PROPHET

2020 Trends

Achieving Growth in the Digital Age

January 2020

Contents

Executive Summary

As the world settles into the new decade, it's tempting to say businesses are facing entirely new options and possibilities. But as companies keep forging ahead in the digital era, most are facing a very familiar grind: Finding growth in the face of disruption while fending off old and new competitors.

Prophet asked our global leaders to share their insights on the significant shifts in the tools and tactics executives are using to drive growth. Drawing on our expertise in sectors like healthcare and financial services, as well as disciplines, including marketing, sales, organizational culture, brand and experience innovation, we've zeroed in on the key areas of focus that we believe will have the strongest impact on brands and evolving cultures in the months ahead.

Whether it's the integration of business ethics into competitive strategy, the emerging power of employees or the simplification of design, these trends illustrate key themes, appearing more frequently in every industry.

- Change management is essential–achieving significant growth requires that organizations evolve faster than competitors
- Agility is always redefining itself, as businesses shake off failed digital transformation efforts and excess data to find genuinely nimble platforms
- Purpose matters more than ever and infuses every aspect of an enterprise, from customer experience to employee retention to business strategy

Find out which trends we expect to see have the greatest impact on business in 2020.

Brand & Activation

by Scott Davis

When it comes to spotting marketing trends, it's easy to get distracted by the buzziest tech developments. But in our field of work, guiding the world's leading brands to avenues of uncommon growth, there's a higher likelihood that the most important trends aren't brand new. They're ideas that sound familiar — the importance of customer experience, for example, or brand purpose — that are undergoing new and powerful changes.

And yes, staying on the top of the latest technologies and trends like TikTok and VSCO girls certainly matters. But not as much as paying attention to these five developing — and seismic — shifts.

01
Digital experience makes way for humans

For years now, the emerging importance of customer experience has driven big investments in digital technology. AI now powers everything from chatbots to voice activations to CRM machines. But to be truly regenerative—creating experiences that aren't just satisfying, but also drive revenue—we're seeing a movement to experiences that are deliberately human.

We're not saying that the tech-stack trends of the last two decades are going away. And certainly, some of the least human brands continue to dominate our Brand Relevance Index® (BRI)—good luck ever connecting with a live person at Netflix or Amazon. (Sorry, Alexa, you don't count.)

But in an era when intuitive and personalized digital experiences are expected, the pendulum is swinging back. Some of the fastest-growing brands rely on genuine warmth. When customers return a purchase to companies like Bombas, UNTUCKit and Casper, ultra-enthusiastic specialists artfully turn what might be a negative conversation into a rewarding experience.

Zappos continues to set the gold standard here, training associates for four full weeks before letting them take a call. And B2B companies are making these changes, too. It comes as no surprise that some of these brands are also the most digitally disruptive. Stitch Fix, an online personal stylist subscription service, may excel because its wardrobe selection choices are driven by some of the best AI out there. But it continues to grow because of the personal relationship customers develop with their stylists, fix after fix. This year, we'll see brands think less about creating efficient experiences and more about injecting them with warmth.

> “To be truly regenerative—creating experiences that aren't just satisfying, but also drive revenue—we're seeing a movement to experiences that are deliberately human.

Facebook scored low in the "I trust this brand to act responsibility with my data" attribute in our 2019 BRI®

02

Consumers have learned the difference between privacy and security — and are ready to hold brands accountable

While concerns about security breaches and data privacy have been around for ages, mainstream consumers have mostly had their heads in the sand. But between Facebook's ongoing fall from grace and legislative efforts to put data in the hands of consumers, outrage is entering the mainstream. It's so top of mind that it's the focus of Apple's latest marketing efforts. "These are private things, personal things," the ads say. "And they should belong to you, simple as that." As people increasingly view tech companies as villains, we expect more companies to go on the offensive, convincing consumers that they are one of the good guys.

In this year's BRI research, we talked to people about this issue specifically for the first time. On the measure of "I trust this brand to act responsibly with my data," financial brands scored far better than tech companies. Fidelity, Turbo Tax, USAA, Vanguard and Visa led the list. Except for Apple and Android, which ranked in the top 20 by this measure, tech–including Amazon–scored poorly. And (no shocker here) Facebook came in dead last, followed by Twitter.

"I trust this brand to act responsibly with my data."

1 Fidelity Investments

2 intuit turbotax

3 USAA

4 Vanguard

5 VISA

6 MAYO CLINIC

7 PayPal

8

Source: 2019 Prophet Brand Relevance Index®

03
Think you've got brand purpose? Better ask Gen Z

A funny thing has happened in the last five years, as companies rushed into purpose-based marketing. Gen Z (kids born between 1997 and 2012) are coming of age. And this problem-solving group is more fiercely committed to changing the world than their millennial older brothers and sisters.

New research shows that 90% are fed up with the negativity in the U.S., and are taking that millennial "OK, Boomer" thinking to the next level. They expect companies to help, if not take the lead. Some 83% consider a company's purpose before deciding to work there, and 72% before making a purchase. Among their top concerns? Protecting the environment, racial and gender equality, LGBTQ rights and gun safety.

Their heroes are peers like environmentalist Greta Thunberg and gun-safety advocate Emma Gonzales.

They favor brands that take bold stands on these issues, like Levi Strauss & Co. and Dick's Sporting Goods for controversial positions on gun control, American Eagle's Aerie for unretouched, inclusive marketing and Marvel for its diverse superheroes. Companies that continue to play it safe with purpose risk losing this vital audience.

83%

of Gen Zers consider a company's purpose before deciding to work there

72%

of Gen Zers consider a company's purpose before making a purchase

04
Power for your people

Making sure employees are engaged and supported at work is important to the success of any enterprise. Employees who trust their employer are far more likely to act in ways that help the company grow and prosper. But the world is watching, and 78% of people say that the single best measure of a company is how it treats its employees.

Employees demand more, too. In new research on trust, 67% expect prospective employers will join them in taking action on societal issues. And 71% of employees believe it is critically important for their CEO to respond to challenging times.

Prophet's recent research on how companies are powering transformation from the inside out confirms this. More than a third of the companies surveyed are actively developing ways to retrain and reskill their workforce, and 33% already have a roadmap for making sure their corporate culture and growth plans focus on people. This all means more than firing high-level execs who misbehave. It requires managing organizational culture to drive digital transformation. And it calls for more planning, more flexibility and more empowerment for employees.

78%

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Among those that soar on our "Makes me happy" measure in the 2019 Prophet Brand Relevance Index® are Disney, Spotify and Hershey's, with Pixar in first place.

05

Hello, Joy. We missed you

As we head into an election year that promises to be even more toxic than 2016, people need relief. Scientists say 40% of America is already demonstrably stressed-out by current events, and 73% are worried about fake news being used as a weapon.

Smart brands will respond by offering moments of lightness, laughter and escape. Joy already powers some companies. Among those that soar on our "Makes me happy" measure in the 2019 Prophet Brand Relevance Index® are Disney, Spotify and Hershey's, with Pixar in first place. (Trust us: Frozen 2, Soul and Onward will be among the year's most beloved movies.)

The ability to inspire people to be their best, happiest selves is more valuable in cynical times. The most inspiring brands in our Index—including LEGO, Pinterest, Etsy, Fitbit and TED—succeed by leveraging their inspiration to create communities. These people become the brand, uplifting one another in ways that are fun, authentic and rewarding. We predict many companies will borrow some of their tactics, striving to connect people in ways that make them feel better in challenging times.

We expect this urge to spread joy and connection to show up not just in messages, but in ambitious digital and IRL experiences. Think of it as a modern approach to what Coke tried to do, back in 1971, another deeply troubled period in the U.S. In their own way, we think many brands will try and remind us that joy is the real thing. And we'll drink to that.

Want to learn more about our 2020 trend predictions? Read through our Brand Relevance Index® (BRI) for a better look at how 2019 stacked up or get in touch today.

Scott Davis
Chief Growth Officer

Experience & Innovation

by Abram Sirignano, Dhruva Ganesan and Nicolle D'Onofrio

It's no secret to us (or any of our clients) that advancements in experience and innovation are moving faster than almost every other aspect of business. In fact, spending on experience technologies jumped nearly 8 percent this year to $508 billion, and experts expect it to grow another 8.2 percent in the year ahead.

As companies raise the experience bar, we're seeing major shifts in the way customers and employees interact with brands. If people can't see a reason one brand stands out over another, they move on. In a world of practically limitless options, there's always another choice.

Here are four ways we expect to see more companies — both B2B and B2C — shake up their approach to developing, launching and implementing better experiences.

