

# How to Measure—and Prove—the ROI of Customer Experience (‘CX’)

An McorpCX Thought-Leadership Webinar: Quantify the value of customer experience, proving value and ROI in terms that business leaders understand, and can embrace.

March 12, 2019

mcorpCX



# Your hosts for today:



**Michael Hinshaw**  
Founder & President  
McorpCX

- CX industry pioneer and thought leader on multiple “Global CX Thought Leaders to Watch” lists
- Best-selling author: *Smart Customers, Stupid Companies: Why Only Intelligent Companies Will Thrive, and How To Be One of Them*
- Mentor and Richard H. Holton Teaching Fellow at U.C. Berkeley’s Haas Business School



**Stephen Shay**  
Vice President  
McorpCX

- Senior technology and Customer Experience strategist
- Former Microsoft General Manager responsible for building internal Customer Experience practice
- Sales, Operations, and IT background responsible for leading cross-company, transformational initiatives



**Randy Law**  
Quantitative Research  
Consultant, McorpCX

- Senior analytics and Customer Experience practitioner
- Former Vice President of Analytics and Insights at Market Force, a leading market research organization
- Leverages advanced analytics to creating actionable employee and customer experience insights

# For over 17 years, McorpCX has helped leading brands plan for, design, and deliver better customer experiences



# Delivering measurable value and ROI: One example...

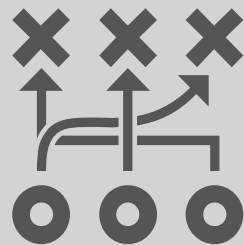
**Greater top-line revenue**

~\$25.8 million/  
10% annually



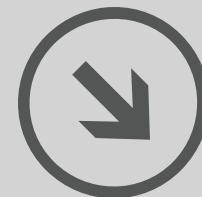
**Faster time to market**

From 90 days  
to under 7



**Decreased operating costs**

Saving millions of  
dollars annually



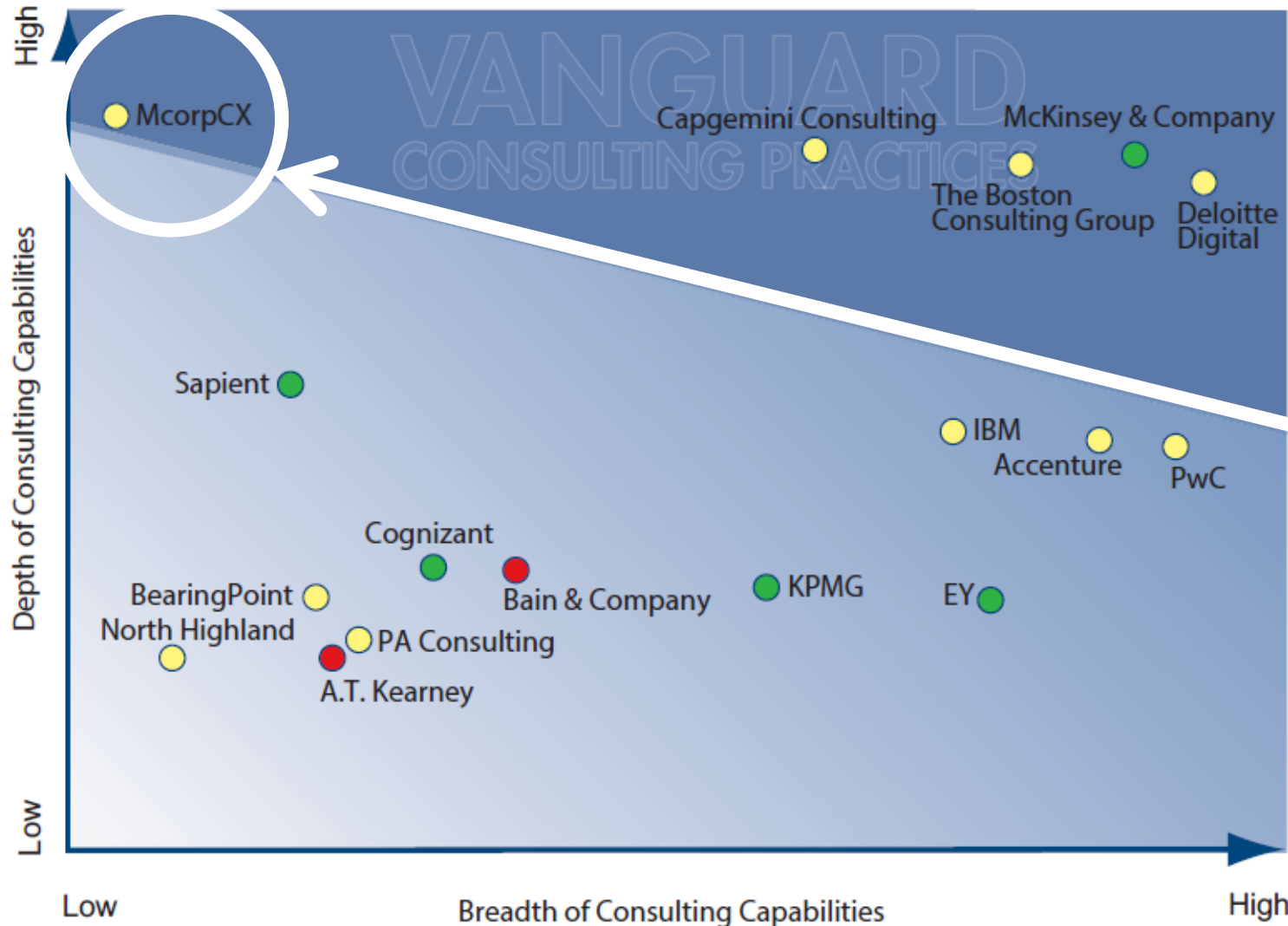
**Greater customer satisfaction**

200%+



**Proven across multiple markets and industry verticals**

# Independently ranked Top-20 digital CX & strategy leader



“[Their] narrow but deep market position enables McorpCX to effectively serve both the SME market and the largest global corporations”<sup>1</sup>

-- ALM Intelligence:  
The Kennedy Vanguard

**Today: Why you should care about CX  
ROI; The importance of the 'right' ROI  
measures; Value and business case  
frameworks to use now; How data  
analytics can help point the way; Key  
takeaways; Answers to your questions.**



# The value of better customer experience is compelling...

CX leaders enjoy results like...



Up to 2 times greater customer and employee loyalty<sup>1</sup>

Customers 4.5 times more willing to pay a price premium<sup>2</sup>

Reduced customer service costs (For one telecom by 33%)<sup>1</sup>

Revenue growth 5.1 times greater than competitors<sup>2</sup>

It's also clear that customer expectations have changed. And that we live in a “digital first but not digital only” multichannel world.





# And executives get this, though proving the ROI of customer experience investments is a top challenge

## Assessed 27 Common CX Challenges

Across 8 CXM capability areas, and abilities to execute on CX

- |                          |                        |
|--------------------------|------------------------|
| Experience Strategy      | Audience Understanding |
| Design and Innovation    | Governance             |
| Organization and Culture | Process Optimization   |
| Experience Measurement   | Technology and Data    |
- Executing CX Efforts

## Top 5 Ranked Challenges

- 1 Proving the ROI on CX Investments
- 2 Developing a CX Strategy
- 3 Taking Action on What Customers Tell You
- 4 Driving Organizational Buy-In to CX as a Priority
- 5 Aligning CX with the Company's Brand Promise

