

# MONEY TALKS OR BUDGET WALKS

Delivering a Return on Customer  
Experience Investment: ROCXI

Jean-Francois Damais & Jamie Thorpe | November 2020

IPSOS  
VIEWS

GAME CHANGERS



The world has changed in 2020. In addition to COVID-19, we have seen seismic changes in the way consumers behave, and the extent to which companies and their ethics are being put under the microscope. The desire to examine, interrogate and reflect is very real. Now combine that with changes in consumer attitudes and needs, and the challenging economic situation – and the result is a complex ecosystem, fierce competition and customers that demand more.

Customer experience (CX) is no longer a measure of satisfaction, it is now a business imperative that can be the difference between organisational success or failure. It is an increasingly powerful driver of brand choice, loyalty and genuine advocacy. It is key to differentiating an organisation's offer and crucial in driving an emotional connection with customers, which leads to stronger, longer-lasting and more profitable relationships, as demonstrated in our recently published paper, *The Forces of Customer Experience – The science of strong relationships in challenging times*<sup>1</sup>.

Our CX Voices 2020<sup>2</sup> study of the industry has shown that CX professionals are in the spotlight as we move into 2021. They are being expected to do more with less. Results need to be tangible, impact must be felt. Unlocking CX potential is a game changer.

When +1% in satisfaction (or an equivalent measure) can equate to an incremental increase of £120 million, it is no wonder that the C-suite is focussing on what CX can do for them.

CX professionals of today are focussed on many things, with the top three we are seeing being:

- 1 ROCXI: Delivering a 'Return on CX Investment' – How much is CX worth to my business?
- 2 CX Maturity – How do we compare to CX leaders and what is our path to CX excellence?
- 3 Closed Loop – How should I best act on the feedback that my customers are providing?

**In this paper we address point one, the widely acknowledged link between CX success and the financial performance of organisations; ROCXI: Delivering a 'Return on CX Investment'. We demonstrate the importance of CX in building a powerful business case for change, and how to set about quantifying the impact of CX on business performance and unlocking resources accordingly.**

Those that get it right are genuine leaders in this space. Ipsos' CX Maturity Assessment<sup>3</sup> categorises organisations as either 'Foundation', 'Practised', or 'Leading'; leaders, assessed against six core competencies, know the value of CX and use it in their business to drive change.

At the other end of the scale, there is ample evidence that many CX initiatives fail to deliver tangible results and that businesses fail to act. Managing the customer experience is not easy; the last decade, indeed the last few months, have witnessed drastic changes in customer-company interactions, with a proliferation of touchpoints, digitisation and rising expectation for instantaneous, personalised and seamless experiences, making it much harder for organisations to consistently meet customer expectations.

Several challenges arise when it comes to deploying successful CX improvement programmes. Organisations need to design the right measurement ecosystem to better listen to customers; determining the right KPIs and diagnostics to measure what matters, when it matters. Going beyond measurement is crucial – integrating other relevant data and employing advanced analytics to deliver insight.

Experience design and delivery must be grounded in the latest thinking in neuroscience and behavioural psychology to help organisations better understand how customers form expectations and make decisions, as addressed in our paper, *Dancing with Duality – Achieving brand growth in a mindful and mindless world*<sup>4</sup>.

Fundamentally, CX measurement programmes need to provide key stakeholders with the right information and tools to empower them to act. **Notwithstanding, one of the fundamental pitfalls of many CX programmes is the inability to create a compelling case for change.**