01
Experience becomes the product, and vice versa

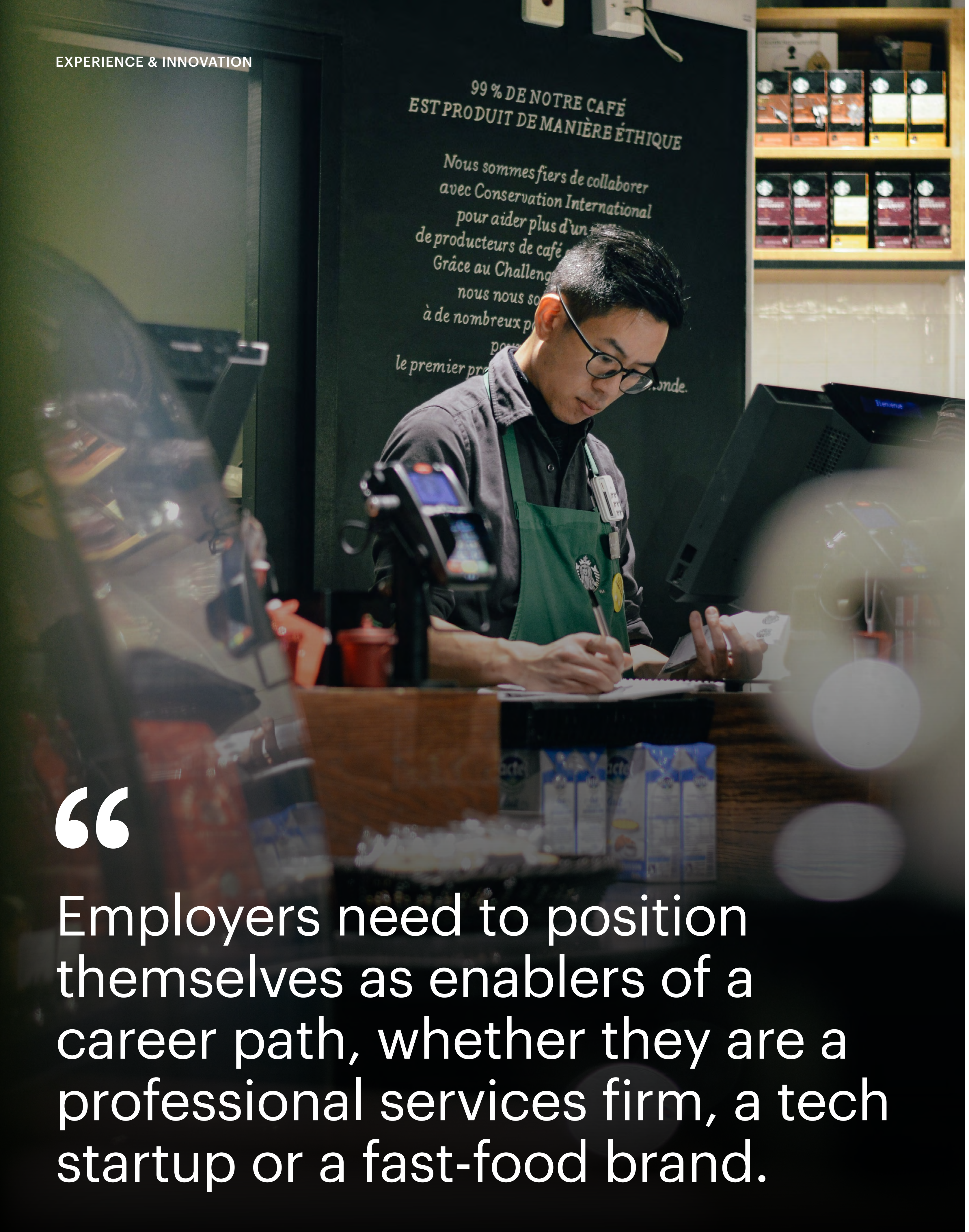
It's getting harder to differentiate an experience from a product and a product from an experience.

It's getting harder to differentiate an experience from a product and a product from an experience. Digitally native companies—especially those with a direct relationship to their customers—have led the way.

While it may be hard to define the "product" from a company like Uber, Spotify or Airbnb, these companies are monetizing experience. They understand that it is their primary commodity.

That means more complex experiences and a broader offering of products. It's no surprise to companies in Silicon Valley, where companies like Slack, Glassdoor and PayPal have dedicated "product" teams versus "experience" teams. Legacy companies, including Adobe and Capital One, are also adopting this approach.

While it may be hard to define the "product" from a company like Uber, Spotify or Airbnb, these companies are monetizing experience.



“

Employers need to position themselves as enablers of a career path, whether they are a professional services firm, a tech startup or a fast-food brand.

02

Jobs become talent incubators

Unemployment rates, currently at a 50-year-low, are expected to stay that way in the year ahead, turning up pressure on employers who are increasingly desperate to find new workers. That means making even more significant changes in the employee value proposition, especially to attract Gen Z and Centennials. Unlike older workers, these younger people favor purpose-driven employers, with 60 percent saying they believe brands should speak up about social issues. They want to work for companies that align with their own values and expect employers to adapt to and support their changing interests and lifestyles.

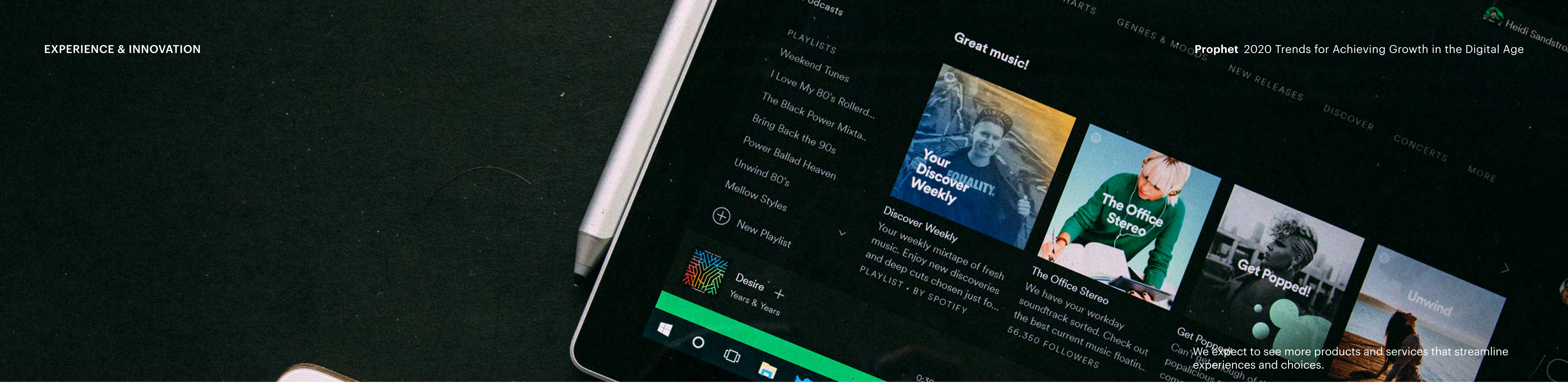
They don’t see their first job as merely a paycheck but as a stepping-stone. To win these young workers over, employers need to position themselves as enablers of a career path, whether they are a professional services firm, a tech startup or a fast-food brand. And they need to do so regardless of whether their workers stay with them or not.

Starbucks led this trend back in 2015, announcing free tuition at Arizona State University’s online program. The company, which had already offered two years of free classes, expanded it to cover four years, offering an undergraduate degree to full and part-time workers.

McDonald’s is taking steps in this direction with a “Where You Want To Be” Campaign, a concerted effort to help employees connect the skills they learn on the job with education, tuition assistance and career tools to take the next step in their professional journey.

McDonald’s developed the program by analyzing generational segments, zeroing in on the soft skills and industries that matter most to these young workers, which include arts and entertainment, technology, entrepreneurship and healthcare, as well as restaurants and foodservice. It teamed up with five influencers aligned to each industry, offering a few employees once-in-a-lifetime first-hand work experience.

It’s all part of a larger “Archways to Opportunity” program, which offers a suite of career development services, funds and tools designed to help restaurant employees identify potential career paths and chart a course of action to pursue them.



We expect to see more products and services that streamline experiences and choices.

03

Companies build CX portfolios

Increasingly, we see companies like Bose take steps to formalize the customer-experience role. They're adding operational complexities to several internal initiatives, managing broad portfolios of customer-experience moves. That includes moving from idea to concept to prototype to scale, but also fixing what's broken, getting up to par and trying to become "best in class." Mature companies can manage this broad portfolio by creating experience and innovation organizations.

As they begin to manage these portfolios better, they're also bearing down on CX measurement. The more companies spend, the more the burden of proof rises. Mature organizations have built-in processes that calculate customer experiences' contribution to business and brand results, such as increased consumer satisfaction or better conversion rates.

But many companies still get stuck measuring across multiple channels. It's not enough to know how well an e-commerce site does. Companies are striving for metrics that encompass the success of the full experience. Marketing tools like Adobe are already working on holistic measurements, but we expect the year ahead to bring new players to the field.

04

Simplified design makes a comeback

With their attention pulled in so many different directions, people are craving more focus. That means simplicity has a higher perceived value. As a result, we expect to see more products and services that streamline experiences and choices.

Some of our favorite examples include Spotify's Wrapped and Netflix's updated approach to recommendations and categorization. Shopify is a leader too, with its one-click ordering, chat-based commerce and AR tools. Essentially, the future looks exciting and inspiring for those who adapt and pretty deadly for those who don't.

Get in touch with our team to learn more about why experience matters.

Abram Sirignano
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Organization & Culture

by Helen Rosethorn, Tony Fross and Paul Teuton

When is comes to publish your annual plan, are you effectively responding to the distruptive forces and opportunities of the digital age?

We've been askiing yoursleves the same question within our Organization & Culture practice here at Prophet. Our views come from not just our ongoing research, but also from helping our clients around the world lead transformations of all shapes and sizes. We've distilled that experience into the three factors we believe will be critical to organizational transformations in 2020.

