

A Forrester Consulting Thought Leadership Paper Commissioned By IBM

Empowered Customers Drive Collaborative Business Evolution

Businesses Require Collaboration Across Roles And Investment In Technology To Meet Future Needs

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FORRESTER

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Executive Summary

Businesses are under increasing pressure by their customers to adapt. Mobile devices and growing use of the Web have changed customer expectations, with increased access to information and new customer experiences raising the bar for companies across verticals and regions. Many of those companies have only begun to understand the implications for their businesses. Many companies are ill-prepared to adapt to changing customer interactions, reluctant to experiment, and not well-aligned across critical roles within the organization. Technology investment, the right people, a differentiating strategy, and a focus on the customer will be critical to success moving forward.

In January 2012, IBM commissioned Forrester Consulting to evaluate how businesses are changing in the face of today's business environment. The research looked at the current state and future needs of businesses from the perspective of marketing leaders, eCommerce leaders, information technology (IT) leaders, customer service leaders, and supply chain. In conducting in-depth surveys with 395 leaders in the United States (US) and the United Kingdom (UK) across marketing, eCommerce, IT, customer service, and supply chain roles, Forrester found that there is a link between agility and business results and that technology investment, cross-role collaboration, and clear customer insights will be critical to long-term business growth.

Key Findings

The results of our research led to four key findings:

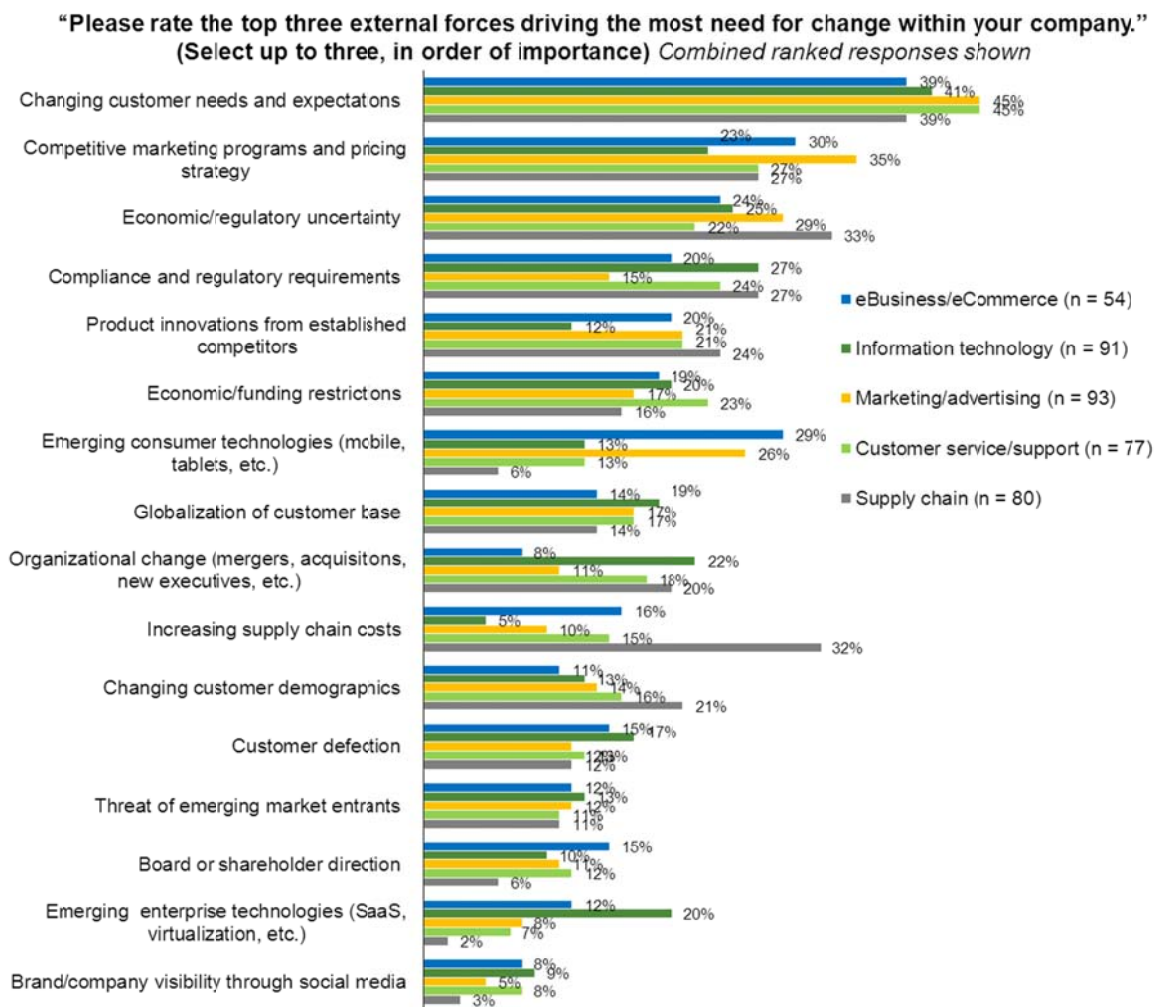
- **Delivering an outstanding customer experience has become a strategic imperative.** This is true across all roles, and for marketing, customer service, and eBusiness leadership roles in particular, delivering on customers' evolving expectations and keeping up with their use of technology has become paramount. In today's environment, companies are being forced to adapt their business models, customer experience, and marketing strategies quickly, and our research found a link between companies' flexibility and willingness to adapt and their businesses' growth rates.
- **Channels and customer touchpoints are proliferating, requiring agility.** The number of touchpoints has increased significantly over the years, with the increase in consumer connectivity and the advent of smartphones and tablet computers changing how customers discover, research, buy from, and get service from companies. Mobile is an area companies are adding quickly, with more than a third of companies investing in both mobile optimized sites and mobile applications (apps) for smartphones and tablets.
- **Despite the benefits of collaboration across departments, much of it is still left to chance.** Leaders across roles see significant benefits from collaboration in delivering customer experience and executing technology projects. But despite the benefits, the levels of reported collaboration between roles are not commensurate with the impact. For example, 50% of marketers say IT has a widespread impact on their success, yet 77% report lacking collaboration with IT. Companies must overcome structural and technological challenges to improved collaboration in order to evolve the customer experience and capture the value from their many technology investments.
- **There are many hurdles to business transformation that go beyond technology.** Inside today's organizations there are some deep divides. These divides are particularly evident between the customer-facing areas and IT. Interestingly, in our research, the IT professionals did not see it that way, but marketing, eBusiness, and customer service leaders do not have a high degree of confidence and sense of alignment with IT leaders and professionals. A lack of alignment on vision and goals is the leading inhibitor to better collaboration.

