

Pisano

ACADEMY

How to Measure Return
on Investment (ROI) in

Experience Management



How to Measure Return on Investment (ROI) in Experience Management

Drowning in Expectation

You're standing in a conference room, the air thick with anticipation. A sea of faces – your company's board members – all eyes fixed on you. They nod along as you **describe your exciting new experience management (XM) program**. But you can sense their unspoken question hanging in the air: **"Will this actually make us money?"** Sounds familiar?

The Famous XM Paradox

This is a common scenario for many experience management professionals. You know that the benefits of XM are substantial – **driving revenue growth, reducing costs, and increasing satisfaction**. However, turning these advantages into concrete financial terms is a challenge.

Sowing the Seeds of Success

In this guide, we will walk you through the **steps to measure and demonstrate the tangible financial impact of your XM programs** to gain the trust of even the most hard-line skeptics in the boardroom.

How a Great Customer Experience Can Improve Your Profitability?

It's no secret that **happy customers are good for business**, but the **financial impact** of a truly exceptional customer experience (CX) goes **far beyond just smiles and positive reviews**. It's a move that can significantly **boost profitability** and **enhance financial stability**.

Let's take a closer look at the link between prioritizing customer satisfaction and achieving tangible financial gains.

“Companies that prioritize customer experience grow revenue 1.7X faster.”

Happy Customers Stay Longer, Spend More

- **Boosting Lifetime Value:** When customers feel valued and understood, they become long-term partners, not just one-time buyers. This leads to repeat business, larger purchases, and a consistent revenue stream over time.
- **Reducing Churn:** Keeping customers happy means they're less likely to jump ship to your competitors. This saves you the significant expense of acquiring new customers to replace those you've lost.

Customer Satisfaction Fuels Revenue Growth

- **Upselling and Cross-selling:** Happy customers are more open to suggestions for additional products or services, increasing your sales and the average amount each customer spends.
- **Standing Out in a Crowded Market:** A great CX sets your brand apart from the competition. Consistently exceeding customer expectations helps you capture a bigger slice of the market and drive revenue growth.

Efficiency Leads to Cost Savings

- **Lower Support Costs:** By proactively addressing customer needs, you can head off potential problems before they escalate into costly support calls.
- **Reduced Marketing Costs:** Satisfied customers are your most powerful advocates. Their positive word-of-mouth, online reviews, and referrals act as a free marketing force, attracting new customers organically.

Understanding the many ways in which CX impacts your bottom line helps build a strong case for investing in programs that improve your customers' experiences. So, how can you measure the return on your investment in customer happiness? **Let's Discover that next.**

307%
Return



“Companies that prioritize customer experience see a 307% return on their stock performance compared to the S&P 500.”²

Measuring ROI: Proving the Value of Your Experience Management Investments

To understand how your customer experience (CX) initiatives are impacting your company's financial health, you need a data-driven approach that's as meticulous as a **scientific experiment**. Here's a step-by-step guide to making sure your efforts are paying off:



01

Set Measurable Goals

What are you hoping to achieve with your CX programs? Increase customer loyalty? Boost sales? Reduce support costs? Make your goals specific, measurable, achievable, relevant, and time-bound (SMART). For example, instead of simply aiming to "improve customer satisfaction," try "increasing our Net Promoter Score (NPS) by 10% over the next six months."

02

Identify the Key Experience Management Metrics

Once you know where you're going, identify the key metrics that will show you if you're on track. These are the measurable values that demonstrate the effectiveness of your efforts. Common CX metrics include Net Promoter Score (NPS), Customer Satisfaction Score (CSAT), Customer Effort Score (CES) and various operational metrics related to cost and efficiency.

03

Know Your Starting Point

Before launching any new initiatives, establish baseline measurements for your chosen metrics. This gives you a benchmark to compare against as you move forward. Gather historical data for each metric to ensure it accurately reflects your current customer experience.

04

Put Your Plan into Action

This is where the excitement begins! Roll out your new CX strategies, distribute, analyze and act on feedback surveys. Keep meticulous records of your actions so you can later pinpoint which ones had the biggest impact.