In setting out these opportunity areas for focus, we are not saying these are the only big-ticket items that should occupy your attention. But it is our belief that the ones we have selected are going to become points of differentiation in accelerating successful organizational transformation.

01
Connecting purpose and ambition

Having a purpose alone isn't enough to help people through the dizzying world of change we are in.

We've previously written about the arrival of "purpose" as a critical component in transformation; bringing a sense of meaning and direction by answering why an organization has its place in the world. We have helped many clients arrive at their north star and to think beyond words about what needs to happen daily for them to infuse true purpose into their organizations and thereby align behaviors and accelerate decision making across the business.

But having a purpose alone is not enough to help people through the dizzying world of change we are in. What our 2019 research revealed is needed, and what we are now seeing more of in successful transformations, is codifying purpose through a clear, measurable and time-bound ambition.

For some organizations, this is as narrow as painting a comprehensive picture of what a digital transformation will look like in their own firm and for its customers. For others, it means creating a more tangible set of future outcomes that cater to the complete stakeholder ecosystem, both in and outside of the organization.

02
Incorporating the next generation of workforce planning into your talent strategy

We see organizations realizing more starkly than ever before that they were designed for a different era. New operating models are no longer a consideration—they are becoming a necessity with significant implications for organizational redesign. Tinkering at the edges of this problem is no longer viable.

Workforce planning is a key strategic imperative, but it has moved firmly beyond predicting talent needs to a synthesis of three formerly separate disciplines: functional and enterprise visioning, business architecture, and powerful people analytics. All three of these disciplines impact how you organize talent to deliver on your business ambition. Prior approaches were frequently focused on cost cutting and demotivating, decoupled from growth strategy, and executed with the thinnest veneer of quantitative insights to support them.

We're toe-to-toe with this issue with several clients right now and we've found that the next generation of workforce planning is different from past approaches, because it's:

- **Linked to vision and ambition**
- **Driven by business architecture and not existing organization charts, it's more tightly coupled to longer term business strategy**
- **Facilitating more strategic decision making as quantitative tools help SaaS people data platforms really come into their own**

On top of this, the reskilling component of workforce planning has now ballooned as a result of years of declining learning and development investment and the use of often ineffective, low-cost alternatives. The future is already here for some leading companies making multi-billion-dollar investments in reskilling in order to remain competitive.

> “The future is already here for some leading companies making multi-billion dollar investments in reskilling in order to remain competitive.

03

EX=CX=EX

Employee experience (EX) has long been talked about as the acid test of any employer brand—the reality of expectations met or otherwise. But in a world where consumer brands have shifted to build their worth through experience first and foremost—suddenly the connective tissue between EX and Customer Experience (CX) is a growing area of focus and can easily hit the headlines when it clearly falls short—notably recently at the direct-to-customer luggage brand, Away.

This is made even more complex through the interplay between technology and humanity—and the challenge that EX has lagged light years behind CX in terms of technological enablement. The sad truth is that so many "employee tools" are actually designed to cut costs and make the lives of Finance, HR and Operations teams easier—rather than deliver a customer grade employee experience. As a result, we see HR leaders looking to approach EX differently and learn from CX innovation. And there are also CX leaders taking a more holistic view of the organization and looking at how EX can really drive differentiation for their goals. Ultimately, there is a big prize: EX that is powerful and makes work easier for employees, thereby delivering both direct and indirect benefits to the end customer and reinforcing the value proposition for employees to join a firm and thrive —win, win, win.

Final Thoughts

One final point. There is one theme we have not yet called out but, in our view, it flows through our identified focus areas and that is humanity. As symbolized by our Human Centered Transformation model, the organization is a macrocosm of people. Too often leaders continue to mistake the pursuit of digital innovation as separate from the people agenda, which inevitably fails to drive the outcomes they seek. The value created by any organization is rooted in human contribution. Its transformation therefore needs to be viewed in that way.

There is little point in reflecting on 2019 if it does not drive action in 2020. We suggest that you closely consider plans for the year ahead to determine if they adequately address these three transformation focal points and if not, make them your first new year resolutions.

Contact us to learn how to ignite digital transformation and create a path towards accelerated change across your organization today.

Helen Rosethorn
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Marketing & Sales

by Fred Geyer and Mat Zucker

2019 was a transformational year for digital marketing as its scope, impact and efficiency made momentous advances. Four disruptors gained so much traction that they are poised to drive a new generation of smart marketing in 2020, tearing down the barriers between online and offline buying.

01
Applied Artificial Intelligence (AI)

In 2019, AI left the protective embrace of data scientists and academics. The world watched as it became incorporated into marketing and customer experience platforms.

In 2019, AI left the protective embrace of data scientists and academics. The world watched as it became incorporated into marketing and customer experience platforms through tools that can be used without a PhD. In fact, 97 percent of mobile users now use one or more AI-powered voice assistants.

Netflix's pioneering use of AI to predict subscriber desires will become standard in streaming content sites. UK-based clothing company Superdry is using AI email personalization through Phrasee to boost their ROI. These chat, CX and CRM examples illustrate AI productization.

Digital marketers can now deploy AI without building it from scratch through a bevy of tools and suppliers who have productized intelligence by incorporating it into their solutions. In 2020, expect productization to blossom in targeting, content marketing, personalization, spend optimization, product selection and recommendation.

Netflix's pioneering use of AI to predict subscriber desires will become standard in streaming content sites.

02
SMarketing

Smashing together sales and digital marketing in B2B took off in 2019 and heralds even greater impact for 2020. We've termed it 'SMarketing.' Digital marketing driven by the past two years of gains in advanced Account Based Marketing (ABM) and tailored customer experience delivery is upending the role of the salesforce as the primary driver of leads, cross sell and loyalty.

Powerful ABM platforms such as Rollworks and DemandBase are being harnessed by ABM specialists such as Springbox to create a more integrated and effective way of selling. As the traditional silos between marketing and sales are lowered, SMarketing is expanding reach and enabling customers deep in the supply chain to gain access to buying information and receive day-to-day service online when and how they want it. Sales team members are using the leads, time savings and efficiency gains of digital marketing to improve their effectiveness and spend more time cultivating the customers that matter most.

03
Velvet rope communities

Communities of specialists, thought leaders and members with shared qualifying expertise and passions existed behind the velvet rope long before the internet and social platforms emerged. What's changed is the important role they are playing for members and their growth as the broader social world becomes infected by false news and hostile behavior.

The growth of gated groups on LinkedIn illustrates the clear shift to pre-screening participants. There are now hundreds of LinkedIn groups, such as the 300 thousand member Health Executive Network, where participants must be accepted by the group administrator based on qualifyi standards. Velvet rope communities like these are not easy to understand or penetrate using standard social tools. Participants must meet the criteria for admission, demonstrate subject matter expertise and provide relevant curated content with links that entice members to engage outside the community. Listening to what matters most to community members in those opportunities when the gates are opened – even a little bit – makes a huge impact. And the rewards are substantial: job postings, solicitation by vendors and irrelevant topics are all screened out of the feed so the online dialogue is thoughtful and informed.

What's next? Treating retail stores and other analog environments as media where consumer behavior can be observed, measured and predicted

04

Contextual omni-channels

The programmic age is giving way as we speak to a new age of digital marketing.

The programmatic age is giving way as we speak to a new age of digital marketing that is more relevant because it relies less on where you've been and is based more on where you're going. In this new world, the context of the user grows to include what can be deduced from time, location, interest and profile, and channels are growing to include analog spaces in the digital mix.
What's next? Treating retail stores and other analog environments as media where consumer behavior can be observed, measured and predicted based on facial recognition, beacon technologies and interaction with connected devices in the environment.

