

REGION FOCUS: NORTH AMERICA

# Creating a Differentiated Customer Experience with Data and Analytics

Organizations need to focus on data and analytics as the underlying foundation to a differentiated customer experience.



Alan Webber  
Program Vice President,  
Customer Experience, IDC



# Navigating this InfoBrief

Click on titles or page numbers to navigate to each section.

- Executive Summary ..... 3
- SECTION 1:**
- Customer Shifts Accelerated Digital Shifts ..... 4**
- Customers Think the Experience They Receive Is Important ..... 5
- Making Customer Experience the Top Priority for Brands ..... 6
- The Pandemic Accelerated the Transformation to Digital First ..... 7
- Digital Is Now a Permanent Yet Dynamic Fixture in Every Business Strategy ..... 8
- The Customer Experience Payoff from Digital Transformation ..... 9
- SECTION 2:**
- Finding the Value from Investing in CX ..... 10**
- Why Undertake Initiatives to Improve CX ..... 11
- What Makes CX Leaders Different ..... 12
- Less Mature CX Companies Focus on Reducing Costs and Driving Customer Growth ..... 13
- CX Leaders Focus on Customer Satisfaction ..... 14

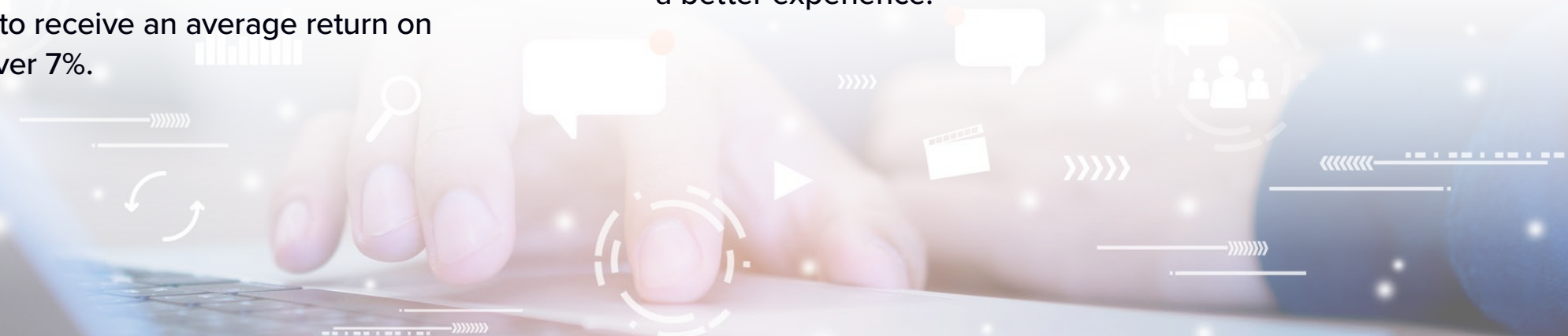
- Maturity, Focus, and Outlook Drive ROI for CX Investment ..... 15
- SECTION 3:**
- The Value of Data in CX ..... 16**
- Data Is the Foundation to Customer Experience ..... 17
- The Importance of Technology and Data in Customer Experience ..... 18
- Data Is Central to the Customer-Centric Digital Enterprise ..... 19
- Rich Sources of Customer Data Available Throughout the Customer Journey ..... 20
- But Gathering and Employing the Data Can Be Difficult ..... 21
- Enterprises Don't Prioritize the Customer Data Initiatives They Already Have ..... 22
- Different Data Has Different Value to the Company ..... 23
- What Do Organizations Need? ..... 24
- The Promise of the Whole Customer Journey Is Built on Data ..... 25
- And Realized in the Customer Experience Ecosystem ..... 26

- SECTION 4:**
- Transition to a Data-Based Digital-First Approach to CX ..... 27**
- Four Future Aspects of the Transition to a Data-based Digital-first Approach to CX ..... 28
- Convergence of Physical and Digital ..... 29
- The Crisis of Customer ..... 30
- Digital-first but not Digital Exclusive ..... 31
- Prescriptive Experiences ..... 32
- Essential Guidance ..... 33
- About the Analyst ..... 34
- Message from the Sponsors ..... 35

# Executive Summary

As organizations pursue digital transformation, renewal of the customer experience is a key aspect of any change effort. Underlying the digital transformation of the customer experience is the ability to collect, manage, and effectively use customer data. All experiences are built on a foundation of customer and organizational data.

- ▶ Providing good differentiated digital customer experience is the top priority for most businesses.
- ▶ Customers believe that the experience is as important as the product or service and will influence future purchase decisions.
- ▶ Companies investing in customer experience technologies expect to receive an average return on their investment of over 7%.
- ▶ Data is a primary driver for delivering a great customer experience. Almost 64% of companies are working on customer data initiatives but it is only a priority for 15% of companies.
- ▶ Companies that win today and tomorrow will be those companies who capture and use customer data to drive a better experience.





# SECTION 1: Customer Shifts Accelerated Digital Shifts

# Customers Think the Experience They Receive Is Important

The three-decision criteria for a customer are product, price, and experience.



We live in a world where it is possible to quickly and relatively inexpensively duplicate products and services. We also live in a world where it is possible to quickly ascertain a competitor's price and match or beat that price. In a race to the bottom where products are virtually identical and margins are razor thin, **the only differentiator is experience.**



**92%** of customers report that customer experience (CX) has a significant influence on their future purchase decisions.



**84%** of customers believe that experience is as important as product or price.

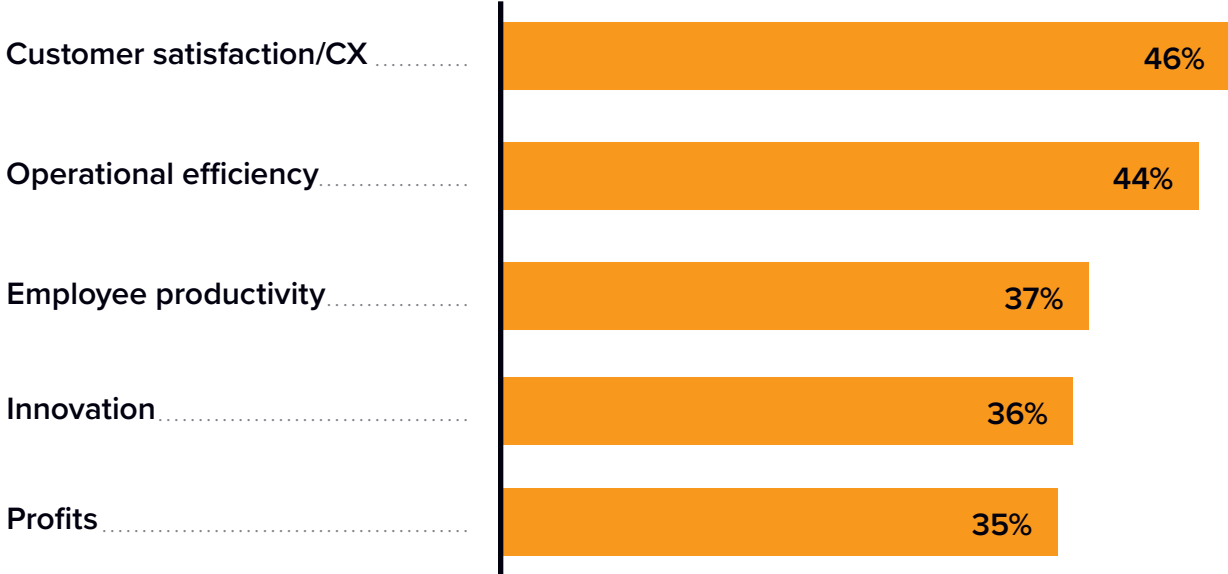
# Making Customer Experience the Top Priority for Brands

Because of the digitalization of products and engagement, the number one priority for brands is improving their customer experience. It is more important than operational efficiency, productivity, and even profits. After all, it is less expensive to retain a customer with a good experience than it is to try to acquire another customer.

