

# The ROI Of CX Transformation

## The Business Case Report In The CX Transformation Playbook

by Maxie Schmidt-Subramanian and Sam Karpinski

January 22, 2021

### Why Read This Report

Customer experience (CX) transformation efforts bring benefits like increased customer retention and greater cross-sell opportunity. To get those benefits, CX leaders need to invest in areas like training, technology, and professional services. Do the benefits of CX transformation outweigh the costs and result in a positive ROI? And how can you make that determination for your company? This report explains how to calculate the benefits, costs, and ROI of an enterprisewide CX transformation and use the resulting ROI model to fuel a winning business case for CX transformation.

Forrester refreshes this report regularly based on new research.

### Key Takeaways

#### **Companies Can Quantify CX-Fueled Financial Benefits For Their Organization**

The benefits of CX vary in type and size depending on the industry and the circumstances of a particular company. Following a step-by-step process, CX transformation leaders can determine whether their organization will see more revenue benefit from reducing customer churn, selling more to current customers, or acquiring new customers through enhanced word of mouth.

#### **A Cost Roadmap Details Both How Much And When**

CX transformation leaders need to estimate the size of required expenditures and when those costs will occur in order to accurately model the ROI of a transformation. Cost categories like technology purchases have a beginning and an end, while program operation costs are ongoing.

#### **ROI Models Should Be Useful, Not Perfect**

CX transformation leaders should strive to create a model based not on assumptions that are exactly right but on ones that reasonable people will say are not wrong. Leaders should track success metrics to evolve their assumptions over time.

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## The Business Case Report In The CX Transformation Playbook

by [Maxie Schmidt-Subramanian](#) and [Sam Karpinski](#)  
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[How Customer Experience Drives Business Growth, 2020](#)

[Why CX: Proof That Investing In Experience Improves Revenue, Cost, And Risk](#)



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## Make The Business Case For CX By Calculating Return On Investment

Customer experience professionals often struggle to show how their efforts will produce business results. When they fail, their requests for funding hit a wall and their projects stall out. To avoid that fate, CX leaders need to create business cases for their initiatives — especially for large-scale CX transformation efforts that come with big price tags. What's more, to put CX transformation efforts on an equal footing with other corporate initiatives, these business cases must demonstrate not just benefits but actual return on investment (ROI) (see Figure 1). Armed with an ROI model, CX leaders can not only make a compelling argument for transformation but also boil it down to a one-sentence business case that follows a time-tested formula for winning support:<sup>1</sup>

“We intend to transform our customer experience to increase customer-generated revenue while reducing customer-related expense, which will bring \$X of incremental benefit, at a cost of \$Y, for an ROI of Z%.”

This report shows CX transformation leaders how to build an ROI model that can power a business case, including where to look for benefits, how to quantify them, and how to estimate CX transformation costs.

**FIGURE 1** The Return-On-Investment Formula

$$\text{ROI} = \frac{\text{Benefit} - \text{Cost}}{\text{Cost}}$$

### CX Benefits Include Increasing Revenue And Reducing Cost To Serve Customers

A business case should always start with benefits. In fact, the single greatest mistake that CX professionals can make when pitching their projects is to lead with a budget request. Fortunately, CX transformation has many quantifiable benefits. For example, our analysis shows that the largest companies in some industries can earn up to hundreds of millions of dollars in incremental revenue for every 1-point increase in Forrester's Customer Experience Index (CX Index™) (see Figure 2).<sup>2</sup>

The potential benefits from improved CX differ by industry and even company. They include:

- **Increased customer retention.** UK-based integrated energy company ScottishPower was able to decrease churn by 31% by eliminating no-value-added touchpoints in common user journeys.<sup>3</sup> Improving CX can reverse that dynamic and reduce customer churn. On average, when companies

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




deliver a good service experience by solving customer problems quickly, their customers are 2.4 times more likely to stay with them.<sup>4</sup> A relatively small improvement in the speed of problem-solving could increase the revenue of a multichannel bank by \$37.9 million and the revenue of a mass-market auto brand by \$370 million.<sup>5</sup>

- **Higher cross-sell and upsell potential.** Customers who have a better experience spend more with a company. On average, when brands deliver a high-quality experience by communicating clearly, their customers are 2.7 times more likely to spend more with them.<sup>6</sup> Lloyds Banking Group revamped mobile tools to make it easier and faster for customers to check their eligibility for personal loans. Subsequently, overall credit acceptance and path to purchase increased by 40%.<sup>7</sup> And when Emirates NBD launched a mobile interface for sending remittances that was more user-friendly and less expensive than other options, remittance transactions increased times 20 and remittance revenue increased by 24% within the first two years of the feature launch.<sup>8</sup>
- **More new customers.** Recommendations bring in new customers without marketing-related acquisition costs. While the business impact of CX via advocacy is small compared to the business impact of CX via retention or cross- and upsell, it accelerates with high CX Index scores.<sup>9</sup> On average, when a brand improves the experience in its physical locations by training its employees to answer all customer questions, its customers are 10 times more likely to recommend it.<sup>10</sup> A moderately successful CX transformation of this location-based experience could mean additional revenue of \$37.8 million for a multichannel bank, \$320 million for a mass-market auto brand, and \$220 million for a general retailer.<sup>11</sup>
- **Decreased cost to serve customers.** Higher quality experiences mean fewer customer issues to resolve. That translates into fewer calls to customer care and a subsequent reduction in call center costs.<sup>12</sup> Target launched same-day in-store and drive-up order pickup options to serve customers' evolving needs for rapid service.<sup>13</sup> A major component of this initiative was leveraging stores as fulfillment centers to service these new methods for customers to obtain merchandise. As a result, costs for orders that otherwise would've been fulfilled by a distribution center were cut by 40%. Costs for orders placed online for store pickup, drive-up pickup, or select shipping via Shipt were reduced by 90%.

