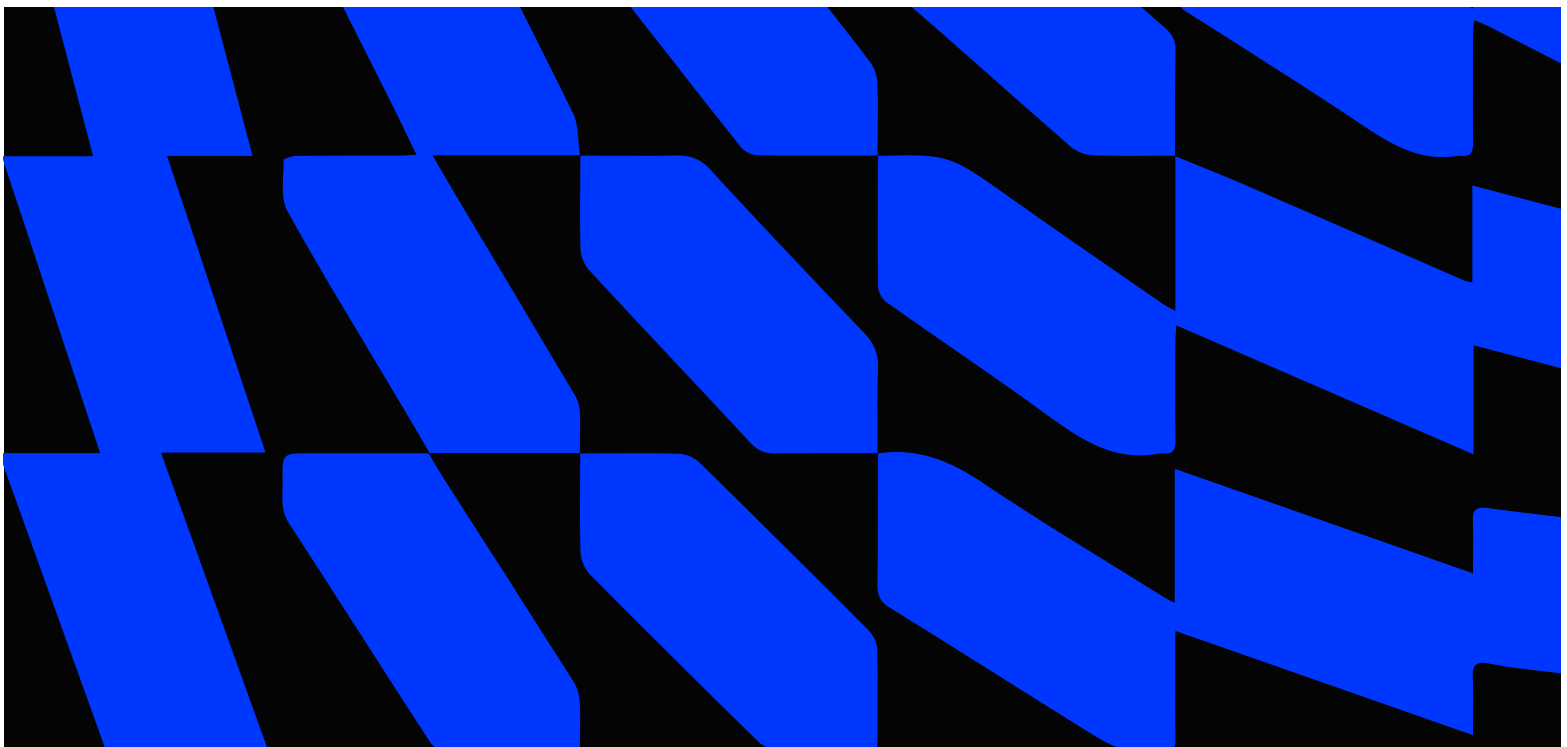


An Optimizely Survey

# How to Win in the Digital Experience Economy



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**“As a company grows, everything needs to scale, including the size of your failed experiments.”**

Jeff Bezos / Amazon

## Consumer demands and technology advances are fueling the Digital Experience Economy

The consumer battlefield has shifted—it is now business-critical to put the customer at the center of everything you do. Rising above the noise requires brands to create relevant experiences that match the needs of their customers better than the competition. This is the Digital Experience Economy. To win, it’s imperative that businesses have an innate understanding of their evolving customer needs.

Whether you speak to those disrupting their markets, or those that are striving to remain relevant, brands have entered a new era of transformation and they’re out-innovating their competitors through insights obtained from experimentation and data.

The Digital Experience Economy demands that you scale high quality, highly relevant digital experiences at every touchpoint and on all devices. If you’re not taking this seriously, you’re not going to succeed. The businesses that are staying ahead innovate, compete, and win using experimentation and digital insights to provide the best experiences, at scale.

This is why we decided to investigate how businesses are adapting, the role that experimentation is playing in the process and how changes to company culture are underpinning it all. As Stefan Thomke, a professor at Harvard Business School says, “Experimentation is the engine that drives innovation.” We wanted to get to the bottom of how businesses are turning these words into reality. In this report, based on the responses of over 800 senior decision makers on the topic of experimentation and innovation, we:

### Identify

how the top companies have embedded experimentation into their business practice

### Uncover

the real ROI that experimentation is driving for businesses

### Assess

how businesses are reacting to concerns about digital disruption

### Highlight

how cultural attitudes to change and failure underpin the value delivered by experimentation

From investigating these four areas and gathering insight from business decision makers across large organizations in the US, UK and Germany, we have found a huge appetite for experimentation.

