

The 2016 Top 10 Critical Success Factors To Determine Who Wins And Who Fails In The Age Of The Customer

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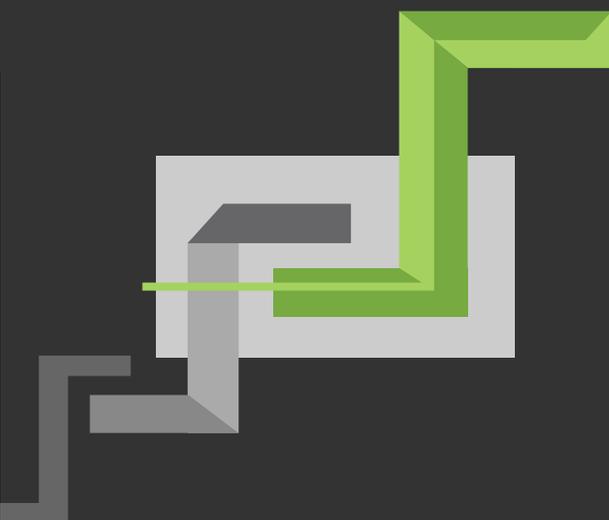
The customer obsession gap widens.

There is broad recognition that empowered customers are changing the fundamentals of the market. In response, most companies are executing strategies that place the customer at the center of the universe.

The problem is one of magnitude and speed. Many companies have underestimated the magnitude of change needed to operate a customer-obsessed business and the speed required to catch up to dynamic customers and disruptive competitors.

In 2016, the gap between customer-obsessed leaders and laggards will widen. Leaders will take on the hard work of shifting to a customer-obsessed operating model; laggards will aimlessly push forward with flawed digital priorities and disjointed operations.

Read on to discover the top 10 critical success factors that will determine who wins and who fails in the age of the customer.



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The Top 10 Critical Success Factors In 2016

1 Personalization is the new bar.

Customers expect to be treated as individuals in their moment of need. They expect that each encounter will be informed and enriched by current and accurate information about their accounts, history, and preferences. They will reward companies that can anticipate their personal needs and wants — and punish those that clumsily have to relearn basic customer details at each encounter.

In 2016, the level and quality of personalized experiences will be a key determinant in who wins mindshare and share of wallet.

Leaders are leveraging systems of insight to deliver customer intelligence to the frontlines and the customer-facing systems, providing both responsive and predictive care. Laggards use customer segments as a blunt instrument and struggle to unleash the power of customer intelligence to deliver personalized experiences.



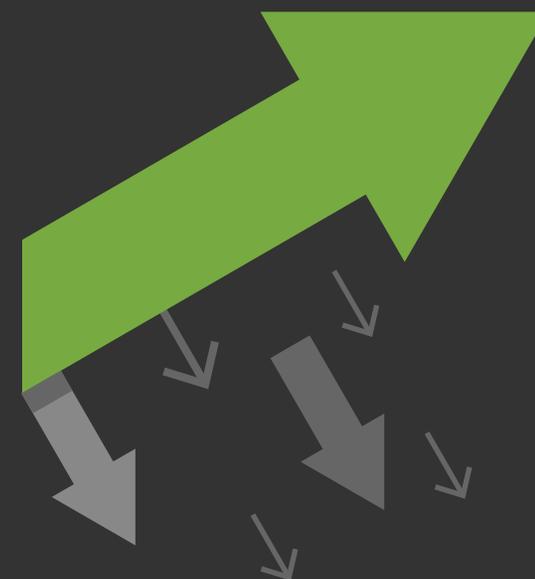
In 2016, leaders will understand and anticipate individual needs to deliver personalized experiences, sharply increasing their lead in the market.

2 Small CX thinking will destroy financial results.

Customer experience (CX) is intended to deliver superior, personal experiences across human and digital touchpoints — and to do so in a manner that is consistent with the brand promise. That is not so simple: The combination of people, process, and technologies must be able to understand, anticipate, and deliver on those experiences every day.

CX tightly correlates with revenue performance; small, tactical CX efforts will directly impact growth.

CMOs are leading the charge to convert superior experiences to growth. This includes driving change above and below the visibility line: from aligning the brand promise to transforming operations to deliver high-value, personalized experiences. The majority of firms, however, will continue to think small, focusing their CX work on constructing customer journeys, an important but narrow part of the path toward customer obsession.



