

The ROI of Customer Experience in a Post-pandemic World

Foreword

Over the years, customer experience has been described in different lights. It has been regarded as “the new marketing battlefield”, “the next competitive battleground”, “the new brand”, “the new normal”, all of which bear positive and urgent connotations. However, the nature of these descriptions have often been nearly utopian and detached from calculative evidence, measurement and tracking. Hence, we have seen customer experience management dismissed as a veritable cost centre in organizations, with little to no case being made for its direct linkage to profitability.

The investments that come with customer experience management ranging from the cost of technological systems to employee training are neither frivolous nor unfounded. They are directly linked to profit points for organizations, as in the case of tech-based support systems that speed up responsiveness to customers, preventing churn and igniting loyalty. Employee training, in the same exemplary light, can provide a hedge against potential customer dissatisfaction which often leads to consequences as grave as negative marketing.

What contributes to the bottomline? Profitability over time, Cost control, Customer retention... the list goes on. Resonant in these listed factors is growth in efficiency, a factor that is hampered by customer attrition, customer dissatisfaction, service delays and lags, employee turnover, and other symptoms of a weak customer and employee experience. With these in mind, it is safe to assert that profitability challenges are customer experience challenges. When Sam Walton draws the metaphor that the customer is the boss, it testifies to the inalienable role the customer plays in keeping a business alive. The customer’s purchasing power fuels business growth, and as such, the needs of the customer should not take secondary place in business investment. This is the essence of customer experience management, a return to the crux of business existence, a battle to win loyalty, which translates to market share, and manifests in many other profitable forms including price-giving and industry leadership.

In this ebook, we bring to light, the benefits of investing in customer experience, tied intrinsically to the customer’s definition of value, the fundamental goals and priorities of businesses from the point-of-view of the C-suite, and most contextually, in light of the current COVID-19 pandemic.

The insights herein will serve as a call to reimagine the placement of customer experience on the continuum between cost and profit, making visible the inextricable tie between a satisfied customer and a thriving business.

In the complete words of Sam Walton, “There is only one boss. The customer. And he can fire everybody in the company from the chairman on down, simply by spending his money somewhere else.”

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Customer Experience Management is a profit center not a cost center.

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Adetoye Aguessy

Chief Executive Officer,
RightCom

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Customer Experience Overview



For every organization that has a customer or pool of customers, customer experience is delivered intentionally or unintentionally. The way customers get to interact with an organization and experience their offerings, whether positive or negative, qualifies as customer experience. As subjective and perceptive as this seems on the part of the customers, the onus is on companies to be deliberate in creating, designing and shaping experiences that satisfy customers.

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Leading CX transformation requires the creation and inculcation of a CX mindset.

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This entails paying attention to customer needs, listening to their feedback, acting on insights from their opinions and solving their problems in response. It calls for personification of services to the unique and specific needs of customers.

To build a customer experience strategy also requires mainstreaming of best practices around employee engagement and empowerment, eliminating silos in organizations, and ensuring that customer needs remain at the centre of all business operations.

The payoffs from good customer experience range from customer retention, customer loyalty to word-of-mouth promotion.

CX drives over two-thirds of customer loyalty, more than brand and price combined - Gartner ¹

PANDEMIC AND POST-PANDEMIC

The coronavirus pandemic brought, in the wings of disruption, an acceleration in the way businesses think about the future. The pandemic offset a digital spiral that gave impetus to business forecasts over the decade. Trends in customer behaviour shifted, inciting greater attention from organizations to the needs and transformations occurring in and around their customers. With these changes affecting the way people work, purchase, learn, access services and interact with one another, industries ranging from healthcare to hospitality were caught in the speeding evolution.

Therefore, it has become imperative not just to adjust to the shifting trends in the business environment but to maintain, alongside this adaptation, a forward, futuristic outlook as to how much more transformative the next few years will be in the global economy; to understand what more lies in wait in the patterns of purchasing behaviour; and to ride along with consumers without being left behind.



Customer Experience in light of C-suite priorities



Customer experience encompasses the customer journey from pre-purchase to purchase and post-purchase. Customer experience management, referring to strategies and methods businesses set up and execute to meet (and exceed) customers' expectations requires putting customer needs and interests at every stage of the journey, across all touchpoints, from end to end.

This element of multi-stage, multi-faceted input within the customer journey is not concentrated on a single business unit. It spreads across departments such as sales and marketing, operations, IT, supply chain management, people management, product design and beyond. From the standpoint of the customer, their basic need goes as direct as wanting to buy a pair of shoes or have a doctor's consultation, and in their interaction with businesses, they are looking to satisfy that need as quickly and efficiently as possible. However, the inner dynamics of a business is such that multiple parts and complexities work together to enable the satisfaction of the customer's needs.