05

Track & Analyze Data Using an XM Platform

Once your initiatives are underway, find a unified XM platform that allows you to collect, track and analyse data regularly. Look for patterns that connect your actions with changes in your key metrics. Is customer satisfaction rising? Is churn declining? Use analysis tools to see if these changes are meaningful and can be linked to your CX programs.

06

Calculate the Financial Impact

Finally, the rubber hits the road. Now you have to translate the impact of these improvements into financial terms. Determine the revenue generated from a 1-point increase in NPS. Calculate the cost savings associated with a reduction in churn. This step is crucial for proving the value of your efforts to stakeholders who are focused on financial outcomes.

07

Measure Your Return on Investment

With your financial impact data in hand, calculate the ROI of your CX programs using this formula:

$$\text{ROI} = (\text{Financial Gain from XM} - \text{Cost of XM Programs}) / \text{Cost of XM Programs}$$

A positive ROI indicates that your programs are generating more value than they cost, making a strong case for continued investment.

08

Share Your Success Story:

Communicate your findings to stakeholders in a clear, concise, and compelling way. Use visuals like graphs and charts to illustrate the impact of your CX initiatives. Tell a story that connects your actions to positive financial results. Be prepared to answer questions and address any concerns.

Remember, measuring ROI is an ongoing process. Continuously monitor your metrics, analyze the data, and refine your approach to ensure your CX programs remain effective and continue to add value to your organization.

From Data to Financial Charts: Putting a Price Tag on Your CX Success

While we've covered the steps for calculating ROI for your customer experience (CX) initiatives, it's important to understand that the most crucial part is connecting the dots between improved metrics and increased revenue. To get the green light for further investment in CX, you need to show the financial value of every improvement you make. Here are the topics you can think about to bridge the gap between data and dollars:

- › **The Potential of NPS**
- › **The High Cost of Losing Customers**
- › **Financial Power of Customer Lifetime Value**
- › **Reduced Support Costs**
- › **The Referral Effect**
- › **Building a Strong Reputation**



The Potential of NPS

Your Net Promoter Score (NPS) is a valuable indicator of customer loyalty and advocacy, but what does a higher NPS really mean for your business? Research shows that small increases in NPS can make a big difference in revenue growth. By analyzing your specific customer data, you can pinpoint the exact monetary value that each NPS point holds for your company.

The High Cost of Losing Customers

Customer churn (losing customers) is a serious threat to any business. When customers leave, so does their revenue, and you're left with the added expense of acquiring replacements. We all know the impact of experience management on customer retention and that customer retention is the key to sustainable growth. By calculating the lifetime value of your customers and the average cost of acquisition, you can put a price tag on each percentage point reduction in churn, revealing its true financial impact.

25% to 95%
Profit Increase

“Increasing customer retention rates by 5% increases profits by 25% to 95%.³”

Financial Power of Customer Lifetime Value

Increasing your customer lifetime value (CLTV) is a vital strategy for sustained profitability. By studying customer purchase patterns, you can identify opportunities to nurture those relationships and increase the total revenue each customer generates over time. Calculate the impact of even a modest 10% increase in CLTV on your overall revenue to showcase the substantial potential for growth.

60% CX Increases Lifetime Value

60% of businesses that prioritize customer experience see an increase in customer lifetime value.

Reduced Support Costs

Determine the average cost of handling a single customer support inquiry and estimate the savings you could achieve by proactively addressing issues before they escalate into calls or tickets.

The Referral Effect

Quantify the value of each new customer you gain through referrals. Analyze the average revenue generated by referred customers compared to those acquired through other channels to reveal the power of word-of-mouth marketing.

Building a Strong Reputation

While trickier to measure, a positive brand reputation can significantly impact customer acquisition and retention. Consider tracking brand sentiment metrics and correlating them with sales data to assess the financial impact.

By meticulously assigning a monetary value to each XM improvement, you turn abstract metrics into tangible business drivers. This data-driven approach provides the evidence you need to gain executive support, allocate resources effectively and ultimately, drive the continued growth of your organization.