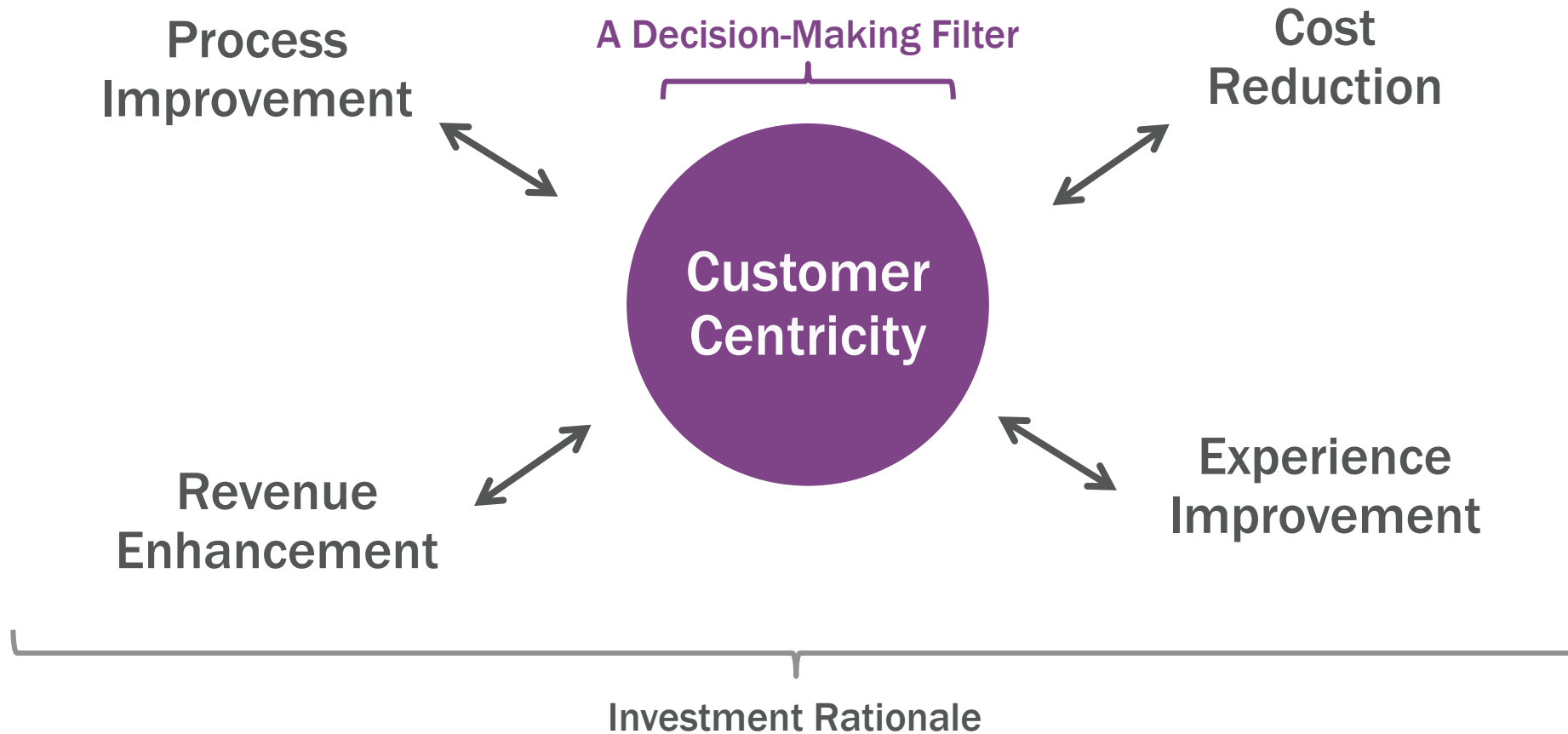
# Because as compelling the case, how to connect CX investments to business results is still unclear

**CX  
Investments  
and Activities**



**Business  
Results**

# Recognizing that investments aren't (and shouldn't) be made *\*just\** to drive customer-centricity.



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# Executives often make decisions based on value... and what value 'is' can be different, at different times

## The Math:

(What every exec is thinking)

$$\text{ROI} = \frac{\text{Benefits} - \text{Costs}}{\text{Costs}}$$

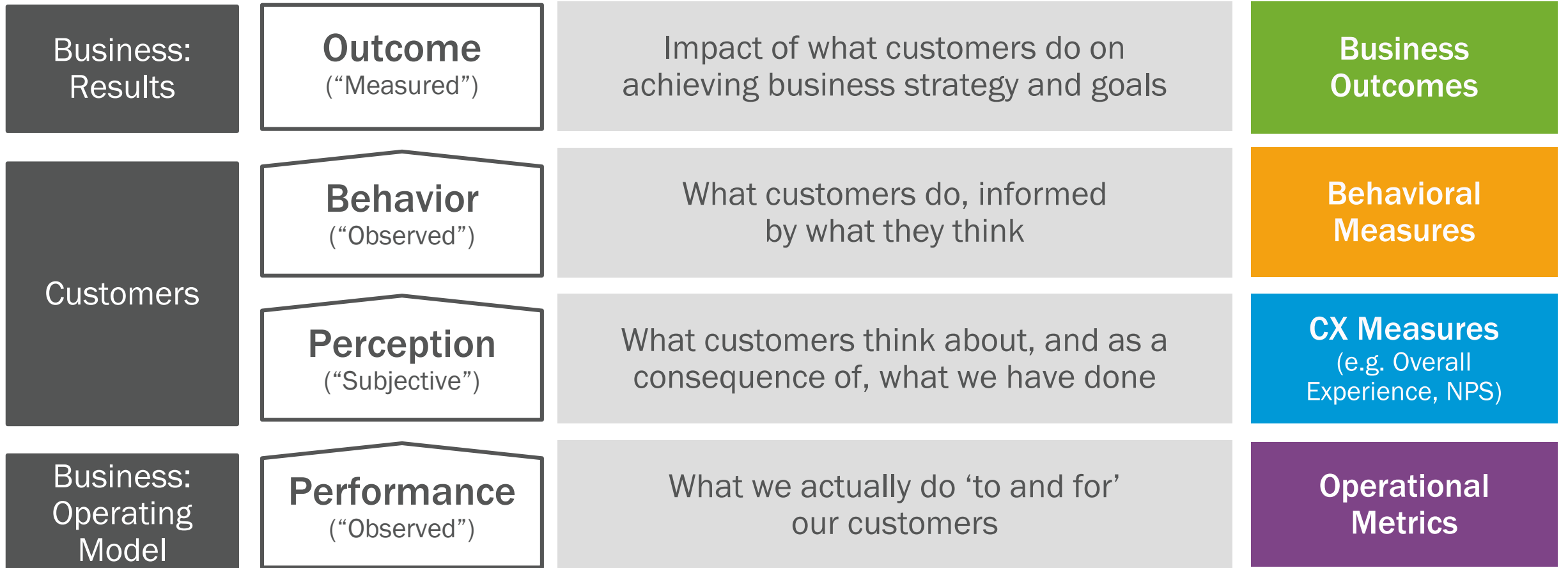
## The Benefits:

(Different relative value, based on business + priorities )

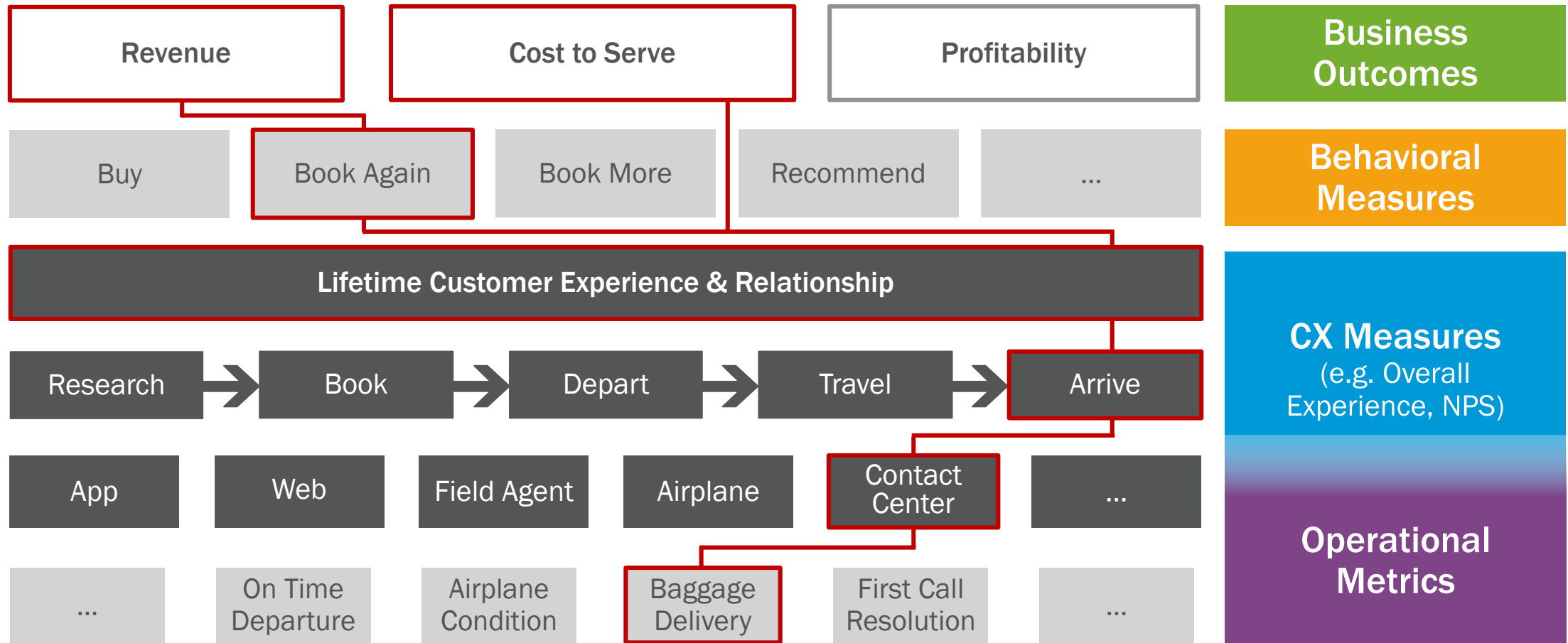
- Boost Loyalty
- Acquire New Customers
- Reduce Acquisition Costs
- Decrease Customer Attrition
- Improve Employee Experience
- Boost Brand Preference
- Increase Satisfaction
- Boost Top-Line Revenue
- Reduce Costs to Serve
- Improve Employee Retention
- Increase Share-of-Wallet
- Boost Market Share
- Increase Per-Store Sales
- Reduce Effort



# When we talk about the “right” CX metrics, we mean linking operations and experiences to business results



# Which, when activated through a CX Metrics program, can systematically prove the impact of CX on outcomes



# As discussed, you can prove the ROI of experience in many ways. And you can do so at different levels...

## Organizational Unit of Analysis

How deep or wide should we go?