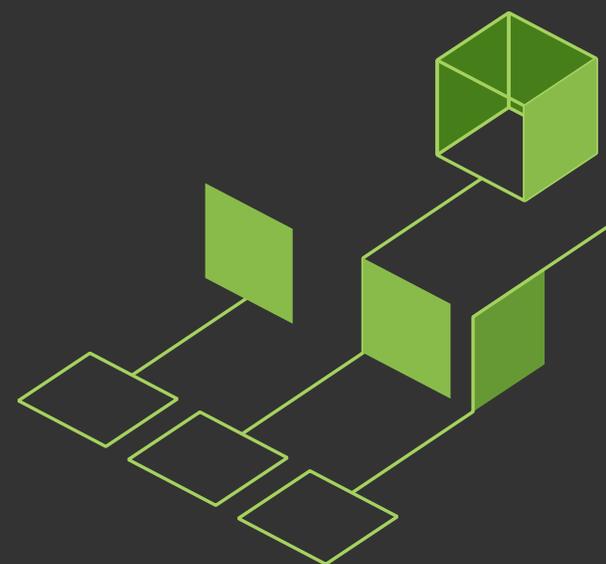
In 2016, leaders will execute multidiscipline CX strategies to change internal operations — and drive a larger wedge between themselves and those just executing CX tactics.

3 Who leads matters more in 2016.

The shift to a customer-led market will force CEOs to restructure their leadership teams, favoring digitally savvy executives at the expense of long-standing leaders who don't understand or who struggle to lead in the age of the customer.

The transition to customer-obsessed operations is creating tension across the organization. Business line heads often seek to preserve old ways of doing business, because change is hard while quarterly pressures dominate mindshare. Although the CMO is best positioned to lead CX efforts, many CMOs are not ready to do so. The CIO owns the technology that should create differentiated customer experiences but struggles to shift to a business technology position due to IT complexity, risk, and gravity. Some firms are investing in new titles such as chief data officer, chief digital officer, and chief customer officer to change the game.

One central theme prevails: Leading companies will have CEOs who drive change and can put the right person in the right role to take on a rapidly changing market. Laggards will try to maintain old leadership structures while compensating for gaps with titles that have little real authority and unworkable governance structures.



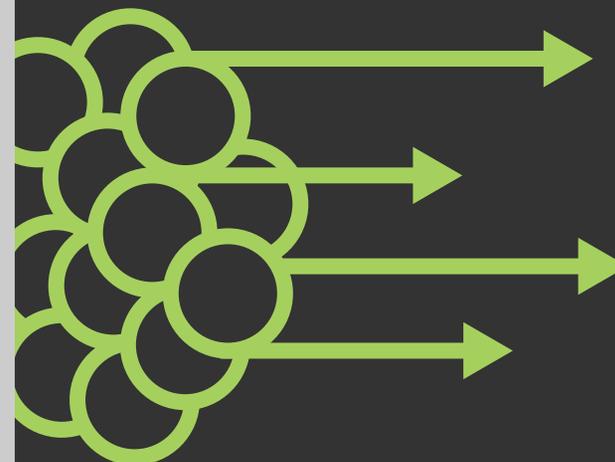
In 2016, we will see extraordinary leadership disruption as companies adapt to a customer-led market.

4 Culture is a critical path to business success.

Culture has quickly moved from a perceived luxury to the critical path for customer-obsessed operations. The business impact of culture is coming into sharp focus. Everyone rowing in the same direction is accelerating the shift to a customer-obsessed organization.

Culture fuels change; it is not a byproduct of change. Culture drives speed and efficiency, creating instincts, norms, and new muscle memory to shift to a customer-obsessed operation and work at the speed of dynamic customers and disruptive competitors.

But building or changing culture takes time and needs to happen in the early stages of change. Leaders are quickly initiating culture efforts that transform operations and gain new levels of business agility. Laggards that avoid or defer culture change will stall the overall shift to customer obsession.



In 2016, leaders will invest in culture to accelerate both the pace of change and their speed of business.

5 Traditional companies stand up to disruptors.

Disruption is no longer disruptive — it is normal. Disruptors are free of traditional ways of doing business, legacy cultures, or the need to feed quarterly results. They are free to think about new ways to delight customers, leverage technology, and do business. Hyperadoption, where consumers are eager to adopt behaviors that were previously unimaginable, and enabling technologies add fuel to the disruption fire.

