The Business Impact Of Investing In Experience
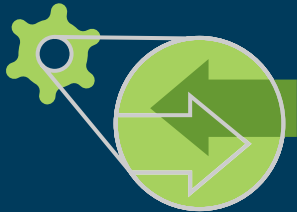
A Spotlight On Manufacturing

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Introduction

The age of the customer has shaped a world where manufacturers must create new sources of value with customers, distributor partners, retailers, suppliers, and internal teams. To thrive in this environment many manufacturers are trying to get closer to their end customers, even while businesses remain their main customer. These manufacturers are pushing beyond operational efficiency and leveraging a digital value chain to create the close relationships they need across their ecosystem. For example, a new wave of connected products has further disrupted what was once a purely product-driven industry with service-based models and monetization of data assets. Leading firms collect data from the end customer and channel partner data and get them involved in collaborative product development, and evolve internal processes based on their insight.[1] These customer-focused manufacturers experience higher customer and employee satisfaction and stronger bottomline results.

In February 2018, Adobe commissioned Forrester Consulting to evaluate the business impact of investing in customer experience across the customer life cycle. Forrester conducted an online survey with 1,269 marketing, advertising, CX, digital, and analytics business leaders at global enterprises to explore this topic. This spotlight focuses on the results of the 174 respondents we surveyed from the manufacturing industry. We found that manufacturers that invest in experience transformation across people, process, and technology disciplines demonstrate superior performance. These firms — that we have defined as experience-driven businesses (EDBs) — address rising customer expectations, increase customer retention, and improve their products and services at higher rates than less mature firms.

Experience-driven manufacturers report an average 12% year-over-year increase in orders — a rate 1.6x greater than less mature firms.

KEY FINDINGS

› **Manufacturers are rethinking experiences to increase customer retention.** Customer expectations are on the rise; customer retention will decline for manufacturers that can't meet or exceed them. To continue delivering value at every stage of the customer journey, 54% of manufacturers are investing in improvements to the customer journey from acquisition to loyalty, and 50% are focused on improving cross-channel experiences.

› **Experience-driven manufacturers lead the industry by putting the customer at the center of their business.** All manufacturers can learn from the proven best practices that define experience-driven manufacturers. These best-in-class firms are driven by customer insight and a consistent commitment to improve products and experiences based on customer feedback.

› **Experience-driven manufacturers outperform on top business priorities.** Because they focus on improving experiences from end-to-end, EDBs are 1.3x more likely to see improved product ratings, 2x more likely to lead their peers in customer loyalty, and 1.3x more likely to see increased conversion rates.
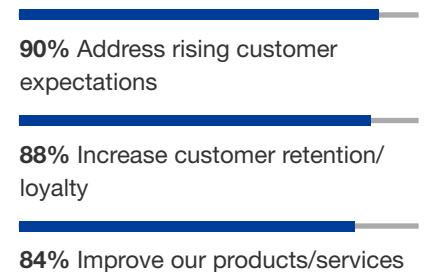
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Experience-Driven Manufacturers Lead The Industry In Commitment To Customers

The global manufacturing industry has fundamentally shifted: Empowered customers are at the center of an ecosystem where products once were. Moreover, manufacturers must serve both their immediate customers as well as the end customers. All manufacturing firms must rethink their operations in order to continue delivering value. Therefore, it's not surprising that addressing rising customer expectations, increasing customer loyalty, and improving products and services are top priorities for manufacturers (see Figure 1). We also found that improving customer and prospect experiences is a priority for 84% of firms. However, driving superior experiences requires: a company culture of customer obsession; processes that drive continuous improvement through customer feedback; and technology that fits seamlessly into customers' lives. We found that:

› **To improve experiences, manufacturers look to provide a rich and cohesive customer journey.** For at least half of firms, focusing on the customer journey from acquisition to loyalty (54%), as well as improving cross-channel experiences (50%), are key aspects of better experience overall. Importantly, the next highest priority (40%) is expanded content marketing capabilities, indicating that manufacturers are looking to connect directly with customers to enrich their journey with compelling content at every stage.

