

Gartner[®]

2019-2020 Annual Edition

Top Insights for the C-Suite

How to Excel at Both Strategy and Execution:
A Marketing Perspective



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A Perspective From Mike Harris

Executive Vice President
Research & Advisory, Gartner

Business leaders today face a very challenging business environment marked by significant change, competition, uncertainty — and opportunity.

Although many organizations find it hard to accelerate through the kinds of disruptions and mixed signals they face, Gartner research shows that there are ways to position your business to drive through disruption and come out ahead, but it takes concerted action and preparation.





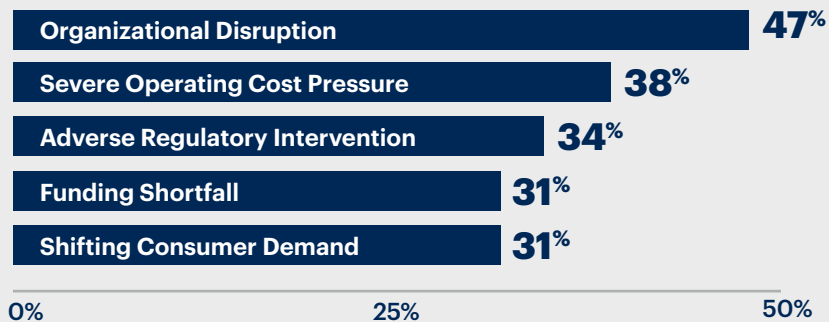
A Perspective From Mike Harris continued

If you're like most business leaders, you'd probably prefer not to make big moves until the signals are clearer, or you may look for ways to weather uncertainty — perhaps first leveraging low-hanging tactics like cost-cutting to improve a few performance metrics.

But neither a “wait-and-see” approach nor defensive cost-cutting will power you through adversity — not least because today's current state of uncertainty won't magically disappear.

Types of Disruption Over the Past Four Years

Percentage of Respondents, Multiple Responses Allowed



N=1,070

Q: Has your organization faced any of these situations in the past four years?

Source: 2020 Gartner CIO Survey

There's little clarity on a range of economic, regulatory, geopolitical and trade issues, and digital disruption has made widespread and multidimensional uncertainty the new normal.

Turns of fortune may be sudden (e.g., enormous security breaches) and can blindside you unexpectedly (e.g., new competition from outside your industry). The g-forces in the turn may be extreme (a nontraditional competitor that doesn't need to make a profit) and the time to impact short due to digital capabilities (viral anti-brand social media). Turns often coincide, increasing the need to react on different business vectors and requiring a high-performing executive team.

To survive any such turns, organizations must be able to flex as the environment changes. But some progressive business leaders, our research shows, do more than survive; they thrive — by embracing turns as a prime opportunity to seize and sustain a competitive edge.

But winning in the turns in this way requires you to prepare before the turn — whether you're on the executive committee crafting enterprise strategy or leading your function to execute it.

A Perspective From Mike Harris continued

The risk of paralysis is very real, especially if your organization lacks institutional memory of operating outside of a growth cycle. Many of today's leaders have, for example, only led strategy and operations during times of growth. Fewer than half of current CxOs were functional heads during the 2008-09 financial crisis, and less than 10% were heading the same function in their current company.

Lack of preparation creates business risk. In today's business environment, being right is only half the battle. Companies also need to execute at speed — intensely pursuing strategy with confidence and discipline as the environment changes.

This e-book delivers insights from Gartner research in 2019, featuring data and findings from proprietary surveys and engagements. It highlights the actions that progressive functional leaders are taking to improve their execution and drive forward the organization's objectives, especially through disruptive turns and uncertainty.