Leaders accept those terms and will animate their powerful points of differentiation — market footprint, capital, and massive amounts of customer data — to fight back in 2016. They will fundamentally change the pace of their business, shedding cumbersome annual processes for agile ones that can work at the pace of dynamic customers and disruptors. Laggards will hold on to legacy business practices, respond poorly to market threats, and witness a dangerous gap form between themselves and their customers.



In 2016, traditional leaders will animate core points of differentiation to successfully fight back against digital disruptors.

6 Loyalty programs focus on participation.

Loyalty structures are eroding as customers continue to free themselves of contract obligations, dismiss switch costs, and disengage from loyalty programs. Disruptors are accelerating the pace of erosion by disintermediating traditional companies and dismantling existing contract structures.

What customers increasingly value is a shared purpose with a brand. Customers want to customize the product (e.g., NIKEiD) or even design the product through technologies like 3D printing. That changes the game. Loyalty programs that only provide coupons, discounts, or other transactional value become obsolete. In 2016, loyalty programs will increasingly do things *with* their customers, not simply *for* their customers.

Leaders are putting in place programs that allow customers to be a part of their business; laggards are trying to optimize aged loyalty programs that have minimal impact on affinity or spend.



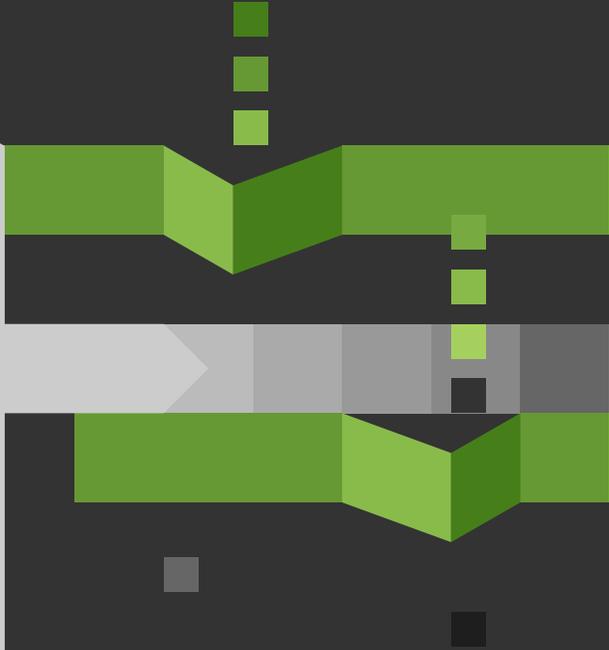
In 2016, leaders will evolve loyalty programs to work with their customers — fundamentally changing the meaning and strength of affinity.

7 Analytics becomes a key competitive weapon.

Analytics improves an organization's ability to understand, anticipate, and act on data to drive customer value, business efficiency, and growth. But data is diverse, dispersed across systems, and dynamic — and now includes more and more crowdsourced and social data.

Big data provided the potential to understand more, anticipate better, and gain competitive advantage — but in reality, it mostly drowned operations with too much data and too few insights. Big data, in part, solved the data volume issue but did not address the issue that customer data sits in systems — big and small — underpinning customer journeys.

Leaders are addressing the diversity of data and unlocking the value of data via algorithms tuned to anticipate and deliver customer value. Laggards are slow to undo the “build it and they will come” approach to unite data with customer operations, but that gap in capability and time is accelerating the risk of customer churn.



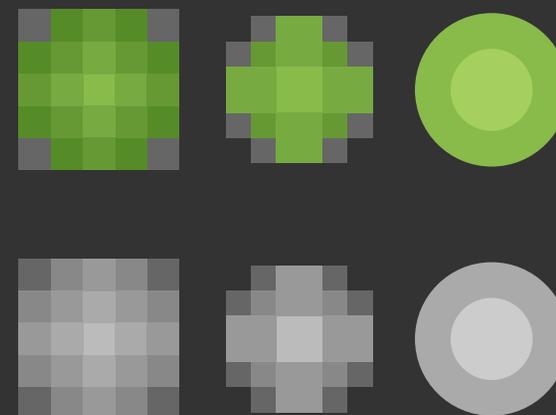
In 2016, cutting-edge algorithms will give leaders a leg up over competitors drowning in data and using run-of-the-mill analytical tools.

