The ROI of **Experience Management**

The true engine of profit, growth, and value

NICE

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CX is now a differentiator

Companies used to compete primarily on product, service, or price. Not any longer. Now, if they expect to thrive, they compete on customer experience.

By providing customers with a total experience that's simple and memorable, compa nies earn loyalty, which leads to higher levels of repurchase, retention, and referrals—which all directly impact the bottom line.

Still, it can be hard to see how customer experience programs drive value. In this eBook, we'll show you how your customers' behavior impacts your bottom line—in good or bad ways—so you will understand the ROI of a customer experience program.

Do customers **LOVE** their experience with your company?

For years, stories of companies that have turned entire industries on their ear have dominated the business news—companies like Uber, Netflix, and even Southwest Airlines.

By providing transformative customer experiences, these companies have raised the bar of customer expectations for every other business. In a sense, every company now competes with the best experience that a customer has with any company.

In this new competitive landscape, the question to ask is:
“How can the customer experience drive value for your business?”

Customer experience

MORE THAN A TRANSACTION

Just about every aspect of the customer relationship belongs under the overarching discipline of experience management (XM). Whether you call it XM or you prefer the term voice of the customer, VOC, it's the practice of looking at every part of your business from the customers' **perspective** and consciously designing the best experience for them at every key point along their journey. **Success with customer experience management requires the five essential elements shown here:**

Complete Customer View — A relentless focus on the customer journey—across all touchpoints and cross-functional teams that impact the customer

Gather Data → **Analyze Data** → **Close the Loop** → **Distribute Insights** → **Drive Change**

Organizational Engagement — Driving employee engagement—to optimize processes or strategies and generate new ideas from customer suggestions

Focusing your business on customer experience requires an operational and cultural shift that engages the organization across functions and from top to bottom. But it pays off. Time and again, we see that the leaders in customer experience are the big winners in growth. But how can companies measure customer experience in a way that helps them design, manage, and improve the experience where it counts most? Read on to find the answer.

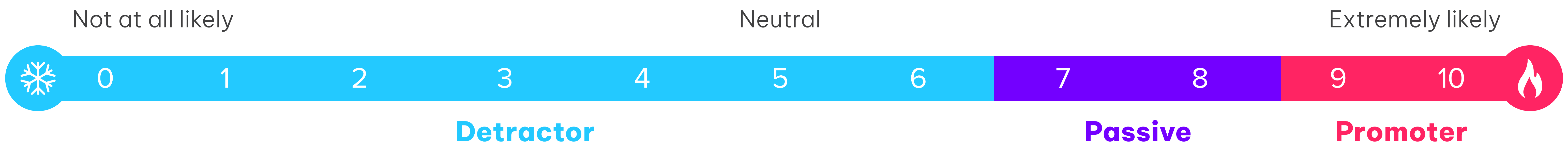
Measuring the customer experience

INSIGHT WITH NET PROMOTER SCORE

Net Promoter Score® (NPS®), co-developed by NICE Satmetrix, links customer experience and the resulting customer behavior to the business metrics that really count—revenue, market share, and growth.

As the key metric of your VOC program, NPS helps you understand customer behavior by identifying customers as Promoters, Passives, and Detractors. Over the years, many organizations have proven the link between their Net Promoter Score and growth.

NPS asks the question: **"How likely is it that you would recommend [brand] to a friend or colleague?"** and measures responses on a 0-10 point scale.



% Promoters - % Detractors = NPS (Net Promoter Score)

NPS gives companies a source of real-time data to analyze to better understand how customer behavior affects revenue and profit. NPS also helps companies make evidence-based business decisions, with r esults that can be tied back to improvements in customer experience.

Without question, Promoters and Detractors are created by their customer experience. In turn, positive experiences create conditions that add value to your business. So, NPS is a business metric of success. It's the ROI of investing in the customer experience.