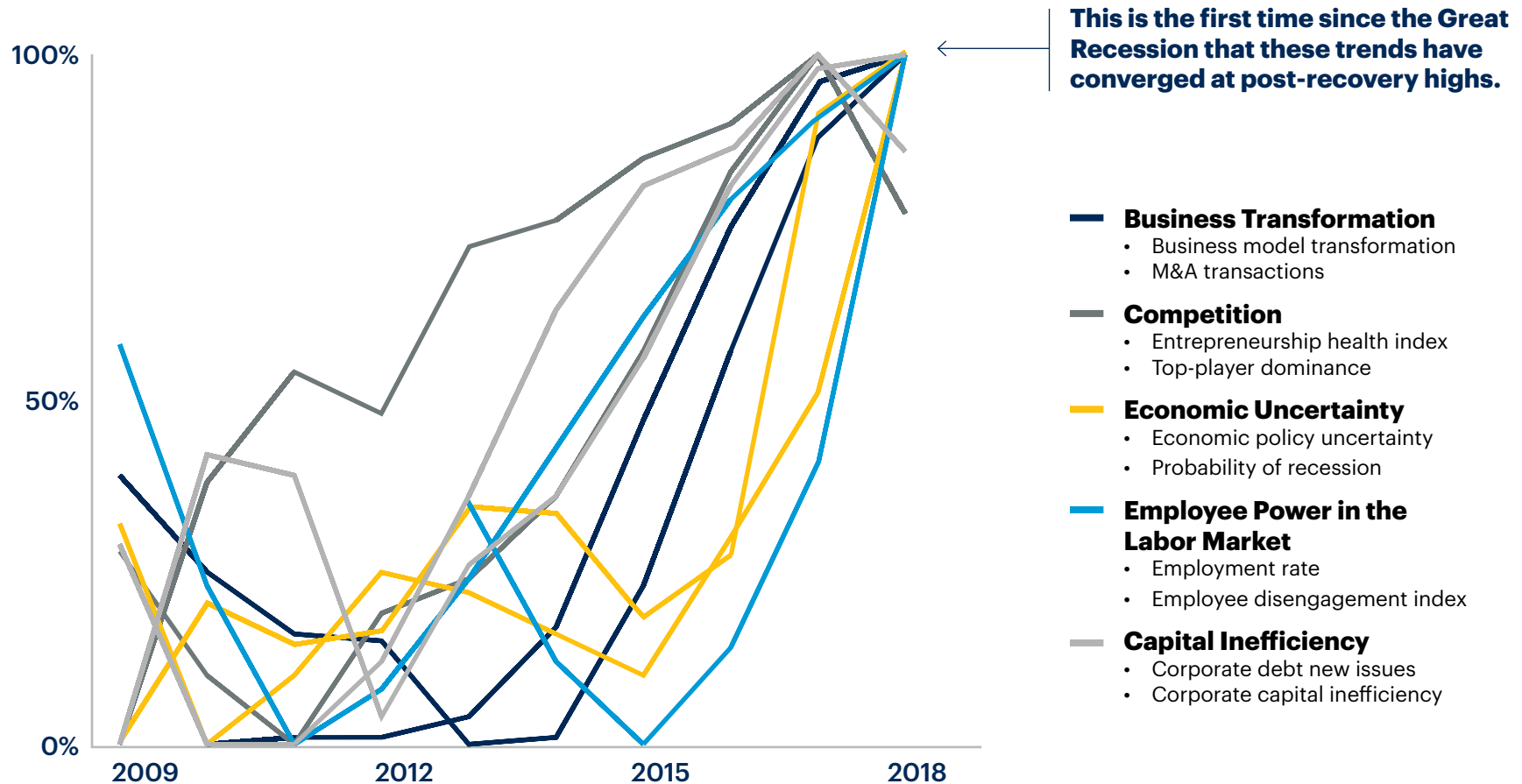
These practice-specific insights tackle the very real changes that functional leaders face in their own areas of the organization — from the lack of critical skills and capabilities to evaluating risks and speaking data as a second language — as well as their imperative to execute against the enterprise objectives.

