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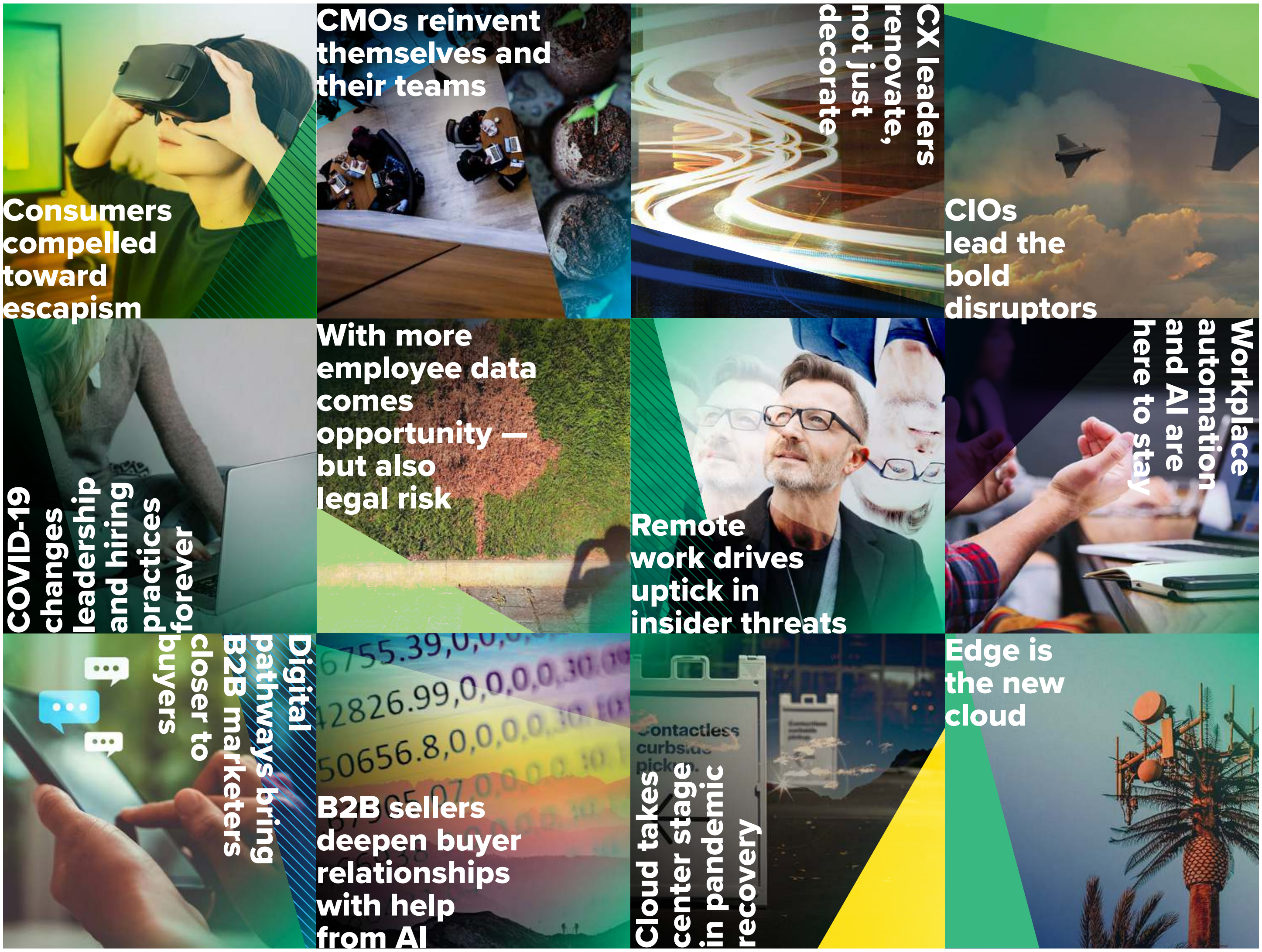
PREDICTIONS



2021

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Accelerating out of the crisis

Faced with the pandemic, firms did things that once seemed impossible — sometimes overnight. Under the relentless pressure of new customer realities, the future came into focus: The value of your company depends on how customer-obsessed, resilient, creative, and adaptive you are in jumping to the next growth curve in your industry.

