

A Forrester Consulting
Thought Leadership Paper
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What Is The Secret To Winning On Customer Experience?

It All Starts With The Data



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Executive Summary



“The use of data is one of the primary challenges and primary opportunities for anyone that really wants to have a growing and expanding business.”

Senior vice president of marketing at a retail organization with 10,000+ employees



Only 38% of those surveyed strongly agree that they know where all of their customer data is stored.

It was not that long ago when marketers were craving more data. They got that. Then, they also started to want more data tools. They got those as well. Now, most marketers face an overwhelming amount of data housed on a myriad of different applications, limiting the visibility and control they have over their customer data. With customer expectations continuing to rise, companies face a gap between their need to use that data to meet customer expectations and their current data management practices' ability to deliver. So, how can companies close this gap? The best-in-class businesses recognize that they must work toward taking back ownership of their data to harness the power of their customer and prospect information — in order to compete and win on customer experience.

In September 2019, Deloitte commissioned Forrester Consulting to evaluate how companies manage their customer experience data. Forrester conducted an online survey with 425 respondents and interviews with 10 director-level or higher customer data management decision makers to explore this topic. We found that companies are challenged by complex data systems and a large number of data sources that hinder visibility and control. To address these challenges, many companies are: reducing the number of data vendors they work with; consolidating tool sets; and bringing data management back in house.

KEY FINDINGS

- › **Complex data structures affect customer experience.** Companies are overwhelmed by a large amount of data and a high number of tools. In fact, only 38% of surveyed respondents strongly agree they know where all of their customer data is stored. These barriers keep companies from providing the level of personalization and interaction that customers expect, ultimately impacting the bottom line.
- › **Collecting and connecting data are key challenges.** Although companies are attempting to gain more data ownership, they find it challenging to pool the budget to pay for it (55%), find a single solution that meets needs (43%), and create a unified data management strategy across all lines of business/teams (41%). Inadequate data management is a common theme. In an assessment of customer experience data management maturity, only 5.6% of survey respondents had an average score of 4 or higher on a scale of 1 to 5.
- › **In-house data management promises visibility and control.** Seventy-three percent of Leaders (most mature) and 58% of Laggards (least mature) have brought data management in house to break down these barriers, with many more planning to move data in house in the future. This change has increased reliance on in-house teams and consultancies as companies move away from more generic technology solutions and need support in order to make the move in house, which provides the benefits of higher quality/consistent/accessible customer data (57%) and improved customer experience (53%).

Complex Data Structures Affect Customer Experience

As companies attempt to keep up with the surge in customer data, many have adopted tools and vendors for data collection. However, many are now faced with diverse data types that are not linked and may not be accessible to customer engagement systems. In the words of a director of marketing operations at a life sciences organization with 15,000+ employees, “The biggest challenge at this point is linking the data together.” Companies have largely shifted from having a lack of data to having an overwhelming number of data sources, leaving them unable to effectively use data to support the business. In surveying 425 respondents and conducting 10 interviews with customer data management decision makers, we found that:

› **Organizations face a tangled, complex web of data sources and technology.** Companies have, on average, 17 different technology applications leveraging customer data, with an average of 28 different data sources used for generating customer insights and customer engagement. In fact, 16% have 41 or more data sources. Reasons for these disparate data sources and tools include:

- **Company acquisitions.**

“We’re a very large company and we have acquired eight companies in the last two years and many more before that. So we’re a hodgepodge of different businesses and business units. And because of that we all have disparate technologies and information sets.”

Chief technology officer at a technology organization with 130,000+ employees

- **Organizational silos.**

(On the lack of consolidated vendors or marketing efforts): “It has a lot to do with just how the organization is split and how different budgets are managed. Every team is very much independent and very siloed into their own marketing initiatives.”

Product lead of marketing automation at a media/entertainment organization with 4,000+ employees

- **Patchwork of existing systems.**

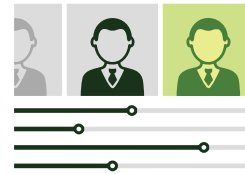
“We would love to have one source of the truth, but there has been patchwork and plug-in services and that sort of thing to attempt to marry a myriad of systems and tools together.”

Vice president of merchandising for a retail organization with 1,000+ employees

- **Competing priorities.**

(After acquiring a new company): “Even though we have a strategy to try to assimilate a lot of the different programs, software services, and whatever for the mothership, there are certain things that take precedence, right? Email takes precedence. ERP takes precedence. HR takes precedence. And then data management systems ended up being No. 1,020 on the list. And because they’re so far down the list, they rarely get done.”

Chief technology officer at a technology organization with 130,000+ employees



16% of surveyed companies have 41 or more data sources for generating customer insights and customer engagement.

