

INSIGHT REPORT

ROI of Customer Experience, 2019

CX HIGHLY CORRELATES TO CONSUMER LOYALTY ACROSS 20 U.S. INDUSTRIES

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EXECUTIVE SUMMARY

To understand the connection between customer experience (CX) and loyalty, we examined feedback from 10,000 U.S. consumers describing both their experiences with and their loyalty to different companies. The CX scores used in this model come from the 2019 XMI Customer Ratings - Overall (Customer Ratings), which evaluated 294 companies across 20 industries and assessed three areas of the customer experience — success, effort, and emotion. The loyalty metrics we used are likelihood to exhibit the following behaviors: purchase more products or services, recommend a company, forgive a company, trust a company, or try a company's new product or service.

THE CONNECTION BETWEEN CUSTOMER EXPERIENCE AND LOYALTY

A recent XM Institute study found that 81% of large companies plan to increase their focus on customer experience (CX) in the upcoming year. Why are so many companies aiming to boost their ability to deliver a first-class customer experience? Beyond simply being a "good" thing to provide, many executives emphasize the importance of delivering excellent CX because they know there is a clear link between CX and loyalty. To determine exactly how customer experience affects loyalty, we asked 10,000 U.S. consumers about both their experiences with and their loyalty to 294 U.S. companies across 20 industries, and then we analyzed their responses. The results show improved CX correlates to:

- **Increased purchases.** We looked at how likely consumers are to purchase more products or services from each of the 294 U.S. companies evaluated and then compared these numbers to each firm's *Customer Ratings* score. We found a significant correlation between likelihood to purchase more and *Customer Ratings* score. The correlation coefficient is .87 (see Figure 1), which indicates a strong, positive relationship between these two variables.³
- **More recommendations.** We also found that there is a strong, positive relationship between CX and Net Promoter Score (NPS*) with a correlation coefficient of .82 (see Figure 2).⁴ The average NPS of companies in the highest quintile of the *Customer Ratings* is 11.5 points above the industry average more than 26 points higher than the average NPS of companies in the bottom quintile.

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¹ See the XM Institute Insight Report, "The State of Customer Experience Management, 2019," (August 2019).

² For the *Customer Ratings*, we used the "2019 XMI Customer Ratings - Overall," which evaluates three areas of an experience: *success*, *effort*, and *emotion*. To normalize scores across the industries, the analysis compares the data for each company with their industry average. See the XM Institute Insight Report, "2019 XMI Customer Ratings - Overall," (October 2019).

³ For the purchasing data, we looked at consumers' responses to the question: "How likely are you to consider purchasing more products or services from these companies in the future?" We included the percentage of consumers who selected either 6 or 7 on a scale from 1 ("extremely unlikely") to 7 ("extremely likely").

⁴ See the XM Institute Insight Report, "2019 XMI Customer Ratings - Consumer NPS," (October 2019). Net Promoter Score, Net Promoter, and NPS are registered trademarks of Bain & Company, Satmetrix, and Fred Reichheld.

Loyalty and the Three Elements of Customer Experience

In addition to comparing overall customer experience to different loyalty behaviors, we also examined how each of the three elements of customer experience — *success*, *effort*, and *emotion* — affects each of the five loyalty behaviors (see Figure 3). This analysis looks at consumer attitudes across all companies and industries and is based on whether consumers gave organizations a low, medium, or high customer experience rating. When we looked at the interaction between the three elements of customer experience and the loyalty metrics, we found that:

- **Emotion** has the biggest impact. While an improvement in any one of the three components of customer experience increases all areas of loyalty, an improvement in *emotion* provides the biggest benefit. Consumers with a high rating in *emotion* are more likely to exhibit one of the five loyalty metrics than consumers with a high rating in success or effort.
- Success best predicts purchasing and recommendation. The way consumers rate their customer experience can help predict which loyalty behaviors they might exhibit. The success component most strongly predict a consumer's likelihood to make additional purchases and likelihood to recommend the company 84% of consumers who gave a high rating in success are likely both to recommend the company and purchase more from it in the future.
- **Effort** has the most variability. While the general trend that better CX ratings correspond to a higher likelihood of exhibiting loyalty behaviors holds, *effort* has the most variation in these effects.