› **Experience-driven manufacturers are fully committed to CX.** Our survey outlined best practices for building superior experiences and asked respondents to rate their organizations' effectiveness along people, processes, and technology pillars. We used a scoring framework to identify companies in our survey who excel in employing best practices in these areas, and only 39% can claim that they are EDBs (see Figure 2).[2]
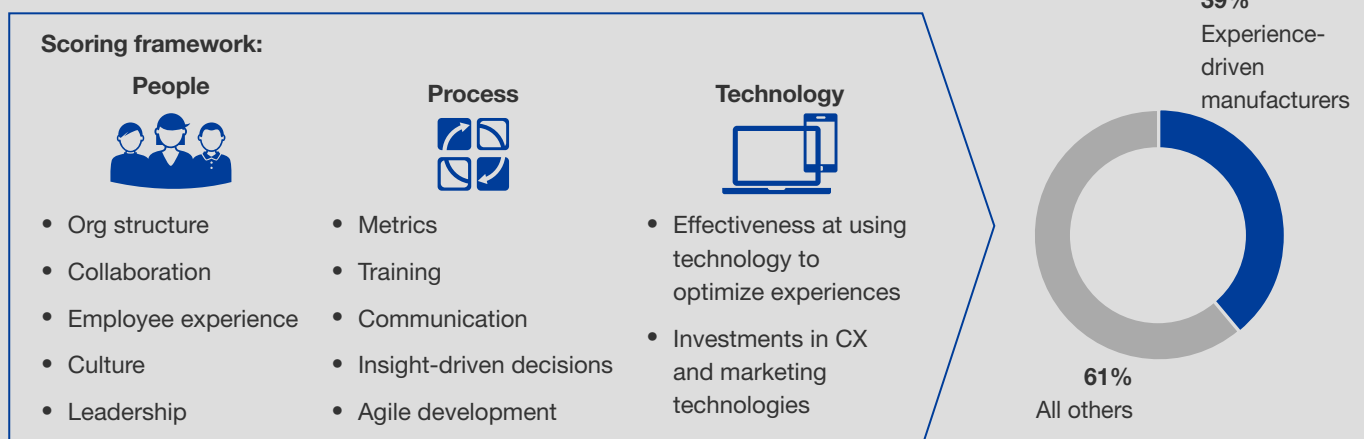
Figure 1

Top business priorities over the next 12 months (rated "critical" or "high" priority)

90% Address rising customer expectations

88% Increase customer retention/loyalty

84% Improve our products/services

Base: 174 CX technology and metrics decision makers at global manufacturing companies
Source: A commissioned study conducted by Forrester Consulting on behalf of Adobe, February 2018

Figure 2

We used a three-pillar scoring framework to define experience-driven businesses.

Scoring framework:

People
- Org structure
- Collaboration
- Employee experience
- Culture
- Leadership

Process
- Metrics
- Training
- Communication
- Insight-driven decisions
- Agile development

Technology
- Effectiveness at using technology to optimize experiences
- Investments in CX and marketing technologies

39% Experience-driven manufacturers

61% All others

Base: 174 CX technology and metrics decision makers at global manufacturing companies
Source: A commissioned study conducted by Forrester Consulting on behalf of Adobe, February 2018

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Manufacturing EDBs Leverage Data And Customer Feedback To Deliver Superior Experiences

Becoming an experience-driven manufacturer is a journey that begins by enhancing experience design and development and continues through to optimzing products iteratively with customer feedback and internet-of-things (IoT) technology. For example, a leading elevator manufacturer leverages usage data from its elevators to position them on building floors with the highest expected traffic throughout the day. The manufacturer is therefore able to limit the time riders spend waiting.[3] Product optimizations like this revolve around making the experience of the end customer more easy and effective — a move that pleases all customers in the value chain — from building owners, to the company that leases the building, to the firms that rent offices in the building. In further investigating what types of customer-focused behaviors define manufacturing EDBs, we found:
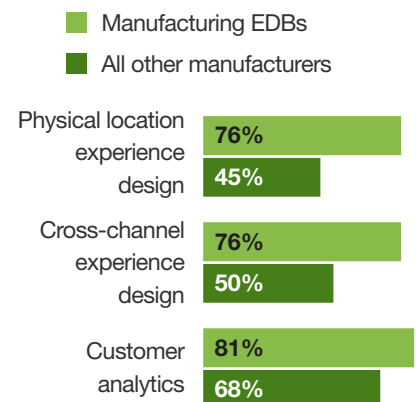
› **Experience-driven manufacturers invest in initiatives that improve experiences with customer insight.** We found that EDBs are much more likely than other manufacturers to dedicate budget to improving both physical and cross-channel experiences using customer analytics (see Figure 3). As a strategy, this indicates that EDBs design experiences to draw distributors and end customers in and then employ analytics to learn and improve. However, IoT is a key ingredient to success, since firms can't reliably get customers to describe experiences after the fact, digital sensors relay data continuously to further improve experiences. For example, owners of Wi-Fi enabled robotic vacuums can expect customer service representatives to already know the status of their vacuum when they call for support.[4]

