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European Predictions 2023

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Fortune Favours The Focused And Bold

The past two years have forced organisations to adapt faster than ever before, to make bolder choices, and to think bigger in order to thrive. In 2023, smart business leaders will need to get focused — pulling back on experiments that aren't working and investing in long-term growth. Economic and geopolitical turmoil will continue to sow fear and disruption. Although it will often be challenging, leaders must remain clear-headed: Nothing of value will be gained through panic, short-sighted revenue grabs, or by sacrificing the employee experience through poorly planned returns to office or invasive monitoring.

Trust will be at the forefront of 2023. Customers are increasingly weary of organisations playing fast and loose with their personal data. Regulators aren't far behind, and crackdowns on privacy violations will become more common. And it won't stop there — greenwashing, misinformation, and employee surveillance will be scrutinised, fuelled by fed-up consumers and employees.

The interlocking market dynamics of 2023 will require business leaders to adhere to a long-term strategic vision while operating within unknown territory. A laser focus on their organisations' mission, values, strengths, and weaknesses is not only critical — it's the defining factor of success in 2023.

Anywhere Work Is Here To Stay

To attract and retain talent, one-third of European organisations will have to offer anywhere work.

Forrester's Workforce Survey, 2022, reveals that two-thirds of European online adults expect to be allowed to work from home more often, and employers who try to force them back into offices can expect protests and attrition. Some German industrial companies are already trialling four-day workweeks to entice workers into skilled trade positions, and we expect other companies across Europe to follow suit. Organisations will have to refine anywhere-work governance to adhere to changing regulations; 17 European countries are either debating or have already implemented the right to work from home. And with soaring energy prices, even reluctant employers should seize the opportunity for reducing the heating and cooling costs of office spaces that result from anywhere-work policies.

Digital Talent Will Return To More Conventional Organisations

Cuts in VC funding and redundancies will make traditional industries attractive employers once again.

Over the last decade, sky-high valuations of tech companies and rivers of VC funding have starved companies in more traditional industries of top digital talent — but no more. In the current economic climate, tech giants such as Alibaba and Meta have announced hiring freezes and redundancies. Increasing pullbacks in VC funding have seen European startups like Gorillas, memmo, and Nuri cut between 10% and 40% of their workforces. In the past, hotshot techies and marketers might have scoffed at the idea of working for "stodgy" financial services or utility companies. But those industries now offer attractive salaries and job stability that their startup counterparts cannot. Although able to attract top talent again, incumbent businesses will need to build diverse and dynamic cultures to retain these employees when the business cycle turns again in the startup world's favour.

Germany's New Law Will Drive Supply Chain Monitoring Spend

Germany's Supply Chain Act is Europe's broadest and requires companies to ensure that they — and their suppliers — protect human rights and the environment.

Germany isn't the first European country to require organisations to police their supply chains (the UK's Modern Slavery Act dates from 2015), but the German Supply Chain Act is noteworthy both for its greater breadth and the magnitude of Germany's manufacturing sector. In 2023, companies with more than 3,000 employees that do business in Germany must monitor their supply chains for specified human rights and environmental risks; they must report and act on any violations, or they risk fines of up to €8 million or 2% of global turnover. Yearly questionnaires won't cut it for ensuring compliance; therefore, both the 600 businesses to which the German law will apply in 2023, and the thousands of organisations with more than 1,000 employees whose turn will come in 2024, must invest in solutions that enable them to remotely monitor their suppliers' facilities from providers like Aravo and Archer.

Consumers Will Opt For Greener Choices

The number of European "active green" consumers will increase by 50%.

Forrester's 2022 data shows that 58% of European online adults actively monitor their home energy usage in order to reduce their environmental footprint — and that 24% of European consumers fall into Forrester's "active green" segment: They're environmentally conscious and strongly prefer buying environmentally friendly products. Soaring costs, plus financial incentives from governments and utilities companies to reduce energy consumption and adopt more sustainable lifestyles, will entice 50% more consumers to join the ranks of those "active greens" by the end of 2023. Organisations should use behavioural science insights to nudge partners and consumers toward energy efficiency and greener choices.

Trust In European Governments Will Plummet

Only 1 in 5 European citizens will still trust their government to act in their best interest.

With coffers running low after two years of pandemic financial support, European governments will struggle to help their citizens through a winter of exorbitant energy costs — and some will shift that responsibility onto businesses. For example, the UK government has increased regulatory pressure on financial services organisations and utility providers to protect vulnerable consumers (e.g., the FCA's Consumer Duty of care). As a result, consumers' trust in government across Europe will drop significantly; by the end of 2023, only one in five European citizens will still trust their government. As that trust declines, European companies have the chance to fill that trust vacuum. To do that, they must assess which trust levers matter the most to their customers, identify gaps, and build a strategy that helps them win and safeguard customer trust.