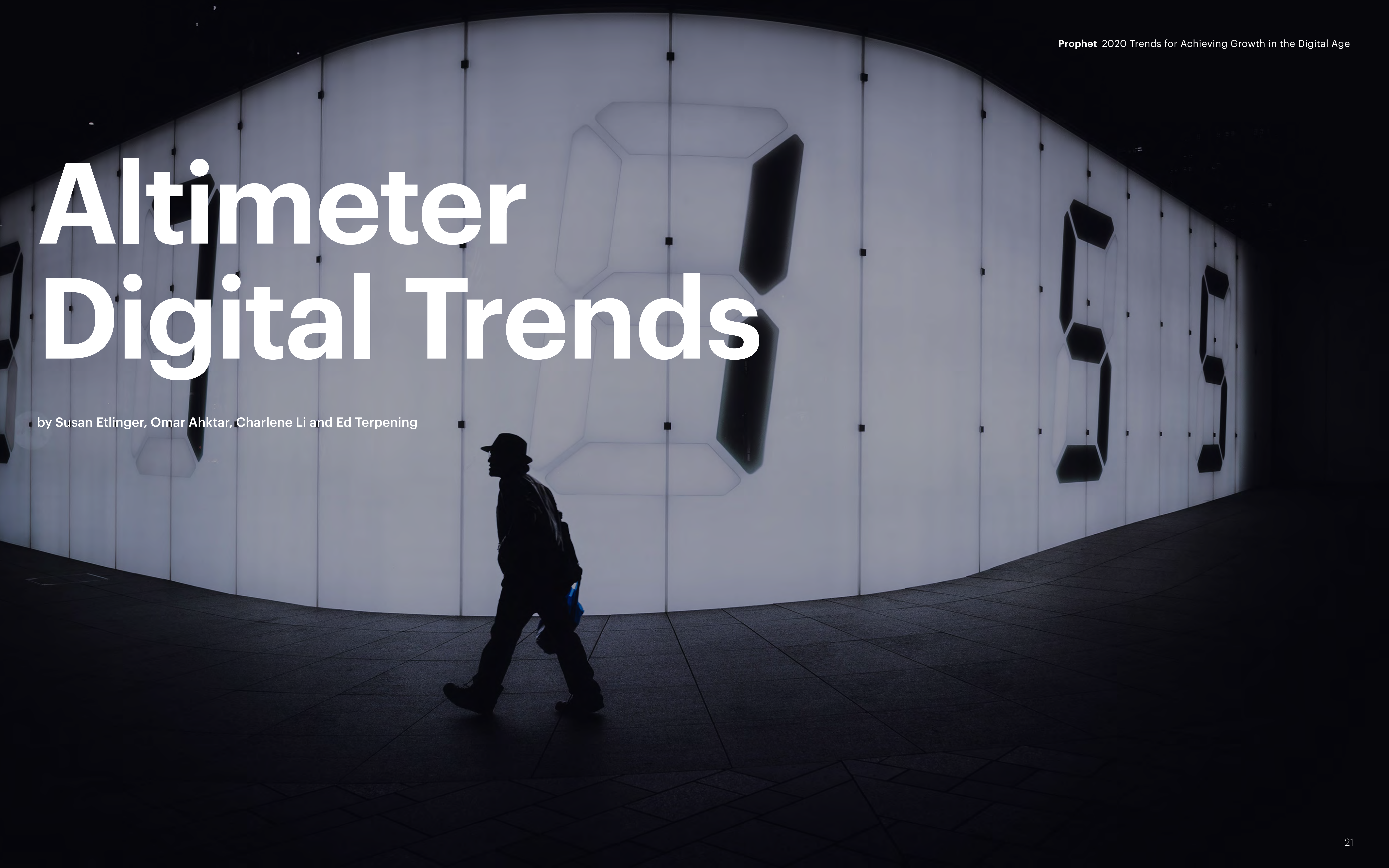
Final Thoughts

All four disrupters are likely to have a profound impact on digital marketing because they challenge the fundamental paradigms that underlie so many existing efforts. Growth leaders must come to grips with the reality of a world where AI is no longer a promise but a fact, where SMarketing is changing the very nature of their roles, where velvet rope communities shift social influence from mass reach to targeted expertise and where the contextual omni-channel connects the analog and digital experiences to predict the future instead of respond to the past. The future looks exciting and inspiring for those who adapt and pretty deadly for those who don't.

Contact us to learn how can we help your organization achieve digital marketing and sales excellence.

Fred Geyer
Senior Partner

Mat Zucker
Partner



Altimeter Digital Trends

by Susan Etlinger, Omar Ahktar, Charlene Li and Ed Terpening

The Intelligent Organization, Innovation and Trust

by Susan Etlinger

As we enter 2020, the biggest change we're facing is that we're no longer able to seperate digital from analog and business from personal.

The digital world today looks very different from the world of the past decade. Social media is the de facto communication channel for up to half of the 4.3 billion internet users worldwide. Connected devices powered by intelligent technologies enable us to speak or gesture to virtually any device to communicate our needs. Computer-generated imagery is no longer confined to Star Wars; it's being used for everything from puppy filters to information wars. But, as we enter 2020, the biggest change we're facing is that we're no longer able to separate digital from analog, business from personal. We blend.

What it means: digital experiences are brand experiences

In the early 2020s, expect "digital transformation" to become an artifact, much the way "e-business" or "social" has become in the last two decades. Digital is table stakes now, and it's time to take a hard look at organizational silos, whether they're focused on data, technology, process or people.

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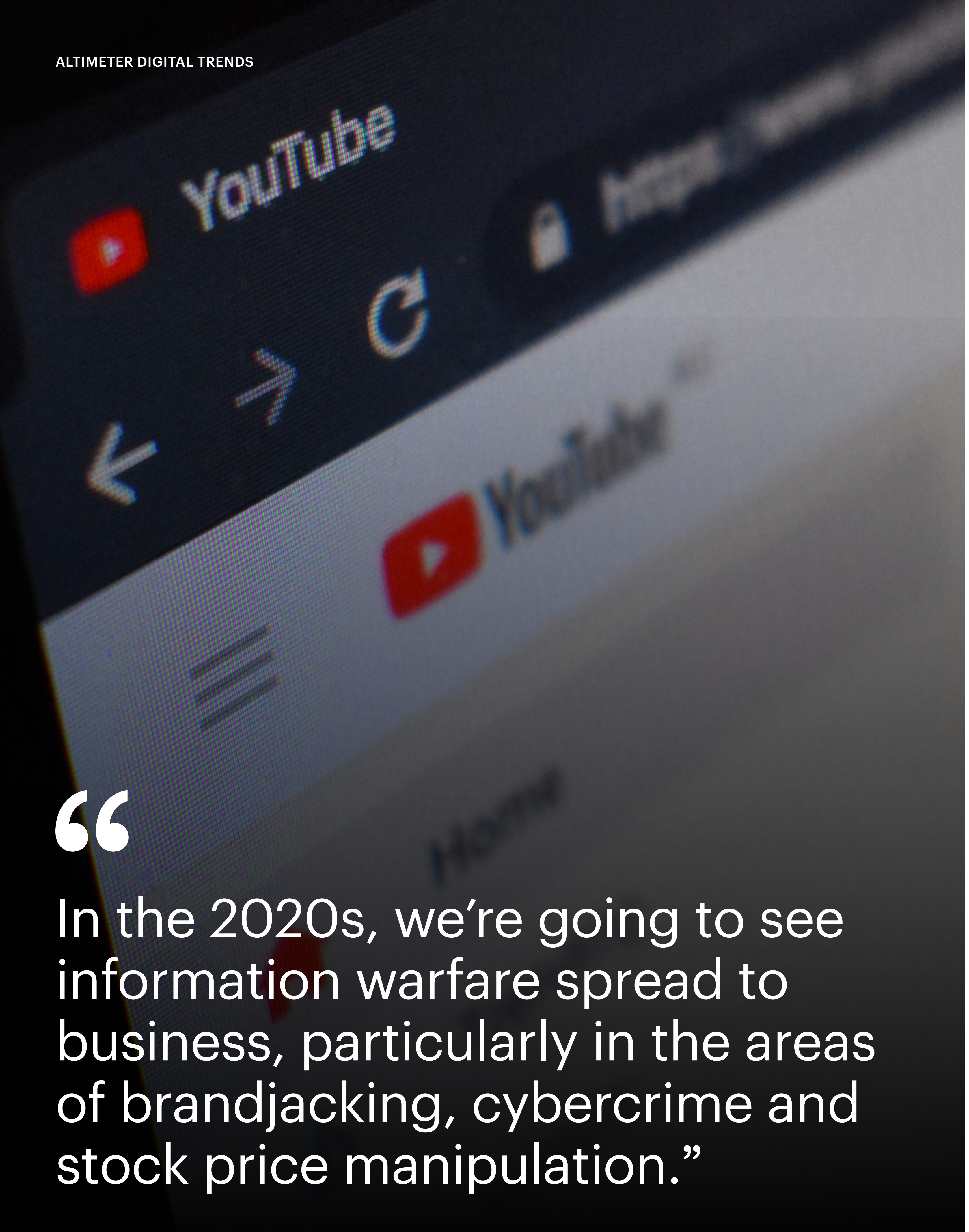


> “In the 2020s, we’re going to see information warfare spread to business, particularly in the areas of brandjacking, cybercrime and stock price manipulation.”

Brand Integrity Under Pressure

Many of us have never known what it means not to live in a digital world. At the same time, the norms we’ve evolved over the past thousands of years are frequently unable to anticipate the consequences of intelligent, automated technologies that can painstakingly construct realities around us using personalization technologies.

This can be useful and fairly innocent—color preferences, sizes, whether you’re likely to want fries with that—or it can threaten democracy, as we’ve seen with the Cambridge Analytica scandal, the crisis in Myanmar or on any given hour on Twitter, YouTube and Facebook. Technologies like deepfakes and cheapfakes have some interesting brand use cases—watch Bill Hader subtly morph into Tom Cruise and Seth Rogen in this interview with David Letterman—but they also make it harder to distinguish between legitimate content and misinformation. While we’ve seen these issues play out in social media, they’re trickling down to the rest of us very quickly.

What it means: digital experiences are brand experiences.

In the 2020s, we’re going to see information warfare spread to business, particularly in the areas of brandjacking, cybercrime and stock price manipulation. In one recent case, fraudsters used conversational AI to mimic a CEO’s voice, requesting a transfer of €220,000 to a “Hungarian supplier”. This will require a new level of awareness, quickly followed by internal controls and processes. This is not just an issue for video and images; it is also a risk of text generation technology.