Thus, to focus on customer experience requires instilling a customer centric mandate and strategy across departments, teams, and individuals at all customer touchpoints. To attain this, there has to be a thorough understanding, iteration, and/or co-creation of steps, processes and systems along the customer journey. These have investment implications - they require vision, time, and resources - which need to be approved of at board-level. Before such approaches can be mainstreamed across teams, there has to be a top-down championing.

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In other words, to champion customer experience, there has to be leadership support from the board to C-level executives.

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In turn, to garner support that high up the corporate leadership ladder, there has to be evidence for returns on investment tied to customer experience.

Customers will pay up to a 16% price premium on products and services if a company provides a great customer experience - PwC²

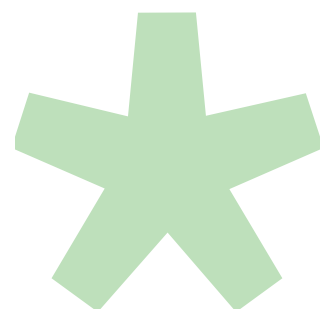
As customer experience becomes the backbone of successful business in today's world where customer power is nearing an all-time high, it has become imperative for organizations to adopt CX strategies efficiently and intentionally. However, for firms where a CX-centric approach has not been the norm, it takes a lot to prove the importance of CX investment.

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There is a need to convince top leadership to see the benefits of CX, and thus augur some investment that could drive far-reaching results.

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But how to go about making this case without first stepping into the shoes of top leadership and understanding the goals of executives for their businesses?



First, it is helpful to delve into some of the key factors executives, board members and C-suite executives consider and look out for in general, in their businesses, at a fundamental level:



PROFITABILITY

In steering organizations and optimizing inputs and resources to a desired end, profitability remains central to the role of C-level executives. Profitability in this case should not rest on solely generating returns for shareholders. It should be holistic and inclusive; It should put customers at the heart of the business and reinforce value addition to both employees and broader communities that are involved, directly and by extension, in the business process. At the foundational level, C-level executives are on the quest to take businesses to growth, going beyond survival mode. They are controlling costs and improving bottom line, while maintaining compliance with applicable laws.



BUSINESS STRATEGY DEVELOPMENT

C-level executives are looking to drive business performance over a long period of time, managing risks and evolving business environments. This requires a great deal of strategy around idea-tion, business development, and innovation. It entails anticipating changes and potential for adaptation, managing uncertainty, and staying ahead of shifting trends in the industry and consumer market. It also entails an approach to problem solving that goes beyond the surface, connecting the dots, with data and insight, to unpack complexities in demand and supply, consumer behaviour, trends and patterns. At the point of business strategy development, organizations can make investment decisions in favour of progressive learning.





TALENT OPTIMIZATION

Looking at the connection between talent efficiency and business acceleration, talent optimization is non-negotiable. To optimize talent is to ensure that the strategic goals of a business are matched with their approach to people management, employee empowerment, and staff efficiency. The specifics of a business - operating context, industry and more - informs both the structure, function, and culture of teams. In any case, the goal to ensure that talent strategy balances with the overall business strategy is one that C-suite executives prioritize.

37% of executives say their No. 1 priority is talent strategy. - State of Talent Optimization Report, 2020³



DIGITAL ACCELERATION

As business models evolve and customer expectations rise against the backdrop of a spiraling advancement in technology, the era of the digital is upon us. Boards and C-suite executives are looking to keep up to speed with digital transformations in order to thrive and retain advantage in their markets. For organizations looking to go beyond playing catch-up and becoming digital pioneers, bold steps to build digital capability internally, plan for digital futures ahead, invest in boosting the digital acumen within their talent pool come into play. Considering the COVID-19 pandemic, digital acceleration has quickly escalated to become an imperative for businesses to thrive, thus coming to the fore on the C-suite responsibility.

Over 80% of companies now indicate that accelerating their digital transformation is a strategic necessity - BCG Digital Strategy Roadmap 2020 Global Study_ ⁴



COVID-19 context from the lens of the C-suite



C OVID-19 disrupted businesses and posed challenges at board and C-suite levels. Concerns around liquidity, supply chains, profitability, workforce management and holistic operations were rampant. Amid shock and uncertainty, choices had to be made while changes and disruptions rippled through. In the early stages, priorities were around stabilization. Decisions were made less to thrive and more to respond to the new global context with the goal of recovery in the future.

Priorities at the C-suite level, as investigated by Deloitte ⁵ and Aon ⁶ ranged from:



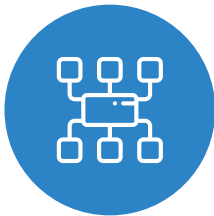
MANAGING COSTS AND RISK

Risks affecting business continuity, operations and reputation proved the toughest at the decision-making level. Managing costs of labour and staying afloat, became prominent, requiring visits to data, checking of cash flow situations, reviews of existing and planned initiatives. Cash flow and cost savings were top goals at the executive level.



