus on operational excellence from an inside-out perspective, answering questions like these: How should the sales organization support the customer? What could the customer service organization do to make customers happier by changing the customer experience? How does finance engage with the customer? Most inside-out efforts tend to focus on efficiency, lowering defects, and improving quality, and are less customer-centric. Most outside-in and inside-out efforts move in separate universes without encountering one another, even when the organization is pursuing both approaches.

In reality, outside-in and inside-out are two sides of the same coin; it’s just a question of where the CEM teams start and where they end up.¹⁴ Marketing organizations have a strong predilection for outside-in, which focuses on customer journey strategies and using journey mapping tools. Operational excellence teams rely on Lean and Six Sigma methodologies, process modeling, and business process management (BPM) software.¹⁵ Increasingly, journey mapping tools are operational, allowing updates to the customer journey based on analytics. Similarly, BPM tools support modifying in-flight processes based on execution data. In 2017 (and over the next five years), outside-in and inside-out teams will begin to realize they are reverse mirrors working on different aspects of the same processes (see Figure 1) and will begin to join forces.¹⁶ This trend will be a slow, steady movement that won’t happen overnight. That’s because putting the two world views together will take senior leadership, significant effort and skills, and a substantial organizational change management effort.

Figure 1
Customer Actions in the Digital Outside Mirror Employee Actions in Digital Inside



Source: adapted from Earley Information Science

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Analytics and Cognitive Computing Will Drive Customer Interaction Trends in 2017

Differentiating any organization in a world of empowered customers depends on substantially more than leveraging existing and emerging technologies for customer engagement. Hence the focus on softer competencies in 2017 that will drive operational excellence. However, technology innovation is such a key enabler that achieving CEM success without a continued focus on technology differentiators is well-nigh impossible.¹⁷ Many technologies will continue to drive CEM differentiation in 2017, including analytics, BPM, cognitive computing, collaboration, content management systems, CRM, e-commerce, internet of things (IoT), journey mapping platforms, mobility, social, virtual reality, drones, and wearables; the list goes on and on. But the two biggest technology trends in 2017 that will help to differentiate companies are these:

Trend 4

Analytics everywhere will drive virtually every CEM platform and initiative in 2017.

The march toward ever-greater analytics usage began several years ago as companies focused on personalization, attribution, visualization, journey management, next best action, and predictive responses to customer behavior, requests, requirements, preferences, usage, and expectations. This trend will continue unabated in 2017 as executives double down on leveraging customer data to deliver a better, more relevant experience for the customer. New, esoteric uses for analytics are also surfacing at a fast clip: piloting drones that serve customers, steering driverless cars, and laying the foundation for cognitive computing in e-commerce as retailers and manufacturers move into sentiment and emotion analysis.

This expanded reliance on analytics everywhere will have staffing implications that cannot be ignored, including the following:

Centers of excellence: Companies will need to invest substantially in analytics centers of excellence so that expertise and best practices can be shared and used across the organization, and project teams can tap internal consultants for their expertise.

This expanded reliance on analytics everywhere will have staffing implications that cannot be ignored.

Power users: Interested businesspeople with an aptitude for technology and information management should be recruited to help spread expertise and knowledge around the organization without waiting for formal learning initiatives or external consultants. A businessperson's working knowledge of analytics will start becoming a core competency for employees.

Data scientists: More analytics and more analytics-powered tools will increase demand for greater data knowledge and rigor about how to use data when building analytical applications. Those rare corporate assets – data scientists – will be needed more than ever if organizations are to achieve operational excellence in analytics for CEM in 2017.¹⁸

Trend 5

Cognitive computing will tap artificial intelligence in 2017 to power a range of smarter tools in the office as well as the home.

These AI-based technologies include conversational, machine-learning chatbots in the contact center and elsewhere, digital assistants whose reach and context spans multiple platforms, and smart home devices running AI-fueled interfaces, such as Amazon Echo¹⁹, Google's Jibo, and Samsung's Viv, that customers use to interact with the companies they buy from.²⁰ Developments such as these will garner the attention of executives looking for differentiation and a new way to reach the customer, no matter where the customer goes, 24x7. The year 2017 will even start a gradual, five-year trend to chip away at, and finally topple, the mighty smartphone's unique perch as the only desirable conversational interaction device. Companies will start down this path in 2017 by experimenting with AI for delivering better, more contextual and relevant, experiences. Two key questions they will want to answer are: 1) is the technology capable of understanding nuance, tone, and accents, especially in homes where multiple individuals may use the device? and 2) how significant are the privacy issues that are involved?²¹

The year 2017 will even start a gradual, five-year trend to chip away at, and finally topple, the mighty smartphone's unique perch as the only desirable conversational interaction device.