Current State: Today's Businesses Are Not Well-Aligned to Adapt

Today's organizations are under pressure from many directions. The challenges and threats range from the global marketplace and economic instability to new competitors, new technology, and increasing cost structures. Our survey of US- and UK-based business leaders across multiple disciplines revealed that:

- The evolving customer is driving the most need to change, although role opinions vary widely in other areas.** Leaders in all roles agreed that changing customer needs and expectations is driving the need for change inside their company more than any other factor (see Figure 1). Various roles saw other top concerns, like competitive marketing programs (marketing/advertising), emerging consumer technologies (eBusiness), compliance and regulatory environment (IT and customer service), and economic uncertainty (supply chain). Companies large and small see similar threats to their business, but mid-market firms see changing customer expectations and the threat of emerging market entrants as greater forces of change than enterprises.

Figure 1
Changing Customer Needs Is The Top Force Of Change For All Commerce-Related Roles



Base: US and UK decision-makers in each commerce-related role

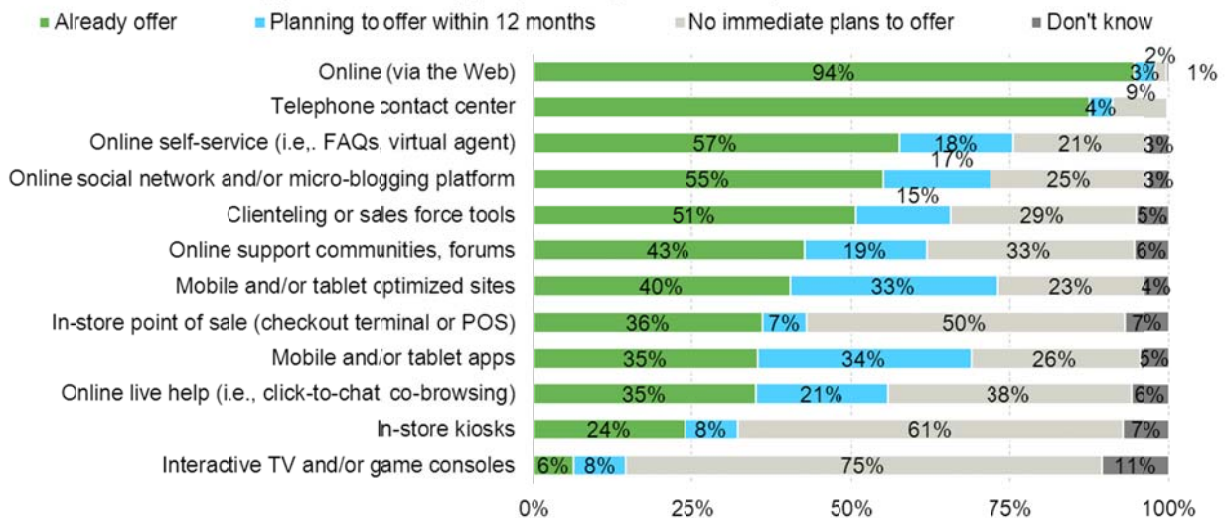
Source: A commissioned study conducted by Forrester Consulting on behalf of IBM, February 2012

- Customer touchpoints are exploding, led by mobile and tablet experiences.** Over the past decade, websites have become ubiquitous, paired with phone-based contact centers across a vast majority of companies. But as consumers adopt smartphones and tablet computers, a third of companies are responding with plans to add optimized applications and websites for these devices (see Figure 2). Companies are also growing customer touchpoints aimed at improving the service experience, such as online live help, support communities, online self-service, and sales force support tools. Social media has already been implemented by 57% of enterprise-size and 51% of mid-market companies, and growth rates are beginning to slow with only 17% of companies planning to add that touchpoint in the next year.

