

Watermark Consulting 2021 Customer Experience ROI Study

*Demonstrating the business value of
a great customer experience...*



A Message From Watermark's Founder

What's a great, differentiated customer experience really worth to a company?

Over a decade ago, we launched the Customer Experience (CX) ROI Study in response to a sad but true reality:

Many business leaders pay lip service to the concept of customer experience – publicly affirming its importance, but privately skeptical of its value.

We wondered... how could one illustrate the influence of a great customer experience, in a language that every business leader could understand and appreciate?

And so, the CX ROI Study was born, depicting the impact of good and bad customer experiences, using the universal business “language” of stock market value.

This year's study provides the strongest support yet for why every company should make differentiating their customer experience a top priority.

It's become one of the most widely cited analyses of its kind, and has proven to be an effective tool for opening people's eyes to the competitive advantage accorded by a great customer experience.

This year's study provides the strongest support yet for why every company – public or private, large or small – should make differentiating their customer experience a top priority.

Thank you for the interest in our study. I wish you the best as you work to turn more of *your* customers into raving fans.

Best regards,



Jon Picoult
Founder & Principal, Watermark Consulting
Author, [From Impressed To Obsessed](#)

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The Business Challenge

What's a great, differentiated customer experience really worth to a company?

It's a question that seems to vex lots of business executives, many of whom publicly tout their commitment to the customer, but are actually unsure about the ROI of customer experience — leaving them reluctant to invest in customer experience improvements.

As a result, companies continue to subject their customers to complicated sales processes, cluttered websites, dizzying 800-line menus, long wait times, incompetent service, unintelligible correspondence and products that are just plain difficult to use.

To help business leaders understand the overarching influence of a great customer experience (as well as a poor one), we sought to elevate the dialogue.

That meant getting executives to focus, at least for a moment, not on the cost/benefit of specific customer experience initiatives, but rather, on the macro impact of an effective customer experience strategy.

We accomplished this by studying the cumulative total stock returns for two model portfolios – comprised of the Top 10 (“Leaders”) and Bottom 10 (“Laggards”) publicly traded companies in customer experience.

As the graphic in the next section vividly illustrates, the results of our study were quite compelling.

How The Study Was Conducted

Our analysis was based on the cumulative total stock return for equally weighted, annually readjusted model portfolios comprised of Customer Experience (CX) Leaders and Laggards.

For each year covered by the study, CX Leaders and CX Laggards were identified via publicly available third-party customer experience rankings (Forrester Research's CX Index from 2007-2015, Temkin Group's Experience Ratings from 2016-2018, and Qualtrics XMI Customer Ratings from 2019-2020). All of these firms' CX rankings are based on surveys of ten thousand or more U.S. consumers.

In any given year, the Leaders and Laggards were defined as the Top 10 and Bottom 10 publicly traded companies in these rankings.

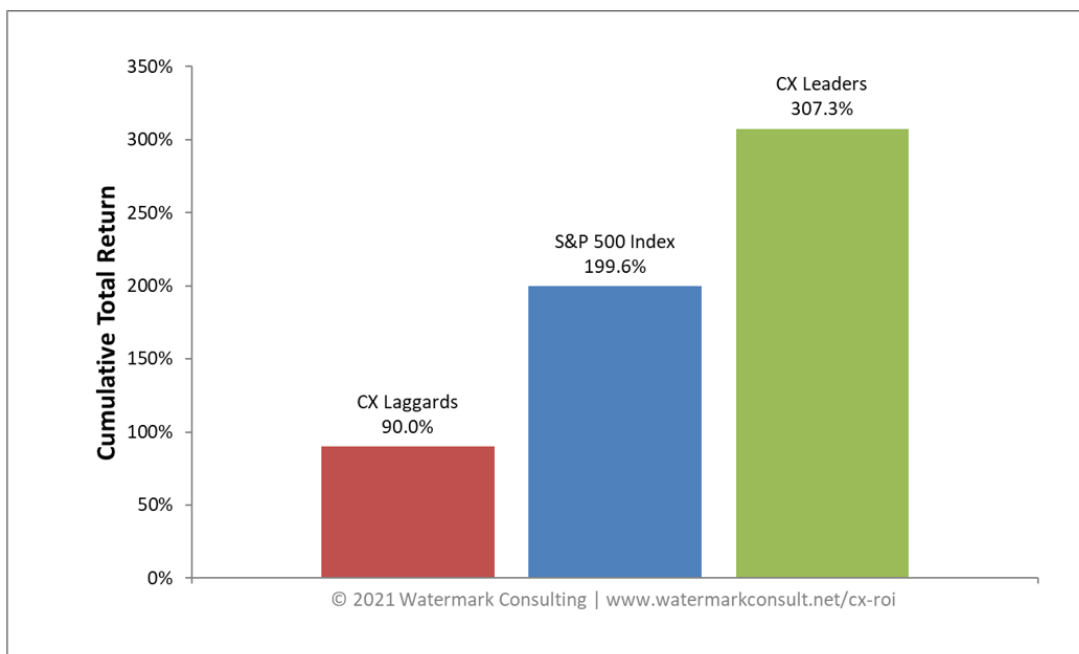
Portfolio returns were based on the prior-year performance of the Leaders and Laggards, to ensure that the results were not influenced by the publication of the research studies themselves.