Business Ethics as a Business Strategy

For our 2017 trends roundup, I forecast that AI ethics would need to become an integral part of the customer experience. In 2018, I predicted that ethics would finally go mainstream; that "as AI continues to infuse more products, services and business models, the way companies use it will inform the brand experience". Last year, I forecast that "we're going to see a big wake-up call in 2019 as organizations discover just how challenging it is to define ethics, much less engineer it into scalable processes and practices."

But the conversation about ethics has spread far beyond AI and technology to business as a whole. We've seen controversies over charitable donations, to whom companies sell their technology, from whom they should accept donations, how they treat activist employees and employee movements, policies for managing "ghost" and gig-economy workers, diversity and inclusion in hiring and performance evaluation, and deep discussions as well on the ethics not only of technology use cases but whether certain technologies should exist at all. This adds up to a reckoning; not only with technology and power, but with the fundamental responsibility of businesses and civic organizations toward the people they employ, and the people they serve.

One of the outcomes I feared in 2019 was that business ethics would "jump the shark", leading to cynicism and an inevitable backlash. The good news is that, in some organizations, we did see promising momentum toward building ethical capacity in 2019, turning values and principles into practice and processes. Some of these initiatives were informed and advised by leaders from academia and human rights organizations, many of whom are women, people of color and people in the LGBTQIA community. There is still a tremendous amount of cynicism and polarization to contend with, and concerns that any attempt to address business and technology ethics is simply a public relations fig leaf. The situation, as always, is a bit more nuanced than that.

The upshot: we can't let the perfect be the enemy of the good, or at least the less bad.

Cars became widely available in the early 20th century, and traffic signals became common in the 20s, but it wasn't until 1968 that seatbelts were mandatory. While we haven't eliminated traffic accidents, we haven't stopped trying, and I hope we never will. The same must be true in the digital world. Technology will not make humans less biased, just as seatbelts won't make them better drivers. AI won't fix problems society can't solve. Regulation can only do so much. But that doesn't absolve us of the responsibility to face the hard questions, find and test solutions, and remain accountable throughout. Certainly this is true for society, but it is also healthy for businesses and their leaders, which are increasingly judged by the choices they make, both in the digital and physical worlds.

Susan Etlinger
Senior Fellow, Altimeter

Digital Marketing Innovation

by Omar Akhtar

In this past year, the martech industry saw the continued acquistions of smaller vendors, and one major player dropping out of the race entirely.

The martech industry consolidates to a few big players

2020 will be the year that martech vendors either go big or go home. In this past year, the martech industry saw the continued acquisitions of smaller vendors, and one major player dropping out of the race entirely. IBM announced that it was getting out of the martech business altogether, while Oracle barely announced any new features or enhancements to its Experience Cloud products. That leaves Adobe, Salesforce and to a lesser degree, SAP as the remaining heavyweights in the enterprise martech field. According to our research, 90 percent of marketers used software from either Adobe, Salesforce, Oracle or IBM, as their primary or backbone martech platform. This means that in 2020, enterprise marketers will be hard pressed to find options that aren't any of those companies, and will be forced to define themselves as either an "Adobe shop" or a "Salesforce shop" and exclusively use the integrated suite of tools from those platforms.

Goodbye "data-lakes", hello CDP's

Marketers are under increasing pressure to use as much data as possible, but they've never had the right tools to get exactly the data they need. The data they've been given access to was either too small and siloed (e.g. web analytics, CRM) or too big (i.e. data lakes). The solution lies in CDP's or customer data platforms. These platforms are essentially marketing analytics platforms that allow marketers to plug in exactly the analytics that are most relevant to them, and more importantly, the customer experience.

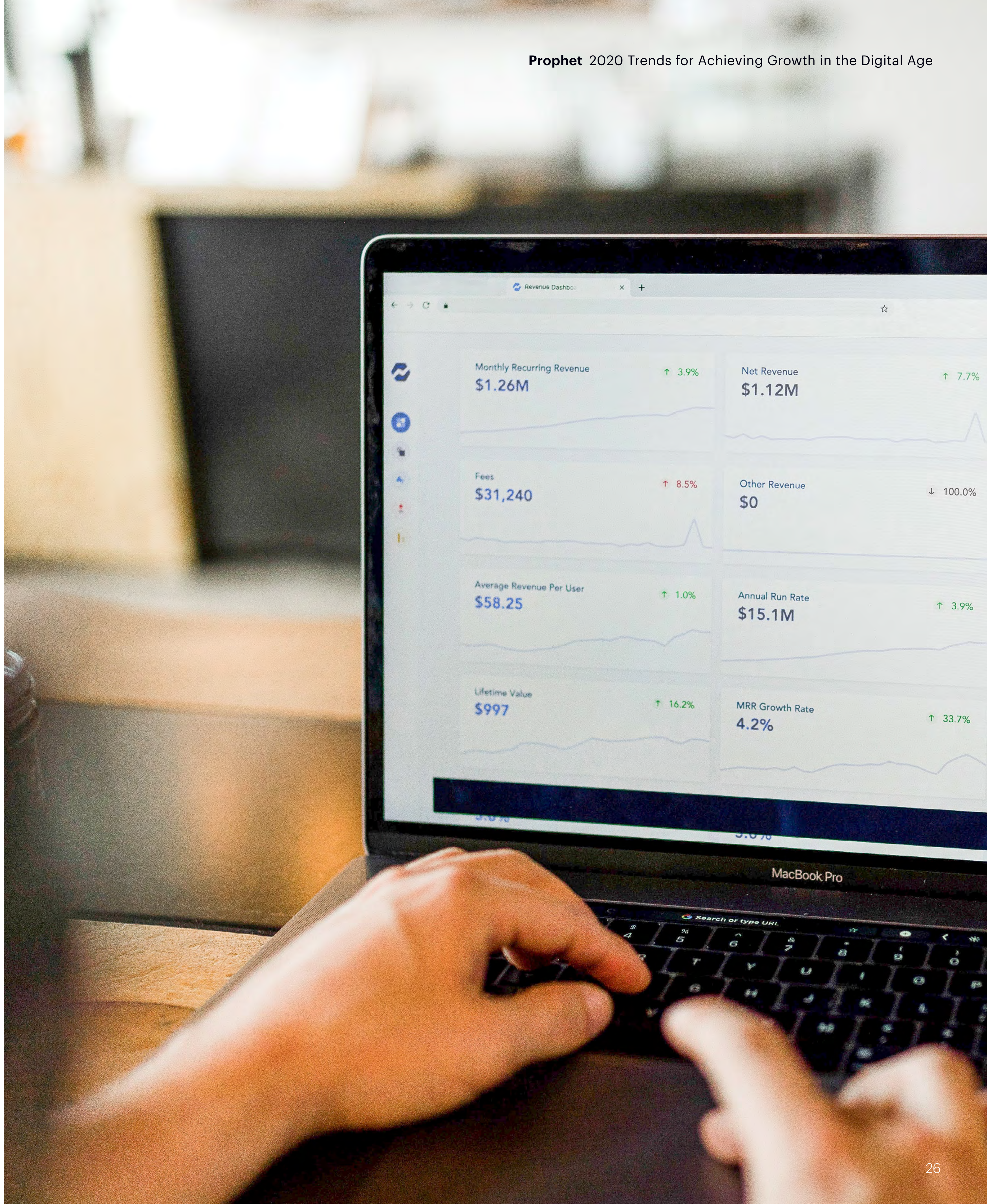
CDP's can plug into channel analytics such as display ads, web, email and social, and the really good ones have killer visualization tools. The big martech vendors Adobe, Oracle, Salesforce, SAP and SAS all have CDP platforms in-market or in development. So why wouldn't marketers rush to implement them? It's yet another martech tool in a crowded stack, and many departments are barely able to make sense of the analytics they currently have, let alone another platform to manage. My prediction: in 2020, it'll be a top priority of most marketing teams to evaluate their need for a CDP.

Account based experiences > Account-based marketing

B2B companies were all about embracing account-based marketing in 2019, although as a marketing practice, it's been around forever (just not digitally). With account-based marketing, B2B marketing teams can target specific accounts for new sales, or cross-sell/upsell opportunities, with a combination of hyper-personalized digital ads and traditional lead nurturing techniques.

In 2020, we'll move away from account-based marketing, to account-based experiences, which means a much more holistic approach to engaging your top customer accounts in an ongoing way. Account-based experiences utilize far more channels than marketing usually manages (such as in-product messaging or chatbots) and is based more on serving the needs of the target customer in the moments they need them, rather than targeting than with personalized messaging/campaigns.

Omar Akhtar
Senior Analyst & Research Director



Digital Transformation, Experience and Innovation

by Charlene Li

Failed Digital Transformation Efforts and 5G Will Force a Reckoning

With 60-80% of digital transformation efforts failing to meet their targets, the reality is setting in that initial approaches must be re-examined. Problems ranging from lack of clear and aligned outcomes to canceling initiatives when they hit roadblocks. Company boards refuse to approve costly digital transformation proposals because they have seen the same silo-stifled, over-ambitious plans before and want no more of it.

Revamped digital transformation initiatives will focus more on “minimally viable product” – like programs, designed to be both agile AND cross-functional to show results quickly and build confidence and digital competency throughout the organization. Interestingly, the widespread availability of 5G will be a forcing function as faster backend processes and data sensors will need to be integrated into front-end customer experiences.