- › **Growing customer expectations spur changes in company strategies.** In the past two years, companies have attempted to create a deeper emotional connection with customers, reduce the friction of internal processes, and increase omnichannel capabilities. Customer expectations have risen, and their demands span industries. Customers no longer compare their experience with an organization just against competitors, but instead compare to experiences with every other organization overall, regardless of industry. According to the director of marketing operations at a life sciences organization with 15,000+ employees: “The expectations are changing a lot. People are more demanding. Right now there is a rush within the healthcare industry to catch up with the other industries because the other industries are driving the consumer expectations.”
- › **Companies prioritize customer satisfaction to increase profitability.** As a result of these changing expectations, companies have zeroed in on customer satisfaction as a top priority, followed by winning new customers, increasing profitability, and improving data measurement and activation capabilities (see Figure 1). All four of these items are tightly intertwined. Improved measurement and activation are critical for winning new customers and improving satisfaction, which ultimately increases profitability. And today, the scope of customer experience has moved beyond existing customers to include customer acquisition. The chief marketing officer at a healthcare organization with 5,000+ employees noted that they track the number of people who interact with their company but never become customers. The CMO noted: “The whole idea is that there is a voice of people who don’t even really get to have an experience with us because we botch it on the front end. It’s like the antithesis of experience. It’s measuring the negativity associated with the non-experience.”



“The customer’s expectations are changing a lot. People are more demanding.”

Director of marketing operations at a life sciences organization with 15,000+ employees



Figure 1

Organization’s customer business priorities for next 12 months

(Top 4 critical and high priority options shown)



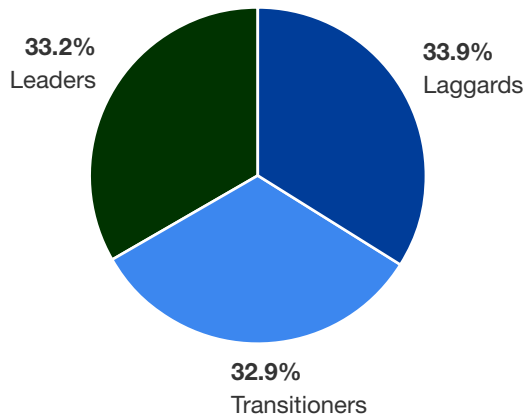
Base: 425 customer data management decision makers at North American enterprises
 Source: A commissioned study conducted by Forrester Consulting on behalf of Deloitte, September 2019

COMPANIES STRUGGLE WITH DATA MANAGEMENT, LIMITING THEIR PROGRESS ALONG THE CX DATA MATURITY CURVE

Despite broad recognition of the need for more mature data management practices, it remains a future state for many firms. In order to determine the maturity of their customer experience data management, we asked respondents a series of questions and scored their responses to place them on a maturity curve.¹ These questions included the capabilities of the data management practices currently in place, the effective use of different types of customer data, the usage of customer data to perform critical marketing tasks, and the extent to which various KPIs are tracked. The answers were scored on a scale from 1 (least mature) to 5 (most mature). From those scores, we identified three tiers of maturity: Laggards, Transitioners, and Leaders (see Figure 2).

Only 5.6% of companies had an average score of 4 or higher.

