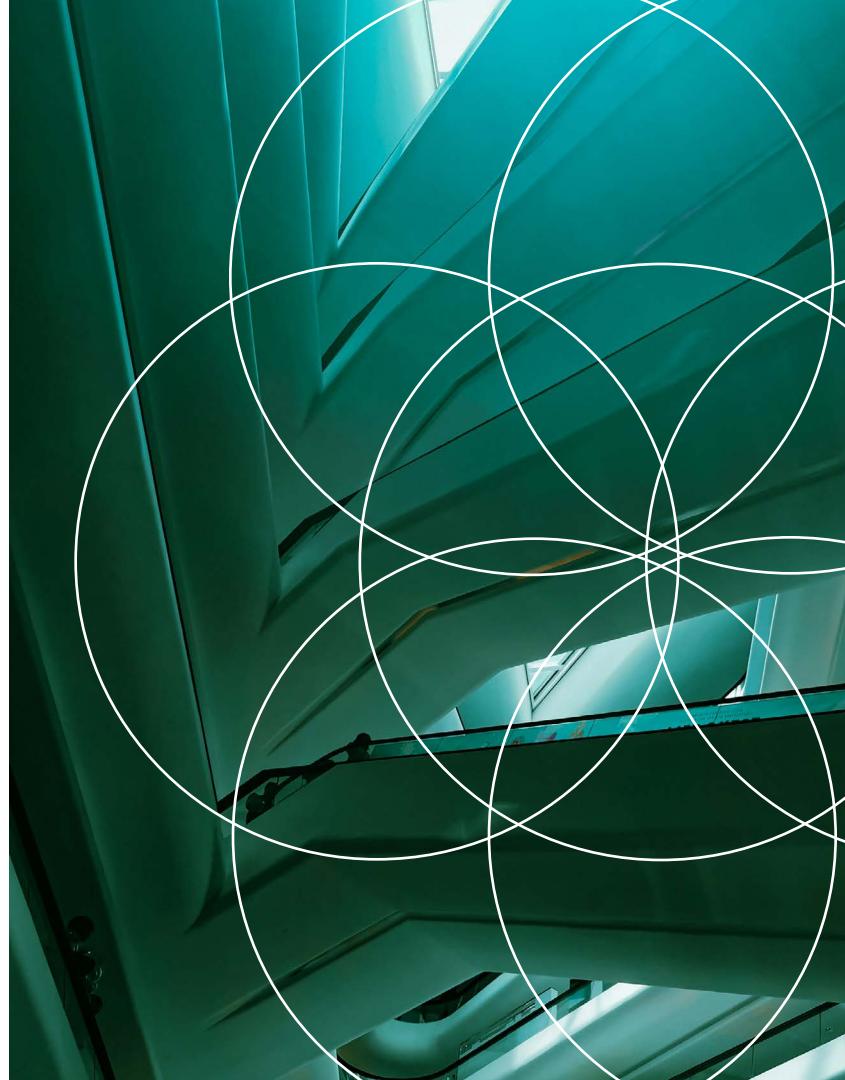


The Experimentation Advantage: Research On Derisking Innovation

In A Rapidly Evolving Landscape, Business Experimentation
Can Provide A Safe, Structured, And Scalable Path To Adopting
AI And Accelerating Innovation

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Overview

With volatility and uncertainty now the status quo, innovation is even more critical to staying competitive. Although many companies recognize its potential, few have capabilities in place to innovate effectively, especially when it comes to embedding AI.

In our survey of 324 senior leaders across innovation, strategy, data, marketing, product, and portfolio management, we found that the tension between innovation and risk is holding businesses back. When companies don't have the necessary tools, processes, and culture to test, learn, and scale new business ideas, even the best innovation initiatives can fall short of expectations.

By applying data and analytics best practices, especially experimentation, businesses can adopt AI and scale innovation while minimizing risk.

Key Findings



Most organizations understand that innovation is critical to staying competitive. The challenge comes from a lack of infrastructure, not a lack of intent.



Over two-thirds of respondents say implementing AI is critical or very important, yet 69% struggle to apply AI toward innovation.



Experimentation capabilities can accelerate innovation, quantify business impact, and manage risk. In fact, 80% of respondents are looking for capabilities to test initiatives on a small scale before a full rollout.