Getting Executives on Board: How to Ensure Executive Buy-In

While data-driven ROI calculations lay the groundwork, convincing executives to invest in customer experience (CX) requires a more strategic, nuanced approach. It's about demonstrating how CX aligns with your company's broader goals and how it contributes to long-term success. Here are some key strategies to win over executive support for your CX initiatives:

- › **Speak Their Language**
- › **Connect the Dots**
- › **Tell Compelling Stories**
- › **Keep Their Focus On Long-Term Goals**
- › **Build a United Front**



Speak Their Language

Executives are focused on financial performance and strategic growth. When presenting your CX ROI, emphasize the bottom-line impact. Highlight the revenue growth, cost savings, and competitive advantages that a superior customer experience delivers. Use clear, concise language that resonates with executives, avoiding unnecessary jargon.

Connect the Dots

Align your CX initiatives with your company's overarching strategic objectives. Show how a customer-centric approach can help achieve growth targets, increase market share, or enhance brand reputation. By framing CX as a strategic enabler, you demonstrate its value beyond just customer satisfaction.

Tell Compelling Stories

Use real-world examples to illustrate the impact of CX on your company's performance. Share customer success stories that demonstrate how a positive experience led to increased loyalty, repeat purchases, or positive word-of-mouth. Case studies and testimonials can be particularly effective in capturing executive attention.

Keep Their Focus On Long-Term Goals

XM is not a quick fix; it's a long-term investment in building a sustainable, customer-centric culture. When showcasing CX ROI, emphasize the long-term benefits, such as increased customer lifetime value, reduced churn, and enhanced brand equity. Show how CX can future-proof your company by creating a loyal customer base that drives revenue growth for years to come.

Build a United Front

Don't go it alone. Enlist the support of other departments and stakeholders who can advocate for the value of CX. Collaborate with marketing, sales, customer service, and product development to present a unified front that showcases the cross-functional impact of CX.

Real-World Success Story: Emily, the XM Leader

Emily, the Head of Customer Experience at Global Bank, faced a challenge familiar to many in her role: Proving the Return on Investment (ROI) of the bank's extensive experience management (XM) program to a skeptical board of directors. Armed with the strategies we've discussed, Emily embarked on a mission to build her case.

- Emily began by **clearly defining her goals**. She aimed to increase customer retention by 5% and boost the Net Promoter Score (NPS) by 3 points within a year.
- Emily **focused on key metrics** that would track progress toward her goals: NPS, customer retention rate, average customer lifetime value (CLTV), and customer support costs.
- Before implementing any new initiatives, Emily **gathered historical data** to establish baseline figures for each metric, providing a benchmark for comparison.
- Emily and her team **launched a comprehensive CX strategy**, including personalized onboarding for new customers, proactive outreach to at-risk customers, and enhanced employee training focused on empathy and problem-solving.
- A year later, Emily **meticulously analyzed the data**. The results were impressive: NPS had risen by 4 points, surpassing her goal. Customer retention had improved by 6%, and CLTV had grown by 8%. Furthermore, customer support costs had decreased by 12% due to a decline in complaints and issues.
- Emily dug deeper to **quantify the financial impact of each improvement**. She found that a 1-point increase in NPS translated to an additional \$500,000 in annual revenue. The 6% increase in customer retention resulted in \$2 million in saved acquisition costs. In total, the combined impact of these improvements, coupled with reduced support costs, amounted to a substantial \$4.5 million in net financial gain.
- Using the standard ROI formula, Emily **calculated an impressive 180% ROI** for the bank's XM program.

Equipped with her data-driven findings, Emily presented her compelling case to the board. She used clear visuals to illustrate the impact of XM on key metrics and the bottom line, sharing customer testimonials that underscored the positive changes. Emily's persuasive narrative and undeniable evidence won over the board, securing their full support for continued investment in the XM program.

How Your Employees Impact Your CX Adoption Success

Unhappy or disengaged employees negatively influence customer interactions and satisfaction, directly affecting ROI.⁴

While we often spotlight the customer experience (CX), let's not forget the heroes working behind the scenes: your employees. A happy and engaged workforce directly influences your bottom line.

