A deep understanding of touchpoints can improve customer experiences, strengthen relationships and boost your bottom line.

mcorp cx

Proving ROI on Customer Experience

Customer experience improvement can—and does— drive bottom-line results. So how can we prove that making customers happier can make you and your shareholders happier, too?

Overview: Customer experience improvements can drive significant ROI

Our four "experience investment" lenses can help you plan, measure, and improve interactions with your customers and model ROI before you invest.

Key Issues:

1. While customer experience is widely recognized as critical for competitive success, most companies can't or don't measure it.

2. Without measurement, it's difficult to determine value. And it's difficult to justify investments in customer experience if you can't determine value.

3. There are several ways that forward-looking organizations can analyze customer experience improvements through a return-on-investment perspective.

Even before the "Four P's" of marketing (Product, Price, Place, and Promotion) expanded in the 1980s to reflect the shift to a knowledge-based economy (adding People, Process, and Physical Evidence), there was widespread recognition that how someone feels about an organization is driven largely by how they feel they've been treated.

Introduced in the late 1990s, the concept of "customer experience" is the perfect framework to begin thinking about ways to plan, measure, and improve how customers interact with companies.

This is important because an organization's ability to cost-effectively deliver an experience that positively differentiates it from the competition in the eyes of its customers has multiple benefits. These benefits include, but aren't limited to, increased top- and bottom-line revenue through increased customer spending, greater loyalty, and reduced costs for service and acquisition.

What's not to love? From top-line revenue to bottom-line savings, let's start by counting the ways...

Experiences are defined by those places where companies interact with and "touch" their customers. These places are touchpoints.
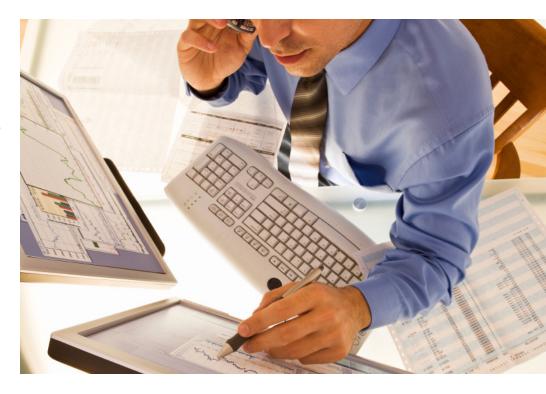
Customer experience: The next competitive battleground

In fact, more than 80% of CX business leaders believe that customer experience is their primary point of competition.[1] However, with more than 50% of consumers complaining that most companies need to improve their CX, it's tough to see how those businesses are truly competing through the experiences they deliver.[2]

ROI on improvements to customer experience can be elusive. Oftentimes, the discipline and data required to measure and understand what works is short-cut, and investments are made without a clear understanding of ways to measure return.

A typical organizational perspective— usually held by marketing leadership— tends to be framed with talk about "soft" metrics such as satisfaction and brand preference. Another—the financial view, more common in finance and operations groups—is rooted in profit and loss, short-term expense planning and cost containment.

That's why assessment is so critical. By looking at experience through the lens of ROI, organizations have the data they need to reach the consensus needed to drive the top-down initiatives critical for driving customer experience transformation.

Measuring customer experience

At McorpCX, we call this assessment process Touchpoint Mapping®. Essentially, we track aspects of the experiential "journey" your customers take through the Customer Relationship Lifecycle unique to your business, and we explore the touchpoints and interactions encountered along the way.

Assessments are typically done through a variety of research and analytical methodologies, including interviews, surveys, and driver analysis to link experience to actual and desired behaviors.

ROI models are developed and validated through assessment, data analytics, and business case development activities. Together, these help close the loop with

proof of links to desired business results prior to enterprise-wide implementation.

This level of rigor also means that the process has the potential to be both involved and resource-intensive.

So how can you prove ROI before you start? While by no means exhaustive, these "ROI Lenses" are all examples of ways you can understand and measure the real-world ROI of customer experience.

Looking at your organization this way will help you speak the "language of ROI" and should give you ample ammunition to begin thinking about—and planning—your own experience improvements.

Future revenue is affected—either positively or negatively—at every single touchpoint (or interaction) between your organization and your customers.

Increases in loyalty (and reductions in churn) are some of the most basic ROI models you can use. Armed with loyalty and purchase-behavior scores and Customer Lifetime Value to measure what a customer is worth, you can—literally—drive millions in savings for even a small to mid-size company.

Multiple studies have proven the value of loyalty, with benefits including customers who spend more, cost less to service, and buy more over time. Loyalty is a proven (and widely accepted) indicator of future revenue growth. Overall, the goals are both to increase retention and to reduce the cost of keeping the customer.

