How To Prove The ROI Of CX

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Executives have big aspirations for CX…

- To be the CX leader in our industry: 54%
- To have a CX that is at parity with other companies in our industry: 22%
- To have a CX that is not at parity with our competitors but also not too far behind: 8%
- To be a CX leader across all industries: 12%
- Other: 3%

Base: 344 Global CX Professionals from Forrester’s 2019 State of CX Maturity survey
…but customers say experiences are only “OK”

Base: Base: 101,341 (2019); 110,828 (2018); and 118,992 (2017) US online consumers (18+) who interacted with a specific brand within the past 12 months
Source: Source: Forrester Analytics Customer Experience Index Online Surveys, US Consumers 2019, 2018, and 2017
45% CX pros have executives that say CX is important but don’t act accordingly


Why CX?

Revenue growth of CX leaders over laggards: 5.1x

Willingness to pay a price premium of customers who have excellent vs poor CX: 4.5x

Stock growth of CX leaders over laggards: 10.6x

Above market NPS = 9.27%pts higher CAGR than below market NPS

4 points NPS = 1% additional shipping volume

Investors with great CX put 4.5x more cash in their accounts

-36% sales from constant detractors, + 25% from new promoters

Change from 2 to 3% funny flight announcements = $138 million revenue

CX drives loyalty & growth
CX boosts profitability

- **Sprint**
  - Saved $1.7 billion contact center costs annually

- **Cisco**
  - $750 million lower costs to serve annually

- **Southwest**
  - 46 consecutive years of profitability

- **Lloyds Banking Group**
  - Projected savings of £500M through journey transformation

- **Telus**
  - Used service design to improve renewal journey, reducing costs by 15%

- **Mercedes-Benz**
  - 50 best CX dealers = 59% more profitable than 50 worst CX dealers
You need to **demonstrate** the **ROI** of CX transformation
Measurable + Meaningful
Agenda

Meaningful: Galvanize decision makers to action
Measurable: Nail the mechanics of calculating CX ROI
1. Find the **business case anchors** that matter to executives
Business model
Converting detractors to promoters increases profitable growth significantly.
<table>
<thead>
<tr>
<th>Lifecycle stage</th>
<th>Early growth/Turnaround</th>
<th>Sustained growth</th>
<th>Mature growth</th>
<th>Decline / Restructure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Key goals</td>
<td># of new customers</td>
<td># of new customers</td>
<td>Share of wallet</td>
<td>Retention rate</td>
</tr>
<tr>
<td></td>
<td>Acquisition costs</td>
<td>Market share</td>
<td>Retention rate</td>
<td>Costs</td>
</tr>
<tr>
<td></td>
<td>Candidate pool depth</td>
<td>Gross margin</td>
<td>Profit</td>
<td>Cash flow</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Candidate pool depth</td>
<td></td>
<td>Employee retention</td>
</tr>
</tbody>
</table>

Lifecycle phase names adapted from Joaquin Barquero
Examples for business case anchors

<table>
<thead>
<tr>
<th>Company</th>
<th>Success metric</th>
<th>Rationale</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sage Software</td>
<td>Renewal rates</td>
<td>Business model = SaaS</td>
</tr>
<tr>
<td>Tetra Pak</td>
<td>Net sales and volume growth</td>
<td>Corporate goals in a maturing market</td>
</tr>
<tr>
<td>Cisco Digital Support Group</td>
<td>Calls to support avoided</td>
<td>Business line goal in time of transition</td>
</tr>
</tbody>
</table>
Schindler: Creative financial success metric
Business model

Corporate lifecycle

Passion
The 4 Cs of CEO passion

Customer
Culture
Competition
Change
Tip: Test the link between CX and business metrics early
Two steps help test the link between CX and results

1. Find two groups of customers: Very happy and very unhappy with experience

   🎉😊  😞🙁

2. Dive into data and identify if there is a difference in key business metrics (like revenue, cost to serve, margin, product holdings) between the groups
2. Create a sense of urgency
Not investing in CX costs money!
Mail carrier: 157 letters to be delivered to recover the cost for each customer complaint

Source: Strativity
Meaningful: Galvanize decision makers to action

Measurable: Nail the mechanics of calculating CX ROI
3. Give your business case a **focus**
You need to do your homework

Know who your target customers are and how they behave today.