When your team feels valued, empowered, and passionate about your company's mission, they naturally deliver exceptional customer experiences. This means friendlier service, quicker problem-solving, and more personalized interactions that keep customers coming back for more.

Engaged employees become your most authentic brand ambassadors. They share their enthusiasm with friends, family, and even customers, organically growing your brand's reach and attracting new business.

Engaged employees are not only more productive but also take fewer leaves and tend to stay with the company longer. This means less money spent on recruitment and training for a more experienced team.

To put a number on how EX influences ROI, consider tracking these key metrics:

- **Employee Engagement:** Use surveys and quick check-ins to gauge how satisfied, motivated, and connected your employees feel to your company's mission.
- **Employee Net Promoter Score (eNPS):** Think of this as NPS for your employees, measuring how likely they are to recommend your company as a great place to work.
- **Employee Turnover:** Keep an eye on how often employees leave, as high turnover can disrupt the customer experience and create inconsistency.

By incorporating EX metrics into your ROI analysis, you can demonstrate the full value of your XM program, showcasing how a holistic approach to experience management—one that prioritizes both customers and employees—can drive sustainable growth and profitability.

Pisano and the Voice of the Customer (VoC) Platforms: The Key to Measurable ROI

You might be asking yourself, "Is there a tool to streamline this process and make it more efficient? Fortunately, there's a solution designed to streamline this process: Voice of the Customer (VoC) platforms.

As a leading Voice of Customer platform provider, Pisano's all-in-one XM platform provides a structured framework for capturing, analyzing, and acting on customer feedback, transforming raw data into actionable insights that directly fuel ROI.

Pisano's robust features align with the steps we've outlined for measuring and maximizing the return on your Customer Experience investments:

- **Goal-Oriented Feedback Collection:** Pisano enables you to tailor feedback collection mechanisms to align with your specific XM goals.

Whether you're aiming to increase customer retention, boost NPS, or reduce churn, Pisano's flexible surveys and feedback forms capture the data you need to track progress and measure impact.

- **AI-Based Metric Tracking and Analysis:** Pisano's platform leverages the power of AI to calculate and track key CX metrics like NPS, CSAT, and CES, providing real-time visibility into customer sentiment and trends. This eliminates manual data processing and allows you to focus on strategic decision-making.
- **Seamless Integration for Financial Impact Analysis:** Pisano understands that your organization likely uses a variety of tools to manage operations and track financial data. That's why Pisano is easy-to-integrate with CRM, analytics, and business intelligence platforms.

This allows you to easily combine customer feedback data with operational data to gain a holistic view of the customer journey and quantify the financial impact of your XM initiatives. By connecting the dots between customer sentiment and business outcomes, you can pinpoint which actions drive the most significant ROI.

- **Demonstrating ROI with Clarity:** Pisano's customizable dashboards and reports make it easy to visualize the impact of your XM efforts.

You can track progress toward your goals, showcase the financial value of CX improvements, and communicate your success to stakeholders with confidence and clarity.

This data-driven approach ensures that your XM program is not only effective but also recognized as a strategic investment that delivers tangible returns.

By combining a strategic, executive-focused approach with the power of Pisano's all-in-one XM platform, you can transform the perception of **CX from a cost center to a revenue driver**.

Remember, positioning CX as a strategic imperative paves the way for increased investment, expanded programs and ultimately a more customer-centric organization.

Resources

1. **Forrester. (2021). The business impact of investing in experience. Adobe.**
2. **Watermark Consulting. (2021). 2021 customer experience ROI study**
3. **Gallo, A. (2014). The value of keeping the right customers. Harvard Business Review.**
4. **Franz, A. (2024, May 7). Measuring the ROI of customer experience. Forbes.**

More Than Just Cool Tech

Join Pisano Academy now



Demo Request

Get Started on Your Experience Management Journey Now

Take The First Step to Transform Your Business with Our All-in-One Omnichannel Experience Management Solutions