IDC estimates that in 2022 \$1.8 trillion was spent on technology to digitally transform the enterprise. IDC expects that spending to continue growing at 16.6% compound annual growth rate (CAGR) through 2025.

Out of \$1.8 trillion, \$72.3 billion was spent on customer relationship management/customer experience application software.

## Top Business Priorities for Brands



n = varies from 774 to 920. Base = top 5 of 9 priorities. Sources: IDC's Worldwide Digital Transformation Spending Guide, V2 2021; IDC's Worldwide Customer Relationship Management Applications Software Forecast, 2022-2026; IDC's Future Enterprise Resiliency and Spending Survey Waves, May 2021-April 2022

# The Pandemic Accelerated the Transformation to Digital First



The pandemic changed the way customers shopped, purchased, and received goods and services. The world became more digital. And brands who had started down their digital transformation realized that they needed to accelerate to maintain parity with their customers. Those who hadn't started to digitally transform realized that they had to do so quickly if they were going to survive.



**Almost 70%** of firms realized the need for, started, or accelerated their digital-first strategy during the pandemic.



**27% of firms** were digital-first before the pandemic

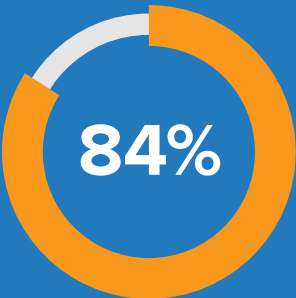


**94%** see the need to adopt a digital-first strategy and the majority of organizations are on the path to executing their plans.



**Nearly 1 in 2** need help building a digital-first strategy.

# Digital Is Now a Permanent Yet Dynamic Fixture in Every Business Strategy



84% of organizations are beginning or are already engaged in executing their digital-first strategy.

- ▶ Technology, efficiency, and growth are key priorities in 2023 for organizations to thrive in the current economic climate.
- ▶ Companies are focused on meeting customer demands that in many cases have shifted as a result of the pandemic and the economic downturn.
- ▶ Still, leaders are very bullish about their organization’s ability to increase revenue from digital products, services and experiences.
- ▶ Defining the value and mapping out the supply chain for digital offerings will be required for companies to succeed.

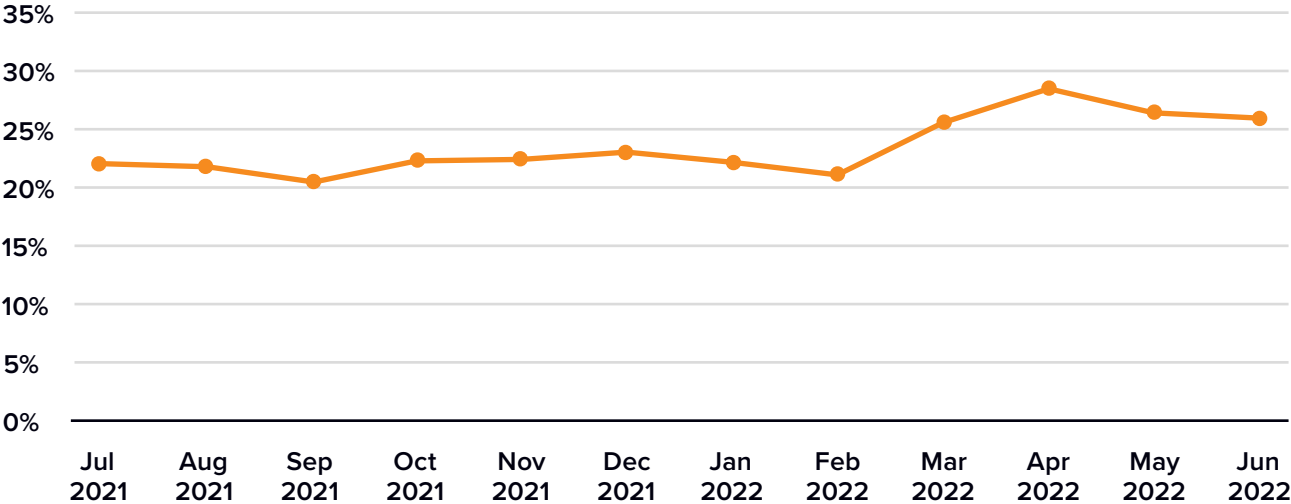


# The Customer Experience Payoff from Digital Transformation

Customer satisfaction/CX has remained top of mind for enterprises globally. While transactional-level experiences are table stakes for customers, many enterprises are still catching up with CX as their number one priority.

## Percentage of improvement in customer satisfaction

Customer Satisfaction/CX (Average across all respondents)



Base = all respondents; Source: IDC's Future Enterprise Resiliency and Spending Survey, July 2021–June 2022

Organizations are seeing some improvement in customer satisfaction as a result of digital transformation. **Organizations have invested heavily in digital CX technologies over the past two years.** Many of these implementations are coming to fruition and positively impact the customer experience.

**Customer satisfaction has seen an approximate 5-point increase** since February 2022.

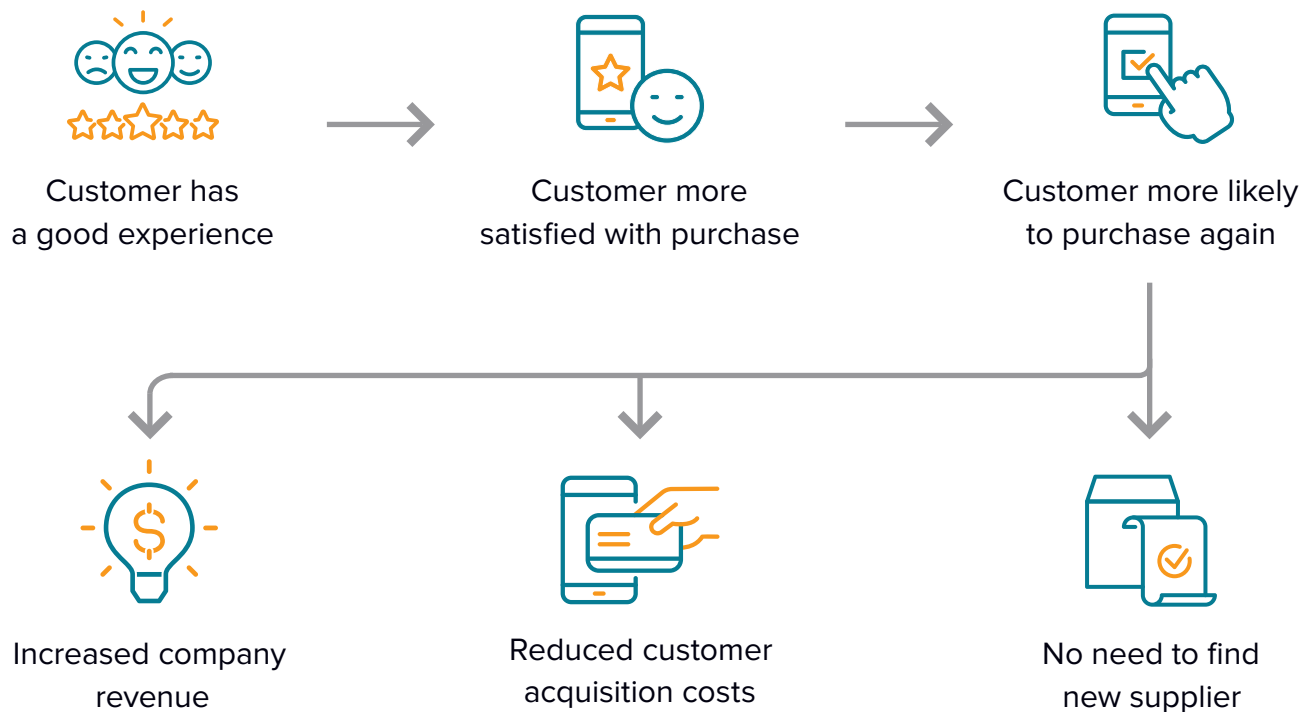
Most organizations reported an average of between 20% and 28% improvement in customer satisfaction as a result of digital transformation investments.