RESPONSES TO THIS QUESTION FALL INTO THREE CATEGORIES:

- **Promoters:** These are your loyal, invested customers. Research shows they will stay longer, buy more, and recommend your products or services to other buyers.
- **Passives:** These buyers may be satisfied, but are not fully invested in your company. According to research, this group could easily be attracted to a competitor with a better offer.
- **Detractors**: This group is dissatisfied with your company. Research shows that these customers are more likely to take their business elsewhere and recommend against your company.

Buyer **ECONOMICS**

PROMOTERS CREATE LIFETIME VALUE

Your customers' experience drives their behavior—sometimes in ways that benefit you, and sometimes in ways that don't. We call the impact of customers on your bottom line "buyer economics."

Promoters represent a continuing stream of revenue. Once your customers have had an initial great experience, they're loyal and looking to repeat that experience over and over.

They repurchase
When they need a new computer, pair of shoes, or corporate provisioning agreement, they come back as buyers again and again. Or, in the case of subscription services, they keep renewing.

They buy more
Not only do Promoters repurchase, they're also more likely to purchase additional products or services. For example: socks to go with those shoes, a printer to go with that computer, an expanded supplier contract to cover more lines of business.

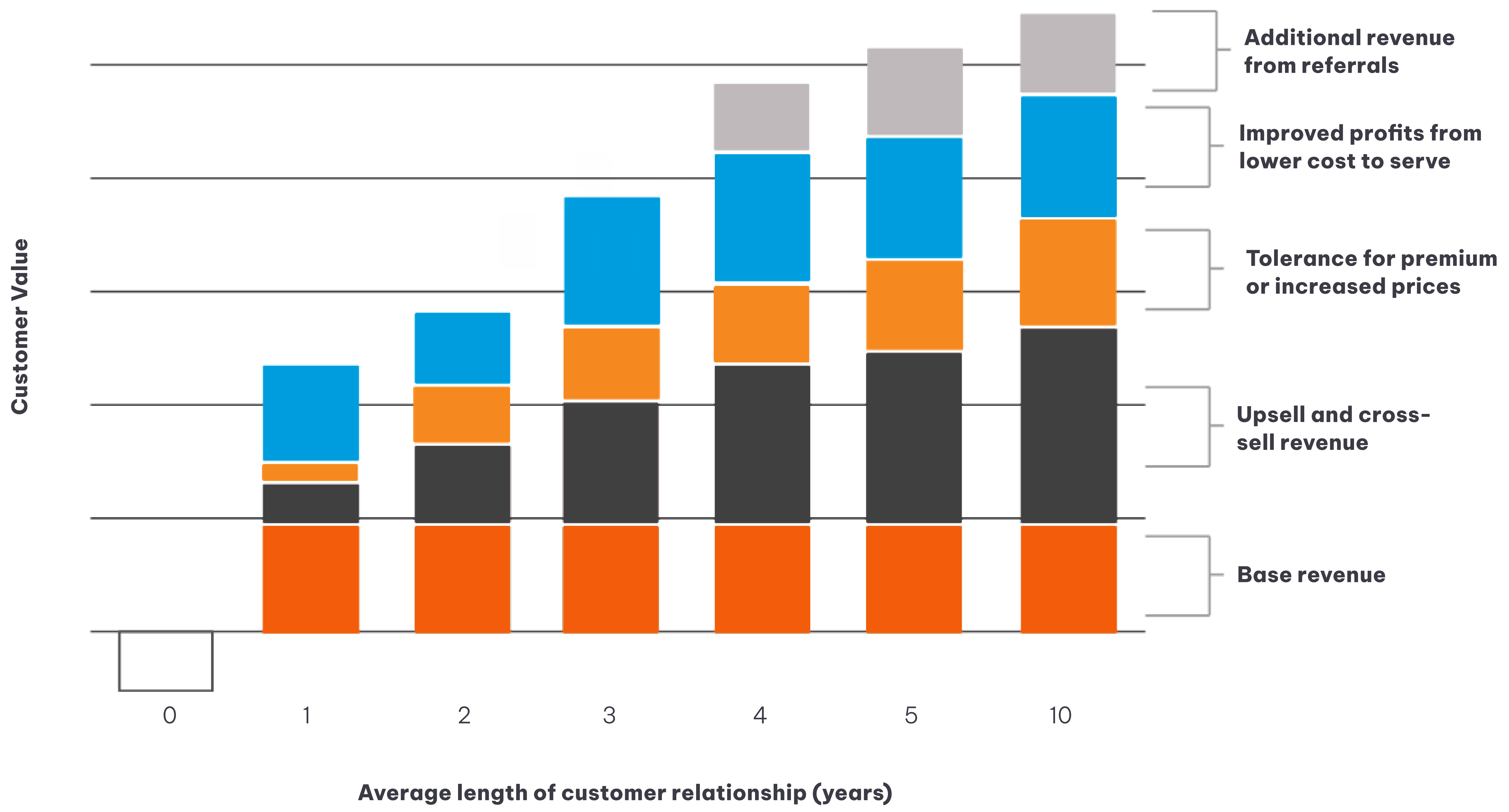
They up-buy
Promoters are more likely to step up to premium products and services where your profit margins are higher. They bump up their data plan, buy a more luxurious item next time, or add a premium business service contract to their software renewal.

