



INMOMENT POINT OF VIEW

# How to Prove the Business Value of Your CX Program

Eric Smuda, Principal, CX Strategy & Enablement

Let's be frank—establishing a customer experience (CX) program's ROI is one of the greatest challenges that CX practitioners and the organizations they serve face in the modern experience landscape. Forrester predicts that one in four CX professionals will lose their job in 2020<sup>1</sup> due to an inability to link CX improvements and activities to company financial benefits. While most businesspeople fundamentally believe that improving customer experience leads to improved financial outcomes in the future, proving this relationship can be quite difficult.

CX practitioners have a much greater chance of proving this financial linkage if they adhere to four basic economic pillars. These pillars are fundamental to how a company's CEO and CFO manage the business (and how both shareholders and the broader market evaluate a brand's future viability). Let's take a closer look.

## PILLAR ONE: CUSTOMER ACQUISITION

Voice of the Customer (VoC) programs are useful not only for becoming aware of customer

preferences, but also how those preferences change over time. Programs that expand this heightened, continual awareness to include trends within their wider marketplaces can yield even greater context.

Organizations can leverage VoC's constant customer and marketplace awareness to acquire new customers. A well-built VoC program enables organizations to anticipate what new customers are seeking in a brand and thus be ahead of the curve. This work can be challenging, especially since customer tastes are changing more constantly now than ever before, but organizations that can pull it off stand a much greater chance of acquiring customers this way than through other means.

**IN THIS SOCIAL MEDIA-DRIVEN WORLD, IT'S EASY FOR CUSTOMERS TO TELL DOZENS, IF NOT MILLIONS, OF PEOPLE ABOUT THEIR AFFINITY FOR A BRAND. THIS UNPAID SALESFORCE SOMETIMES PROVES MORE EFFECTIVE AT DRIVING NEW CUSTOMERS TO A BRAND THAN THAT BRAND'S OWN MARKETING EFFORTS!**

A major athletic company sought to capitalize on this pillar by optimizing its surveys to find new types of customers. By targeting respondents between the ages of 18 and 35 with questions geared toward these new sources of revenue, the company was able to expand to new cities and demographics.

The practitioners who ran this initiative were able to prove its worth by tracking the new customer acquisition, increases in unique customers, and market share growth that it generated.

A robust VoC program can help detect changes in customer needs and wants, while an effective CX initiative can also drive customer acquisition. As brands listen to customers and drive improvements in the products and services they're buying, more advocates are created—and the bottom line is positively influenced.

In this social media-driven world, it's easy for customers to tell dozens, if not millions, of people about their affinity for a brand. This salesforce costs nothing, yet it sometimes proves more effective at driving new customers to a brand than that brand's own marketing efforts!

## PILLAR TWO: CUSTOMER RETENTION

CX programs are great for providing intel that can entice new customers, but they're just as effective at enabling organizations to listen to

current customers' concerns and, ultimately, retain them.

Organizations should never underestimate the power of service recovery<sup>2</sup>—70 percent of customers<sup>3</sup> who have a situation resolved in their favor *will* return to a brand, while a 10 percent increase in customer retention can grow a company's value by 30 percent. Truly customer-centric companies can easily reach and maintain these percentages.

So, how exactly can CX programs help organizations close the loop and drive value? The answer is listening tools and robust internal processes. Modern experience intelligence tools allow organizations to identify the source of customer complaints in greater clarity than ever before. These tools enable companies to, for example, assess how well (or not) a web page may be designed, or identify common issues customers experience with a claims process.

A large athletics brand used these tools to learn about a previously unknown problem: many of its shoe boxes were arriving to customers damaged. The brand was then able to become aware of the problem, devise a solution, and assure customers that the problem was being taken care of. Those customers, impressed by the brand's dedication to resolving the shoe box issue, became all the more loyal to that company after it expressed genuine interest in fixing the problem.

As demonstrated above, there are two closed-loop processes that enable customer retention:

1. The First Loop: Involves resolving individual customer issues.
2. The Second Loop: Involves diagnosing issues' root cause(s), redesigning a process or product to resolve the problem, and then communicating that change to customers.

Remember that, as proven by countless statistics, the cost of retention is much less than the cost of acquiring new customers. Determining what a point of retention is worth for a company can help prove CX's return on investment.