B2B Demand Leaders Deliver Satisfying Experiences Across The Customer Lifecycle… Or Struggle

1 in 5 demand teams will be unnecessarily folded into the sales function.

In the face of waning leads-based contributions to revenue results, 20% of demand teams will be reorganised into the sales function. This largely misguided move is an attempt to force alignment at organisations with underperforming revenue engines. But reconfigured reporting lines alone will not fix alignment issues, nor can they correct for demand organisations that short-sightedly prioritise the delivery of tactics ahead of generating meaningful value for prospects and customers. Success, regardless of where demand marketing reports, will depend on demand leaders fully embracing their role in delivering satisfying experiences across the customer lifecycle. And that means marketing and sales must evolve in their alignment to fluidly support buyers and customers; to do that, organisations must adapt internal operations to address buying groups and multiple opportunity types.

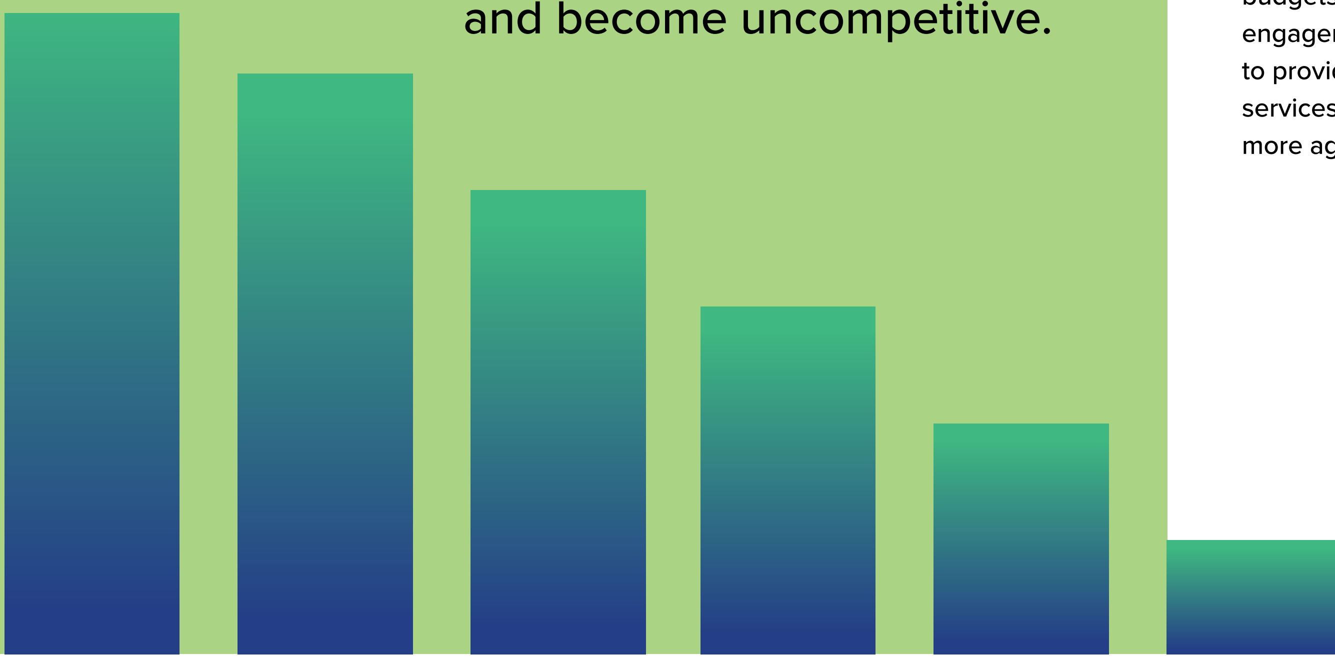
Proving The ROI of CX Is More Crucial Than Ever

1 in 5 CX programmes will disappear altogether — and 1 in 10 will be stronger than ever.

The estimated 80% of organisations for which great CX is not part of their brand identity will finally demand proof that spending on CX improvement is necessary. And some of these organisations will dissolve CX teams that can't show the right numbers. That's bad news for the 54% of CX teams that are unable to prove the ROI of their projects. Some of these CX teams will be split up and absorbed into other business functions, while others will see their influence dwindle. In contrast, the 20% of organisations that embrace great CX as part of their brand identity will reward CX teams that can indeed show a positive ROI. The leaders of these teams will join the 25% of their peers who already sit in the C-suite. They'll also gain direct control of teams to which they previously had only dotted-line connections — like customer success or the contact centre — and they'll earn larger budgets for personnel, technology, and project work. Essentially, it's sink-or-swim time for CX leaders.

