Unlock Customer Obsession By Tying Features To Business Outcomes

Hold Your MarTech Solutions Accountable In Order To Focus On Business Outcomes, Not Just Features

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Executive Summary

Retailers once relied on assortment, low costs, and widespread distribution to win customer loyalty, but retail success today requires customer obsession — operations that use insights and engagement from customer relationships to create a virtuous cycle.[1] To put customers at the heart of operations, marketers need features and functionality in their technology solutions (MarTech) that enable them to add value within the path to purchase. Moreover, these solutions must add value at an individual level, resulting in business outcomes like higher customer lifetime value and revenue growth. Retailers who fail to tie functionality to positive customer and business outcomes will inevitably make false assumptions about their customers' preferences, and likely fall behind in the pursuit of customer obsession.

In October 2018, Listrak commissioned Forrester Consulting to evaluate how features, functionality, and positive business outcomes relate to customer obsession using Forrester's Customer Obsessed Assessment (COA).[2] Forrester conducted an online survey of 200 retail organizations in North America targeting decision makers in eCommerce and marketing. We also conducted an online survey of 502 monthly online shoppers in North America to explore this topic. We found that while most retail marketers feel their firm embodies customer obsession, very few have the hallmarks — and customers have noticed. Retailers that optimize their marketing cloud mix to learn more about the customer and drive business results have a powerful advantage over the rest.

KEY FINDINGS

› **Customer-obsessed marketing is rare — and it's leading to gaps in business outcomes.** While 94% of retailers agree their firm "embodies customer obsession," only 9% qualify as being customer-obsessed under Forrester's COA. In part due to overconfidence, retailers have failed to optimize key marketing features and so have fallen short on customer expectations and potential revenue.

› **Retail marketers struggle to win because business outcomes are not their top consideration.** The ability to improve business outcomes is only the fifth most important criteria for MarTech decisions. Moreover, only 20% of firms make outcomes the deciding factor for a MarTech purchase. Worryingly, features and functionality rank consistently higher.

› **Retailers should better tie features and functionalities to business outcomes.** To close the opportunity gap at their next MarTech solution selection, retailers should apply customer-obsessed best practices: discussing desired business outcomes with vendors and placing a greater emphasis on outcomes over functionality. This results-focused strategy can lead to benefits like revenue growth and improved customer satisfaction.

Retailers can have all the features and functionality they want, but unless they tie them directly to business outcomes, they'll fail to deliver on customer obsession.

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Customer-Obsessed Marketing Determines Retail Success — But It's Rare

The benefits of customer obsession are extensive. Customer-obsessed companies have the largest median three-year sales growth, higher margin performance, and happier employees.[3] The new imperative for customer obsession is driven by customer expectations for high quality, relevant communications that add value to their daily lives. In our surveys, we found:

› **Consumers are happy to be contacted by retailers, as long as communications are tailored.** In fact, consumers are more likely to shop frequently with those retailers and more likely to establish loyalty with those retailers (See Figure 1). These high expectations for personalization require from retailers more than traditional segmentation based on single data points like age, gender, or purchase history, which point to a past need, rather than a current intent.[4]

› **Retailers are missing out on revenue gains that stem from true customer obsession.** Overall, retailers feel their efforts toward customer obsession have resulted in greater efficiency (63%), better innovation (58%), and improved customer satisfaction scores (49%). Yet, only 18% have seen revenue growth — the most important business metric — as a result of their pursuit of customer obsession.

› **Retailers are not nearly as customer obsessed as they believe.** When asked, 94% of retailers we surveyed agreed with the statement, "My company embodies customer obsession."[5] However, the tally of their answers to Forrester's Customer Obsession Assessment reveals a shocking misconception: Only 9% of those we surveyed qualify as being customer-obsessed firms.[6] More accurately, retailers in our study fall into three groups: Customer-Novice (the low group), Customer-Focused (those in the middle that are making progress), and Customer-Centric (those who are customer-obsessed, as well as those that are quickly closing in) (see Figure 2).

Retailers that can leverage their marketing technology to engage and delight customers will find success in the age of the customer. Retailers believe they are already customer-obsessed — so why aren't they seeing results?

