PREDICTIONS 2020

On The Precipice Of
Far-Reaching Change

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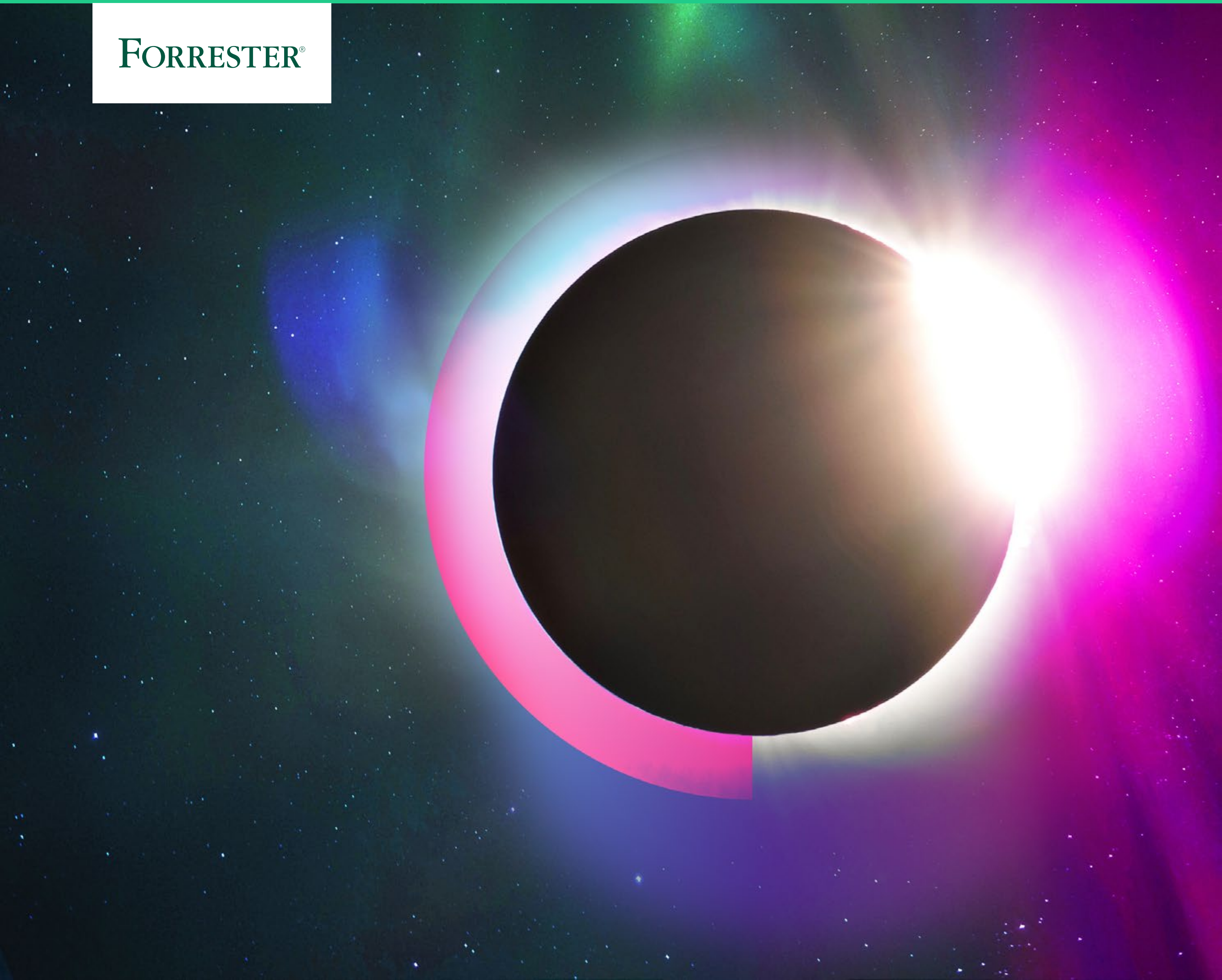


Reflecting on 2019

Forrester predicted that 2019 would be the year strategic vision converted to pragmatism. This was driven by the reality that bolder strategies depend on a stronger, more adaptive foundation — a foundation that did not exist for most.