Innovation Roadblocks In Today's Dynamic Environment

Innovation is an essential response to market disruption, but without a proactive culture of experimentation, increasing competition can force companies into a reactive stance that stifles innovation — a challenge for 77% of respondents' companies.

In this environment, businesses must build on innovation methods that start with customers' needs, yet most organizations don't consider their customers enough (75%).

And although innovation depends on the ability to take calculated risks and comply with regulations, companies are hamstrung by a risk-averse culture (72%) and unable to manage complex regulatory requirements effectively (75%).

Half of respondents said their innovation initiatives are not meeting expectations, and only 13% prioritize applying AI to their innovation strategy.



Negative Impact On Ability To Innovate

(Showing "Moderate" to "Very large")



Note: Showing top eight responses

Base: 324 global directors and above with responsibility for innovation, strategy, data and analytics, marketing, or product/portfolio management decisions

Source: Forrester's Q3 2025 Derisking Innovation Through Data and Analytics Survey [E-64872]

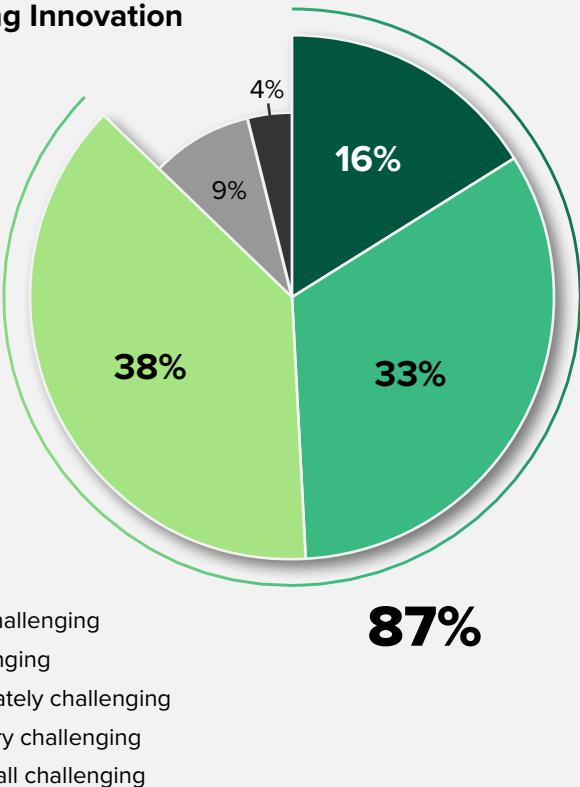
Prioritizing Innovation Drives Success, But Managing Risk Remains A Balancing Act

Despite how critical innovation is to compete in today's market, few organizations pursue innovation regularly: 24% to be exact. But those that do are far more likely to see their innovation initiatives succeed. Sixty-eight percent of respondents said their innovation initiatives had met or exceeded expectations in the past 24 months compared to only 45% for more reactive companies.

Within retail, a greater percentage pursue innovation regularly yet were more likely to say their innovation initiatives didn't meet expectations, underscoring how consumers hold retailers to an even higher standard.

But regardless of their approach to innovation, all groups struggle with a critical component of success: the ability to balance fostering innovation with managing risks related to reputation, finances, regulations, etc. Eighty-seven percent said this balancing act is a challenge for their company.

Difficulty Balancing Risk Management With Fostering Innovation



Companies Stand To Lose Market Opportunities And Competitive Edge

Challenges balancing risk and innovation can be costly: 41% of respondents said their organizations lose their competitive edge, and 38% miss market opportunities when they don't achieve this balance.

Additionally, 37% reported experiencing decision paralysis, a clear sign of loss aversion at play. Organizations may hesitate to innovate, focusing more on avoiding potential risks than pursuing new opportunities. This bias leads to losses on both fronts: misaligned action as well as inaction, resulting in commoditized offerings and increased customer churn.

The stakes for getting it right are especially high for restaurants, and 37% said they lose consumers to more innovative competitors when their organizations don't balance risk management.

Companies suffer three negative consequences on average from challenges balancing risk and innovation.