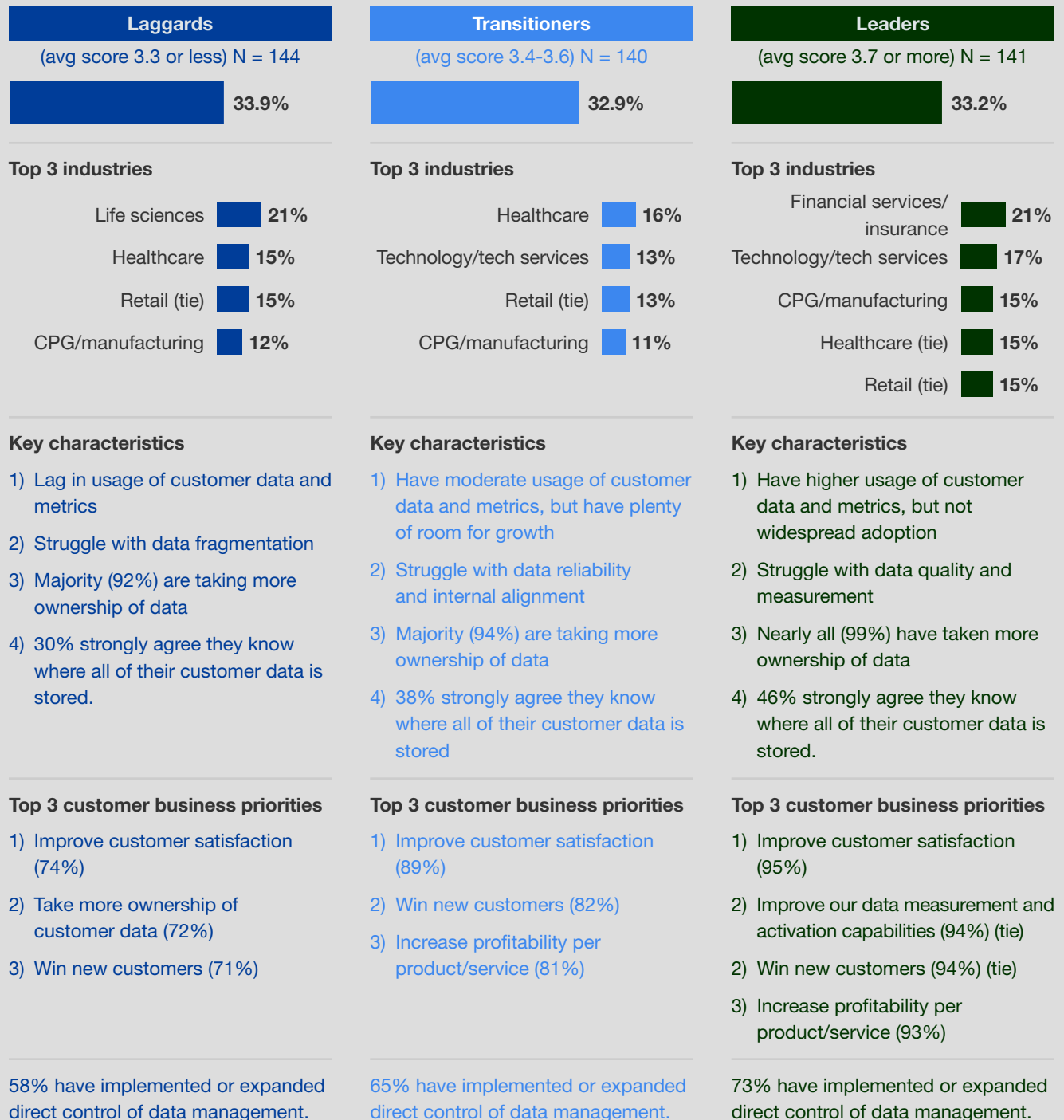
Figure 2
MATURITY SCORES



Base: 425 customer data management decision makers at North American enterprises
Source: A commissioned study conducted by Forrester Consulting on behalf of Deloitte, September 2019

To further examine the customer experience data management maturity, we examined key characteristics of each group (see Figure 3).

Figure 3: Customer Experience Data Management Maturity



Base: 425 customer data management decision makers at North American enterprises
 Source: A commissioned study conducted by Forrester Consulting on behalf of Deloitte, September 2019

In a review of the different levels of maturity, we found that:

- › **Vendor consolidation is a priority among Leaders.** As companies attempt to move upward along the maturity curve, over half (53%) consider it a critical or high priority to consolidate the number of vendors they use. This is even higher among Leaders, with 68% considering it a top priority, compared to 45% of Laggards. Leaders are attempting to look beyond siloed teams and budgets to simplify the complexity of managing data sources, which ultimately improves customer satisfaction and increases data capabilities.
- › **Companies of all maturity levels are taking more ownership of data and building in-house capabilities.** Changing prospect needs and demands have caused companies to reconsider how they are managing their data. Many have attempted to take more ownership and build the skills in house to manage the data to cut down on the complexity and costs of vendors to reduce the number of outside hands with access to valuable customer data (see Figure 4).



Figure 4

Changes in customer experience strategy to meet the changing needs of prospects/customers

(In process and already implemented percentages shown)

Reducing the number of vendors who manage data



Laggards: 76%
Leaders: 84%

Taking more ownership of our data



Laggards: 92%
Leaders: 99%

Asserting more ownership in technology, data, and services of our data management



Laggards: 79%
Leaders: 91%

Building the skills required to manage more of our prospect/customer data in house



Laggards: 94%
Leaders: 98%

Base: 425 customer data management decision makers at North American enterprises

Source: A commissioned study conducted by Forrester Consulting on behalf of Deloitte, September 2019

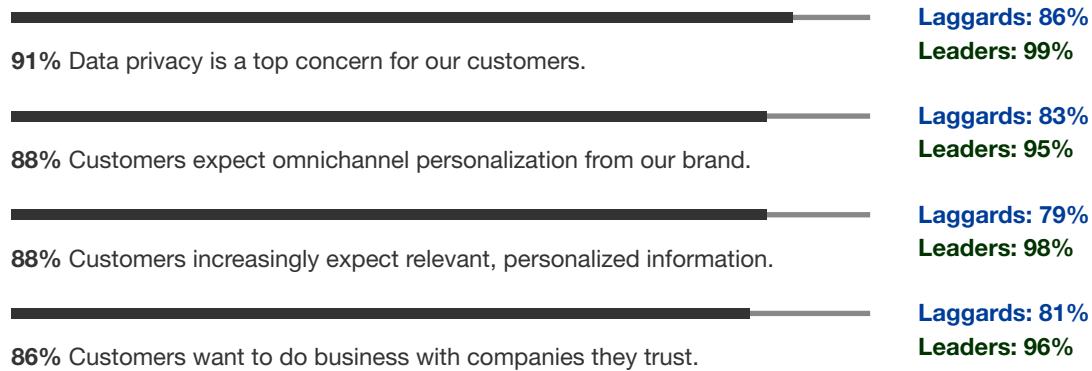
› **All maturity levels struggle to meet omnichannel campaign demands.** Changing demands from customers have led to new challenges and hurdles. Companies agree that their customers' top concern is data privacy, but customers also seek omnichannel interactions and personalized information (see Figure 5). Companies of all maturity levels recognize that these are priorities, but they are currently struggling to meet these demands as only one in four companies (25%) has omnichannel campaign history and uses it very effectively (40% of Leaders, 10% of Laggards).