Leaders Will Develop New Scorecards and Strategies for a Modern Business

It was a watershed moment last year when nearly 200 CEO members of the Business Roundtable issued a statement about the purpose of a corporation moving beyond creating shareholder value to also deliver value to customers, invest in employees, deal ethically with suppliers, and support communities in which they work. Along with growing concerns around ethics and AI, a topic well-covered by my Altimeter colleague, Susan Etlinger, leaders face rising expectations to deliver against many bottom lines that fuel reputation and purpose, as well as financial results.

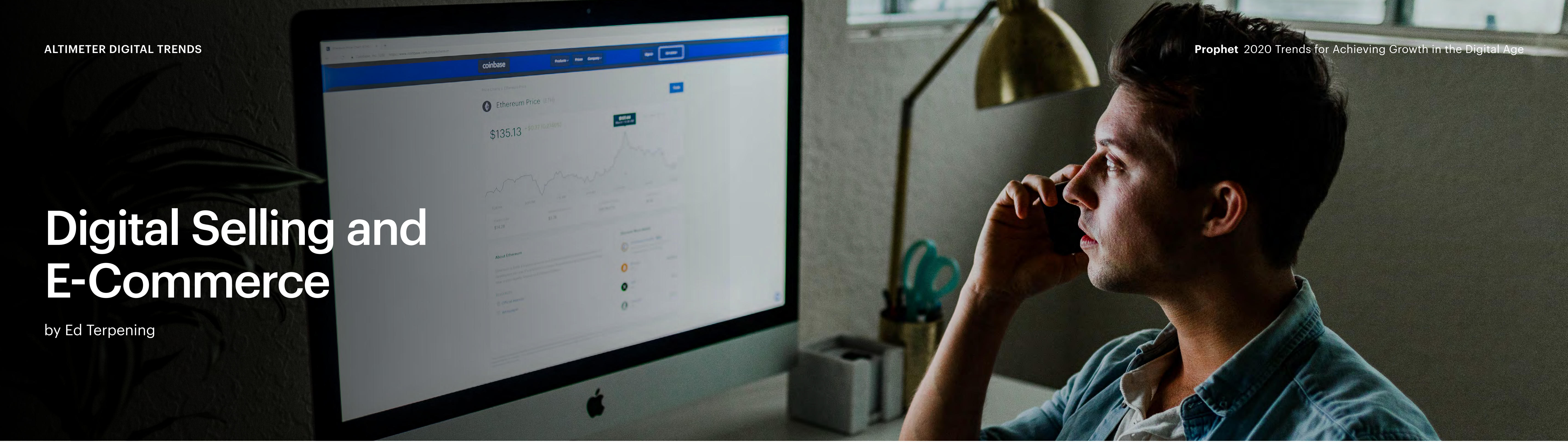
Great leaders know that you manage what you measure so we will need new scorecards that reflect the new realities of business. But how do you create a scorecard for ethical behavior? What are the metrics that reflect increasing employee value? And what does good look like when making trade-offs between all of these areas? Organizations will set aside time at the executive and board level to ponder these questions and develop goals and metrics that will serve as the foundation for a robust, modern business strategy.

Strategic Planning Goes Agile Thanks to Digital

One of the great frustrations of business is that the strategic planning cycle almost always follows an annual calendar cadence—while business cycles and disruptions rarely do so. The atrophied strategic planning process, locked-in budgets, and annually-incented leaders can’t respond if a disruption or opportunity arises mid-year. The biggest short-coming to the traditional “waterfall” strategic planning approach is that you don’t make changes until you see the results for the previous period.

Given the realities of a fast-changing business environment, look for more organizations to shift to a more agile approach to strategic planning as this department undergoes its own digital transformation. Gathering operational data and marketplace shifts becomes an ongoing process thanks to digital backends and collaboration platforms that enable real-time analysis and adjustments to the strategy. More importantly, the strategy becomes a living, breathing entity that is constantly tended to, cultivated, and shaped, rather than placed on a shelf someplace to ferment.

Charlene Li
Senior Fellow, Altimeter



Digital Selling and E-Commerce

by Ed Terpening

The Growing Trust Deficit

One by one, trust in customer channels has been degrading under unchecked parasitic forces. The explosion of robocalls has ruined the effectiveness of telemarketing. What should otherwise be a useful—even necessary support call—between a customer and business often go ignored. According to Consumer Reports, 70% of Americans don't answer their phones when they don't recognize the incoming number. Spam and the explosion of fraud is degrading email effectiveness, and social media use started to level out and decline in 2016.

No doubt, you're feeling this. The building of confidence between brands and consumers through trusted platforms—from the start to the end of the sales funnel—should be a significant part of the digital strategist's agenda in 2020.

Mounting Organization Stress

Organizational silos in business are nothing new, but they have never been more of a threat to success than now. Organizational stresses are being exacerbated by digital transformation that attempts to unify experience and outcomes through shared data and tools. Even a definition as foundational as "the customer" must be orchestrated in such a way that each team's expertise and role—from Marketing to Service—is optimized to make 1+1=4.

Teams must increasingly orchestrate their work by following a common thread of customer and business insights, success metrics and processes that ensure value isn't lost (but rather, built upon) between them. Key strategic decisions such as how or whether to organize around customer type, product, geography, customer journey step, etc. will remain a key 2020 challenge.

Blended Commerce

I've been creating e-commernce solutions since 1995, many lifetimes ago in the tech world. Recently asked to write about it, I struggled. What does the term mean today in a world where digital jumps from the web browser to the store aisle? We used to be able to draw solid lines between e-commerce and everything else: if it was a website or app, it's e-commerce. Now, the lines are blurring. Consider Amazon Go, a brick-in-mortar convenience store customers can use without ever interacting with a human. Is it e-commerce?

This trend is being fueled by the proliferation of IoT devices like beacons in physical locations that absorb customer behavior to create more efficient—and for the enterprise, more data-rich—experiences. "E" vs. "In Real Life" commerce will continue to evolve and blend in 2020—and, by the way, will require mastery of my previous leading trends, building digital trust and resolving organizational stresses in digital.

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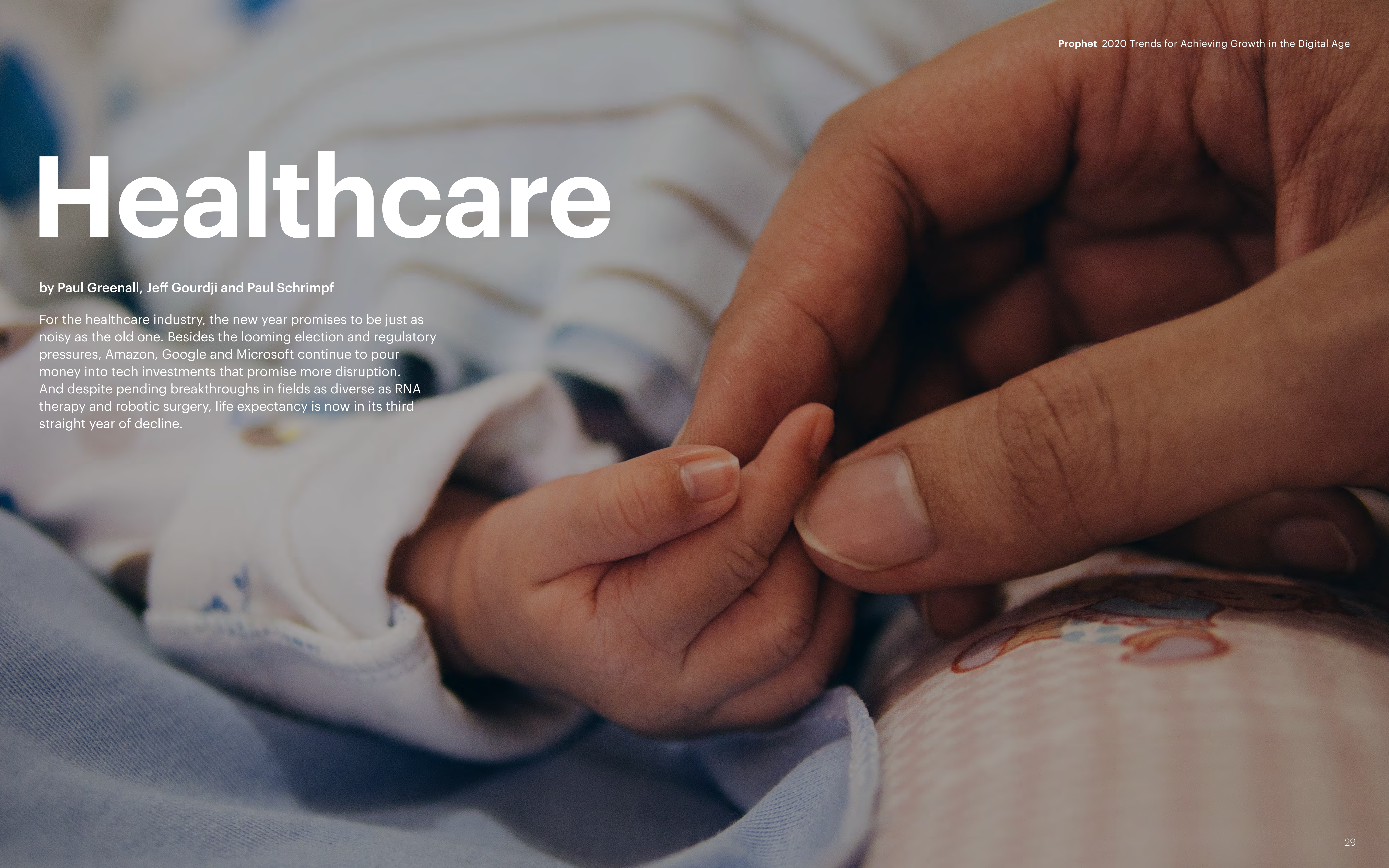
Ed Terpening
Industry Analyst, Altimeter



Healthcare

by Paul Greenall, Jeff Gourdji and Paul Schrimpf

For the healthcare industry, the new year promises to be just as noisy as the old one. Besides the looming election and regulatory pressures, Amazon, Google and Microsoft continue to pour money into tech investments that promise more disruption. And despite pending breakthroughs in fields as diverse as RNA therapy and robotic surgery, life expectancy is now in its third straight year of decline.