- Individual Customer Segments or Persona
- Organizational Units
- Entire BU or Company

## Types of Outcomes

What are we trying to accomplish?



- Business Outcomes
- Overall Experience
- Customer Loyalty
- Customer Behaviors

## Required Analytical Rigor

How 'defensible' must results be?

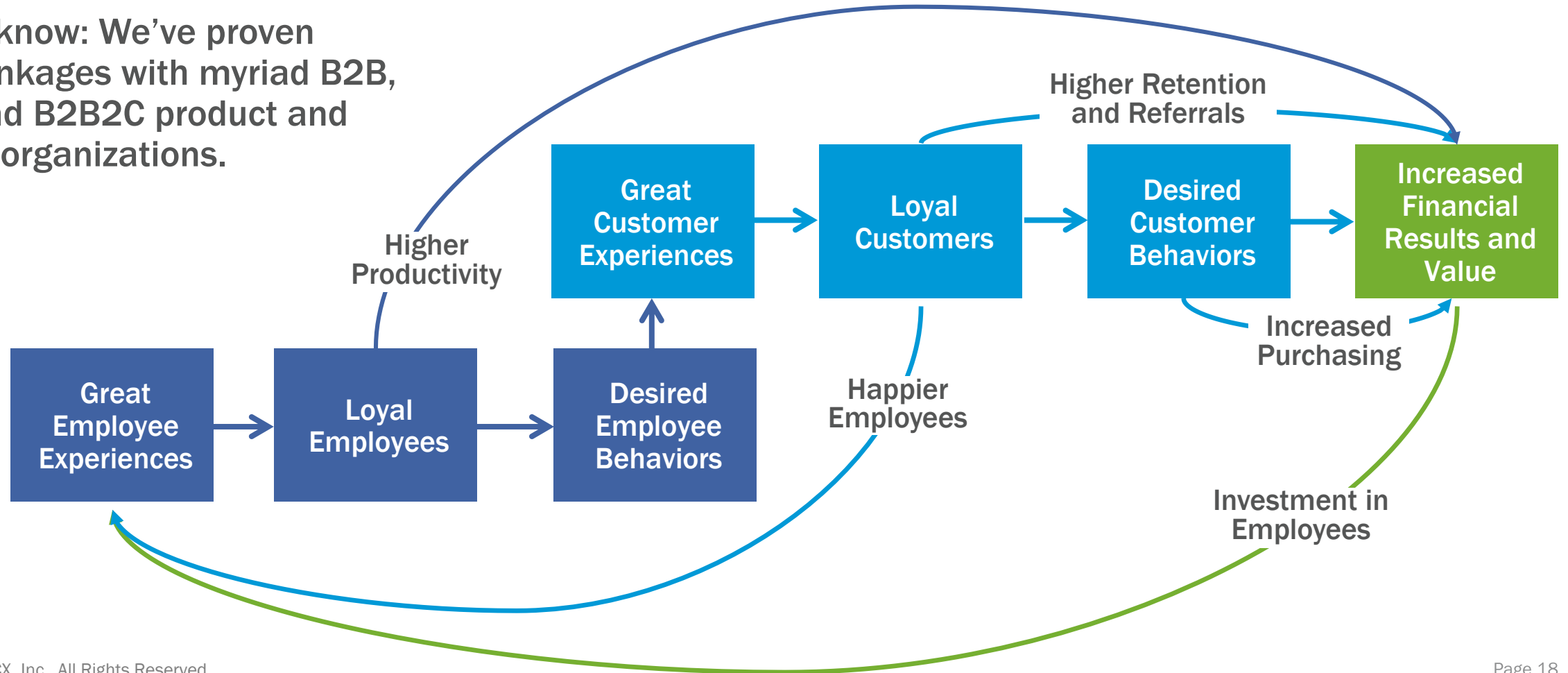


- Informative
- Highly Directional
- Specific and Actionable
- Detailed and Rigorous

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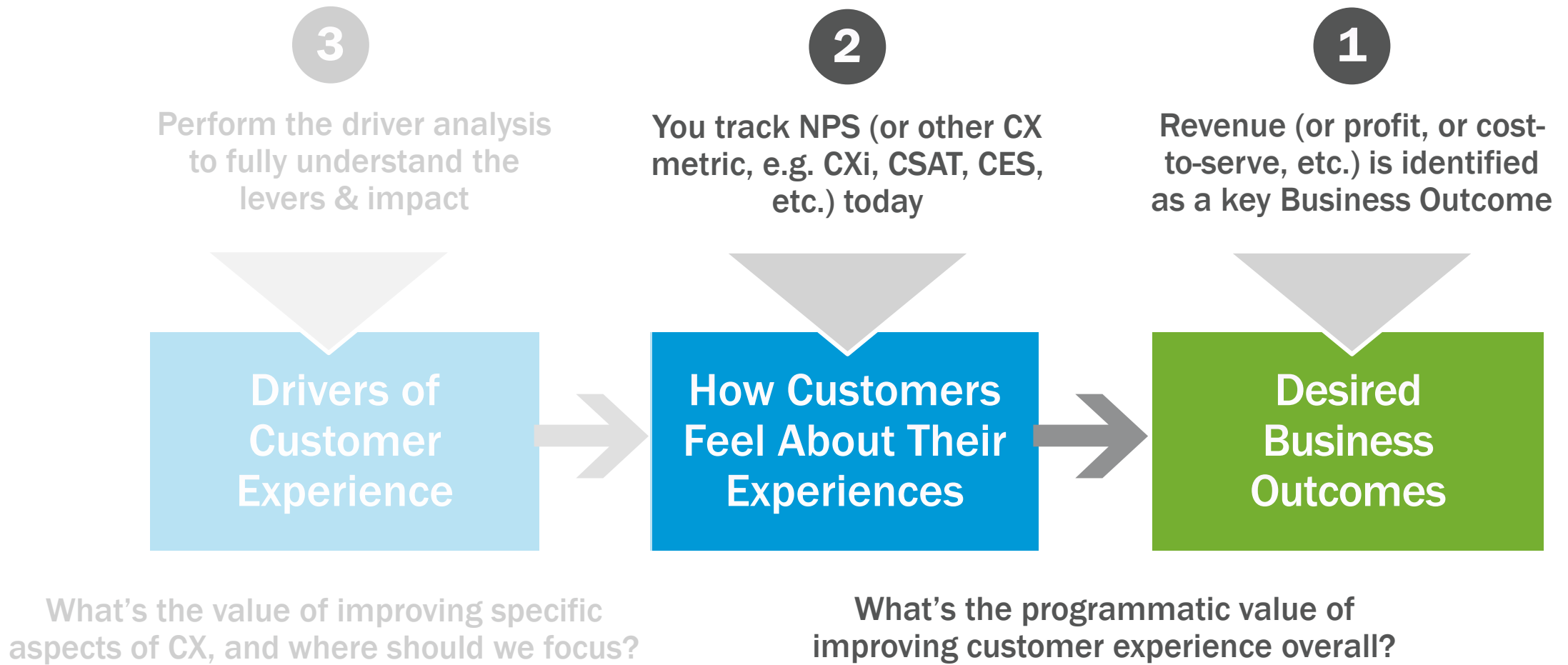
# The McorpCX Customer and Employee Value Model: Linking employee and customer experience to results

So you know: We've proven these linkages with myriad B2B, B2C, and B2B2C product and service organizations.