Figure 1

Consumer Expectations For Personalization Are High

72% agree:
"I am more likely to shop more frequently with retailers that send me relevant communications."

70% agree:
"I'm more likely to establish loyalty with a retailer that I feel knows me."

69% agree:
"I would be willing to share details about my interests and preferences if it means I'll only be sent relevant offers afterwards."

67% agree:
"I wish retailers would stop sending me what feels like generic sales offers/promotions."

66% agree:
"I'm likely to spend more with a retailer who I feel knows and understands me."

Base: 502 North American consumers aged +18 who shop online at least monthly
Source: A commissioned study conducted by Forrester Consulting on behalf of Listrak, November 2018

Figure 2

Retailers Are Not As Customer Obsessed As They Believe

While 94% of surveyed retailers believe their company "embodies customer obsession" . . .

94%

9% . . . only 9% qualify as "Customer-Obsessed."

Retailers in our analysis fall into three groups:

Customer-Centric (N = 61)

Customer-Focused (N = 75)

Customer Obsession

Customer-Novice (N = 64)

Base: 200 marketing and eCommerce decision-makers working at retailers in the US and Canada
Source: A commissioned study conducted by Forrester Consulting on behalf of Listrak, November 2018

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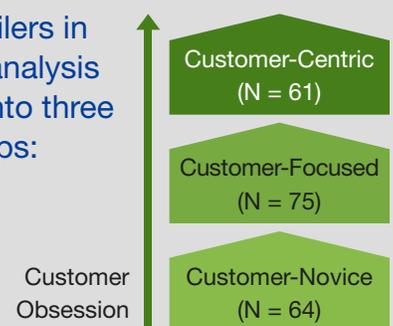
CONSUMER EXPERIENCES REVEAL THE GAP BETWEEN MARKETING EXECUTION AND POTENTIAL FOR RESULTS

As customers' expectations have risen and changed rapidly in recent years, so too has marketing technology evolved to keep up. Today, retailers are evaluating marketing features and functionality unheard of ten years ago, i.e., tools that are designed to learn, analyze, and optimize communications. Despite advancements, most retailers rely on traditional tools like shopping cart/browse abandonment and transactional messaging (implemented at 70% and 69% of firms respectively).

If retailers doggedly depend on traditional features, have they maximized the results they're receiving? To find out, we surveyed consumers about their experiences with cart abandonment, browse abandonment, and transaction emails. We found glaring gaps in both execution and personalization of these features, including:

› **Cart-reminder emails are common and effective, but there's more potential for results.** Most consumers who had abandoned an online cart would quickly receive an email reminding them to return (82%). Consumers agree the emails made them more likely to return, but only 61% said the email contained other useful recommendations. This is a missed opportunity to further engage, delight, and entice customers.

› **Browse-abandon emails are even more effective than cart reminders, but far less common.** Forty-three percent of consumers who had recently abandoned a browse did not receive a reminder to return. Retailers that don't send reminders are losing out: 79% of consumers who received the email agree it made them more likely to return — more so than cart-reminder emails.

› **Transactional emails are indispensable.** They're also a lost opportunity. Nearly 90% of customers opened an email confirming a recent purchase, 91% of whom always open similar emails. However, only 66% say they received more relevant emails post-purchase, and only 59% say the email contained useful recommendations. Retailers are missing a remarkably reliable opportunity to increase the value of their relationship with active customers.

It's clear that even the most common features — the workhorses of digital marketing — have untapped value. As a result, many retailers have a gap in potential revenue and may not know it.

The importance of transactional emails has grown since GDPR — in many cases, they may be the only opportunity to deepen customer relationships over email.

Marketing Features Are Too Rarely Tied To Business Outcomes

The gap between the features that retailers have implemented and the potential for positive business outcomes has unfortunate explanations:

› **The ability to improve business outcomes factors remarkably low into MarTech purchasing criteria.** Less than a quarter of decision makers consider how technology solutions impact business outcomes a critical point (see Figure 3). While other attributes like scalability and adequate support are important, they should be secondary to producing results. However, nearly twice as many marketers prioritized a technology's scalability over its effectiveness.