PROTECTING THE WORKFORCE

The importance of instilling a system of support, inclusiveness and humaneness among employees, and ensuring that mental and physical health needs were taken in strong light rose to the fore in C-suite interest. The mobilization of efforts for care across departments, an expansion of people strategy to build resilience, and schemes for managing furloughs and cuts came to the fore.



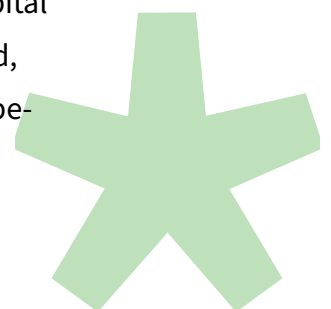
REVISITING OPERATING MODELS

Priorities at the top level of organizations shifted to a stage of iteration, with efforts put in to gain market share, retain customers and empower employees. Adjustments to business plans, reframing of consumer needs, expansion of touchpoints, while managing complexities of supply chain remained key to breaking even, and attaining profitability. In all, staying informed on changing global policies was inevitable with compliance as bedrock of the new order.



BUILDING RESILIENCE

In all, the goal remained to ensure that the financial health of a business was guaranteed. In building agility and stability, capital had to be mobilized and created, investments to be protected, and financial decisions around expenses, credits and risk appetite to be carefully decided.



Moving Forward: How Customer Experience ties it all in



The IBM Institute for Business Value case study 2021 ⁷ which surveyed 3,000 global CEOs generated a number of insights on the business environment in the context of the post-pandemic world order. In seeking to unpack the question of how best to shape what the immediate future would look like considering the sheer disruption of the current season, they discovered priority areas as agile performance, technological adaptation, and regulatory compliance, with compliance accounting as a key external factor that will affect the business environment. These factors were delineated in response to the quest to add value to multiple stakeholders - customers, employees, community, and investors. Thus, the question of value being essential shines forth as paramount in this current world order.

How does a business define itself as essential? What is the crux of a business that adds value? What does it mean to add value as a business?

At the core of it, the existence of a business ties to meeting customer needs. Businesses exist to mobilize goods, services and experiences that customers want. The added value of these goods, services and experiences justifies and forms the bedrock for sales, and the more effort is put on the added value draws customers in, impacting profitability in the long run. Value can be added in many ways, such as quality improvement, design excellence, and guarantee of convenience. This concept of added value, which entails going beyond a minimum face-value offering to customers, stepping out to do more for the customer, ties closely to the springs of customer experience.

A well-worn refrain -

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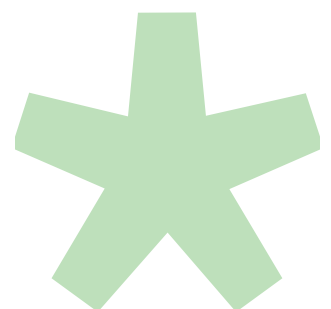
Value is only in the eyes of the customer

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- brings to light a salient nugget that the race to value addition by businesses is inextricable from the customer. It is promulgated in the economic theory of subjective value which assigns economic value to the satisfaction of wants and needs of humans over the intrinsic value of what is being offered. Thus, it goes beyond mere functionality, or attractiveness. It incorporates ease, simplicity, and the thread of experience that starts from a customer's first exposure to a business, their decision making based on what the business offers and the relationship that ensues as they utilize the offering from the business.

Apple's ⁸ distinguishing quality often comes to light here. Transitioning from near falter in the 1990s to an industry leader on the heels of a customer/user-focused model, Apple's turnaround depicts the extent to which consumers and markets shift to the rhythm of any business looking to add value and operating from that standpoint. Putting simplicity and seamless user experience, Apple disrupted a market where complexity and complication reigned.

'You've got to start with the customer experience and work backwards to the technology.' - Steve Jobs ⁹



How customers define value: Then and Now



Value is the differentiator on product or service choice for 63% of consumers as a result of COVID-19 - KPMG Global Customer Experience Excellence research 2020 ¹⁰

Conveying insights from pre-pandemic, the 2018 PwC Global Consumer Insights Survey ¹¹ asked as part of their research, “What people value most in their customer experience”.

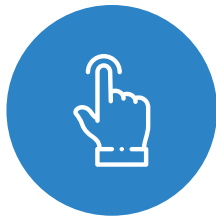
In rating what consumers found to be worth paying more for, ranked in an order of importance as ascribed by the consumers, the following emerged as top five:

- 1 Efficiency
- 2 Convenience
- 3 Friendly Service
- 4 Knowledgeable service
- 5 Easy payment

What people value most in their customer experience before COVID-19



Efficiency



Convenience



Friendly Service

Knowledgeable
serviceEasy payment
service

These were closely followed by up-to-date technology, human interaction, personalization and loyalty programs. Not only are customers looking for prompt, efficient and convenient ways to get what they want, they want the human touch of friendly and personalized service as well.

