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# Customer Experience And Analytics Modernization: Critical Foundations For Your Digital Business Future

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**Project Director:**

Chris Taylor,  
Sr. Market Impact Consultant

**Contributing Research:**

Forrester's CIO professionals  
research group

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# Executive Summary

A company's ability to succeed is largely dependent on it having the right combination of skills, tools, and processes to deliver on desired business outcomes. Historically, technology-related decisions have been relegated to those in IT roles, but leaders in business roles have increasingly recognized the need to take on more responsibility for the tools and process decisions that ultimately impact their day-to-day functions. This is especially true for customer-facing systems, which provide direct customer interactions and often drive revenue and customer experience (CX) measures. The same is true for analytics practices. With the right tools and quality data, business leaders can leverage actionable data and insights to help better understand and engage with customers and support changing business needs.

In December 2020, Microsoft commissioned Forrester Consulting to evaluate how business leaders are thinking about the role of business applications and analytics in supporting the achievement of key business objectives. To do this, Forrester fielded a survey of 302 US-based business decision-makers in a mix of roles including marketing, sales, operations, analytics, and customer service. We found that business leaders place significant importance on modernizing business applications to better support customer outcomes and to improve data and analytics capabilities.

## KEY FINDINGS

- › Improving CX is a top priority for 56% of business leaders, followed by growing revenue and increasing business agility.
- › There are two critical areas within every company that business leaders must focus on to achieve desired business outcomes of growth and better CX: improving customer-facing applications and improving analytics.
- › More than 70% of leaders said not modernizing customer-facing applications would significantly inhibit their company's ability to deliver on business priorities and meet customer needs.
- › Ninety percent of surveyed leaders said data and insights have an indispensable role in their organization's day-to-day work activities, yet less than one-third on average are actually analyzing available data for insights across various use cases.
- › Eighty percent of leaders have increased investments to deploy customer-facing applications and analytics in the cloud during the past couple years, and 86% plan to make further investments in the cloud going forward.
- › Cloud is accelerating progress toward desired business outcomes. Key area of improvement include innovation, personalization, and reducing pressure on IT staff, freeing them to focus on other priorities.

# Business Leaders Are Committed To Better Serving Customers

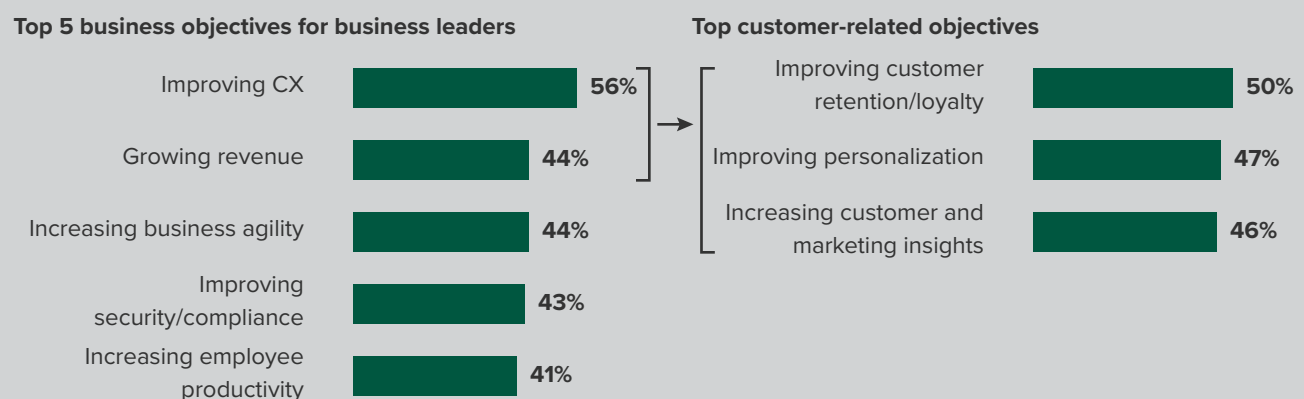
Modern technology has ushered in what Forrester refers to as the age of the customer, a time in which customers have more power than ever in making purchase decisions thanks to the technology available to them. With that increased power, which is available at the touch of a button or screen, comes heightened expectations from customers for the brands and companies that serve them. Companies that fail to meet these rising expectations risk a significant loss in revenue — or worse. Our custom survey of senior business leaders confirmed this trend: 88% said customer expectations for digital experiences with their brand have significantly increased in the past two years.