Have a proposal for improving their experience.
NPS → Delivery → Proactive communication
4. Estimate ROI using a systematic framework
Calculating return on investment (ROI)

\[ \text{ROI} = \frac{\text{Benefits} - \text{Costs}}{\text{Costs}} \]
Forrester’s Total Economic Impact methodology considers risks and flexibility, too

<table>
<thead>
<tr>
<th>Benefits</th>
<th>Costs</th>
<th>Flexibility</th>
<th>Risks</th>
<th>Total Economic Impact™ (TEI)</th>
</tr>
</thead>
</table>
Calculating ROI: Benefits
## Benefits: Consider four categories

<table>
<thead>
<tr>
<th>Process</th>
<th>Outcome</th>
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<tbody>
<tr>
<td><strong>Top-line</strong></td>
<td><strong>Outcome</strong></td>
</tr>
<tr>
<td>• Reduce time-to-market</td>
<td>• Grow customer base</td>
</tr>
<tr>
<td>• Improve employee experience</td>
<td>• Improve customer retention</td>
</tr>
<tr>
<td>• Foster collaboration and innovation</td>
<td>• Enrich existing customers</td>
</tr>
<tr>
<td><strong>Bottom-line</strong></td>
<td><strong>Outcome</strong></td>
</tr>
<tr>
<td>• Accelerate/streamline design, execution, and testing</td>
<td>• Improve margin / reduce cost of sales</td>
</tr>
<tr>
<td>• Reduce spend on professional services and materials</td>
<td>• Prevent customer support and warranty costs</td>
</tr>
<tr>
<td>• Reduce risk of bad investments</td>
<td>• Reduce regulatory pressure</td>
</tr>
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</table>
Consider four categories of benefits: Type 1

The first category CX leaders tend to think of, and often the most important benefits to executives.

However, these can be very difficult to measure and prove.

TOP-LINE OUTCOMES
“MAKE MONEY”

• Improve margin / reduce cost of sales
• Prevent customer support and warranty costs
• Reduce regulatory pressure
Sample calculation: top-line, outcome benefits
Additional sales by improving retention with better CX

Number of customers: 2M
Current churn rate: 30%
Future churn rate: 29%
Annual revenue per customer: $400

Revenue for your headline: $8M
Operating profit margin: 12%
Operating income for ROI model: $960K
Consider four categories of benefits: Type 2

The second category CX leaders tend to think of, which is also very important to executives.

Easier to measure and prove than top-line benefits, but still can be difficult.

BOTTOM-LINE OUTCOMES
“SAVE MONEY & REDUCE RISKS”
Sample calculation: bottom-line, outcome benefits

Cost savings by reducing customer service support calls with better CX

\[
\text{Number of support calls} \times \text{Reduction in support calls} \times \text{Cost per call} = \text{Support cost savings}
\]

\[
1M \times 5\% \times $10 = $500K
\]
Consider four categories of benefits: Type 3

<table>
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<tr>
<td><strong>Process</strong></td>
<td><strong>Outcome</strong></td>
</tr>
<tr>
<td>• Reduce time-to-market</td>
<td>• Often overlooked by CX pros, these benefits can be the easiest to quantify and defend to an executive.</td>
</tr>
<tr>
<td>• Improve employee experience</td>
<td>• <strong>Don’t overlook process benefits in your ROI!</strong></td>
</tr>
<tr>
<td>• Foster collaboration and innovation</td>
<td>•</td>
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Sample calculation: bottom-line, process benefits

Streamline project design, execution, and testing by using the design thinking methodology to run your CX investment.