› **Shockingly, only one in five respondents rank business outcomes as the most important factor in selecting a MarTech solution.** Not only was it ranked lower in importance, but the ability to improve business outcomes was outranked by features and functionality; features rank No. 1 in importance in the purchasing process for over half of firms, while the same is true of business outcomes at only 20% of firms (see Figure 4).

The obvious question becomes: What good are features without business outcomes? We found that retailers are not prioritizing correctly because they're unaware of how poorly their marketing efforts are measured. Eighty-four percent say it is somewhat or very easy to tie features to business outcomes, but only half say they measure the most basic metric of incremental performance (or lift). This suggests a worrying issue: retailers may only think it's easy to tie features to outcomes because they are not correctly measuring outcomes.

To further investigate how business outcomes should factor into investment decisions, we looked more closely at Customer-Centric retailers. We found:

› **Better measurement is a hallmark of customer obsession.** We found that Customer-Centric retailers are more likely than Customer-Novice firms to track key metrics, including, customer lifetime value (CLV), acquisition, engagement, and conversion. If more retailers rigorously tracked their performance, they'd better understand what they lose when they either implement the wrong mix of features or don't optimize existing ones.

› **Customer-Centric retailers are more satisfied with the outcome of their investments.** With better measurement comes the improved ability to implement the right mix of features and drive results. So it follows that Customer-Centric firms are also more satisfied than Customer-Novice firms with the features they have implemented. For example, 65% of Customer-Centric firms are very satisfied with their transactional messaging's ability to improve business outcomes, compared to just 13% of Customer-Novice firms. Given the tremendous opportunity we observed in transactional messaging from the consumer survey, it's likely that Customer-Centric firms are better at optimizing features beyond implementation.

Figure 3

"How important are the following criteria when considering investing in a marketing technology?"
(Top five shown)
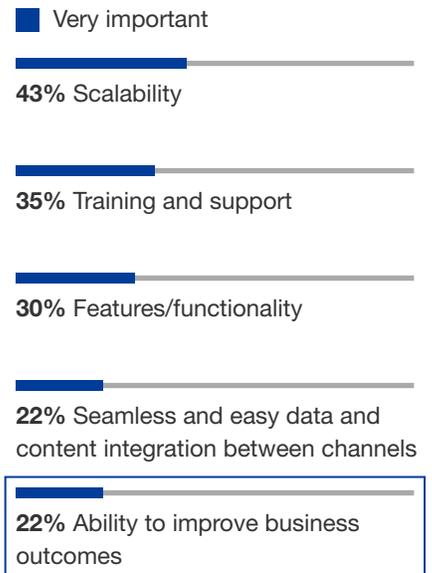
▪ Very important

43% Scalability

35% Training and support

30% Features/functionality

22% Seamless and easy data and content integration between channels

22% Ability to improve business outcomes

Base: 200 marketing and eCommerce decision makers working at retailers in the US and Canada
Source: A commissioned study conducted by Forrester Consulting on behalf of Listrak, November 2018

Figure 4

"What of the following has/had the greatest importance in the decision-making process?"

▪ Rank 1

51% Features/functionality

20% Business outcomes

20% Use cases

10% On-going vendor support

Base: 200 marketing and eCommerce decision makers working at retailers in the US and Canada
Source: A commissioned study conducted by Forrester Consulting on behalf of Listrak, November 2018

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BEING CUSTOMER-OBSESSED MEANS MAKING BUSINESS OUTCOMES THE TOP CONSIDERATION FOR MARTECH

Customer-Centric firms are leaders in retail because: 1) they're more likely to measure their success correctly and 2) their better-informed strategy leads to higher satisfaction with the business outcomes that features drive. Why? Because Customer-Centric firms are better at putting business outcomes at the top of the list of criteria when making decisions about their marketing stack. In fact, nearly twice as many Customer-Centric firms than Customer-Novice firms rank business outcomes as No.1 in importance in the decision-making process.