8 Digital dabbling is a fatal strategy.

Innovation spend is on the rise, digital skills are in hot demand, and a new breed of digitally savvy senior leaders is emerging. C-level executives at leading firms are making digital a core driver of business transformation, not simply decorating their business with digital experiences or tools.

Leaders will embed digital into all parts of the business, harmonize virtual and human (e.g., in-store) experiences, and be able to rapidly shift to meet the hyperadoption/hyperabandonment behavior of customers.

Laggards will focus on shiny, front-end digital objects that will send them further off course in 2016. Projects like Internet-of-Things experiments and mobile wallets and payments conducted only in internal labs will deliver incremental marginal value. And they'll continue to take the place of work needed to break down the institutional, organizational, and cultural barriers that would accelerate laggards' digital journeys.



In 2016, leaders will master digital to drive growth and share; laggards will become digital dinosaurs and face the risk of extinction.

9 Privacy is moving from niche to value prop.

Conventional wisdom stated that about 5% of the population really cared about privacy and even less would change behavior based on privacy risk. Companies prioritized accordingly, putting in privacy policies as a matter of legal hygiene.

Not anymore.

Well-publicized security breaches, identify theft schemes, and socially devastating privacy incidents have changed the dynamic. Customers are aware; they care and are willing to act on the basis of how well their privacy is protected (if they will even provide personal data in the first place).

Leaders have broadened the topic of privacy from a legal/risk question to a marketing goal. Asserting and proving differentiated privacy protection can, in turn, win share of wallet and drive churn from competitors that don't deliver credible privacy protection. Laggards will continue to treat privacy as a niche issue, losing both wallet share and customers.



In 2016, privacy will move from a niche consideration to a value to which customers will respond.

10 Operations becomes the nucleus of value.

Leadership teams responding to a customer-led market are asking a simple yet profound question: How do we operate to win?

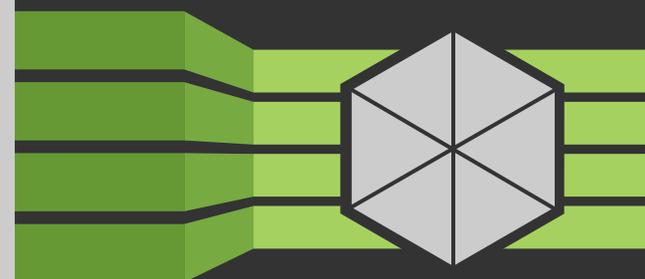
It's not simple to answer, as operational change — and associated people change — is seismic, and it's not for the faint of heart.

But it's also not elective. The market fundamentals are simply too different to force old structures into this new reality.

Leaders are making the shift now to gain first-mover advantage and aggressively address the threat from disruptors. They're doing it based on four core principles, shifting:

- From being aware of customer wants and needs *to obsessing about the value and personalization of customers' experiences.*
- From wrangling big data *to using analytics that enables personalized services across human and digital touchpoints.*
- From seeking perfection *to (imperfectly) moving at the speed of dynamic customers and disruptors.*
- From optimizing within functions *to working cross-functionally to deliver consistent value across customer journeys.*

How quickly and how well companies move to a customer-obsessed operating model ultimately determines the extent to which they can deliver differentiated experiences, drive growth, and **win**.



In 2016, leaders will put in place customer-obsessed operating models; laggards will merely market themselves as customer-obsessed.

What Does This All Mean?

Lead customer-obsessed change **now**.

Here. Now. That is the reality of the age of the customer. The early stages of this shift signaled what success, risk, and norms will look like. These signals told us that the shift will change how our economy, how industries, and how businesses work.

We are past those early stages. Today, companies are challenged to move from accepting new market fundamentals to driving the real and profound change needed to compete and win in the market.

2016 will be a consequential year. More and more disruptors will emerge — some succeeding and some failing — and create a market that operates at a speed not seen before.

Leaders will close the gap between themselves and disruptors, exploiting data and market scale while working at the speed of customers and disruptors.

Mainstream companies — the majority of companies — will have that gut check and either move as leaders or fall back with the laggards.

Laggards will experience accelerated churn, and many will begin the slow process of failing.

For the latest insights on the top 10 critical success factors for 2016, visit forrester.com/blogs.



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