› **Manufacturing EDBs have harnessed the measurement processes that consistently improve experiences.** One-hundred percent of manufacturing EDBs say they have clear and quantifiable goals for measuring the success of their experiences, compared to just 62% of other firms. Having clear goals and systems of measurement is critical, as they help firms avoid becoming too focused on making small improvements for short-term gains — a common pitfall that limits a firm's ability to uncover greater value.[5]

› **The growing emphasis EDBs place on connected products has led to mounting privacy and security concerns.**[6] While the rapid growth of IoT has lead to easier and more effective product experiences, it's accompanied by growing concerns over security. Cost and time-to-market requirements continue to take precedence over security requirements, so many IoT devices and ecosystems are still vulnerable to attacks that could take systems offline and cause minor to significant disruptions.[7] As a result, 39% of EDBs cite security concerns as a challenge — nearly twice the amount of other firms.

EDBS ACHIEVE GOALS TO ADDRESS EXPECTATIONS, INCREASE RETENTION, AND IMPROVE PRODUCTS

By embracing customer-centric design and iteration, manufacturing EDBs grow their business and outperform other manufacturers on the metrics that address their top priorities. We found that EDBs achieve (see Figure 3):

Figure 3

"For which of the following categories does your organization have a specific budget line item for 2018 (or the next closest fiscal year)?" (Arranged by difference between the two groups)

■ Manufacturing EDBs
■ All other manufacturers

Physical location experience design
76%
45%

Cross-channel experience design
76%
50%

Customer analytics
81%
68%

Base: 174 CX technology and metrics decision makers at global manufacturing companies
Source: A commissioned study conducted by Forrester Consulting on behalf of Adobe, February 2018

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› **Greater ability to meet and exceed rising customer expectations.** Manufacturing EDBs are more effective at delivering the seamless experiences customers have come to expect in all aspects of their lives. Since customer feedback drives improvement, it's no wonder EDBs are 1.6x more likely than other firms to significantly exceed expectations in customer experience metrics and 1.3x more likely to see increased conversion rates.

› **Higher customer retention due to increased customer lifetime value and loyalty.** EDBs' experience investments make them 1.5x more likely to increase their customer lifetime value and 2x more likely to lead their peers in customer loyalty.

› **Better products, period.** By putting the customer's preferences ahead of engineering's preferences, EDBs deliver better products and services. Manufacturing EDBs are 1.3x more likely to see improved product ratings and, in turn, 1.5x more likely to experience increased cross-sell and upsell opportunities. As a result, EDBs report an average 12% year-over-year increase in orders — a rate 1.6x greater than other firms.

By pivoting operations around the customer, manufacturing EDBs meet the rising expectations of their customers with improved products. They are then able to keep customers longer and grow the business with higher order volumes.