Too many companies were saddled with technical and data debt, hampered by existing organizational silos, required to allocate more resources to the core tech stack, trying to understand a volatile competitive landscape, and struggling with the execution of customer obsession.

Those struggles manifested in plateaued CX performance, digital transformations that did not deliver the expected returns, and early efforts to capitalize on new technologies and models that took a technical, rather than operational, viability path.

In 2019, many leaders took a step back and doubled down on the hard work of building a strategic, operational, and technical foundation able to adapt. They did this while steering the company to maximize customer, financial, and shareholder value.

That strategy was prudent but not risk-free: Others that never had to rebuild a foundation or were ahead of the game were able to allocate more resources to growth — creating the risk of separation and playing a heavy game of catch-up in 2020.

The larger risk may be market-based. While taking a step back to build foundation, those firms may have missed a closing window of good economic times and deferred more aggressive strategies to an economic climate that is at best mixed and, at worst, recessionary.

Upon reflection, we are looking at a time and place where foundational work is underway and companies — both digitally native and traditional — are better able to compete in what promises to be a turbulent (maybe raucous) 2020.

Looking forward to 2020

If 2020 could be encapsulated into one word, that word would be energy. Consumer energy as consumers become more values-based, constructing personal ecosystems and forcing firms to take sides on social issues. Security energy as industrial and nation-state cyber risks surge and, in some cases, merge. Technology energy as automation, AI, and robotics move deeper into the organization, closer to the customer, and, more profoundly, into the very makeup and operations of the company.

You get the point.

Today most of that energy is potential — not kinetic. Some changes haven't happened yet but are causing serious corporate and human anxiety; some are early days showing just the first signs of impact; some are happening, but companies have yet to respond in full.

In one scenario, 2020 becomes the year companies convert on the potential energy built up in 2019 to move from prudent investments to breakout growth. In another scenario, recessionary fears become reality, the impact of Brexit goes well beyond the shores of England, and trade wars devolve into a breakdown of the global economy. And there are a number of scenarios in between.

Our predictions for 2020 will move leaders' attention to adaptability: the ability to understand and anticipate market dynamics — and adapt and rapidly exploit opportunities, both big and small.

Whether dynamics enable breakout growth, protection of existing markets, or eking out small gains in market share, leaders will see and capitalize on possibilities by best predicting how 2020 will unfold.

Here is our take.

Consumers search for deeper meaning

Companies have focused on elevating self-centered benefits, like fast shipping, to satisfy customers. How do customers feel about their world of convenience? By some measures, they're less happy than they were 20 years ago.

Human beings are social animals driven to make decisions based on their need for affiliation and the wider impact of their choices. Today's customers live in tumultuous times. Disinformation campaigns, social isolation, wealth inequality, climate change, and political unrest surround them. As a result, they want to align their purchases with their values. Consumers appreciate experiences that spark delight. They love experiences that spark hope.

This is not a new phenomenon but a trend that has slowly climbed from niche to mainstream. In 2017, 52% of consumers said they actively consider company values when making a purchase. That number continues to grow. While lower-income earners may not be able to buy in accordance with their values, the desire for values alignment is steady across income brackets.

More than 55% of consumers will consider company values when making a buying decision.

In 2020, executives will attempt to give customers what they crave. The results will be mixed. Some companies will provoke ire by making surface-level commitments. Others will misjudge how to best express values. Companies that do succeed will co-create values-driven experiences with customers and employees. They'll pay careful attention to authenticity, both in the values they choose to express and how they express them.

CMOs rally around customer value

Major brands including Johnson & Johnson, Walmart, Netflix, and Kellogg's have eliminated the CMO role. But make no mistake: Marketing isn't going the way of the dinosaur. Its status quo has been fundamentally disrupted by the dynamics of the age of the customer.

Customers are empowered. Brand has been atomized across numerous channels, many of which are beyond a company's scope of control. The result is a radical shift in how companies establish brand, build affinity, and generate loyalty.

In 2020, the top CMOs will be responsible for all that surrounds the customer. They'll recognize that the best mechanism to drive growth is a strategically planned ecosystem that delivers value to customers throughout their lifecycle. To establish a successful ecosystem, CMOs will thread the needle between employee experience, customer experience, brand purpose, creative, and technology, imbuing all these crucial areas with customer obsession.

The top 10% of CMOs will broaden their role in the name of customer value.