Do It Right The Next Time: Tie Evaluations To Outcomes

The lack of measuring marketing, by the outcomes of individual features, misleads marketers and gives them a false impression of success and no clear link to business outcomes.[7] Recall that 94% of retailers in our study believe that their firm embodies customer-obsession, when actually fewer than 10% are Customer-Obsessed. This means that nearly all retailers today have a lot to learn from the more customer-obsessed firms in their industry. To close the opportunity gap, retailers should learn best practices from Customer-Centric firms and better tie features and functionalities to business outcomes, beginning with the vendor selection process through to optimization. We found:

› **Customer-Centric firms seek to improve their MarTech solution selection.** Overall, many retailers agree they're missing out. Those that we surveyed said that if they could do their most recent RFP over again, they would: 1) set up a better strategy to measure the success of their technology; 2) discuss desired business outcomes with their vendor; and 3) place a greater emphasis on business outcomes over functionality (see Figure 5). However, what's more telling is the higher proportion of Customer-Centric firms compared to the Novice firms that say they would discuss desired business outcomes with vendors (54% versus 30%) and place a greater emphasis on business outcomes over functionality (46% versus 30%). This means Customer-Centric firms are not going to take their pedal off the gas and those still early in their journey are going to fall further behind if they remain overconfident.

› **Tying features to business outcomes is a targeted path to major benefits.** Retailers overall, feel that being better able to tie features to outcomes delivers better innovation (54%), revenue growth (48%), greater efficiency (47%), product improvement (46%), and improved customer satisfaction (44%). It's a strategy that puts business results where it should be: the No. 1 priority in purchase decisions.

A key strategy of Customer-Centric retailers moving forward is discussing desired business outcomes with vendors.

Figure 5

"Knowing what you know now from using your marketing technology, what would you have done differently to maximize its effectiveness?" (Top five shown)

60% Set up a better strategy to measure the success of our technology

49% Set up a specialized or centralized team to manage the complexity

46% Discuss desired business outcomes with our vendor

43% Place a greater emphasis on business outcomes over functionality

36% Ask for more support from our vendor

Base: 200 marketing and eCommerce decision makers working at retailers in the US and Canada
Source: A commissioned study conducted by Forrester Consulting on behalf of Listrak, November 2018

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Key Recommendations

Retailers need a marketing strategy for meeting the ever-rising expectations of today's consumer. This requires digital professionals to assess, evaluate, compare, and select technologies that will allow them to be informed, agile, and flexible enough to meet the organization's goals and objectives for creating great customer experience. Forrester's in-depth survey of digital decision makers yielded the following crucial recommendations:

Evolve from a state of company-obsessed to customer-obsessed. Retailers today struggle to define what it means to be customer-obsessed, often making business decisions that squarely serve the best interests of the company over the needs of their customers. Prioritizing customer delight, delivering perceivable value, and providing relevancy within each customer's experience, over simply marketing to customers whenever, wherever, and with whatever the company wants, is an organizational challenge that must be identified, acknowledged, and addressed to win the loyalty of digitally savvy consumers.

Master your marketing metrics. Marketers must understand their business before making the significant investments in solutions to improve their business. Baselining current operations and putting a priority on data collection, management, and assessment will help to demonstrate how strategies ultimately result in better business outcomes, including short- and long-term incremental lift in customer lifetime value. Once marketers have arrived at this state, they are ready to intelligently approach the tech-buying process with a clear vision of what needs to be accomplished and the MarTech capabilities that are required to meet those goals.

**Align requirements to business outcomes for tech evaluations.** Retailers must have a clear vision for their marketing and customer experience strategies before evaluating the features and functionality of tech solutions to support those strategies. Without such an approach, retailers could put too much focus on technical requirements that have little to no impact on the primary objectives of the organization. Even worse, retailers may not weight heavily other elements that are critical for executing their strategy. While it requires stakeholders to take the time and make these connections, the end results are likely to include better outcomes from technology investments and less frustration in trying to achieve strategic goals.