> "We launched a loyalty program last year which helped us better track customer feedback and preference for our product. We've also worked closely with our retailers to track purchase behavior and time spent browsing our products."
>
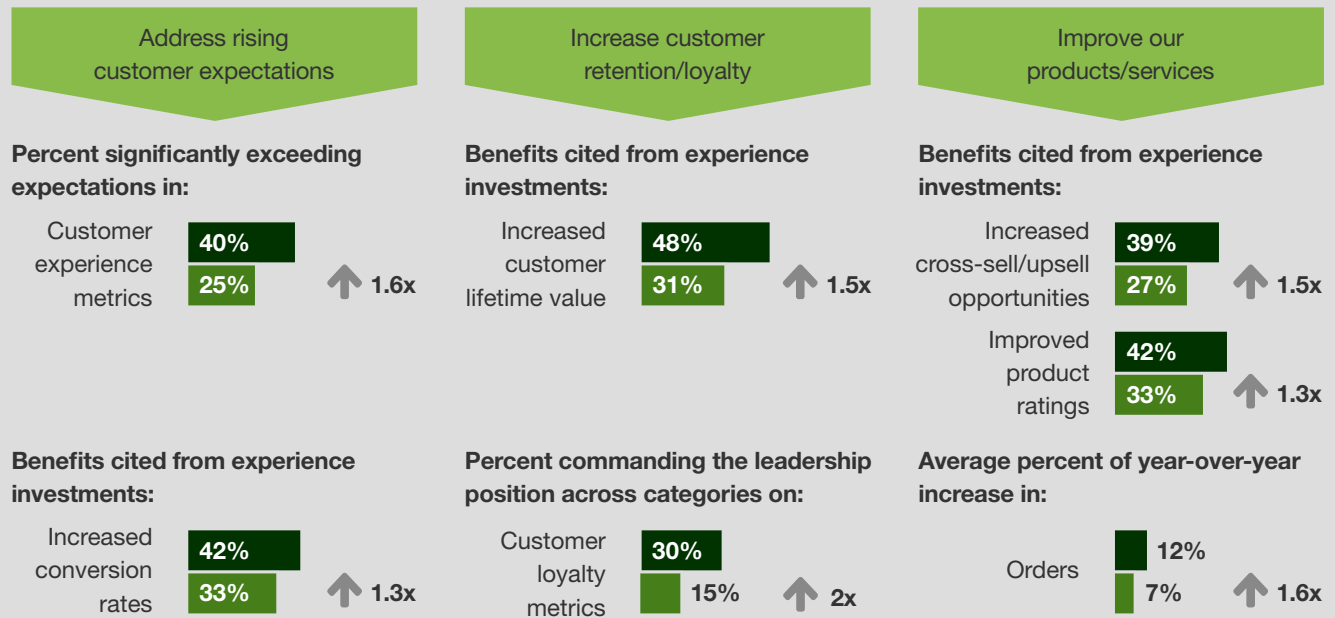> *Marketing manager, US manufacturer*

Figure 4

Manufacturing EDBs achieve customer expectation, retention, and product improvement goals through customer satisfaction, loyalty, and cross-sell strengths.

TOP CRITICAL PRIORITIES FOR MANUFACTURERS:

■ Experience-driven manufacturing firms   ■ All other manufacturing firms

Address rising customer expectations

Percent significantly exceeding expectations in:

| Customer experience metrics | 40% / 25% | ↑ 1.6x |

Benefits cited from experience investments:

| Increased conversion rates | 42% / 33% | ↑ 1.3x |

Increase customer retention/loyalty

Benefits cited from experience investments:

| Increased customer lifetime value | 48% / 31% | ↑ 1.5x |

Percent commanding the leadership position across categories on:

| Customer loyalty metrics | 30% / 15% | ↑ 2x |

Improve our products/services

Benefits cited from experience investments:

| Increased cross-sell/upsell opportunities | 39% / 27% | ↑ 1.5x |
| Improved product ratings | 42% / 33% | ↑ 1.3x |

Average percent of year-over-year increase in:

| Orders | 12% / 7% | ↑ 1.6x |

Base: variable CX technology and metrics decision makers at global manufacturing companies (N = 32 to 71 for EDBs, N = 48 to 91 for all others)
Source: A commissioned study conducted by Forrester Consulting on behalf of Adobe, February 2018

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Key Recommendations

Experience-driven business is a proven approach to driving long-term success in manufacturing. However, it's hard work to become one. Insights from this study, coupled with Forrester's existing research into CX transformation, yielded several important recommendations:

Embrace CX ecosystem thinking. The CX ecosystem is the web of relations among all aspects of a company — including its customers, employees, partners, and operating environment — that determine the quality of the customer experience. Manufacturers must map the ecosystem and identify friction points that lead to bad experiences. Then they need to decide how to optimize the ecosystem performance. This can require working with partners but also insourcing. One car manufacturer built its own eCommerce/customer relationship management (CRM) system so that it can track a car from production through daily use.[8] This unified system lets the firm rapidly correct problems because it can see how each customer uses the car and how the car performs in response.

