



March 17, 2009

Customer Experience Budgets Weather The Storm In 2009

Firms Will Grow Customer Experience Spending Despite Tough Economic Times

by **Megan Burns**

with Bruce D. Temkin, William Chu, and Steven Geller

EXECUTIVE SUMMARY

A recent survey of Forrester's Customer Experience Peer Research Panel shows that while most firms will keep spending flat, many still plan to grow spending in key budget categories like Web design, measurement technology, and persona development despite the difficult economic situation. Unfortunately, services spending looks to be the most vulnerable. Panelists expect overall cuts in customer experience spending to be less than cuts in other parts of the business. Great experiences are key to attracting and retaining customers in this environment, so customer experience professionals shouldn't be afraid to ask for funding in 2009. Just be sure to make an argument that's in tune with the current business climate by positioning Web usability as a cost-cutting measure.

IN 2009, CUSTOMER EXPERIENCE PROFESSIONALS AIM TO DO MORE WITH LESS

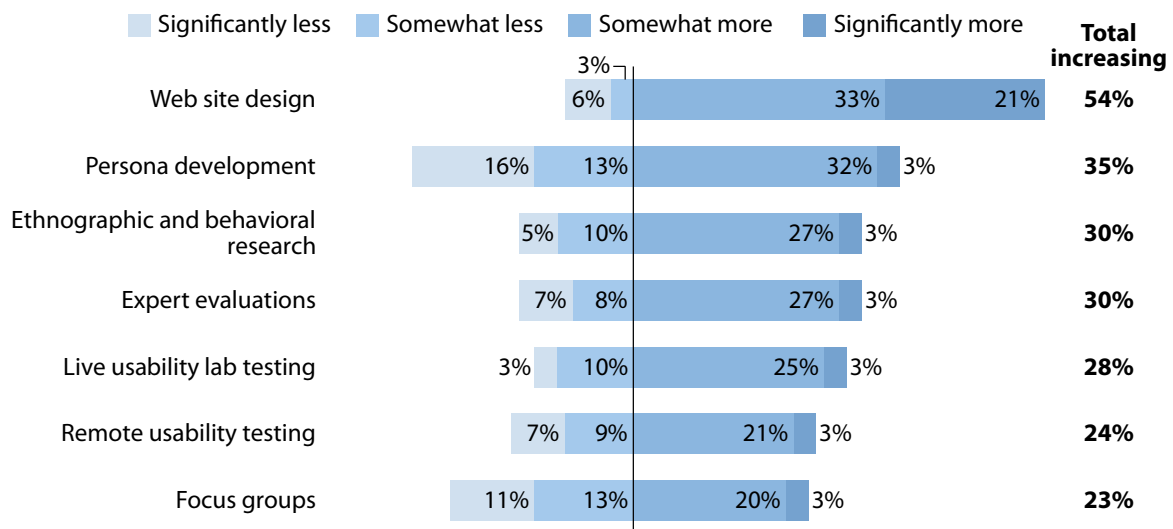
The economy is suffering, but what does that mean for customer experience spending? To shed some light on this question, Forrester recently surveyed customer experience decision-makers from large North American firms to find out about their budget plans and priorities for 2009.¹ Their answers show that:

- **Research and evaluation spending looks stable.** Despite tough economic conditions, there are firms planning to boost spending in every major research and evaluation category (see Figure 1-1). In key areas like personas and measurement, as many as 35% of customer experience professionals expect to spend more this year. And in most categories, the number of firms planning increases is larger than the number planning cuts.
- **Services spending will take the hardest hit.** When we examined the planned spending on different types of services, there were more companies looking to cut spending than increase spending in two of the three categories (see Figure 1-2). Design agency services look the most vulnerable: 23% of firms expect increased spending in this area, but 39% expect a decrease.
- **Measurement spending remains strong.** The outlook for spending on measurement technologies looks the brightest; firms expecting to increase spending outnumber those expecting decreases in every category (see Figure 1-3). Web analytics and site satisfaction tools will see the greatest budget increases among common customer experience technologies, as they did in 2008.²
- **Firms are focusing on the Web.** What's important to our customer experience panelists? Web usability. More than three-quarters of respondents listed improving Web usability as one of their key priorities for 2009 (see Figure 2). Next on the list of priorities: more Web functionality.