Much of your success will depend on how quickly and how well you harness technology to both enable your workforce in the new normal and build platforms that differentiate your firm. Indeed, technology acceleration is the common thread in our predictions for the coming year. Yes, that means investing in new technology. But with the pandemic still a reality and budgets rightfully under scrutiny for 2021, it also means taking advantage of and realizing the value of the technology that you already have — and finally retiring the technical debt holding you back.

2021 will be the year that every company — not just the 15% of firms that were already digitally savvy — doubles down on technology-fueled experiences, operations, products, and ecosystems.

Read on to see what exactly 2021 has in store for business and technology leaders.

PREDICTIONS 2021

Consumers compelled toward escapism

Social distancing tempts another **10% to 12%** of US consumers to try extended reality.

2020 erupted into chaos and plunged consumers and businesses into crisis mode; in 2021, we will begin to see contours of the new economic, social, and cultural orders forged in the crucible of the COVID-19 pandemic.

The strain of fluctuating between fear and want; fulfilling domestic and professional obligations simultaneously; contending with feelings of isolation; and navigating political and social unrest will compel consumers toward escapism. Consumers will become more willing to try out new forms of consumption that promise a rush of comfort, control, and happiness — even if the experiences are entirely simulated.

Extended reality, which includes augmented, mixed, and virtual reality technologies, will enable this trend: As of Q4 2019, 36% of US consumers had trialed augmented or virtual reality. In 2021, we predict that another 10% to 12% of US consumers will experiment with the technology, expanding overall exposure to just short of half the US online adult population.

Consumers will give brands permission to become more creative, entertaining, and immersive than they've ever found palatable before. CMOs will need to create consciously and sincerely; if manipulative tactics destroy trust among this emotionally vulnerable population, consumers won't give your brand a second chance.

CMOs reinvent themselves and their teams

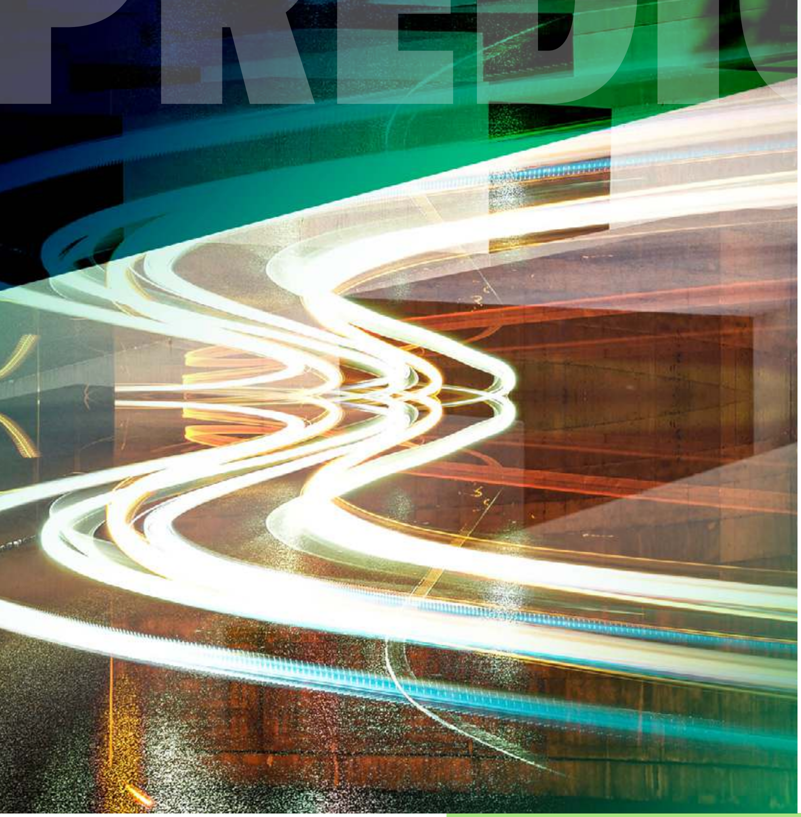
Spend on loyalty and retention marketing will increase by **30%** as CMOs assert control over the full customer lifecycle.