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**FIGURE 2** The Business Growth Impact Of Improving Each Industry's Average CX Index Score By 1 Point**Revenue impact of a 1-point improvement in CX Index™ score:**

		Annual incremental revenue per customer <sup>1</sup>	x	Average number of customers per company <sup>2</sup>	=	Annual incremental revenue per company
	Auto manufacturers (mass market)	<b>\$58.96</b>	x	<b>18 million</b>	=	<b>\$1.1 billion</b>
	Retailers (general retail)	<b>\$5.23</b>	x	<b>100 million</b>	=	<b>\$523 million</b>
	Hotels (upscale)	<b>\$8.22</b>	x	<b>44 million</b>	=	<b>\$262 million</b>
	Auto/home insurers	<b>\$14.15</b>	x	<b>15 million</b>	=	<b>\$212 million</b>
	Airlines	<b>\$3.92</b>	x	<b>48 million</b>	=	<b>\$188 million</b>
	Hotels (midscale)	<b>\$4.02</b>	x	<b>30 million</b>	=	<b>\$121 million</b>
	Banks (multichannel)	<b>\$7.36</b>	x	<b>15 million</b>	=	<b>\$110 million</b>
	Auto manufacturers (luxury)	<b>\$117.80</b>	x	<b>350,000</b>	=	<b>\$41 million</b>
	Credit card issuers	<b>\$0.57</b>	x	<b>61 million</b>	=	<b>\$35 million</b>
	Banks (direct)	<b>\$8.51</b>	x	<b>3 million</b>	=	<b>\$26 million</b>

Base: 97,931 US online consumers (18+) who interacted with a specific brand within the past 12 months

Source: Forrester Analytics Customer Experience Index Online Survey, US Consumers 2020

1. The effect on revenue potential of increasing CX Index scores by 1 point from the average score of the largest brands in the industry. Curves for individual brands differ from that of their industry. For brands without a linear relationship between CX and revenue, the revenue effect of improving CX by 1 point will vary greatly depending on the CX Index score that serves as the starting point for this analysis.

2. The number of customers represents that of a big player in the industry based on data from Forrester Analytics Consumer Technographics® surveys, Forrester analysts, and publicly available industry sources.

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**CX Transformation Requires Investments In Training, Technology, And Services**

Once CX transformation leaders have identified the potential benefits of their effort, they need to determine the investments required to achieve those benefits. For example, Lloyds Banking Group had invested more than £500 million over three years for its CX transformation.<sup>14</sup> The largest expenditure categories when it comes to transformation include:

- **Training.** Transformations often require companies to retrain existing staff to be more customer-centric. For example, during the 2019 holiday season, Target doubled the number of team members dedicated to fulfillment, including same-day services, and invested more than half a million more hours in employee training compared to 2018. And Walmart provides Oculus VR headsets to all of its stores in the US to let more than 1 million associates role-play for specific use cases, such as handling store pressures during a hypothetical Black Friday event.<sup>15</sup>
- **Technology purchases.** A CX transformation often requires large technology investments. These investments can range from iPads for branch managers to an overhaul of key systems in the enterprise technology infrastructure to investments in emerging technologies. For example, Ping An invests about \$1 billion every year in emerging technologies and keeps most development in-house. The firm now has seven research institutes, 25 research labs, and more than 24,000 R&D staff members and 1,000 scientists focusing on emerging technologies like AI, blockchain, cloud, and data analytics.<sup>16</sup>
- **Professional services.** Professional services come in many different forms. For example, firms like McKinsey & Company and West Monroe can help with broader CX transformations.<sup>17</sup> Firms like Andrew Reise, Root, and Strativity can help with culture transformations. And firms like Frog, Huge, IDEO, and Work & Co can help design a new mobile app or elevate design at the organization. The cost of such services can vary widely depending on type and scope. For example, for website projects, experience design providers report that, on average, their clients spend between \$200,000 and \$2 million with them; for mobile apps, they spend between \$500,000 and \$1 million.<sup>18</sup>

**Example: A Guide To Building An ROI Model For Acme Bank**

To illustrate the process of creating an ROI model for CX transformation, we built a simple but realistic business case for a fictional company, “Acme Bank.” The bank’s customer-generated revenue had been in decline for several years, and the CEO thought that improving CX might help turn the situation around. He looked to his leadership team to explore the business case. They started by documenting Acme’s current situation:

- **Midsized regional bank facing stiff competition.** With 3 million customers across 10 states, Acme is a full-service bank for people in parts of the Midwest and the Sunbelt. It offers a portfolio of retail banking products as well as wealth management services. Ten years ago, its major

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competitors were local banks and credit unions. Today, Acme faces increased competition from one of the largest national banks, which has been expanding aggressively in Acme's footprint, as well as from direct (online) banks.