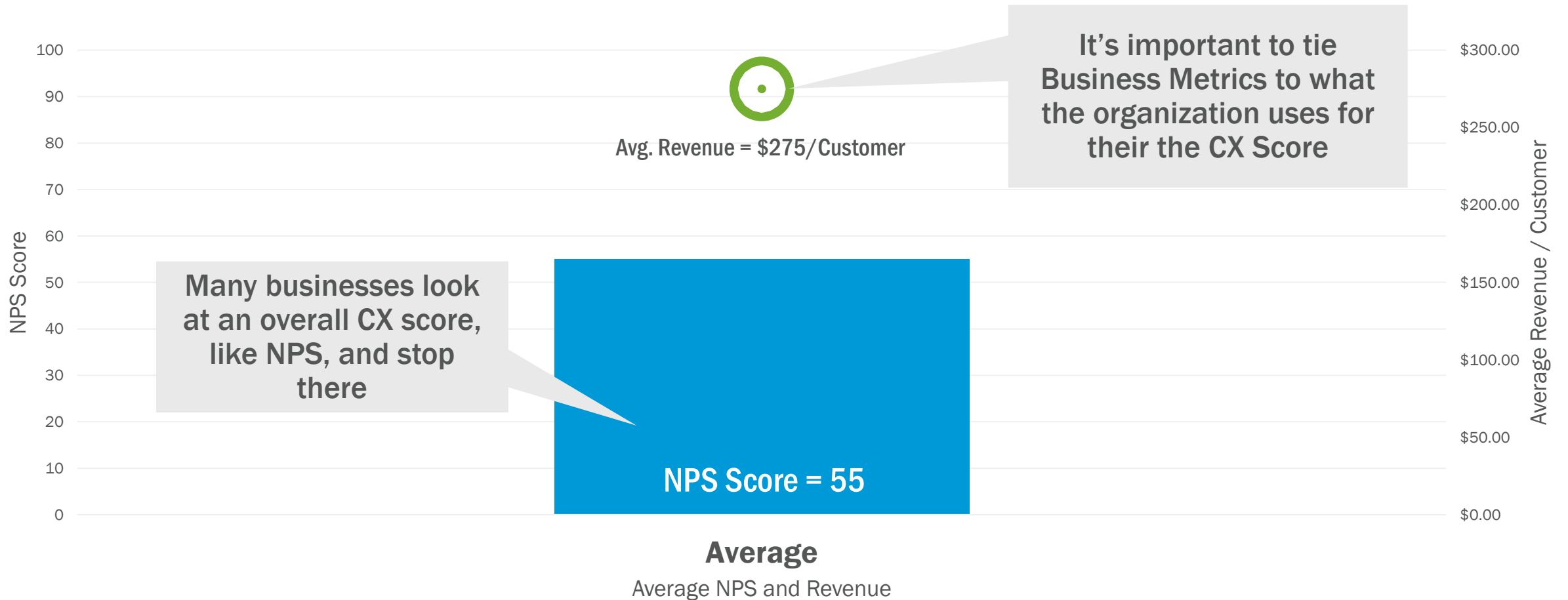




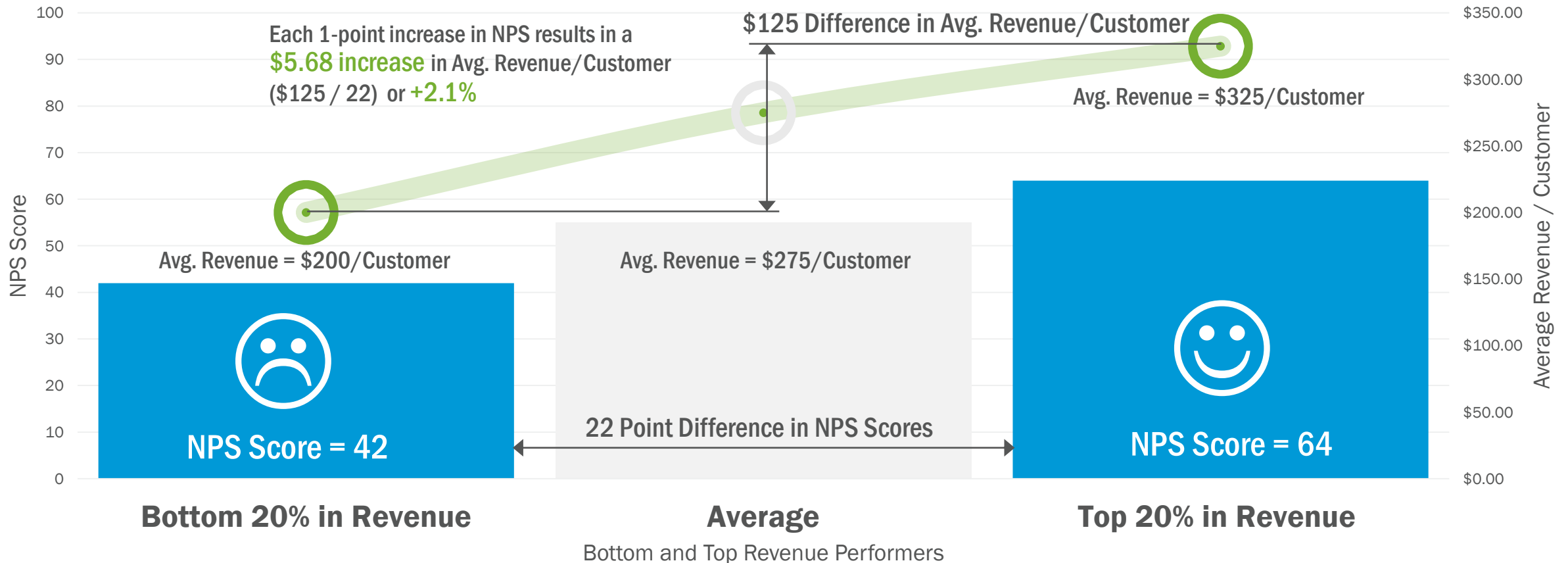
# Proving the value of customer experience ‘all up’, using different methodologies and simple data sets...



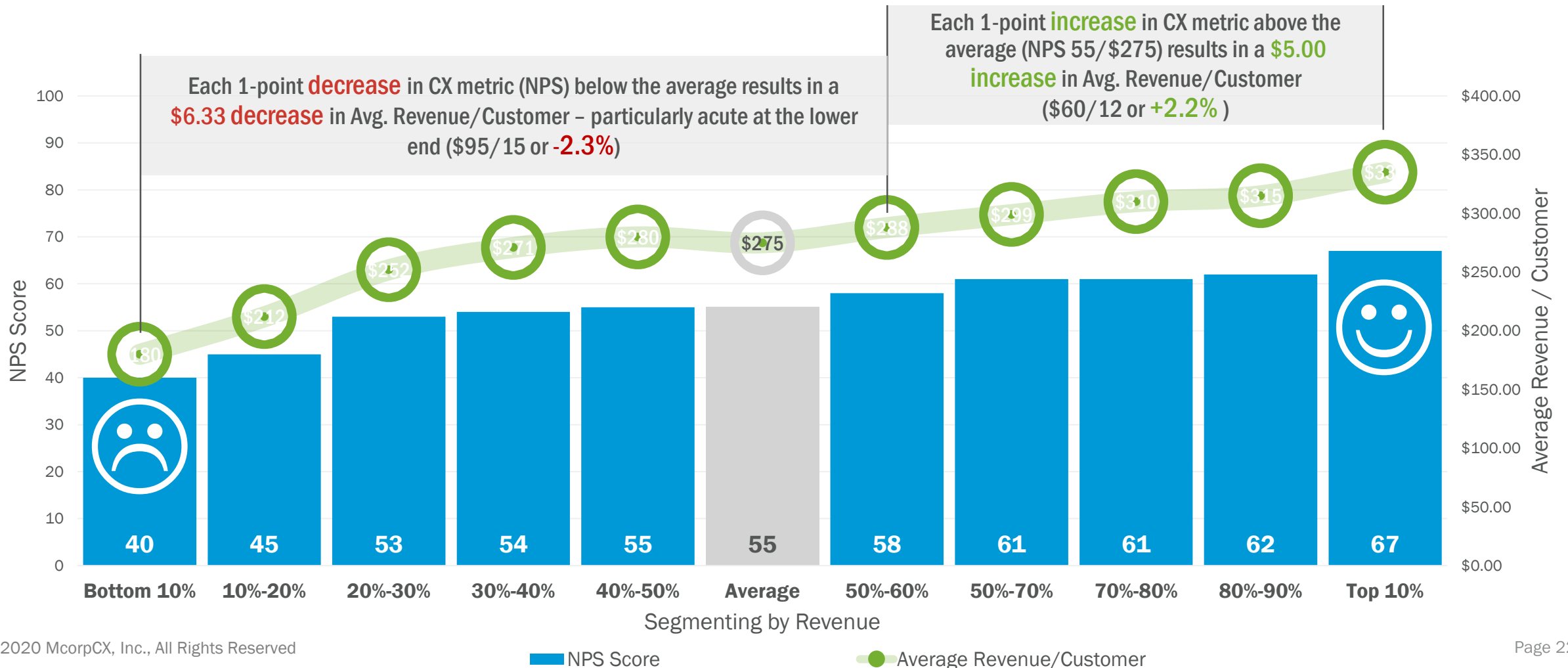
# Let's look at an example: B2C company using 'NPS' today, and 'Revenue' as a desired business outcome