Believe It or Not, Cybersecurity Will Move to the CEM Agenda in 2017

Unless the CEO and other C-suite leaders have been hiking the Appalachian Trail or exploring Antarctica over the past three months, they have probably heard more about hacking, cybercrimes, the 2016 election, Russians, Wikileaks, the DNC, and countermeasures than they ever imagined possible.²² And while this topic is definitely something CEOs must and will take to heart, along with the Chief Risk Officer, the Chief Security Officer, and the Chief Information Officer, the cybersecurity threat seems pretty far afield for many CMOs and customer experience leaders. All the discussions in the news may pique their curiosity or concern, but cybersecurity is not considered even a moderate CEM issue. That will change quickly in 2017.

Trend 6

CMOs and other C-leaders will start collaborating with chief risk, security, and information officers in 2017.

Without question, the C-leaders responsible for risk, security, and information management will get more serious and focused on collaborating on cybersecurity measures over the next twelve months – currently they do not work well together in many organizations. But the same risk that forces other leaders to collaborate in protecting the corporation’s networks, computers, data centers, and information will also touch customer experience leaders. The question is, will customer experience leaders take their seat at the table or will they naively be content to let “techies” work through the issues and solve the problem?

Exactly where do the CMO and customer experience leaders fit in this conundrum? Although they don’t have technical chops in the security and risk fields, CX leaders are still critically important stakeholders because, with the advent of personalization, analytics, cognitive computing, customer preferences, and so forth, they are now the owners of highly sensitive, highly confidential, trusted customer data. If a security breach occurs,

risk and security officers tend to send terse communications to customers advising them of the breach and their exposure – often with no guidance on next steps for the customer to take. CMOs would absolutely cringe if they saw how some companies engage with their most valued customers following a high-profile security breach (such as those at Anthem Blue Cross Blue Shield, Sony, Target, and the U.S. Office of Personnel Management). Customer experience leaders cannot risk going AWOL, ignoring their central role in ensuring the privacy, security, and trust of highly sensitive, privileged customer data. This is particularly true in Europe, where the legal and regulatory focus is much greater on data protection and privacy, and the General Data Protection Regulation ([GDPR](#)) is on track to go into effect in May 2018.²³

Plus, the risk is not only that private, sensitive financial and medical data will get into the public sphere. Cyberterrorism is also a risk, as criminals intentionally seek to cripple transportation systems, the electricity grid, hospitals, fire and rescue, financial trading systems, and other essential public and private services that form the social fabric and economic backbone of developed countries. Customer experience leaders will be essential in the discussion and planning for countermeasures and contingency planning, as risk, security, and information leaders consider how best to raise their corporate defenses against “the bad guys.” For example, innovative approaches like software defined perimeters provide much greater security than traditional measures but will also make the organization harder for customers to do business with. These are important decisions that go beyond the bits and bytes of technical issues. CMOs and other customer experience leaders must not, and will not, abdicate their role in 2017 – as they gain a deeper understanding of the cybersecurity threat, they will become players and stakeholders in these important decisions.

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Professional Services: The Last Word in Operational Excellence

Operational excellence is a worthy goal for any business leader and is particularly important for customer experience leaders coming on the heels of three to five years of experimentation, prototyping, and reworking technology implementations. After all, operational excellence is not only about making things work, but also about making them work well. And that is a tall order.

Companies generally spend four to six times more on professional services than the cost of the software purchase alone. The spend on services clearly reflects the reality that making technology implementations successful is both an expensive venture and substantially more complicated than simply installing the technology, “turning it on,” and hoping for the best. Yet, our research shows that companies spend considerably more time selecting their software vendors and products than they spend vetting their professional services partners, even though the partners can literally make or break the project’s success.²⁴

When implementing customer experience technology, particularly cutting-edge technologies like cognitive computing or AI-based conversational platforms, it’s imperative for customer experience leaders to spend even more time vetting their professional services partner(s). The measuring stick should be how well those partners perform in ten core competencies (listed alphabetically):²⁵

1. Business process management (BPM)
2. Business strategy
3. Content strategy
4. Customer data/intelligence
5. Experience design
6. Measurement
7. Organizational change
8. Physical & digital
9. Technology fluency
10. User research

Even if the software implementation centers on well-known (or better-known) technologies such as content management systems, digital asset management, analytics for attribution, or e-commerce, it’s still vitally important to choose the right, and the best, services partner. That’s the road to operational intelligence – be sure to take it.