# SECTION 2: Finding the Value from Investing in CX

# Why Undertake Initiatives to Improve CX

Companies undertake initiatives to improve customer experience for several reasons including improving customer satisfaction, increasing customer retention, and delivering a better experience. Most of those reasons if done well benefit both the company and the customer in a virtuous cycle.



IDC surveys have shown the positive financial impact CX initiatives have on a company's bottom line. CX transformation can deliver value parity for both customers and enterprises.

# What Makes CX Leaders Different

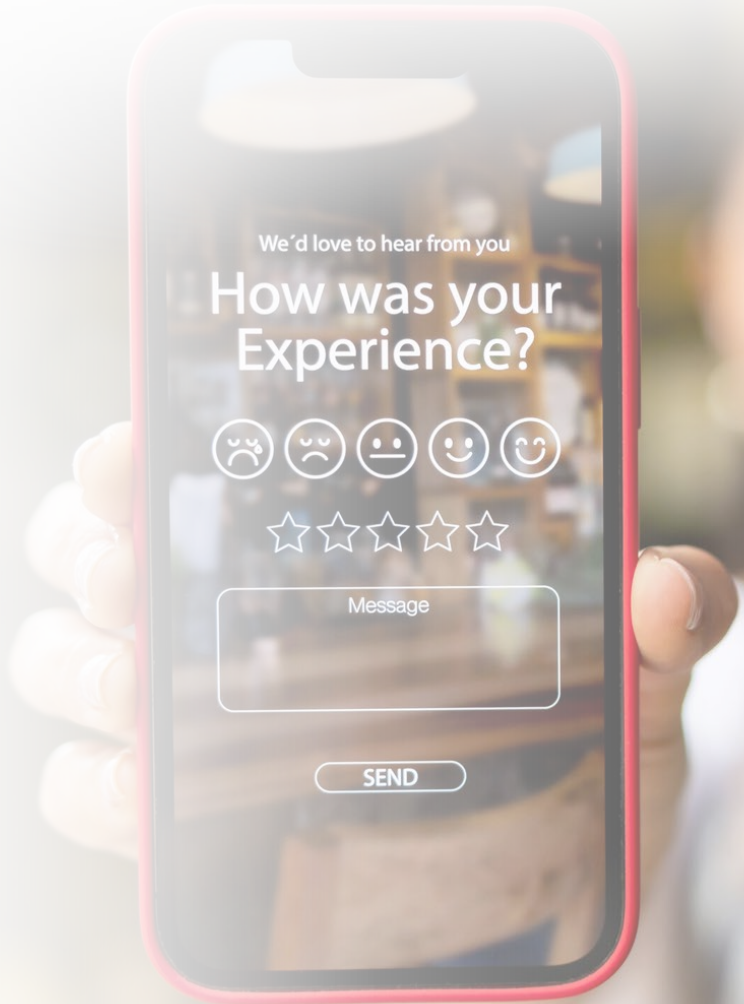
- ▶ CX Leaders are defined as the top 10% of companies whose CX initiatives have the strongest positive correlation with business outcomes.

---

- ▶ Organizations that are CX Leaders execute CX initiatives through CX special projects teams. They establish and mobilize these skilled teams with dedicated resources.

---

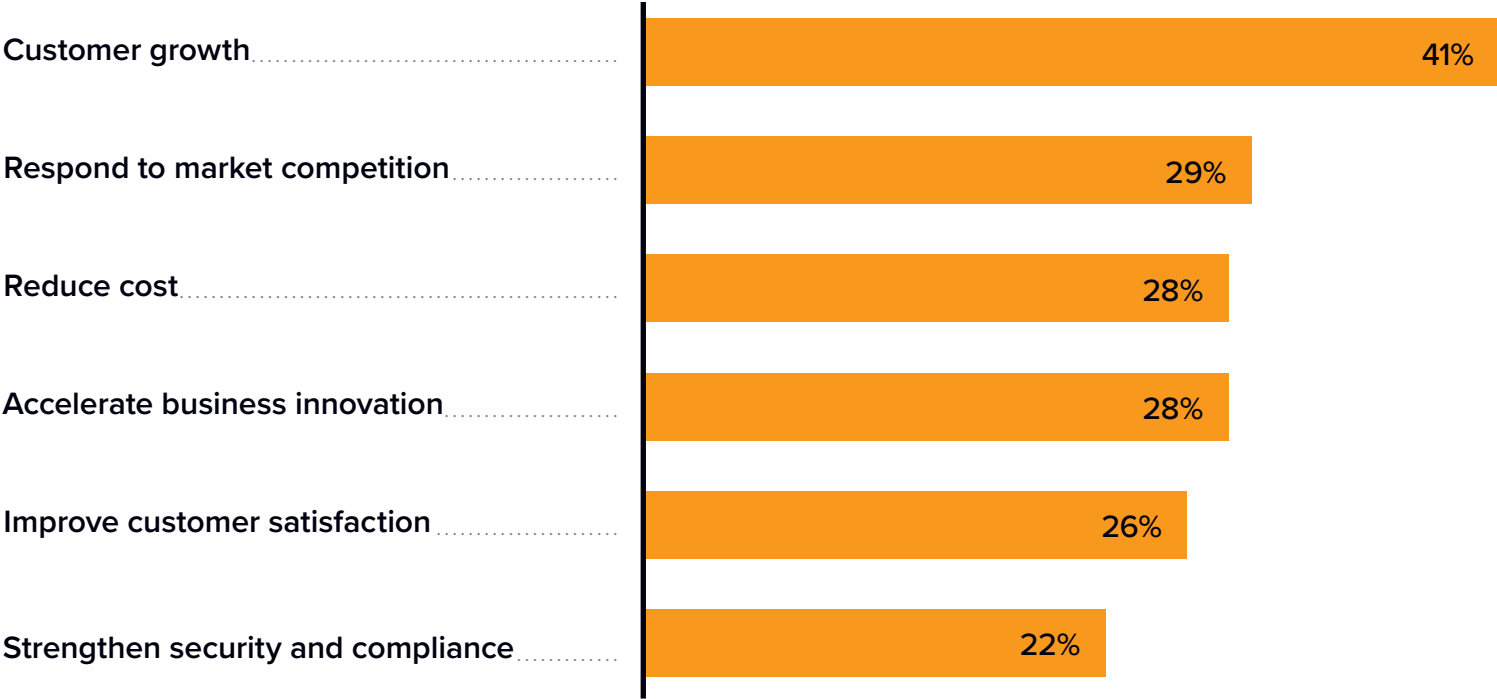
- ▶ Compared to the broader average, a higher percentage of such organizations also reported that they were extremely successful in meeting their CX goals.