The Results

Thirteen years of customer experience rankings were available for our analysis. The graph below shows the cumulative total return across that period for the Customer Experience Leaders and Laggards.

Customer Experience Leaders Outperform The Market

13-Year Stock Performance of Customer Experience (CX) Leaders vs. Laggards (2007-2019)



Customer Experience Leaders outperformed the broader market, generating a total return that was **108 points higher** than the S&P 500 Index.



Customer Experience Laggards trailed far behind by an almost identical margin, posting a total return that was **110 points lower** than the S&P 500 Index.



Customer Experience Leaders generated a total cumulative return that was **3.4 times greater** than that of the Customer Experience Laggards.

The Backstory: Customer Experience Leaders vs. Laggards

It's worth reiterating that this analysis reflects well over a decade of performance results, spanning an entire economic cycle, from the pre-recession market peak in 2007 to the post-recession recovery that continued through 2019.

While there are obviously many factors that influence a company's stock price, the results of this study indicate that, over the long-term, a great customer experience helps build business value, while a poor customer experience erodes it. That's an important takeaway, for public and private entities alike.

What creates that enhanced value? Answering that question requires understanding the economic calculus of a great customer experience. When a company consistently delivers an impressive experience to customers, it triggers behaviors that influence business financials in two important ways:



When most people think about the economic benefit from a great customer experience, this is where their heads go. And that's entirely appropriate, because revenue growth is indeed one clear advantage of customer experience excellence. Why? Happy, loyal customers have better retention, they're less price-sensitive and they're more willing to entertain offers for other products and services – all helping to raise revenue. Plus, because they love you so much, they spread positive word-of-mouth and refer new customers to you – lifting revenue even higher.



This is the part of customer experience economic equation that most businesses fail to appreciate. (It's also why using revenue growth, alone, to demonstrate customer experience ROI is misguided.) When you have happy, loyal customers, it helps to better control – if not reduce – your expenses. For example, due to all the customer referrals you're getting, you can spend less on new business acquisition – which reduces expenses. In addition, happy customers tend to complain less, putting reduced stress on your operating infrastructure (e.g., lower call volumes), thereby also helping to keep expenses in check.

Of course, these economic dynamics cut both ways. Customer Experience Laggards struggle to raise revenue (e.g., poor retention, high price-sensitivity, limited cross-purchasing, negative word-of-mouth) and they're burdened with higher expenses (e.g., to acquire new customers, and to deal with the existing unhappy ones). This weighs on their long-term profitability and makes them less valuable in the eyes of the market.

Learn From The Leaders

How do Customer Experience Leading firms create such positive, memorable impressions on the people they serve? It doesn't happen by accident. They all embrace some basic tenets when shaping their customer experience:

1

They aim for more than customer satisfaction.

Satisfied customers defect all the time. And customers who are merely satisfied are far less likely to drive business growth through referrals, repeat purchases and reduced price sensitivity. Maximizing the return on CX investments requires more than just satisfying customers, it requires *impressing them*.

2

They leave nothing to chance.

The Leading companies have a keen understanding of the wide array of live, print, and digital touchpoints that comprise their customer experience. They design each of these touchpoints very intentionally, carefully choreographing the interaction to create an experience that consistently nails the basics and also delivers pleasant surprises.

3

They shape memories, not just experiences.

How people remember the customer experience is arguably more important than the experience itself, as it's those memories that ultimately drive repurchase and referral behavior. The Leading companies recognize this, and they use cognitive science to engineer customer experiences that people enjoy in the moment but also remember in the future.

4

They infuse the experience with emotional resonance.

People's affinity toward a business is ultimately shaped by how they *feel* after interacting with the company, its representatives, and/or its products. CX-leading firms appreciate this, and so they engineer experiences that don't just focus on customers' rational requirements, but also address their emotional needs.

5

They focus on both the customer *and* the employee experience.

Happy, engaged employees help create happy, loyal customers (who, in turn, help create more happy, engaged employees). The value of this virtuous cycle cannot be overstated, and it's why the most successful companies address both sides of this equation – obsessing not just over their customers, but also over the employees who serve them.