- **Declining revenue.** Acme watched its revenue decrease as customers abandoned the bank for competitors, while those customers who remained purchased fewer additional products. In the two years prior to the start of Acme's CX transformation, customer retention shrank from 78% to 70% and its cross/upsell rate decreased from 12% to 10%.
- **Shrinking market share.** In the past decade, Acme Bank's market share shrank from 30% to 20%. About 50% of this loss was due to customers defecting to its big national bank competitor. To compete, Acme lowered its prices and cut costs. The cost-cutting had the unintended consequence of making its CX quality worse, which aggravated its problems by driving some customers to look for better experiences at community banks and credit unions.
- **Frustrated and uncertain customers.** Through surveys, Acme found that its customers felt banking with Acme was less convenient and less personal than banking with competitors. From analysis of the CX quality drivers captured by the surveys, as well as journey mapping efforts, the CX team discovered that the most problematic customer issues resulted from siloed customer data, a call center that frequently transferred callers without resolving customer issues, and customer frustration with a poor mobile app. In addition, Acme found that its customers lacked confidence in their financial futures.<sup>19</sup>

**Acme Bank Estimated The Potential Range Of CX-Fueled Benefits**

Next, the CX transformation team estimated the range of possible economic benefits for their initiative. They estimated both a low potential benefit and a high potential benefit. To do that, they:

- **Documented starting assumptions.** The team first wrote down their baseline for the current number of customers, revenue per customer, and value of an incremental purchase (see Figure 3). Acme's largest customer segment stood out: customers who owned a checking account, a savings account, and a credit card. Analysis showed that people in this group generated substantial annual revenue, making it highly desirable to retain them and attract more of them. Additionally, analysis showed that these customers were likely to buy additional products when highly satisfied and were good candidates to buy a money market account, which would bring in an additional \$100 per customer annually.
- **Confirmed the potential for increasing customer loyalty by improving CX.** The team analyzed survey data to estimate how much improving customer experience might increase three types of loyalty for Acme Bank: retention (keeping more customers), enrichment (cross-sell and upsell), and advocacy (word of mouth). Forrester's CX Index shows that in the banking industry, improving customer experience is highly correlated with increasing all three types of loyalty. The Acme team's data and analysis confirmed that this was also true of their customers.

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- Defined realistic ranges of potential CX and loyalty improvement.** To make their estimates as accurate and defensible as possible, the CX transformation team looked back at previous changes in customer behavior. For example, the last time the bank rolled out a major new improvement that resonated well with customers — its first mobile app — it saw a 5-point improvement in its customer satisfaction scores, which led to a 5-percentage-point increase in customer retention. The team reasoned that with an enterprisewide CX transformation, they could do far better. For a low benefit, they assumed a retention rate increase of 10 percentage points by the end of the transformation, double what the bank got from the mobile app (see Figure 4).<sup>20</sup> After further discussion, they concluded that the best they could do for a high benefit would be a 15-percentage-point increase in the customer retention rate by the end of the transformation — 50% better than the low case.
- Identified a cost reduction opportunity in the call center.** Each year, Acme received an average of 1 million calls to the contact center — a huge expenditure considering its customer base of just 3 million. Call center data revealed that almost 20% of customers had to call at least twice before resolving their issue and that 50% of calls were about issues that could have been resolved by customers through online self-service, like setting travel notifications for a debit card. The transformation team expected a large potential reduction of customer service costs by improving call handling and providing more self-service options through the bank's website and mobile app (see Figure 5). To estimate call reduction rates, the team used data on how the bank's first mobile app reduced call center traffic by providing limited self-service options, as well as information gathered through journey mapping on the reasons why customers called and how those issues could be resolved more effectively.