01

Providers must get on board with virtual care

People have been predicting the mainstreaming of telemedicine for years, but it still hasn't happened. Only 8 percent of consumers have used virtual care, according to a new survey from American Well. But 66 percent—and 74 percent of millennials—are willing to give it a try.

Until now, part of the problem has been that most models work from the inside-out, with more concern for improving provider workflow than making life easier for patients. So, it's not surprising that research has found that as many as 60 percent of young adults have bailed on a health system because of underwhelming digital services.

Smart players—including Teledoc, PlushCare and American Well—are focusing on experience-driven care that patients love, tapping into the millennial and Gen Z appetite for convenience and mobile tech. As these new digital time-savers expand, fueled by 5G networks, providers who aren't on board face major competitive risks.

It's also been hard for providers to get paid. But regulatory obstacles are coming down: Medicare and FCC are loosening the reins, and 40 states now have parity laws.

Insurers and employers appreciate the savings, which explains why one recent study says 90 percent of employer-sponsored plans now include a telemedicine option. United Healthcare estimates its Virtual Visit has delivered $11.2 million in savings. And on a broader scale, it says telemedicine could save it $6 billion a year. That explains why United Healthcare is pouring millions into an aggressive advertising campaign, pushing the convenience–and occasional comedy–of virtual visits.

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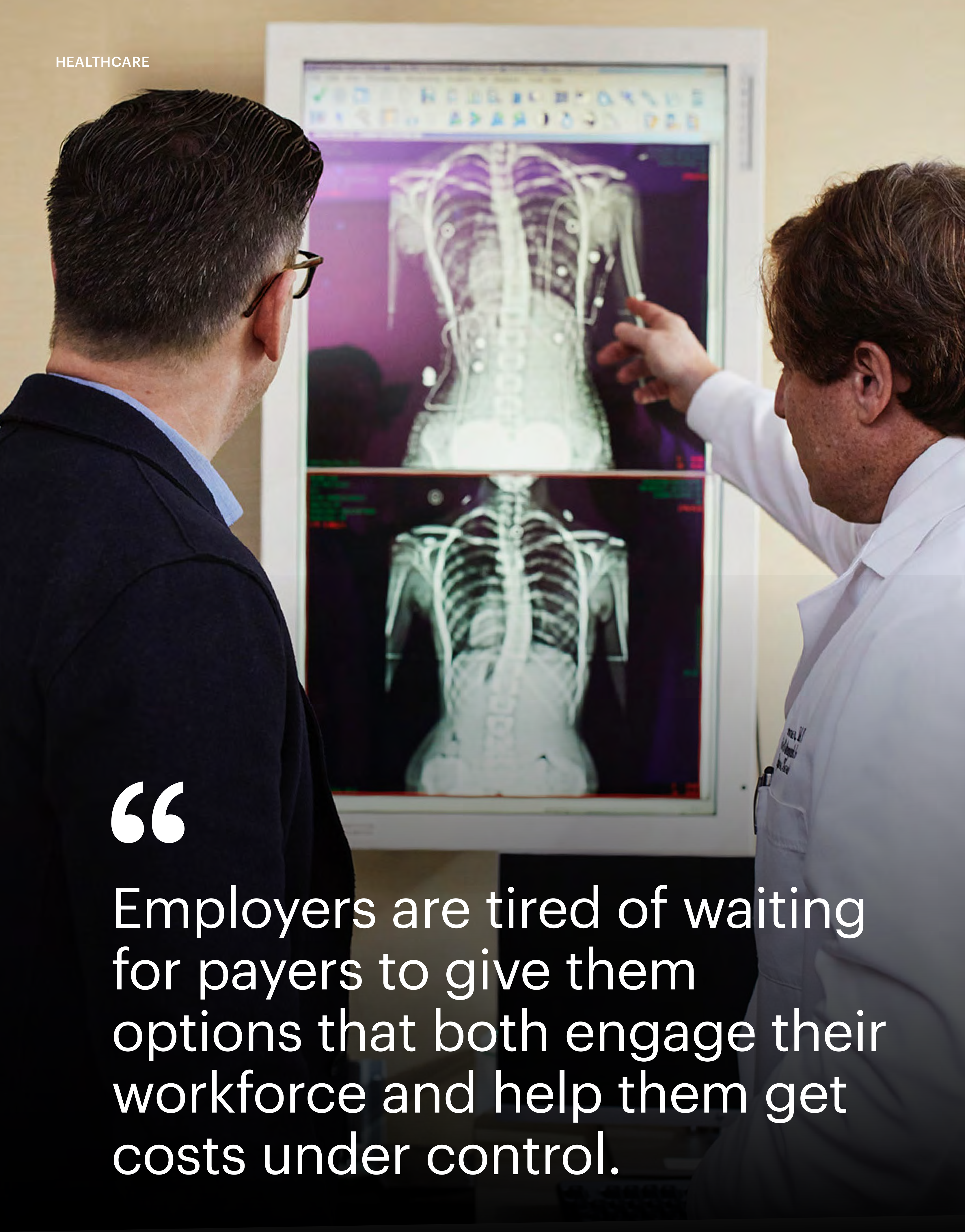

> “Employers are tired of waiting for payers to give them options that both engage their workforce and help them get costs under control.

02

Looking for next-generation innovation? You’ll find it in employers’ plans

Amid political paralysis and growing dissatisfaction with the status quo, employers are tired of waiting for payers to give them options that both engage their workforces and help them get costs under control.

General Motors is one of the latest looking to sidestep insurers, in an innovative new plan for its salaried workers with Henry Ford Health System. Preventative care and quality customer service are key metrics in the five-year deal, as well as excellence in caring for chronic conditions like heart disease and diabetes. Smaller companies, aware of this growing frustration with payer red-tape, are going straight to large employers themselves.

Another green shoot of promise comes from Castlight, a healthcare navigation company, partnering with AT&T and its 230,000 employees.

Noticing a rising number of medically unnecessary back surgeries, AT&T is developing predictive personalization. Using data from claims and searches, it tailors outreach efforts with non-surgical suggestions. And just by making programs more accessible, it generated a 40 percent jump in participation in wellness programs.

We expect to see more of these innovations, now that the years-long migration to self-insured plans is nearly complete. Employers continue to face pressure to bend the curve. (About 79 percent of large companies now offer their own plans.)

03

Experience innovation becomes as important as molecule innovation

Moving "beyond the pill" has been pharma's mantra for years. Pharma and device companies are finally getting there, skillfully integrating analytics to engage patients as never before. Early pioneers include diabetes tools, like mySugr, backed in part by investments from Roche, and Medtronic's Sugar.IQ, a collaboration with IBM Watson. The results are impressive: When patients use Guardian Connect system with Sugar.IQ, for example, they spend 4.1 percent more time in range compared to those who used the Guardian Connect alone–about an hour more each day.

And Eli Lilly and Co. is investing in a new experience aimed at people with irritable bowel disease. Called HealthVoyager, it's based on an app developed by Boston Children's Hospital and Klick Health, leveraging a customizable software platform so doctors can create personalized and immersive educational experience.

Look for more pharma companies to go beyond apps, building meaningful and effective platforms to manage depression, obesity and cancer care.

04

Venture capital shifts to late-stage investments

Venture funds have been pouring cash into healthcare start-ups, and this has also been a good year for health IPOs, including Health Catalyst, Shockwave Medical, Livongo Health, Phreesia, Change Healthcare and Peloton. But there's growing uncertainty in young digital companies that can't prove their value.

"We see money flowing more into later-stage deals than earlier-stage opportunities, and I would expect that trend to continue," says Steven Collens, CEO of MATTER, a healthcare start-up incubator. "But if capital markets contract, then digital health may not fare so well in the IPO market."

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>
> **Steve Collins, CEO**
> MATTER

When CVS and Aetna announced their $69 billion merger in 2017, there were plenty of skeptics.

05

Those cross-pollinating mergers finally bear fruit

Merger synergy takes time, but these remixed companies are beginning to exert their new power. When CVS and Aetna announced their $69 billion merger in 2017, there were plenty of skeptics.

But as it rolls out its HealthHubs, the strategy is emerging. For now, they seem more or less like the walk-in clinics drug retailers have been operating for decades. But the game-changer is the goal of caring for chronic diseases, addressing issues of cost, quality and access.