In response to this growing trend, business leaders are prioritizing CX along with growing revenue, increasing business agility, and enhancing security/compliance among the most common business objectives. Business leaders want their organization to be more agile so that they can better respond and adapt to future customer needs, all while preserving security and privacy. When looking at customer-specific objectives, the top objective is improving customer retention and loyalty (through better CX). Tactically, these outcomes will be achieved by organizations that set goals to improve personalization efforts and increase the depth and breadth of customer insights (see Figure 1).

There are two critical areas that decision-makers at every organization must focus on to achieve desired business outcomes for growth and better CX:

- › **Modernization of customer-facing business applications.** These applications serve as primary customer touchpoints, and they are where companies have a strong opportunity to improve CX.
- › **Improvement of analytics capabilities.** Business decision-makers need data and insights to better understand and engage with customers, and to identify focal areas for improvements and innovation.

Figure 1



Base: 302 US-based decision-makers for business application planning, investment, and ongoing improvement decisions  
Source: A commissioned study conducted by Forrester Consulting on behalf of Microsoft, December 2020

# Modernized Customer-Facing Apps Are Essential For Improving CX

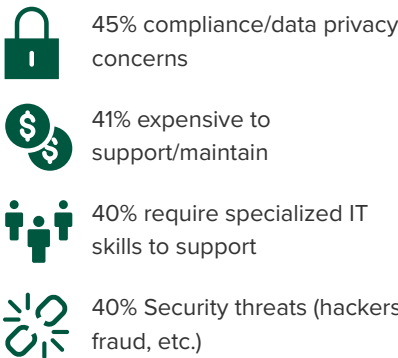
Great customer-facing applications that create a positive digital experience and empower employees to better serve customers are essential for business growth and success. It is no surprise that 87% of surveyed business leaders said there is substantial urgency for their organizations to modernize customer-facing applications. Improvements in these applications directly support the top business objectives of improving CX, growing revenue, and increasing agility (see Figure 2). That is why 88% of organizations are focused on acquiring and updating the technology needed to support key business objectives. These improvements will:

- **Empower brands to meet business and customer expectations.** Modernizing customer-facing apps is essential in meeting both business priorities and customer expectations. Business leaders are aware of the importance of modernization; 73% of respondents said that not modernizing their organization’s customer-facing applications would significantly inhibit their ability to deliver on business priorities and to meet customer needs.
- **Position companies for competitive differentiation.** Eighty-four percent of surveyed leaders said their organization’s current customer-facing applications are central to their differentiation from competitors. This is likely linked to customers’ rising expectations of their experiences with companies. This forces businesses to modernize the core technologies consumers use to interact with their brand to retain the ability to win, serve, and retain customers.

Despite the recognized value and urgency around modernization efforts, many companies face multiple challenges that decision-makers must address to transition effectively to more modern applications. Key challenges include concerns about security and privacy, high maintenance costs, and a lack of adequate application-support skills (see Figure 3).