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## The study has shown us that experimentation is now a standard practice for growth.



81% say skills in experimentation and optimization will be essential for business growth



Nearly half of businesses surveyed state that experimentation is driving at least 9% uplift in revenue

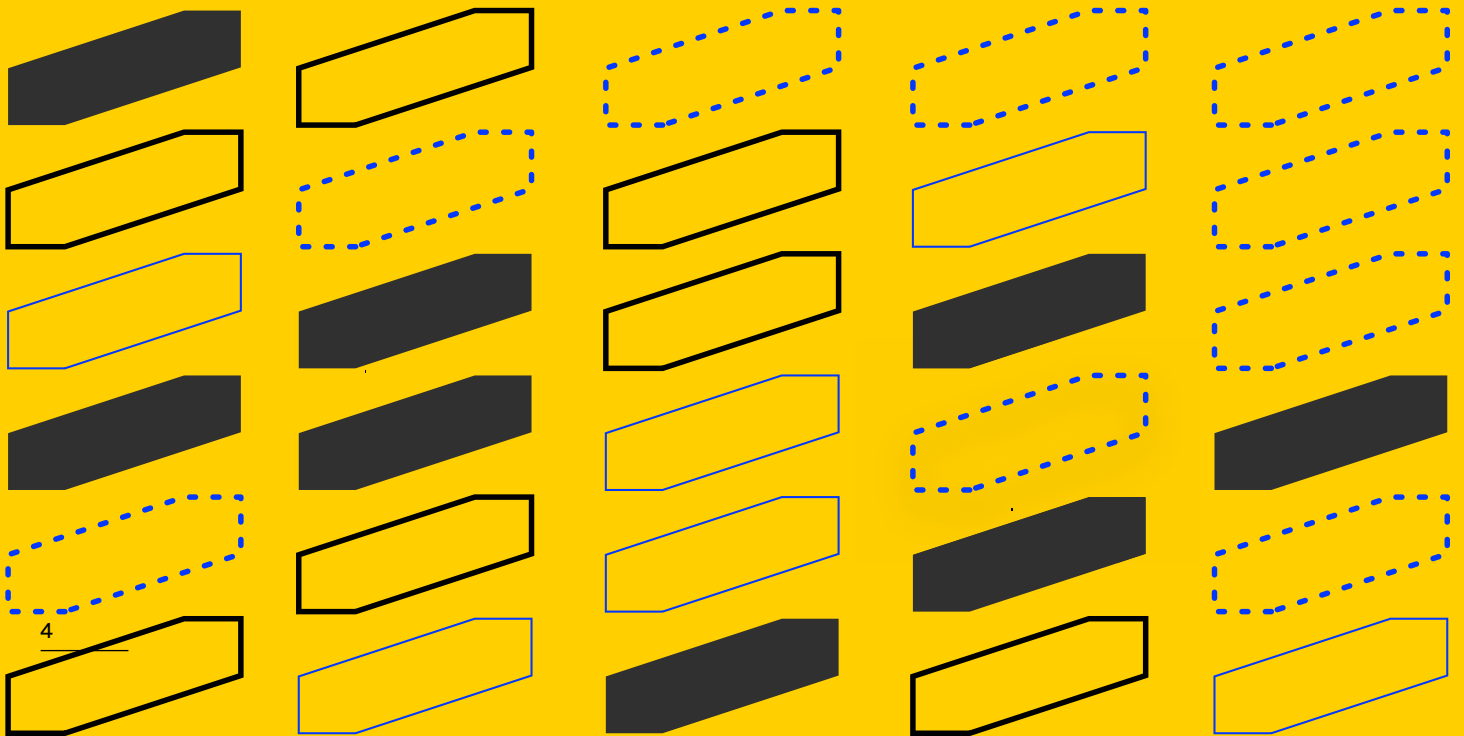


The more experiments a company undertakes each month, the higher its increase in revenue



Decision makers identified experimentation as the number one driver of business growth in the next three years

This report is designed to be the finger on the pulse of experimentation and its role in the Digital Experience Economy. The most successful organizations are those that constantly ask questions—we are going to start by providing some of today's most important answers.