- **Customer experience has resilience in the downturn.** While most customer experience professionals expect budget cuts if economic conditions deteriorate further, they don't expect to be singled out as a source of unnecessary expense: Only 12% of respondents think spending on customer experience will be cut at a higher rate than it will in other parts of the business (see Figure 3).³

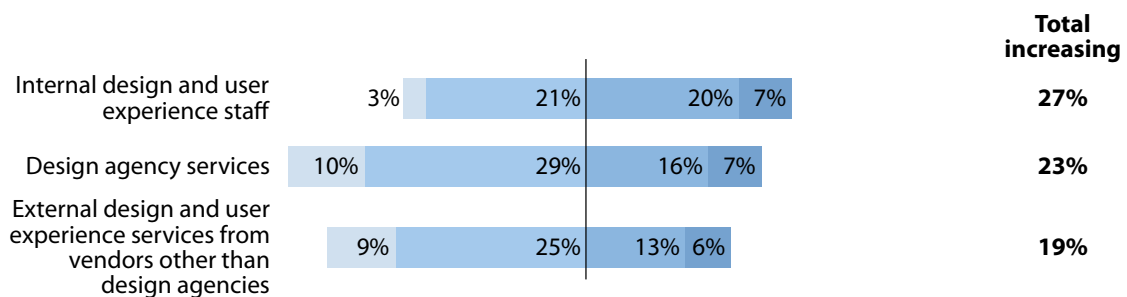
Figure 1 Firms Still Investing In Customer Experience Despite Tough Economic Conditions

1-1 "Compared to this year, how much will you spend on the following items in 2009?"



Base: customer experience decision-makers from North American firms with annual revenues of \$500 million or more who use these techniques

1-2 "Compared to this year, how much will you spend on the following services in 2009?"



Base: customer experience decision-makers from North American firms with annual revenues of \$500 million or more who use these services

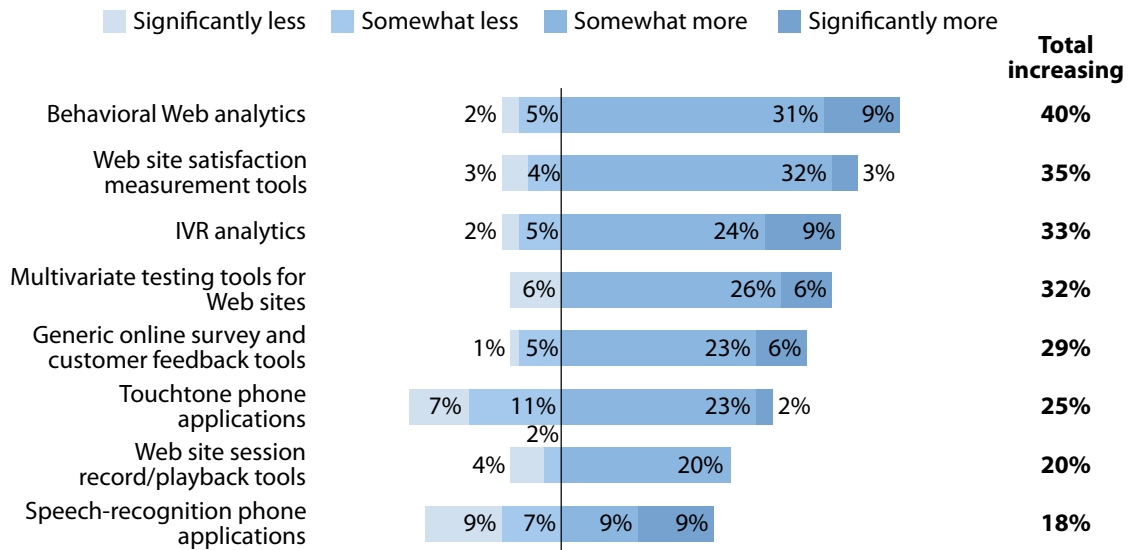
Source: Forrester's Q4 2008 Customer Experience Peer Research Panel Survey

53888

Source: Forrester Research, Inc.