**FIGURE 3** Acme's Starting Assumptions

Starting assumptions	
<b>Total Acme customers</b> <b>3 million</b>	<b>Acme customers in target segment</b> <b>2 million</b>
<b>Average annual revenue per customer in target segment</b> <b>\$400</b>	<b>Average annual revenue per additional money market account</b> <b>\$100</b>



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**FIGURE 4** Acme's Range Of Potential Improvements To Customer Loyalty

	<b>Retention</b> % of customers who stay each year	<b>Enrichment</b> % of customers who purchase a money market account each year	<b>Recommendation</b> % of customers who reportedly recommend the bank each year
<b>Current state</b>	<b>70%</b>	<b>10%</b>	<b>30%</b>
Low case improvement	80%	12%	37%
High case improvement	85%	13%	40%

**FIGURE 5** Acme's Call Center Assumptions And Range Of Potential Call Center Cost Reductions

<b>Call center assumptions</b>	
<b>Average annual number of calls to the call center</b> <b>1 million</b>	<b>Cost per call to the call center</b> <b>\$5</b>

	<b>% reduction in calls</b>
Low case improvement	15%
High case improvement	20%

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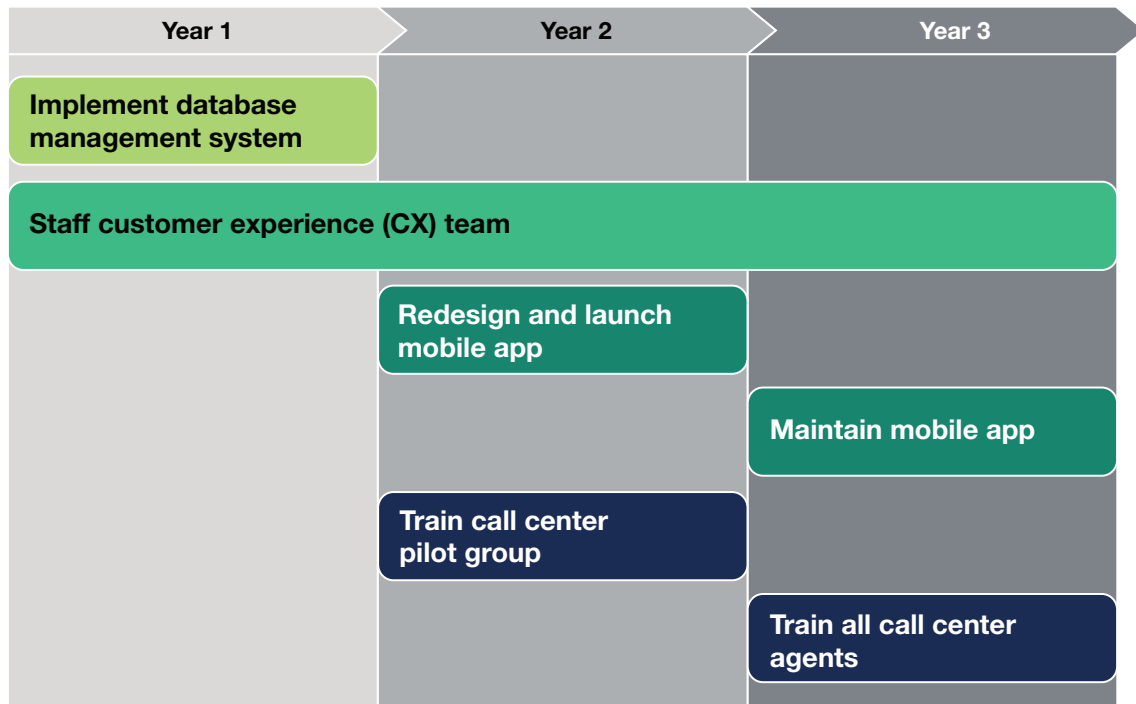
**Acme Bank Estimated The Necessary CX Investments Along A CX Transformation Timeline**

Acme's CX transformation leaders next set out to estimate how much they needed to invest and when those investments had to occur. To do that, the executives:

- **Planned the initiatives necessary to achieve the transformation goals.** The transformation leaders decided that the company had to invest in a database management system to better process and access customer data and power a more full-featured mobile app. Second, they required a fully staffed CX team to coordinate various initiatives and design intended experiences. Third, they had to retrain call center agents to more effectively use customer information and better resolve customer issues to prevent callbacks. Finally, they needed to create a new, full-featured mobile app.
- **Created a timeline for the CX initiatives.** The forecast helped predict when costs for each initiative would take place (see Figure 6). The team agreed that in the first year, they needed to hire more CX professionals to coordinate efforts across the enterprise, which would result in an ongoing expense. In addition, they needed to implement the new database management solution in the first year of the transformation because it was a critical dependency for other initiatives. In the second year, the team planned to train a test group of call center agents and redesign the bank's mobile app, which would relaunch at the end of the year. In the third year, they planned to train the rest of the call center agents (assuming a successful pilot program). Also in the third year, the team assumed that the mobile app expense would shrink to the cost of maintenance and upgrades.
- **Estimated the cost ranges for each investment.** Acme's executives created a set of low- and high-investment estimates for each initiative. To predict training costs, the CX transformation team looked at how much the company spends to train new call center agents and used that as a benchmark for call center agent retraining. Acme's IT team was an essential resource in predicting cost ranges for most of the other initiatives in its transformation. Ultimately, the CX transformation leaders estimated the total investment to range from \$19 million for their low-cost model to up to \$28 million for their high-cost model.