## **PILLAR THREE: CROSS-SELLING/ UPSELLING**

CX listening tools are effective for more than identifying the root causes of problems—they're also handy for spotting what brings customers back to a brand.

Organizations can use these tools to learn why customers are loyal to them and, more importantly, identify opportunities to deepen that loyalty. Given how much more expensive it is to acquire a new customer than to retain an existing one, brands stand to gain a lot from finding new cross-selling and upselling opportunities.

Few factors make an impact on a brand's bottom line quite like trust. Nearly 50 percent<sup>4</sup> of customers are willing to spend anywhere from 11 to 50 percent more with a brand they feel they can trust. Organizations can leverage CX listening tools to identify what about a brand

spurs that trust from its customers and take action to make those offerings even stronger, yielding additional revenue from an already-established pool of customers.

## **NEARLY 50 PERCENT OF CUSTOMERS ARE WILLING TO SPEND ANYWHERE FROM 11 TO 50 PERCENT MORE WITH A BRAND THEY FEEL THEY CAN TRUST.**

A large cafe group was able to use these tools to grow the revenue it received from existing customers. The chain captured feedback from its existing customer base, analyzed the sentiments therein, and made fundamental menu changes based on those sentiments. As a result, the cafe group saw a noticeable revenue bump that it was able to link directly to that process and the subsequent menu changes.

## **PILLAR FOUR: COST REDUCTION/ ELIMINATION**

If CX programs can be used to acquire new customers, resolve existing customers' issues, and deepen those customers' loyalty, it follows that these initiatives are also useful for spotting efficiency opportunities.

Organizations can use CX feedback to both save money within operations and to simplify their provided experience. Perhaps even more crucially, brands can use these learnings to determine whether it may be more effective to make a buying experience digital, self-service, or personnel-driven.

## ORGANIZATIONS CAN USE CX FEEDBACK TO BOTH SAVE MONEY WITHIN OPERATIONS AND TO SIMPLIFY THEIR PROVIDED EXPERIENCE.

Employee feedback is especially useful for minimizing costs—for example, companies can use anonymous surveys to ascertain how members of an organization feel about anything from training programs to current processes, then take action to shake those areas up as needed. Finance and HR are both great places for practitioners to learn more about how their initiatives can minimize costs—and how to better prove their role in that process.

A top-tier mattress retailer used CX tools to understand why some employees were leaving the firm and incurring high turnover costs for the company. By installing an exit survey for departing employees, the retailer gained a greater understanding of employee sentiment and implemented changes to reduce turnover and new hire training costs. Because these improvements stemmed directly from survey feedback, the company was able to establish a clear link between its CX strategy and the ROI it helped to generate.

## PROVING ROI

As previously mentioned, the four economic pillars are useful for practitioners looking to root the value of their CX program in hard numbers—the business language the C-suite speaks. Acquiring customers, retaining and upselling existing ones, and minimizing costs are all tangible, concrete goals, and creating a program that revolves around those numbers-driven objectives will make it easier for the practitioners managing these initiatives to demonstrate their real business value.

CX practitioners can also simplify proving ROI by tracking certain metrics. New customer acquisition, market share growth, customer churn, customer retention, and cost to serve are some of the best metrics for proving CX's worth throughout a company. Understanding the cost of customer acquisition, the value of a point of customer retention or the value of a point of CX improvement (whether measured by NPS<sup>5</sup> or some other metric) are all critical to building a business case for investing in customer experience.

When they are able to present these quick wins and prove their value, CX practitioners can continuously reap meaningful success for the brands they serve.



---

<sup>1</sup> Manning, H., Swerdlow, F., & Ramos, L. (2019, November 3). Predictions 2020: For CX, It's All About Proving Business Results.

<https://go.forrester.com/blogs/predictions-2020-customer-experience/>

<sup>2</sup> Heskett W, C. W. H. J. L., & Sasser, E. (2014, August 1). The Profitable Art of Service Recovery.

<https://hbr.org/1990/07/the-profitable-art-of-service-recovery>

<sup>3</sup> InMoment. <https://get.inmoment.com/2019-cx-trends/t>

<sup>4</sup> 2018 Retail CX Trends Report.

<https://www.inmoment.com/resources/2018-retail-cx-trends-report/>

<sup>5</sup> Net Promoter System: From Metric to Meaning.

<http://www.inmoment.com/resources/net-promoter-system-from-metric-to-meaning/>