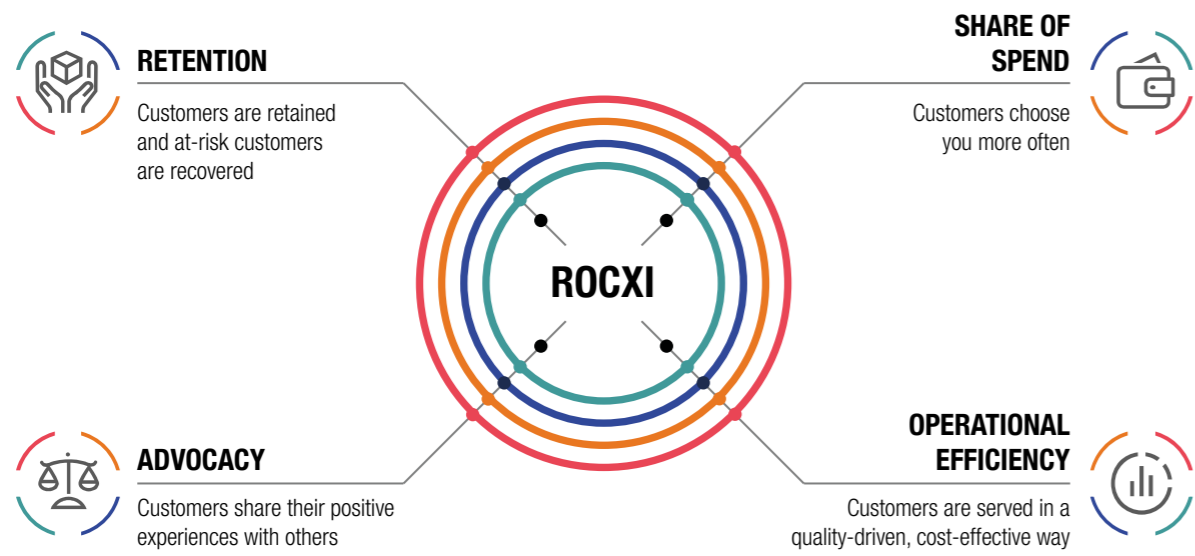
**For a global auto client, we showed that +1% in their experience scores = +£120m in annual sales**

# CREATING A COMPELLING CASE FOR CHANGE

## UNDERSTANDING THE END GAME

ROCXI can take many forms, as, of course, the desired return on investment is specific to individual organisations. Typically, however, ROCXI is derived from one of four outcomes, or variations thereof:

Figure 1 Delivering a Return on CX Investment (ROCXI)



Source: Ipsos ROCXI framework

We helped a global bank prove the benefits of a boost in their CX metrics: \$93m

QUANTIFYING THE LINKS BETWEEN BEHAVIOURS AND OUTCOMES

ROCXI modelling uses predictive analytics to quantify the link between survey KPIs and business/financial outcomes. It provides evidence to justify expenditure and make customer experience a higher priority in the organisation.

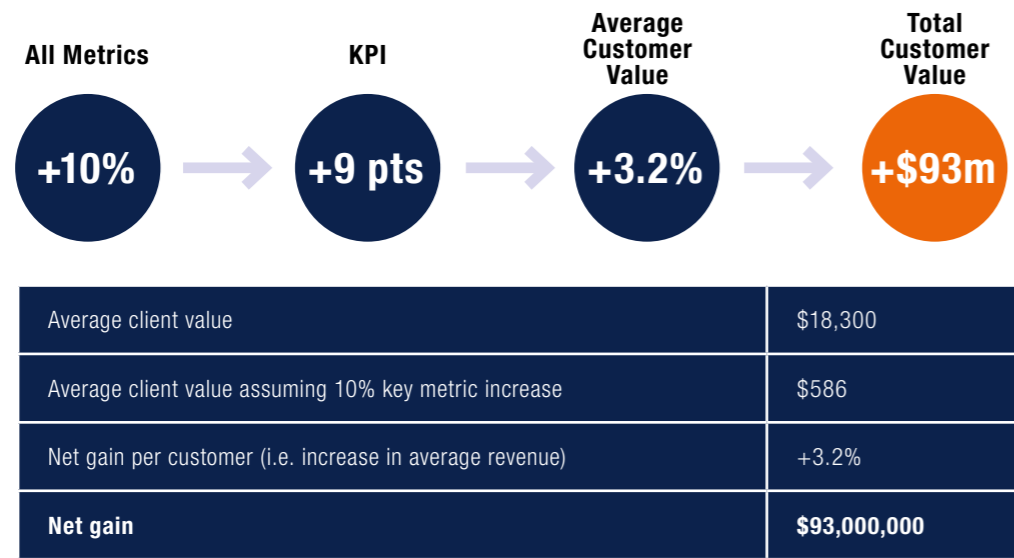
ROCXI modelling helps organisations better understand the impact CX initiatives have on revenue and drive their CX strategy forward. Here is an example showing how ROCXI can drive better business decisions for a global bank:

BUSINESS CHALLENGE

- Our long-standing financial services client was coming up to 'target season' and needed to make strategic CX decisions. They wanted to:
- Quantify the link between survey KPIs and business/financial outcomes, to provide evidence to justify expenditure and make customer experience a higher priority in the organisation
  - Bring more rigour to the target setting process. How high do we need to go? Where is our point of diminishing returns?