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**FIGURE 6** Timeline Of Acme's CX Transformation Costs**Acme Bank Created Its Stakeholder-Ready ROI Model**

Once the transformation team had laid out their starting assumptions and estimated potential benefits and costs, it came time to create an Excel model to calculate the actual ROI. Although the leadership team estimated that the CX transformation would take three years, they knew that major parts of the initiative would be completed at the end of the first year. Therefore, their model assumed that some benefits would begin to accrue at the beginning of the second year. The model showed that at the end of the second year, those potential benefits ranged from a low of \$44 million to a high of \$65 million (see Figure 7). At the end of the third year, the total benefits were projected to range from a low of \$126 million to a high of \$198 million. After entering costs into the model, the CX transformation team projected ROI ranging from a risk-adjusted low of 392% after three years for the low-benefit/low-cost case to a risk-adjusted high of 421% for the high-benefit/high-cost case over the same period (see Figure 8). To create the model, they:

- **Listed all the assumptions in a separate worksheet.** The CX transformation team followed the best practice of listing all their assumptions in a single place so they could easily discuss them with stakeholders and update them if necessary — then have any changes cascade through the model.

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- **Planned for a delayed onset of benefits.** Acme's CX transformation leaders already knew that benefits wouldn't begin until the second year of the effort and that those benefits would be less than in the third year of the effort when all major initiatives were up and running. When they created their ROI model, they therefore assumed no benefit in the first year, 50% of the target benefit in the second year, and the full benefit in the third year. In addition to making the model more realistic, that approach helped set expectations for the CEO and the board of directors and fend off their potential impatience with a perceived lack of progress during the first year.
- **Included a risk adjustment to account for potential externalities.** Based on previous experience rolling out new services, the Acme executives knew that not everything goes as planned. Initiatives may end up costing more than anticipated, and the impact of those initiatives might produce smaller-than-expected returns.<sup>21</sup> The CX transformation team adjusted for this risk based on their confidence in improvement rate assumptions and cost forecasts. For example, they heavily discounted the benefit potential from customer recommendations because they had based their assumptions on data from customer surveys, which are less reliable sources of insight than actual customer behavior.
- **Simplified the low and high models to a single sheet each.** Acme's executives knew that the ROI model would be used by management teams with varying degrees of financial literacy across the company, so they made the most important takeaways as easy to understand as possible. The benefits, costs, and ROI were clearly stated upfront for the two potential models — one with low costs and resulting lower benefits and one with higher costs and associated higher benefits. The model also included all the line-item assumptions and resulting calculations used to arrive at their conclusions in case colleagues wanted to modify inputs for their own purposes, like running "what if" scenarios.

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**FIGURE 7** Acme's Estimated Benefits**7-1 Estimated benefit: low case**

	Year 1	Year 2	Year 3	Total
<b>Revenue benefit</b>				
Retention (Year 0 = \$800,000,000)	-	\$38,000,000	\$72,200,000	\$110,200,000
Cross- and upsell (Year 0 = \$20,000,000)	-	\$1,900,000	\$3,610,000	\$5,510,000
Recommendation (Year 0 = \$28,800,000)	-	\$3,192,000	\$6,064,800	\$9,256,000
<b>Cost savings benefit</b>				
Call center cost savings	-	\$375,000	\$750,000	\$1,125,000
<b>Total</b>				
Total benefit	-	\$43,467,000	\$82,624,800	\$126,091,800

**7-2 Estimated benefit: high case**

	Year 1	Year 2	Year 3	Total
<b>Revenue benefit</b>				
Retention (Year 0 = \$800,000,000)	-	\$57,000,000	\$116,850,000	\$173,850,000
Cross- and upsell (Year 0 = \$20,000,000)	-	\$2,850,000	\$5,842,500	\$8,692,500
Recommendation (Year 0 = \$28,800,000)	-	\$4,560,000	\$9,348,000	\$13,908,000
<b>Cost savings benefit</b>				
Call center cost savings	-	\$500,000	\$1,000,000	\$1,500,000
<b>Total</b>				
Total benefit	-	\$64,910,000	\$133,040,500	\$197,950,500

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**FIGURE 8** Acme's Estimated ROI**8-1 Estimated ROI: low case**

	Year 1	Year 2	Year 3	Total (present value) <sup>1</sup>	Total (risk-adjusted) <sup>2</sup>
Total benefits	-	\$43,467,000	\$82,624,800	\$98,000,376	\$89,816,529
Total costs	\$15,672,000	\$1,692,000	\$1,272,000	\$16,601,292	\$18,261,421
Net cash flow	(\$15,672,000)	\$41,775,000	\$81,352,800	\$81,399,083	\$71,555,107
ROI					392%

**8-2 Estimated ROI: high case**

	Year 1	Year 2	Year 3	Total (present value) <sup>1</sup>	Total (risk-adjusted) <sup>2</sup>
Total benefits	-	\$64,910,000	\$133,040,500	\$153,599,925	\$140,818,285
Total costs	\$21,680,000	\$3,260,000	\$2,880,000	\$24,567,092	\$27,023,802
Net cash flow	(\$21,680,000)	\$61,650,000	\$130,160,500	\$129,032,832	\$113,794,483
ROI					421%

1. Present value is calculated using a 10% discount rate, according to Forrester's Total Economic Impact™ (TEI) framework.