The circumstances of 2020 brought to a head the quagmire that has been brewing for marketing leaders over the last five years: Chief marketing officers need to drive customer obsession at their firms, rather than just guiding ad buying and promotions. That means putting the customer at the center of everything you do: leadership, strategy, and operations.

Reinvention of themselves, their teams, and the marketing function will be the theme for successful CMOs in 2021. We expect these CMOs to create new commercial and delivery models in order to keep their companies solvent. They will suit up with their teams to do the hard work, not just overseeing it from a distance.

If they haven't already, leading CMOs will integrate marketing and customer experience in the coming months. Segregating acquisition from everything that happens after a prospect completes a purchase — product utilization, customer service, retention, advocacy — was always a bad idea. Now, pandemic conditions make this disconnect perilous. Disjointed experiences cost millions and lose customers — they are the antithesis of customer obsession. Growth comes from continued use of a company's offering, so it's imperative to focus on acquiring customers who will stick around for the long haul.

Marketers will reemphasize the value of their loyalty programs and will mature from frequency-based rewards programs to full-fledged loyalty programs. Already, media money is shifting into retention methods such as email, customer service, and the creation of products that drive growth: We predict that spend on loyalty and retention marketing will increase by 30% in 2021.



CX leaders renovate, not just decorate

25% of brands will achieve statistically significant advances in CX quality in 2021.

In years past, we saw the most-improved companies in Forrester's Customer Experience Index (CX Index™) advance by playing a game of whack-a-mole as they found and fixed fundamental problems, often in their back-end systems and processes. In 2020, we saw many more companies advance and improve by playing a very different game, one that's just starting to bear fruit after years of improving core CX competencies, especially research, prioritization, and enablement. Forrester is seeing increasingly widespread adoption of CX competencies, which we predict will enable 25% of brands to achieve statistically significant advances in CX quality in 2021.

This year's advancers did the work to determine what really matters to their customers, identified projects to improve important experiences, prioritized the efforts with the biggest potential upside for customers and the business, and then trained their employees (and gave them new tools) so that they could deliver the right experiences consistently. These are the kind of strategic efforts that will build on themselves and begin to change the landscape for CX within industries. They're strategic and self-reinforcing because they produce business results.

One surprising outcome of this work is that firms will cut CX technology spend in 2021 but will actually improve CX. As organizations evaluate tech spend, what Forrester suggested about having one voice-of-the-customer program and not many — aiming for fewer cooks in the kitchen — will come to fruition, leading to consolidation of CX tools and technologies. This move will save organizations hundreds of thousands (or millions) of dollars — but it will also help them realize the value of the technologies that remain. In 2021, we'll see more of these strategic efforts, especially because they will enable companies (particularly those that take a holistic, systematic approach) to better deal with the forced evolution of CX caused by the pandemic.

CIOs lead the bold disruptors

30% of firms will increase spend on cloud, security and risk, networks, and mobility.

In 2021, 30% of firms will continue to accelerate their spend on cloud, security and risk, networks, and mobility — including struggling firms looking to leapfrog less wily competitors and gain advantage coming out of the pandemic. Leading CIOs will embrace cloud-first and platform strategies for speed and adaptiveness, eschewing stovepipes for end-to-end solutions. Interviews with leading CIOs found that they are collaborating more across organizations, objectives, and budgets, extending IT-business partnerships into enterprise-level shared accountability. They will also invest aggressively in employees, breaking down old ideals and resolving resistance within the organization.

In fact, CIOs focused on employee experience (EX) will help their firms attract, develop, and retain talent that can provide competitive advantage in a critical year. They will make the needed investments to foster social collaboration, make information easier to find and use, and provide security that's less distracting. Organizations with CIOs who are slow or unable to adapt will have at least two problems on their hands: 1) massive attrition and 2) getting mired in short-term fixes, like tech modernization, simplification, and consolidation, that achieve only digital sameness through peer-comparison strategies by the end of 2021.

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COVID-19 changes leadership and hiring practices forever

Remote work will rise to **300%** of pre-COVID levels.

In 2021, at least 21% of US information workers will work primarily from home, compared with 7% in 2019. Some 47% of North American managers surveyed during the pandemic anticipate a permanently higher rate of full-time remote employees, and 53% of employees say they want to work from home more often even after the pandemic.