IPSOS SOLUTION

- We used longitudinal CX survey data, matched against financial data over the same time period to build a simulator based on multivariate statistical modelling:
- Quantified the financial return stemming from improvements in customer experience
  - Identified the point at which the financial return on improving CX scores diminished
  - Determined whether further investment in CX was likely to yield further NPS®\* and revenue increases, and importantly, the magnitude of those increases
  - Identified the optimal approach to improving CX
  - Leveraged learnings for KPI target setting
  - Drove tactical and strategic decision-making.



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To achieve ROCXI, it is crucial, as a starting point, to understand the desired outcome; what that 'value' looks like. In some cases it is clear, in others less so. Some organisations focus on reducing churn, and therefore increasing retention is key. In other sectors, when competition for customer spend is fierce, driving share of spend is a strategic objective. In sectors where

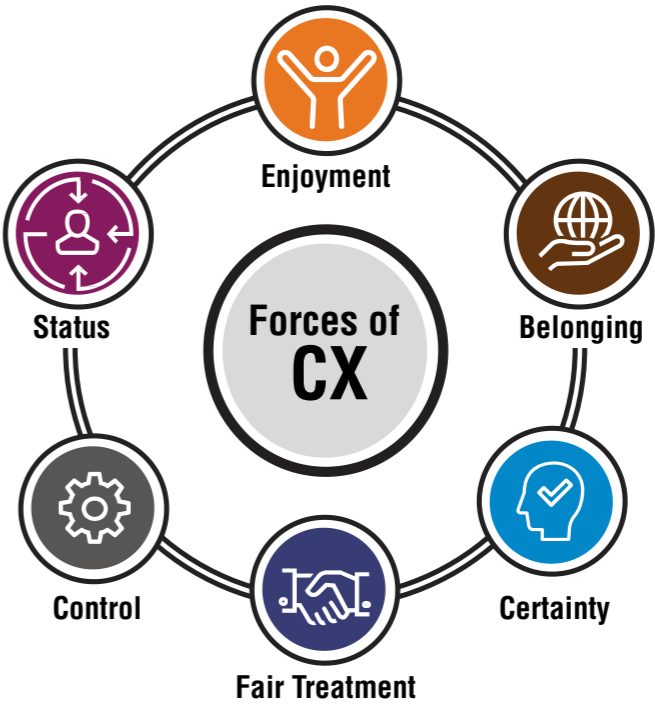
recommendation plays a key role in customer acquisition, driving advocacy is of utmost importance. But there are other benefits to improving customer experience, such as process improvement to reduce cost and increasing staff morale and motivation, among others. What is your end game?

UNDERSTANDING THE FORCES OF CUSTOMER EXPERIENCE

The focus on behavioural science in CX is growing at pace. The long-held desire to understand why customers do what they do (and not what they say, as the case may be) has long frustrated CX professionals. Until now, there has been a lack of a solid behavioural framework to understand customers' functional and relational behaviour drivers; what's truly driving retention, share of spend, advocacy and so on.

In response, following extensive R&D, this year we released our Forces of Customer Experience framework'; a scientifically proven model of the drivers of CX. So, with the goal of achieving ROCXI, one first needs to determine what influences customer behaviour; the Ipsos Forces of CX (Figure 2) point directly to these key elements:

Figure 2 The Forces of Customer Experience



Source: Ipsos Forces of CX framework

## DRIVING ACTION ALONG THE CUSTOMER JOURNEY

Specific answers need specific questions. With the wealth of data now available for analysis, it is more important than ever to be clear on the specific business objectives and

associated data requirements before embarking on ROCXI analytics: what are the hypotheses to be tested, and at which stage(s) of the customer journey?

### ROCXI MODELLING CAN DRIVE ACTION AT ALL STAGES OF THE CUSTOMER JOURNEY, FOR EXAMPLE:

#### ONBOARDING:

Quantifying the impact of improving satisfaction with onboarding on Customer Lifetime Value, defined as a combination of retention, ongoing and future usage, all impacting an attributable revenue over time

#### ONGOING USE OF SERVICES:

Driving customers to stay longer and spend more, as the quality of the service provided improves

#### SERVICE RECOVERY:

A measurable financial impact associated with closing the loop properly, with a clear indication of the expected reduction in churn

#### PROCESS IMPROVEMENT:

Optimising CX processes to reduce waste without affecting customer satisfaction

#### EMPLOYEE ENGAGEMENT:

The impact of improved staff engagement on customer loyalty and operational performance

#### TARGET SETTING:

Setting performance targets that directly link to revenue. This includes considering diminishing returns to optimise investment and maximise return.