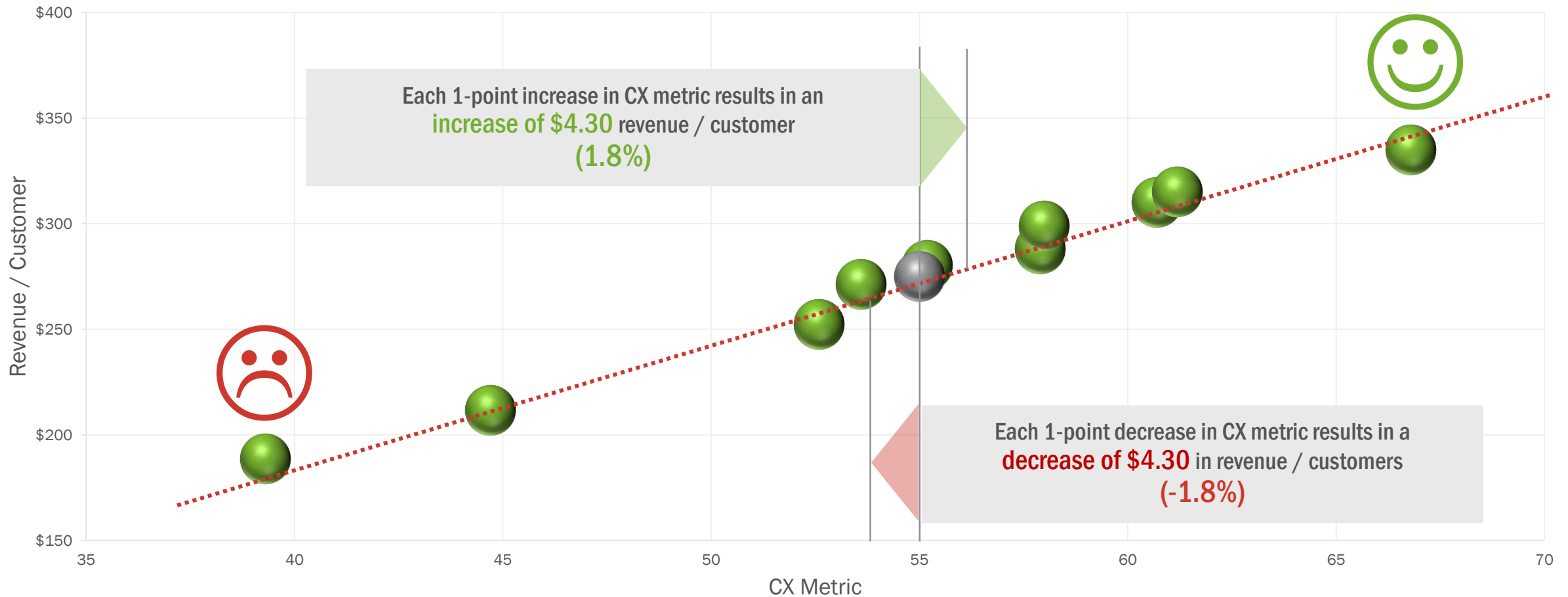
# A simple 'top and bottom' segmentation shows a 2.1% revenue boost for every 1-point increase in NPS.



# Looking at 10 segments shows an increase, and a 2.3% revenue drop for every 1-point decrease in NPS...






# Applying regression analysis to the 10-segment model validates simple analysis and increases defensibility



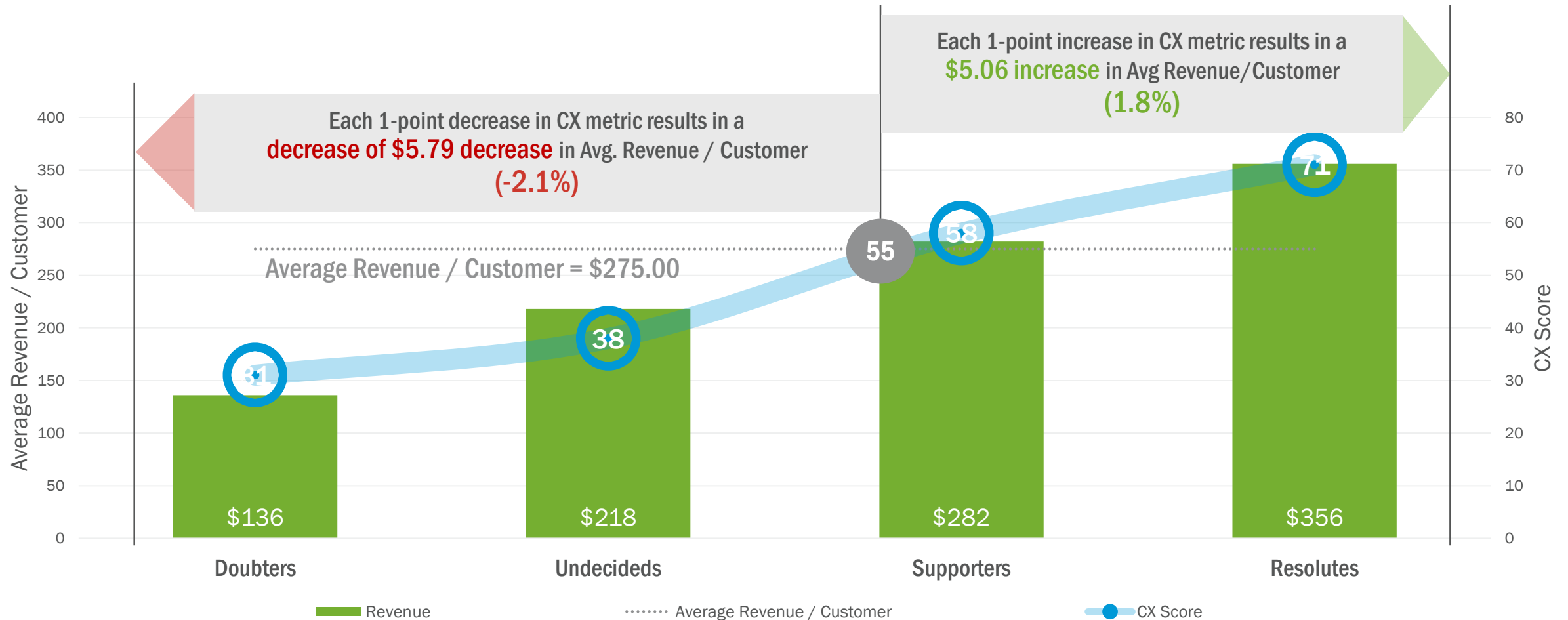


# What if you track a CX Index vs. NPS?

Easy	Effective	Enjoyable
 <p>Overall, how easy was it to accomplish your goals throughout your experience?</p>	 <p>Overall, how effectively has [company] met your needs throughout your experience?</p>	 <p>Still thinking about your experience, how enjoyable was your overall experience?</p>

Segment	Customers with “Top Box” scores
<b>Resolutes</b>	“Top Box” scores to all 3 questions
<b>Supporters</b>	“Top Box” scores to 2 of the 3 questions
<b>Undecideds</b>	“Top Box” scores to 1 of the 3 questions
<b>Doubters</b>	No “Top Box” score

# Using the index to segment by experience (You can do these with any CX metric, e.g. CES, CSAT, Etc.)



# So, we've modeled the relationship in different ways using the same data set. What can we take away from this...?

## Improving CX Boosts Revenue

Every Single Point **Increase** in CX...



Average: **+\$4.99** or 2.0%

- Method 1: **+\$5.68** or 2.1%
- Method 2: **+\$5.00** or 2.2%
- Method 3: **+\$4.30** or 1.8%

## Poor CX Decreases Revenue

Every Single Point **Decrease** in CX...



Average of: **-\$5.47** or 2.0%

- Method 2: **+\$6.33** or 2.3%
- Method 3: **+\$4.30** or 1.7%
- Method 4: **+\$5.79** or 2.1%

## Making Value Easy to Calculate

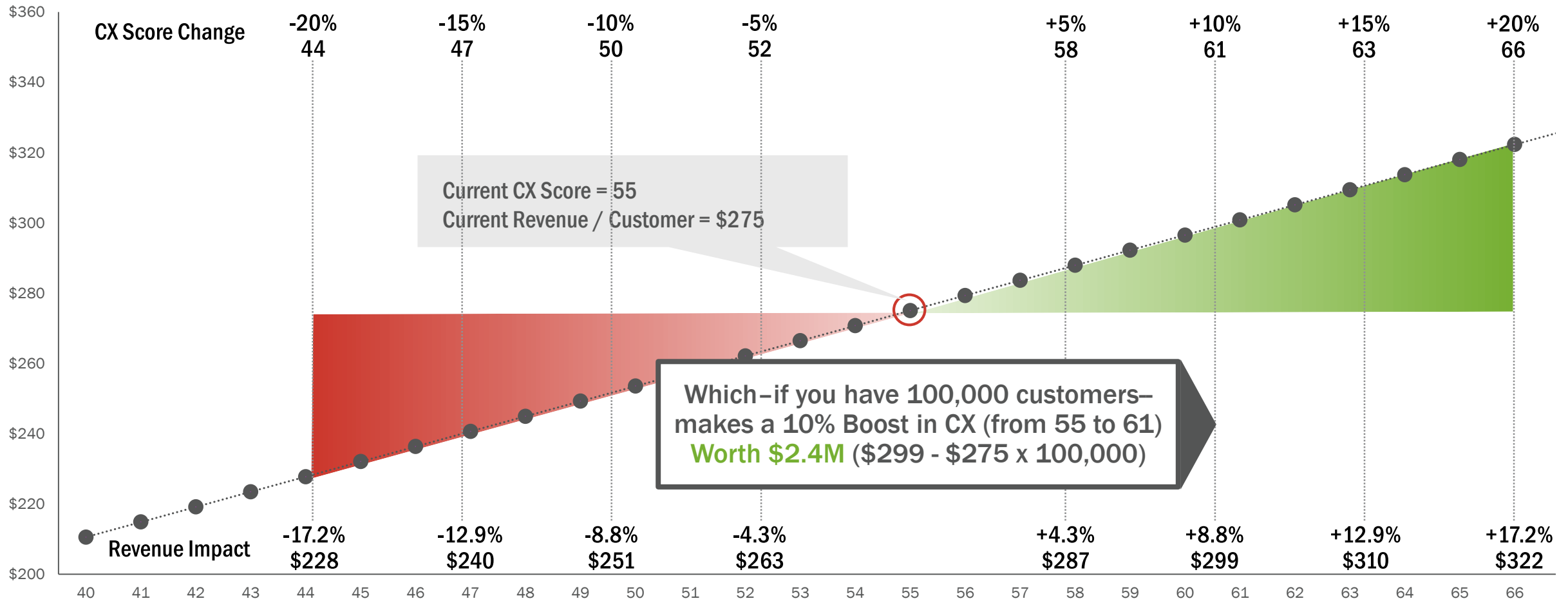
What's a 1-Point Boost in CX Worth?