Best regards,



Uncertain Business Conditions Seen in Unprecedented Market Trends

Trend lines across major indexes



Scaled from 0% to 100%, and where 0% is the minimum while 100% is the maximum rolling three-year average reached since 2009. Trends are based on well-known indexes and reported benchmarks and both public and proprietary data.
Source: Gartner

What marketing leaders should know

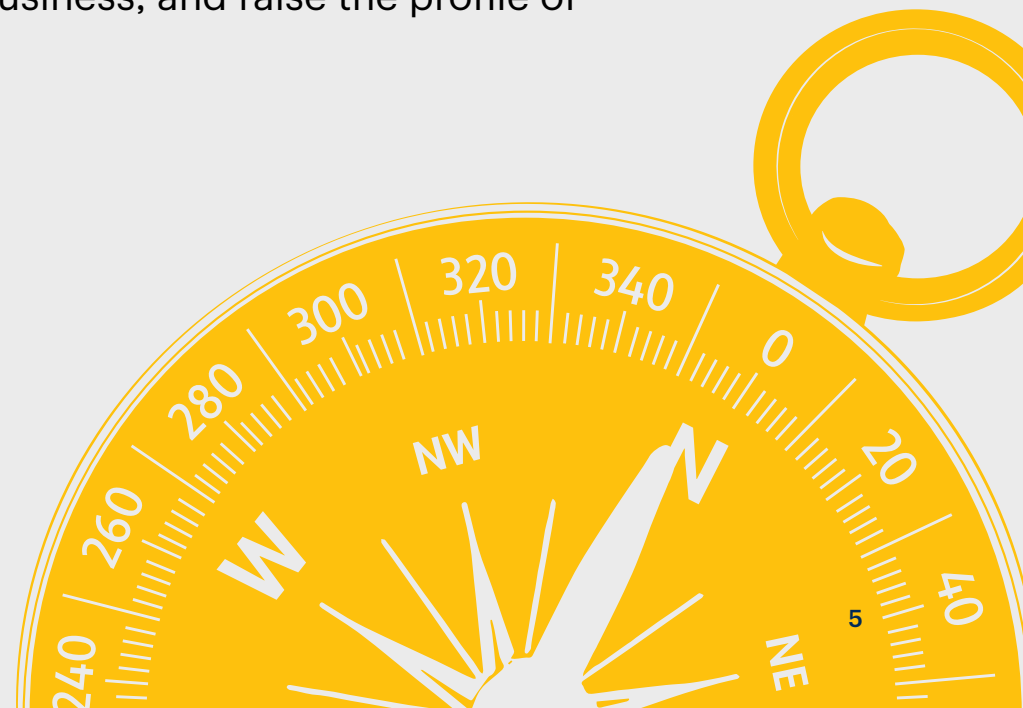
Given the customer-centric goals of so many organizations, it should come as no surprise that marketing — the de facto voice of the customer — is being tapped to generate new ideas and innovation. It's also no surprise that improved customer experiences tops the list of corporate goals for innovation efforts.

The possibilities for marketing innovation around customer experiences are vast, touching everything from channel interactions, product design, brand development, pricing innovations and more. Marketers today need to understand and embrace the possibilities, while narrowing in on the few high-potential ideas that can really show value for the customer and business, and raise the profile of marketing as a key innovation partner.



Julie Hopkins

Practice Vice President
Gartner Research & Advisory



Marketing

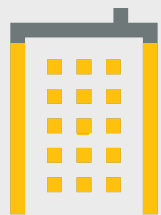
Marketing-led innovation



Customer focus is key to driving innovation

Marketers are natural innovators, given their constitutional affinity for creative ideas and imagination. It is therefore no surprise that the vast majority of marketing teams collaborate on organizationwide innovation efforts. Some businesses have even tapped marketing to lead innovation for the entire company.

Marketers have embraced the challenge and are committing financial and talent investments to drive success. Marketing budgets show increased spending on innovation, even in years when budgets have otherwise flattened or declined. That spending trend shows no signs of waning.