01

# Leaders turn to experimentation to compete

## *Experimentation is pivotal to future growth*

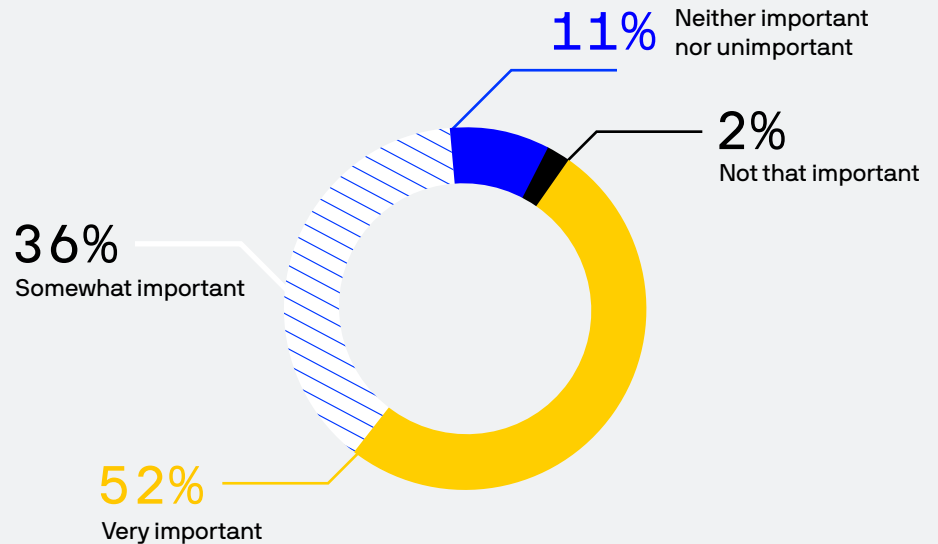
Consumer behavior has fundamentally changed. Digital is no longer just a convenient option for customers; it is a central way in which they engage with brands. Delight customers and they will continue on the journey with you. Disappoint them and they will move on to a competitor. Forward thinking businesses use experimentation to quickly know what users want. It is an essential tool to keep businesses competitive in the Digital Experience Economy.

- **88%** Of companies say digital experimentation will play an important role in keeping businesses competitive in the next 3 years
- 81%** Say skills in experimentation and optimization will be essential for business growth
- #1** Experimentation is the #1 driver of business growth over analytics, AI, and automation
- 82%** Of organizations claim it will take under 3 years for digital experimentation to be accepted and used more widely across their organization
- 74%** Are running 21 or more experiments a month

## A critical cog in the future of business

An overwhelming majority of business decision makers, 88% globally, believe that experimentation will play an important role in keeping businesses competitive in the next 3 years.

How important a role will digital experimentation play in keeping businesses competitive in the next 3 years?



**“I couldn’t imagine a world where there was no experimentation. How would we get the data that we needed to understand what customers are responding to? Experimentation is the backbone that allows us to make the business decisions that we need to deliver customer value.”**

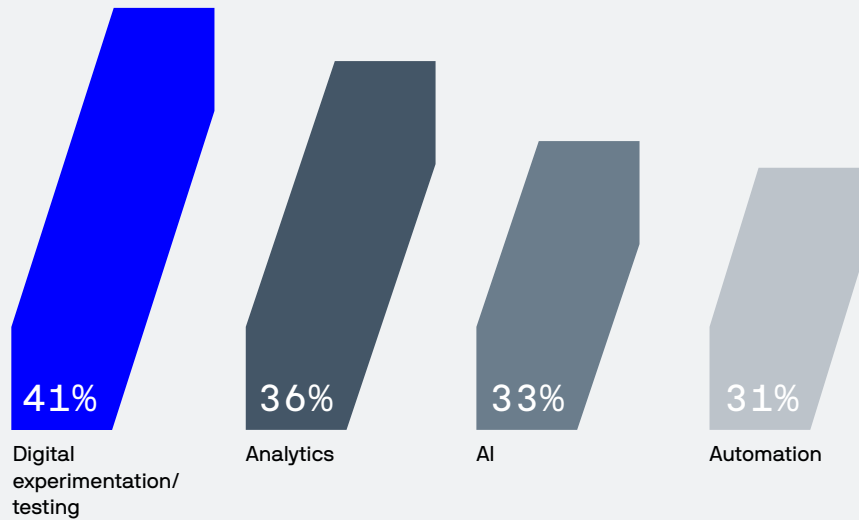
Archana Agrawal / Head of Enterprise and Cloud Marketing / Atlassian

A key reason for this is that, according to 89% of businesses, experimentation is important to transforming the digital customer experience. More than half (51%) think it is very important, a clear indication that businesses recognize the need to get on the front foot and take action now if they are to deliver a high quality and sustainable experience. *The Gartner Survey Analysis: High Performing Organizations Make Testing, Experimentation and Analytics a Data-Driven Marketing Priority*<sup>1</sup>, states that, ‘Organizations that significantly outperform their peers are almost twice as likely to prioritize testing and experimentation.’

<sup>1</sup> Gartner, Gartner Survey Analysis: High Performing Organizations Make Testing, Experimentation and Analytics a Data-Driven Marketing Priority

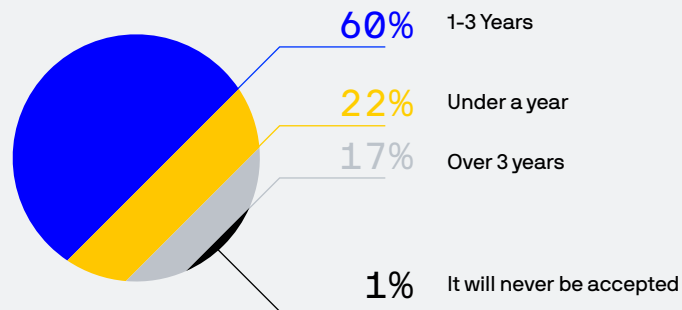
The urgency of the situation is clearly not lost on businesses as they identify experimentation as the best way to achieve positive change. Already, 74% are running 21 or more experiments a month. More than four in ten (41%) see experimentation as the most important driver of business growth over the next three years, ahead of much vaunted technologies such as automation, AI, and mobile.