Figure 1 Firms Still Investing In Customer Experience Despite Tough Economic Conditions (Cont.)

1-3 "Compared to this year, how much will you spend on the following technologies in 2009?"



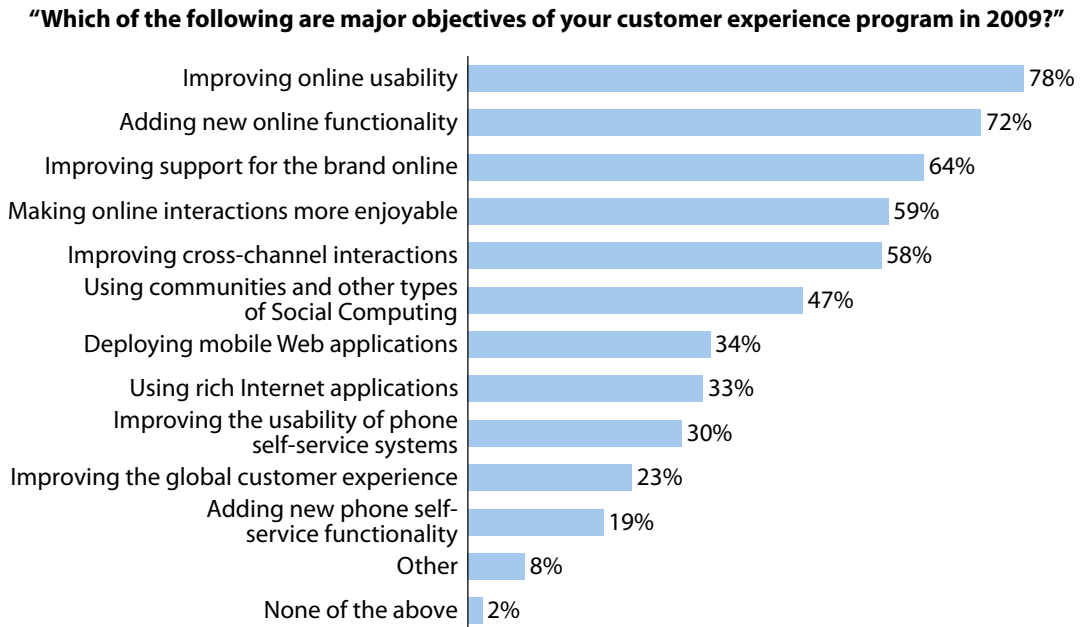
Base: customer experience decision-makers from North American firms with annual revenues of \$500 million or more who use these technologies

Source: Forrester's Q4 2008 Customer Experience Peer Research Panel Survey

53888

Source: Forrester Research, Inc.

Figure 2 Online Usability Tops The 2009 Priority List



Base: 90 customer experience decision-makers from North American firms with annual revenues of \$500 million or more

Source: Forrester's Q4 2008 Customer Experience Peer Research Panel Survey

53888

Source: Forrester Research, Inc.

Figure 3 Plans For Responding To The Economic Downturn



Base: 90 customer experience decision-makers from North American firms with annual revenues of \$500 million or more

Source: Forrester's Q4 2008 Customer Experience Peer Research Panel Survey

53888

Source: Forrester Research, Inc.

RECOMMENDATIONS

DON'T BE AFRAID TO ASK FOR CUSTOMER EXPERIENCE FUNDING

In these tough economic times, customer experience stands out as an important tool for attracting and keeping valuable customers. So while they must be realistic, customer experience professionals shouldn't assume that there is no money to be had in 2009. Instead, they should:

- **Advocate Web usability as a cost-cutting measure.** When times are tough, many executives start looking for ways to cut costs. That's why customer experience professionals should promote improving Web usability as a key tactic for cutting sales and service costs. How? Use simple models like those developed by Forrester to show executives how great the ROI can be.⁴
- **Propose quick-hit projects.** When drafting funding proposals, include at least a few low-cost techniques that have a proven, quick impact on conversion rates, cross-sell opportunities, click-through rates, or other key metrics.⁵ These projects not only satisfy the need for quick payback, but they can also provide cash to cover the cost of research and longer-term projects.

