

Predictions 2019

# Transformation goes pragmatic

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# Reflecting on 2018

Forrester predicted that 2018 would be a year of reckoning: External forces would combine and compel companies to respond more aggressively or risk falling behind those successfully executing bold strategies.

Over the course of 2018, in our many discussions with leaders, they told us that they intellectually understood the scope and the magnitude of the challenges at hand. Companies dreamed big in response to external pressures from evolving and escalating customer demands, the hyper pace of digital, and opportunities that exploit new technologies to drive efficiencies, enter new markets, or create new revenue streams.

Many of these dreams met the reality that large-scale strategies such as customer experience (CX) and digital transformation are hard and costly and, most importantly, challenge the way leaders run their businesses. In 2018, CX performance was flat, and more than 50% of digital transformation efforts stalled. Although some progressive CIOs and CMOs drove change, most struggled to compel their organizations to see and act differently.

But far too many were not ready — some due to a lack of organizational readiness; some because they underestimated the real work needed to overcome technical debt and poor data governance; some because the sound strategy was to invest in back-office technologies to drive efficiencies; some due to a lack of executive cohesion; and some due to the fear that it would interrupt or destroy quarterly performance.

# Looking forward to 2019

We now turn our attention to 2019, a year in which transformation will go pragmatic.

The positive outcome of this is that there are important foundational challenges to tackle: Organizational readiness, technical debt, data governance, and aging brands top the list. By pragmatically addressing these hurdles, leaders will create a more durable and potent foundation.

The risk, on the other hand, is that this trend could affirm the status quo and reinforce the organizational inertia holding some firms back — essentially adding internal headwinds to the existing headwinds of an unforgiving market. On top of that, the prospect of driving change and finding growth will not be promising to businesses if the economic predictions of a slowdown or downturn prove true.

Stakes remain high, and the fate of many companies is in the balance as empowered customers vote with affinity and spend. A year of pragmatism is good for traction — if it yields purpose-driven, decisive, and more far-reaching strategies in 2020.

# CX remains under fire



**20% of brands will give up on strategic CX initiatives and resort to price reduction for short-term gains.**

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Customer experience performance is flat for the third year in a row. CX results show a dangerous gap in customers' sense of emotional engagement and loyalty. And 89% of surveyed CX professionals state that the ROI of CX is not well established in their companies. Across Forrester's Customer Experience Index (CX Index™), few businesses made real gains, most continue to plateau, and some fell back.

This reality is the 2018 backdrop for a strategic initiative that was the primary response to a changing customer and the need to compete on the basis of experience. The root causes are varied, but two lead the pack: 1) CX fell into a find-fix mode that did not get noticed or impress customers, and 2) To make gains, CX needed to champion and lead disruption in the existing operations and organizational silos.

There is a strategic and structural mismatch between what CX needs to do and what CX is allowed to do or is capable of doing. 2019 will see that mismatch continue to play out.

Few firms will break through: Most will try to make more gains in find-fix or nondisruptive enhancements — and some will panic. To put financial points on the board, some companies will return to old-school methods such as price discounting to attract customers and win on volume.

# Digital goes surgical

**25% of firms will decelerate digital efforts altogether and lose market share.**

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Slideware for digital transformations is so hopeful, full of visuals that paint a picture of a very different and digitally wonderful tomorrow. However, the visuals should have also featured the skeptical faces from the board, CEO, and CFO wondering how their company goes from where it currently is to digital nirvana without taking on disruptive operational change. And so played out 2018, a year when reality chewed up transformational ideal.

But the world keeps spinning, and the need to address customer demands and competitive pressures continues to rise.

In 2019, digital transformation moves from super-wide enterprise efforts to a pragmatic, surgical portfolio view of digital investments with the goal of making incremental and necessary changes to operations. Tangible efforts, such as shifting customers to lower-cost digital channels, launching digital products, monetizing data assets, and automating processes to improve margins, will come to the fore.

Done well, this portfolio management can be a well-governed model to gain traction and focus innovation on the most pressing and promising items. Fifteen percent of firms will successfully cross the digital bridge by embracing a fundamentally customer-driven, agile delivery model backed with modern development and architecture.