Make the organization more connected on customer data. Manufacturing firms struggle to provide better experience because information about customers is locked in silos: customer service, sales, product development, and marketing. Bringing this data onto a single platform is a key priority for manufacturing firms. Then these firms can build a technology architecture that enables their business to process this data and deliver insights to the point of action, such as engineers designing products and service representatives supporting customers. For instance, manufacturing firms should integrate PLM systems with systems that contain customer data to adequately inform the product design, introduction, and maintenance phases.[9]

Deliver customer value with digitally enabled product-service solutions. As manufacturers embrace blended solutions of product and service more fully, they must design products, services, and solutions that embrace digital. But to succeed, their efforts must focus on the value they deliver to customers. For example, by understanding its customers' desired outcome of increased crop yields, a manufacturer of farm equipment creates more value for its customers by offering digital services via a digital operations center. This interface allows farmers to monitor their fully digitized equipment and use GPS data feeds to track and position equipment for optimum output. The firm aims to put itself at the epicenter of the farmer's value ecosystem.[10] And an aerospace company worked with a UX design firm on a user-focused approach to redesign its support service and product portal.[11]
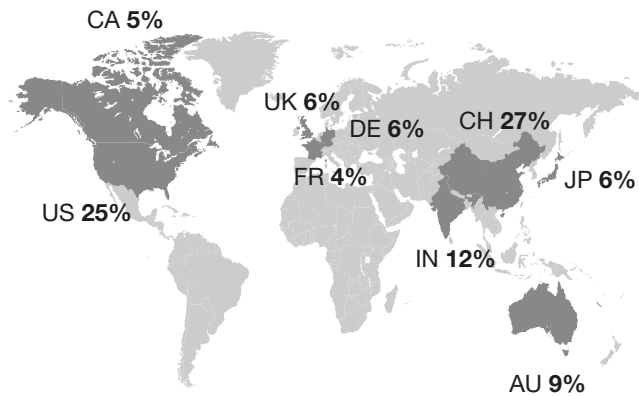
Create a customer-centric balanced scorecard. Manufacturers that want to drive customer-centricity must redefine their performance measurement processes. An ingredient solutions provider defined success as creating value for the customer. To measure progress, the CX team collaborated with functional leads to understand how their efforts impacted the shared value. That helped the firm create a central scorecard that summarizes the most important cross-functional metrics to measure overall program effectiveness and functional scorecards. Functional leaders then selected metrics from their function's overall list that best reflected an individual employee's contribution.[12]

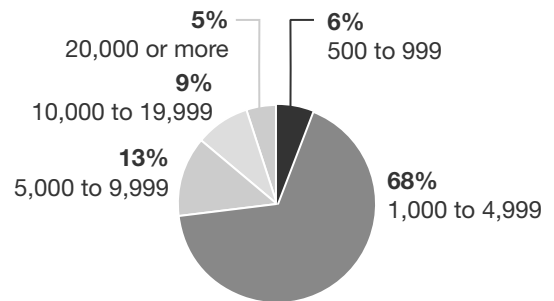FORRESTER®

Appendix A: Methodology

In this study, Forrester conducted an online survey of 1,269 organizations in North America, Europe, and Asia Pacific to evaluate their approaches to engaging customers and prospects across the customer life cycle and the investments they have made in these areas. Survey participants included decision makers in customer experience/ success, marketing, digital business, and analytics roles. While the overall study included firms in eight industries (retail, financial services and insurance, government, healthcare, media and entertainment, manufacturing, B2B technology, and travel and hospitality), this report's analysis is limited to 174 respondents in the manufacturing industry. Questions provided to the participants asked about business priorities and challenges, current approaches to supporting CX across the customer life cycle, and business metrics resulting from marketing and CX efforts. Respondents were offered a small incentive as a thank you for time spent on the survey. The study began in January 2018 and was completed in February 2018.
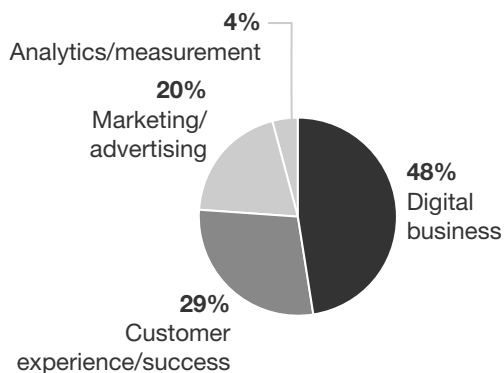
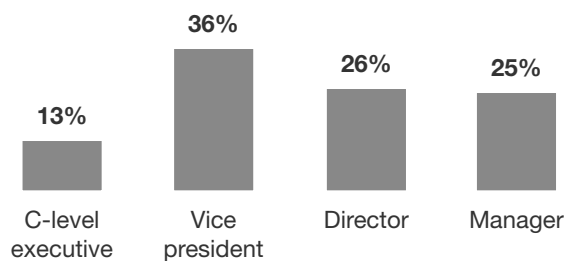# Appendix B: Demographics/Data