**The most important drivers of business growth in the next 3 years**



Senior decision makers in the business are equally as positive about how experimentation will grow across their organization in the near future. According to 82% it will take less than 3 years for digital experimentation to become a standard practice used more widely across their business, while almost one in four think this will happen in less than a year.

**Timeline for digital experimentation to become a standard business practice and used more widely across organizations**

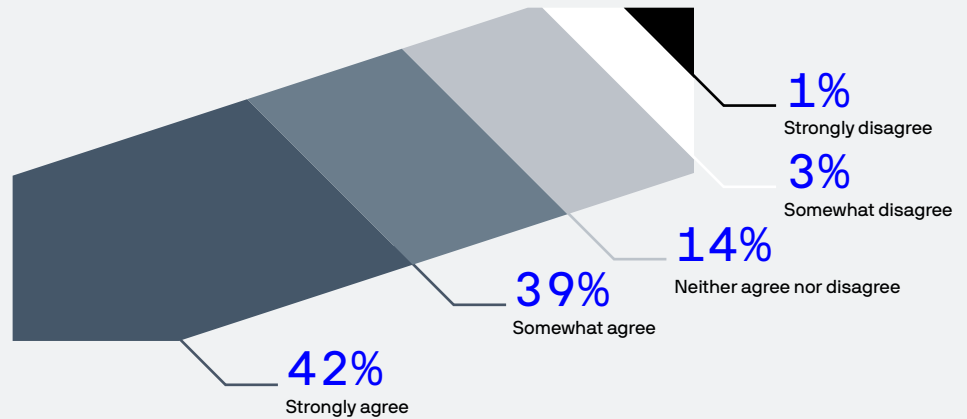


As with any change, it needs the right people with the right skill set to make it happen.

## Adoption is increasing, but mind the skills gap

As a clear consequence of the importance that is being attributed to the technology, skills in experimentation are proving to be much sought after by enterprise organizations. So much so that 81% of business decision makers say skills in experimentation and optimization will be essential to growth.

Skills in experimentation and optimization will be essential for business growth in the next 3 years



Past experience suggests that developing existing employees or attracting talent with the right skills will be pivotal to making a success of experimentation. More than half (54%) of businesses claim that previous experimentation adoption attempts have stalled due to a lack of skilled employees.

Fortunately, many organizations seem to be learning their lessons, as 85% are planning to address the skills gap.

The large proportion of businesses appreciate that they will need to continue committing resources in order to close the skills gap. To reflect this, the vast majority (85%) of organizations will continue investing in experimentation over the next 12 months, while 53% of these respondents will be increasing their investment. The main reason businesses across a wide range of industries believe that experimentation plays such a critical role in their future is because of the clear ROI achieved. The more experiments you run, the more revenue you make.



Are plans in place to address technical skills shortages?

- 40% Plans are currently in place
- 45% Plans are in development
- 11% No knowledge of plans to address the issue
- 5% There is no technical skills gap



# 02

## More experimentation leads to more revenue

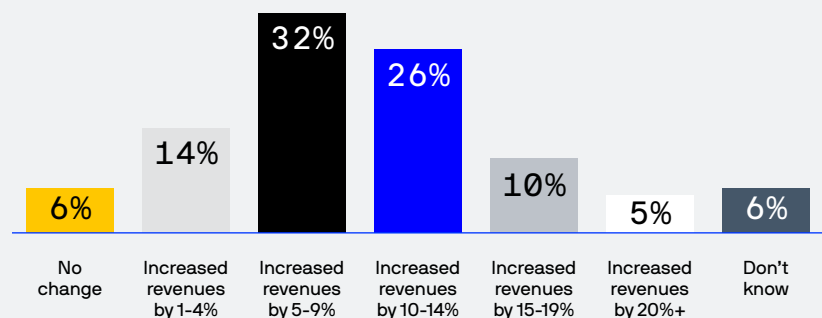
### *Deliver real ROI from experimentation*

Business growth from experimentation sounds great in theory, and is proven out in action. But how is this manifesting itself and what type of organizations are seeing the most success?

- **10%** Almost half of companies credited experimentation for driving up to 10% uplift in revenue
- 80%** Nearly half of the respondents say their company is struggling to meet customer demand for high-quality digital experiences, and 80% of those see experimentation as a solution
- 1-4%** Organizations running 1-20 experiments per month are, on average, driving 1-4% increases in revenue
- 14%** Organizations that are running 21 or more experiments per month, are most likely to drive over 14% increase in revenue

The more experiments businesses conduct, the greater revenue increases they see as a result. Businesses that are placing their bets on experimentation as the best driver of growth in the next three years are basing their predictions on facts. Almost half of companies credit the technology with driving at least 9% uplift in revenue.

To what extent has experimentation impacted the bottom line?