Number of employees \(\times\) Shortened timeline \(\times\) Average hourly pay \(\times\) Hours per week = Labor cost savings

- Number of employees: 10
- Shortened timeline: 4 weeks
- Average hourly pay: $35
- Hours per week: 40
- Labor cost savings: $56K
Consider four categories of benefits: Type 4

Process

- Accelerate & streamline design, execution, and testing
- Reduce spend on professional services and materials

Outcome

CULTURE & INNOVATION

- Financial calculations are often a fool’s errand.
- Don’t waste your time and undermine the credibility of your ROI; instead, use quotes and visuals to augment your business case with these benefits.

Top-line

Bottom-line
Recap: Consider four categories of benefits

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<tr>
<td>Top-line</td>
<td>CULTURE &amp; INNOVATION</td>
</tr>
<tr>
<td>Bottom-line</td>
<td>SAVE MONEY &amp; REDUCE RISKS</td>
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Calculating ROI: Costs
Costs: Generally fit into six categories

• CX leadership, program evangelism, and reporting
• Hiring and training
• Professional services
• Touchpoint redesigns
• Program execution costs
• Technology
• Other hard costs including research incentives, travel, and materials

Consider *when* you’ll incur those costs:
• What year?
• One time or recurring?
Sum your costs by category and by year

Year 1
- Two FTEs: manager-level
- VoC technology and analytics
- Survey platform
- Journey mapping tool
- VoC training
- Memberships
- Cross-functional support

$1.18 M

Year 2
- An additional two FTEs: Director & CXO
- Contact center suite
- Survey platform
- Maintenance
- Improvement projects
- Employee Awareness
- Corporate CX training
- Memberships
- Cross-functional support

$2.89M

Year 3
- One additional FTE: Director
- Survey platform
- Maintenance
- Improvement projects
- Corporate CX training
- Memberships
- Cross-functional support

$2.19M
Calculating ROI: Risks
“Risk” does not mean the likelihood that you will achieve zero results.
Risk is the likelihood that you will achieve less than 100% of your *projected* results.
Risk adjust your benefits and costs

• Ask yourself:
  – How much uncertainty is there in your projections?
  – What type of behaviors will you have to sustain to achieve your objectives?
  – How many people will be involved?

• **Reduce the value of benefits** in case they may be overstated

• **Increase estimated costs** in case they may be understated

<table>
<thead>
<tr>
<th>LOW RISK</th>
<th>MODERATE RISK</th>
<th>HIGH RISK</th>
<th>VERY HIGH RISK</th>
</tr>
</thead>
<tbody>
<tr>
<td>5%</td>
<td>10%</td>
<td>15%</td>
<td>20%</td>
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Calculating ROI: Flexibility
Flexibility: Today’s CX investment might open the door for future opportunities

- Learn something new about customers that drives future innovation
- Establish more efficient or effective processes for future projects
- Gain data or technology that might help future projects

*Imagine the various possibilities that you might be able to do as a result of the investment, that you could not do otherwise.*
Once you have all the ingredients, calculate the ROI

Benefits

Costs

Flexibility

Total Economic Impact™ (TEI)

Risks
5. There is **no perfect** model. Don’t even try.
Your job is not to make assumptions that are right. Your job is to make assumptions that no reasonable person will say are wrong.
+1
Tip: When calculating ROI is hard, prove break-even.
6. Write a benefit-led, one sentence business case
When you are done, write your *one-sentence* business case!

We propose to do A  
To improve B  
Which will bring us economic benefit C  
At a cost of D
7. Put the right **CX metrics** in place
Measure and link three types of metrics

- **Interaction metrics**: What happens during customer experiences
  - Examples: Call wait time, website errors

- **Perception metrics**: What customers feel about their experience
  - Examples: Satisfaction, Ease, CX Index

- **Outcome metrics**: What customers do as a result of the experience
  - Examples: NPS, churn, product holdings
Check out relevant Forrester research

The Top 14 Hacks For Your CX Business Case

The ROI Of CX Transformation

The ROI Of Design Thinking
Thank You.

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