

EUROPEAN EDITION

# PREDICTIONS

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# 2021

# Accelerate out of the crisis

**Faced with the pandemic, European business leaders did things that once seemed impossible — sometimes overnight. One retailer saw customer digital adoption leap forward five years in just five months. Under the relentless pressure of customers' new 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 build platforms that differentiate your business and help your people do their best work — wherever they are. 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 realising the value of the technology that you already have — and finally retiring the technical debt holding you back.**

**In 2021, every company will focus on technology-fuelled experiences, operations, products, and ecosystems.**

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



# Inauthentic brands will fail contradictory consumers

At least 10 companies will lose billions in brand equity by misunderstanding customers.

**C**onsumers' experiences with COVID-19 will redefine how they behave, consume, and engage with brands as the economic and social crisis peaks in early 2021. They will want to support values like the environment, local community, and gender equality, but most will have to prioritise price.

Consumers will feel frustrated, mistrustful, and disappointed, and they'll exhibit contradictory behaviour. Thus, at least 10 companies will lose billions in brand equity by failing to comprehend those customers' complexities. Brands such as Lidl and Intermarché that authentically combine price and values, however, will differentiate. To reestablish trust, determine your consumers' risk profiles; use the results to inform product strategy and forecasting, customer experience priorities, and marketing content.





# 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.

**C**hief marketing officers need to drive customer obsession at their businesses, rather than just guiding ad buying and promotions. That means putting the customer at the centre of everything they 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 utilisation, customer service, retention, advocacy — was always a bad idea. Now, pandemic conditions make this disconnect even worse. Disjointed experiences cost

millions and lose customers — they are the opposite 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 reemphasise the value of their loyalty programs and will mature from frequency-based rewards programmes to full-fledged loyalty programmes. Already, media money is shifting into retention methods such as email, customer service, and to create products that drive growth: We predict that spend on loyalty and retention marketing will increase by 30% in 2021.



# Digital leaders will widen the CX maturity gap

Digital leaders will drive **double-digit** growth in 2021.

**F**or the first time in Europe in over five years, we saw two financial services companies achieve an “Excellent” score in our Customer Experience Index (CX Index™). Even as these digital leaders begin to pull away, the mainstream banks are stagnating.

This trend will accelerate in 2021, and not just in banking. The COVID-19 crisis has forced consumers onto digital channels, playing to the strengths of European digital powerhouses such as ASOS, Monzo, and Zalando.

Journeys created by digital businesses are simple compared to their omnichannel peers. They are agile, data-driven, and can adapt quickly to rapidly changing customer behaviours. This can't be said for omnichannel businesses such as high street banks and traditional retailers that rely on more physical environments. These businesses are trapped in a continuous downward spiral of cost and complexity.

In 2021, CX leaders of digital brands will widen the gap further by concentrating on core CX competencies; research to derive quantitative and qualitative insights from journey analytics, as well as from unstructured data via sources like the Monzo Community forum; prioritisation to rapidly adapt to further changes in customer behaviour as the pandemic evolves; and enablement, empowering employees to act in service of delivering great CX.



# CIOs lead the bold disruptors

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

**I**n 2021, 30% of businesses will continue to accelerate their spend on cloud, security and risk, networks, and mobility — including struggling businesses 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 organisations, 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 organisation.

In fact, CIOs focused on employee experience (EX) will help their businesses attract, develop, and retain talent that can provide competitive advantage in a critical year. They will make the investments to foster social collaboration, make information easier to find and use, and provide less distracting security. CIOs who are slow or unable to adapt will become mired in short-term fixes that lead to digital sameness, not differentiation, and their top talent will get frustrated and leave for more visionary pastures.





# COVID-19 changes leadership and hiring practices forever

More than  
**one-third** of  
European white-  
collar workers  
will remain  
remote full-time.