Smart CMOs will begin pulling back on strategies that drive short-term gains at the expense of customer affinity, including dark patterns — design patterns that manipulate customers against their own interests. Meanwhile, spend will flow back into creative as the importance of differentiated branding becomes apparent in a world of digital sameness.

CIOs focus on people

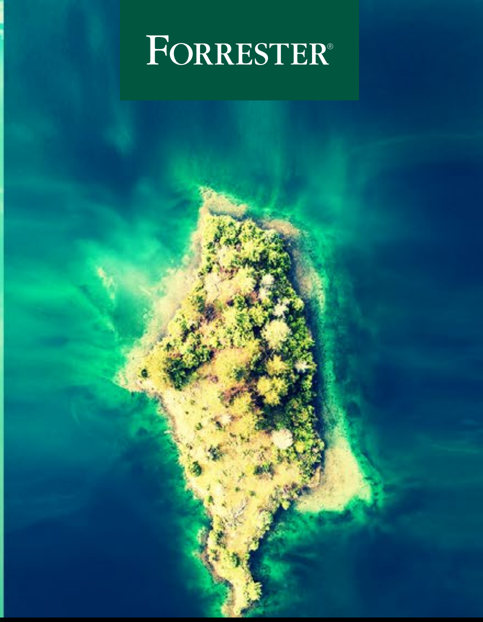
2020 will be the year of people management for CIOs. The uncertainty of the forthcoming year will frame CIOs' transformation agendas — but not only for the expected cost-cutting and efficiency angles. Leading CIOs will take this as an opportunity to step forward as business leaders, showcasing their tech-driven innovation, ecosystem-building skills, and people management.

The ongoing volatility and slowing growth in 2020 will still put pressure on CIOs to control costs and improve efficiency. CIOs will look within their own organization for those efficiency gains, automating 10% of their IT tasks that are highly standardized and repetitive. We do not expect layoffs, however, as Forrester Analytics data shows that IT staffing forecasts for 2020 will remain relatively flat. Instead, CIOs will train their teams for more complex tasks as part of agile DevOps teams.

Beyond the IT department, smart CIOs will become a trusted advisor and partner to employee experience and HR teams to help with changing workforce dynamics, including working with new emerging technologies or interacting with robots.

CIOs will automate 10% of their IT tasks and look to upskill everyone.

These CIOs will bring workforce analytics capabilities to help their firms better predict changes and rationalize the portfolio of HR technologies. And they will actively work to ready their firms for automation (and all of the technologies the term encapsulates) — using tools and frameworks such as Forrester's robotics quotient and automation framework — to minimize growing pains and truly unlock the power of their digital transformation.



Immersive, adaptive IT takes hold

Technology-driven innovation — the ability to deliver new business results through opportunities discovered by continuously experimenting with technology, both emerging and established — will soon be table stakes for leading organizations. Tech-driven innovation magnifies the importance of technology (and, thus, IT). But it requires companies to operate and organize differently.

IT will follow the broader organizational future of matrixed, shape-shifting organizations that form and morph to changing priorities. This goes beyond DevOps. The boundaries between what is IT and what is the business are already fading to reveal a much more powerful and fluid IT capability.

This more embedded, connected, and adaptive IT approach will gain momentum in 2020 — particularly as firms address the opportunity and challenges of emerging technologies.

80% of enterprises will recognize the threat of automation islands and set up strike teams.

One such challenge is islands of automation. Eighty percent of enterprises will recognize the threat of automation islands and determine that they are no longer sustainable. Firms already have multiple robotic process automation (RPA) tools, conversational intelligence platforms, and machine-learning projects. To address this, firms will set up automation strike teams that sit between traditional IT and domain experts and have unique roles such as robot architects and automation jump-starters.

CX continues to bifurcate

In 2020, customer experience professionals will either quantify their business impact and reach new levels of influence . . . or find themselves in a tenuous position. In response to market turmoil, CEOs will demand that CX initiatives move out of the experimental phase and prove their contributions to top- and/or bottom-line growth. Measurement, metrics, and analytics will become critical to the success of CX initiatives.

The sheer complexity of CX has proved daunting, even as CX's importance grows increasingly apparent. Firms that have made the least headway will cut their programs in frustration. Meanwhile, companies that have started realizing the benefits of CX will double down, simultaneously shoring up their fundamentals and innovating.

