The ROI of Customer Experience: 16 KPIs You Should Be Tracking

Customer Lifetime Value (CLV)

CLV is a projection of the amount of revenue a single customer will generate for a business over the duration of time they remain a customer.

$$\text{CLV } (\$) = \frac{\text{Avg. Sale Price per Customer x Avg. \# of Times Customer Buys per Month}}{\text{Monthly Customer Churn Rate}}$$

* Increases in customer lifetime value lead to increased customer retention, more revenue generated per customer, and less marketing dollars spent attracting new customers.

Customer Acquisition Cost (CAC)

CAC is the amount of money spent to acquire a new customer.

$$\text{CAC } (\$) = \frac{\text{Sales \& Marketing Costs}}{\text{\# of New Customers Acquired}}$$

* A study by American Express showed that on average one happy customer can equal nine referrals for your business.

Take a look at CAC compared to CLV. If CAC is much higher, think about how to increase the value of the interactions that occur after a customer has been acquired, rather than the effort it takes to acquire a new one.

Conversion Rate

The percentage of total visitors or prospective transactions who end up completing a sale.

$$\text{Conversion Rate } (\%) = \frac{\text{\# of Completed Sales Transactions}}{\text{Total \# of Interactions Handled}}$$

* Customers want the buying experience to be easy, the more effort required on their end, the less likely they are to convert.

Up-Sell and Cross-Sell Rate

The percentage of people who purchase an add-on or upgrade to a product or service. An Up-Sell refers to a sale that is more expensive than the customer originally intended on purchasing, whereas a Cross-Sell refers to the sale of a different product or service to an existing customer.

$$\text{Up-Sell / Cross-Sell Rate } (\%) = \frac{\text{\# of People Who Purchase Add-On or Upgrade}}{\text{Total \# of Transactions}}$$

* Customers who have a better experience spend more with a company. A Forrester report says customers who have a high-quality experience are 3.6 times more likely to buy additional products and services from a brand.

Average Order Value (AOV)

AOV is the average amount a customer spends in a specific customer group when purchasing a product or service.

$$\text{AOV } (\$) = \frac{\text{Sales Revenue}}{\text{Total \# of Sales Transactions}}$$

* AOV has a clear impact on the bottom line as an increase or decrease directly affects revenue and business growth. To increase AOV, businesses need to find more ways to generate valuable experiences by having a clear view of what matters most to customers.

Average Revenue per Customer (ARPC)

ARPC is the number of sales generated per customer during a specific period.

$$\text{ARPC } (\$) = \frac{\text{Sales Revenue}}{\text{Total \# of Customers}}$$

* Similar to AOV, ARPC is a clear indicator of how much value each customer provides to a business, and how much that value is growing overtime.

Net Promoter Score (NPS)

NPS is a customer feedback tool that measures client satisfaction and loyalty to a brand. NPS data is gathered through a scaled survey question and measured on a scale of -100 to +100.

NPS = % of Promoters - % of Detractors

* *Promoters* are customers who are devoted to a brand; they are the bread and butter of a business. *Passives* are often happy customers but are indifferent to the products or services and less loyal than promoters. *Detractors* are customers who are not satisfied and will likely not remain long-term.

Customer Churn Rate

The percentage of customers who do not return to a company after making a purchase either by not making a repeat purchase or by canceling their service during a specific period.

$$\text{Churn Rate (\%)} = \frac{\text{\# of Lost Customers}}{\text{\# of Active Customers}}$$

* Customer churn can mean the percentage of customers who don't return to a business, people who unsubsubscribe from an email list, or unfollows on social media.

Customer Retention Rate

The percentage of customers who remain with a company over a period.

$$\text{Retention Rate (\%)} = \frac{\text{\# of Customers at End of Period - \# of Customers Acquired During Period}}{\text{Total \# of Customers at Start of Period}}$$

* Similar to customer churn rate, customer retention is extremely valuable for company growth. Research indicates that a 5% increase in customer retention can increase company revenue by 25-95%.

Customer Effort Score (CES)

CES is measured through a customer satisfaction survey to determine the amount of effort a customer required to accomplish a task. Typically measured on a defined number scale through a post-interaction survey. A CES score of 1 indicates low effort.

CES = % of Respondents Who Indicate Low Effort - % of Respondents Who Indicate High Effort

* The customer effort score is a highly actionable piece of customer feedback as it provides insights around a specific event or circumstance along the customer journey.

Customer Satisfaction (CSAT)

CSAT is typically measured through a customer feedback survey represented on a scale of 0 to 100 percent. If the scale goes from 1 to 5, only customers who rated 4 or 5 should be included as a satisfied customer.

$$\text{CSAT (\%)} = \frac{\text{\# of Satisfied Customers}}{\text{Total \# of Satisfaction Survey Responses}}$$

* Measuring customer satisfaction is crucial to ensuring brand standards are aligned with customer expectations and is useful for uncovering customer pain points.

Net Emotion Score (NES)

NES is the difference between positive and negative emotions associated with a product, service, or brand. Positive emotions are associated with feelings such as happiness, pleasure, and trust. Whereas negative emotions are associated with feelings such as dissatisfaction, frustration, and neglect.

NES = Avg. of Positive Emotions - Avg. of Negative Emotions

* The idea is to determine which emotions best reflect a brands values and represent a competitive differentiator. Use the NEV to measure these emotions to determine the level of value being provided to customers.

Problem Resolution Time (PRT)

The average amount of interactions it takes between customer and company to resolve an issue.

$$\text{PRT} = \frac{\text{Sum of All Interactions for Total Resolved Issues}}{\text{Total \# of Resolved Issues}}$$

* Assess how many interactions are necessary to resolve a customer issue and then compare that to the current PRT. If the amount of interactions far exceeds the appropriate amount of time, customers are likely encountering difficulty along their way.

First Response Time (FRT)

The average amount of time between when a customer submits a case and the time customer support responds (generally measured in minutes during business hours).

$$\text{FRT} = \frac{\text{Sum of All First Response Times}}{\text{Total \# of Cases Resolved}}$$

* According to a CX impact report, 50 percent of consumers give a brand only one week to respond to a question before they stop doing business with them. This is why it is critical for organizations to solve customer problems in a quick and sincere manner.

Cost per Interaction / Activity

The business cost required to process or handle a given item. Might be a call, contact, interaction, order, click, etc.

$$\text{Cost per Interaction (\$)} = \frac{\text{\$ Invested in Each Activity (Call, Order, etc.)}}{\text{Total \# of Associated Activites}}$$

* If the efficiency in which customer problems are handled improves, the time it takes to handle a customer problem will likely go down, and the cost associated to that interaction will also go down.

First Contact Resolution (FCR) Rate

The percentage of customers whose question or request is resolved on the first attempt. Typically measured through a post-interaction survey asking the customer if their issue has been resolved.

$$\text{FCR (\%)} = \frac{\text{\# of Incidents Resolved on First Contact}}{\text{Total \# of Incidents}}$$

* A CX impact reports indicates that 89% of customers get frustrated because they need to repeat their issues to multiple representatives. This frustration can escalate to a lost customer.