CX AND LOYALTY ACROSS 20 INDUSTRIES

As part of our analysis, we examined consumer loyalty to companies across 20 industries based on how consumers rated their experiences with those companies (see Figure 4). When we looked at the averages across all of the industries, we discovered that CX influences how likely the customer is to:

- Purchase more from a company. Ninety-four percent of consumers who give a company a "very good" CX rating are "very likely" to purchase more products or services from that company in the future, while only 18% of those who gave a company a "very poor" CX rating say the same (see Figure 5).
- **Recommend a company.** Ninety-five percent of consumers who give a company a "very good" CX rating are "very likely" to recommend the company, while only 15% of those who gave a company a "very poor" CX rating say the same (see Figure 6).
- **Forgive a company**. Seventy-five percent of consumers who give a company a "very good" CX rating are "very likely" to forgive a company for a bad experience, while only 14% of those who gave a company a "very poor" CX rating say the same (see Figure 7).
- Trust a company. Ninety percent of consumers who give a company a "very good"
 CX rating are "very likely" to trust a company to take care of their needs, while only

15% of those who gave a company a "very poor" CX rating say the same (see Figure 8).

• **Try a new offering right away**. Sixty-four percent of consumers who give a company a "very good" CX rating are "very likely" to try a new product or service from a company, while only 12% of those who gave a company a "very poor" CX rating say the same. Across the five loyalty metrics, *try* is the least impacted by customer experience (see Figure 9).

Potential Improvements in Customer Loyalty

Aside from providing a more detailed understanding of the relationship between CX and consumer loyalty, these data can also provide insight into the way CX improvements translate into improvements in customer loyalty. To quantify the potential ROI of focusing more on CX, we considered how modest improvements in CX ratings correspond to an increase in customer loyalty by calculating the difference in loyalty between customers who rate a company as delivering "good" CX and those who rate a company as delivering "poor" CX (see Figure 10). We found that:

- **CX impacts recommendations the most.** Modest changes in CX quality have the largest payoffs on consumer likelihood to recommend. On average across 20 industries, there is nearly a 38 percentage-point difference in likelihood to recommend between consumers rating a company's CX as "good" versus those rating a company's CX as "poor."
- CX impacts future purchasing most consistently. On average across 20 industries, there's a 34 percentage-point difference in likelihood to purchase more products or services between consumers rating a company's CX as "good" versus those rating a company's CX as "poor." Where there was variability across the other loyalty metrics, all industries were within three percentage points of the cross-industry average for purchasing more.
- The groceries industry has the highest potential. While all industries see improvements in consumer loyalty by improving CX, Groceries sees the largest difference in consumer loyalty when examining modest changes in CX. Across the five loyalty metrics, companies in Groceries have, on average, a 33 percentage-point difference in loyalty between consumers giving "good" and "poor" CX ratings.

BUILD YOUR OWN CX ROI MODEL

As with all industry-wide research, any single company's results may vary considerably from these aggregated results. That's why we recommend companies build their own models for tying loyalty (and revenues) to customer experience measures (see Figure 11). Here's some advice to consider as you undertake this effort:

 Enlist your CFO. Even if you have the brightest business analysts in the world on your team, if you do not involve the CFO's team, the finance leader will always question your financial models and assumptions.

- Use existing metrics. Try to make your case based on the business metrics that your company already uses – it will make it easier for people to understand and will help you earn their buy-in.
- **Be conservative.** Resist the temptation to use the high end of estimates for potential benefits. While the results may seem more compelling, they will also be harder to defend.
- **Create a simple story.** People tend to remember very simple story lines, so make sure that you organize your results in a way that is easy for people to understand.