Most companies will employ a hybrid work model, with fewer people in the office and more full-time remote employees. As a major portion of the workforce develops the skills and preference for effective remote work, they will come to expect a work-from-anywhere strategy from their company rather than an exception-driven remote-work policy. Expect this to reshape talent acquisition, moving right into talent poaching, as the most desirable workers seek location-agnostic work opportunities.

Expectations have been reset for HR leaders, just like they have for employees. The pandemic thrust HR into the middle of transformations that required coordinating remote-work tech with IT, rejiggering budgets midyear with the CFO, and completely altering talent acquisition and training models. Newly emboldened, the best will use their improved connection to IT to ask for better tools for analyzing and acting on workforce data; the best of the best will seek out AI-enriched tools that will inform workforce policy and guide specific employees to better outcomes.

This means more budget and more potential conflict among senior leaders. But HR will have a compelling argument: Chief among their new interests will be using these tools to boost employee wellness. This will help manage the new compliance issues associated with working remotely — just wait until the occupational health and safety claims for injuries that occur while working from home pile up — and build the EX environment companies need as a bridge to post-pandemic work life.

With more employee data comes opportunity — but also legal risk

Regulatory and legal activity related to employee privacy infringements will **double.**

Consumer demand, innovation, and the pandemic are changing the way we work and igniting employers' desire to collect, analyze, and share employee personal data. In fact, workforce analytics is one of the fastest-growing segments of the human capital management market; CAGR estimates of nearly 16% mean it will approach nearly $1 billion by 2023.

With data comes opportunity — but without the right safeguards, it becomes a trap. We predict that in 2021, regulatory and legal activity regarding employee privacy will double. While European regulators are already enforcing privacy rules to protect employees' personal data, countries such as Brazil, India, and Thailand will soon do the same. And in the US, given the corporate practices and policies that often limit or deny employees a right to privacy, the battle to determine what is a reasonable expectation of workplace privacy will be fought in the courts.

Expect employee privacy lawsuits to multiply in the next 12 months. Companies must take a "privacy by design" approach when handling employee personal data. Doing this entails identifying and following all relevant requirements, including and beyond privacy; assessing specific privacy and ethical risks; and communicating transparently with employees.

Remote work drives uptick in insider threats

33% of data breaches will be caused by insider incidents, up from **25%** today.

2020 was not the year security and risk leaders wanted or expected. 2021 will not see things return to normal — yet. This will simultaneously require chief information security officers (CISOs) and security and risk leaders to adapt while remaining resilient.

In 2021, CISOs will want to monitor three major factors that will produce an uptick in insider threats: 1) the rapid push of users, including some outside of companies' typical security controls, to remote work as a result of the COVID-19 pandemic; 2) employees' job insecurity; and 3) the increased ease of moving stolen company data. Combined, these will produce an increase of 8 percentage points in insider incidents, from 25% today to 33% in 2021.

The overall number of insider threats will also be pushed higher as firms get better at identifying and attributing incidents to insider activity.

Leading CISOs will put a greater focus on insider threat defense while emphasizing improved employee experience — not treating users like machines — to avoid turning employees into malicious insiders. Considerations for employees' privacy, company culture, and local standards for lawful, fair, and acceptable labor practices are key to the success of your insider threat program.