Only 1 in 4 companies (25%) has omnichannel campaign history and uses it very effectively.

Figure 5

Prospects' and customers' needs and behaviors

(Top 4 agree and strongly agree options shown)



Base: 425 customer data management decision makers at North American enterprises
 Source: A commissioned study conducted by Forrester Consulting on behalf of Deloitte, September 2019

Collecting And Connecting Data Are Key Challenges

Faced with changing customer needs and the complexity of data systems, many companies struggle with their data management overall. We found that:

- › **Leaders face measurement challenges while Laggards struggle with data fragmentation.** Although firms are asserting more ownership, data management is still a top struggle. Lacking both real-time reporting capabilities (45% Leaders, 42% Laggards) and the required technology to perform tasks related to the management of customer/prospect data (39% Leaders, 44% Laggards) are categories that top the list for all maturity levels. However, Leaders also struggle with having poor quality, inconsistent, or inaccessible data (41%), while Laggards struggle with data fragmentation such as integrating multiple sources of customer data into their own platforms (41%) and aggregating siloed data and content from multiple systems (41%).



Customer data management professionals noted that these data management and data fragmentation challenges result in:

- **More time spent collecting data.**

“There’s just so much data from different vendors that’s not all hooked into one place. So, I’ll have email data from a subscriber, and then I’ll have social data from a subscriber. I’ll have sentiment data from a subscriber. I’ll have customer journey data and web analytics data, but it won’t all be in one place. Typically, it’s not. So, we’ve got to piece it together every week. Especially for high value customers that we really focus on retaining, that’s a challenge.”

Vice president of marketing at a telco with 175,000+ employees

- **Inadequate analysis due to incomplete data.**

“An isolated feed of insights is of limited value to me.”

Executive vice president of marketing at an insurance organization with 20,000+ employees

- **Inaccessible data.**

“In some cases we’re not getting the right information, in another case we are just not pulling it out, in other cases we have information but people are collecting it and not sharing it right. We had some amazing data for a while that nobody even had access to or reports of.”

Chief technology officer at a technology organization with 130,000 employees

- **Inefficient data management.**

“I will say the biggest issues we had was about six months’ worth of scrubbing and item code corrections, description corrections, things like that. Just garbage in, garbage out.”

Vice president of merchandising at a retail organization with 1,000+ employees

“We had some amazing data for a while that nobody even had access to or reports of.”

“Just garbage in, garbage out.”

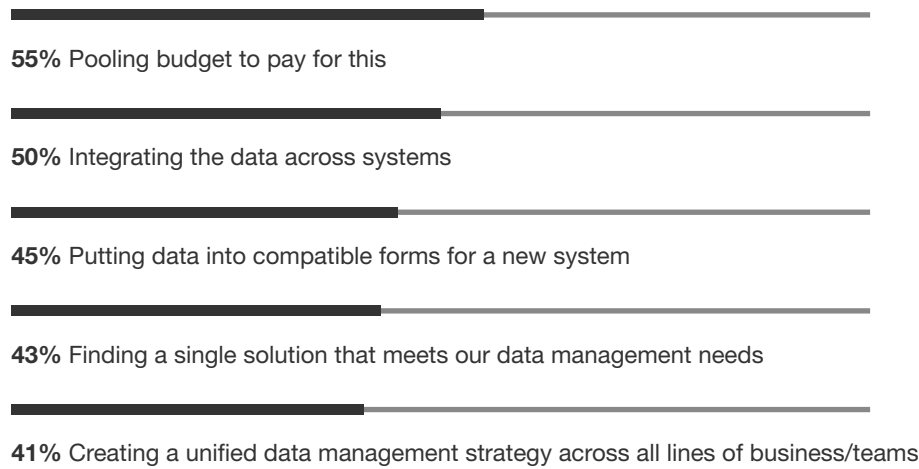
› **Data consolidation is challenged by both corporate structures and technology.** Consolidation of data management efforts is challenged by both technology and corporate structures including budget siloes, incompatible data, and internal misalignment (see Figure 6). It is no wonder that data consolidation is such a tricky task — only 38% of companies strongly agree they know where all of their customer data is stored!

Figure 6

Challenges when organizations consolidated data management efforts (All survey respondents shown)