Figure 3

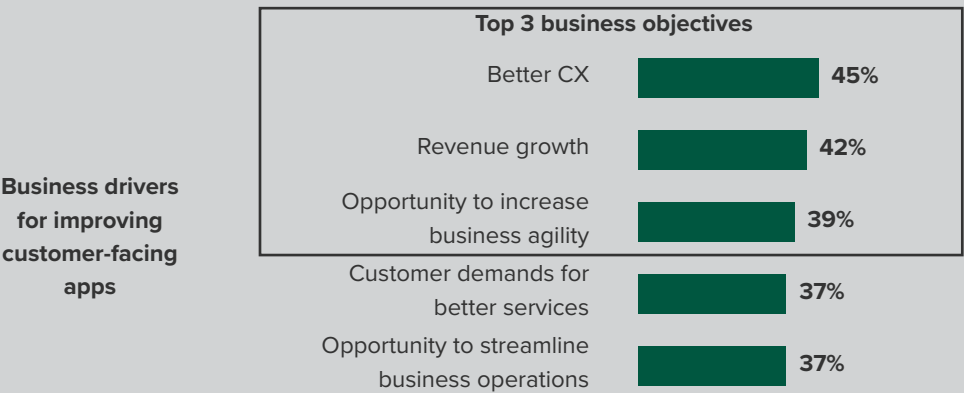
Top current challenges of customer-facing apps



Base: 302 US-based decision-makers for business application planning, investment, and ongoing improvement decisions  
Source: A commissioned study conducted by Forrester Consulting on behalf of Microsoft, December 2020

Figure 2

Customer-facing applications improvements are directly aligned with business objectives



Base: 302 US-based decision-makers for business application planning, investment, and ongoing improvement decisions  
Source: A commissioned study conducted by Forrester Consulting on behalf of Microsoft, December 2020

# Analytics Empower Leaders To Innovate, Act, And Guide Decisions

Analytics and insights are the other force shaping positive business outcomes. Eighty-five percent of surveyed business leaders said they see analytics as central to driving business growth. More than 90% said data and insights have indispensable roles in their day-to-day work activities, and 86% said analytics are key to driving business innovation. Organizations drive toward these outcomes by using analytics to improve customer-facing processes, plan future investments, and explore innovation opportunities (e.g., new business models). However, the most important use cases for data insights vary by business role (see Figure 4).

- › **Sales and customer-service roles focus on enhancing customer profiles.** The top use case for analytics for these roles is finding insights to build a more complete view of the customer, followed by finding insights to aid personalization efforts. As these two roles are the ones that engage with customers most directly, building a better profile of customers and knowing how to engage with them in a more tailored way can have a huge impact on current and future interactions.
- › **Marketing roles focus on the customer journey.** Marketing leaders are most focused on optimizing the customer journey, and this includes making improvements to touchpoints where customers interact with customer-facing business applications. Marketers need to understand the customer lifecycle and use those insights to target customers more effectively at the right time, with the right messages, and through the right channels.
- › **Back-office roles focus on business improvements.** Leaders in these roles want to use data to help them build a business case for future investments and improvements, and this can include improvements for customer-facing applications. These insights and improvements play a critical role in enabling organizations to succeed by ensuring they can operate with agility and efficiency as customers' needs and market conditions fluctuate.

## AI is expected to play a key role in supporting analytics

As analytics practices are modernized and become more self-service, AI will play a critical role in helping users uncover insights automatically (or with less effort), which will help organizations make more insights more useful and accessible.

**89% of business leaders believe AI will have a positive impact on their organization during the next 1 to 2 years.**



**66% expect AI will play a moderate to major role in digital transformation efforts.**

Base: 302 US-based decision-makers for business application planning, investment, and ongoing improvement decisions  
Source: A commissioned study conducted by Forrester Consulting on behalf of Microsoft, December 2020

Figure 4

### Most important data and insights use cases by role

Sales/customer service	Marketing	Back-office
1) Finding insights to build more complete view of customers	1) Using insights to improve processes within customer-facing applications	1) Using insights to build a business case for future investments
2) Finding customer insights to aid personalization efforts	2) Using insights to optimize and improve customer journey	2) Using insights to improve processes within customer-facing applications
3) Using insights to drive innovation and explore new business models	3) Using insights to drive innovation and explore new business models	3) Using insights to drive innovation and explore new business models

Base: 302 US-based decision-makers for business application planning, investment, and ongoing improvement decisions  
Source: A commissioned study conducted by Forrester Consulting on behalf of Microsoft, December 2020