Figure 2

Mobile And Tablet-Based Experiences Will Expand Quickly Over The Next 12 Months

“Which of the following touchpoints is your organization using to support your customers’ ability to research products, shop, transact, get customer support, exchange information, and/or collaborate with each other?”



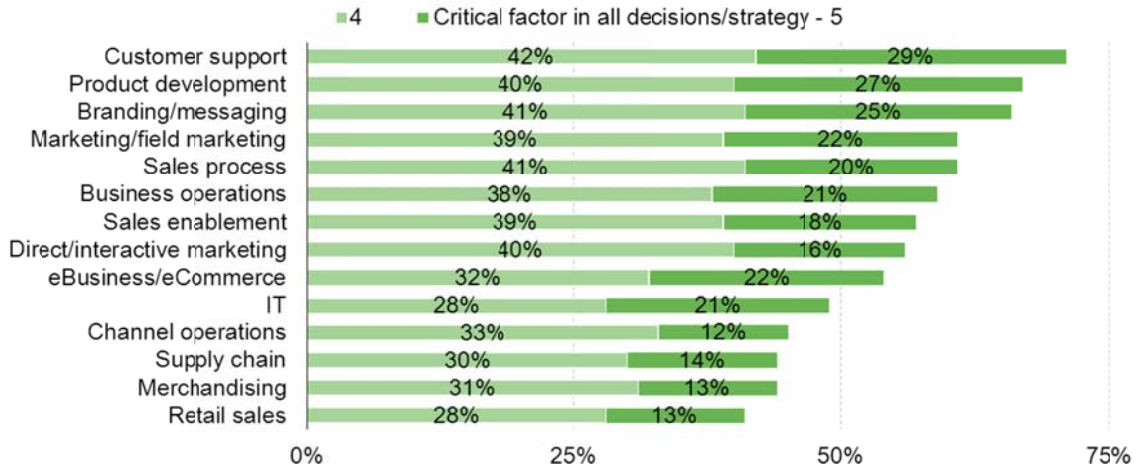
Base: 395 US and UK decision-makers in commerce-related roles

Source: A commissioned study conducted by Forrester Consulting on behalf of IBM, February 2012

- Customer insights are critical to decision-making but used inconsistently across businesses.** Many roles rate customer insights as critical to success, but the degree to which these insights are used by functional areas and roles varies markedly (see Figure 3). While not all roles may rely on customer insights within their operational functions to the same degree, there are capabilities for which these insights may actually be critical but are not being used today, such as retail, merchandising, and supply chain. Mid-market companies lag behind enterprises in the use of key customer insights methods, and these insights impact their decisions far less than reported by enterprises.
- Companies are willing to invest in technology, but they don't have confidence in IT.** Respondents reported a high likelihood that they will invest in new technology if it can show a positive ROI and improve the customer experience (see Figure 4). Despite this, there is an underlying doubt about IT's ability to deliver on the business needs. This leads to business leaders looking increasingly outside to services providers and SaaS technology providers to deliver the capabilities they need to drive their digital and cross-channel commerce and marketing initiatives.

Figure 3
Customer Insights Are Critical But Are Not Used By All Groups Equally

“To what degree do the customer insights (i.e., website metrics, usability information, segmentation, and behavior data) your organization collects impact strategy/decisions in the following areas today?”
Ratings of 4 and 5 shown, based on a scale of 1 to 5 where 1 = “No impact on decisions/strategy” and 5 = “Critical factor in all decisions/strategy”