Laggards' top challenge: Pooling budget

Leaders' top challenge: Integrating the data



Base: 425 customer data management decision makers at North American enterprises

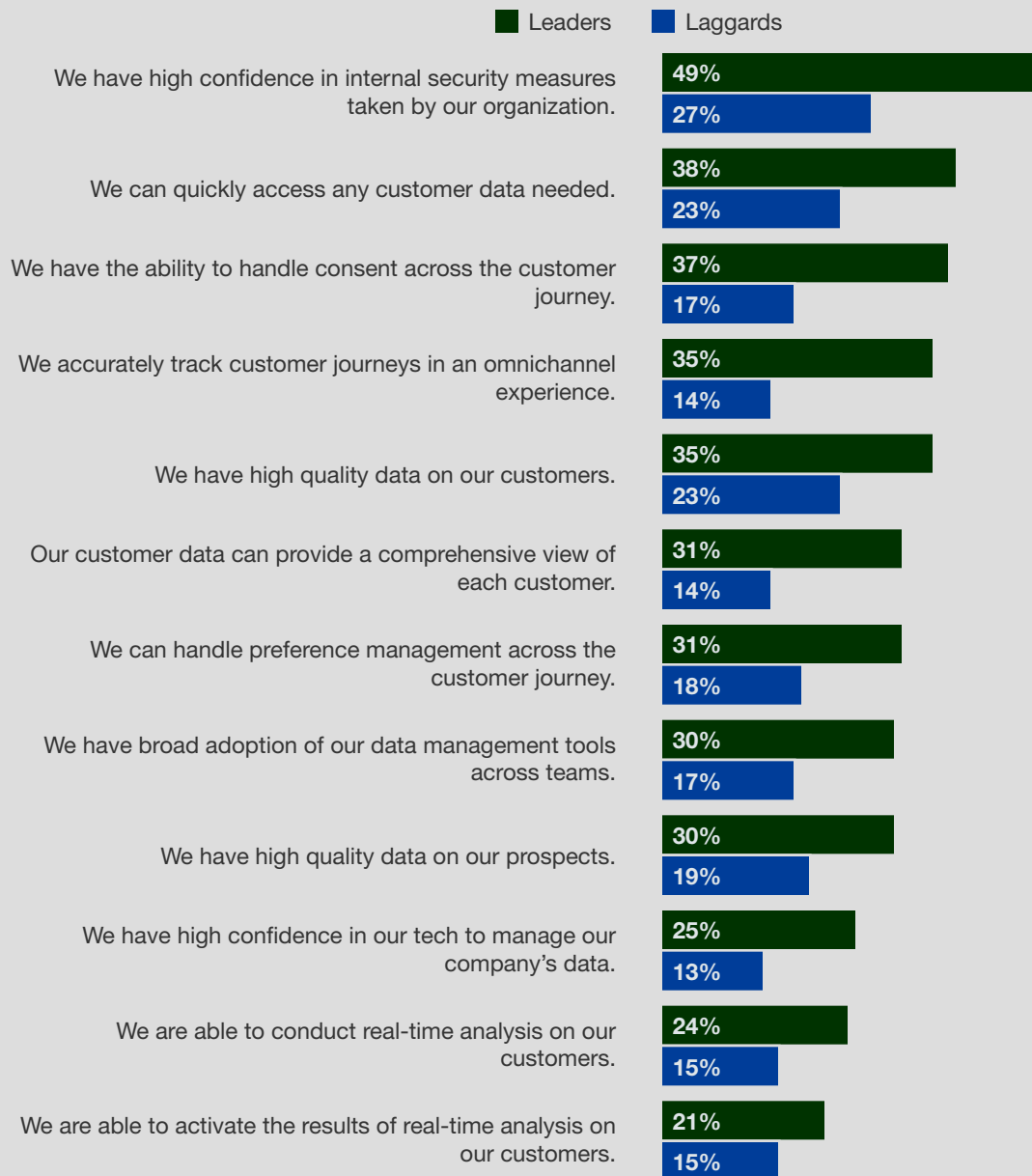
Source: A commissioned study conducted by Forrester Consulting on behalf of Deloitte, September 2019

› **Companies lack confidence in data management capabilities.** Although Leaders clearly outpace Laggards in data capabilities, all lack confidence in their processes overall. Only 49% of Leaders and 27% of Laggards have high confidence in the internal security measures taken by their organization, even though they agreed that data privacy is a top concern for customers (see Figure 7). They also indicated that customers want real-time, personalized data, but fewer than a quarter (24%) of Leaders and 15% of Laggards are able to conduct a real-time analysis on customers.

Only 49% of Leaders and 27% of Laggards have high confidence in the internal security measures taken by their organization.

Figure 7

Assessment of organization's data management capabilities (Strongly agree options shown)



Base: 425 customer data management decision makers at North American enterprises
 Source: A commissioned study conducted by Forrester Consulting on behalf of Deloitte, September 2019

› **Data management challenges have real consequences.** By having incomplete, inaccurate, and siloed data, companies are not able to utilize their data in a way that supports their top goals of winning new business and growing revenue. Companies cite the top consequences of these challenges as:

1. Reaching the wrong customer.
2. Lower revenue; incomplete customer profiles. (These consequences tied in importance.)
3. Increased security risk due to more vendors with access to data; limiting analytics capabilities; offering irrelevant products or services. (These consequences tied in importance.)

Data management strategies must be endorsed by the entire organization, not just specific departments. Recent Forrester research shows that, “Marketers must view customer data management as an enterprisewide strategy, and martech investments must align with that strategy.”² The right solution living in a silo is still the wrong solution.