Endnotes

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- 14 "The Two Sides of the Transformation Coin: Digital Outside and Inside," <http://www.digitalclaritygroup.com/dont-flip-the-transformation-coin-going-digital-outside-and-inside/>.
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- 16 As customers go from learning about products and services (step 1), to buying products (step 2), to getting products and services (step 3) through the digital outside, they are also touching the inside business processes and functions of marketing, sales, and distribution. The pattern continues as outside-in customers use the product (step 4), pay for the services (step 5), and maintain the product over time (step 6).
- 17 Counterintuitively, the author met a CMO this year from a highly successful retailer that does not sell online. Instead, the company, which has a long track record in its market and a loyal customer base, sells through physical stores and direct mail. This goes to prove there are always exceptions to the rule and companies can continue to succeed with analog strategies in a digital world. But don't bet on it.
- 18 "The Big Data Continuum: From Data Scientists to Empowered Business People," <http://www.digitalclaritygroup.com/big-data-continuum/> and "Chief Data Officer: Yet Another Role For The CIO?" <http://www.digitalclaritygroup.com/chief-data-officer-yet-another-role-for-the-cio/>
- 19 Amazon Echo is a home automation technology that performs routine human tasks through voice recognition and interaction, such as playing music upon request, providing recipes and cooking tips, ordering take-out meals from restaurants, making to-do lists, setting alarms and timers, streaming podcasts, playing audiobooks, and providing weather, traffic, news, sports, and other information.
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- 22 "CMOs, cybersecurity and the criticality of customer trust," <http://www.digitalclaritygroup.com/cmcs-cybersecurity-criticality-customer-trust/> and "PODCAST: Cyber Security," <http://www.digitalclaritygroup.com/podcast-cybersecurity/>.
- 23 The European Union's General Data Protection Regulation (GDPR) will substantially impact any company that (a) sells to EU residents, or (b) "monitors" the behavior of EU residents. Compliance will require significant changes in how companies collect, store, process, share, and transfer personal data. Failure to comply carries very high fines, as well as the possibility of consumer class-action lawsuits and the threat of imprisonment for responsible executives. For more on this topic, see "[The Meaning and Impact of the General Data Protection Regulation: Executive FAQ](http://www.digitalclaritygroup.com/meaning-impact-general-data-protection-regulation/)," <http://www.digitalclaritygroup.com/meaning-impact-general-data-protection-regulation/> and "Worried About the GDPR? Grab Our Executive FAQ," <http://www.digitalclaritygroup.com/faq-gdpr/>.
- 24 Several different types of service partners are available to customer experience leaders for implementing technology and making projects operationally excellent. They are reviewed in "The Five Types of Customer Experience Management Service Providers," <http://www.digitalclaritygroup.com/five-types-cem-service-providers/> and "How to Choose Really Great Service Providers for Customer Experience," <http://www.digitalclaritygroup.com/choose-service-providers-customer-experience/>.
- 25 "Ten Core Competencies for Customer Experience Management," <http://www.digitalclaritygroup.com/are-you-ready-for-customer-experience-management/>.

About Digital Clarity Group



Digital Clarity Group is a research-based advisory firm focused on the content, technologies, and practices that drive world-class customer experience. Global organizations depend on our insight, reports, and consulting services to help them turn digital disruption into digital advantage. As analysts, we cover the customer experience management (CEM) footprint – those organizational capabilities and competencies that impact the experience delivered to customers and prospects. In our view, the CEM footprint overlays content management, marketing automation, e-commerce, social media management, collaboration, customer relationship management, localization, and search. As consultants, we believe that education and advice leading to successful CEM is only possible by actively engaging with all participants in the CEM solutions ecosystem. In keeping with this philosophy, we work with enterprise adopters of CEM solutions, technology vendors that develop and market CEM systems and tools, and service providers who implement solutions, including systems integrators and digital agencies.

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