2. Risk-adjusted values are calculated before the ROI calculation. Each benefit and cost number is multiplied by a specific risk factor. See the Excel tool for each number's risk factor.

**Recommendations****Use Your ROI Model To Set Your Business Case Up For Success**

Even the most rational ROI model doesn't guarantee funding for CX initiatives. That's because people — even hardened, spreadsheet-driven executives — aren't purely rational. To get traction with their ROI model, CX transformation leaders also need to face emotional issues head on. Our advice:

- **Don't fall into the trap of trying to create the perfect model.** Stakeholders in your organization might try to hold a CX ROI model to higher standards than other ROI models. For example, if they're skeptical about the connection between CX and ROI, they are more likely to ask for proof

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that your assumptions are right. Don't go down that rat hole. Instead, remind them that all models include assumptions; rarely, if ever, do all of those assumptions turn out to be exactly right. Rather than seeking perfect assumptions, strive for ones that a reasonable person can't say are wrong. In many cases, that means being conservative.<sup>22</sup> For example, working with a large retailer, CX consultancy Smith+Co assumed that a better CX would result in each sales associate selling just one more product a week. This seemed attainable to stakeholders. The predicted upside of £8 million a year helped justify the cost of a CX program involving research, benchmarking, design, and training.<sup>23</sup>

- **Connect the model to executives' hot buttons.** Before you do any modeling, ask yourself: What success metrics will get executives' attention? Find the answer by learning what keeps your C-suite up at night — not just their "hard" goals but also their "vanity" goals. Hard goals are metrics like Net Promoter Score (NPS), share of wallet, market share, revenue growth, or profitability.<sup>24</sup> Vanity goals relate to the personal success of an executive — for example, the CEO's desire to beat a particular competitor or to be known as the one who led the company into the digital age. We recommend that you comb through company documents (e.g., emails to all employees, annual reports), attend meetings (e.g., town halls, investor calls), and interview executives' direct reports to discover what the execs talk about first and most.
- **Create memes that will help the ROI of CX evangelize itself.** Richard Dawkins coined the term "meme," which is an idea, behavior, or style that spreads from person to person within a culture.<sup>25</sup> We know from our research into culture transformation that memes can become part of organizational lore and make living customer-centric values second-nature.<sup>26</sup> Apply this insight to make belief in the ROI of CX second-nature for your organization: Pick two to three interesting stats that are easy to remember and start repeating them to colleagues, whether executives or individual contributors, front-office or back-office. Positive memes often take forms like "Each 1-point increase in our NPS score is worth \$1 million in revenue" or "Every dollar we spend on CX creates \$5 in benefit." Negative memes can be equally effective by reminding colleagues that there's a danger in not taking action — for example, "A bad website experience costs us \$5 million per year because one in three unhappy customers calls us" or "One out of every five customers who had a bad call center experience didn't renew their contract."
- **Find the real ROI of CX initiatives over time by baselining and tracking key metrics.** Models predict success (or failure), while measurement programs prove success or failure. To determine whether your CX transformation achieved the ROI you predicted, pick the metrics you'll use to gauge success — like increased satisfaction and reduced customer churn — and record your current baseline or starting point. Create a scorecard with those metrics, and use it to regularly report the status of the CX transformation and whether benefits and ROI develop in line with expectations. If reality falls short of your original forecast, adjust the model with new assumptions based on what you observe.

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**How Forrester Can Help**

## Forrester Can Support Your CX Transformation

Forrester offers a number of resources to support your efforts to become more customer-centric. We can:

- **Provide thought leadership.** Our research reports offer insights and frameworks to support your CX efforts. Additional resources like case studies and webinars bring those frameworks to life with concrete examples of CX best practices in action. And Forrester's freely available podcast series, The CX Cast, features conversations with Forrester analysts and other experts about current and exciting CX topics.
- **Create an ROI model.** Forrester can help you demonstrate the potential business benefits of initiatives ranging from small website tweaks to full customer experience transformation projects. Forrester's CX Index measures how good your CX is at driving loyalty. In addition, Forrester's Total Economic Impact™ (TEI) framework helps you to identify the cost, benefit, flexibility, and risk factors in an investment decision. Using our proprietary industry data like the CX Index data, case studies, and Forrester's TEI framework, we can help you build a model to determine what ROI you can realistically expect.
- **Benchmark your CX quality.** Forrester's CX Index shows you the key drivers of your firm's customer experience and how you compare against both key competitors in your industry and best-in-class companies across industries. The Forrester Digital Experience Review™ methodology assesses the quality of digital customer experiences specifically.
- **Advise and consult on your initiatives.** Forrester analysts and consultants provide hands-on assistance with key initiatives like developing a CX vision and strategy; mapping customer journeys and ecosystems; designing future-state customer journeys; creating a CX measurement and voice of the customer (VoC) program; and developing a customer-centric culture. Whether it's a one-day workshop or one-week consulting engagement, Forrester can lend its CX expertise to your business efforts.
- **Help select the right partners.** Forrester analysts speak with the world's top customer experience design, technology, and service firms on a daily basis. So whether you're looking to find out more about your customers, start building a customer-centric culture, implement a VoC program, or design a new end-to-end service from scratch, Forrester can help you select the right partner for your specific needs.