A key strategic element is that its pharmacists can help manage care between provider visits. And while initial pilots are just for Aetna members, we expect to see them expanded to other health plans.

Just as intriguing are the changes that are starting to emerge from the $67 billion deal between Cigna and Express Scripts, still working its way through the final stages. In press interviews, Chief Executive Officer David Cordani has said its early efforts pitching medical, pharmacy and behavioral health benefits have been well received.

Want to learn how to jumpstart a consumer-led transformation at your organization? Get in touch today.

Paul Greenall
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Paul Schrimpf
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Partner

Financial Services

by Tosson El Noshokaty

Like everyone else, I've been wading through plenty of predictions for financial services in the year ahead. But I can't help wondering what those lists would look like if we took our own advice and focused on customer needs, not industry wants.

As a consultant, I'm well aware of my clients' goals and the trends that will help them get there. But as a consumer—and yes, I'm as much a financial consumer as I am a consultant—I wish more would try and see the world my way.

Like people everywhere, I'm looking for the fastest, easiest ways to pay my invoices, buy my morning coffee and give my wife and I the best insight into our finances. I juggle currencies, with my family living in Berlin, me working in London and constant business travel to places like Stockholm or Riyadh.

Like most consumers, I expect more all the time, especially when it comes to digital transactions. And I'm well aware that faith in brands is still falling, and that people are rightfully suspicious of every new offer.

From that perspective, here are five digital transformation trends consumers want financial services to adhere to right now.

01

Make sure Google behaves

I find it hard to imagine life without Google, and I love the seamless way it allows me to use everything from Drive to Photos to Waze. But as Google moves into banking, offering U.S. checking accounts—and as it pushes $1 trillion in valuation—the public's blood pressure is rising.

We saw it in the intense backlash when it acquired Fitbit, with plenty of people calling it a "privacy apocalypse." For every financial-services exec ready to cheer at the possibility of monetising data, there are ten consumers prepared to freak out.

Google is mighty. It has the advantage of Android, the world's biggest operating system. It wants to become the gateway to finances in the same way it is already the gateway to information. Google's moves will have a major impact on banks: Will they be reduced to utilities, like your gas supplier, while someone else manages the consumer interaction? And it explains why companies like HSBC and ING are also trying this gateway approach, regardless of where they hold the underlying products. As an already-active player in payments, Google wants to hold its own against Amazon, which has more credit-card details; Facebook, with its tremendous reach, and Apple, with its hardware advantage.

But it better take care: Facebook may never recover from the Cambridge Analytica scandal. As soon as people sense Google doing anything annoying, invasive or creepy with their financial data, it's in trouble.

Google wants to become the gateway to finances in the same way it is already the gateway to information

02
Stop bragging about online offers and do something meaningful

Now that most players have become (more or less) digitally competent, features like mobile deposit and 24-hour service aren't innovations. They're requirements. So yes, it's important to keep sharpening digital skills like biometrics, new voice tools and blockchain.

But as mistrust of banks grows, consumers want tech that translates to more transparency. And they want companies to have a purpose. My favorite example is the Tomorrow Bank, a new fin-tech company that links customer activity to sustainability initiatives, including a card that protects the climate.

03
Translate old names into new products

For the last decade, start-ups like Lemonade, Monzo and Zopa have out-innovated legacy companies, which are typically hamstrung by decades of organisational baggage. Aware that internal agility is imperative, they've been working hard to speed up their internal processes.

But some have been almost apologetic about their history. They needn't be. Consumers are enthusiastic when older companies shake off institutional blinders and make thoughtful moves. Knowing it would need to make the most of consumers' willingness to use financial products online, Goldman Sachs entered the retail banking market with Marcus, a lending and saving platform, rather than launching a "digital-only" current account as many of its peers have done. We're happy to see companies like Tesco and Walmart sprinting toward new financial products, and consumers are pleased, too.

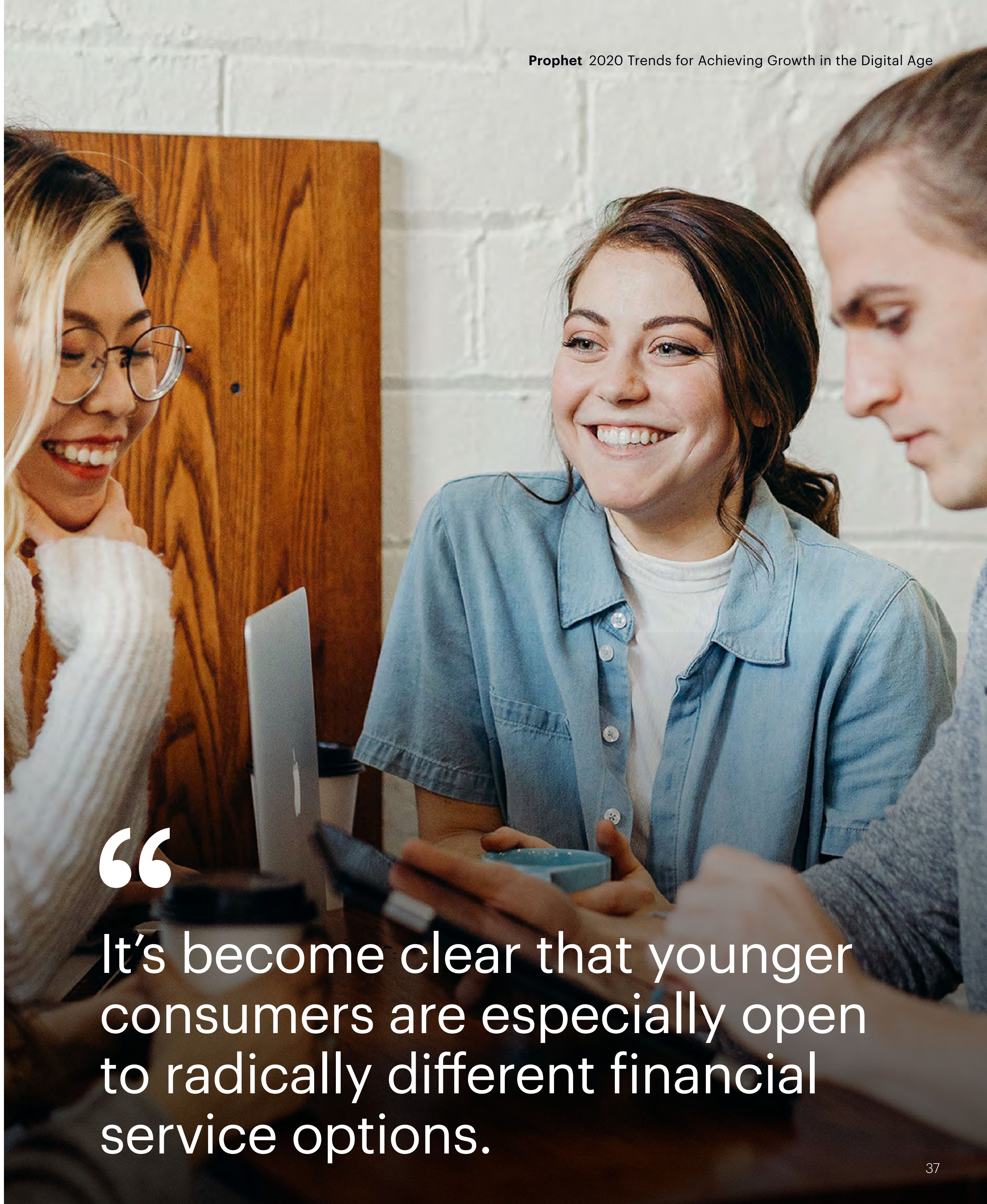
04
Build networks, not silos

With the rise of services like Venmo and Square Cash, it's become clear that younger consumers are especially open to radically different financial service options, including peer-to-peer products, crowd-sourcing and crypto-currency. They think beyond borders, so new models enable global expansion, especially in China. Alipay and WeCWhat Pay are both now available to foreign travelers in China with no need for a bank account.

But customers don't expect every company they use to be that innovative. They're realists. They understand that it's often easier to partner with others than be inventors. So they admire brands that create ecosystems. Younger consumers are especially fluid networkers, and they respect brands that do the same.

One of our favorite examples is BBVA. When it launched API Market in 2017, it became one of the first major banks to deliver open banking, intending to lead to increased products and services for customers and clients.

Widely considered to be one of the most advanced in the world, BBVA API Market allows companies, start-ups, and developers to build new products and services by accessing and integrating customer's banking data — with their permission — into their applications.



“It's become clear that younger consumers are especially open to radically different financial service options.

05

Provide smart, smooth security

Fears about cyber risks can't be overstated as consumers and B2B customers demand ever-improving security features that go well beyond privacy concerns. Given the rise of anxiety around data and information management, people expect experiences with high transparency. And they want the ability to access, control and manage their information anytime, anywhere.

But they're also growing frustrated with the explosion of multi-factored authentication methods. And they're choosing brands that provide simple, personalised, connected and meaningful experiences. Atom Bank, the UK's first digital-only bank, works to remove millennials' anxiety about money through its simple, secure and intuitive digital banking processes — including selfie ID verification.

Interested in learning more about how Prophet helps financial services organizations drive growth in the digital age? Connect today.

Tosson El Noshokaty
Partner

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