Fast-forward to the pandemic and its current implications, the PwC Global Consumer Insights Survey 2020¹² uncovered changing consumer behaviours which give an idea on the new trends in customer expectations in light of the current world order. Their findings revealed that customers now seek experiences which reinforce:

- 1 **Safety**
- 2 **Accessibility**
- 3 **Digital engagement**
- 4 **Care and wellbeing**
- 5 **Innovation**

Not only are customers seeking safety and health protection first, but they are also getting savvier and more attune to an all-round digital experience, from holding watch parties, to live shows and virtual ceremonies. 36% of survey respond-

What people value most in their customer experience after COVID-19



Safety



Accessibility



Digital engagement



Care and wellbeing



Innovation

ents had increased their household spending on entertainment and media, and 26% had increased in their spending on DIY, home improvement and gardening, both of which point to attempts at self-care.

To be responsive to these patterns is to be adept at designing experiences that guarantee the afore-mentioned needs. It is in response to safety concerns through one's offerings, the guarantee of compliance to government health measures, and the guarantee of employee safety. It is also in the flexibility to incorporate digital systems that can deliver services and products to homes. It is in the extension of offerings to incorporate lifestyle-conducive features, the warm engagement of customers and support for care and wellbeing. The latter could be in the form of more social media engagement as more than half of consumers increased their use of video or messaging apps and social media in this period as the report conveyed.

In the outlook to the future based on these, it is important for businesses to be able to provide omnichannel experiences which cater to the teeming digital savvy population but without completely effacing customer segments with less digital inclination. With the rise in e-commerce and online retail, more opportunities for seamlessness, better user experience, expanded product offerings and efficient supply chains are pivotal. In addition, the need to ensure that employees are adequately trained and empowered to take on responsibilities and build practices around these new needs of consumers cannot be overemphasized.



Journey to CX investment - What businesses must have in place



To begin the journey towards investing in customer experience, businesses should have certain factors in place, to ensure that the grounds for customer experience are tilled and prepared. These measures include:



Agility



Technological
adoption



Human element



AGILITY

Agility, a readiness and alertness to respond to change or difference, is at the top of what an organization looking to pilot CX investment should do. Agility embraces nimbleness, experimentation, room for feedback and learning. It manifests in the early setup of tools, structures and systems before changes and disruptions occur, as well as the establishment of resources that support rapid adjustment. Agility should always tie closely to business outcomes so that it is purposeful and directed at ensuring a business advances during change.

In the IBM Institute for Business Value case study 2021¹³, responding to “Which of the above will you most aggressively pursue over the next 2-3 years?”, 56% of CEOs mention enhancing operational agility and flexibility



TECHNOLOGICAL ADOPTION

The IBM Institute for Business Value (IBV) Digital Acceleration Report 2020¹⁴ revealed that Tech-savvy organizations are outperforming their peers during the pandemic by an average revenue premium at 6% percentage points across 12 industries - Consumer Products, Automotive, Media and Entertainment, Chemicals, Life Sciences, Banking, Telecommunications, Industrial Products, Travel, Insurance, Energy and Utilities and Retail.

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At the top of the list of new technologies linked to revenue gains were Mobile, Artificial Intelligence(AI) and Cloud.

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In terms of the contributions of these top-rated technologies to business performance, mobile, which is of great value in the retail, banking, consumer products, healthcare, and transport industries is ascribed to facilitation of bookings, delivery, and the provision of basic and essential services.

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AI is found to have risen to the fore for customer experience improvement, supply chain management, workforce optimization as well as cyber security

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such that “6 in 10 organizations mentioned ¹⁵ that they adopt AI for customer satisfaction enhancement and customer retention improvement” based on the IBV report. Finally, cloud, top in industries such as aerospace, consumer products, health care, and petroleum, has been ascribed to increased efficiency and resilience, optimization of business processes in times of scale, management of complexity, and simplification within the working environment.



HUMAN ELEMENT

The human concern and effort to imprint a human touch must be in place for firms ready to navigate their customer experience journeys. By not losing focus on the human connection, especially as acceleration in digital channels occurs, businesses prepare to design meaningful, ideal experiences which are both seamless and fun.

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Therefore, the element of empathy must be instilled at all stages of the customer journey.

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How to invest in Customer Experience



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Investment in CX is not a one-off cause.

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It takes time and it requires continuous iteration and pivoting to ensure that the ever-changing needs of customers remain at the centre of strategy and solution. Because customer experience inherently ties to the perceptions of customers about a firm's offerings, what businesses can do is to establish the models and systems that can translate to good customer experience. It is not just by quick run-off-the-mill marketing, rather it is by the establishment of omnichannel touchpoints, the assurance of support in real-time, seamlessness in the customer journey, and overall, consistent adaptation and evolution to meet customers where they are and serve them right.