In-House Data Management Promises Visibility And Control

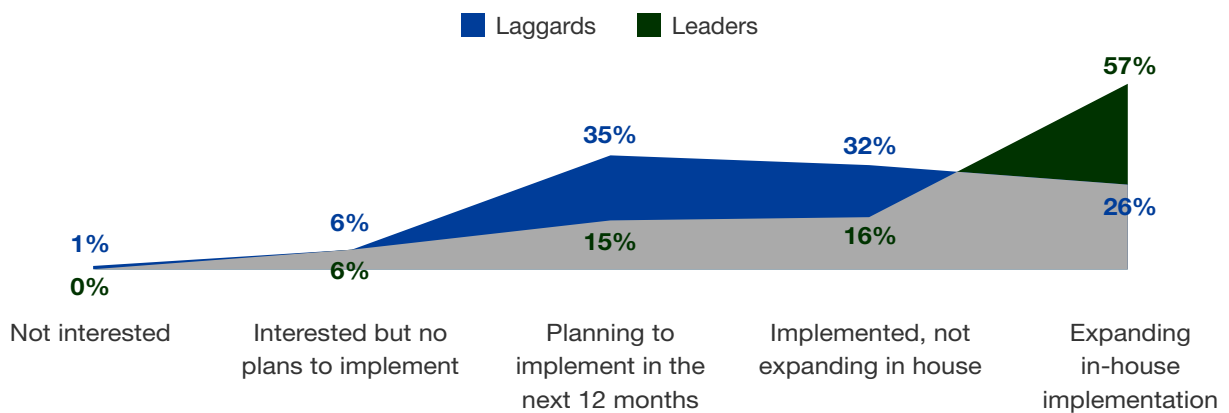
In order to effectively leverage customer data, companies are increasingly asserting more control of their data by bringing data management capabilities in house. In looking at companies' current and future data management plans, we found that:



- › **Companies are moving data management under direct control.** To untangle the web of data complexity, companies plan to assert direct control of mission critical data management capabilities (see Figure 8). Leaders are much farther ahead on the implementation curve — 16% have implemented, and 57% have implemented and are expanding in-house control. Even Laggards are planning to bring control in house over the next 12 months if they haven't done so already.

Figure 8

Company plans for asserting direct control of mission critical capabilities

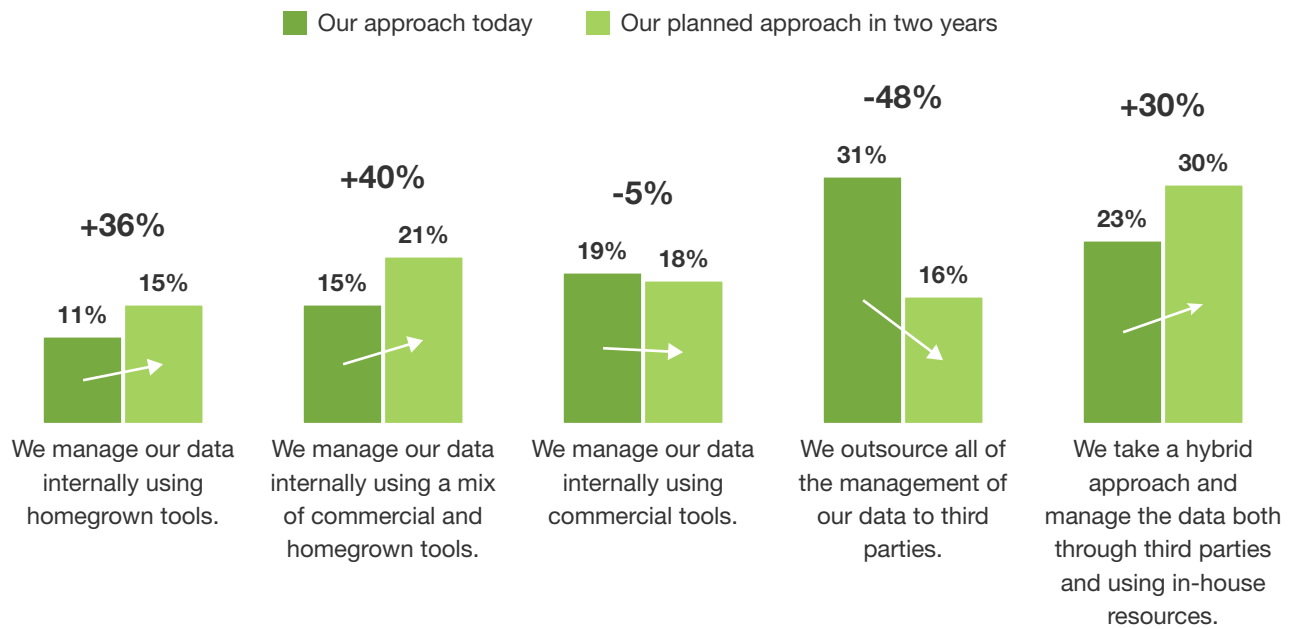


Base: 425 customer data management decision makers at North American enterprises
 Source: A commissioned study conducted by Forrester Consulting on behalf of Deloitte, September 2019

› **Fully outsourced data management will be cut in half.** In the next two years, more ownership of data will move in house with fully outsourced management dropping by 48%. Companies move away from fully outsourced management in an attempt to get more visibility and control of data. In speaking about a data vendor that houses some customer data for a senior vice president of marketing at a retail organization with 10,000+ employees, the VP stated: “They don’t want us to know the customers that easily. They just want to give them to us in a way that we can’t identify them. If that makes sense? Because they want us to pay for the information.” The lack of transparency with vendors is a central issue for many.