**I**n 2021, at least one-third of European information workers will work primarily from home, compared with 4% in 2019. Some 49% of European managers (or of higher seniority level) surveyed during the pandemic anticipate a permanently higher rate of full-time remote employees, as 52% of information workers say they want to work from home more often even after the pandemic.

The COVID-19 pandemic transformed remote work from privilege to mandate — that changes the employee/ employer dynamic and the expectations accordingly. Policymakers have taken notice: In the UK, the home office is already covered by health and safety regulations, and in Germany, the Federal Minister of Labour and Social Affairs has proposed a bill that will establish a “right to work from home.”

Remote cross-border work will grow. As it does, digital nomad insurance will flourish. Businesses will use employers of record, professional employer organisations, or combinations thereof to comply with local tax and labour laws. Employers must use these services in a nonexploitative fashion (if you use it for pure labour cost arbitrage, regulators will crack down) to attract and retain talent.



# Insurers hone in on cost control

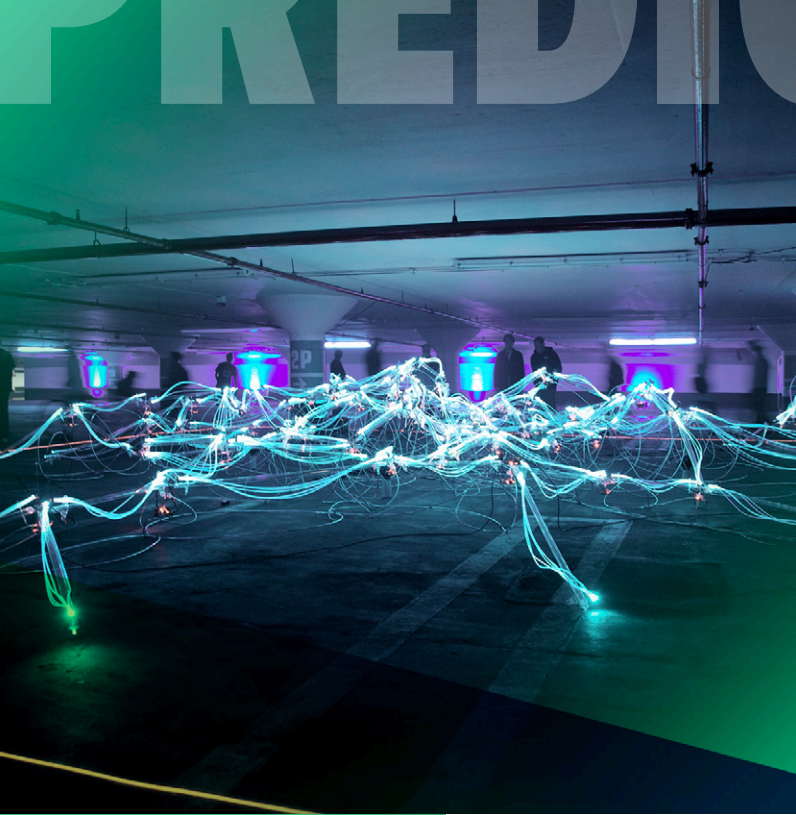
Containing claim leakage becomes the top priority for general insurance.

**A**long with the coronavirus pandemic and social and economic crises, 2020 has been, for insurers, a year of claims. 2021 promises more of the same as the virus and other events continue to pressure insurers globally.

A key focus for insurers will be controlling claims costs. Along with hefty losses from global natural disasters, COVID-19-related general insurance claim losses could reach \$100 billion. The magnitude of the losses will heighten focus on claim leakage, or dollars lost through claims management inefficiencies. As one third-party administrator we interviewed noted, claim leakage is “absolutely a big priority because in our world, anything paid incorrectly comes from our bottom line.”

In 2021, expect a flurry of smart analytics investments to identify leakage potential at first notice of loss, as well as a sharper focus overall on claim leakage, with management consultants adopting an improved playbook.





# COVID-19 drives banking fraud

Fraud and data breaches in banking will reach an all-time high.