They consolidate their business with you
Promoters reward a great experience with a bigger share of their wallet as they work to simplify their lives, thin out vendors and suppliers, and concentrate their business with the company that provides t he best customer experience.

They're tolerant of price increases
Detractors frequently turn into defectors when prices go up. Promoters, on the other hand, value their experience so much that they will absorb some price adjustments.

Promoters cost less
While Promoters bring in more revenue, they're also easier on the other side of the ledger than Detractors. They cost less to maintain. It's well- known that acquiring new customers costs more than keeping them—recent research shows 6-7x more[1]. Promoters are actually a bargain for any business. They cost much less to support than Detractors. They call the support center much less often because they know the products well and can frequently self-help. And when they do call, resolution is faster. In addition, Promoters practically sell to themselves, with relatively little outlay from marketing and advertising.

CUSTOMER EXPERIENCE LEADS TO LIFETIME VALUE



DETRACTORS BLEED PROFIT

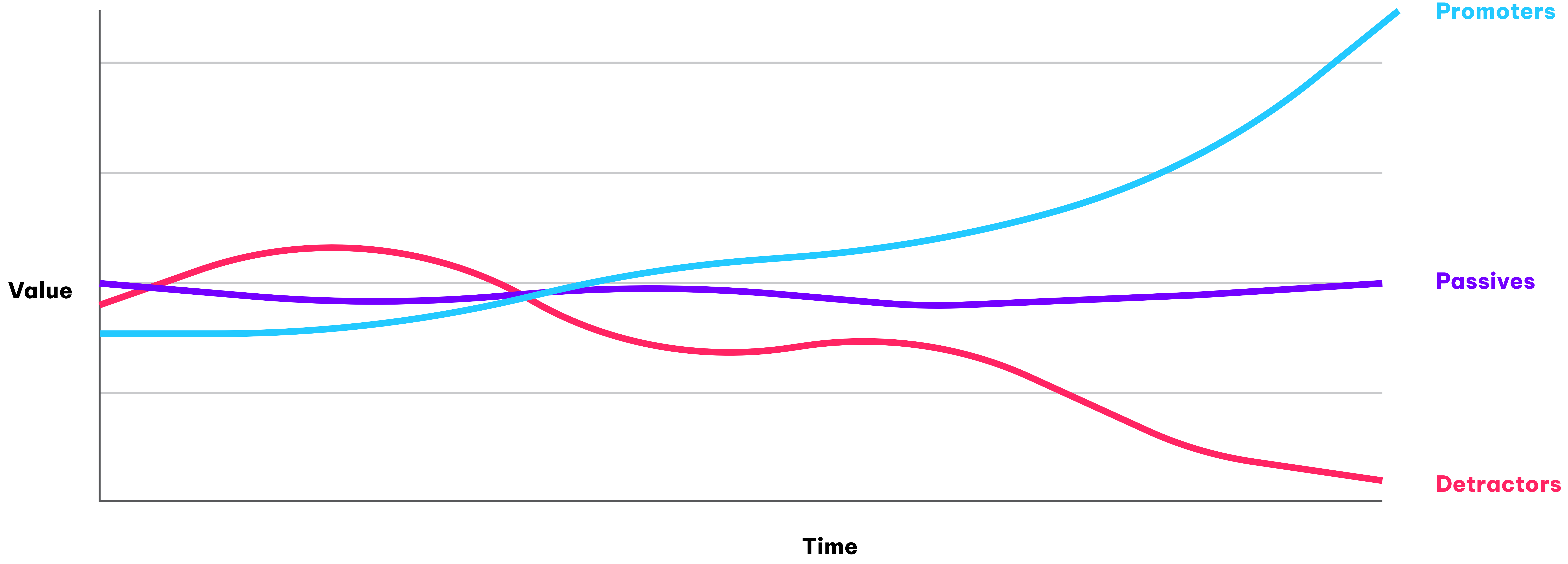
Promoters benefit your business. Detractors, on the other hand, can be a losing proposition.