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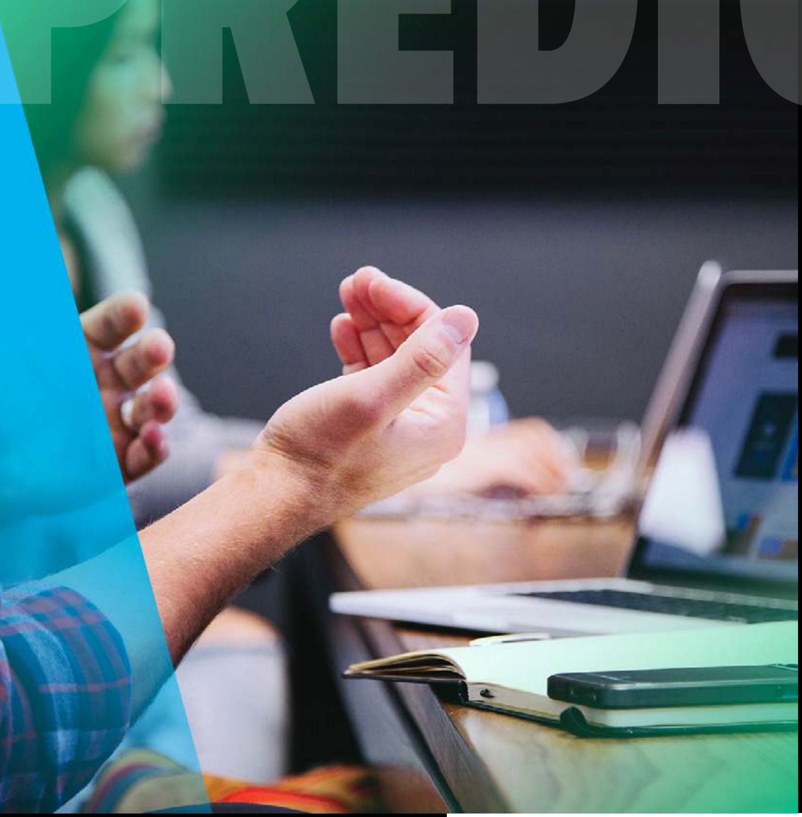

Workplace automation and AI are here to stay

35% of companies will double down on workplace AI.

Unsurprisingly, 2021 will see a changed workplace, and new technology will be needed to support it. Eighteen million US workers will work from home in the wake of the pandemic, from knowledge workers to cubicle workers.

Many firms will invest in conversational artificial intelligence, machine learning, and hardware advances to help smooth some of these workplace changes: Work-from-home staff will see EX automation perform tasks that were previously done in the office or that held higher labor costs, such as employee self-service, customer service support, and document extraction.

We forecast that by the end of 2021, one out of every four remote workers will be supported by new forms of automation, either directly or indirectly. Direct support will be the rarer form — giving a bot to individual workers to support their daily journey. But indirect support will blossom, as robotic process automation (RPA) bots combined with conversational intelligence and other intelligent automation will handle business tasks often invisible to the home worker.

To best integrate automation and AI with a diverse, wide, and anxious workforce, enterprises should create EX working groups and embrace "human in the loop" design methods.

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Digital pathways bring B2B marketers closer to buyers

More than **a third** of B2B technology buyers will rate chatbots as a top-10 engagement channel.

The coronavirus pandemic has accelerated the digital destinies of B2B buyers and marketers. B2B marketers — with a keen eye on customer satisfaction and revenue acceleration — must quickly adopt new technologies as buyer engagement preferences shift toward digital channels. Today, more than one-third of B2B technology buyers say digital engagement channels (such as vendor websites) have become more important in their buying journeys, while around four in 10 indicate that human/analog engagement with sellers has become less important.

As B2B marketers look to adopt and optimize new tactics, AI-powered martech tops the list. This technology has proven effective at the early and late stages of the buying cycle — for example, in optimizing programmatic advertising bids or recommending next best content in a sales enablement solution. However, fewer than 20% of B2B companies are using AI to create conversational experiences or to optimize personalized engagement at scale.

As buyers gravitate toward digital channels, B2B marketers, having widely adopted the use of chatbot and virtual assistant technologies, are ready to scale more automated conversations with these buyers. Yet many of today's implementations are ham-handed, yielding nothing more than a click pathway to a human seller. With practice, and as the technologies mature, chatbots and virtual assistants will leverage first- and third-party data along with AI and machine learning to offer more personalized, guided experiences. Given these improvements, we predict more than a third of B2B technology buyers will rate chatbots as a top-10 engagement channel in their buying journeys.