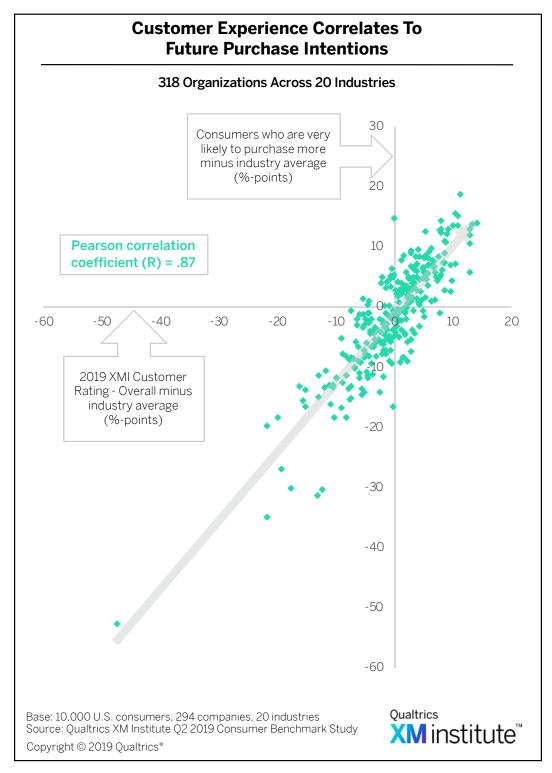


Figure 1

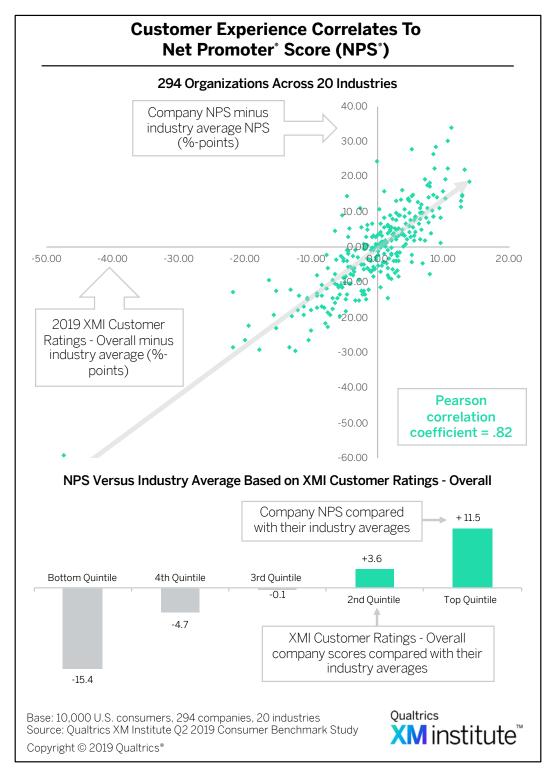


Figure 2

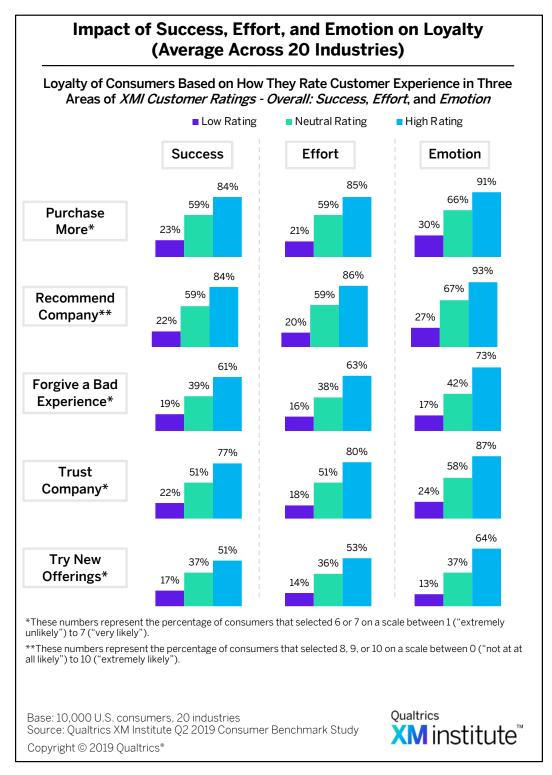


Figure 3

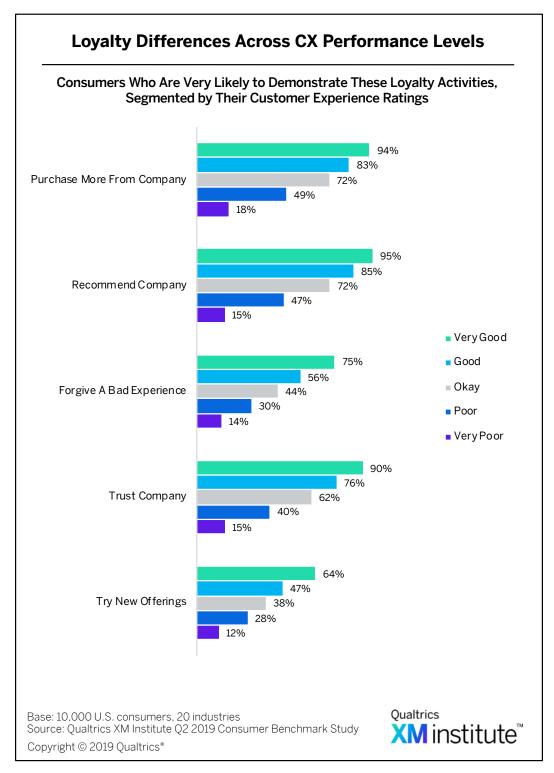


Figure 4

Likelihood to Purchase More Based on Customer Experience

Consumers Who Are Very Likely to Purchase More Products or Services from a Company, Segmented by Their Customer Experience Ratings

Industries	Very Poor CX	Poor CX	Okay CX	Good CX	Very Good CX
Airlines	19%	55%	75%	86%	97%
Auto Dealers	20%	49%	75%	84%	95%
Banks	10%	42%	67%	78%	91%
Car Rental	22%	50%	72%	85%	94%
Computers & Tablets	21%	54%	75%	86%	95%
Credit Cards	15%	44%	65%	77%	90%
Fast Food	16%	48%	74%	84%	95%
Groceries	23%	55%	82%	89%	97%
Health Insurance	19%	49%	66%	82%	92%
Hotels	18%	48%	75%	85%	95%
Insurance	14%	47%	67%	82%	93%
Investment Firms	18%	51%	76%	83%	96%
Parcel Services	18%	50%	76%	86%	95%
Retailers	22%	55%	80%	88%	96%
Software Firms	18%	49%	76%	85%	94%
Streaming Media	17%	46%	67%	80%	93%
TV & Appliances	17%	48%	71%	82%	93%
TV/Internet Service Providers	13%	40%	59%	73%	88%
Utilities	17%	49%	71%	82%	94%
Wireless	17%	46%	68%	80%	91%
Average	18%	49%	72%	83%	94%

Base: 10,000 U.S. consumers, 20 industries Source: Qualtrics XM Institute Q2 2019 Consumer Benchmark Study Copyright © 2019 Qualtrics*



Figure 5

Likelihood to Recommend Based on Customer Experience

Consumers Who Are Very Likely to Recommend a Company to a Friend or Relative, Segmented by Their Customer Experience Ratings