Avg. \$4.99 x Number of Customers

- $\$4.99 \times 100,000 = \mathbf{+\$499K}$
- $\$4.99 \times 1,000,000 = \mathbf{+\$4.99M}$
- $\$4.99 \times 10,000,000 = \mathbf{+\$49.9M}$

# Applying regression across all customers lets us model the value impact of bigger improvements to CX



# Many of these analyses can be conducted with relatively straightforward (though not always simple) Excel models.

1

## Top/Bottom Value Segmentation

Separate customers into two groups: Top & bottom performers, and compare

	NPS Score	Average Revenue
Bottom 20%	42	200
Average	55	275
Top 20% in 1	64	325

2

## Value Segment Stratification

Stratify customers by performance into equal groups (i.e, 10%/20%/25%)

	NPS Score	Average Revenue
Bottom 10%	40	180
10%-20%	45	212
20%-30%	53	252
30%-40%	54	271
40%-50%	55	280
Average	55	275
50%-60%	58	288
50%-70%	61	299
70%-80%	61	310
80%-90%	62	315
Top 10%	67	335

3

## CX Metric Segmentation

Segment customers based on CX metric segmentations. (NSAT, CXi, NPS, etc.)

	Revenue	CX Score	Average F	Avg. CX
Doubters	136	31.0	275.0	55
Undecideds	218	38.0	275.0	55
Supporters	282	58.0	275.0	55
Resolutes	356	71.0	275.0	55

4

## Simple Regression

Perform simple regression against a representative customer sample.

X-Values	Y-Values
39.3	188.5
44.7	211.5
52.6	252.2
53.6	271.0
55.2	280.3
57.9	287.8
55	275
58.0	298.8
60.7	309.9
61.2	315.0
66.8	335.0

5

## Advanced Regression

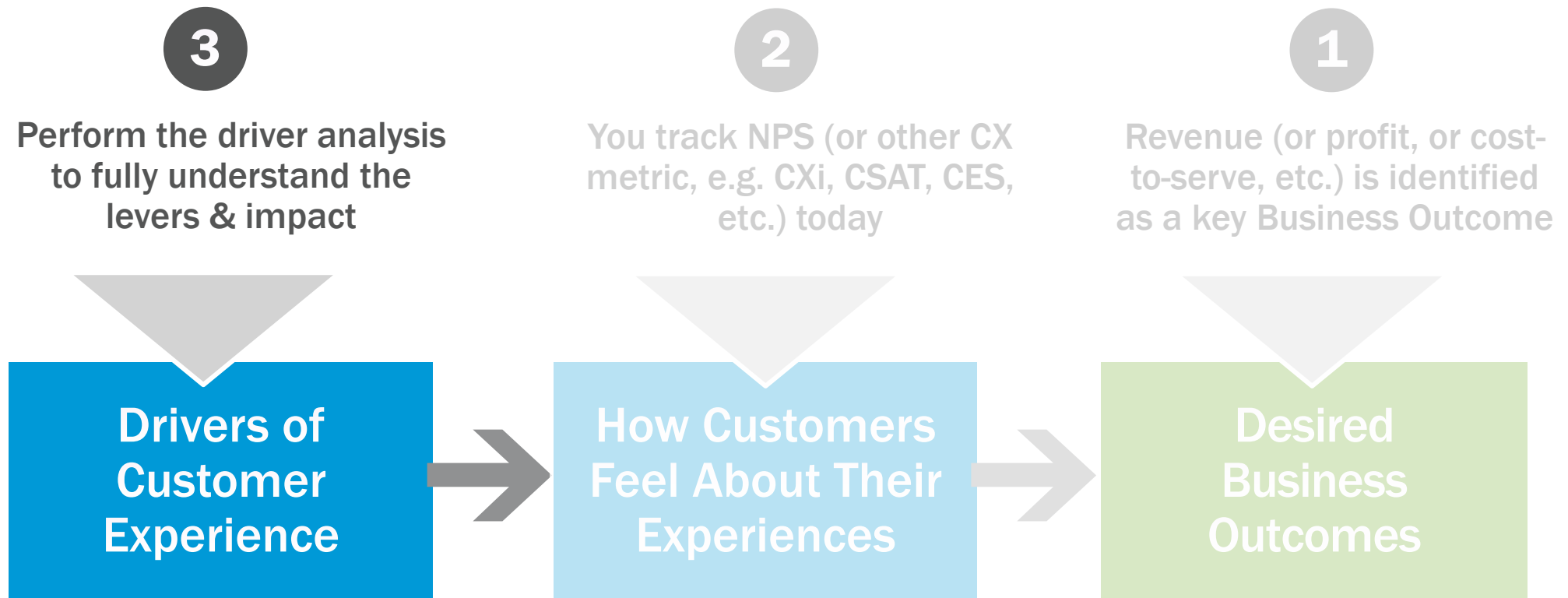
Perform advanced regression analytics against a broad sample of outcomes

	Revenue
40	\$210.54
41	\$214.84
42	\$219.14
43	\$223.44
44	\$227.73
45	\$232.03
46	\$236.33
47	\$240.62
48	\$244.92
49	\$249.22
50	\$253.52
51	\$257.81
52	\$262.11
53	\$266
54	\$271



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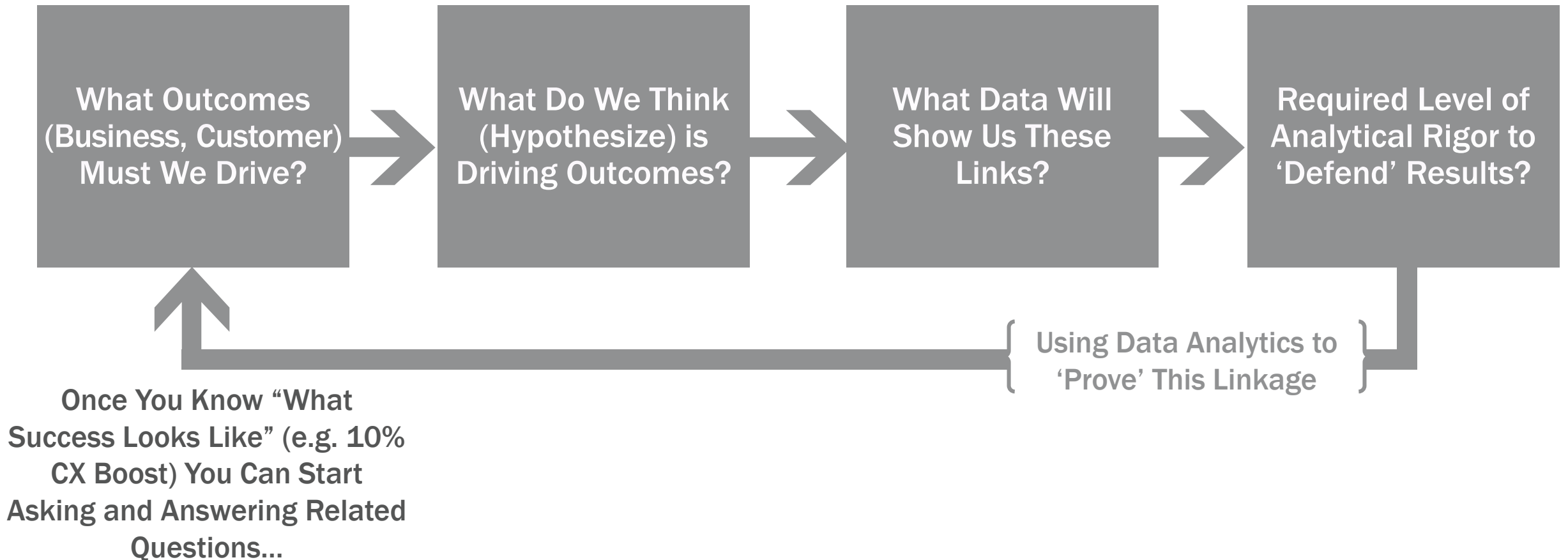
# Proving the value of CX improvements and what to improve, using advanced analytics and data sets