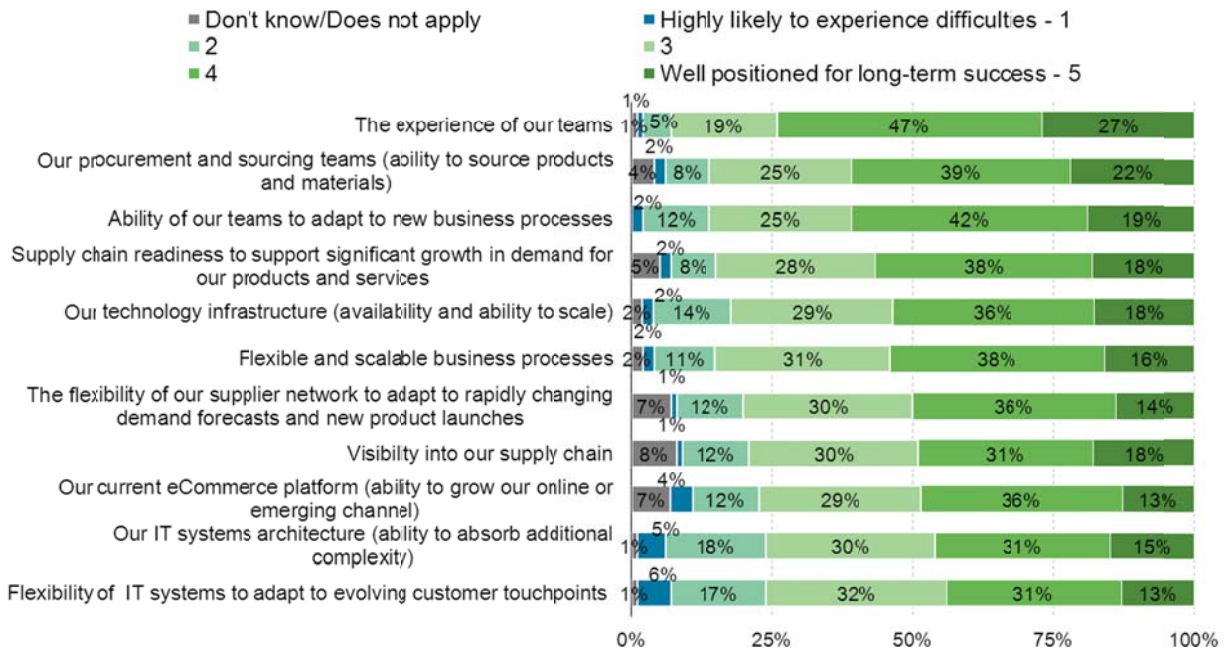


Base: 395 US and UK decision-makers in commerce-related roles

Source: A commissioned study conducted by Forrester Consulting on behalf of IBM, February 2012

Figure 4
IT Is The Area Leaders Have The Lowest Confidence In

“Please rate the quality of the following commerce-related processes, groups, and systems within your organization.”



Base: 395 US and UK decision-makers in commerce-related roles

Source: A commissioned study conducted by Forrester Consulting on behalf of IBM, February 2012

Despite The Positive Impact Of Collaboration, Much Is Still Ad Hoc

Leaders across all roles see significant benefits from collaboration across other roles. Eighty-four percent of leaders strongly agree that collaborative projects are more likely to succeed than maverick or siloed projects, and nearly 60% strongly agree that customer experience success requires great cross-departmental collaboration embedded into the company culture. But despite the benefits, the levels of reported collaboration between roles are not commensurate with the impact. For example, 50% of marketers say that IT has a widespread impact on their success, yet 77% say there is little collaboration, ad-hoc collaboration, or they are seeking significant improvements in collaboration with IT (see Figure 5). Organizations that want to evolve and succeed in the era of the empowered customer will need to focus on evolving not just technology, but process and resource strategies, while institutionalizing collaboration across all crucial commerce roles to effect meaningful change. Companies must focus on the many structural and technological challenges to improved collaboration including:

- **A lack of common goals and incentives across roles.** Forty-two percent of leaders reported that conflicting division, department, or role goals can mean collaboration and execution across roles is significantly undermined (see Figure 6). For example, an IT department focused on reducing risks, staying below budget, and delivering everything on time may be averse to supporting ever-changing and perhaps unclear needs and requirements for the customer experience and supporting business processes. Conversely, an eBusiness or marketing leader focused on conversion, customer acquisition, or online ad click-through can easily undermine system stability or integrity — perhaps accidentally — by not understanding the implications of their tactics on systems managed by IT.
- **A lack of common systems across roles, brands, divisions, and geographies.** Thirty-six percent of leaders indicate that a lack of common systems is a significant barrier to collaboration. As business processes operate with different data and systems, it can be difficult to collaborate, coordinate, and align on goals. And as digital experiences are increasingly automated, integrated into traditionally offline interactions, and pulled together across many systems — some in-house and some managed externally — the ability for leaders to look across common business metrics, customer data, and merchandising and supply chain analytics will be critical to improved collaboration. Collaboration tools are important as well, with 26% of leaders indicating that a lack of these tools is a significant barrier to collaboration.
- **A lack of defined processes and ownership for the customer experience.** Thirty-one percent of leaders saw a lack of defined process and clear ownership over the customer experience as a significant barrier to success. This can contribute to a poor customer experience as offers, processes, policies, and procedures don't support a consistent, relevant, coherent experience; it also means that teams work at cross-purpose and generate chaotic operational environments for each other. An example would be marketing developing campaigns and communicating offers to customers which the eBusiness, IT, customer support, and supply chain organizations are not well prepared to communicate or execute.
- **A lack of end user engagement in the selection, design, and implementation of technology solutions.** Nearly 30% of leaders see this issue as a significant barrier to success. With the reliance on technology to support next-generation customer experiences — and supporting business processes — this represents a substantial risk to delivering the expected return-on-investment these projects represent. This is an issue for IT to design processes that ensure stakeholder inclusion and participation, but also for stakeholders to invest time and attention in understanding and contributing to technology projects.