Figure 9

Company’s approach to data management today versus in two years



Base: 418 customer data management decision makers at North American enterprises
 Source: A commissioned study conducted by Forrester Consulting on behalf of Deloitte, September 2019

› **Companies shift from generic solutions to specialized capabilities.** Reliance on in-house teams and consultancies will experience significant growth as more companies seek alternative data management solution options (see Figure 10). The largest decline lies in generic solutions such as third-party software. Consultancies and in-house teams are able to provide specialized support for the management of data in house. The vice president of marketing at a telco with 175,000+ employees noted that: “We’re spending more on capabilities with data vendors or internal data systems to bring other functionalities and capabilities of data reporting in house. And that means we’re spending double digit millions for one-off projects with our consulting firms to build the in-house data recording capability and infrastructure within our own company.”

Figure 10

Top 3 vendors/partners used most often to manage your customer data today versus in 2 years
(Percentage ranked in top three shown)

	Today	In 2 years	Delta	
Third-party software	38%	25%	-34%	Largest expected decline
Adtech vendors (DMP, DSP)	26%	20%	-23%	
Martech vendors (campaign management/messaging)	24%	21%	-13%	
Extract, transform, load (ETL) tools	26%	24%	-8%	
Master data managers	26%	25%	-4%	
Systems integrators	26%	28%	8%	
Cloud providers	25%	29%	16%	
In-house teams	30%	35%	17%	Top ranked in 2 years
Identity resolution vendors	22%	26%	18%	
Marketing agencies/service providers	25%	30%	20%	
Consultancies	23%	28%	22%	Largest expected growth

Base: 425 customer data management decision makers at North American enterprises
Source: A commissioned study conducted by Forrester Consulting on behalf of Deloitte, September 2019

› **Data visibility and control eases challenges while enhancing customer experience.** Moving data management in house and gaining more visibility and control bring benefits to companies, including: higher quality/consistent/accessible customer data (57%), improved customer experience (53%) and increased company revenue (48%). These benefits address key challenges head-on while supporting the businesses' primary goals. While 50% of those who have brought more data ownership in house have seen an increase in company revenue, only 41% of non-implementers cited this as an expected benefit, suggesting that this may be an unexpected benefit of increased data ownership. Additional benefits of in-house ownership of data include:

- **More effective marketing.**

“Marketing now has much more power based on the information that we’ve collected. Marketing is now provided with some key initiatives to help create more customized programs and artifacts for clients versus generic. We are looking to create the personalization factor.”

Chief technology officer at a technology organization with 130,000+ employees

- **Access to consistent data across the enterprise.**

“We have a single, integrated experience. Participants, sponsors, advisors, and even call centers access the same platform, so they are all looking at the same data set. They are all looking at a single platform, a single codebase that basically dynamically renders presentation based on their role and their entitlements and what they have access to. So, you never have to worry about people looking in different systems. It also helps that it all happens in real time.”

Executive vice president, chief strategy officer at a financial services organization with 1,000+ employees

- **Increased knowledge of where data lives.**

“We certainly know where (the data) is and have access to it.”

Executive vice president, chief strategy officer at a financial services organization with 1,000+ employees

- **Realized value of data.**

“You know the phrase, ‘Data is dollars’? It’s true. I think for most brands, their currency usually comes through the form of the data that they actually have in house.”

Product lead of marketing automation at a media/entertainment organization with 4,000+ employees

Key Recommendations

Forrester's in-depth survey of customer experience data management practices yielded several important recommendations:



Conduct a data audit and create a data strategy. Before making any decisions about the processes and resourcing of a data management strategy, it's critical to fully understand both the inputs and the outputs of the program. Start by identifying the use cases where data is applied for marketing and customer experience, such as segmentation, personalization, and analysis tasks. The data required to support each deliverable defines the data feeds needed to support customer engagement. Based on those data supply requirements, map out the source, location, data types, transmission and management process, and security and privacy considerations for each data element needed to supply the firm's use cases. Understand who is (and should be) involved in data management, identify where key pain points lie, and set achievable goals toward more efficient data management.



Prepare to make an investment in data management. Shifting to an in-house data management approach promises tremendous benefits of data visibility and control, but it signals a major shift in how data management is resourced and budgeted. Most firms will be moving from an external service or licensing commercial software to bringing the technology and staffing to manage data in house. Initially it is critical to consider the startup costs to transition data management and build the program and technical infrastructure, which requires upfront investment and will be amortized over time. Going forward, the firm must also accommodate the continuing maintenance costs of the data management program.



Tie data value back to the customer. Many firms strongly believe that the investment in taking control of their data and managing it in house will yield benefits. Prior to committing to a new data management program, develop a pro forma business case to estimate the financial impact and payoff period. Then develop an ROI analysis for each stage of the data management program rollout to show value in every phase. The program must be linked to customer KPIs such as customer satisfaction and revenue to provide long-term success and justify ongoing investment.