Industries	Very Poor CX	Poor CX	Okay CX	Good CX	Very Good CX
Airlines	16%	46%	73%	84%	96%
Auto Dealers	19%	54%	77%	89%	97%
Banks	11%	39%	71%	81%	94%
Car Rental	16%	49%	76%	87%	95%
Computers & Tablets	20%	54%	77%	89%	96%
Credit Cards	14%	44%	70%	81%	94%
Fast Food	11%	41%	68%	80%	94%
Groceries	14%	46%	72%	85%	95%
Health Insurance	14%	46%	71%	85%	95%
Hotels	19%	48%	74%	88%	95%
Insurance	15%	47%	73%	85%	95%
Investment Firms	17%	52%	79%	88%	96%
Parcel Services	14%	47%	70%	84%	95%
Retailers	16%	47%	73%	83%	95%
Software Firms	16%	50%	77%	90%	97%
Streaming Media	19%	50%	75%	87%	97%
TV & Appliances	18%	55%	75%	87%	96%
TV/Internet Service Providers	12%	40%	63%	78%	93%
Utilities	12%	45%	62%	85%	96%
Wireless	13%	45%	71%	84%	94%
Average	15%	47%	72%	85%	95%

Base: 10,000 U.S. consumers, 20 industries Source: Qualtrics XM Institute Q2 2019 Consumer Benchmark Study Copyright © 2019 Qualtrics*



Figure 6

Likelihood to Forgive Based on Customer Experience

Consumers Who Are Very Likely to Forgive a Company for Delivering a Bad Experience, Segmented by their Customer Experience Ratings

Industries	Very Poor CX	Poor CX	Okay CX	Good CX	Very Good CX
Airlines	17%	29%	43%	54%	75%
Auto Dealers	16%	34%	52%	58%	78%
Banks	12%	25%	42%	55%	75%
Car Rental	16%	34%	44%	54%	69%
Computers & Tablets	16%	34%	51%	63%	78%
Credit Cards	12%	27%	40%	51%	73%
Fast Food	11%	27%	44%	52%	72%
Groceries	13%	29%	43%	60%	77%
Health Insurance	14%	29%	43%	57%	74%
Hotels	16%	33%	42%	54%	73%
Insurance	11%	29%	42%	55%	75%
Investment Firms	15%	33%	49%	56%	77%
Parcel Services	11%	29%	43%	55%	76%
Retailers	14%	29%	43%	56%	75%
Software Firms	15%	31%	50%	63%	78%
Streaming Media	14%	29%	45%	57%	75%
TV & Appliances	16%	30%	49%	60%	77%
TV/Internet Service Providers	10%	25%	36%	52%	71%
Utilities	13%	32%	40%	57%	76%
Wireless	11%	27%	40%	56%	74%
Average	14%	30%	44%	56%	75%

Base: 10,000 U.S. consumers, 20 industries Source: Qualtrics XM Institute Q2 2019 Consumer Benchmark Study Copyright © 2019 Qualtrics®



Figure 7

Likelihood to Trust Based on Customer Experience

Consumers Who Are Very Likely Trust a Company to Take Care of Their Needs, Segmented by Their Customer Experience Ratings

Industries	Very Poor CX	Poor CX	Okay CX	Good CX	Very Good CX
Airlines	19%	37%	62%	73%	90%
Auto Dealers	17%	45%	67%	79%	92%
Banks	13%	41%	67%	79%	92%
Car Rental	17%	39%	61%	72%	86%
Computers & Tablets	17%	43%	69%	79%	91%
Credit Cards	15%	39%	62%	76%	90%
Fast Food	12%	30%	54%	69%	87%
Groceries	14%	38%	62%	79%	90%
Health Insurance	16%	41%	64%	81%	90%
Hotels	19%	42%	62%	76%	91%
Insurance	17%	43%	68%	83%	93%
Investment Firms	18%	49%	73%	84%	93%
Parcel Services	13%	39%	60%	73%	90%
Retailers	14%	39%	61%	73%	89%
Software Firms	16%	42%	65%	77%	90%
Streaming Media	14%	38%	60%	73%	88%
TV & Appliances	18%	43%	61%	74%	91%
TV/Internet Service Providers	9%	31%	51%	66%	86%
Utilities	17%	41%	55%	74%	89%
Wireless	12%	35%	59%	75%	88%
Average	15%	40%	62%	76%	90%

Base: 10,000 U.S. consumers, 20 industries Source: Qualtrics XM Institute Q2 2019 Consumer Benchmark Study Copyright © 2019 Qualtrics®