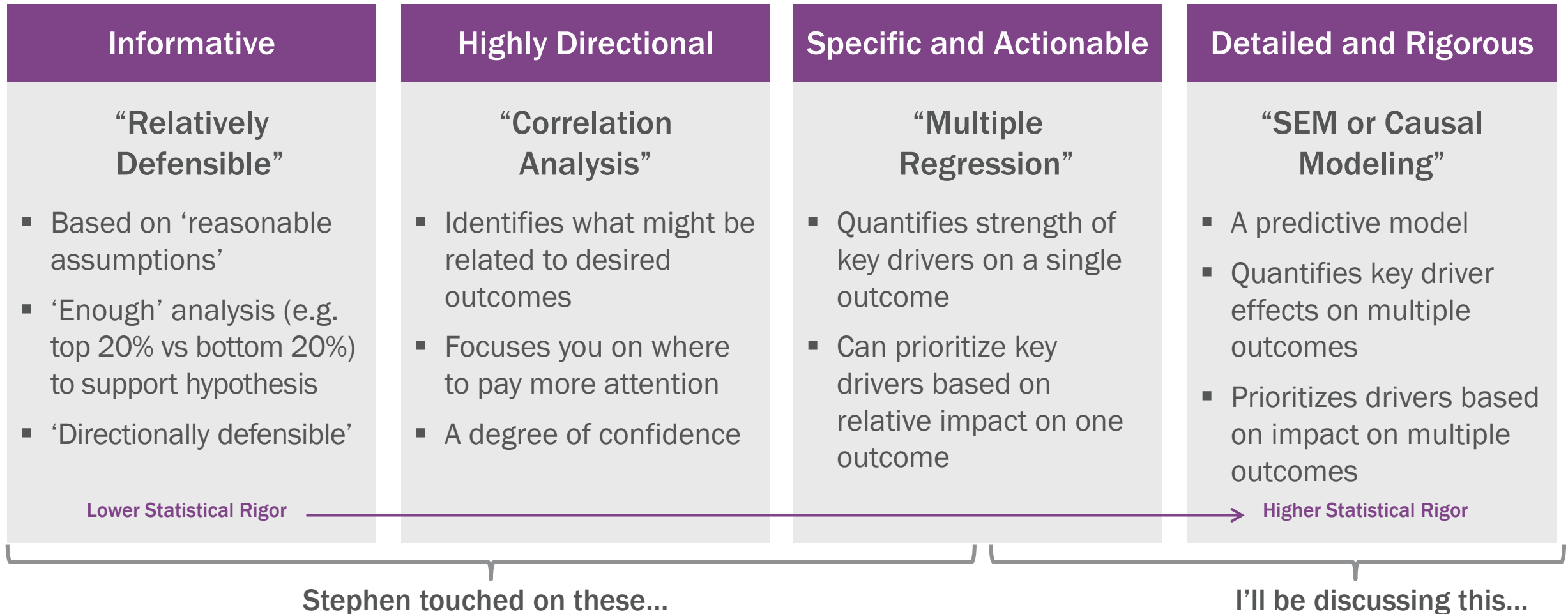
What's the value of improving specific aspects of CX, and where should we focus?

What's the programmatic value of improving customer experience overall?

# At core, understanding CX ROI means understanding what drives your business results: Hence, ‘Driver Analysis’



# Question 1: What is the desired level of rigor you need, to understand drivers and defend the conclusions?



# Question 2: What data do we have (or can we get) that could help us better understand value, and experience?

## Data Design

### What Data Do We Need?



- Create a “blueprint” (hypothesis) of what drives CX and business outcomes
- Comprehensive list of metrics, linked to desired business/customer outcomes

## Data Inventory

### What Data Do We Have?



- Understand what data you already have in-house, and where it might be, or is
- How easy is it to get to?
- What is the data quality, and what’s included in it?

## Data Acquisition

### How Do We Get The Data We Need?



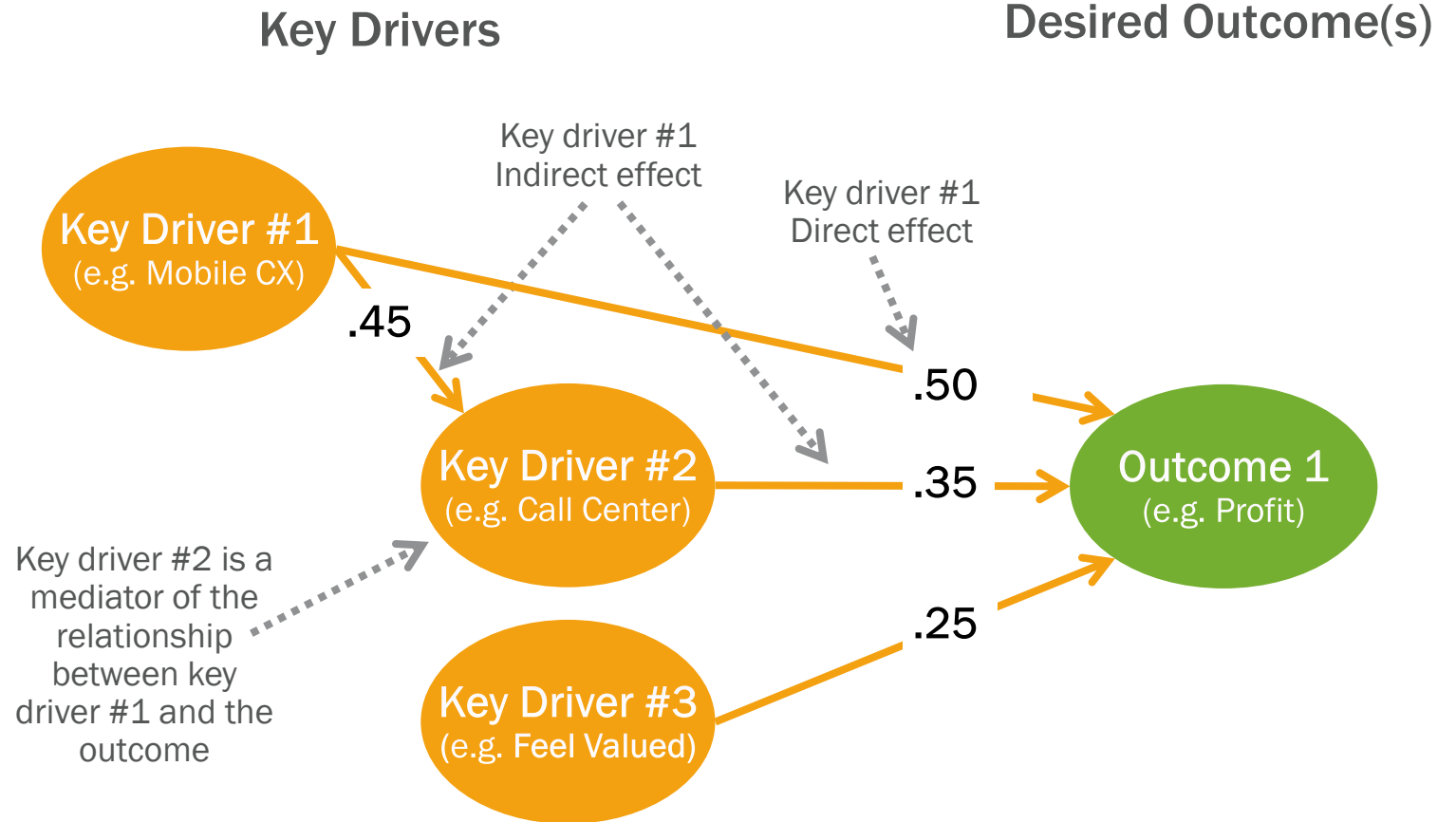
- Acquire and rationalize data you already have
- Obtain data you need, but do not have: (e.g. internal customer surveys, 3rd party insights, new research)

# Question 3: How does analyzing this data show us which aspects of the experience we should improve?

By testing multiple factors through SEM/Causal Modeling

- 18 Touchpoints
- 14 Attributes
- 6 Journey Stages
- 8 Desired Outcomes

We learn which factors are drivers, and the direct and indirect effects on outcomes...