These are but a few of the ways that experience improvements can drive loyalty:

- **Establish a line of sight between customer experience and loyalty.** As a result, you can directly affect customer value.

- **Analyze individual touchpoints to diagnose the health of your customer journey.** Too many businesses get bogged down studying isolated touchpoints. But taken holistically, those touchpoints create the journey—for better or worse

- **Improve "post-purchase" experience.** For some companies, a 5% reduction in churn can translate to a 25–95% increase in annual profits.[3]

- **Implement a customer feedback loop.** The mere act of collecting feedback improves customer satisfaction: nearly 4 out of 5 customers view a brand more favorably for soliciting feedback.[4] But close that feedback loop, too. Repeating surveys—not acting on the feedback given—can cost a business as much as 1.7 million annually.[5]

Experience ROI Lens No. 2: Reduced cost of delivery

Delivery cost can be reduced in several areas, including functional tasks, hard costs, and overhead. Ranging from reductions in marketing expense (or re-allocation to more effective channels) to reductions in customer service staff or call center overhead, the potential is significant.

A few examples of the tangible benefits MCorp clients have enjoyed from reducing delivery costs can include:

- **Eliminate a redundant marketing tactic or program** that is both costly and ineffective. For one client, eliminating a single printed touchpoint saved millions—over $500,000 in the first year from postage alone. Or eliminate an entire series of programs that don't drive results.

- **Reduce the overall cost of touchpoint delivery.** By eliminating nearly 40% of all touchpoints for another client, we were able to drive up satisfaction and customer re-purchase while significantly reducing cost.

- **Migrate customer-facing tasks from the call center to the web.** Adding the right functionality to your website could have the direct effect of reduced overall call center volume, decreased handle time, and increased first call resolution.

Example of Return on Customer Experience Efforts: Improving Experience Boosts Revenue and Reduces Costs

Background: This mid-size financial services business has average gross revenue of $7,000 per customer and keeps them for 3.5 years. Gross margins are 20%. They have a close rate of 20%. Cost per qualified lead is $225. Examples are based on 15% improvements resulting from customer experience management activities.

Lens 1: Increased retention and lower churn Improved retention (+0.525 years) results in additional per-customer revenue of $3,675, driving nearly $3.7 million in additional lifetime revenue per 1,000 customers.

Lens 2: Reduced cost of delivery Reducing the cost of serving customers by 15% yields per-customer savings of $840 per year ($5,600 vs. $4,760). This translates to $2.9 million in savings over the average lifetime of 1,000 customers.

Lens 3: Faster movement through your Customer Relationship Lifecycle Improving close rates drops cost-per close from $1,125 to $978, generating annual savings of $147,000 (and more customers) for every 1,000 qualified leads.

Lens 4: Increased Customer Lifetime Value (CLV) Accounting for increased lifetime revenue, lower lifetime costs—as well as lower closing costs—you see a higher CLV that increases net revenue by $4.2 million per 1,000 customers.

Experience ROI Lens No. 3: Faster movement through your Customer Relationship Lifecycle

The potential for ROI in this area is huge. By understanding where experience can be improved in the "pre-purchase" stage, you can boost your pipeline and conversions by 20% or more. Improving experience in the "post-purchase" stage boosts satisfaction, loyalty and advocacy.

Ways to improve the Relationship Lifecycle progression include:

- **Seeing which marketing channels are the most/least effective at driving brand awareness.** By shifting investment to the most effective channels, you boost awareness without increasing costs.

- **Understanding where marketing is *not* driving desired customer behavior to boost consideration.** The more prospects actively considering your product or service, the more you can close.

- **Identifying (and removing) dissatisfiers to increase post-purchase satisfaction.** The less dissatisfied customers are immediately after purchase, the greater your opportunity to drive loyalty among them.

- **Learning which individual touchpoints are the most effective at driving customer advocacy** (or influencing prospects) to boost positive Word-of-Mouth. On average, it takes about 5 positive referrals to create a new customer.

Experience ROI Lens No. 4: Increased Customer Lifetime Value

Customers are expensive: it's pricey to attract them, even tougher to win their purchase, and costly to lose them, too.

And to make matters worse, losing a customer is easy. One study notes that 32% of customers will leave a brand they're already loyal to after just one bad experience.2 This points to the perennial importance of increasing Customer Lifetime Value (CLV).

After all, virtually all organizations trace their enterprise value back to their customers—entirely. This value is driven by three things:

1. The amount customers spend on any given product or service;

2. The amount of this budget that they spend with you; and

3. What they are willing to pay for your product or service.

By looking at experience improvement as a way to boost CLV, you'll be able to look at experience based on actual customer behavior versus intention.