Figure 8

Likelihood to Try New Offerings Based on Customer Experience

Consumers Who Are Very Likely to Try a Company's New Offerings, Segmented by their Customer Experience Ratings

Industries	Very Poor CX	Poor CX	Okay CX	Good CX	Very Good CX
Airlines	16%	29%	44%	53%	68%
Auto Dealers	15%	36%	47%	53%	68%
Banks	7%	20%	29%	34%	56%
Car Rental	16%	30%	41%	51%	64%
Computers & Tablets	12%	31%	45%	53%	66%
Credit Cards	11%	22%	28%	37%	60%
Fast Food	10%	28%	36%	46%	65%
Groceries	12%	26%	38%	50%	67%
Health Insurance	11%	25%	34%	47%	64%
Hotels	17%	31%	43%	53%	67%
Insurance	9%	25%	32%	40%	60%
Investment Firms	12%	29%	41%	44%	64%
Parcel Services	9%	22%	31%	37%	58%
Retailers	11%	26%	33%	41%	62%
Software Firms	14%	32%	42%	55%	71%
Streaming Media	13%	30%	41%	52%	68%
TV & Appliances	16%	34%	47%	57%	70%
TV/Internet Service Providers	9%	23%	32%	41%	60%
Utilities	12%	27%	33%	45%	65%
Wireless	11%	26%	35%	44%	64%
Average	12%	28%	38%	47%	64%

Base: 10,000 U.S. consumers, 20 industries Source: Qualtrics XM Institute Q2 2019 Consumer Benchmark Study Copyright © 2019 Qualtrics*



Figure 9

Improvements in Customer Loyalty from Modest Improvements in Customer Experience

Difference in loyalty between customers who rate a company as delivering "good" customer experience and those who rate a company as delivering "poor" customer experience (%-points)