TRAINING

This form of investment involves time and financial resources depending on the extent to which an organization chooses to fast track the inculcation of CX tenets.

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To mainstream a CX mindset, build skills of staff on CX tools and technologies and ensure continuous improvement, training is a key area of investment.

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In some situations, training can be targeted at Senior and mid-level managers and cascaded down to team members. In others, they could be mainstreamed broadly and widely. Effective training covers the understanding of the value of CX, the ways to improve customer awareness, ways to craft sustainable customer experience strategies, and measure their effectiveness, best practices in customer experience management. Training should also cover upskilling staff to utilize new touchpoints effectively.



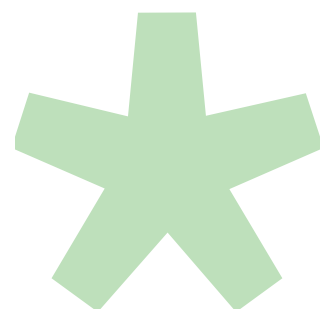
TECHNOLOGY

With CX turning digital swiftly, it is without mention that investment in technology is pivotal. Either in the form of an expansion of touchpoints to digital for example, or a migration to a Content Management System platform, a cloud-based internal system or AI-powered data systems, these investments often involve vendors. It is important that in addition to the financial cost of vendor hire, vendor relationships are built such that collaboration with an organization to iterate, improve, optimize and personalize is imbibed beyond the delivery of the digital product, service or platform.

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In adopting advanced and futuristic technology, it is helpful to start with a low-level solution

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to provide a baseline assessment of the need and reception and what the most ideal delivery will look like. Such experimentation can build the case for larger investment in new-age infrastructure for reasons that will be clear and apparent from the experimental set-up.



CUSTOMER EXPERIENCE SPECIALIST/ PROFESSIONAL SERVICES

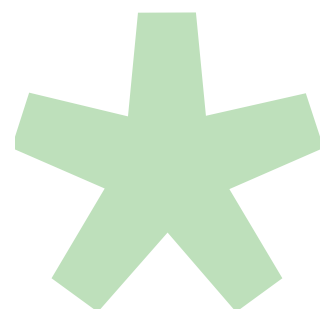
In engaging CX professional services firms, a business must filter thoroughly to ensure that they collaborate with a firm that tailors their solutions to the needs of the customer. The role of specialist service support often centers around data and analytics with assistance potentially in the form of experiential and operational data collection, AI-powered data analysis, helpdesk service and support systems and more.

Some organizations would only look at these investments in terms of the perception of high costs associated with them. However, when businesses have tested low-level prototypes for these investments and put their hypothesis and assumptions to test, the implementation would require intentionality, commitment and sustainability. To be most optimal, businesses can start by focusing on implementing strategy targeted at the consumer behaviour most relevant to their business, and by gauging satisfaction or response to that, build on more improvements in other layers and facets of the customer experience. Even if a firm doesn't scale up all the facets of their customer experience strategy at once,

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What is important is to maintain a progressive rhythm once investment kicks in and keep it up.

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How to calculate the benefits of investing in Customer Experience



SETTING METRICS

CX metrics allow businesses to assess the quality of the experiences they offer and realize insights for improvement. These help with the measurement of investments into CX programs and help organizations improve overtime. Fundamentally, metrics help define the objectives of organizations' CX efforts which could range from customer loyalty to customer satisfaction. There are a number of globally recognized metrics for customer experience metrics:

Net Promoter Score (NPS), Customer Satisfaction (CSAT), Churn rate, Customer Lifetime Value (CLV) or Customer Effort Score (CES).



NET PROMOTER SCORE (NPS)

In 2020, Fortune ¹⁶ reported that at least two-thirds of the Fortune 1000 organizations use the Net Promoter Score, cutting across financial services, airlines, telecom, retail, and other industries. Short and simple, the NPS tracks customer response to two questions and these have become powerful for organizations to measure their performance. It is used to assess brands, products, services, and experiences in general. The NPS asks:

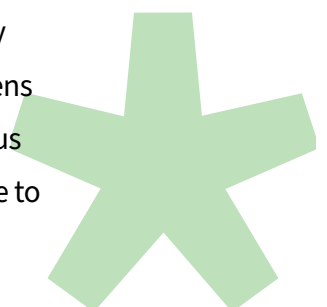
On a scale of zero (not at all likely) to 10 (extremely likely), how likely are you to recommend [Company/Product/Service/Experience] to a friend or colleague?

Why did you give that score?

NPS

Often, in calculating Net Promoter Score, businesses subtract the percentage of customers who rank them between 0 and 6 (detractors) from the percentage who rank them between 9 and 10 (promoters).