As a result, a company's CX headcount will radically shift up or down. We predict that one in four CX professionals will lose their job. Paradoxically, the number of CX executives will grow by 25%.

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The result will be extreme bifurcation of CX. Leaders will keep getting better, raising the bar not only in their industry but across the board as customers get a taste of what's possible. We expect innovative, customer-delighting experiences to come to market that combine technology, creativity, and deep customer understanding.

Companies that cut their programs will see a drop in experience quality, especially as remaining CX pros turn to desperate and ill-advised measures to drive short-term growth (such as manipulating customers with dark patterns). Instead of saving money, these cuts could yield unintended, detrimental consequences as customers bestow their loyalties elsewhere.

Data strategy unlocks transformations

While interest in big data has waned over the last couple years, enterprise data strategy continues to be a top initiative for executives. It's critical in unlocking a firm's digital transformation — and necessary to take advantage of AI and machine learning. 2020 will be a wake-up year for many firms, as the total cost of getting data wrong will become apparent.

Unsurprisingly, getting data right is a multifaceted exercise — from technology investments to talent recruitment and management, governance, and process re-engineering. In 2020, we'll see a top-down mandate to break down the data logjam, wherein the amount of time needed to prep data for AI and machine learning is so great that it's ultimately not worth the effort.

Data literacy, too, will be a priority, with 40% of firms launching data literacy programs for everyone in the organization. Firms will also attempt to access differentiating and external data, which may prove difficult as enterprises clamp down on data sharing due to privacy and ecosystem concerns.

Advanced firms will double their data strategy budget.

Enterprises looking to push more into the cloud and exploit edge computing are also staring at a new reality where the transactional cost of data processing and movement will outstrip storage. Advanced firms will understand the benefits of getting all of this right and will double or triple their data strategy budget to soar past competitors.

Data and AI get weaponized

Today's innovations and technologies provide tremendous opportunities for enterprises, promising accelerated growth, entrance into adjacent markets, or the creation of new ones. But three troublesome dynamics are converging in 2020 and will persist beyond:

1. The importance of data and the power of being an insights-driven enterprise are increasing the damage factor of data breaches.
2. The adoption of emerging technologies like the internet of things is creating a larger attack surface that's often built with only a few security controls, exposing enterprises in never-before-seen ways.
3. The unfortunate reality will come to light that evil forces can adopt technologies such as AI and machine learning faster than security leaders can.

Simply put, there are more attackers with more sophisticated tools aimed at a larger attack surface. And those attackers want enterprises to pay.

Deepfakes will cost businesses over a quarter of a billion dollars.

In 2020, ransomware incidents will grow as attackers learn that holding data hostage is a quick path to monetization. Increasingly savvy, these attackers will target consumer devices (and consumers) to the detriment of device manufacturers — demanding ransom from the manufacturer after notifying its affected customers that it's up to the manufacturer to "fix this issue."

But wait, that's not all: Attackers will use AI and machine learning to enhance existing attacks using the tremendous amounts of data now available to them. AI technologies like natural language generation and video AI will be used to generate fake audio and video designed to fool users; as a result, deepfakes alone will cost businesses over a quarter of a billion dollars.

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Privacy concerns gain steam

2020 will be a bad year for third-party data and a good year for marketers who take consumer privacy seriously.

Consumers are deeply concerned with how their data is collected and used. A barrage of news about data breaches, government surveillance, and corporate misconduct has soured consumer sentiment on current data practices.

The backlash has begun, and more people are taking active measures to protect their privacy. Forrester predicts that privacy class-action lawsuits will increase by 300%. Big tech firms such as Apple and Mozilla are providing consumers with new tools that shut out data collection. Anti-surveillance startups will receive funding. New regulations will be handed down.

Regardless of whether it happens via tech, sentiment, lawsuit, or regulation, the result will be the same: Marketers will no longer be able to rely on aggregated third-party data to target consumers. In 2020, we predict that some marketers will get ahead of the curve by curbing their reliance on third-party data.

> **Privacy class-action lawsuits will increase by 300%.**

Marketers will move away from laborious and often-unwanted personalization efforts. Instead, they'll seek to authentically connect with customers through targeted experiences. Organizations will shift 10% of their budget to influencer marketing. Values strategies will become more prevalent, and five Fortune 500 brands will seek B-Corp certification.