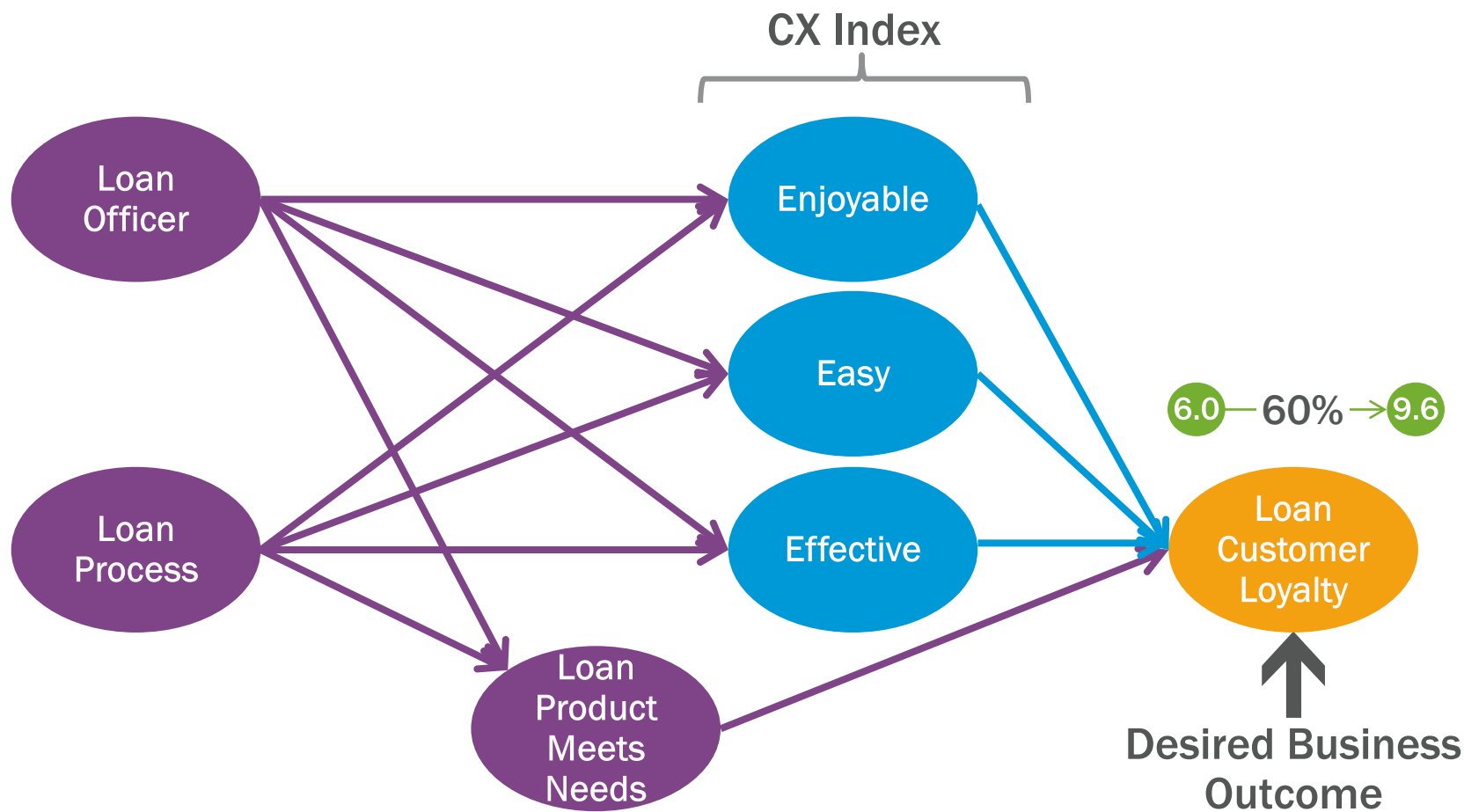


# Example: A regional bank wanting to identify+improve specific experiences that drive loan customer loyalty

Where should we focus CX improvements (and investments) to lift customer loyalty?

- 230,000 accounts
- \$3.4B in assets
- 36 touchpoints, 58 wants/needs evaluated

Loyalty previously linked to greater business performance (deposit and loan balances, and HH profitability)



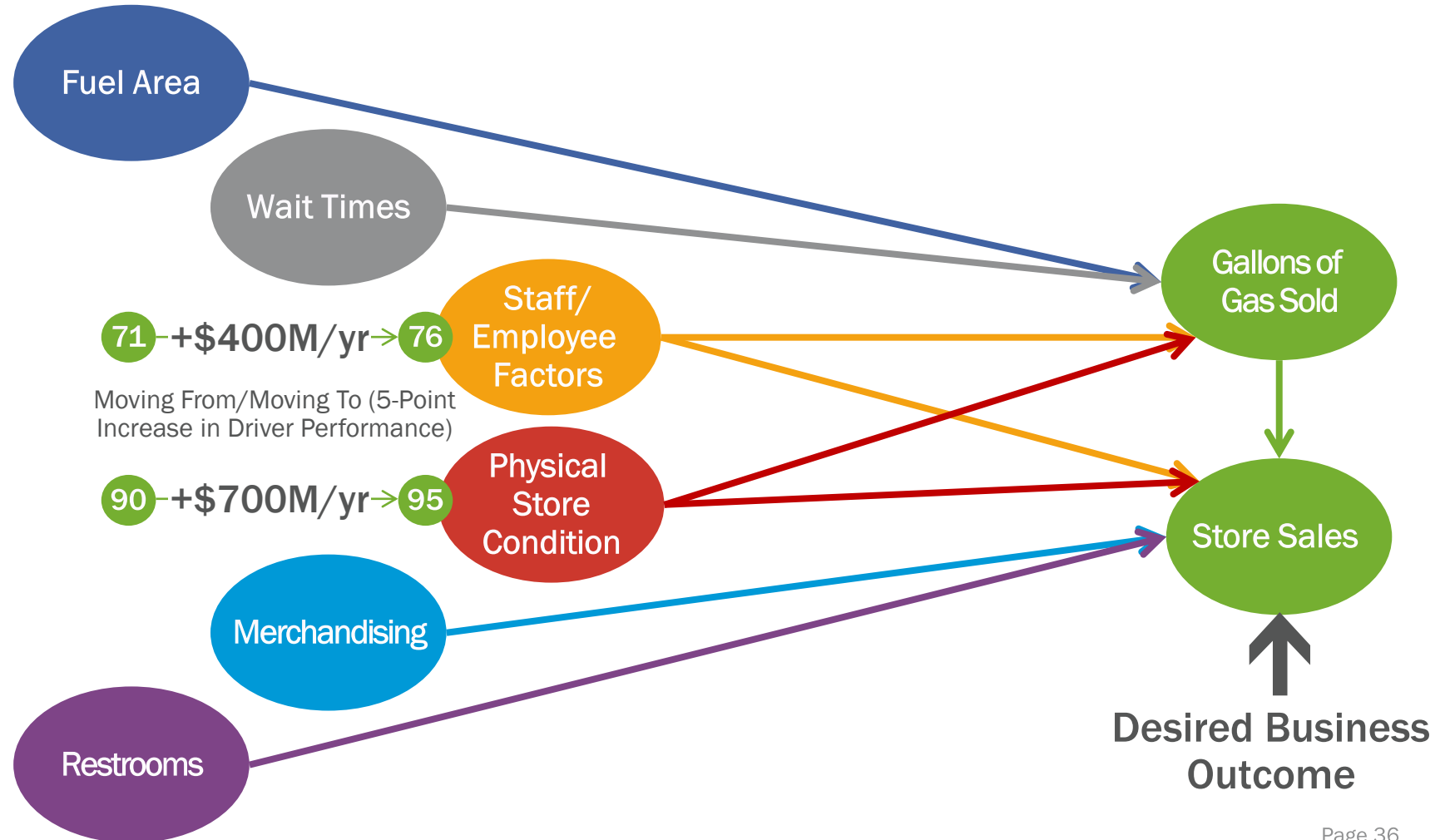
# Example: A national fuel and convenience store brand, looking to CX improvements as a way to boost store sales

Where should we invest to lift convenience store sales volume (ROI)?

- 6,000 locations
- 31 Mystery Shop Questions
- 28 CX Questions
- 59 Potential Drivers

Scoring algorithms updated/aligned with business outcome impacts.

Franchisee training oriented around insights.





# What are you trying to accomplish? Asking and answering key questions through this analysis...

## Questions to ask:

- If I improve ‘this’ by X amount, how much can we expect our KPIs to improve?
- Are we focused on the business and behavioral impact KPIs most important to stakeholders?

## Pitfalls to avoid:

- Applying “too much” or “too little” analytical rigor
- Don’t try to accomplish too much, at first: Focus on a problem that you can solve

## Actions to take

- Start the analytics and insights journey wherever you are, and evolve with rigor over time.
- Get stakeholder buy-in before you start: know that you’re measuring the ‘right’ things



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# There is a repeatable process for demonstrating the value of experience: 5 Steps for proving the ROI of CX

**1.**

**Establish Experience Measures to Test**

**Some Examples...**

Satisfaction | CSAT, NSAT  
Customer Effort | CES  
Ease of Doing Business  
A CX or Loyalty Index  
Customer Loyalty | NPS

**2.**

**Identify Business Metrics that Matter**

**Some Examples...**

Revenue  
Retention  
Share of Wallet  
Re-Purchase  
Lifetime Value

**3.**

**Measure CX and Business Linkages**

**Define the Relationship...**

Informative  
Highly Directional  
Specific and Actionable  
Detailed and Rigorous

**4.**

**Determine Impact of Potential Changes**

**Understand the Levers...**

Multiple Linear Regression  
Structural Equation Modeling  
Causal Modeling

**5.**

**Prioritize the Highest Impact Changes**

**Assess Value...**

Experience Improvement  
Cost Reduction  
Process Improvement  
Revenue Enhancement  
Total Economic Impact

# In closing: Eight takeaways...

There is no “perfect” model! Start where you have data, and continually evolve

Align with the business metrics that are most important to your executives

Be clear on which CX and business outcomes and metrics you should focus on

Build a defensible linkage between CX and the most important business results

Analytic insights are only as good as the data that goes into creating them

You can start simply: Link between CX value ‘all up’ with customer value

Driver analysis can point you towards specific CX improvements, linked to value

Use this process to quantify the cost and benefits of investments, and prioritize them

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**Questions? A fireside chat...**

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