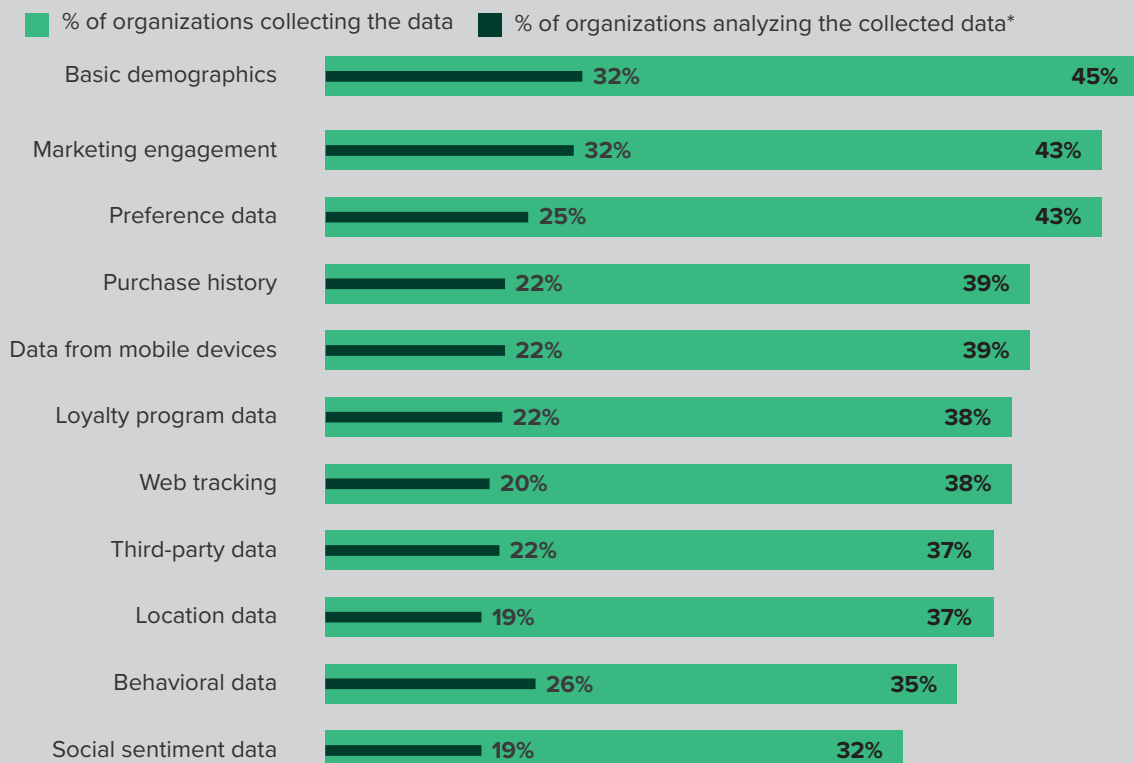
## ANALYTICS ARE GREAT IN THEORY, BUT DIFFICULT IN PRACTICE

Overall, the key drivers for improving analytics are revenue growth, better CX, and better customer insights — all of which aligns with key business objectives. However, despite this alignment on objectives and strategy, companies are struggling with execution (i.e., putting analytics into action). Most companies collect a variety of data types about their customers, including basic demographics, marketing engagement, preference data, and purchase history (see Figure 5). Yet only 48% of surveyed business leaders said they are very satisfied with their current access to data and insights. Moreover, on average less than one-third of their companies are actually analyzing that data for insights (see Figure 5). This is a significant gap that is slowing organizations' progress toward their desired analytics goals.

This gap stems from several challenges that organizations face with analytics. The most common challenge is security threats, which can prevent or discourage decision-makers from working with customer data until they know the data will be managed in a secure and compliant way. Other common challenges include a lack of data scientists/analytics skill sets and lack of data visualization capabilities. These are substantial issues as companies have troves of data available to them, but they have limited capacity to use the data to generate and apply insights in a meaningful way.

