How to prove the ROI of customer experience

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Introduction

All you have to do is google 'customer experience' and you'll find studies upon studies on why superior CX is crucial to the success of a company. Most business folks now consider **CX as a growth engine.** But, this wasn't always the case. CX professionals have fought an uphill battle to prove the value of a good CX initiative, from generating leadership buy-in to aligning the entire company around customer-centricity.

It's not hard to understand why. While we intuitively understand how a good experience affects our relationship with a brand, **quantifying CX is a bit more complex.**

How do you find out how much revenue you have generated by

1. Providing a great experience to your customers

2. Following up with dissatisfied customers and retaining them

And, how do you report these numbers to the leadership?

CX drives Revenue- The cold hard facts

Forrester calls a **good customer experience the basic ingredient for growth.** Good experience leads to repeat customers, referrals, and brand loyalty. And the numbers prove it.

1

Customer-centric companies are **60% more profitable** than companies that aren't.

2

Customers who have the **best experiences spend 140%** more compared to those who have the poorest experiences.

3

U.S. companies lose a total of **$1.6 trillion due to poor service.**

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Even though countless resources prove how investing in CX pays off for companies,

many find it challenging to identify the impact of their CX initiative on their revenue.

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The challenge of tying CX to Revenue

Many companies struggle with tying customer experience to revenue. There are a few reasons why.

1.

CX measures customer emotion, opinion, feedback, trust, and how an interaction made them feel. All **these parts that form the entire experience are hard to track because they're subjective.** What one person finds 'helpful' can seem 'pushy' to another person.

One person's 'attentive' can be another person's 'annoying'.
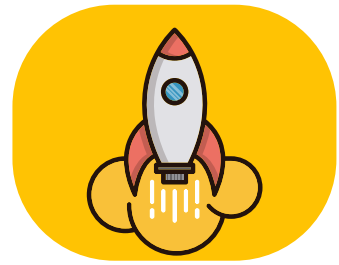
2.

Let's say you start a new CX initiative in your company and experience a 15% boost in sales.
How do you know for certain that the increase happened due to your CX efforts?

3.

How do you prove that a shorter wait-time will help you retain the customer? Or how much more will a customer spend if you improve the renewal process?

4.

CX revenue takes time to materialize. If a customer buys your product, it may take a while before he needs to buy it again.

With modern tracking and the wealth of customer data available to companies, it is now a little easier to connect CX with revenue.

Companies are drowning in customer data.

Every interaction - from when a customer buys a product, talks with support, visits the store, answers a survey, re-purchases- **generates data points**. These data points can be analyzed to create machine learning models that predict and identify their impact on revenue.

A CXM (customer experience management) program that doesn't focus on revenue will never help you improve it.
At the risk of being cliche- what gets measured, gets managed.

If you can't even identify the impact of a customer interaction on your revenue, how can you optimize it?

**Revenue is the only CX metric that truly matters.**

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In the words of Blake Morgan, a CX-futurist,

"to showcase the ROI of customer experience, changemakers need to connect money and data to key aspects of the customer journey."

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How to connect your CX data to revenue

CX professionals know the importance of superior experience, but **if they can't communicate the financial benefit, they risk losing support from the leadership.**

To gain financial support and align the entire company, you must prove and communicate the impact of your CX strategies. You can do so by setting up measurement programs that quantify how valuable happy customers are.