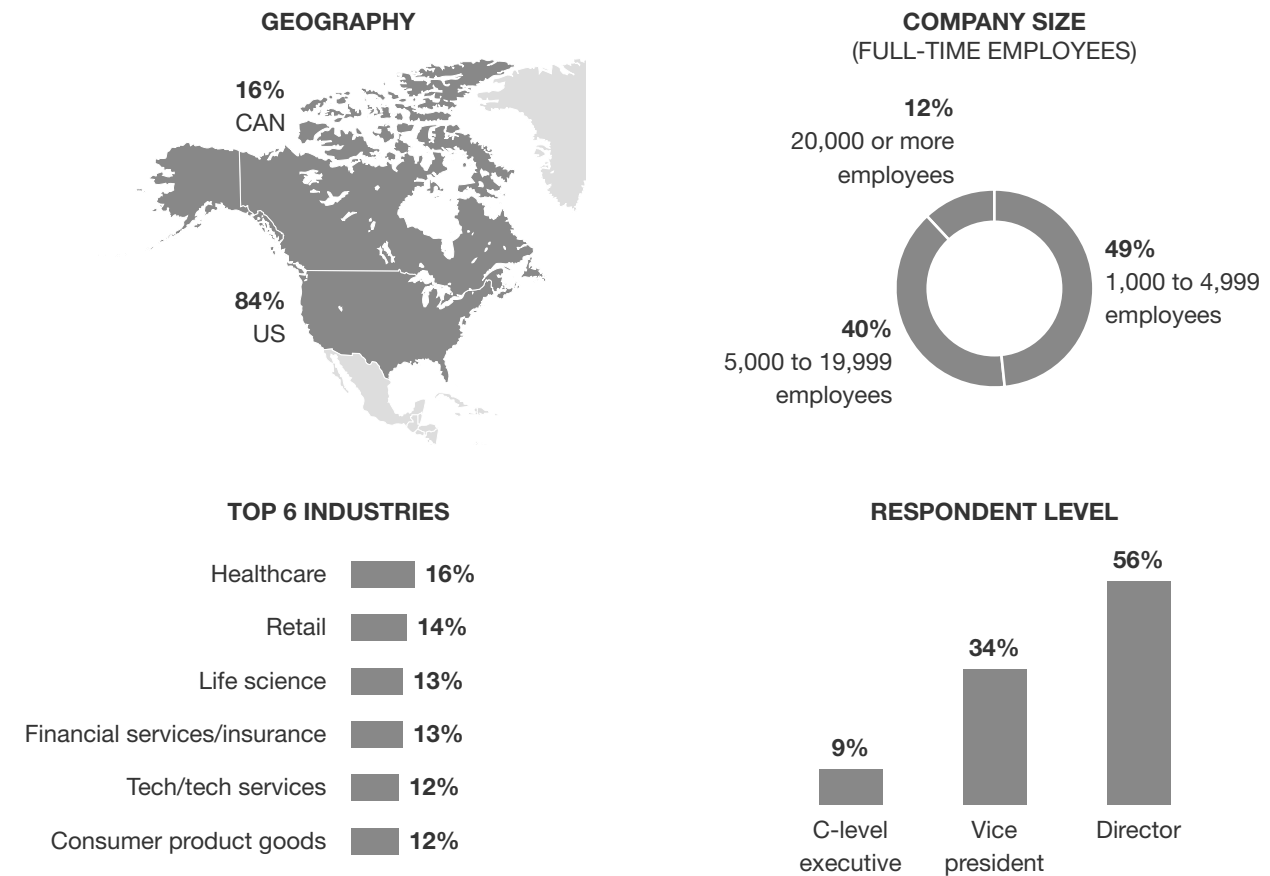


Get started today. If you haven't started taking more ownership of your customer data management, the time is now. Meeting customer experience expectations is critical, and those expectations continue to increase. The key to unlocking a positive customer experience lies in the ability to effectively leverage the data you already have. Seek out valuable partners who understand the challenges of data complexity and can help your organization to compete and win on customer experience.

Appendix A: Methodology

In this study, Forrester conducted an online survey with 425 respondents and 10 interviews with director-level or higher customer data management decision makers in North America to evaluate customer experience data management. The study was completed in September 2019.

Appendix B: Demographics/Data



Base: 425 customer data management decision makers at North American enterprises
Source: A commissioned study conducted by Forrester Consulting on behalf of Deloitte, September 2019

Appendix C

ENDNOTES

¹ Customer Experience Maturity Model calculation: There were 61 factors of customer experience data management maturity including the capabilities of the data management practices currently in place, the effective use of different types of customer data, the usage of customer data to perform critical marketing tasks, and the extent to which various KPIs are tracked. The scales for each question were ranked by lowest maturity (1) to highest maturity (5). The sum of these values indicate the customer experience data management maturity of each respondent. The maximum possible score was 305. Respondents were grouped into three tiers based on their aggregate scores: Laggards, Transitioners, and Leaders. Laggards represent an average score of 1.0 to 3.3; Transitioners represent an average score of 3.4 to 3.6; Leaders represent an average score of 3.7 or higher.

² Source: "The Future Of Enterprise Marketing Technology," Forrester Research, Inc., June 6, 2019.