Conclusion

The competitive opportunity implied by this study is compelling, because the reality today is that many sources of competitive differentiation can be fleeting. Product innovations can be mimicked, technology advances can be copied, and cost leadership is difficult to achieve let alone sustain.

But a great customer experience, and the internal ecosystem supporting it, can deliver tremendous strategic and economic value to a business, in a way that's difficult for competitors to replicate.

And, as this study has demonstrated, it's those great customer experiences that are ultimately rewarded by both Main Street *and* Wall Street.

Ready To Turn Your Organization Into A CX Leader?

Watermark has spent years studying companies that excel in customer experience. Through that research, we've pinpointed the customer experience design secrets of these highly successful companies, and those insights serve as the foundation for all of the work we do on behalf of our clients.

What customer experience challenges is your organization facing? Below are just a few that we've helped our clients overcome:

- **“We need to make the case for customer experience at our company.”** Our [executive education](#) programs will help demonstrate the value of customer experience excellence to company leaders, and show them how time-tested CX design techniques could be applied to your business.
- **“We don't really know what customers think of us.”** Our [Consulting Services](#) include quantitative and qualitative tools which help bring the voice of your customer to the forefront, revealing game-changing insights that will spur customer experience innovation and drive your business forward.
- **“We need to rally our employees around customer experience.”** Watermark founder Jon Picoult is an acclaimed [keynote speaker](#). Invite Jon to your next all-employee meeting, sales conference or corporate event – he'll inspire your team to deliver CX excellence, and show them exactly how to do it.
- **“We need to improve our customer experience, but we're not sure where or how to start.”** Our [Consulting Services](#), including Watermark's proprietary “Customer Experience Reality Check” will evaluate your current CX and develop a detailed roadmap for turning it into a competitive differentiator.

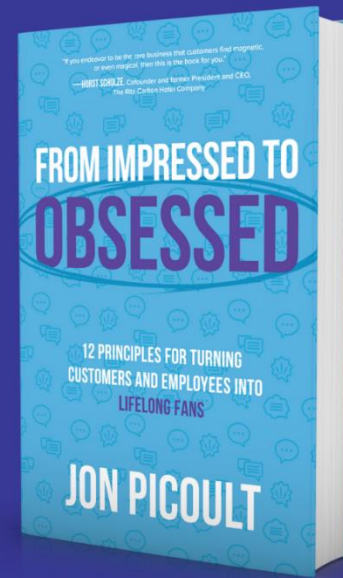
Through our Customer Experience ROI Studies, we've uncovered the techniques that top companies use to turn everyday people into loyal brand advocates. Let us help you apply the same techniques to *your* business – and turn your organization's customer experience into its greatest competitive advantage. [Contact us](#) to start the conversation.

The Definitive Guide To Customer Experience Excellence

“If you endeavor to be the rare business that customers find magnetic or even magical, then this is the book for you.”

-- Horst Schulze, Co-founder and Former
President & COO, The Ritz-Carlton Hotel Company

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We wrote the book on customer experience... literally!

Accelerate your customer experience transformation by capitalizing on the insights in Watermark founder Jon Picoult's acclaimed new book, "[FROM IMPRESSED TO OBSESSED: 12 Principles for Turning Customers and Employees into Lifelong Fans.](#)"

The book will fundamentally change how you think about creating a successful, beloved business. In it, Jon explores the cognitive science behind great customer experiences, pinpointing the breakthrough, psychology-based strategies that successful companies use to create unforgettable impressions that turn more sales prospects into customers, and more customers into obsessed brand ambassadors.

Packed with intriguing case studies, engaging stories, and eye-opening research, the book details these proven strategies and illustrates how they can be applied to any type of business.

FROM IMPRESSED TO OBSESSED reveals the what, the why, and – most importantly – the how behind great customer experiences. Filled with actionable insights, the book provides an invaluable roadmap for becoming the company that everyone wants to do business with, the employer everyone wants to work for, and the leader everyone wants to follow.

About Watermark Consulting

What if you could “watermark” your customer experience – making it so compelling and distinctive that, like a watermark on paper, it left an indelible impression that couldn’t easily be copied? This is Watermark Consulting’s focus.

We are a boutique customer experience consultancy. We help companies impress their customers and inspire their employees – creating raving fans that drive business growth. We’ve worked with some of the world’s foremost brands, helping them cultivate loyalty in both the marketplace and the workplace.

wa • ter • mark

A distinguishing mark impressed on paper during manufacture to make it appear richer and more distinctive. Often used to prevent imitation.

The philosophy behind Watermark is simple: With every interaction, businesses win or lose share. Each touchpoint – be it with customers, distributors, or even employees – presents an opportunity to either build brand loyalty or erode it.

Watermark helps companies capitalize on this concept by creating end-to-end brand experiences that don’t just satisfy, but impress.

To learn more about us, please visit www.watermarkconsult.net.