
THE 2015 CUSTOMER EXPERIENCE ROI STUDY

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

A MESSAGE FROM WATERMARK'S FOUNDER

Six years ago, we launched the *Customer Experience 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?

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

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

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.

Regards,



Jon Picoult
Founder & Principal
Watermark Consulting

Follow me on Twitter at [@JonPicoult](https://twitter.com/JonPicoult).

THE 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 then are 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 Forrester Research’s annual Customer Experience Index rankings.

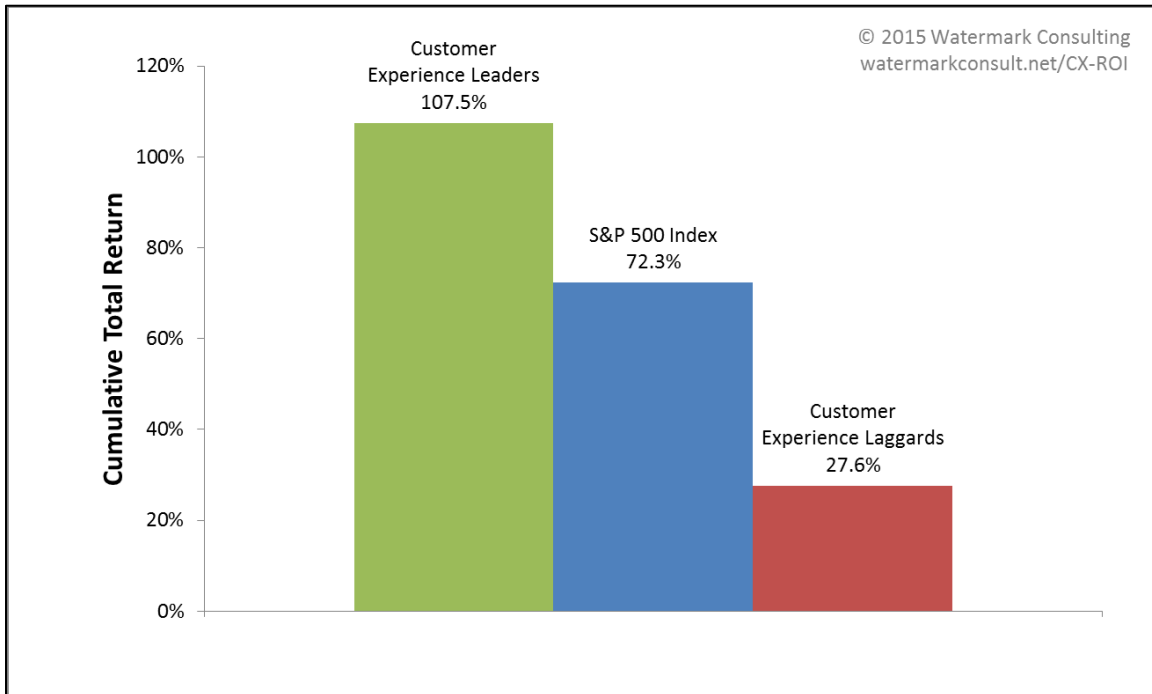
As the following page vividly illustrates, the results of our latest analysis (covering *eight* years of stock performance) are quite compelling:

THE RESULTS

In our 2015 study, the Customer Experience Leaders continued to shine, while the Customer Experience Laggards continued to struggle.

Customer Experience Leaders Outperform the Market

8-Year Stock Performance of Customer Experience Leaders vs. Laggards vs. S&P 500 (2007-2014)



Watermark defines Customer Experience Leaders and Laggards as the top ten and bottom ten rated public companies in Forrester Research's 2007-2015 Customer Experience Index studies. Comparison is based on performance of equally-weighted, annually readjusted stock portfolios of Customer Experience Leaders and Laggards relative to the S&P 500 Index.

- ➔ Leaders outperformed the broader market, generating a total return that was *35 points higher* than the S&P 500 Index.
- ➔ Laggards trailed far behind, posting a total return that was *45 points lower* than that of the broader market.

THE OPPORTUNITY

It's worth reiterating that this analysis reflects *nearly a decade* of performance results, spanning an entire economic cycle, from the pre-recession market peak in 2007 to the post-recession recovery that continues today.

It is, quite simply, a striking reminder of how a great customer experience is rewarded over the long-term, by customers and investors alike.

The Leaders in this study are enjoying the many benefits accorded by a positive, memorable customer experience:

“A great customer experience can deliver tremendous strategic and economic value to a business, in a way that’s difficult for competitors to replicate.”

- **Higher revenues** – due to better retention, less price sensitivity, greater wallet share and positive word-of-mouth.
- **Lower expenses** – due to reduced acquisition costs, fewer complaints, and the less intense service requirements of happy, loyal customers.

In contrast, the Laggards’ performance is being weighed down by just the opposite – a poor experience that stokes customer frustration, increases attrition, generates negative word-of-mouth and drives up operating expenses.

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.

LEARN FROM THE LEADERS

How do these 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 brand experience – principles that can very likely be applied to your own organization:

- 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 customer experience investments requires shaping interactions that cultivate loyalty, not just satisfaction.
- 2 They nail the basics, and then deliver pleasant surprises.** To achieve customer experience excellence, these companies execute on the basics exceptionally well, minimizing common customer frustrations and annoyances. They then follow that with a focus on “nice to have” elements and other pleasant surprises that further distinguish the experience.
- 3 They understand that great experiences are intentional and emotional.** The Leading companies leave nothing to chance. They understand the universe of touchpoints that comprise their customer experience and they manage each of them very intentionally – choreographing the interaction so it not only addresses customers’ rational expectations, but also stirs their emotions in a positive way.
- 4 They shape customer impressions through cognitive science.** The Leading companies manage both the reality *and* the perception of their customer experience. They understand how the human mind interprets experiences and forms memories, and they use that knowledge of cognitive science to create more positive and loyalty-enhancing customer impressions.
- 5 They recognize the link between the customer & employee experience.** Happy, engaged employees help create happy, loyal customers (who, in turn, create more happy, engaged employees!). The value of this virtuous cycle cannot be overstated, and it's why the most successful companies address both the customer and the employee sides of this equation.

ABOUT WATERMARK CONSULTING

wa • ter • mark

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

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 – collectively representing over 750,000 employees and \$500 billion in annual revenue.

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 our consulting services, educational programs or conference keynotes, please visit www.watermarkconsult.net.

Contact Us

Ask us a question, inquire about our services, or just talk through a problem. We’re happy to assist.

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