**Figure 5**

### Much of the data organizations collect goes unanalyzed



Base: 302 US based decision-makers for business application planning, investment, and ongoing improvement decisions

\*Base: Variable US based decision-makers for business application planning, investment and ongoing improvement decisions who collect this type of data

Source: A commissioned study conducted by Forrester Consulting on behalf of Microsoft, December 2020

# The Cloud Plays An Important Role In Modernizing Applications And Elevating Analytics To Improve Business Outcomes

Over the past two years, 78% of respondents' organizations increased their investments in customer-facing applications, and 76% increased analytics investments. Eighty-two percent of surveyed decision-makers indicated that investments in these areas will continue to increase during the next two years. This upward trend highlights that leaders recognize the value these applications and analytics have for their businesses.

Adding further clarity to how decision-makers are applying these investments, 80% of respondents said their organization has increased its investments to deploy customer-facing applications and analytics in the cloud during the past two years, and 86% plan to make further investments in the cloud going forward. Leaders see the following advantages to running applications and analytics on the cloud versus on-premises:

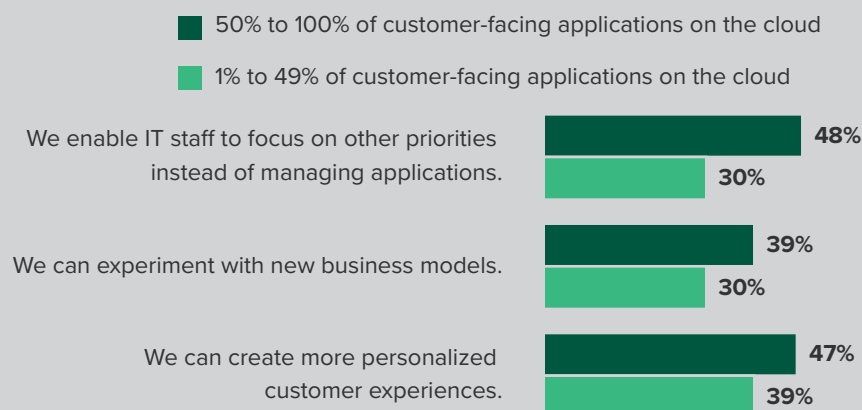
- › **Better security.** Security threats and privacy concerns are the top challenges for both customer-facing applications and analytics. More than 50% of surveyed business leaders said they believe cloud solutions offer better security because they can leverage the expertise and security know-how of their cloud-service providers.
- › **Improved business agility.** The agility benefits of the cloud are two-fold. First, the cloud allows great flexibility and mobility for employees. In turn, this allows businesses to operate in a more agile way in response shifts or changes in the market (such as those due to the COVID-19 pandemic). Second, the cloud enables greater agility from an application-management perspective by relieving internal IT teams of many of the responsibilities for managing application updates and new rollouts.
- › **More innovation.** Using cloud providers for business applications and analytics provides companies with access to services, tools, and features they might not otherwise have, which can open up new possibilities. More than 50% of surveyed leaders said they have seen or expect to see an increased pace of innovation due to operating on the cloud, and 49% said their organization can or will be able to more easily create and deliver new capabilities.