These sorts of results are game changers for businesses. In line with this, we are seeing the organizations that conduct more experiments, record greater revenue increases. The business case for investing is clear.



| Most common number of experiments conducted per month | Revenue Increase |
|---|------------------|
| 1-20 Experiments                                      | 1-4%             |
| 21+ Experiments                                       | 14% +            |

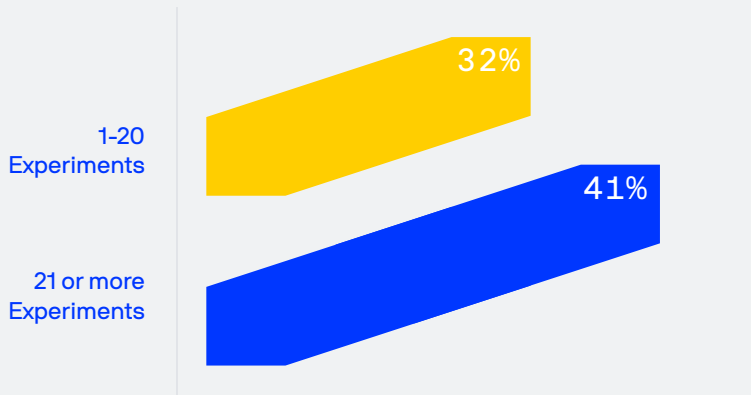
This tangible ROI that experimentation is delivering, is firm proof that the theory is becoming a reality. But this is not just a simple case of technology adoption—this is a change in mindset.

## A customer-centric approach by all teams wins

According to Gartner, ‘Marketing leaders who value testing and experimentation are more likely to have better partnerships with all other business functions.’<sup>2</sup> Our research takes this idea further. We have found that the companies where every department is focused on improving/managing the customer experience are more likely to be running a higher number of experiments.

<sup>2</sup> Gartner, ‘Gartner Survey Analysis: High-Performing Organizations Make Testing, Experimentation and Analytics a Data-Driven Marketing Priority’

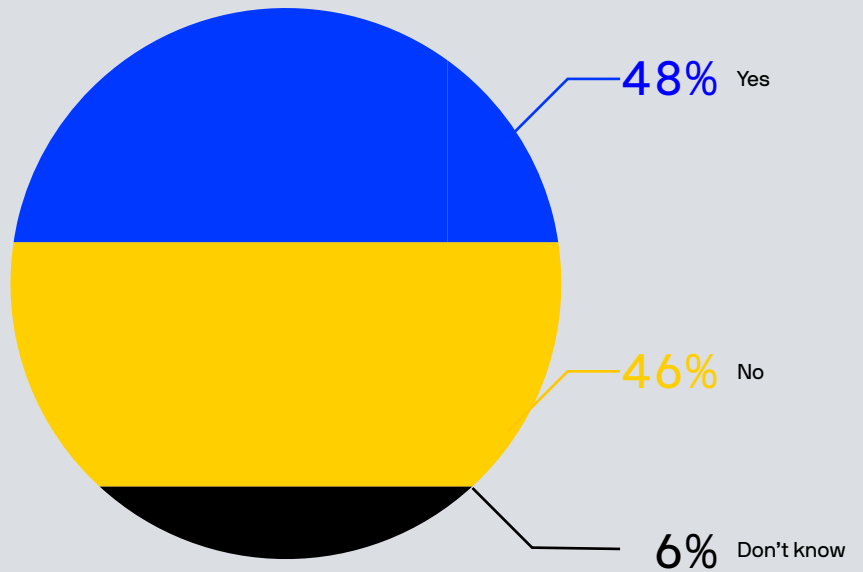
**Organizations running more experiments tend to be those where more departments take responsibility for the customer experience**



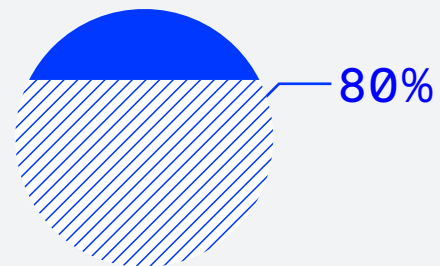
Strongly agree that every department is focused on improving/managing the customer experience

The positive correlation between improving the customer experience and committing to experimentation doesn't end there. Almost half of business decision makers state that their organization is currently struggling to meet customer demand for a high quality digital experience. Whether customers are trying to make a reservation through an app, or finalize a purchase on a mobile site, they expect a smooth, personalized experience.

**Are businesses struggling to meet customer demands for high quality digital experiences?**



**80% have identified experimentation as a solution to meet customer expectations**



This places great demands on internal teams, and 80% of those who are struggling to meet these expectations have identified experimentation as a solution.

# 03

## The secret weapon against disruption

### *Stay a step ahead to thrive*

In the context of today's competitive landscape, it is easy to see why experimentation is becoming ingrained within enterprise businesses. The businesses who want to not only survive but thrive, are constantly looking over their shoulders at what their competition is doing. It is what sets them apart as the leaders in their field.