# Purpose regains meaning

**20% of brands will refine and revitalize purpose.**

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In recent history, purpose-driven strategies had momentum. Purpose created the essential thread among defining core competency, resource allocation, EX, brand, and CX. The reason for being was a rallying cry for employees and a positional statement for firms. But somehow, that has faded away.

For some, the unique value proposition statement was enough; for others, too much time on the seemingly softer side of business felt like wasted energy.

In 2019, purpose will regain meaning as a strategic priority for entirely pragmatic reasons — and to answer critical questions that go to the heart and soul of driving growth:

1. As brands try to connect to customers' lifestyles and habits, what real purpose do they serve in those moments?
2. As digital entrants emerge, industry lines blur, ecosystems form, and commerce platforms encroach, how do brands make hard decisions about core competencies, such as where to fight and where to partner?
3. As Millennials choose career paths and employment based on purpose, how do brands position to win the hearts and minds of talent?
4. As brands try to engage the tribal, outrage-driven social arena, how do they pick and choose sides? What is authentic?

2019 will be a year in which transformational ideals translate to pragmatic actions. Leaders will make hard choices as to what is truly strategic and what is the basis for bolder strategies in 2020 — while preparing for a possible economic downturn. Purpose will be the essential ingredient, acting as the strategic compass or the rudder in the storm.

# CMOs rebrand

**More than 50% of  
CMOs will bring  
brand back as their  
top priority.**

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Companies' responses to severe and constant external change have focused on a few important elements, with customer experience and digital front and center. For most, their brand was good or good enough — better stated, their brand was not a top priority, so few looked hard at it. But brand is back because of the fading connection (and strength) among purpose, brand equity, and how brand promise informs and affirms the customer experience.

The intangible brand is all too tangible in creating emotional connections and setting expectations for both the nature and quality of experience for customers, as well as being the rallying cry for employees. But emotional connections are tenuous and episodic for most brands, CX quality has plateaued, and more assertive employee experience efforts are needed to align and drive human capital. CMOs have work to do.

In 2019, CMOs will move more budget and attention to remaking or revitalizing the brand. Some will take the added step of reaffirming and honing purpose as an internal engine to re-establish (or, in some cases, merely establish) the connection among their firm's purpose, brand, and experience.

CMOs returning to basics makes sense on one hand: Build the foundation from which to deliver on the firm's CX vision. But this could be a double-edged sword, as some CMOs could be perceived as retreating to their comfort zone of brand building and avoiding the hard task of driving and orchestrating strategic and operational change.

# CIOs take the reins

A person stands in the center of a tunnel formed by concentric circles of light trails, creating a sense of depth and perspective. The light trails are in shades of blue, purple, and red, radiating from the center. The person is a small silhouette in the distance, looking towards the viewer. The overall atmosphere is futuristic and dynamic.

**25% of CIOs will expand their remit.**

**The rest will be relegated to a trusted operator.**

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The CIO sits at the center of a storm, waging a three-front battle: addressing aging systems and long-standing data issues; driving a business strategy that harnesses the value of a wide range of new, powerful technologies; and maximizing the value and security of today's environment. This battle rages as the company tries to figure out what it means — from a strategic, operational, and financial standpoint — to be a digital-first organization.

The issue is not strictly about the size, scope, or complexity of the CIO's remit; it's the diversity and interdependency of the mandate that make this hard. The different priorities of refactoring and automating core systems, putting in place a data governance environment, testing AI technically and operationally, and using technology to differentiate customer experiences are not only complex but also highly interdependent. A divide-and-conquer approach won't work.

In 2019, more CEOs and CIOs will come to terms with the scope and interdependence of this mandate — and the criticality of its success to the very destiny of their companies. They will agree that one executive — the CIO — will lead and orchestrate this vital effort; CIOs will spend the time to build their leadership teams, empowering trusted operators to handle much of the day-to-day. Arguably the most important outcome of 2019 is that leading CIOs will build a model that translates tech-led innovation into customer value.