# Less Mature CX Companies Focus on Reducing Costs and Driving Customer Growth

Companies with a less mature CX focus (CX Followers) are finding themselves on the back foot, trying to drive customer growth, respond to competition, and reduce costs to remain competitive.

CX Followers are primarily **focused on customer growth** by attempting to bring more clients on board as part of the marketing and sales process. Secondly, they focus on **being responsive to the market and competition** instead of leading the market.



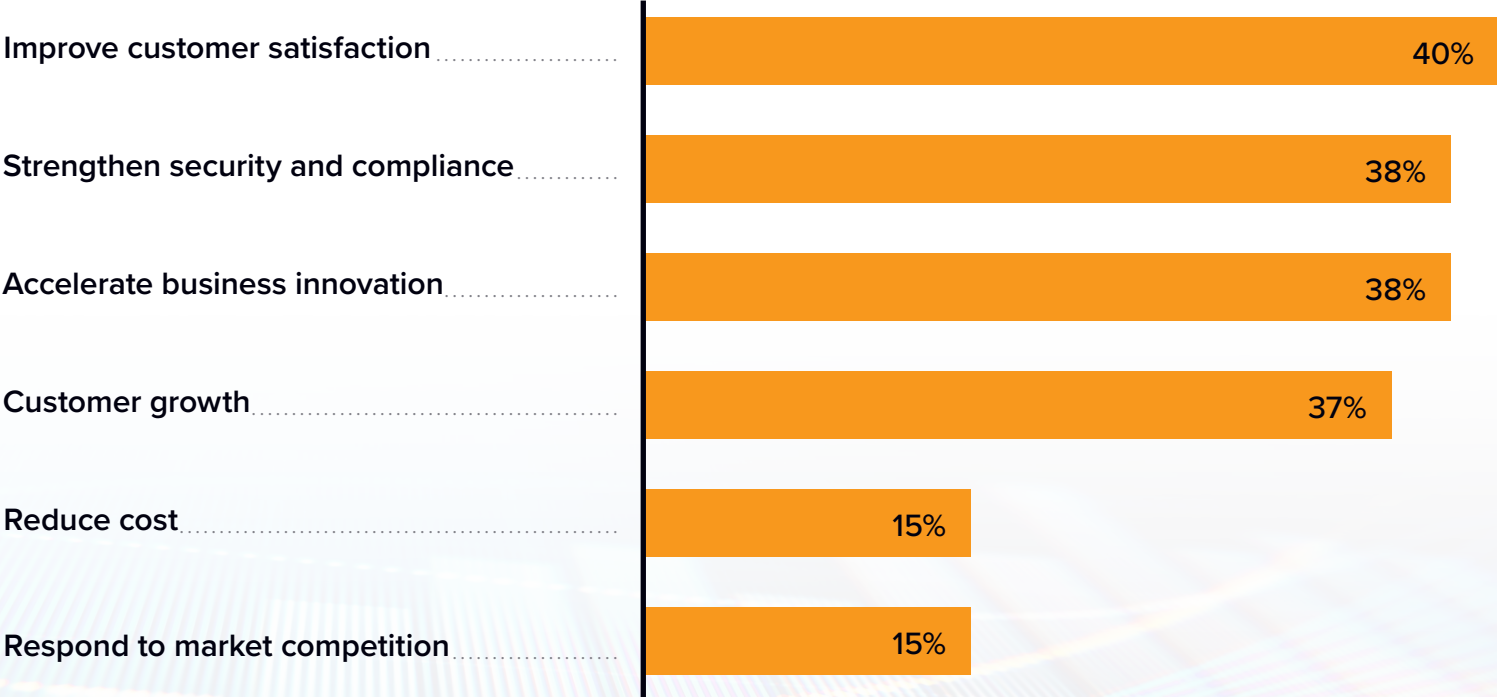
n = 510; Source: IDC's *Future of Customers and Consumers Survey*, September 2021

# CX Leaders Focus on Customer Satisfaction

CX Leaders remain steadfastly externally focused on delivering the experience, with a goal to improve customer satisfaction.

CX Leaders use experience transformation as the tip of the spear to fundamentally innovate business models and strengthen security and compliance.

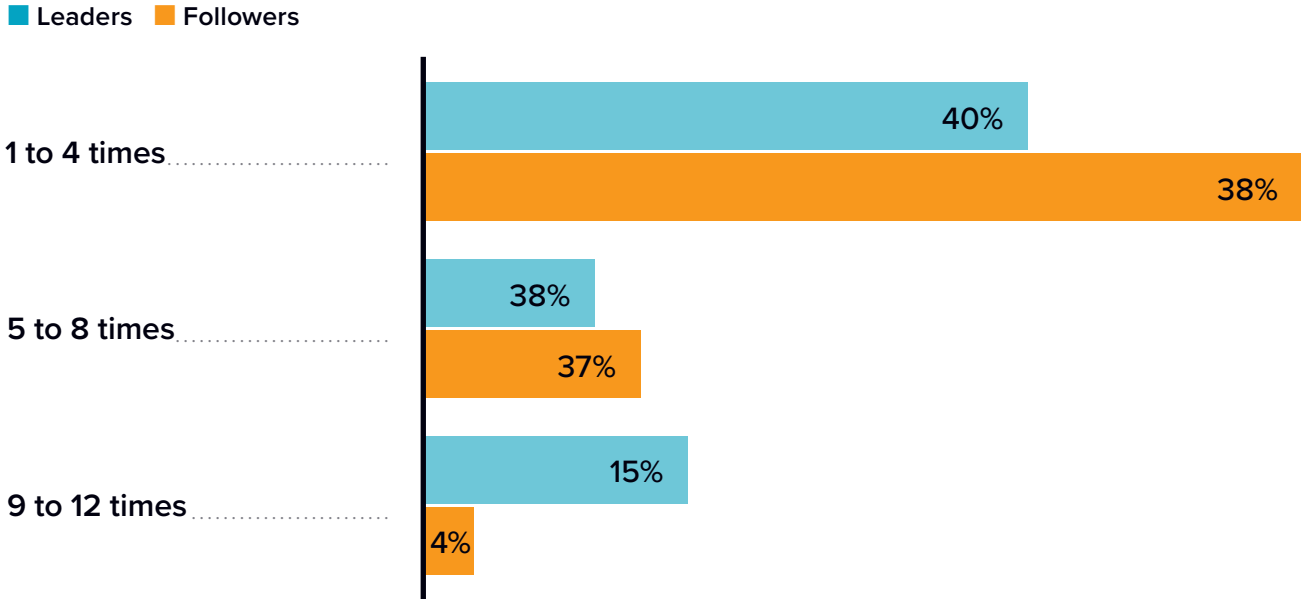
Because CX Leaders **focus on customer satisfaction, there is better customer retention and less of an effort to bring on new customers to replace lost customers.** That allows resources to be deployed for innovation rather than in response to market competition.



n = 510; Source: IDC's *Future of Customers and Consumers Survey*, September 2021

# Maturity, Focus, and Outlook Drive ROI for CX Investment

Average CX Investment ROI for Leaders is 7.8X



✓ A greater focus on CX goals that build digital-first business resiliency, such as business model innovation and security, creates more opportunities to gain revenue return for CX Leaders.