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Appendix A: Methodology

In this study, Forrester conducted an online survey of 200 retail organizations in North America and 502 online consumers in North America to evaluate how effective retail marketing features and functionality are in driving positive customer and business outcomes. Retail survey participants included decision makers in marketing and eCommerce. Consumer survey participants included at least monthly online shoppers over the age of 18. Questions provided to retailers asked the extent to which their organization ties features and functionality to business outcomes, as well as associated challenges and benefits to doing so. Questions provided to consumers asked the extent to which they've interacted with retailers across common features and their attitudes based on those interactions. Respondents were offered a small monetary incentive as a thank you for time spent on the survey. The study began in October 2018 and was completed in November 2018.

Appendix B: Demographics/Data

RETAILER SURVEY

21% CA
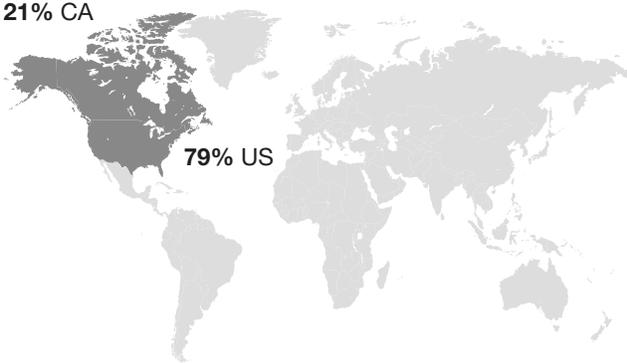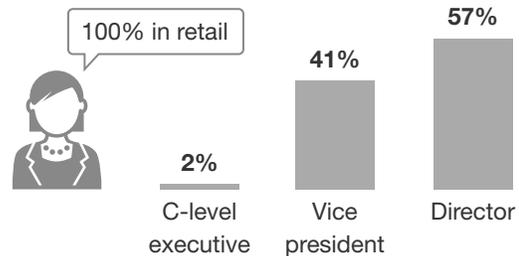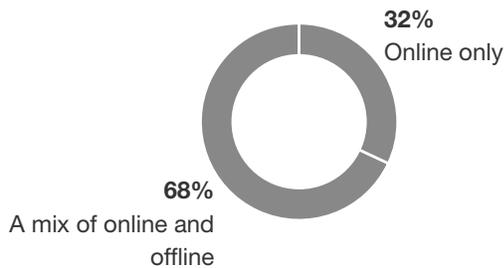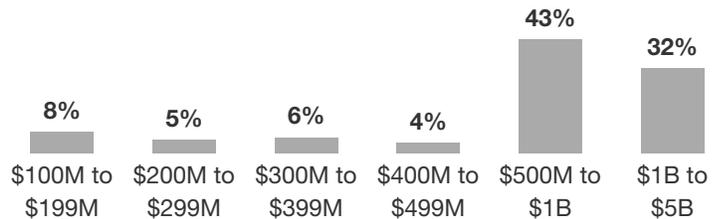
79% US

RESPONDENT LEVEL

100% in retail

2% C-level executive

41% Vice president

57% Director

ENGAGEMENT CHANNELS

32% Online only

68% A mix of online and offline

COMPANY REVENUE

8% $100M to $199M

5% $200M to $299M

**6%** $300M to $399M

4% $400M to $499M

43% $500M to $1B

32% $1B to $5B

Base: 200 marketing and eCommerce decision-makers working at retailers in the US and Canada
Source: A commissioned study conducted by Forrester Consulting on behalf of Listrak, November 2018