Banks That Further Reduce Tech Spend Will Fall Behind

15% of banks will fail to tackle their technical debt and become uncompetitive.



Banks have accumulated an enormous application backlog due to cyclical budget cuts associated with the Y2K bug, the financial crisis, and large-scale acquisitions. Before the war in Ukraine, more than 70% of business and technology banking professionals reported that their organisation would maintain or increase investment in banking, lending, and digital engagement platforms — thus reducing their tech debt. However, these plans are getting derailed; cost-cutting has become a priority for 73% of financial services companies. In 2023, the dire economic situation will force many banks to shift tech spending again. Banks will further reduce the IT spend that financial services organisations allocate to transforming their applications and infrastructure. Some 15% of banks will move tech budgets away from transforming core systems toward digital engagement solutions. Without the ability of modern cores to provide information in real time or configure products and services flexibly and rapidly, those banks will lose out to their more agile competitors.

Local Manufacturing Is On The Rise

Investment in microfactories will grow by 20%.

Highly automated, fully connected, and software-defined microfactories are an increasingly credible tool to reduce environmental impact, meet regional needs, nurture local supply chains, and slash time-to-market. Microfactories have several new faces: 3D printing farms achieve volume production of finished parts, and companies such as Handddle serve demanding customers quickly and effectively, including the French Air and Space Force. The city of Changzhou and JD.com collaborated to connect 700 microfactories to foster local innovation with robust regional supply chains, forming a "super virtual factory." Microfactories will gain momentum in 2023, with related advances in enabling collaboration and automation technologies that ensure efficiency, quality, and IP protection. Manufacturers should take the opportunity to look seriously at the role that microfactories might play in their broader approach to combining local, near, and far manufacturing capabilities.

Tech Talent Will Remain In Short Supply

One in three tech execs will tackle talent challenges with alternative partners.

The technology talent needed to transform organisations, amp up the hybrid cloud, and build new applications that drive growth and differentiation remains in short supply. It takes 69 days to fill tech roles, compared to 41 days for the overall market. And there are on average 200,000 open tech jobs that cannot be filled due to a lack of suitable candidates. To plug the gaps and improve capacity and skills in 2023, one in three tech executives will go beyond their traditional tech service provider partners to source talent more broadly and with an eye on better pipelines.

Customers Will Increasingly Turn To Providers For Maintenance Services

At least half of the top 10 insurers will roll out fee-based, value-added services.

To offset declines in premiums and policies, a growing number of insurers will introduce new non-insurance services. Value-added services are already customary in commercial P&C, with the likes of Zurich's DEI services or Markel's complex construction advisory services, but will ripple across personal lines in 2023. According to Forrester's 2021 data, "stretched spenders" in the US and UK were more interested in receiving services such as repairing, buying, security, and disaster planning from their insurance providers. In the UK, 26% of stretched spenders were interested in home repair services while just 15% of cushioned savers were. State Farm has jumped in, teaming with ADT and Google to launch smart-home services that "predict and prevent" claims. The upside for insurers? They get underwriting insights because they know which customers maintain their property.

Legal Backlash Will Grow In Response To Employee Monitoring

A C-level executive will be fired for their company's use of employee monitoring.

With anywhere work, some employers have turned to electronic monitoring to track their employees' productivity. Methods range from keystroke recording and desktop snapshots to more invasive surveillance via webcam. These efforts can violate data protection laws such as the GDPR. In 2022, newly enacted laws in New York and Ontario, Canada also mandate actions and policies that employers must implement when engaging in employee monitoring. In 2023, expect more lawmaker attention on workplace surveillance, like the accountability bill proposed in California, along with more employee backlash, strikes, and labour organising in response to monitoring. Whistleblowers may also demand access to the monitoring data to support complaints about employment law violations. Organisations must prioritise privacy rights and employee experience when implementing any monitoring technology, whether it is for productivity, return-to-office strategies, or insider risk management.

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The Uncertainty Of 2023 Requires A Steady Approach

In 2023, successful organisations will ensure that all actions flow from their core mission. Bypassing tempting but potentially destructive short-term gains won't be easy in a shaky economy. Moments like these have the power to accelerate the performance of organisations that manage to weather the storm.

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