✓ While CX Followers do see modest return from revenue, taking on CX initiatives to address internal inefficiencies limits gains to the short term and results in suboptimal value to the customer.

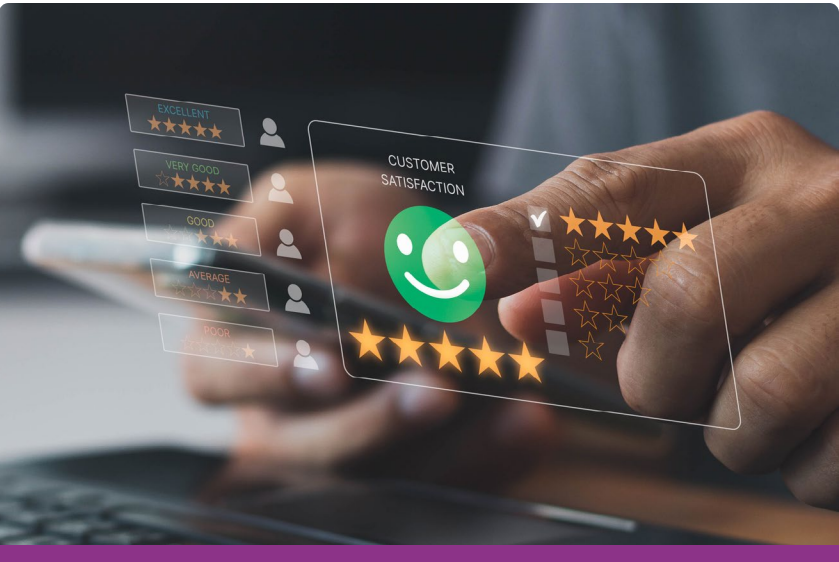
n = 510; Source: IDC's Future of Customers and Consumers Survey, September 2021

# SECTION 3: The Value of Data in CX

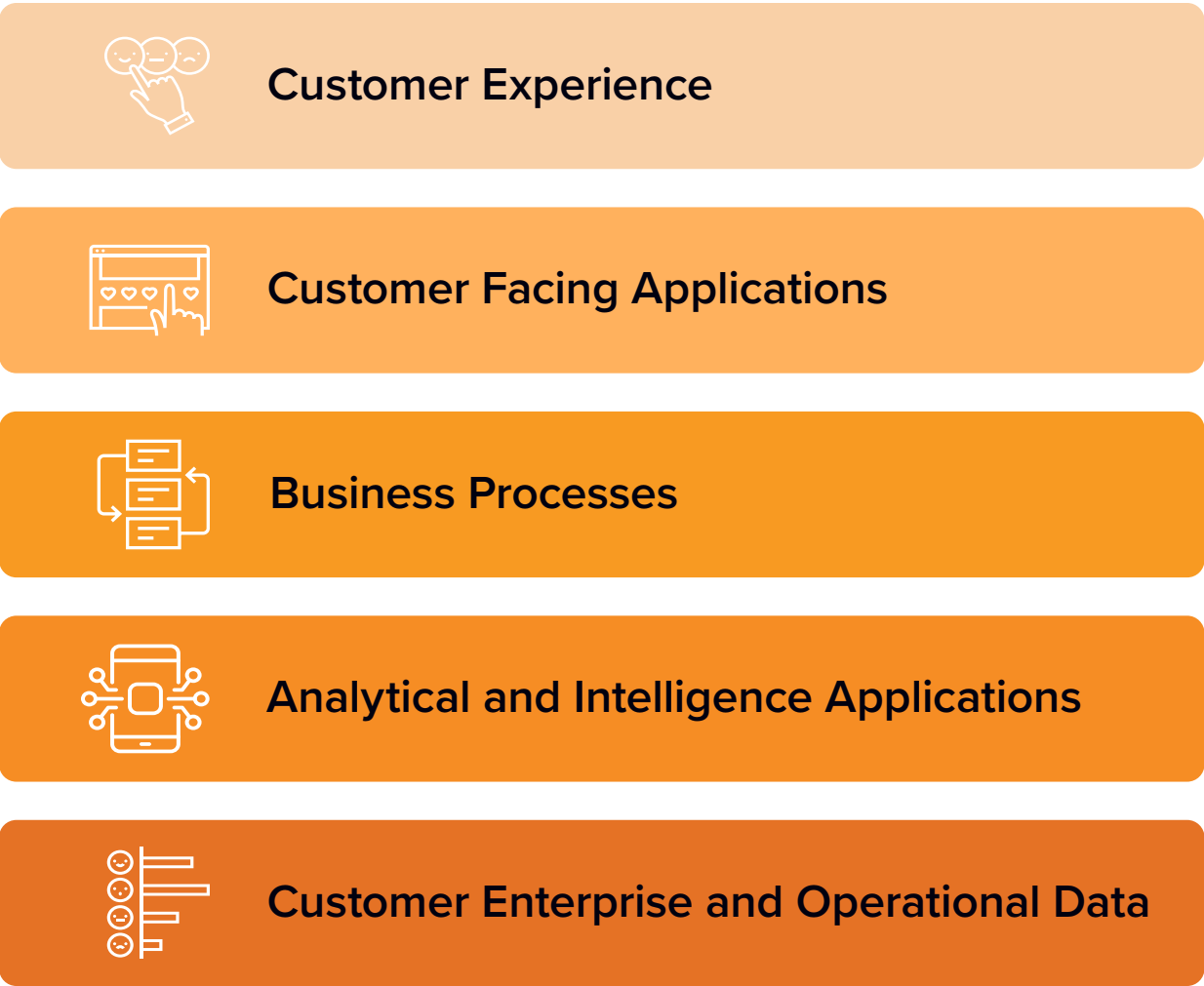




# Data Is the Foundation to Customer Experience

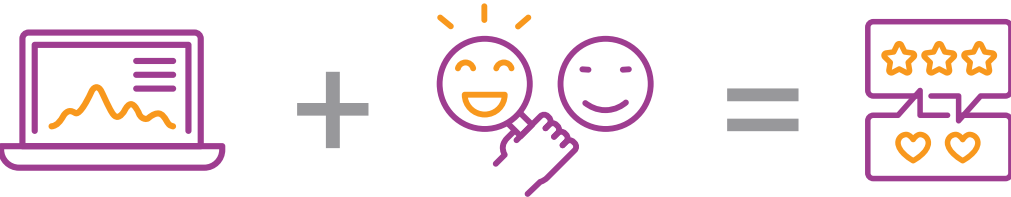


A great customer experience is the outcome of several other layers including applications, business processes, and more. But the foundation of a really good experience is data — **both contextual and personal customer data, enterprise data, and operational data.**

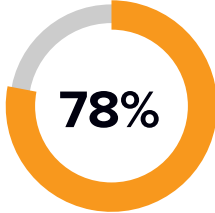


# The Importance of Technology and Data in Customer Experience

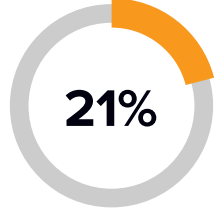
As customers navigate a technology-driven world, they **demand brands provide them with hyper-personalized contextual experiences**, meet them where they are, engage when they want, and fulfill their goal in a manner that requires the least effort.



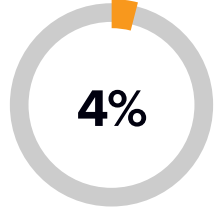
Enterprises that want to anticipate customer intentions and respond with empathy at scale will **require a thorough understanding of their customer data** orchestrated by the right technology solutions.



of respondents state that both technology and customer data are significant or very significant in the CX a company provides.



of respondents said that the technology was not important in the CX a company provides.