- **66%** Two thirds of global businesses are either moderately or very concerned about being digitally disrupted by their competition
- 24%** Of those, 24% are very concerned about digital disruption - this extends to 40% at the C-Level
- 25%** Yet, a quarter (25%) believe they have fully met their digital objectives
- 40%** Even more concerning, 40% don't understand what their organization means by 'digital transformation'
- 21%** Forrester Research shows 21% of businesses think they've completed their digital transformation journey, but they haven't realized that digital transformation is a constant state of being<sup>3</sup>

<sup>3</sup>Forrester: The Sorry State Of Digital Transformation In 2018, Forrester, April 2018

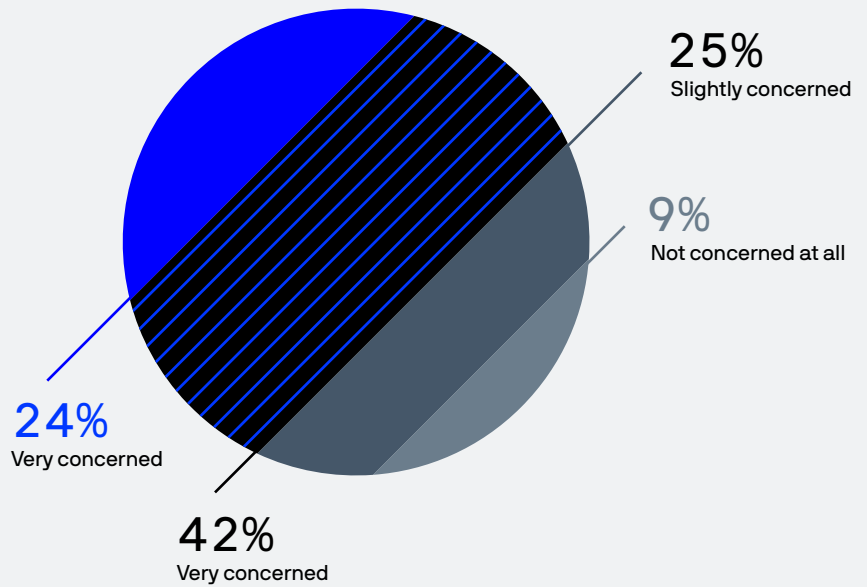


“Ten years ago, investment in digital for most businesses was significant. But today, we've seen rapid exponential growth towards how companies think about experience design, product engagement, and customer experience. With the democratization of software for gathering data, analyzing data, and using data to make better products and experiences, businesses have the opportunity to get closer to their customer than ever before. I see experimentation as the key enabler to helping businesses get closer to their customer, to iterate and validate their way into value creation. It's a continuous and iterative process for understanding what your customers most need and expect.”

Matty Wishnow / Managing Director, Experience Design & Optimization / Accenture Interactive

No industry is safe. Across the board, two-thirds (66%) of global businesses are either moderately or very concerned about being digitally disrupted.

How concerned are global businesses by digital disruption?



The remaining third of businesses should be worried. If the threat of disruption is not even on their radar, they could be in for a sharp shock. About 50% of the S&P 500 will be replaced over the next 10 years, [if Innosight’s forecasted churn rate holds](#). There is no time to waste. Many organizations are taking positive action to counter the threat. It is the more progressive organizations that are taking this concern on board. The greater the number of experiments a business conducts, the more likely they are to be concerned by digital disruption.

| Number of experiments run, per month | Concerned by digital disruption |
|--------------------------------------|---------------------------------|
| 1-20 Experiments                     | 85%                             |
| 21+ Experiments                      | 93%                             |

Despite this general awareness of the threat posed by young, nimble, challenger brands, there is also an air of complacency. One quarter (25%) of business decision makers believe their organization has fully met its digital

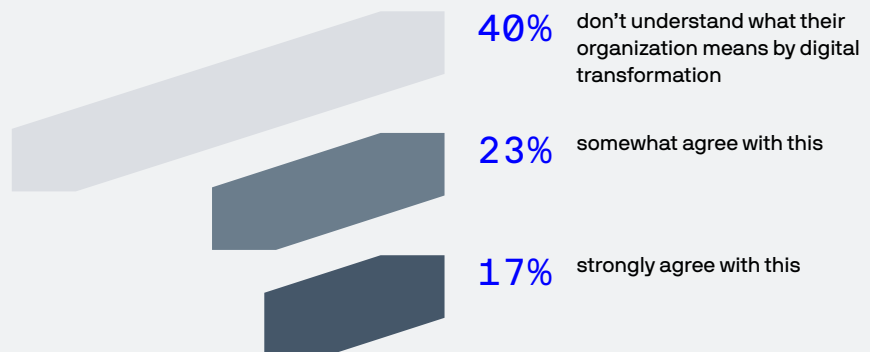
objectives. These organizations should take note of recent research from Forrester. According to the analyst house, 21% of businesses think they've completed their digital transformation journey, but they haven't realized that digital transformation is a constant state of being<sup>4</sup>. The very essence of digital transformation is that it can never stop; when it does, organizations and their market share will be there for the taking.

## What does digital transformation even mean?

The constant threat posed by disruptive organizations makes it more critical than ever for businesses to have a solid understanding of the digital path they are taking and the objectives they have laid out.

Worryingly, significantly more than one third of business decision makers don't even understand what their organization means by digital transformation.

How many decision makers do not understand what organizations mean by 'digital transformation'?



On top of this, half believe that the term 'digital transformation' causes confusion within their organization. A further 58% agree that the definition of digital transformation and what it means is not communicated clearly enough by leadership teams.

If businesses are to embrace and innovate for the digital-first customer, this confusion has to end. No amount of technology investment in the name of digital transformation will succeed unless there are clear, customer-centric goals in mind. Experimentation gives businesses direct insight into what customers want and this is what digital transformation should be centered around.