For all the investment to recruit them, Detractors usually buy once and never again. And in a subscription relationship, t hey defect as soon as possible.

In the meantime, they may end up costing more than the revenue they represent. An unhappy customer may tax your support organization, for example, calling repeatedly and otherwise driving up the cost to serve.

You can easily spot buyer behavior, the corresponding economics, and measure the buyer value to your company. The chart below is a good example of buyer economics. However, there's a factor perhaps even more significant to your company's success and growth than buyer economics.

What is that potent force? Read on...



Referral **ECONOMICS**

CREATE A SELF-PROPELLED GROWTH ENGINE

Referral behavior affects business. No question, word of mouth from customers about their experience brings in new customers and drives away others. But how significant is the referral effect? While referral economics is a new discipline, companies who understand their referral rates and can put a value on the positive impact of referrals are ahead of the game. They understand that referrals can be a self-propelled, perpetual-motion revenue engine, while also reducing the cost of doing business. Starbucks, for example, grew almost entirely through successful word of mouth. However, the black ink of referrals can also be canceled out by the red ink of negative of word of mouth.

In word of mouth, negative can overpower positive

Negative word of mouth is known to be more powerful than positive word of mouth. Companies will want to create enough Promoters to overcome the negative effects of Detractors. Think of it this way: referral economics is the battlefield for the voice of the customer about your brand. Your Promoters are your army. Your Detractors are the opposition. Individually, Detractors may even be more motivated for battle. That means you need to raise enough Promoters to outnumber them in order to achieve sustainable growth.

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PROMOTERS VERSUS DETRACTORS: CONTRAST IN VALUE

So what's the value of improving, or even transforming, the customer experience? The specific answer varies by industry, but the pattern is nearly universal.

Buyer and referral economics
Promoters spend more and cost less to serve than Detractors, m aking them more profitable. That's buyer economics.

At the same time, Promoters bring in other customers who turn out to be Promoters, too. This cycle can become a chain reaction of growth. That's referral economics.