- **Bulletproof business cases.** It's always important to have a solid, well-reasoned business case when asking for funding. But in this tight economy, it's even more critical to distinguish your request from the many others competing for limited dollars. What should you do to stand out? Create a business case that appeals to funding decision-makers on three levels: logic, authority, and emotion.⁶ Before making your case to the higher-ups, use Forrester's business case checklist to make sure you've taken advantage of as many business case best practices as possible to maximize your chance of getting a green light for your project.⁷

SUPPLEMENTAL MATERIAL

Methodology

Forrester's Q4 2008 Customer Experience Peer Research Panel Survey was fielded to 90 customer experience professionals from our ongoing Customer Experience Peer Research Panel; however, only a portion of the survey results are illustrated in this document. The panel consists of volunteers who join on the basis of interest and familiarity with specific customer experience topics. For quality assurance, panelists are required to provide contact information and answer basic questions about their firms' revenue and budgets.

Forrester fielded the survey from October to December 2008. Respondent incentives included a summary of the survey results and copies of any research published from the data collected.

Exact sample sizes are provided in this report on a question-by-question basis. Panels are not guaranteed to be representative of the population. Unless otherwise noted, statistical data is intended to be used for descriptive, and not inferential, purposes.

If you're interested in joining one of Forrester's Research Panels, you may visit us at <http://Forrester.com/Panel>.

ENDNOTES

- ¹ For the purposes of this survey, we defined "large" firms as those with \$500 million or more in revenue.
- ² To understand their 2008 priorities, Forrester surveyed customer experience decision-makers at large North American firms. Most planned to boost spending on customer experience in 2008, with measurement tools like Web analytics and customer satisfaction surveys at the top of their shopping lists. See the February 26, 2008, "[Customer Experience Spending Intensifies In 2008](#)" report.
- ³ In a survey of 90 customer experience decision-makers from large North American firms, 89% said that customer experience would be either very important or critical to their 2009 efforts. The two major obstacles identified by these firms are the lack of cooperation across organizations and limited budgets. How will these firms respond to the economic downturn? By focusing more on customer experience and

cutting budgets more aggressively in other areas besides customer experience. See the February 20, 2009, “[Obstacles To Customer Experience Success, 2009](#)” report.

- ⁴ Forrester built a simple model of the cost savings from Web usability improvements for both purchases and service inquiries. These models show that shifting even a small number of calls and emails to the Web site can lead to significant ROI. To understand the potential savings for your organization, use the modifiable version of this model to estimate the potential ROI of improving your site’s usability. See the December 1, 2008, “[Need To Cut Costs? Improve The Web Site Experience](#)” report.
- ⁵ Our research uncovered eight low-cost techniques that increase conversion rates, boost cross-sell opportunities, help users find products, and improve click-through rates. See the August 27, 2008, “[Small Web Site Investments That Pay Off](#)” report.
- ⁶ To help firms get the funding they need, we interviewed 19 organizations that recently completed major Web site redesigns to find out how they got funding. Our analysis shows that the best approach is to create a multilayered business case that appeals to executives on three levels: authority, logic, and emotion. To close the deal, customer experience professionals should adopt well-known principles of persuasion by targeting one or two executives to sell the project to in advance, leveraging the firm’s public commitment to customers, and preparing a scaled-back — but still realistic — plan B. See the June 17, 2008, “[How To Get Funding For Web Site Improvements](#)” report.
- ⁷ Based on our research into business case best practices, Forrester created a Business Case Review checklist for customer experience professionals. See the August 18, 2008, “[Bulletproof Your Business Case For Improving Customer Experience](#)” report.