Figure 5

Many Leaders See Benefits From Collaboration Across Roles But Still Indicate That Weak Collaboration Is Pervasive



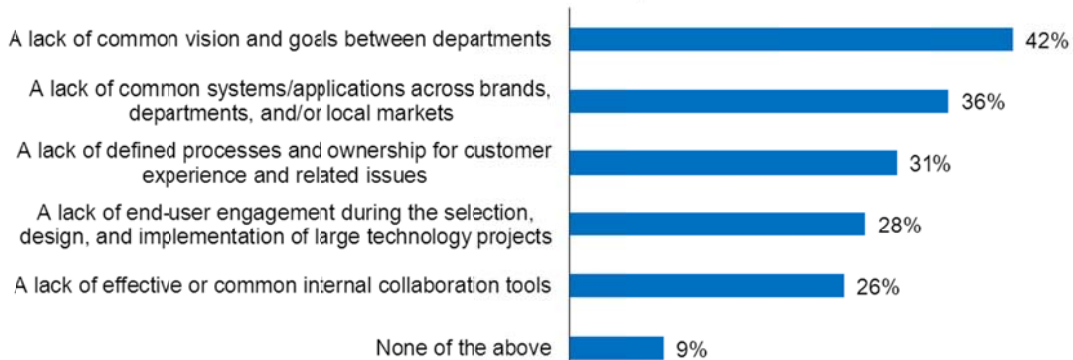
Base: 395 US and UK decision-makers in commerce-related roles

Source: A commissioned study conducted by Forrester Consulting on behalf of IBM, February 2012

Figure 6

There Are Many Barriers To Collaboration Challenges Hampering Companies Today, Including Technology

“In your experience, which of the following collaboration-related challenges has most significantly hindered your organization’s ability to succeed?”



Base: 395 US and UK decision-makers in commerce-related roles

Source: A commissioned study conducted by Forrester Consulting on behalf of IBM, February 2012

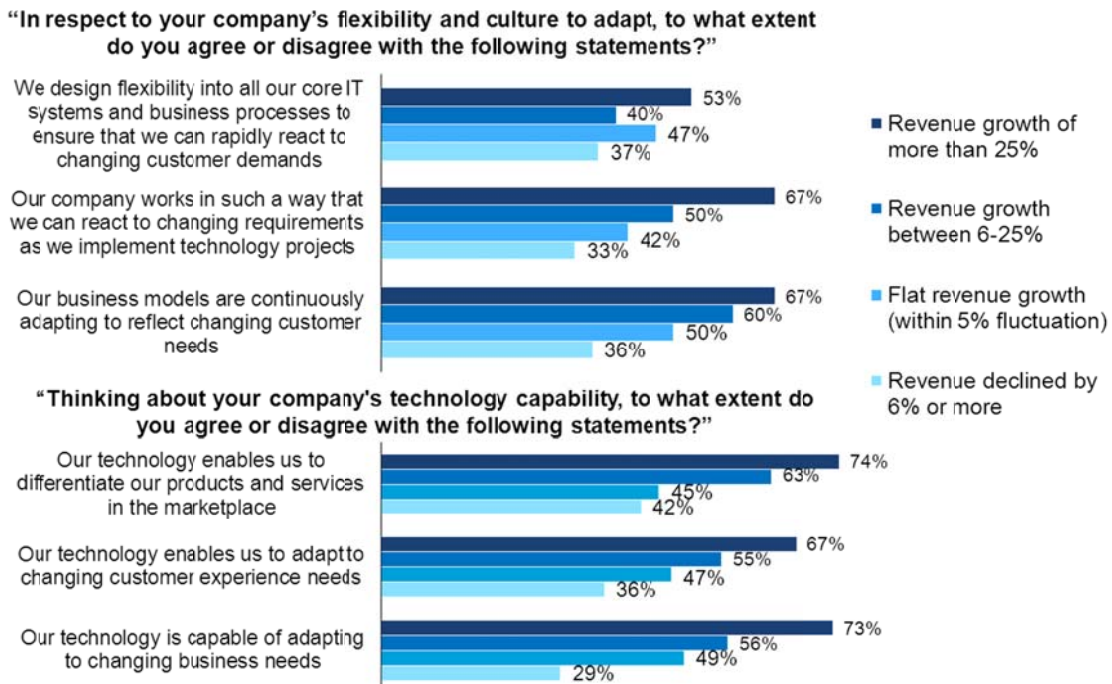
Companies That Can Adapt Technology, People, and Processes Will Thrive

Customers have changed. Smartphones, tablets, social networking, and role of the Web have changed behaviors, habits, and expectations. Companies that are able to adapt will thrive, creating value for their customers that drives long-term profitable relationships able to stave off both existing and emerging competitors attempting to disrupt existing markets and customer relationships. Our research revealed that thriving organizations (reporting high revenue growth) shared some crucial commerce-related characteristics (see Figure 7). These include:

- **Business models that are continuously adapting to reflect changing customer needs.** Today's competitive environment is changing rapidly. Whereas in the past, companies could defend against competitors with the right real estate and large marketing spend, today's consumers have access to information and alternatives at all times. The Web has woven its way into their lives. Companies that are willing to disrupt themselves and innovate how they engage their customers and drive revenue will survive. Others will endanger their long-term value by protecting the status quo.
- **Technology that is an enabler for change, delivering capabilities customers want where they want it.** Companies now must get more from their enterprise technology and use it in ever more flexible ways to market, sell, and service customers and drive innovation in how they reach the customer and drive profitable revenue growth. New channels, new partnerships, new ways to engage the customer will drive change into the supply chain and IT organizations as they must anticipate rapidly evolving business needs and requirements.
- **Culture that enables them to evolve the customer experience and experiment.** The past few years have shown how consumers and businesspeople enabled with ubiquitous connectivity and communications have disrupted industries like music, entertainment, and retail. As end user technology continues rapidly evolve, companies that can experiment and react quickly are at an advantage to learn faster and differentiate in the marketplace.
- **Technology that enables them to differentiate their products and services in the marketplace.** Beyond how customers and businesses discover, research, buy, and get service as they shop for products and services, technology is changing how we use, consume, and replenish products. Technology embedded within products and connected to services will continue to challenge our expectations of companies we do business with. Companies that can respond and evolve, working off a strong culture and technology, will thrive.