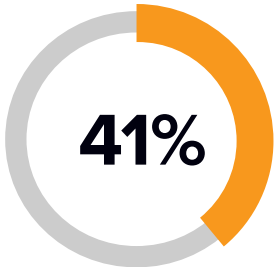


of respondents said that the customer data the customer provides was **not important** to a good customer experience.

n = 791; Source: IDC's Future Enterprise Resiliency and Spending Survey, July 2021

# Data Is Central to the Customer-Centric Digital Enterprise

Customer data is the life blood for enterprises that seek qualitative and quantitative insights about customers' whole journey experience and brand perception at scale. But these same organizations struggle to generate value from that data.



plan to employ data to **offer personalized experiences for customers.**



plan to prioritize data for **customer engagement.**

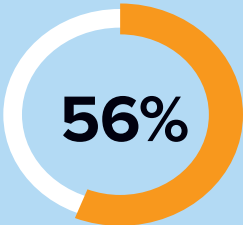


of organizations obtain **more than 75% of value from customer data** collected.

n = 810; Source: IDC's *Future Enterprise Resiliency and Spending Survey*, January 2022

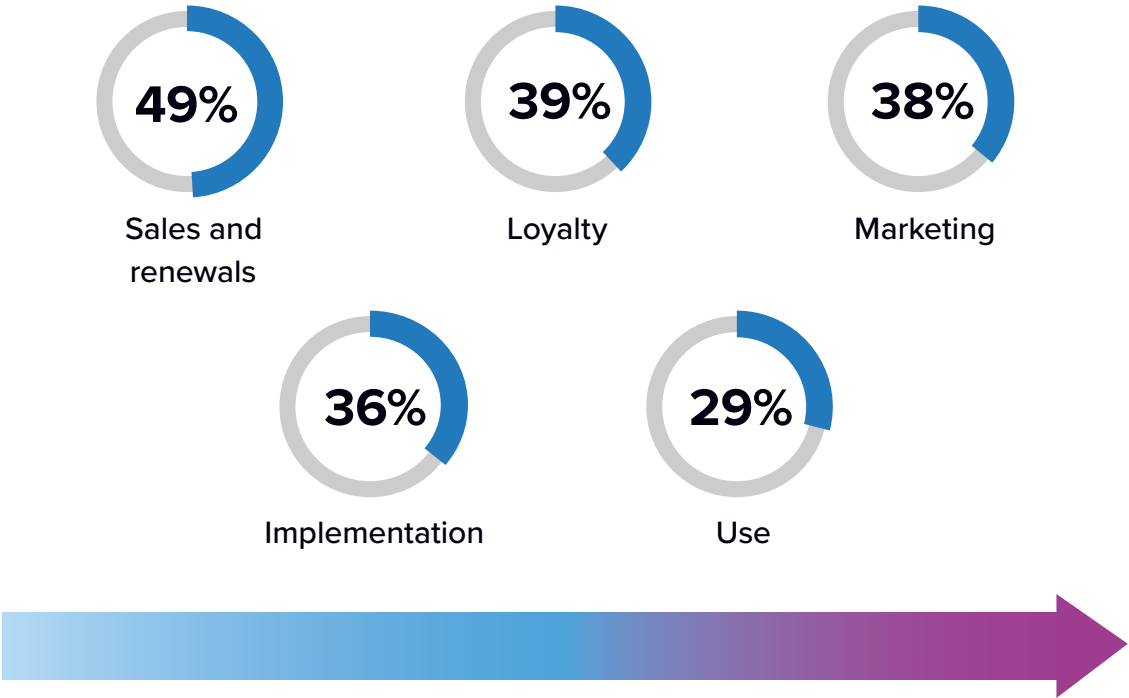
# Rich Sources of Customer Data Available Throughout the Customer Journey

Most organizations are prioritizing data collection during journeys with key moments that are crucial in impacting customer sentiment, such as customer service, sales/renewals, and loyalty.



**56%**

**Customer support,** because it is a conversation with a known customer, has potentially some of the best data and it is relatively easy to gather.




**27%**

**Advertising** is the hardest place to gather customer data because there is a much lower level of control around who the conversation is with and about.

n = 510; Source: IDC's Future of Customers and Consumers Survey, September 2021

# But Gathering and Employing the Data Can Be Difficult

Data challenges are at the heart of companies' struggles to understand CX from the customer perspective.



Data is critical to the success even as companies struggle to collect it because of GDPR, CCA, and other regulatory issues, the move towards a “cookie-less future,” hacking and theft of data, and more.

### What Companies Struggle With



**46%** gathering data about the customer experience



**43%** treating the customer with empathy through technology



**39%** gathering data about customer perceptions



**38%** interpreting the data to understand customer perceptions

n = 510; Top 4 of 8 total responses; Source: IDC's *Future of Customers and Consumers Survey*, September 2021

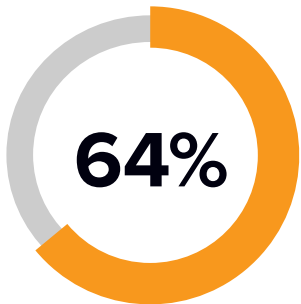
# Enterprises Don't Prioritize the Customer Data Initiatives They Already Have

Intelligent context is fundamental to deliver empathetic customer experiences.



Enterprises must elevate personalization and create individual, intimate experiences that are specific and hyper-personal to each customer. Customer data and insights fuel this ability to actively learn about the customer and gain cognitive empathy. But companies need to act on the data they have. Companies that don't act on the data they collect are missing an easy opportunity to leverage the value of the data in a way that positively impacts the customer and the company bottom line

What types of customer experience improvement initiatives is your company working on?



customer data and intelligence

Which customer experience improvement initiative is the priority for your company?



customer data and intelligence

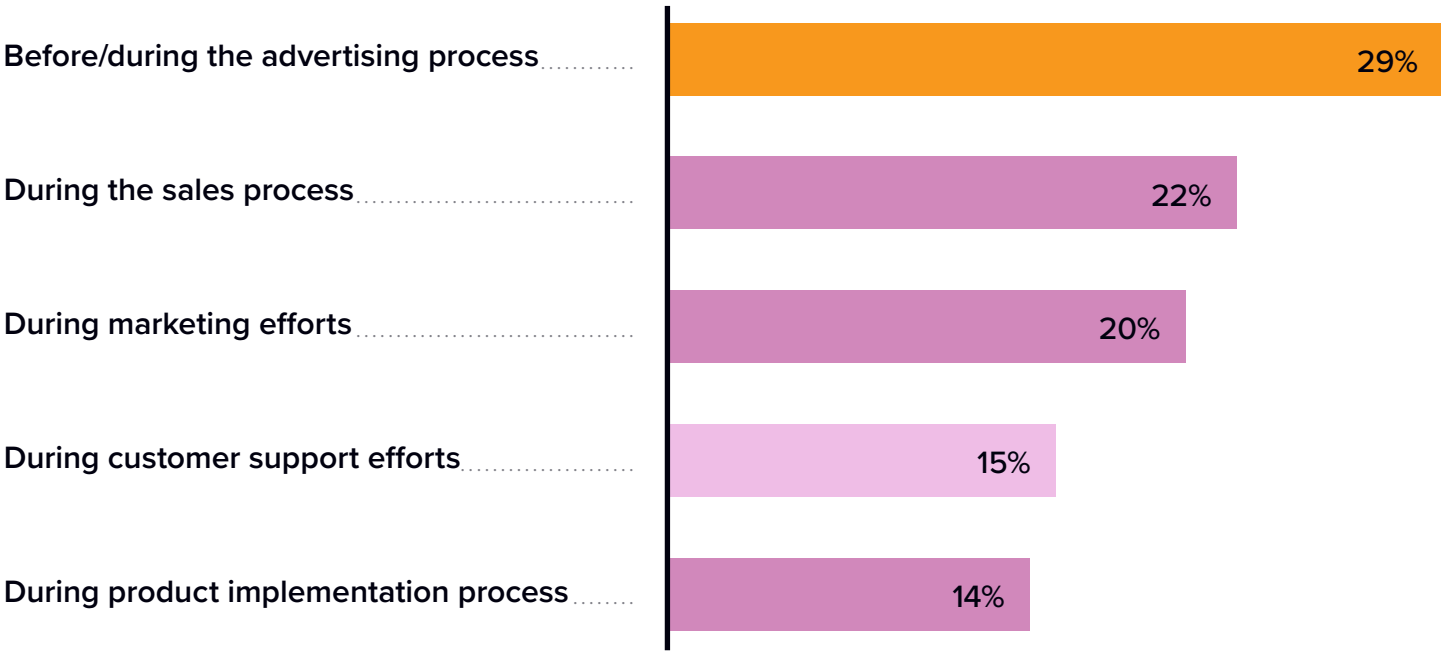
n = 810; Source: IDC's Future Enterprise Resiliency and Spending Survey, January 2022