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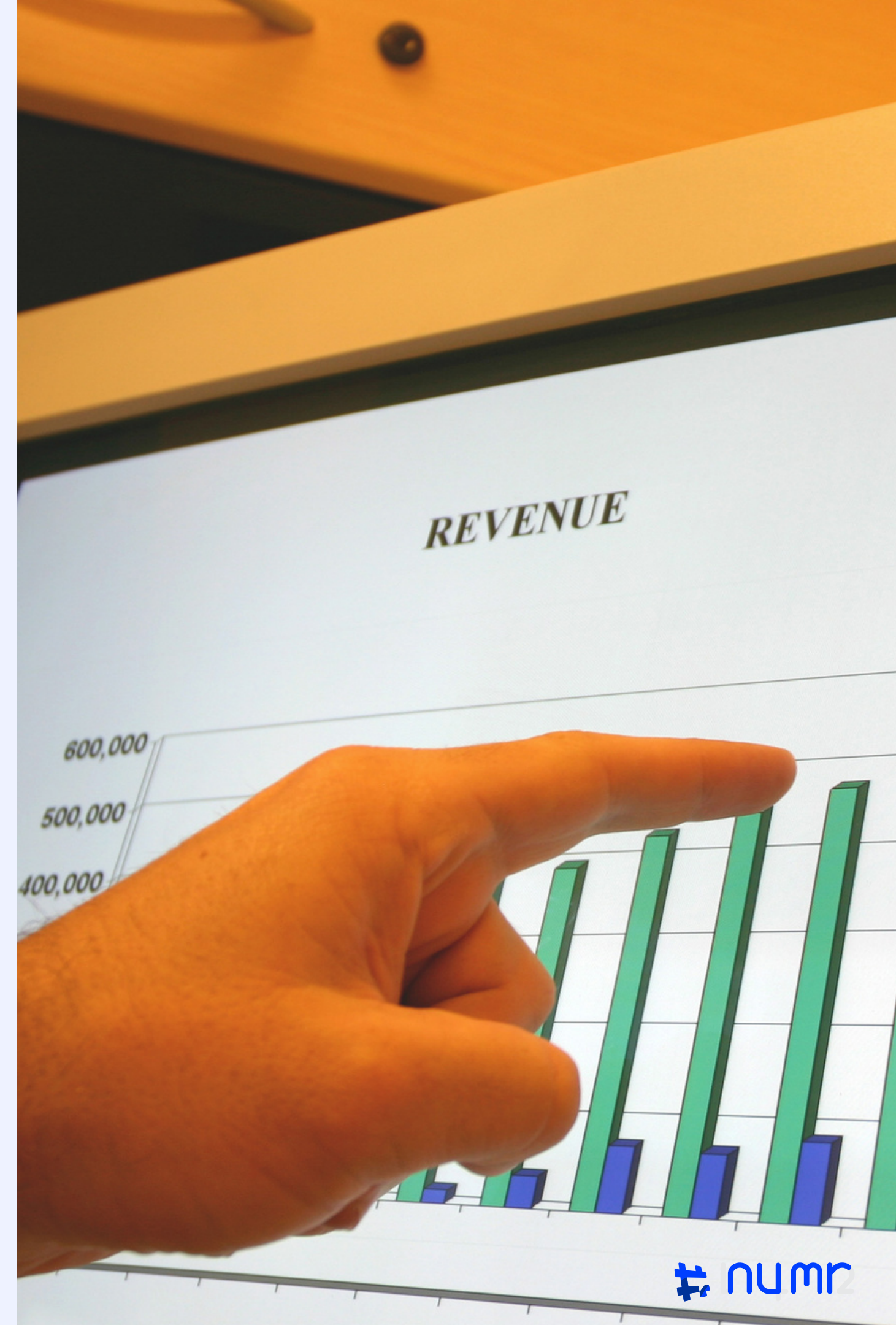
3. Calculate, predict, & prevent customer churn

2. Discover & optimize high-impact areas

4. Predict purchase probability

1. Set alerts for high value customers

5. Predict future revenue with NPS

How to tie CX to revenue

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1.

Calculate, predict, and prevent customer churn

Every business has to deal with churn. As we know, it is 5-25 times cheaper to retain an existing customer than it is to acquire a new one. So **using your CX data to predict and prevent churn is one of the simplest ways to improve revenue.**

Churn Analytics helps you identify customers that are about to leave and why. We use machine learning algorithms and your historical CX data to predict churn. This gives you enough time to reach out and retain at-risk customers.
In fact, for one of our insurance clients, **we identified 64% of customers who were unlikely to renew their insurance**. This helped them lower their churn rate by 28%. You can read the whole story here.

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2.

Discover and optimize high-impact areas

There are a lot of factors that decide whether or not your customers are happy-pricing, support experience, product quality, and more. In an ideal world, you would be able to optimize every factor for a perfect experience. But that's not possible. There are often time and resource constraints. This is why we turn to driver analysis.

Drivers analysis or key drivers analysis helps you identify which factor (driver) has the highest impact on your revenue.

It tells you where to allocate limited resources for the maximum return.

3.

Predict purchase probability

Do you know that you can predict which customers have the highest possibility of buying more based on their interaction data?

One of the best ways to use your historical CX data is to build prediction models with it.

For instance, we help our clients get the most bang for their buck by pointing them to customers with the highest chance of upselling/cross-selling.

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4.

Predict future revenue with NPS®

NPS® (Net Promoter Score®) is a holy-grail metric for most CX professionals. However, few use it to predict revenue and growth.
With relationship NPS®, regression analysis, and historical data, you can predict your financials.
For instance, we can uncover the impact that a 5% increase in your NPS® will have on your bottom line.

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Conclusion

In a 2021 IBM study, **60% of the CEOs** leading the most financially successful companies stated that

"delivering better customer experiences" is one of their highest priorities in the next 2 to 3 years.

In a market with little to no product differentiation, everyone is banking on customer experience. **CX has now emerged as one of the best brand differentiators.** To ensure that it doesn't remain a soft/fun metric, it is crucial to connect it with revenue. With all the data available at our fingertips, it's possible to use the experience to boost the bottom line.

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As *Maya Angelo* famously said,

"People will forget what you said, people will forget what you did, but people will never forget how you made them feel."

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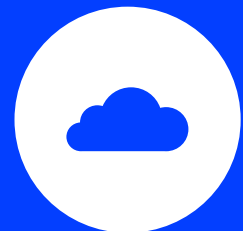Want to boost your revenue by utilizing CX data?

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