# AI builds a foundation



**RPA and AI will join forces to create digital workers for more than 40% of enterprises.**

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AI is transformative, a change agent to future operations. But in 2018, three items held it back:

- **AI had insufficient information architecture.** AI is data-dependent and data-hungry. But most firms struggle with basic data governance issues. Beyond highly targeted robotic process automation (RPA) efforts and the use of “clean” test data for proofs of concept, firms were not data-ready for AI.
- **AI was too horizontal.** AI’s big promise is to create powerful efficiency gains and new possibilities. Most proofs of concept either singularly tested the technology or minimally applied AI to the firm’s specific operations.
- **AI was too confusing.** The ability to explain and audit AI is at best opaque, limiting business leaders’ ability to understand and trust what AI is doing to operations and the customer experience.

Those barriers describe how AI will play out in 2019, when companies will claw their way out of data debt, to some extent because of GDPR and escalating security concerns. Combined with intelligent tools that move data governance to a more ambient and contextual state, most firms will turn the corner on data governance thanks to AI. Firms will also expand RPA and proofs of concept to broaden the process, product, or experience scope and better understand the impact of AI. RPA and AI technology innovations will combine to create business value while serving as a test bed for broader implementations of AI.

In addition, a fledgling supply-side market will surface for explainable AI to broker the distance between enthusiasm and complex machine-learning algorithms with the pragmatic need to see, predict, and understand.

In 2019, firms will put more potent building blocks in place to accelerate their ability to meet AI’s extraordinary promise.

# The world goes to Zero (Trust)

The background of the slide features a person in a red jacket climbing a large, glowing yellow circular structure. The background is a mix of red and purple hues, with silhouettes of a crowd on the left and a network diagram on the right.

**One major brand will lose valuation of more than 25% due to a cyberattack.**

All the talk about being in a second cold war is wrong. We are in a kinetic cyberwar among nation states — not warring on resources or political dogma but on economic advantage. Russia, China, North Korea, Iran, and others combine to escalate cyberwarfare.

Add to this an existing level of “normalized” cyberthreats that themselves represent major risks to all companies and high-wealth and public individuals, and 2019 will be a year of unprecedented cyberthreats to companies and individuals. And it will be a year when governments and companies turn to Zero Trust.

Zero Trust has been the security strategy for those who already see the risk from both outside and inside their four walls and no longer view perimeter-based strategies as effective ... or valid.

In 2019 and into 2020, Zero Trust will become the ad hoc standard in the US, adopted by the US government as both its preferred strategy and as inferred guidance to industries. US government adoption will trickle down to industries by following a similar path to the Cybersecurity Framework. It will be more like a healthy waterfall as CISOs and CIOs amp up their ability to play defense in a hostile world.

Cybersecurity will continue to command headlines in 2019 as Zero Trust commands budget and action.

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# Consumer brands enter the outrage

**75% of B2C CMOs will be tempted to jump into the social fray; 50% of those efforts will fail.**

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It is a noisy, event-filled world, where it seems like all outrages, real or perceived, big and small, are thrust into the respective echo chambers of tribes or become one more culture-defining bonbon for talking heads. Anger, angst, divisiveness — outrage rules the day.

Individuals are forced to take sides — what you are against is so much more important than what you are for; the best part of “us” is that there is a “them”... and we don’t like “them.”

Social intensity and outrage are not limited to political theater; consumers want to see brands jump into the fray — whether that means pulling or placing ads. Kneel or don’t kneel for the national anthem; support or don’t support Saudi Arabia’s “Davos in the desert” after the murder of Jamal Khashoggi; assert or don’t assert a response to global warming. There is no shortage of social and cultural grenades. For some firms, this enables them to animate a well-understood purpose that drives contrasts and compels affinity with customers. For others, this is an awkward moment, as their purpose is not as well established or able to make the leap to this type of engagement: What and who are they, and more importantly, what and who are they against?

In 2018, some brands jumped into the fray; Nike is the best example — a company that understands the overriding sentiments of its customer base.

In 2019, more brands will be tempted to jump into market-baiting — taking sides to score points. But most don’t have the analytics or instincts to get the timing and tone right. Those firms will misjudge the moment and mechanics to do this well and to make an impact.

# B2B in a squeeze



**33% of B2B CMOs will shift away from blunt outbound methods and reorient around customer outcomes.**

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B2B marketing has been under pressure for several years. Far too many marketing shops are optimized to supply-side market operations and behavior, struggling with foundational issues such as data, grappling with an inefficient and ad hoc technology architecture — and failing to pivot to customer-led marketing.