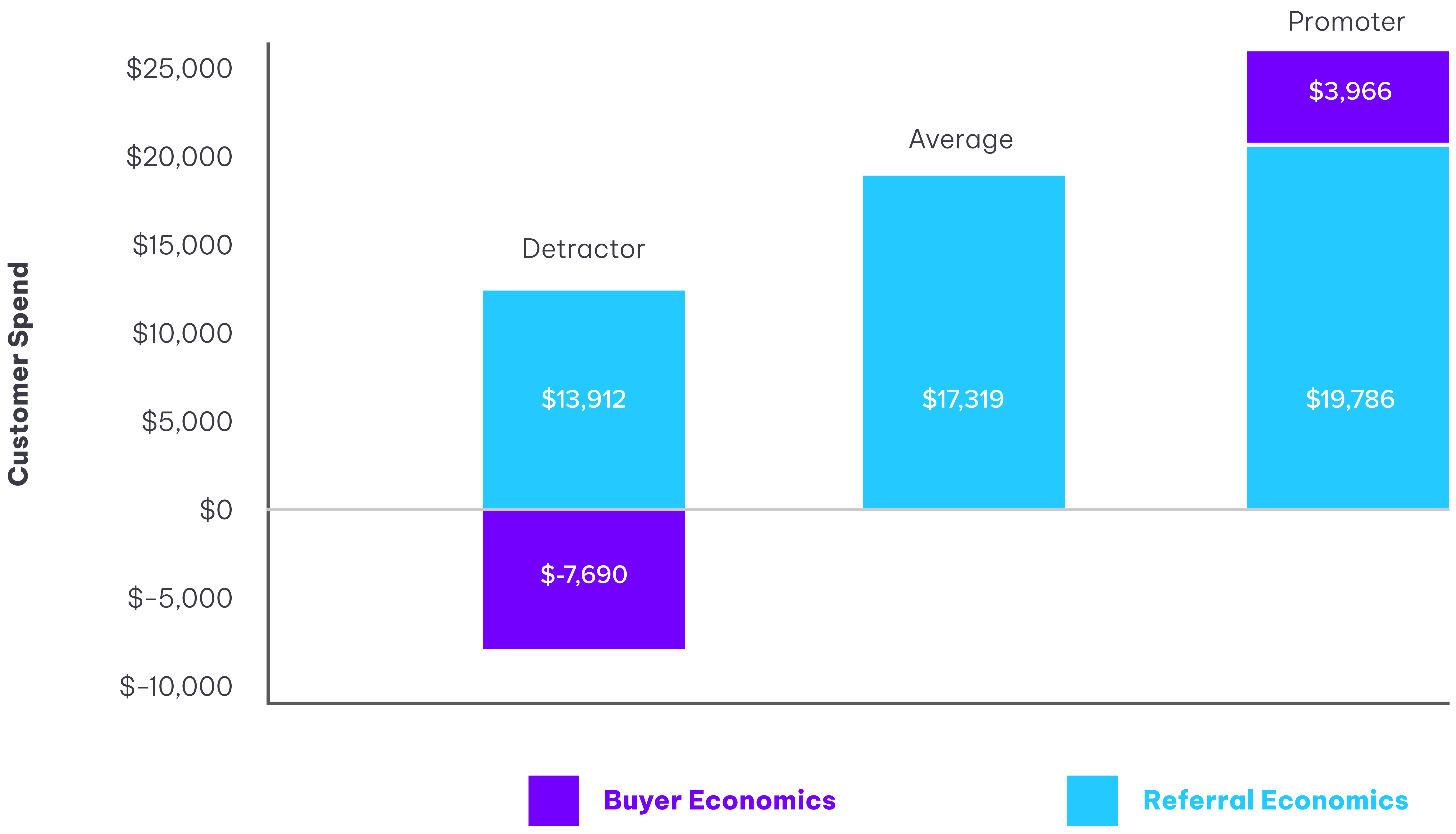
However, the positive value of referrals from Promoters can be wiped out by the negative word of mouth of Detractors. That's referral economics, too.

When referral economics is added to the picture, the difference in value between Promoters and Detractors stands out in stark contrast. Let's look at a credit card company example to illustrate the relationship between buyer and referral economics.

In this example, Promoters spent nearly $6000 more than Detractors and generated $4000 in additional revenue. However, Detractors generated a negative value of $7700. Because Detractors re present such a significant drag on growth, the value of moving customers from Detractor status to Promoter status—in other words, improving CX, as measured by NPS—becomes clear.

NPS represents the vitality of the customer experience

A company that succeeds in achieving and maintaining a high NPS—a steady state of significantly more Promoters than Detractors—has an undeniable competitive advantage. **In word of mouth, negative can overpower positive**



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Harness the power of NICE VOC

Every interaction is a chance to forge lasting bonds between your customers and your brand. With NICE VOC, you can infuse the voice of the customer into every aspect of the customer journey—from the contact center front lines and beyond—to transfor m CX, at scale.