The simplicity of NPS doesn't negate its power. The amount of insight an organization generates from their NPS score is dependent on the way the organization applies the data NPS offers. At the heart of it, NPS measures loyalty - testing whether or not an organization is winning over or close to losing their customers. The likelihood or absence of likelihood of being recommended by a customer reveals the extent to which existing customers can promote or demote a business. It overarches what becomes word-of-mouth marketing, referrals, good/bad reviews, and by asking customers "why" behind their scoring, it provokes an understanding on what customers actually need from business. Importantly, NPS is best regarded from the lens of the long-term, a metric that should underline steady, continuous improvement. NPS applies beyond customers, it is also applicable to employees, vendors, strategic partners.





CUSTOMER SATISFACTION (CSAT)

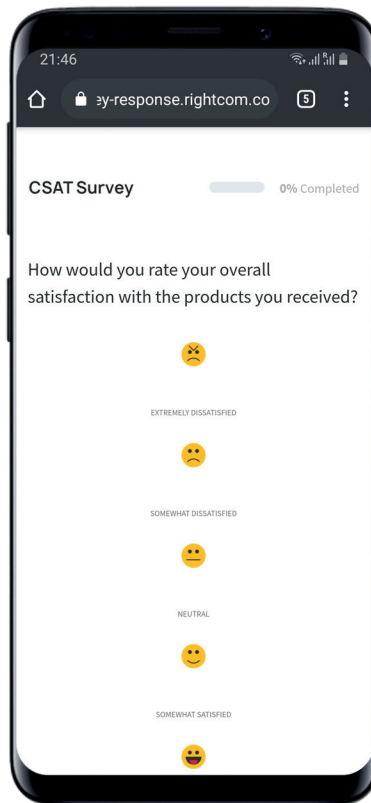
Another simple metric, the CSAT is effective for organizations to measure the extent of satisfaction a customer has based on single interactions. It often occurs immediately after transactions and reveals short-term, real-time customer sentiments which are applicable for transactional feedback. It often asks, on a scale which could range from 0 to 5, where the zero shows very unsatisfied and the highest point in the scale signifies very satisfied asking thus:

How satisfied are you with this [/Product/Service/Experience/Feature]

Do you mind sharing why?

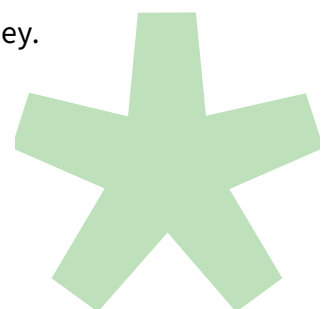
The CSAT, considering how real-time it is often can come in formats such as using emoticons. It helps reflect customer opinions on services such as support.

Usually, with the two highest ratings (4 and 5, for example), a percentage score is calculated to show the rate of customer satisfaction or dissatisfaction.



CSAT

CSAT reveals useful insights for the customer journey, showing which aspects of the journey require improvements. It helps a business assess if they are valuable to the customer in terms of meeting their needs directly, and if the way the needs were met pleasing or not to the customer. It contributes to the improvement of customer journey mapping, and in the design of consumer persona, behaviors, needs, and attitudes. The CSAT when applied well could inform the design of new experiences and reimagination of touchpoints along the customer journey.





CHURN RATE

Churn rate measures the percentage of customers or subscribers who cancel or don't renew their purchasing or purchase plans in a given time period such as a month, quarter or year. Churn rate is useful for tracking customer loyalty. It is a very explicit way of measuring when customers stop purchasing from you. It helps to identify also when customers are at the risk of churning, which could lead to setting things right. It is calculated by finding out the percentile difference between customers a business acquires and those lost in a given period. Practically, it is a division of churned customers by acquired customers in percentage rating. A regular assessment of churn rate is helpful to discover a pattern or reason for churn to prevent loss of multiple customers for the same reason. It also helps manage the likelihood of negative marketing by provoking businesses to strategize for customer relationship repair.

The churn question could come in multiple forms. For digital subscription plans, one often sees:

What is the reason for your unsubscription from our (plan/product/service)

Oftentimes, this is followed by a drop-down option, as well an "other" for more individual responses. It is important to note that at the end of the day, churn rate is a last-mile calculation,

and that consistent awareness of how your customers feel about your product could help mitigate against churn in the first place. Thus, a good combination of other relevant metrics that can give ideas on what might lead to churn is useful. Additionally, the determination of churn measurement cycles (time period after which a customer is considered to have churned) should be informed by the type of market/industry and its uniqueness. In industries such as automobile, real estate or furniture, the definition of a churn cycle is fundamentally different from that in retail and finance for example.

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The loop across metrics also comes into play as churn could be predicted from CSAT/NPS scores hence the importance of systems without silos where data across touchpoints are inter-looped and visibility on data is harmonized for effective action.