But the core challenge is more existential: They are living in two worlds.

B2B marketers are trying to drive growth with existing tools, people, data realities, and processes while preparing for a world where buyers behave more like consumers and where operations premised on scale will move to operations driven by human empathy and individualization.

In 2018, we saw CMOs and B2B marketers mostly make do with what they had — choosing to optimize for lead flow versus marrying CX with marketing to take on the broader mandate of growth. Some made inroads by advancing early- and late-stage engagements — but most stayed true to supply-side marketing. Something has got to give, as old-school tools and approaches are unable to support the growth mandate.

In 2019, 33% of progressive B2B CMOs will drive change, shifting away from blunt outbound methods to reorienting around customer outcomes. They will take a portfolio approach to microsegments as a first big step to individualization.



# EX takes center stage

**85% of EX measurement efforts will fail.**

CX is moving to tactics, and digital transformation is shifting to surgical digital efforts — all because it is extraordinarily hard, expensive, and frustrating to move people from context A to context B without a customer-obsessed, digitally ready culture in place.

In 2018, leaders played with the notion of large-scale cultural change. These were cultural efforts created within — and governed within — the existing siloed and political environment, which ultimately protected the status quo.

In 2019, low unemployment and high quit rates will further magnify the importance of talent. Executives will reignite change management efforts, substituting targeted EX initiatives for the previous year's broad-based culture efforts. But the lack of coherence to the efforts will yield a mixed bag of results. Efforts to address the crisis of workplace distractions will increase both employee satisfaction and productivity by helping workers better focus on their most important work. But the onslaught of misguided and incomplete employee measurement efforts will degrade, rather than improve, employee experiences.

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# Robots reimagine talent management

**25% of leaders will use automation to address the talent scarcity squeeze.**

Automation is often placed in strategic and operational terms: new offerings, better insights, individualized experiences, and margin gains. From a talent management perspective, it has been mostly a prediction of net job loss.

The sense of zero-sum game masks a critical and timely talent management strategy. Sure, there will be job losses. In fact, Forrester predicts that 7% of jobs that can be automated will be lost to automation. But the larger, and perhaps sleeper, issue is talent scarcity: the ability to harness the power of robots and the need to address skill shortages across the board that are acute in different regions.

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In 2019, talent leaders will start to execute two interrelated strategies centered on a robotics quotient (RQ) and a good-to-great hiring and development strategy.

RQ will become a core learning and measurement fundamental for employees who direct or work alongside digital workers. Employees will need to design and manage a more robust and complex portfolio of RPA-driven processes; design and harness AI as leaders seek to drive massive efficiencies in complex and costly operations; and use automation to free human capital and the associated costs from the mundane and repetitive tasks.

In 2019, savvy talent leaders will use automation to address the talent scarcity squeeze, giving up on waiting for expertise and instead hiring for “good” and building to “great” — in short, using automation to free up time, headspace, and funds to develop the needed expertise.

# VC funding recalibrates

An aerial photograph of a city street intersection. Overlaid on the image is a large graphic of money falling from the sky. The money consists of various banknotes (US dollars, Euros) and coins, falling in a vertical column that curves slightly to the right. The background shows buildings, a street with cars, and a construction site on the right.

**VC funding for martech and adtech will drop by 75%.**

Digital advertising is going through a correction: Basic concerns about how the market works (or doesn't work), transparency, and necessity have undercut the industry, driving down advertising spend and investor confidence. Major M&A deals are behind us now, and private equity will move in to optimize the value of what is left.

Venture capital (VC) funding across martech and adtech peaked in 2016 and has been on a sharp decline ever since. Investors are looking to what's next.

It's a balancing act between horizontal and vertical. Horizontal plays such as AI, edge computing, quantum, and distributed ledger technologies continue to be bright shiny lights for investors. More investment will go vertical, where technologies like AI are tied to specific use cases and need. Simply put, startups can more easily fit into buyers' spend, an industry ecosystem, or an incumbent's M&A strategy, driving up valuation and conversion.