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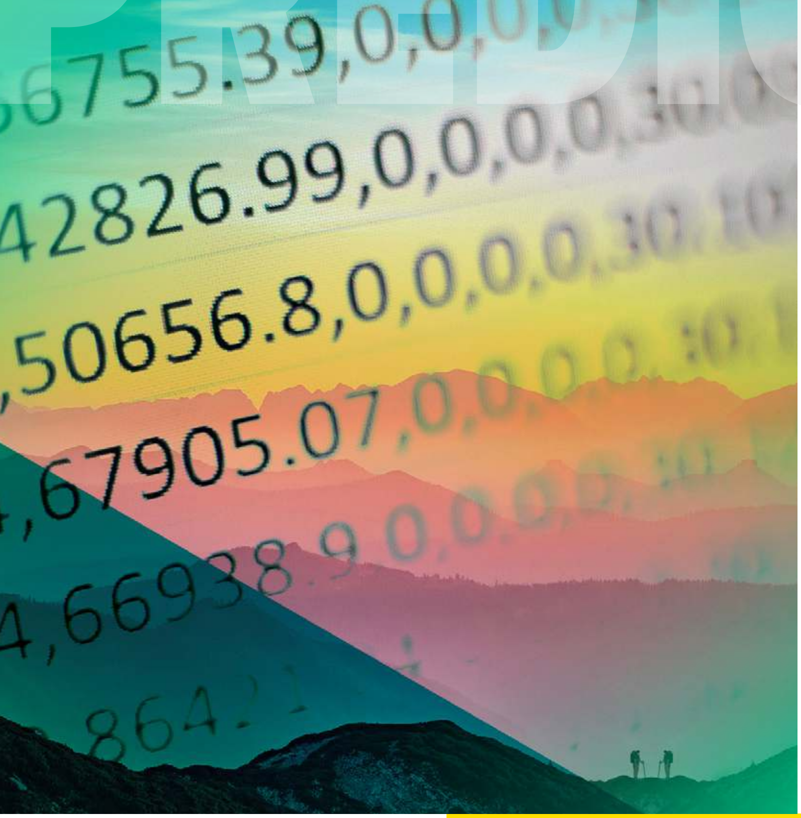

B2B sellers deepen buyer relationships with help from AI

More than **60%** of B2B sellers will be enabled by AI and automation.

As companies extend their work-from-home policies, airlines reduce routes, and health concerns prevail, expect B2B sellers to continue adapting their methods and building new competencies to succeed in a largely remote and digital environment. To thrive in 2021 and beyond, B2B sellers will need the right enablement tools to enhance their productivity and engage with prospects and customers in more meaningful ways.

Fifty-seven percent of B2B sales leaders told us they plan to make deeper investments in tools with AI and automation in the upcoming fiscal year. Sales tools that capture and automatically upload buyer and seller activity data to CRM systems will finally take sellers out of the data entry game.

Relieved from endless administrivia, sellers will have the time and space to conduct deeper customer research, cull insights from data, and orchestrate more meaningful interactions with buyers. As the amount of buyer engagement data increases, AI can surface patterns, guide the seller to the next best action, and identify the buyer's preferred channel.

In 2021, we predict that more than 60% of B2B sellers will be enabled by AI and automation. To up-level sellers and improve sales, arm your team with sales tools that have embedded AI and automation functionality.

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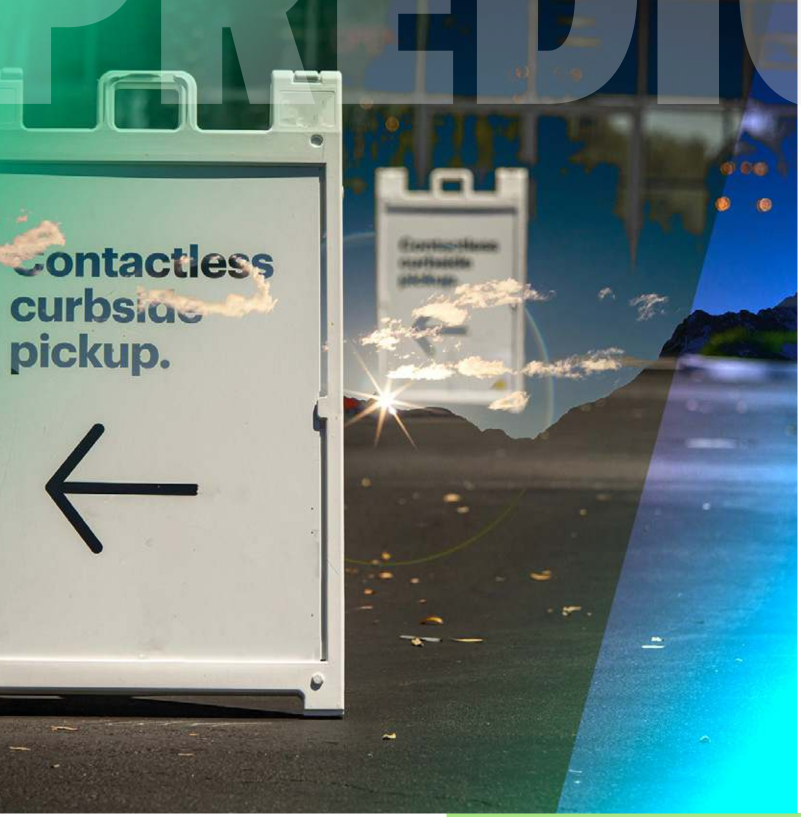