Automation reshapes the workforce

2020 marks a significant year for the future of employment. Automation will change the composition of the job market and raise global economic issues of income distribution and wage stagnation.

Automation will replace, on net, 1.06 million jobs from cubicle, coordinator, and function-specific knowledge worker personas in 2020. By contrast, work personas that require intuition, empathy, and physical and mental agility, including cross-domain knowledge workers, teachers/explainers, and digital elites, will add 331,500 net jobs in 2020.

Beyond the numbers, automation's impact on the workforce is both expected and unexpected. Take customer service — Forrester's Customer Experience Index (CX Index™) reveals that customer service is the most important driver category of customer experience quality across most industries and markets. We repeat: Human channels still matter.

Anti-automation backlash will cause a PR nightmare for at least one Fortune 500 company.

So while contact centers will reduce their quality assurance staff by 40% due to automation, "agent whisperer" technologies will be leveraged to help customer service reps find task-critical information and enhance the customer experience. This will require an upleveling of skills. In the end, there will be fewer call center employees, but those who remain will have to be higher-skilled and higher-paid.

Folding automation into the enterprise will not be without backlash: Unsurprisingly, employees are wary of automation. Very few firms have invested in prepping employees for the future of work — what it means to be working with, alongside, and potentially for automation. We expect a major strike will cause a PR nightmare for at least one Fortune 500 company.

Regulation makes and breaks markets

If you thought that we've seen the aftermath of regulations such as GDPR and the CCPA, think again. Regulatory bodies will gain steam — impacting and shaping markets, in a very real way, in 2020.

The UK's Information Commissioner's Office (ICO) has already issued a report stating that current real-time bidding (RTB) processes in programmatic advertising miss the mark on three major GDPR requirements: consent, transparency, and data leakage. Layer on the CCPA — which requires that organizations protect personal data such as IP address and device data and share the data only with third parties with whom they've contracted — and the whole RTB process is effectively a data breach. Adtech vendors will be forced to use anonymized or aggregated data in their solutions, upending digital advertising as we know it today.

Along the same lines, GDPR is forcing B2B enterprises to do a forensic examination of their supply chains and ecosystems. Companies that use enterprise customer data to improve the experiences of B2B clients of their products and services will see organizations choosing to opt out of data sharing due to concerns about anonymization, privacy, and accidental disclosure. In fact, 20% of enterprise customers will prohibit the use of their data for AI in 2020.

Regulation will upend two major areas of the marketing ecosystem: third-party data and adtech.

Regulators such as the UK's ICO and the Federal Trade Commission will also take action against firms using dark patterns. These dark patterns will earn several brands fines, remediation, and bad press.

The need for compliance will spur investment in regulatory tech (regtech). In the first three quarters of 2019, regtech scored $4.6 billion in funding at a year-over-year growth rate of 103% — with no signs of slowing down.

For VCs, profitability becomes the new unicorn

In 2020, venture capitalists (VCs) will increase their scrutiny of startups. Expect downward pressure on deal sizes as investors seek out the new hottest thing in Silicon Valley: profitability.

It used to be every investor's dream to get in on the ground floor of a company poised to become a unicorn (i.e., a privately held company with a valuation in excess of $1 billion), so VCs flocked to companies with big dreams and charismatic leaders. But now VCs are feeling the pain from a tumultuous 2019 marked by high-profile scandals and disappointing IPOs. As a result, investors are growing weary of razzle-dazzle and disruptor lingo.

This doesn't mean the bottom is falling out of the startup market — far from it. Instead, VC money will flow toward startups with pragmatic business plans and clearer paths to profitability. These companies are poised to become the new unicorns.

> Overall VC funding will plateau, but not every market will fall flat.

Overall VC funding will plateau, but not every market will fall flat. The blockchain bubble will burst, an early victim of the mindset shift in Silicon Valley. Despite high levels of investment, the world of blockchain (and especially cryptocurrency) remains highly speculative, with scalable business-ready solutions few and far between. AI funding will start to cool as the market saturates and as exuberance gives way to a push for results. Meanwhile, the inherently pragmatic regulatory technology category will see its funding double yet again.