In 2019, four industries top the list:

1. **Manufacturing.** Additive manufacturing, though a fledgling market, will eventually upend the manufacturing industry and save some established firms.
2. **Retail.** The desire to reinvent the physical retail experience — from both established and digital-native retailers — will drive investments in retail tech.
3. **Financial services.** Fintech and insurtech will continue to crop up and expand due to international growth opportunities and regulatory variability around the globe, including the likes of PSD2.
4. **Transportation.** Transportation tech will grow as it diversifies, but the pace of growth will level off in 2019 as safety, reliability, and commercialization come under greater scrutiny.

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# Blockchain exposes advertising

**By the end of 2019, more than 50% of the top 100 advertisers will use blockchain for supply chain transparency.**

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Advertising is in a crisis of spend and trust. Each year, brands spend hundreds of billions of dollars buying digital advertising. And each year, advertisers throw away too much of that spend due to fraud and lack of viewability.

Forrester estimates that the dollars wasted on invalid impressions will grow to \$10.9 billion by 2021. That is just a part of this frustrating puzzle: Lack of transparency, hidden fees, exorbitant margins, and, ultimately, poor performance came to a head last year, with major brands cutting millions from their digital ad budgets.

Something needed to give in order to create transparency and try to gain back trust in the media supply chain once more. Enter blockchain.

In 2019, blockchain — better described as distributed ledger technology — will chip away at digital advertising's opacity problem. Large brands are in blockchain pilot programs now; by the end of 2019, they will have a better understanding of where waste and abuse lie and how their money is spent.

To be clear, we won't see impression-level reporting in 2019, which would help solve more of digital advertising's ills, including viewability and bot fraud — but these efforts are a step in the right direction to expose the value delivered in the media-buying supply chain and, perhaps more importantly, participants that are not providing any value at all.

2019 will be another shot across the bow for an injured advertising market. Hidden fees will be revealed. Duplicative or unnecessary expenses will come to light. Players in the adtech space that survive GDPR may not survive this scrutiny.





# IoT gets down to business

**85% of firms will implement or plan to implement IoT solutions.**

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The dream of the smart or connected home remains just that — a dream. The hurdles of consumer adoption of IoT-enabled products are considerable. While the vision may be to create a seamless, smart experience in the home, the onus is still on the consumer to make it all work. Consumers have to buy, connect, and use these (nonstandardized) products without issue to create that magical connected experience. And it's just not happening in a meaningful way yet.

So while the B2C incarnations of IoT are still trying to find their footing, B2B applications of the technology are set to take off in 2019. The business case is too obvious and positive. B2B IoT will take a play from the mobile rollouts in 2000 that went beyond the buzz of what was possible, focusing on field assets, distributed management, and remote command and control. In that same way, B2B IoT will focus on driving efficiencies, connecting the enterprise, expanding the edge, and, in some cases, providing personalized customer experiences.

Although there are common scenarios that apply across industries, industry-specific use cases will propel adoption in the industrial manufacturing, healthcare, retail, and utilities markets.

# Get the fundamentals right

In 2018, strategic ambitions ran headlong into reality: the reality that the speed of an idea or the pace of technology is fast, but the pace of organizational and people change can be frustratingly slow. Leaders' ability — or inability — to solve for that equation will determine the success, failure, or the quiet abandonment of those same ambitions.

2019 represents a year when strategic ambitions will translate to pragmatic, surgical efforts with the aim of putting points on the board. For most companies, traction will build organizational confidence and create durable building blocks for more far-reaching strategies in 2020. For some, pragmatism will be the language of strategy abandonment.

The market is not slowing down or getting more forgiving: Customers challenge companies to deliver value to their life, the pace and diversity of technology — from the promise of AI to the reality of technical debt — challenges prioritization and budgets, and cyberthreats can destroy a brand's value in days. These continue to be consequential days for leaders seeking to retool their companies to compete in a dynamic, sometimes hostile market.

With that said, we believe most companies will come out of 2019 stronger and more capable, making progress on fundamentals that set them up for more ambitious strategies that align to market demands. For these companies, 2019 will prove to be a year when the focus on gaining traction toward the strategic ambition — anchored on renewed purpose — yields durable results.

For more information on the data and research that underpins these predictions, visit [forr.com/2019-predictions](https://forr.com/2019-predictions) or email us at [forresterinfo@forrester.com](mailto:forresterinfo@forrester.com).

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