## INTEGRATING DATA SOURCES AND MODELLING IMPACT

Once the hypotheses have been determined, a data audit is undertaken to evaluate the availability and quality of 'potentially relevant' data.

And then to the modelling. Too often, ROI models in the CX space rely on flimsy assumptions. Comparing the current value of promoters and detractors and simply extrapolating to a number is not enough, and could send organisations down the wrong path when it comes to major investment decisions. Relying on metrics which capture stated behaviour intentions can be misleading too.

Best practice includes:

- Leveraging longitudinal behaviour data to model actual change and behaviour and revenue growth
- Integrating survey, financial and any additional operational or behavioural data to capture factors that can impact revenue beyond attitudinal loyalty
- Once the link between KPIs and revenue has been established, understanding the key CX levers that can have the highest impact on revenue to optimise resource allocation and drive return.

Figure 3 ROCXI analytics approach



- Define business objective
- Identify relevant internal data (business and/or financial)
- Identify relevant survey data
- Define a means of linking the different datasets (e.g. unique customer IDs, unit IDs)
- Process data sources and establish links
- Test linked data for meaningful patterns (e.g. parallel rise and fall of chosen metrics)
- Confirm that the data link is strong enough for future modelling
- Establish key drivers of the customer experience based on the survey data
- Quantify the impact of these drivers on your chosen business outcomes
- Create 'what if' simulators to provide interactive insight

Source: Ipsos

## CONCLUSION

Having the right data, even treated to the most sophisticated ROCXI modelling analytics, will not in itself drive change. A prerequisite to any successful CX improvement initiative is the alignment of the whole organisation around the importance of the customer experience and its purpose.

That acknowledgement needs to span across all levels of the organisation, from shop floor to board level, in order to create buy-in to a customer-centric agenda. This is the crucial basis of driving action in any business.

**ROCXI MODELLING OUTPUTS CAN THEN BE A POWERFUL CALL TO ACTION FOR ORGANISATIONS. BUT THE FINDINGS NEED TO BE COMMUNICATED AND TAILORED TO THE NEEDS OF VARIOUS STAKEHOLDERS TO GENERATE IMPACT:**

**C-LEVEL**

Clear headlines and powerful impact analyses that demonstrate the power of ROCXI and where to focus

**CX STRATEGISTS**

Interactive 'what if' simulators to enable stakeholders to assess the return associated with various aspects of CX

**FRONT LINE**

Training and relevant communications to equip them to act in the required fashion; empowerment to play their vitally important role in the service profit chain.

Demonstrating the importance of CX on business performance – and, accordingly, driving the right action – is crucial. And history has proven that this focus is more important than even before. An oft-quoted Forrester report showed that in the 2008 credit crunch, CX 'leaders' generated 3x the return for their shareholders compared to 'laggards', their non CX-focussed competitors<sup>5</sup>. Are you a CX 'leader', or what will it take to get you there?

**For a B2B provider we found that a 0.1pt increase in loyalty (KPI) equated to a \$27m uplift in revenue over two years**

## REFERENCES

1. <https://www.ipsos.com/en/forces-customer-experience>
2. <https://www.ipsos.com/ipsos-mori/en-uk/customer-experience-cx-voices-2020>
3. Ipsos' CX Maturity Assessment: This comprehensive and intuitive framework assesses the maturity of organisations in terms of their customer experience. Organisations are evaluated across six core areas of competency, to determine at which level of CX maturity they are operating – 'Foundation', 'Practised' or 'Leading'.
4. <https://www.ipsos.com/en/dancing-duality>
5. Forrester Customer Experience Performance Index (2007–2009)

## FURTHER READING

**Get Fair or Fail – Why fairness is key to business success**

<https://www.ipsos.com/en/get-fair-or-fail-why-fairness-key-business-success>

**Getting Sticky – Emotional attachment and profitable customer relationships**

<https://www.ipsos.com/en/emotional-attachment-and-profitable-customer-relationships>

**Mind the Gap – Why what a brand promises and what it delivers matter**

<https://www.ipsos.com/en/mind-gap-why-what-brand-promises-and-what-it-delivers-matter>

**Staying Close to your Customers – Why customer experience still matters amid COVID-19 and social distancing**

<https://www.ipsos.com/en/staying-close-your-customers>

## LISTENING

**Customer Perspective: An Ipsos podcast**

<https://www.ipsos.com/en/customer-perspective-ipsos-podcast> (in particular, see Season 2, Episode 2: Delivering a Return on CX Investment – the practical steps involved in financial linkage modelling)

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