Impact Of Difficulty Balancing Innovation With Risk Management



Note: Showing top eight responses

Base: 324 global directors and above with responsibility for innovation, strategy, data and analytics, marketing, or product/portfolio management decisions

Source: Forrester's Q3 2025 Derisking Innovation Through Data and Analytics Survey [E-64872]

AI Is A Top Priority, But Businesses Struggle Applying It To Innovation

Although 70% of respondents' organizations plan to apply AI to innovation in the coming two years, only 13% currently do so across initiatives whenever possible. Leveraging AI to support innovation is difficult: More than two-thirds of businesses that are prioritizing the application of AI for innovation are struggling. More specifically, businesses are challenged to use machine learning models to forecast or simulate outcomes (59%) and apply AI insights to real-world decisions (56%).

When done properly, AI can enhance traditional innovation lifecycles and unlock transformational change by accelerating processes, improving productivity, and reducing risk.¹ But without structured experimentation, knowing AI's real-world business impact will be difficult.

Degree Of AI In Innovation Strategy

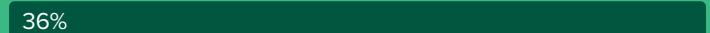
Not at all: No AI adoption or application to innovation strategy

20%



Limited: Some AI adoption, informal/ad hoc application to innovation strategy

36%



Moderate: AI tools are being adopted and applied to specific innovation tasks

32%



Advanced: We prioritize the application of AI across innovation initiatives wherever possible

13%



Note: Percentages may not total 100 due to rounding.

Base: 324 global directors and above with responsibility for innovation, strategy, data and analytics, marketing, or product/portfolio management decisions

Source: Forrester's Q3 2025 Derisking Innovation Through Data and Analytics Survey [E-64872]

Effective Innovation Is Built On Applied Best Practices

For innovation to drive competitive differentiation, it must be strategic and measurable, with implementation of best practices as the surest way to make that possible. Yet all industries struggle to apply even the most fundamental data and analytics best practices to innovation.

Respondents' top three most difficult steps tell a concise story:

Integrating data across the organization is an unavoidable step businesses must take before they can take advantage of more advanced analytics capabilities, and it is the biggest challenge they face (73%).

Innovation leaders must then align their analytics and insights efforts with the broader business strategy — their second most difficult practice (69%) — or their analytics will inevitably underperform.

And then, with an integrated, aligned analytics strategy, they can measure the return on their innovation investments accurately enough to make meaningful decisions — their third most difficult task (59%).

Difficulty Applying Data, Analytics, And AI Best Practices

Very challenging Challenging



Rapid Experimentation Is Critical, But Few Businesses Do It Well

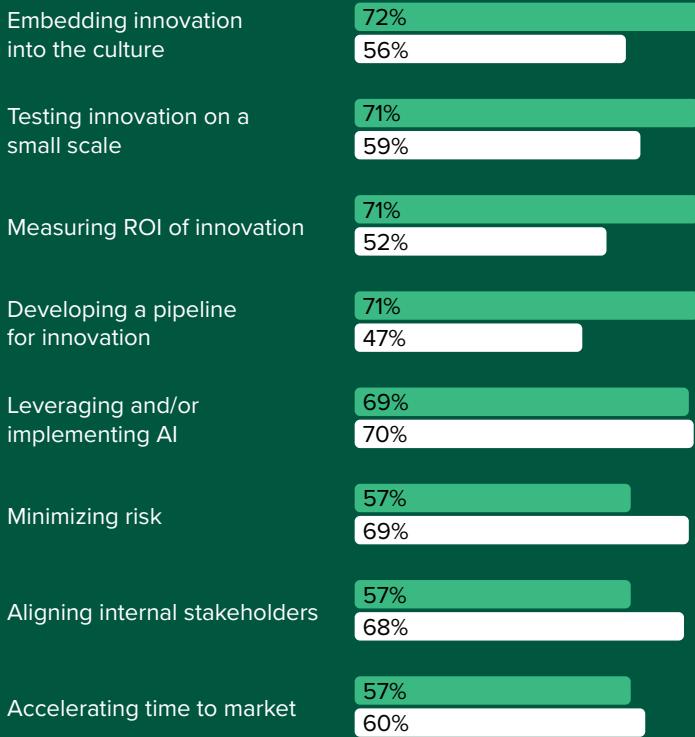
AI innovation requires perpetual experimentation.² Perpetual experimentation requires a clear pipeline for how organizations select and prototype use cases, and ultimately either cull or scale and fully deploy them. More than half of respondents' organizations are prioritizing experimentation on a small scale, and 47% on developing innovation pipelines, yet 71% said they find these actions challenging.