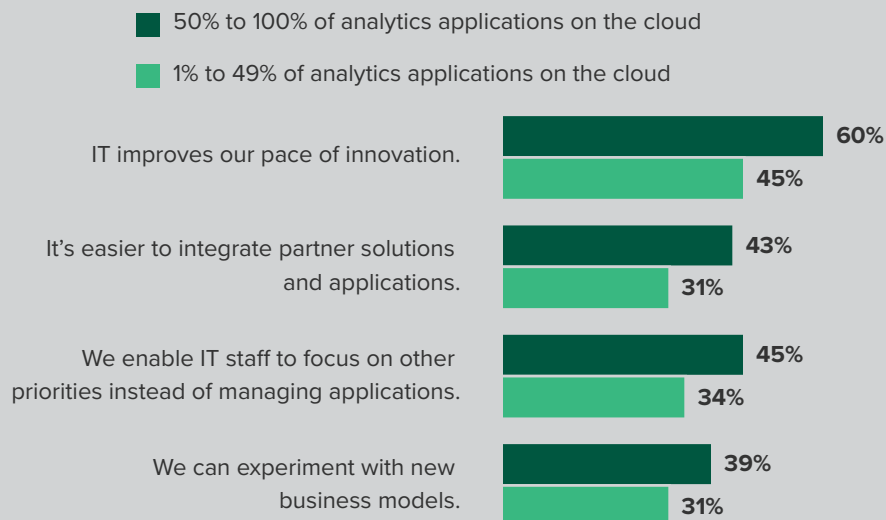
Forrester's survey found that companies that are more invested and deployed in the cloud are actually seeing a higher incidence of key benefits. We compared companies running 50% or more of their customer-facing apps and analytics on the cloud against those running less than 50% on the cloud, and found several significant gaps (see Figure 6). The cloud is accelerating progress toward desired business outcomes for companies that have 50% or more of their applications running in the cloud — particularly in the areas of innovation, personalization, and reducing pressure on IT staff. These benefits directly align with the primary business objectives of improving CX, increasing revenue, and driving greater business agility.

**Figure 6**

**“What benefits have you seen, or do you expect to see, from running customer-facing applications on the cloud?”**



**“What benefits have you seen, or do you expect to see, from running analytics applications on the cloud?”**



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Source: A commissioned study conducted by Forrester Consulting on behalf of Microsoft, December 2020

# Key Recommendations

Customer-facing applications and analytics that empower business leaders and employees are vital to CX and business success. To modernize applications and put the power of analytics in play, companies are increasingly turning to the cloud. Business leaders — not just IT professionals — see the benefits the cloud can bring, including: scale, security, always-updated applications available from anywhere, access to ecosystems, and better use of scarce IT resources. To put their companies on the right path to achieve these goals, decision-makers should:



**Prioritize customer-facing applications through the lens of customer success and business success.** The investment in app modernization pays off best when it improves CX or employee experience (EX) and drives direct business outcomes (e.g., higher sales or lower cost to serve). Combining these two metrics — experience success and business success — creates an alignment between business leaders and IT professionals that will ensure the right applications get updated and that they are built and deployed in the best way possible.



**Elevate analytics to business relevance by empowering non-IT business users to find and dashboard the data they need.** Analytics and insights will empower better decisions and action when a company brings its unique data-driven perspective into the light of day. This requires staff to work across business units and systems boundaries to blend data safely and securely at scale, then put the dashboards and analytics into the hands of the people who need the insights the most (with the help of AI). This coming together is easier when organizations set shared targets: improving CX and EX and driving successful business growth and innovation.