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*Acquiring a new customer is anywhere from five to 25 times more expensive than retaining an existing one - Harvard Business Review*¹⁷





CUSTOMER LIFETIME VALUE (CLV)

Customer Lifetime value adds up the total revenue a particular customer has brought into your business over the course of their relationship. It tallies this against costs associated with acquiring, retaining and serving the customer. It gives practical financial knowledge on the length of a customer relationship, the patterns of the relationship including when and how often the customer purchases. It depicts the lifetime journey of a customer and the value/worth inherent to it. Considering the cost effectiveness of retaining existing customers, it is helpful to know the value of existing customers, and how they contribute to bottom line and business growth. A high CLV is a good reflection of good customer experience and loyalty. It also provides impetus for rewarding loyal customers. An integrated data system that cuts across marketing/advertising/sales (acquisition), logistics/supply/support (service), as well as accounting/finance (revenue) facilitates CLV calculation.

A simplified way to calculate the CLV is *Customer revenue per year multiplied by Duration of the relationship in years minus Total costs of acquiring and serving the customer.*

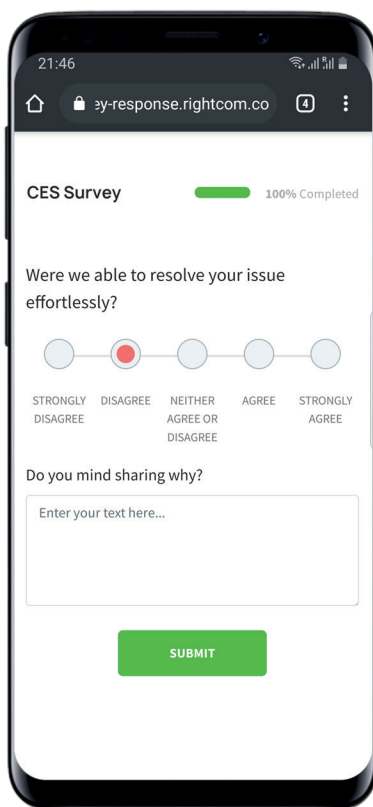
There are more sophisticated ways of calculating CLV, as well as formulas for predicting what it could look like in future, depending on how fixed/flat the purchase plan looks like within a company and for unique customers.



CUSTOMER EFFORT SCORE (CES)

The Customer Effort Score measures the degree of ease and effortlessness a customer associates with their journey with a business. On a typically seven-point scale, it ranks the ease of a customer’s experience with a product, service or experience from “very difficult” to “very easy”. It could be seen as:

In general, how easy was it for you to address (stated need) with (business name) today?



CES



In calculation, the CES measures the percentage of positive responses (easy and very easy) and that of the negative responses (difficult and very difficult), subtracting the negatives from the positive to obtain the percentage difference. CES measures how quickly and easily businesses help customers satisfy their wants and/or solve their problems. It links effortlessness to retention and loyalty, on the premise that the more effort it takes for a customer to get their needs met through a business's offerings or service, the less likely they are to continue with that business or recommend it to others. In discovering where customers have to put the most effort, solutions can be crafted to eliminate obstacles ahead of time.

CALCULATING VALUE

To calculate the financial value of investment through any or combinations of the delineated metrics, it is important to incorporate linkage analysis. Simplified linkage analysis takes into account two variables which connect set metrics and business turnover. Through trends and projections, it reveals deeper insights as to possible effects of future CX-related adjustments on a business's profitability.

For example, with the Net Promoters Score metric, based on results, a business can:

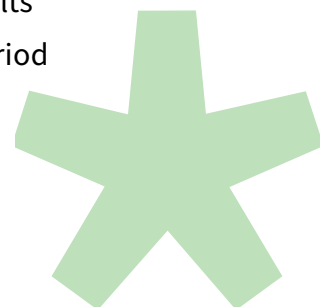
- 1 Calculate the average spend of Promoters, Neutrals and Detractors
- 2 Outline the total number of customers, and disaggregate the percentage of customers that fit into each NPS category
- 3 Multiply the average spend across the categories with the total number of customers per category to calculate the total revenue per NPS category.

“

Seeing the total revenue per category reveals the extent to which loyal customers (promoters) add to a business and the extent to which the business stands to lose if unsatisfied customers (detractors) churn.

”

Across all metrics, estimating the return on investment from CX factors in the difference overtime between financial results of a particular time period without CX and that of a time period with CX strategies implemented.



$$\text{ROI} = \frac{(\text{Investment returns} - \text{Cost of Investment})}{\text{Cost of investment}} \times 100$$

Find a simplified case-study below of a linkage analysis between Customer Satisfaction (CSAT) and Revenue:

In this case study, the goal is to determine what a one-point increase in Customer Satisfaction Score (CSAT) amounts to in terms of business revenue. Using a dummy organization, Ice.