Figure 7

High-Performing Organizations Are Organizationally And Technologically Ready To Adapt



Base: US and UK decision-makers working at companies with each growth rate for the past year

Source: A commissioned study conducted by Forrester Consulting on behalf of IBM, February 2012

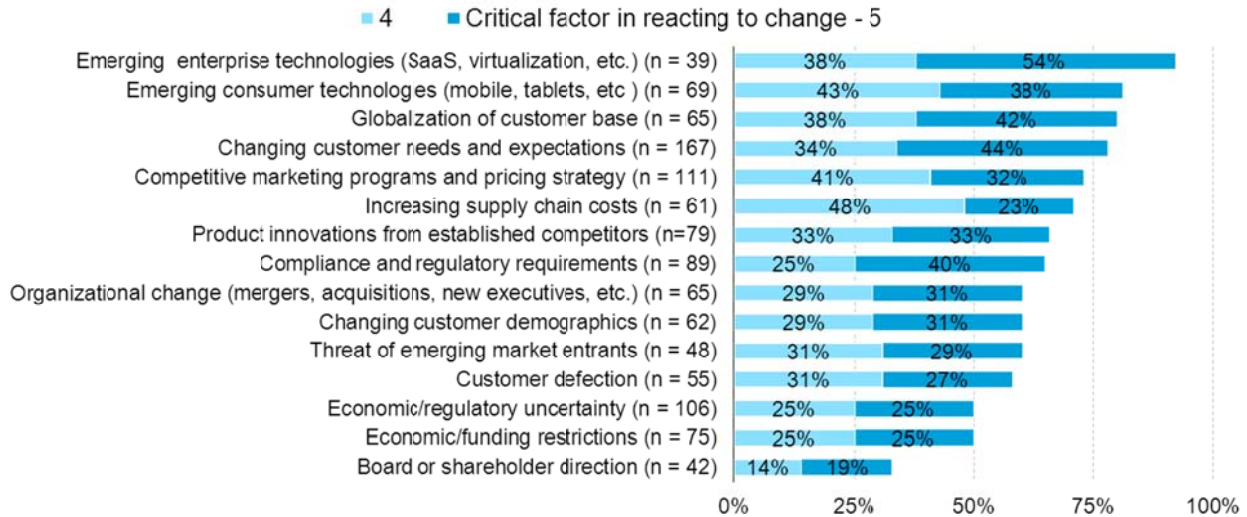
Companies that are ready to adapt organizationally and through their use of technology are in the best position to succeed. When asked to what degree enterprise technology advancements can support the evolution of the business, the vast majority of respondents felt technology is critical to their ability to adapt. Sixty-seven percent of leaders in high-growth companies see technology as critical to enabling their company to adapt to changing customer expectations and needs, the top force of change facing all commerce roles (see Figure 8). A strategic enterprise technology strategy that enables an agile response to changing consumer use of technology — and their expectations that stem from that — will be critical to long-term success.

Beyond technology there is a wide variance in the priorities each role leader believes is critical to success moving forward. While technology was the leading focus for IT (74%) and eBusiness (68%) leaders, for marketers the leading priority was strategy (57%), for customer service leaders it was customer focus (67%), and for supply chain leaders it was having the right resources (see Figure 9). Although each role may have unique concerns and gaps to address in meeting the next-generation business challenges, there needs to be clear alignment on the goals and incentives along with improved collaboration to ensure the departmental responses are aligned and coordinated to deliver the strategic and operational capabilities necessary to differentiate and excel.

Figure 8

Companies Are Counting On Technology To Assist With Critical Upcoming Changes

“Thinking about the top three forces of change affecting your company, what role do you believe enterprise technology solutions can play in your ability to adapt and respond?”
 Ratings of 4 and 5 shown, based on a scale of 1 to 5 where 1 = “No impact on our ability to react to change” and 5 = “Critical factor in reacting to change”