91%

of marketing organizations either lead their organization's innovation efforts (29%) or collaborate on it with other functions (62%).

Source: Gartner 2019 CMO Brand Strategy and Innovation Survey



16%

of marketers dedicate their budgets on average to innovation, up from 10% in 2017, a time period when marketing budget growth overall was flat.

Source: Gartner

More than half of all marketing organizations also have dedicated innovation staff. In-house talent works in concert with marketing technology partners and external agencies to form an ecosystem of human resources driving innovation.

All signs suggest that funding and innovation success go hand in hand. Companies that make above-average financial commitments to innovation report higher revenue and profits compared to industry peers. Having dedicated talent on their teams also makes leaders more willing to back high-risk, high-potential return initiatives.

Constraints on innovation

A seat at the table combined with dedicated resources for the job should be all it takes to drive innovation success, yet constraints remain. Marketers say that organizational resistance to risk, an inability to measure the impact of innovation and challenges finding innovation talent limit the impact of their innovation efforts.

These barriers reflect a larger issue of organizational mindset. Innovation by definition brings new concepts that require a leap of faith in untested people and ideas. To truly innovate, leaders need to be willing to fail — because many new ideas will. Most executives understand that in theory, but when faced with a real-world decision to fund a new idea, they balk. The long-standing antagonism between marketing and finance is a particular liability when it comes to marketing strategy execution.



46%

of marketers name organizational risk aversion among their top 3 barriers to innovation. Marketers also struggle to measure the impact of innovation (41%) and often lack talent with the right skills (41%).

Source: Gartner 2019 CMO Brand Strategy and Innovation Survey



16%

of marketing organizations say the finance function is the chief inhibitor of the marketing strategy.

Gartner CMO Spend Survey 2019-2020



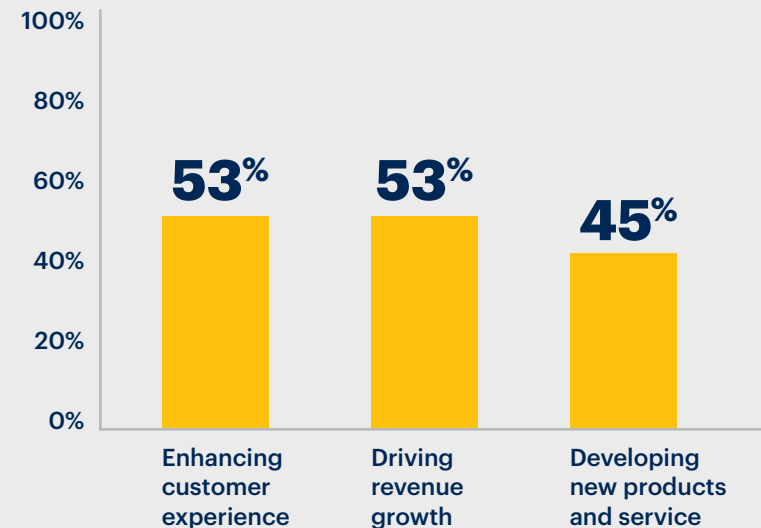
Overcome barriers to innovation

Enhanced customer experience, revenue growth, and developing new products and services rank as the top 3 organizational innovation goals. Marketers can make differentiated contributions in these areas and should align their innovation efforts to them or to whichever specific priorities are important to their organization.

Adopt a staged “crawl, walk, run” approach to mature new ideas. During the crawl phase, marketers conduct research with customers to identify unmet pain points; ideate new ways to solve them; develop a business case for the innovation; and identify possible partners to develop the solution. These early, incremental steps give stakeholders time to acclimate to a new idea, even as marketers continue to validate it. This helps overcome in-house risk aversion to provide the buy-in needed to graduate to first walk and then run.