# 04

## Still more work to do on embracing failure

### *Failure is sometimes still an “F” word*

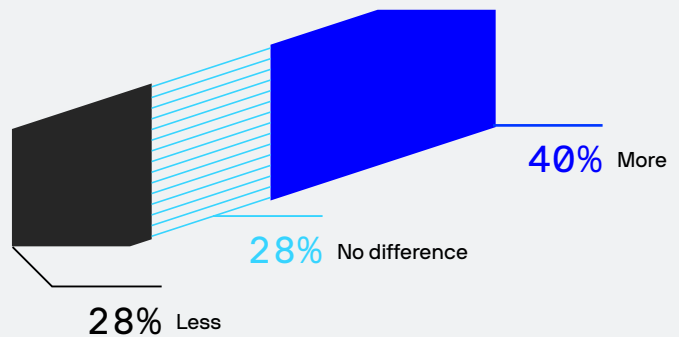
Underpinning everything that has been covered in this report is one key element - culture. Using experimentation to drive innovation throughout a business is far more than a case of deploying new technology. To be implemented successfully, an entire change in mindset from the organization is required.

Despite the importance of a consistent cultural approach, there are disparities that have emerged concerning the attitudes of senior decision makers compared to those involved at the more executional level.

- **20%** One in five organizations (20%) have a culture where failure is not an option
- 43%** Surprisingly, this is not necessarily driven from the top down, as 43% of decision makers embrace failure more than less senior employees
- 68%** Of executives have altered their attitude to change in the last 3 years. 94% of these executives believe their organization has become more open to change
- 77%** In total state that their organization fully embraces changing its culture
- 74%** Of those at management level agree with this compared to 83% at the C-level. This shows a slight disparity, with those at C-level more confident in the organization’s attitude towards changing its culture, than those on the front line
- 91%** Say the lack of ideas is not the issue when it comes to improving the digital customer experience. Silos and organizational structures are the biggest barriers holding these ideas back

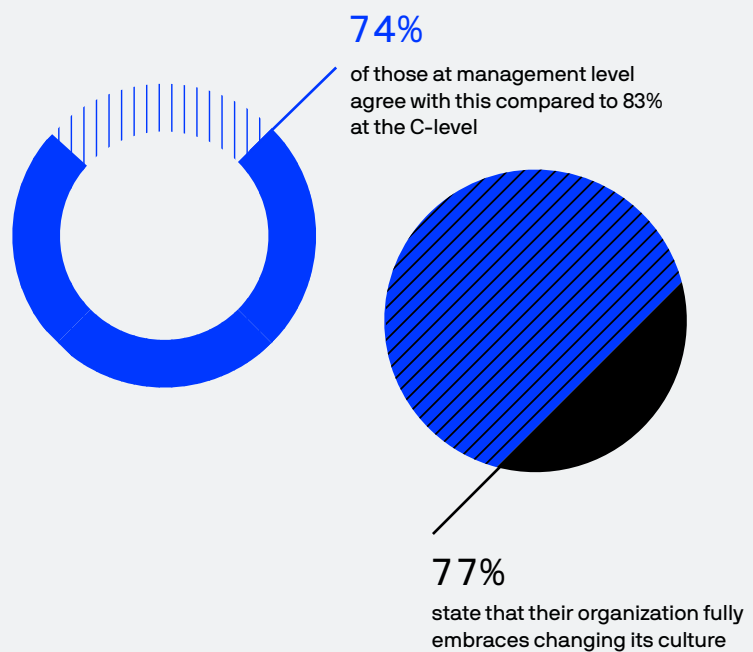
In one out of five organizations, a culture still pervades where failure is not an option. Surprisingly, this is not necessarily driven from the top down, as 43% of decision makers embrace failure more than less-senior employees. Further to this, in 56% of organizations, the team is discouraged if less than 10% of experiments succeed. Business leadership clearly needs to pay attention to changing the mindset of employees.

Do decision makers embrace failure more or less than less-senior employees?



The disparities continue as we dig deeper. Of those at managerial level, only 19% feel that failure is not an option, as opposed to 14% at the C-level. The differences widen when considering how employees feel their organization embraces change.

To what extent do businesses embrace change?





This shows a greater confidence at C-level in the organization's attitude to change, than those who are closer to the front line. While those on both sides of the fence are positive about their organization's ability to embrace change, these gaps in perception must not be allowed to grow any wider if the theory behind experimentation is to continue to be materialized in real success.



**“After we run an experiment, we all sit down and look at the results and we share the results with the broader organization. We spar. Sparring is important because we want to have a debate about our hypothesis and what conclusions we draw from those results. So we have had that in an open and transparent forum so that we can really tease apart the learnings that we're getting.”**

Tom Tsao / Head of eCommerce / Atlassian

Similarly, organizations have to back up their rhetoric about being open to change, with real action. Despite the general positivity, more than half (56%) of decision makers still agree that their business moves slowly to implement new approaches to work. If this continues to be the case, those driving the change internally may become frustrated and attempts to scale experimentation and new ways of working could stagnate.

This lack of consistency could be attributed to the fact that this attitude to change has shifted significantly in recent years. More than two-thirds (68%) of executives have altered their attitude to change in the last 3 years. Meanwhile, 94% of these executives believe their organization has become more open to change. If the balance between attitude and action can be found, there is a huge potential waiting to be unleashed.