# Different Data Has Different Value to the Company

As companies try to move potential customers into and down the funnel, **gathering data during advertising is critical to designing, refining, and targeting messages to potential customers.** But because of the lack of awareness around who the conversation is with, it is also one of the most difficult places to drive value.

**There is an immense amount of data collected during the customer support effort,** but it is still difficult to process and analyze in such a way that it contributes value to the company and the customer.

Which part of the customer journey has the most value in understanding the overall customer experience?



n = 510; Source: IDC's *Future of Customers and Consumers Survey*, September 2021

# What Do Organizations Need?



## UNIFIED VIEWS

Organizations require a unified view of first-party customer data across the enterprise.



## DRIVE VALUE

Companies need to continue efforts to gain value from the data by integrating it across business processes.



## MANAGE DATA

Data volume is only projected to grow, so organizations need to consider strategic solutions such as customer data platforms (CDPs).



# The Promise of the Whole Customer Journey Is Built on Data

The most mature organizations differentiate by accelerating experience innovation through an ecosystem-based customer data view.

These companies integrate internal and external customer data and interactions within all organizational functions and across partners, suppliers, the social networks of both the organization and the customer, and data streams.



IDC’s Maturityscope benchmark survey revealed that **only 9.3% of organizations can be considered at the highest level of maturity.**



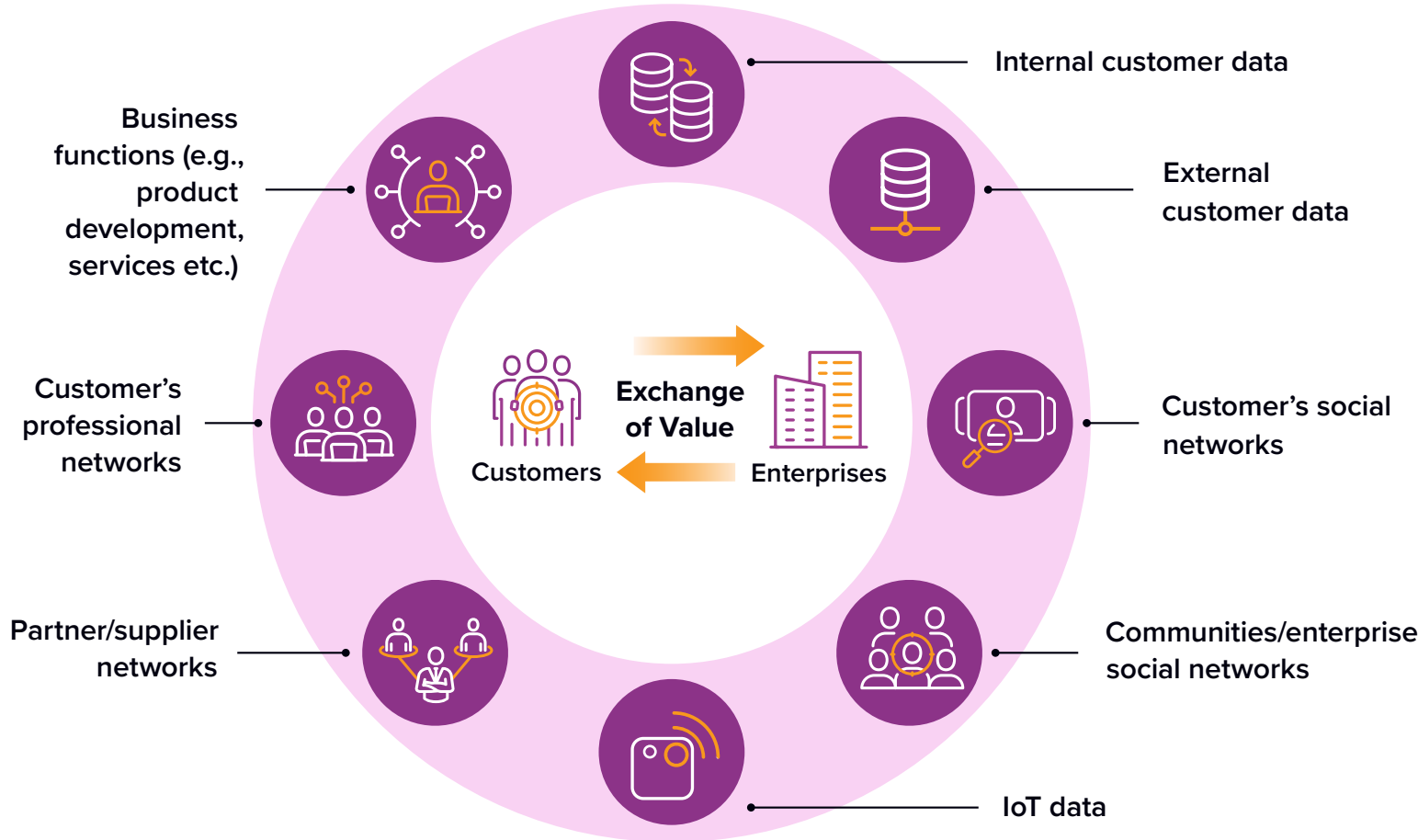
**An ecosystem-first approach to digital-first adoption** can help organizations prepare to offer value differentiation to customers.



# And Realized in the Customer Experience Ecosystem

As future experiences evolve, the value exchange between customers and brands will be defined by data.

Demonstrating cognitive empathy while engaging with customers requires organizations to deliver value across whole journey experiences. This is possible only with a true 360-degree view of customer data.



A hand holding a pen pointing to a digital interface with various data and technology icons. The background is a dark green color with a subtle pattern of white lines and icons, including a smartphone, a location pin, a bar chart, a line graph, a globe, and a gear. The text is in white and reads: SECTION 4: Transition to a Data-Based Digital-First Approach to CX.