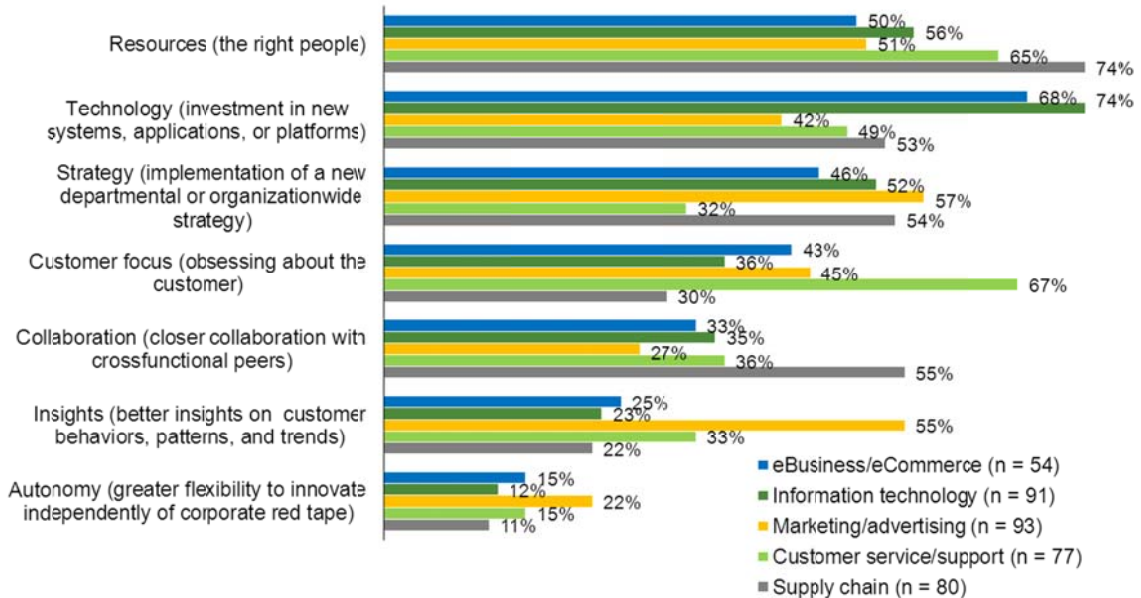
Base: Global technology and business decision-makers who indicated each external force as a top driver for change in their organization

Source: A commissioned study conducted by Forrester Consulting on behalf of IBM, February 2012

Figure 9

Beyond Technology, Resources And Strategy Adaptation Will Be Critical To Future Success For Commerce-Related Teams

“Thinking about your department, please rate the top areas of focus that will best prepare your team for success moving forward.” Combined ranked responses shown



Base: US and UK decision-makers in each commerce-related role

Source: A commissioned study conducted by Forrester Consulting on behalf of IBM, February 2012

KEY RECOMMENDATIONS: GETTING STARTED

Businesses that can successfully adapt to their changing customers will be able to sustain and take advantage of rapid consumer and technological changes. They will promote and deliver their products and services in a sustainable and profitable manner across a growing diversity of customer touchpoints. But this change can be daunting, requiring companies to begin by :

- **Evangelizing customer-centricity with visionary and passionate leadership, supported by data.** While customer-centric values can be found at all levels of the organization, leaders with a deep-seated passion and intuition around total customer experiences and relationships drive their organizations to experiment, innovate, and invest to improve them. For many businesses, becoming customer-centric will require a companywide metamorphosis by evangelizing a vision and actively breaking down barriers inside the organization and an investment in the capability to collect and mine customer data for meaningful and actionable insights. This necessitates a willingness to invest, reward, and incent their staff around the customer and to measure the results actively.
- **Focusing on a specific program or project.** Companies need to develop proof points and build on momentum, success, and lessons learned over time. Companies should begin with trials and pilots, which showcase speed-to-market, cross-role collaboration, and learning fast and which combine dedicated marketing, IT, customer service, and supply chain resources. Emerging customer touchpoints such as mobile are strong candidates for this type of pilot program. Companies may also use “hack days” successfully as a means of energizing the organization, driving collaboration between IT and business roles, identifying opportunities, and accelerating cross-touchpoint innovation.
- **Investing in a multi-level technology strategy to enable agility.** Companies must both invest in robust, long-term solutions that support enterprisewide initiatives to drive consistent, contextual customer experience across touchpoints and enable business leaders to drive incremental changes and experiment quickly. However, companies also require a technology strategy that is nimble and can encourage rapid innovation, optimization, and experimentation at the end touchpoints. Companies must empower their developers, business people, and partners to drive the customer experience in and across touchpoints as fast as possible, leveraging core applications and services in an integrated fashion with unified enterprise application to manage customers, inventory, orders, and analytics. Companies should prioritize opening up systems by implementing APIs and web services that enable them to be used and integrated in faster and more creative ways in the near term.
- **Building a culture of collaboration and shared objectives across roles.** Examine the ways IT is incented differently than the business people they work with. Inside many organizations IT has been asked to reduce risk, be on time with project delivery, and remove costs. A concerted effort to remake processes, align goals, and develop incentives that create an environment and culture of experimentation and optimization across the company — including IT — will be critical to enabling technology’s role in the necessary business transformation.