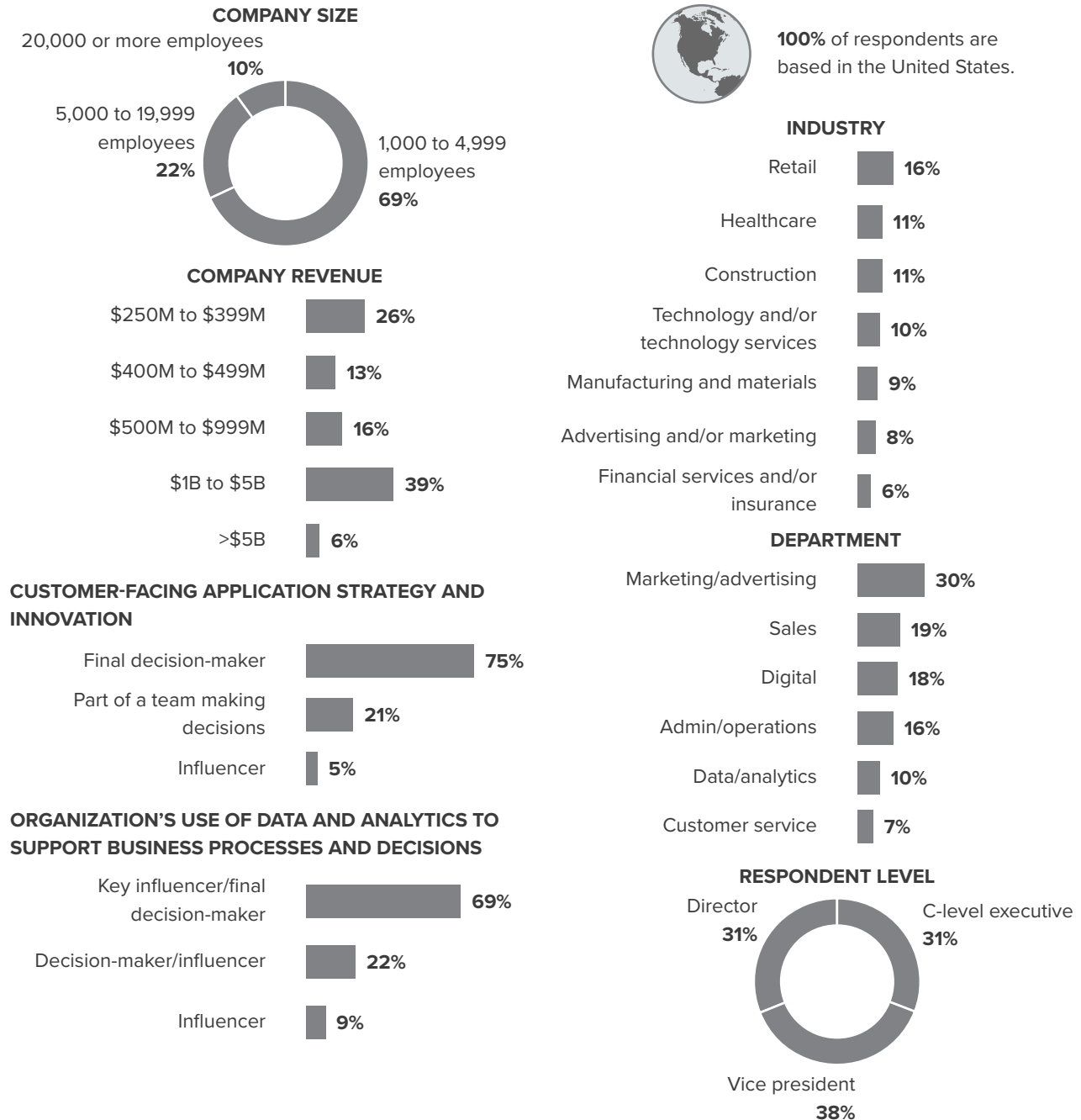


**Establish skills and partnerships for cloud resources that can accelerate innovation and free up resources.** The cloud is a powerful asset to achieve the goals of modernizing customer-facing applications and elevating analytics into action and innovation. Now is the time to identify where your data will live and how you will make it actionable. When the applications run alongside the data in the same cloud infrastructure, the insights can become real-time action that improves CX through better personalization and empowers employees with the complete picture of the experience and operation.

## Appendix A: Methodology

In this study, Forrester fielded a survey of 302 US-based business decision-makers in a mix of business roles including marketing, sales, operations, analytics, and customer service. Respondents are primarily at the director level or higher, and are decision-makers or influencers for planning, investing, and making ongoing improvement decisions for their organization's customer-facing applications and analytics. Respondents were offered a small incentive as a thank you for time spent on the survey. The survey was completed in December 2020.

## Appendix B: Demographics/Data



Base: 302 US-based decision-makers for business application planning, investment, and ongoing improvement decisions  
Source: A commissioned study conducted by Forrester Consulting on behalf of Microsoft, December 2020