Further, difficulty testing pilots on a small scale is directly impacting innovation efforts, and 69% of respondents reported in a separate question that it is hurting their organization's ability to innovate.

It's a similar story for measuring ROI from innovation. We all know that if you can't measure it, you can't manage it. Fifty-two percent of respondents told us their companies prioritize measurement, yet 71% struggle to execute.

Difficulty And Importance Of Innovation Priorities

● Challenging/Very challenging ● Critical/Very important priority*



Base: 324 global directors and above with responsibility for innovation, strategy, data and analytics, marketing, or product/portfolio management decisions

*Base: Variable base respondents who said a priority was critical or very important

Source: Forrester's Q3 2025 Derisking Innovation Through Data and Analytics Survey [E-64872]

Improve ROI, Accelerate Innovation, And Manage Risk With Experimentation

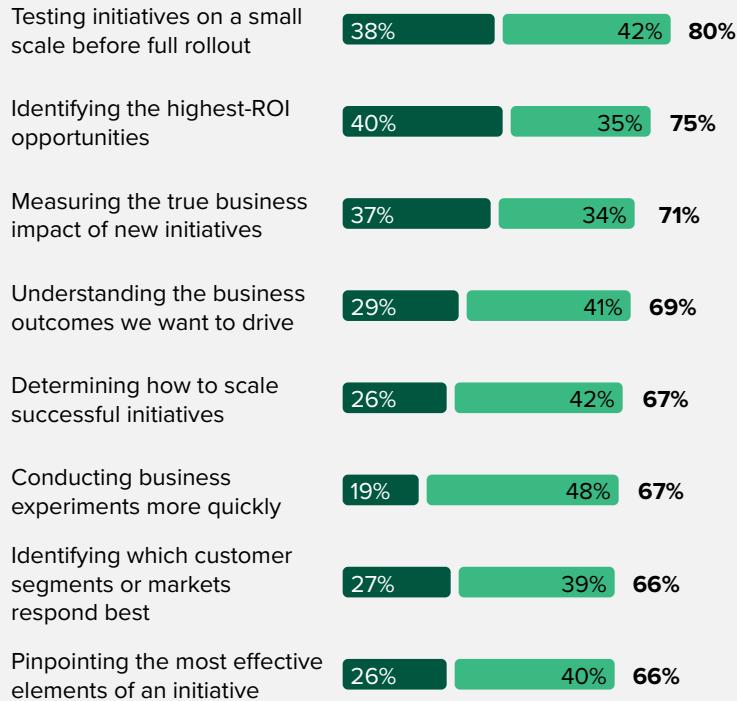
Overwhelmingly, respondents told us that investing in experimentation capabilities would help their organization accelerate innovation, quantify impact, and manage risk, with most impact coming from the ability to test initiatives on a small scale (80%). Although small-scale testing stood out, respondents emphasized the role of experimentation in supporting every phase of the innovation cycle.

At the onset, respondents said experimentation helps them align on the business outcomes they want to drive and test (69%), conduct tests more quickly (67%), and measure true business impact (71%).

With experimentation capabilities, respondents said they can more confidently identify the highest-ROI opportunities (75%) and uncover deeper insights into the most effective elements (66%) and which customer segments or markets respond best (66%). These learnings can then help determine how to scale most effectively (67%).

Experimentation Capabilities' Value To Accelerating Innovation And Managing Risk

● Critical ● Very valuable



Note: Showing top eight responses; percentages may not sum to totals due to rounding
 Base: 324 global directors and above with responsibility for innovation, strategy, data and analytics, marketing, or product/portfolio management decisions
 Source: Forrester's Q3 2025 Derisking Innovation Through Data and Analytics Survey [E-64872]

Operational And Strategic Gains Make Growth Possible

Advanced data and analytics are foundational requirements for innovation, and respondents expect these capabilities to deliver a wide array of benefits.

More than any other benefit in the study, restaurants and retailers said they expect a revenue increase from existing products or services: 46% versus 36% for banks and fintechs.

Banks and fintechs expect the most benefit from an improved ability to measure and communicate the business impact of innovation: 39% versus 28%.