Some of the benefits of looking at experience improvements through this lens can lead directly to increased CLV by:

- **Reducing the cost of sales leads:** By driving down the initial cost of getting customers (lowering cost through more effective marketing or sales touchpoints) you boost overall customer value.

- **Lowering service costs:** By decreasing the cost of servicing customers (through the web, call center, in-person, or other touchpoints and channels) you increase CLV.

- **Reduced cost of acquisition:** By generating more leads at a lower per-lead cost, you indirectly affect the sales metric. If the cost of closing a deal can be reduced as well, you benefit twice over.

More efficient contracts, environments, sales pitches, and more—all designed around the experience of turning prospects into customers—reduce costs and boost customer value.

- **Increased purchase activity:** A more efficient experience can be targeted towards getting existing customers either to spend more at each purchase, or to purchase more often. The result? You guessed it: increases in overall revenue (and value) per customer.

- **Improved retention:** As discussed in Experience ROI Lens No. 1, increases in loyalty boost retention. The longer a profitable customer stays with you, the greater their lifetime value.

How might McorpCX help you?

To learn how we can help you better understand and connect with your customers, visit www.mcorp.cx/contact or call 1-866-526-2655.

Customer Journey Mapping: A Common First Step

Improving customer experience can be a massive undertaking. But with the right tools, it doesn't have to be a complicated and stressful one.

That's why we often propose customer journey mapping as a common first task. Journey maps—holistic, roadmaps that visualize the trips your customers personas encounter when engaging with your company—allow you to see touchpoint gaps, identify customer priorities, and much more. Used correctly, journey maps can be powerful tools to revolutionize your customer experience.

Generally, creating effective journey maps requires four main steps:

1. **Build relevant journey maps that solve the right problems.** Start with your end goal in mind; what do you want an ideal (i.e., a perfect, seamless) customer journey to look like?

2. **Prioritize specific initiatives within those journey maps.** Journey maps expose a lot of moving parts, and it's easy to get overwhelmed by all the details. Don't try to tackle them all at once. Prioritize a few elements, make the necessary improvements, and come back.

3. **Track and measure the improvements you wish to drive across the journey.** The proof is in the pudding here. Once you've decided what improvements you wish to make, implement analytics and measurement tools to ensure you're making progress.

4. **Understand—and overcome—common challenges to journey map activation.** We could go on and on about potential problems with journey mapping. While by no means exhaustive, here's a quick glance at some of the most common journey map pitfalls::

   - Using journey maps as a "one-off" effort as opposed to an embedded one

   - Not going deep enough or wide enough when creating journey maps

   - Focusing on the problems journey maps expose, not the solutions they present

   - Failing to use cross-functional teams to guide journey mapping efforts

   - Not linking journey maps to measurable, provable business value

   - Employing static journey maps instead of vibrant living ones that grow and change with your customers and your business

     Not sure where to begin? Let's talk. We'd be glad to help.

McorpCX is a leading customer experience services company delivering consulting and technology solutions to customer-centric organizations since 2002.

Our practical approach has led to measurable growth, deeper engagement, and better business outcomes for fast-growth market leaders and the Fortune 100, including Microsoft, lululemon, T. Rowe Price, and Blue Shield of California.

Whether your organization is just beginning its customer experience journey or is well down the experience transformation path, we are experts at driving customer experience transformation in an increasingly connected world.

One: Focus on what can be directly measured

There are many less tangible benefits (ranging from brand engagement and preference to employee loyalty, to name a few), but the case for experience ROI should be made with a clear understanding of which measurable monetary and value levers can be moved—and how.

Two: Improve experience by looking from the outside in

Improving experience starts with an understanding of customer perceptions of their relationship and interactions with your company. That's why the process of identifying, understanding, measuring and improving experience means that you need proven approaches for gathering, listening to, and acting on the voices of your customers—interpreting it from their perspective.

Three: Focus experience investments to drive differentiation and profits

Whatever approach you take, your customer experience strategy and implementation plans need to focus limited resources to help you use experience as a competitive differentiator. Ultimately, that's key to justifying—and prioritizing—your investments.

[1] *The Gartner Customer Experience Survey,* 2017. Gartner, Inc.

[2] *Experience Is Everything,* 2018. PwC, Inc. 2018.

[3] *Prescription for Cutting Costs: Loyal Relationships.* Bain & Company, Inc.

[4] *2017 State of Customer Service Report.* Microsoft, Inc. 2017.

[5] *The Total Economic Impact™ of Qualtrics CustomerXM,* 2019. Forrester, Inc.

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McorpCX is a leading customer experience services company. For more than a decade, our blend of strategic thinking and design innovation has helped companies—from fast-growth market leaders to the Fortune 100—transform products, services, customer experiences, and internal processes in exciting and profitable ways.