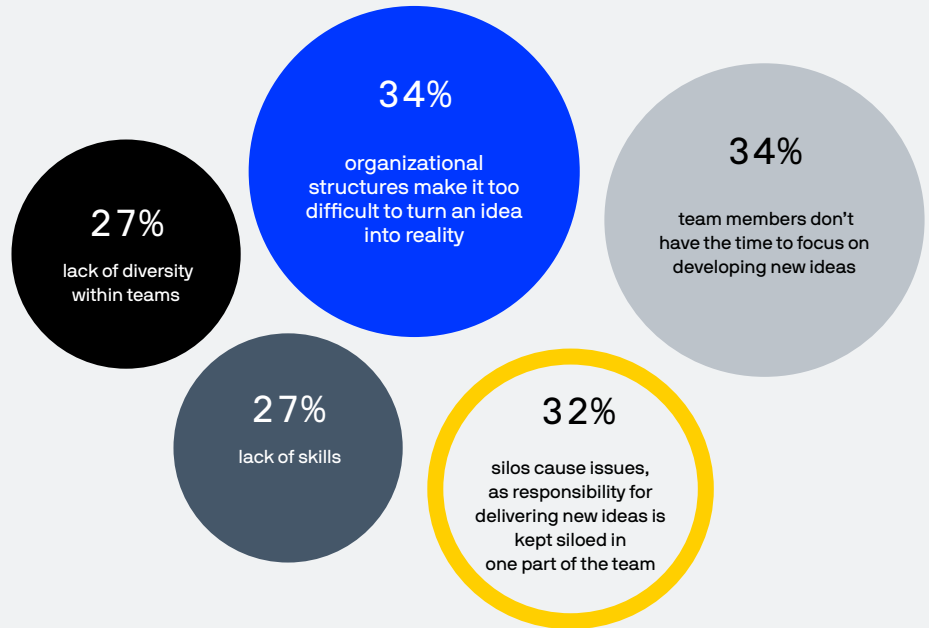
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## Silos and structures are the roadblocks



For a new mindset to really take hold, organizational structures need to be conducive to allowing fresh ideas to thrive. According to the overwhelming majority (91%) of business decision makers, their employees are capable of delivering a constant flow of new ideas focused on improving the digital customer experience. The challenges are the silos and organizational structures that are holding people and businesses back from delivering the optimum quality of experience for their customers.

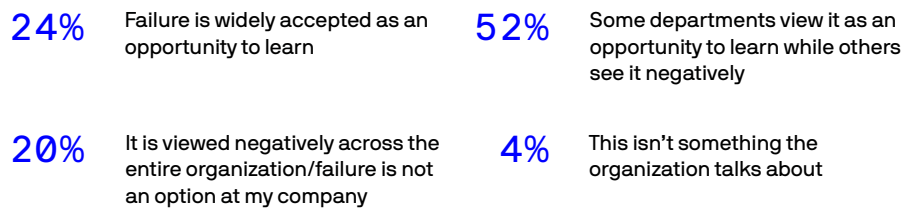
The main barriers to delivering new ideas that will improve the digital customer experience



The same principle of consistency also needs to apply to individual departments. More than half say that some departments view failure as an opportunity while others see it negatively.

Just under a quarter (24%) of business decision makers say that failure is widely accepted as an opportunity to learn. This is reflected in the fact that 56% believe that their team is discouraged if less than 10% of experiments succeed. Despite progress in the right direction, these attitudes will need to continue to change.

How do organizations view failure



As Amazon's Jeff Bezos states, "If the size of your failures isn't growing, you're not going to be inventing at a size that can actually move the needle."

# 05

## How to win in the Digital Experience Economy

### *Make the change*

The Digital Experience Economy is evolving every day, driven by demanding customers and new innovation practices from the most progressive organizations. Experimentation is critical to business growth and innovation in this economy, delivering high ROI to those who make it a standard business practice. If you are not already conducting experimentation at scale, what steps can you take right now?



#### Run more experiments

Higher revenue increases are directly linked to conducting a greater number of experiments—boosting volume will be essential to achieving greater impact from your experimentation program



#### Develop your skills

Offer training to existing employees or hire dedicated optimization professionals. A highly skilled team will be vital to supporting the increased adoption of experimentation in the next 3 years



#### Improve awareness and clarity

The most successful businesses will be aware of the threat of digital disruption—communicate a clear digital strategy to make sure the whole team can take positive action against it



#### Familiarize your team with failure

The most innovative businesses have embraced failure to progress—attitudes across entire organizations must change to allow experimentation to thrive and drive revenue



#### Collaborate across teams to deliver the best customer experience

With 45% of marketing leaders surveyed in the CMO Spend Survey citing CX as a “shared responsibility with other groups in the company,” marketers must liaise with stakeholders in sales, operations, IT and more to define and reinforce organizational CX values.—Gartner report: Cultivate a Customer-Centric Culture Within Your Organization



06

## Survey Methodology

The survey was conducted among 808 purchasing decision makers or influencers across product, marketing and IT teams from the UK (25%), US (50%), and Germany (25%). All respondents came from businesses with a minimum of 500 employees. The interviews were conducted online by Sapio Research in March 2019 using an email invitation and an online survey.

### Learn More

Learn more about how you can use experimentation to drive revenue increases across your business by visiting [www.optimizely.com](http://www.optimizely.com)