By combining and analyzing millions of customer interactions, solicited feedbac k, and operational data in real time, NICE VOC can help your contact center uncover C X blind spots and take immediate action. The result? Higher customer satisfaction, increased loyalty, and better agent performance.

Schedule a demo today and see how we can help you achieve your CX goals.

Get a Demo

NICE

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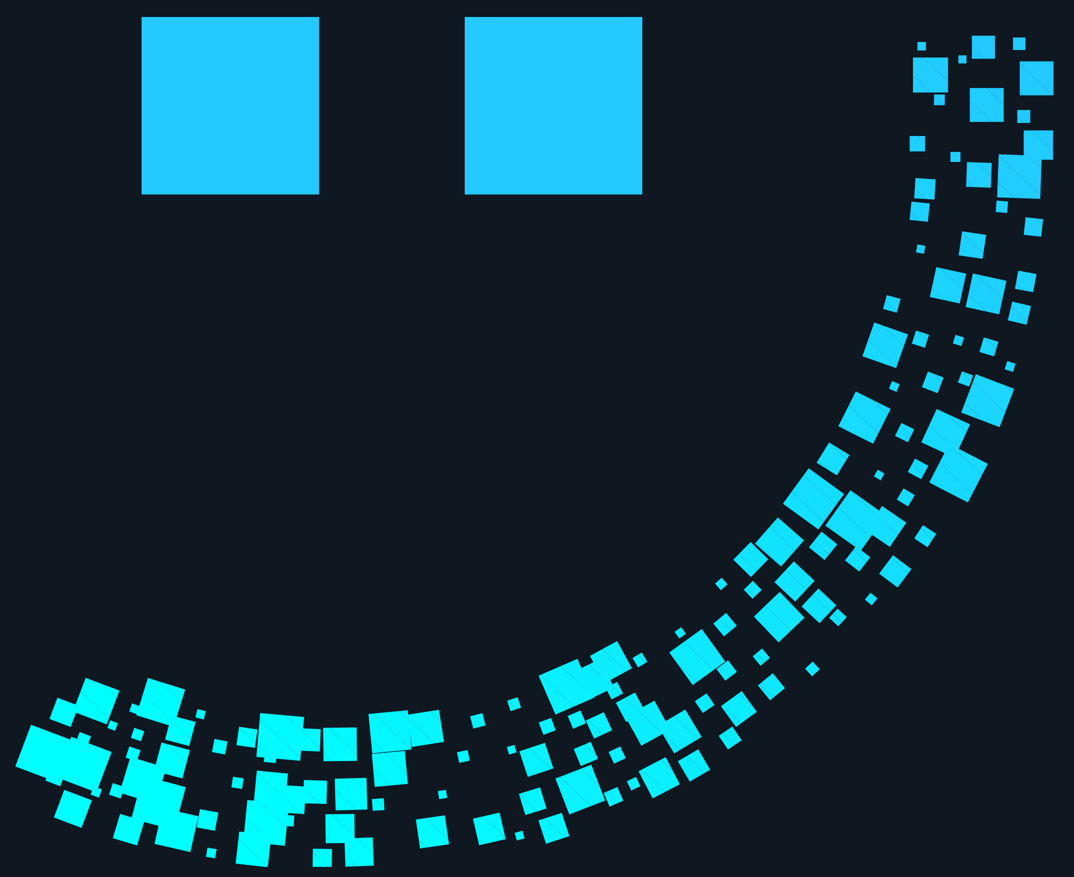
Sources
[1] *American Express blog: Retaining Customers vs. Acquiring Customers (2019)*



About NICE

With NICE, it's never been easier for organizations of all sizes around the globe to create extraordinary customer experiences while meeting key business metrics. Featuring the world's #1 cloud native customer experience platform, CXone, NICE is a worldwide leader in AI-powered self-service and agent-assisted CX software for the contact center—and beyond. Over 25,000 organizations in more than 150 countries, including over 85 of the Fortune 100 companies, partner with NICE to transform—and elevate—every customer interaction.

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