**The ROI Of CX Transformation**

The Business Case Report In The CX Transformation Playbook

## Engage With An Analyst

Gain greater confidence in your decisions by working with Forrester thought leaders to apply our research to your specific business and technology initiatives.

### Analyst Inquiry

To help you put research into practice, connect with an analyst to discuss your questions in a 30-minute phone session — or opt for a response via email.

[Learn more.](#)

### Analyst Advisory

Translate research into action by working with an analyst on a specific engagement in the form of custom strategy sessions, workshops, or speeches.

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### Webinar

Join our online sessions on the latest research affecting your business. Each call includes analyst Q&A and slides and is available on-demand.

[Learn more.](#)



### Forrester's research apps for iOS and Android.

Stay ahead of your competition no matter where you are.

## Supplemental Material

### Online Resource

Click the link in the download box at the beginning of the report for a template tool to help you advance your understanding of CX ROI modeling.

### Survey Methodology

For the Forrester Analytics Customer Experience Index Online Survey, US Consumers 2020, Forrester conducted an online survey fielded in February through April 2020 of 97,931 US individuals ages 18 to 88. For results based on a randomly chosen sample of this size (N = 97,931), there is 95% confidence that the results have a statistical precision of plus or minus 0.31% of what they would be if the entire population of US adults who are online weekly or more often had been surveyed. The final data set was stacked by brand (250 US brands) and weighted by age, gender, region, and income to represent 187,731 weighted respondents answering for all brands.

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Bases: For each industry in 2020, the number of US online adults (18+) who interacted with a specific brand within the past 12 months is as follows: airlines: 8,472; auto/home insurers: 11,801; auto manufacturers (luxury): 7,128; auto manufacturers (mass market): 11,785; banks (direct): 6,863; banks (multichannel): 13,095; credit card issuers: 11,216; federal government agencies: 11,251; health insurers: 12,942; hotels: 21,847; investment firms: 16,391; retailers (digital): 6,524; retailers (multichannel): 29,353; and utilities: 19,062.

(Note: Weighted sample sizes can be different from the actual number of respondents to account for individuals generally underrepresented in online panels.) Please note that respondents who participate in online surveys generally have more experience with the Internet and feel more comfortable transacting online.

**How To Get Access To Forrester's CX Index Data Analysis And Insights**

Forrester's CX Index helps companies do three things. It: 1) arms you with a deep and actionable understanding of the quality of your customer experience; 2) provides competitive benchmark data so you know how you stack up against your peers; and 3) enables the ability to model which improvements will have the biggest impact on revenue and other key business metrics.

Forrester collects CX Index data from almost 200,000 consumers on 500 brands in 15 industries across nine markets: Australia, Canada, France, India, Italy, Singapore, Spain, the UK, and the US. Underlying data behind the CX Index can help brands identify the key drivers of a great CX for their customers. This allows you to focus on improving the aspects of experiences that matter most for driving revenue and avoid wasting time and money on those that don't move the needle.

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**Endnotes**

<sup>1</sup> Forrester's Total Economic Impact™ (TEI) calculates the return on investment for business technology purchases. The TEI framework was a critical resource in generating the methodology for calculating the ROI of an enterprisewide CX transformation.

<sup>2</sup> Forrester's CX Index data is used to calculate the customer-generated revenue potential for an increase to a brand's CX Index score. For more on how much CX can drive revenue, see the Forrester report "[How Customer Experience Drives Business Growth, 2020](#)."

<sup>3</sup> See the Forrester report "[Case Study: ScottishPower Adapts To Customer Needs With RTIM](#)."

<sup>4</sup> Source: Forrester Analytics Customer Experience Index Online Survey, US Consumers 2020.

<sup>5</sup> The financial improvement resulting from additional customer loyalty if 10% of customers who rated the brand a 4 or 5 on a 7-point scale on this driver instead rated it a 6 on the same 7-point scale.

<sup>6</sup> Source: Forrester Analytics Customer Experience Index Online Survey, US Consumers 2020.

<sup>7</sup> See the Forrester report "[Case Study: Lloyds Banking Group's Journey-Focused Digital Transformation](#)."

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<sup>8</sup> See the Forrester report “[Case Study: How Emirates NBD Bank Connected Execution To Strategy.](#)”

<sup>9</sup> Source: “Customer Recommendations Have Only A Small Business Impact For Big Brands,” Forrester (<https://www.forrester.com/fn/52Z93ZqFqcOe0J9AnqTy6P>).

<sup>10</sup> Source: Forrester Analytics Customer Experience Index Online Survey, US Consumers 2020.

<sup>11</sup> The financial improvement resulting from additional customer loyalty if 10% of customers who rated the brand a 4 or 5 on a 7-point scale on this driver instead rated it a 6 on the same 7-point scale.