GEOGRAPHIES

CA **5%**
UK **6%**
DE **6%**
CH **27%**
FR **4%**
JP **6%**
US **25%**
IN **12%**
AU **9%**

COMPANY SIZE (EMPLOYEES)

5%
20,000 or more
6%
500 to 999
9%
10,000 to 19,999
13%
5,000 to 9,999
68%
1,000 to 4,999

DEPARTMENT

4%
Analytics/measurement
20%
Marketing/ advertising
48%
Digital business
29%
Customer experience/success

JOB POSITION

13%
C-level executive
36%
Vice president
26%
Director
25%
Manager

Base: 165 CX technology and metrics decision makers at global manufacturing companies
Source: A commissioned study conducted by Forrester Consulting on behalf of Adobe, February 2018

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Appendix C: Supplemental Material

RELATED FORRESTER RESEARCH

"Center Your Manufacturing Digital Transformation On The Customer," Forrester Research, Inc., March 12, 2018.

"Source: "Boost CX Quality By Using IoT In Customer Journeys," Forrester Research, Inc., March 15, 2018.

Appendix D: Endnotes

[1] Source: "Center Your Manufacturing Digital Transformation On The Customer," Forrester Research, Inc., March 12, 2018.

[2] The maturity assessment to identify experience-driven businesses was based on responses to a series of questions about the respondent's organization, processes, and effectiveness in using technology. Each question contained a series of statements reflecting best practices along these pillars of CX. Respondents rated their organization on a 5-point scale, where a score of 5 reflected the strongest adoption of each best practice. The sum of the ratings reflected the respondent's score for each pillar. For the technology pillar, respondents received an extra point for each technology their organization has adopted. The distribution of scores was divided into thirds to assess the individual respondents' maturity level as high, medium, or low compared to the rest of the sample. This distribution analysis was done at the regional level to minimize any cultural bias in the ratings; for this exercise only, Australia was included as part of the European distribution. Experience-driven businesses were defined as those whose scores landed in the top third (high maturity) of at least two pillars, with no less than a medium level of maturity on the third pillar. Additionally, experience-driven businesses needed to demonstrate consistent commitment across pillars, with no rating less than 3 for any question/statement.

[3] Source: "Center Your Manufacturing Digital Transformation On The Customer," Forrester Research, Inc., March 12, 2018.

[4] Source: "Boost CX Quality By Using IoT In Customer Journeys," Forrester Research, Inc., March 15, 2018.

[5] Source: "Create Experiences That Have The Power To Transform," Forrester Research, Inc., July 25, 2017.

[6] Forrester Research predicts early IoT innovators will set the tone for extracting value from IoT data and it will lead to greater IoT competition among US and European manufacturers. Source: "Predictions 2018: IoT Moves From Experimentation To Business Scale," Forrester Research, Inc., November 9, 2017.

[7] Ibid.

[8] Source: "The Customer Experience Ecosystem Redefined," Forrester Research, Inc., November 29, 2016.

[9] Source: "Center Your Manufacturing Digital Transformation On The Customer," Forrester Research, Inc., March 12, 2018.

[10] Source: "The Digital Business Imperative," Forrester Research, Inc., February 15, 2017.

[11] Source: EffectiveUI (http://www.marketwired.com/press-release/effectiveui-partners-with-boeing-improve-myboeingfleet-user-experience-its-customers-nyse-ba-1379324.htm).

[12] Source: "How To Set Employee Goals That Drive Great CX," Forrester Research, Inc., April 27, 2016.

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