**C**COVID-19 is a crisis for banks but an opportunity for fraudsters and hackers. In the UK, fraud rates rose by 33% across all financial products in April 2020. But worse is yet to come.

2021 will reveal the high number of fraudulent COVID-19 loans; while governments have often underwritten these, they will tarnish banks' reputations.

The banks will face breaches and fines as a result of naïve businesses that digitised with little regard for the EU General Data Protection Regulation (GDPR), the Payment Card Industry Data Security Standard (PCI DSS), anti-money laundering (AML), and know your customer (KYC), exposing data and compromising millions of accounts.

Banks need to keep their fraud management up to date and adopt more machine-learning-based solutions to combat fraud in real time.



# EU takes bold steps in regulating AI

The European Parliament will draft new AI rules and abandon e-privacy reform.

**W**e expect that the European Parliament will not only fail to adopt the e-privacy regulation proposal that's currently on the table in 2021 but will shelve it altogether. But with Google ending support for third-party cookies in its browser and the advertising industry embracing “cookie-less” approaches, the lack of updated e-privacy rules will have limited impact.

Meanwhile, data suggests that many EU citizens find current legislation inadequate for regulating AI-based activities. In just three months, the European Commission collected more than 1,200 formal opinions for its White Paper on Artificial Intelligence. And companies such as Rolls-Royce have announced their own AI ethics frameworks.

Forrester predicts that the European Parliament will finalise a draft of a new AI regulation that will be the world's first. Thus, companies that do business with Europeans should invest in ethical AI approaches now.



# 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.

**T**he 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 optimise 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 optimising 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 optimise personalised 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 personalised, 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.



# B2B sellers deepen buyer relationships with help from AI

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

**A**s 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 administrative work, 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 positively impact sales, arm your team with sales tools that have embedded AI and automation functionality.

# Critical year for cloud competition in EU

GAIA-X will not make a significant impact in 2021.

**E**urope is buzzing about the new GAIA-X sovereign cloud initiative — but the foundation’s members must now deliver concrete services and a clear value proposition. Three US-based hyperscalers — AWS, Microsoft, and Google — are the primary public cloud vendors for 46% of respondents at European companies, and their expanding network of European data centres and compliance with national rules will help them keep growing.

Despite the invalidation of EU-US Privacy Shield, legal (standard contract clauses) and technical (encryption) measures still help when you must transfer personal data outside the EU. If GAIA-X develops sensible policies for data sharing and use, we expect all major cloud providers to engage; if your provider doesn’t, it’s time to find a new supplier.

But in 2021, satisfied clients of the “keep my data in Europe” services from non-European-headquartered cloud businesses can stick with their current suppliers.



# Risk management becomes a top supply chain priority

Supply chains reconfigure to become resilient collaborative supply networks by 2022.

**T**o boost supply chain resilience, most large manufacturers will regularly pool data about supplier and carrier performance.

Supplier rationalisation will yield to supplier risk mitigation as most large manufacturers revisit existing ERP capabilities to automate multivendor sourcing based on risk. By 2022, event monitoring and dynamic production or logistics rescheduling platforms will raise a billion dollars in funding. A minority of global manufacturers will source indirect materials through markets like Alibaba or Amazon, but most will source direct materials from specialist industry marketplaces.

Secure product fingerprints will still be too costly for most items in the supply chain to make blockchain verification viable. Companies will focus on working with trusted suppliers using networks such as Trust Your Supplier. Manufacturing leaders must learn to federate data and distribute trust to collaborate with customers and suppliers in multienterprise supply networks.



# 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 business will be untouched as ways of working, leading, and serving customers are transformed. Explore these dynamics further with Forrester thought leaders in our [European Predictions 2021 webinar series](#).

At Forrester, we are on your side to help you anticipate change and understand what it means for your business – 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](https://forr.com/2021-predictions) or email us at [marketingeu@forrester.com](mailto:marketingeu@forrester.com).

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