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CONSUMER SURVEY

16% CA

84% US
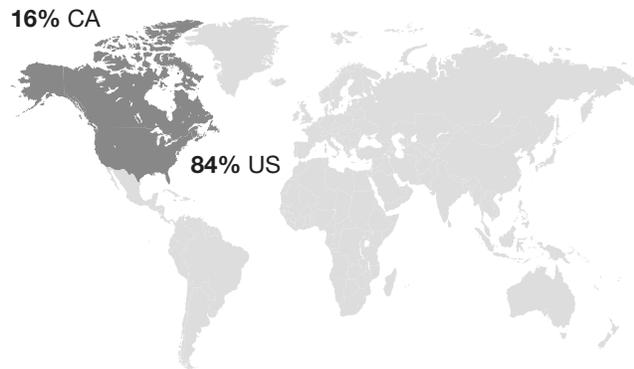
ONLINE SHOPPING FREQUENCY

20%	35%	19%	26%
Once a month	Several times per month	Once a week	At least several times per week
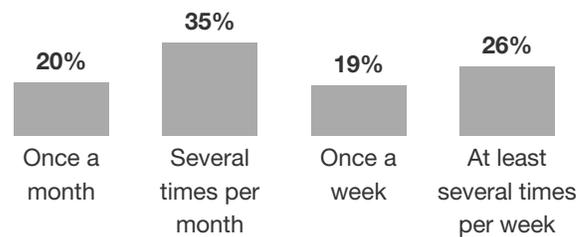
EMAIL OPENING FREQUENCY

Very frequently	29%
Frequently	34%
Occasionally	29%
Rarely	7%
Very rarely	2%
Never	0%

GENDER

47% Male

53% Female

AGE GROUPS

11%	18%	16%	17%	17%	21%
18-24	25-34	35-44	45-54	55-64	65+
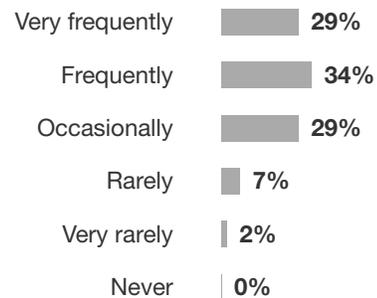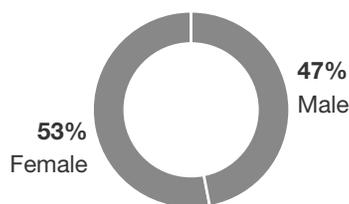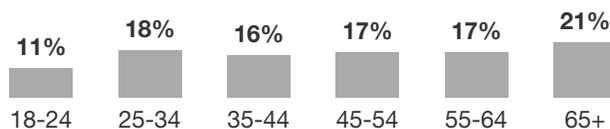
Base: 502 North American consumers, ages 18 and above, who shop online at least monthly
Source: A commissioned study conducted by Forrester Consulting on behalf of Listrak, November 2018

Appendix C: Supplemental Material

RELATED FORRESTER RESEARCH

"The Customer-Obsessed Enterprise," Forrester Research, Inc., June 25, 2018.

"Measure Marketing Engagement Right Or Not At All," Forrester Research, Inc., January 19, 2017.

Appendix D: Endnotes

[1] Source: "The Customer-Obsessed Enterprise," Forrester Research, Inc., June 25, 2018.

[2] Forrester's COA includes 21 agreement statements relating to culture, talent, metrics, processes, tech, and structure. Responses are scored and respondents are placed into one of four maturity segments, the highest maturity being Customer-Obsessed.

[3] Source: "The Customer-Obsessed Enterprise," Forrester Research, Inc., June 25, 2018.

[4] Source: "Evolve Now To Personalization 2.0: Individualization," Forrester Research, Inc., December 5, 2017.

[5] Respondents were told that customer obsession is defined as, "deliberately making your customer the center of your total operating model."

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[6] Source: "The Customer Obsession Assessment," Forrester Research, Inc., November 1, 2016. Like other Forrester assessments, our Customer Obsession Assessment is a maturity model. It groups companies from low to high maturity based on their responses to a quantitative survey. Use the self-assessment tool included in the report referenced to benchmark your firm. The assessment will provide your organization with a final score and group you into one of four maturity levels. In the case of the respondents for this study's survey, too few respondents qualified as Customer-Obsessed for us to make statistically significant comparisons to the rest of the response pool. Without changing any weighting or scoring criteria, we regrouped respondents by their final score into three groups of relative maturity. Should you like to benchmark yourself against the respondents in this study, take the assessment referenced and group yourself as follows: Customer-Novice, any final score up to 72.0; Customer-Focused, final scores greater than 72.0 and up to 80.0; Customer-Centric, final scores greater than 80.0.

[7] Source: "Measure Marketing Engagement Right Or Not At All," Forrester Research, Inc., January 19, 2017.

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