Case Study



Discovery

3,000 customers scored their experience a 4 or 5



1,000 customers scored their experience a 3



1,000 customers scored their experience a 1 or 2



In calculating their CSAT score, the following formula was applied:

$$\text{CSAT score} = (\text{Total 4-5 responses}) / (\text{Total responses}) \times 100$$

In this case study, it is calculated thus: $3,000 / 5,000 \times 100 = 60\%$

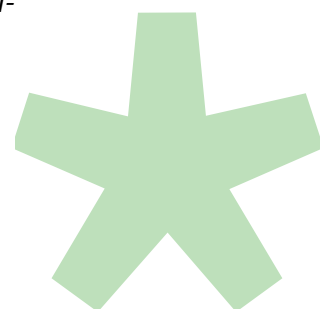
In the following calculation, Ice would estimate the potential revenue that could be obtained if they invest in customer experience and improve their CSAT score by ten percentage points. For this case study, we will assume that the average spend per customer is \$1,000.

MEASURING LOSS FROM CHURN-RATE

Based on statistical evidence from Lee Resources and Customer Experience Impact Report, we assign a 91% churn rate to customers who rate Ice 1 – 2 on the CSAT index, and 86% to customers who rate Ice 3 on the CSAT index. The statistical pointers behind the assumptions include:

When customers are unhappy, there's a 91 percent chance they won't do business with a company again (Lee Resources) ¹⁸

A negative customer experience is the reason 86 percent of consumers quit doing business with a company (Customer Experience Impact Report). ¹⁹



Thus, the churn rate for Ice is calculated thus:

	Churn rate	Number of customers that churn	Revenue loss
1,000 customers that rated 1-2	91% churn rate	910	
1,000 customers that rated 3	86% churn rate	860	
Total number of customers that churn		1,770	
Amount of revenue lost, based on average spend per customer (\$1,000 x 1,770)			\$1,770,000

At the cost of \$1,000 for investing in each customer, Ice records a total loss of \$1,770,000 when 1,770 customers churn.

However, in an alternative scenario where Ice improves their spending on customer experience in order to improve their satisfaction to customers, which reflects in the CSAT, an increase is assumed as thus:

Out of 5,000 surveyed customers

3,500 customers scored their experience a 4 or 5



900 customers scored their experience a 3



600 customers scored their experience a 1 or 2



In this scenario, the CSAT score increases: $3,500 / 5,000 \times 100 = 70\%$

To see the impact of a 10% CSAT increase, the impact of a reduced churn will be quantified:

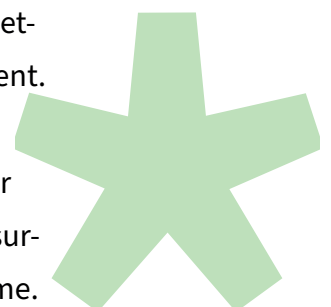
	Churn rate	Number of customers that churn	Revenue Impact
600 customers that rated 1-2	91% churn rate	546	
900 customers that rated 3	86% churn rate	774	
Total number of customers that churn		1,320	
Amount of revenue lost, based on average spend per customer (\$1,000 x 1,320)			\$1,320,000
Amount of revenue gained due to 10% CSAT improvement (\$1,770,000 - \$1,320,000)			\$450,000

“

By a 10% increase in CSAT, Ice gained \$450,000 in a year.

”

In all, there are several ways of calculating the financial value of customer experience investment incorporating each of the metrics a business applies to their customer experience assessment. What is important at the end of the day is to keep track of the baseline which is where the company starts without customer experience investment and then to measure, either through surveys or other forms of customer feedback, the change overtime.



Conclusion



In building a CX strategy, the focus on return on investment shouldn't be peripheral. It should inform strategy. Companies that start with the end-in-mind to ensure that their customer experience efforts pay off often succeed above their peers. In thinking of where to start, it is always important to prioritize investments based on the specific goals of the company. Additionally, being specific on the costs of loss, the prices to be paid for churn, go a long way in emphasizing the essentiality of retaining customers, satisfying them and keeping them happy.

In all, customer experience is a journey in progress. Organizations have to remain nimble and consistently adaptive to improve and work on customer feedback, and to respond to changing needs. If previously, it was not enough to adopt agility and nimbleness in response to the voice of the customer, then the current global crisis which has disrupted the norm in business and beyond has provided the necessary amplification.

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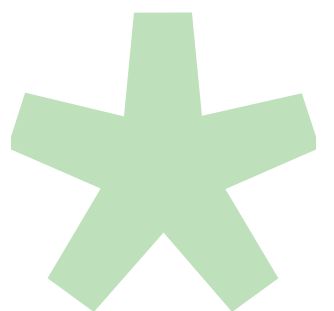
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