<sup>12</sup> See the Forrester report “[Why CX: Proof That Investing In Experience Improves Revenue, Cost, And Risk.](#)”

<sup>13</sup> Source: Lauren Thomas, “Target CEO says cost of handling online orders drops 90% when shoppers use same-day options,” CNBC, November 20, 2019 (<https://www.cnbc.com/2019/11/20/target-is-cutting-costs-by-90percent-thanks-to-its-same-day-delivery-options.html>).

<sup>14</sup> See the Forrester report “[Case Study: Lloyds Banking Group Transforms Through 10 Customer Journeys.](#)”

<sup>15</sup> See the Forrester report “[Digital Store Processes Hinge On Associate Productivity.](#)”

<sup>16</sup> Source: Jessica Tan, “Introduction and Overview of Ping An’s Core Technologies,” EQS TodayIR ([http://livewebcast.todayir.com/pingan\\_18seminar/arc\\_ppt/01\\_Introduction\\_and\\_Ping\\_An\\_Core\\_Technologies\\_vFF.PDF](http://livewebcast.todayir.com/pingan_18seminar/arc_ppt/01_Introduction_and_Ping_An_Core_Technologies_vFF.PDF)) and “Announcement of Unaudited Results For The Six Months Ended June 30, 2018,” Irasia, August 21, 2018 ([http://doc.irasia.com/listco/hk/pingan/announcement/a199228-e\\_02318ann\\_20180821\(20180820\\_2350\).pdf](http://doc.irasia.com/listco/hk/pingan/announcement/a199228-e_02318ann_20180821(20180820_2350).pdf)).

<sup>17</sup> See the Forrester report “[Now Tech: Customer Experience Strategy Consulting Practices, Q3 2020.](#)”

<sup>18</sup> See the Forrester report “[How To Select An Experience Design Provider, North America, 2018.](#)” Source: Andrew Hogan, “Experience Design Providers’ Costs And Timelines Vary Widely,” Forrester Blogs, October 22, 2018 (<https://go.forrester.com/blogs/experience-design-providers-costs-and-timelines-vary-widely/>).

<sup>19</sup> Acme’s transformation team leveraged a few of the bank’s data scientists to analyze which drivers of CX quality most affected business performance. They confirmed that siloed customer data, frequent call transfers, a poor mobile app, and a lack of customer confidence in their financial futures were correlated to the bank’s declining business performance.

<sup>20</sup> Acme looked at historical trends to estimate improvement rates. However, to fill in the example model, Forrester used data from Forrester’s CX Index to estimate these improvement rates. A CX quality survey is another way that a company can inform its estimation of achievable improvement rates.

To generate the target improvement rates for the Acme ROI model, we assumed Acme’s CX Index score to be the US retail banking industry’s average and that, for the high case, Acme would improve 10 CX Index score points during its three-year CX transformation effort. Using data from Forrester’s CX Index, we calculated the percentage increase to consumers’ reported intent to retain, enrich (cross- and upsell), and recommend a brand when the US average CX Index score increased 1 point. With these percentages, we used a compound interest calculation to find the percentage increase to retention, enrichment, and recommendation for a 10-point CX Index score improvement. This provided us Acme’s target loyalty measures for its high-benefit/high-cost model. We discounted each measure approximately 7 to 10 percentage points depending on the metrics to calculate the targets for the low-benefit/low-cost model.

<sup>21</sup> Implementation risk is the risk that a proposed investment may deviate from the original or expected requirements, resulting in higher costs than anticipated. The greater the uncertainty, the wider the potential range of outcomes for cost estimates. Impact risk is the risk that the business or technology needs of the organization may not be met by the investment, resulting in lower overall total benefits. The greater the uncertainty, the wider the potential range of outcomes for benefit estimates.

<sup>22</sup> This is exactly what we did when we set the share of noncustomers who would become customers after receiving a recommendation to use Acme Bank to only 5%.

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<sup>23</sup> See the Forrester report “[How To Make The Case For Customer Experience.](#)”

<sup>24</sup> Net Promoter and NPS are registered service marks, and Net Promoter Score is a service mark, of Bain & Company, Inc., Satmetrix Systems, Inc., and Fred Reichheld.

<sup>25</sup> Richard Dawkins explains the meaning of the word meme in this video. Source: Alex Kuzoian, “Here’s why memes are so much more than just funny internet photos – straight from the man who coined the term,” Business Insider, October 26, 2015 (<https://www.businessinsider.com/richard-dawkins-explains-memes-2015-10>).

<sup>26</sup> See the Forrester report “[Five Secrets Of Customer-Obsessed Cultures.](#)”

We work with business and technology leaders to develop customer-obsessed strategies that drive growth.

## PRODUCTS AND SERVICES

- › Core research and tools
- › Data and analytics
- › Peer collaboration
- › Analyst engagement
- › Consulting
- › Events

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Forrester's research and insights are tailored to your role and critical business initiatives.

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