Cloud takes center stage in pandemic recovery

The global public cloud infrastructure market will grow **35%** to $120 billion in 2021.

The workplace impact of the global pandemic reinforced the tremendous value and necessity of cloud computing to the world's economy and workforce. Without cloud apps, tools, and services, businesses could not have sent millions of workers home, maintained global supply chains, or shifted entire industry business models in a matter of weeks.

The rush to cloud during the pandemic also exposed stark contrasts between companies that embrace cloud technologies and those that have resisted or underfunded them. The aggressive move to cloud, already proceeding at a healthy clip before the pandemic, will spike in 2021, yielding even greater enterprise adoption, cloud provider revenue, and business value in 2021.

The changes brought about by COVID-19 forced companies to prioritize speed and customer experience over cost savings and efficiency — and they flocked to public cloud services faster than ever. Etsy spun up new Google Cloud infrastructure to meet a spike in e-commerce; Lowe's got a curbside pickup app running in three days; and Moderna is using AWS to accelerate COVID-19 vaccine research.

We previously predicted that the public cloud infrastructure market would grow 28% to reach $113.1 billion in 2021. Mid-pandemic, the four largest public clouds maintained very strong revenue growth (AWS: 29%; Microsoft Azure: 47%; Google Cloud: 43%; and Alibaba: 59%) as companies accelerated cloud migrations and rushed out new apps to meet fast-changing consumer demands. We now predict that the global public cloud infrastructure market will grow 35% to $120 billion in 2021 and that Alibaba Cloud will take the number three revenue spot globally, after AWS and Azure.

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Edge is the new cloud

New edge vendors will shave **5 points** off of public cloud growth.

Edge computing is essentially bringing computing closer to where data is generated and where action on the data can be taken. In 2020, mobility decision-makers whose firms have implemented edge computing told Forrester that collecting input from mobile and other devices was the biggest benefit to their organizations using edge computing. In 2021, we will see new business models emerge that facilitate the deployment of edge, efforts by cloud platforms to compete, and AI and 5G facilitating the expansion of edge use cases. All of this new business and investment will see edge eat into public cloud growth.

Hyperscale public cloud vendors have been on a growth binge for a decade, but that growth will naturally decline from a whopping 42% in 2018 to a projected 24% by 2022 as the market matures. Hidden in this natural motion is another force: edge vendors capturing more cloud business.

What's driving this trend? First, consider that large vendors such as Dell, HPE, IBM, and Intel are doubling down on the edge with cloudlike solutions deployable to anywhere. Second, content delivery networks and data center colocation vendors are offering edge compute services across hundreds or thousands of local points of presence, which helps business systems that are more responsive and contextual. Finally, edge innovation marketing is heating up — there was more venture investment in Q1 of 2020 than all of 2019.

Over the next three years, buyers will shift their cloud strategies toward the edge to capture all this innovation and become more connected. While public clouds will play a part, we do not think they will dominate, as their culture is based on massive data centers and tight control of the architecture — the exact opposite of what firms need to serve customers locally. Vendors with a winning edge strategy will do better.

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Out Of The Crisis, A New Order Takes Hold

Following sudden and profound disruption in 2020, a new landscape is emerging. Hard-won lessons in adaptability, creativity, and resilience will continue to serve companies as they navigate ongoing change. No industry or firm will be untouched as ways of working, leading, and serving customers are transformed. Explore these dynamics further with Forrester thought leaders in our Predictions 2021 webinar.

At Forrester, we are on your side to help you anticipate change and understand what it means for your firm — and to guide you on how best to move forward. Let us know how we can help. Forrester clients can access the data and research that underpin these predictions at forr.com/2021-predictions or email us at forresterinfo@forrester.com.

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