# SECTION 4: Transition to a Data-Based Digital-First Approach to CX

# Four Future Aspects of the Transition to a Data-based Digital-first Approach to CX

**CONVERGENCE OF PHYSICAL AND DIGITAL**



**THE CRISIS OF CUSTOMER TRUST**



**DIGITAL-FIRST BUT NOT DIGITAL EXCLUSIVE**

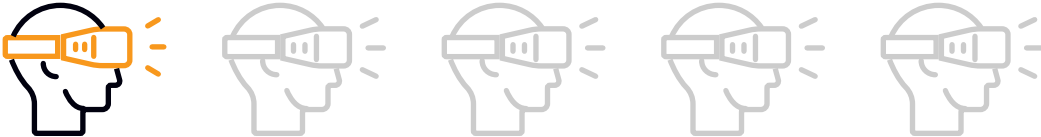


**PRESCRIPTIVE EXPERIENCES**



# Convergence of Physical and Digital

Close to **one-fifth** of organizations globally plan to increase investments in augmented reality/virtual reality (AR/VR) technologies by **more than 10% this year**.



These investments will generate CX use cases that blend physical and digital customer journeys, leading to **improved marketing and buyer engagement** and greater **customer value** with customer-curated individualized journeys.

IDC forecasts total spend on AR/VR (hardware, software, and services) will reach **\$75 billion** worldwide in 2025.

Base = all respondents; Source: IDC's Future Enterprise Resiliency and Spending Survey, July 2021–June 2022



# The Crisis of Customer Trust

There is a strong focus on customer data privacy, with **60% of enterprises** addressing regulations for the collection, use, and storage of customer data. In addition, **over two-fifths of companies** are addressing regulations for fair and ethical use of AI.



As a result, these organizations see **higher levels of mutual trust** with their customer base through a virtuous cycle of trusted customer outcomes.

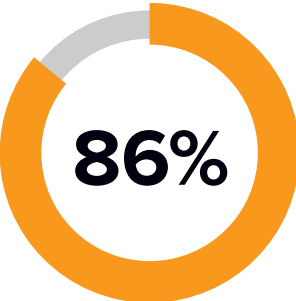
The most mature CX organizations demonstrate customer empathy by being transparent about customer data and offering customers control.

Base = all respondents; Source: IDC's Future Enterprise Resiliency and Spending Survey, July 2021–June 2022.



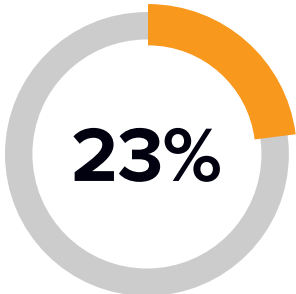
# Digital First but not Digital Exclusive

The world is not going completely digital, and



**of organizations globally** are planning to make or have already made investments in customer-facing physical spaces to meet digital-first requirements.

A further



are planning to accelerate investments over the next 12 months.

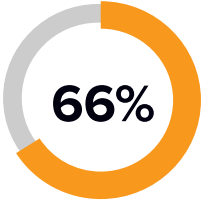
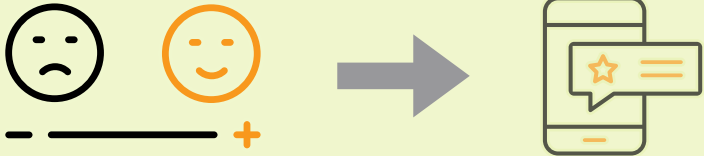
Use cases seeing significant investment are smart digital assistants, customer-facing analytics, and contactless solutions for a digital experience (e.g., payments).

Base = all respondents; Source: IDC's *Future Enterprise Resiliency and Spending Survey*, July 2021–June 2022.

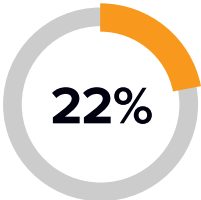


# Prescriptive Experiences

Enterprises are transitioning to anticipatory experiences to combat the dual issue of scant customer attention and increasing privacy regulations.



of organizations globally use prescriptive analytics capabilities to varying degrees across their organization.



widely use prescriptive analytics, and this figure is projected to **increase to 27%** during the next two years.

Customer interactions are more precise and reflect only permissible outcomes, while enhancing the brand’s ability to maintain contextual awareness in near real time.

Base = all respondents; Source: IDC’s Future Enterprise Resiliency and Spending Survey, July 2021–June 2022.





# Essential Guidance



### HAVE A CX MINDSET

Let CX efforts lead digital transformation. Companies should empower specialized CX teams to lead, execute, and champion strategic data transformation efforts focused on CX across the organization in line with the business goals.



### MAKE THE EFFORT TO UNDERSTAND CUSTOMER DATA

Many companies have the technology to gather customer data and have gathered a lot of it. Very few companies really know what data they have and how put it to good use. It is critical to eliminate organizational data silos and scale data acquisition with support of cross-functional teams to extend the customer view beyond organizational walls.



### FOCUS ON ACCESSIBILITY OF DATA AND INSIGHTS

Customer data is an enterprise-level resource often held at the department level. Customer data is more than just a name and an email address though-it is all of the things the customer tells a company both directly and indirectly that informs you about the customer and what the voice of the customer is. Companies should integrate customer data and measurement programs more broadly across the organization to drive value and action from insights.



### PROVIDE BROAD ACCESS TO CUSTOMER DATA

Make customer data an enterprise service, not a departmental resource. Integrate customer data and measurement programs more broadly to activate insights and anticipate customer needs.

# About the Analyst



**Alan Webber**  
Program Vice President,  
Customer Experience, IDC.

Alan Webber is Program Vice President for Digital Strategy and Customer Experience. In this role, Alan leads IDC’s Customer Experience research program as well as supporting IDC’s Chief Marketing Officer research efforts. Specific areas of research interest for Alan are the impact that technology changes have on how business and customers engage and interact, the digital transformation of the customer experience, and the impact of algorithms and analytics.

[More about Alan Webber](#)

# Message from the Sponsors

## Medallia

Medallia is a pioneer and market leader in customer, employee, citizen, and patient experience. As the No. 1 enterprise experience platform, Medallia Experience Cloud is the experience system of record that makes all other applications customer and employee aware. The platform captures billions of experience signals across interactions including all voice, video, digital, IoT, social media, and corporate-messaging tools. Medallia uses proprietary artificial intelligence and machine learning technology to automatically reveal predictive insights that drive powerful business actions and outcomes. Medallia customers reduce churn, turn detractors into promoters and buyers, create in-the-moment cross-sell and up-sell opportunities, and drive revenue-impacting business decisions, providing clear and potent returns on investment.

[For more information visit Medallia.com](https://www.medallia.com)



Adobe Experience Cloud is the most comprehensive suite of customer experience management tools on the market. With solutions for data, content delivery, commerce, personalization, and more, this marketing stack is created with the world's first platform designed specifically to create engaging customer experiences. Each product has built-in artificial intelligence and works seamlessly with other Adobe products. And they integrate with your existing technology and future innovations, so you can consistently deliver the right experience every time.

[For more information visit Adobe.com](https://www.adobe.com)



This publication was produced by IDC Custom Solutions. As a premier global provider of market intelligence, advisory services, and events for the information technology, telecommunications, and consumer technology markets, IDC's Custom Solutions group helps clients plan, market, sell, and succeed in the global marketplace. We create actionable market intelligence and influential content marketing programs that yield measurable results.



**IDC Research, Inc.**

140 Kendrick Street, Building B, Needham, MA 02494, USA

T +1 508 872 8200



© 2023 IDC Research, Inc. IDC materials are licensed [for external use](#), and in no way does the use or publication of IDC research indicate IDC's endorsement of the sponsor's or licensee's products or strategies.

[Privacy Policy](#) | [CCPA](#)