Top Drivers for Innovation Efforts

Percentage of respondents; sum of top 3 ranked



Source: Gartner 2019 CMO Brand Strategy and Innovation Survey

The Gartner Expert View



“CMOs are all-in on innovation. A hefty 16% of marketing budgets are tagged to innovation so marketers are investing very real, substantial money in their innovation initiatives.”

Christopher Ross
VP Analyst



“Innovation used to be thrown around as a buzzword, but as CMOs continue to dedicate head count and build strategic partnerships, marketing-led innovation has become a maturing practice driving legitimate growth for the business.”

Elizabeth Shaw
Sr. Director Analyst

Marketing

High-impact customer experience strategy



CX is a top priority — but rarely differentiates

Customer experience (CX) ranks high on the marketing leader’s priority list, reflecting the broader embrace of customer centricity in business and the need to drive customer loyalty in increasingly competitive environments.

One illustration of CX’s prominence is that most marketing leaders say they compete primarily on it. Their goal isn’t to be on par with the competition, but to differentiate from the competition through amazing CX. As a result, most executives see CX innovation as a fundamental requirement.

The problem is that CX covers a lot of territory: Each moment of the end-to-end customer life cycle and every single customer interaction with the company or its products and services. To truly differentiate on the basis of CX, each of these experiences would need to outperform the competition.

Against this seemingly infinite scope, today’s CX teams naturally struggle to prioritize their efforts and finite resources. The question is: Where should CX teams focus to drive the largest impact?



63%

of business leaders agree or strongly agree that new and innovative customer experiences (CX) are key to building customer loyalty.

Gartner 2018 Customer Experience Business Partners Survey



47%

of business leaders want to offer better customer experience than the competition, and 38% want to be “world-class.”

Gartner 2018 Customer Experience Business Partners Survey

CX investments don't deliver results

Most organizations try to “fix” their way to CX success by focusing on improving aspects of the customer experience that they know are broken and generate dissatisfaction.

Conventional wisdom holds that “every interaction matters,” so organizations spend a lot of time, effort and money trying to make every element of CX world-class — and, in the process, waste precious resources trying to improve elements of the experience that don't matter to customers or are quickly forgotten.

This “fix-first” approach, while understandable, ultimately fails to deliver on the strategic desire to leverage CX innovation into a differentiated value proposition. It also fails to realize the intended business results. In fact, only a minority of business leaders believe their CX initiatives meet company goals.

Too few organizations recognize that not all experiences matter or know how to prioritize their investments to focus on experiences that have a critical impact on loyalty.

Focus of CX projects



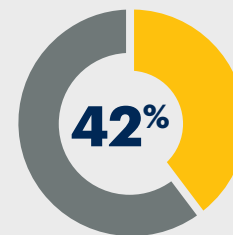
2 out of 3 focus on fixing existing experiences



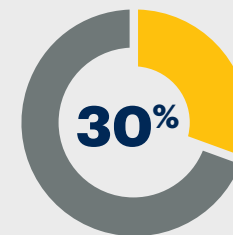
1 out of 3 focuses on building new, innovative experiences

Gartner 2018 Customer Experience Business Partners Survey

“Most of our company’s CX initiatives have produced the intended results.”