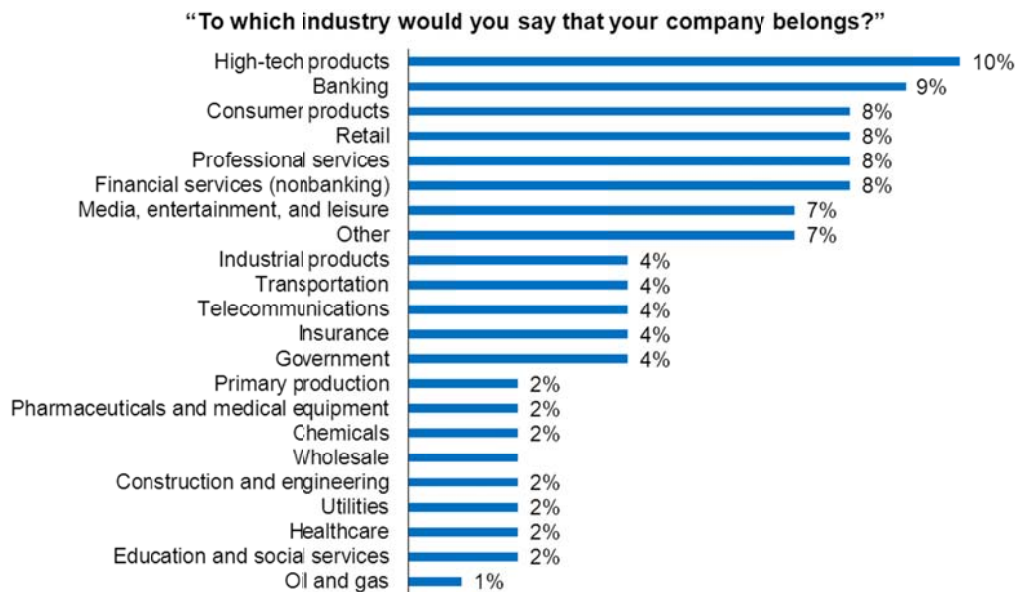
Appendix A: Methodology

In this study, Forrester conducted an online survey of 395 organizations in the US and the UK, across an array of major industries, to evaluate current commerce-related practices. Survey participants included decision-makers at organizations with 100 or more employees in the following roles: IT, supply chain, marketing, customer service, and eCommerce. Questions provided to the participants asked about their organization’s focus on and reaction to evolving customer and channel trends, their current organization and process, collaboration practices across roles, and thoughts on what will best prepare them for the future and further commerce evolution. The study was conducted in February 2012.

Appendix B: Demographics/Data

Figure 10

Industries Surveyed

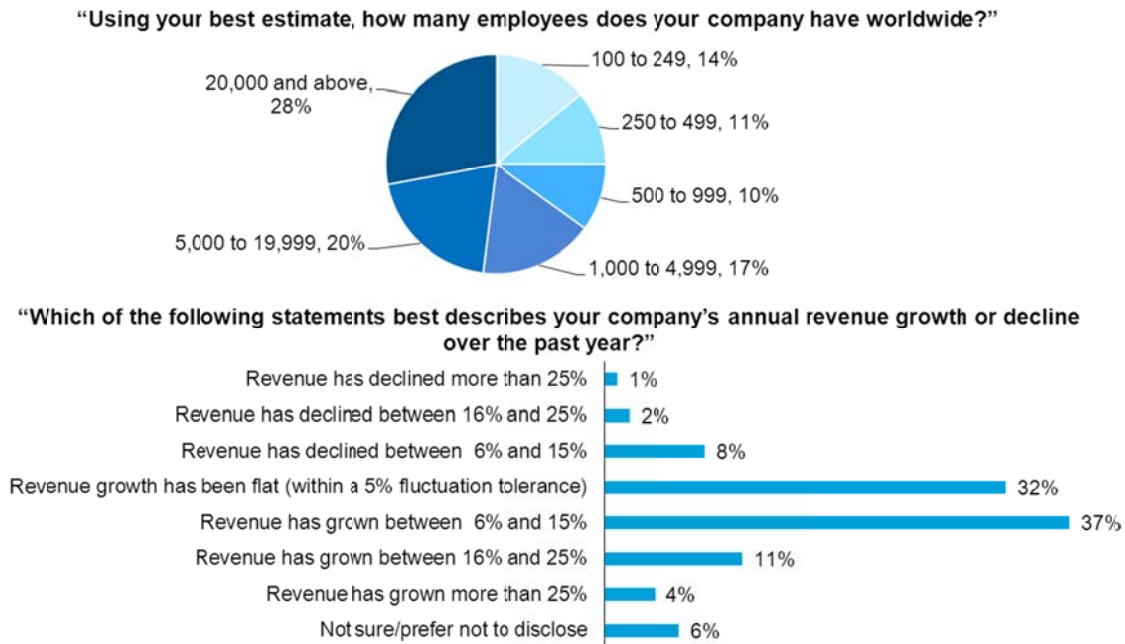


Base: 395 global technology and business decision-makers in commerce-related roles

Source: A commissioned study conducted by Forrester Consulting on behalf of IBM, February 2012

Figure 11

Respondent Revenue And Company Size



Base: 395 global technology and business decision-makers in commerce-related roles

Source: A commissioned study conducted by Forrester Consulting on behalf of IBM, February 2012

Figure 12

Roles Surveyed



Base: 395 global technology and business decision-makers in commerce-related roles

Source: A commissioned study conducted by Forrester Consulting on behalf of IBM, February 2012