Across industries, respondents expect advanced data and analytics capabilities to deliver value through operational and strategy gains, including better decision-making with better insights (35%), more satisfied customers (33%), more efficient operations (32%), and improved stakeholder alignment (32%). And beyond the top eight benefits, 24% of respondents said they expect these capabilities to help create or improve a culture of innovation.

Expected Benefits Of Investing In Advanced Data And Analytics Capabilities



Note: Showing top eight responses

Base: 324 global directors and above with responsibility for innovation, strategy, data and analytics, marketing, or product/portfolio management decisions

Source: Forrester's Q3 2025 Derisking Innovation Through Data and Analytics Survey [E-64872]

Scale Innovation And Unlock New Opportunities

This study found that the biggest impact on a company's ability to scale innovation comes from its ability to apply data and analytics best practices, and 75% said if they could succeed here, it would have a transformational or large improvement.

Respondents also told us their companies' ability to scale innovation would dramatically improve if they could find better ways to turn insights into action (72%). To do so, organizations must bring the right insight to the right person at the right time to make the right decision — and 70% of respondents stated democratizing analytics would help them scale.

Advanced technology is a key enabler of innovation (71%). But most organizations only leverage traditional innovation methods, and technology is often an afterthought. As a result, their offerings can end up undifferentiated.

Impact On Companies' Ability To Scale Innovation

(Showing "Transformational" and "Large improvement")

Applying data and analytics best practices

75%

Ability to drive insights to action

72%

Access to advanced technologies

71%

Support for democratizing data and insights across the organization

70%

Design thinking and user experience expertise

67%

Guidance to navigate complex and evolving regulatory or macroeconomic environments

65%

Accurate cost and risk assessments

62%

Access to proprietary or differentiated datasets

62%

Note: Showing top eight responses

Base: 324 global directors and above with responsibility for innovation, strategy, data and analytics, marketing, or product/portfolio management decisions

Source: Forrester's Q3 2025 Derisking Innovation Through Data and Analytics Survey [E-64872]

Conclusion

Given today's volatility, structured experimentation offers clarity to evaluate the impact of initiatives on business outcomes and innovate with confidence. This study found that:

- When companies can't balance innovation with risk management, innovation becomes too risky to pursue, products become undifferentiated, and they lose their competitive edge.
- Although AI implementation is critical, more than two-thirds of companies struggle to apply it toward innovation. To drive innovation, they must master key data and analytics best practices.
- Testing initiatives on a small scale before a full rollout is the most valuable experimentation capability this study found. Overwhelmingly, respondents told us that investing in experimentation capabilities would help their company accelerate innovation, quantify business impact, and manage risk.

Endnotes

¹Source: [Introducing The AI-Powered Innovation Lifecycle](#), Forrester Research, Inc., January 27, 2025.

² Source: [Advance Business Outcomes Through AI Innovation](#), Forrester Research, Inc., October 28, 2024.



Resources

Related Forrester Research:

[Introducing The AI-Powered Innovation Lifecycle](#), Forrester Research, Inc., January 27, 2025

[Advance Business Outcomes Through AI Innovation](#), Forrester Research, Inc., October 28, 2024

[Journey Innovation: Reimagining Customer And Company Value](#), Forrester Research, Inc., September 8, 2025

[Assess Your Innovation Capability Maturity](#), Forrester Research, Inc., February 11, 2025

Related Blogs

Bernhard Schaffrik, [Key Questions Dominating The Innovation Agenda](#), Forrester Blogs

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Forrester's [Technology](#) research group

Methodology

This Opportunity Snapshot was commissioned by Mastercard. To create this profile, Forrester Consulting supplemented this research with custom survey questions asked of 324 senior leaders across innovation, strategy, data, marketing, product, and portfolio management at banks (retail and commercial), financial technology, restaurant, and retail companies. The custom survey began and was completed in August 2025.

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Demographics

REGION	DEPARTMENT
Asia Pacific	25%
Europe/Middle East	25%
Latin America	24%
North America	26%
INDUSTRY	DEPARTMENT
Banking	40%
Financial technology	10%
Restaurant	27%
Retail	23%
LEVEL OF SENIORITY	DEPARTMENT
C-level executive	18%
Vice president	39%
Director	43%

The background of the slide is a dark teal gradient. Silhouettes of tropical leaves, including palm fronds and monstera leaves, are scattered across the slide, appearing in various shades of teal and black. The overall aesthetic is modern and professional.

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