of business leaders



of CX leaders

Gartner 2018 Customer Experience Business Partners Survey

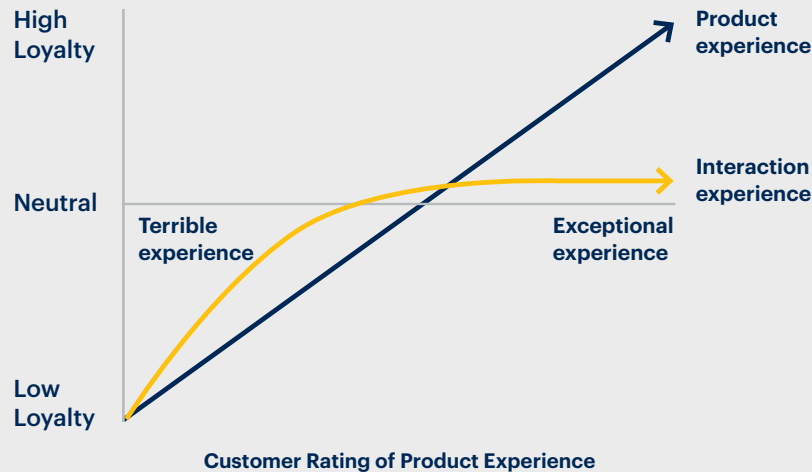


Focus on salient experiences

Gartner research found that a small subset of experiences have an outsize influence on customers’ eventual behavior loyalty. These salient experiences stay with customers long after they occur.

A survey of more than 4,000 B2C and B2B customers found that CX factors explained 66% of loyalty, with the remainder driven by brand perception and price considerations.

Impact of Product Experiences on Customer Loyalty



Our attitudinal loyalty index comprises equally weighted likelihood to continue to use, likelihood to consider new offers and likelihood to recommend.
Source: Gartner

The loyalty-related factors were roughly equally split between a) customers’ perceptions of the ease, convenience and personalization of their interactions with the company and b) the utility, usability and meaningfulness of their experiences using or owning the product or service.

It is these product experiences that have the strongest impact on customer loyalty, accounting for 36% of a customer’s loyalty decisions. But positive product experiences don’t just show the customer that the product works; they also produce customer benefits, which validates the customer’s decision to buy the product — and makes them more likely to do it again. By contrast, interaction experiences produce diminishing returns once basic needs have been met.

CX teams can and should collaborate with product teams to ensure the product features meet demonstrated customer needs. To produce major loyalty impact from CX, however, look for CX innovation opportunities that enable customers to self-affirm their purchase decisions. Salience comes from creating experiences that help customers feel good about their choices.

Doubling down on salient experiences pays far greater dividends for CX teams than trying to make every element of the customer experience world-class.

The Gartner Expert View



“When you know what to look for in your data, you can identify what is relevant and important to your customers and how to design durable positive memories using our framework for customer self-affirmation.”

Leah Reidy

Sr. Principal, Advisory



“Our research not only showed marketers what to do more of — purposefully design moments that allow customers to self-affirm at key moments — but also how to weed out the nonsalient ‘fixing’ projects that weigh down CX leaders and prevent them from pursuing more innovative projects that differentiate customer experiences.”

Cassandra Nordlund

Director, Advisory



“When organizations strive to compete on CX, their strategies tend to pursue innovation and excellence in every single aspect across the virtually infinite scope of CX. That’s an almost impossible challenge. Accordingly, especially given finite resources and the need to prioritize initiatives, the critical question becomes: Where should CX teams focus to drive the largest impact?”

Geoffrey Campen

VP, Team Manager

Moving From Insight to Action

Gartner for Marketers

Discover how Gartner supports marketing leaders

Gartner for Marketers is the definitive research and advisory resource for marketing decision makers. Gartner equips marketing executives and their teams to transform their function across a range of key areas, including marketing organization and operations, marketing data and analytics, and customer experience design and execution.

In addition, Gartner's unique blend of insights, advice and tools support the success of marketing leaders by:

- Benchmarking performance through data-driven insights
- Executing mission-critical priorities with speed and confidence
- Making better decisions to save time and money
- Staying ahead of the trends that matter
- Gaining a competitive edge through unrivaled peer-powered insights

Learn more

[The Innovation Survey 2019](#)

Download the full results from 2019's Inaugural Innovation Survey.

[Create Powerful Customer Experiences](#)

Learn how to drive loyalty, satisfaction and advocacy in your customer experiences.

Connect with Gartner today

Gartner equips CMOs and marketing leaders with the unbiased insights, advice and tools they need to make the right decisions and stay ahead of change.

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