Auto Dealers 35.0 34.7 23.4 33.9 Banks 36.1 41.2 30.0 38.1 Car Rental 35.3 37.9 20.5 32.9 2 Computers & Tablets 32.7 35.0 28.9 35.8 2 Credit Cards 32.9 36.8 23.6 37.5 38.6 Fast Food 35.4 38.8 25.0 38.6 38.6 Groceries 33.5 38.6 30.4 41.0 2 Health Insurance 33.0 38.5 27.9 41.0 3 Hotels 36.5 40.1 21.3 33.9 3 Insurance 34.6 38.2 26.5 40.5 3 Investment Firms 32.1 35.9 23.2 35.0 3 Parcel Services 35.9 37.4 25.9 34.0 3	24.1 17.4 13.8 20.9 21.4
Banks 36.1 41.2 30.0 38.1 Car Rental 35.3 37.9 20.5 32.9 2 Computers & Tablets 32.7 35.0 28.9 35.8 3 Credit Cards 32.9 36.8 23.6 37.5 3 Fast Food 35.4 38.8 25.0 38.6 3 Groceries 33.5 38.6 30.4 41.0 2 Health Insurance 33.0 38.5 27.9 41.0 3 Hotels 36.5 40.1 21.3 33.9 3 Insurance 34.6 38.2 26.5 40.5 3 Investment Firms 32.1 35.9 23.2 35.0 3 Parcel Services 35.9 37.4 25.9 34.0 3	13.8
Car Rental 35.3 37.9 20.5 32.9 2 Computers & Tablets 32.7 35.0 28.9 35.8 2 Credit Cards 32.9 36.8 23.6 37.5 3 Fast Food 35.4 38.8 25.0 38.6 3 Groceries 33.5 38.6 30.4 41.0 2 Health Insurance 33.0 38.5 27.9 41.0 3 Hotels 36.5 40.1 21.3 33.9 3 Insurance 34.6 38.2 26.5 40.5 3 Investment Firms 32.1 35.9 23.2 35.0 3 Parcel Services 35.9 37.4 25.9 34.0 3	20.9
Computers & Tablets 32.7 35.0 28.9 35.8 Credit Cards 32.9 36.8 23.6 37.5 Fast Food 35.4 38.8 25.0 38.6 Groceries 33.5 38.6 30.4 41.0 41.0 Health Insurance 33.0 38.5 27.9 41.0 41.0 Hotels 36.5 40.1 21.3 33.9 33.9 Insurance 34.6 38.2 26.5 40.5 35.9 Investment Firms 32.1 35.9 23.2 35.0 Parcel Services 35.9 37.4 25.9 34.0	
Credit Cards 32.9 36.8 23.6 37.5 Fast Food 35.4 38.8 25.0 38.6 Groceries 33.5 38.6 30.4 41.0 2 Health Insurance 33.0 38.5 27.9 41.0 2 Hotels 36.5 40.1 21.3 33.9 3 Insurance 34.6 38.2 26.5 40.5 3 Investment Firms 32.1 35.9 23.2 35.0 3 Parcel Services 35.9 37.4 25.9 34.0 3	21.4
Fast Food 35.4 38.8 25.0 38.6 Groceries 33.5 38.6 30.4 41.0 2 Health Insurance 33.0 38.5 27.9 41.0 2 Hotels 36.5 40.1 21.3 33.9 3 Insurance 34.6 38.2 26.5 40.5 3 Investment Firms 32.1 35.9 23.2 35.0 3 Parcel Services 35.9 37.4 25.9 34.0 3	
Groceries 33.5 38.6 30.4 41.0 2 Health Insurance 33.0 38.5 27.9 41.0 3 Hotels 36.5 40.1 21.3 33.9 3 Insurance 34.6 38.2 26.5 40.5 3 Investment Firms 32.1 35.9 23.2 35.0 3 Parcel Services 35.9 37.4 25.9 34.0 3	14.3
Health Insurance 33.0 38.5 27.9 41.0 38.5 Hotels 36.5 40.1 21.3 33.9 38.2 Insurance 34.6 38.2 26.5 40.5 38.2 Investment Firms 32.1 35.9 23.2 35.0 35.0 Parcel Services 35.9 37.4 25.9 34.0 36.0	17.6
Hotels 36.5 40.1 21.3 33.9 33.9 Insurance 34.6 38.2 26.5 40.5 Investment Firms 32.1 35.9 23.2 35.0 Parcel Services 35.9 37.4 25.9 34.0	23.4
Insurance 34.6 38.2 26.5 40.5 38.2 Investment Firms 32.1 35.9 23.2 35.0 35.0 Parcel Services 35.9 37.4 25.9 34.0 36.0	21.5
Investment Firms 32.1 35.9 23.2 35.0 Parcel Services 35.9 37.4 25.9 34.0	21.5
Parcel Services 35.9 37.4 25.9 34.0	14.5
	14.7
Retailers 33.5 35.9 26.2 33.9	15.2
35.5 35.5 20.2 35.5	15.2
Software Firms 36.1 39.5 31.6 35.0 2	23.5
Streaming Media 33.4 37.7 27.6 34.8	21.5
TV & Appliances 33.5 31.8 30.5 31.5 2	22.6
TV/Internet Service 33.2 38.3 26.7 35.7 Providers	17.7
Utilities 33.1 39.8 25.0 32.8	18.2
Wireless 33.4 39.2 28.9 39.5	17.9
Average 34.0 37.7 26.4 36.1	18.8

Three industries with the **Highest** loyalty difference

- Repurchase: Customers who are likely to buy from company again in the future.
- Recommend: Customers who are likely to recommend company to a friend or a colleague.
- Forgive: Customers who are likely to forgive company if it makes a mistake.
- Try: Customers who are likely to try a new product or service from a company immediately after it is announced.
- Trust: Customers who are likely to trust a company to take care of their needs.

Base: 10,000 U.S. consumers, 20 industries Source: Qualtrics XM Institute Q2 2019 Consumer Benchmark Study Copyright © 2019 Qualtrics®



Figure 10

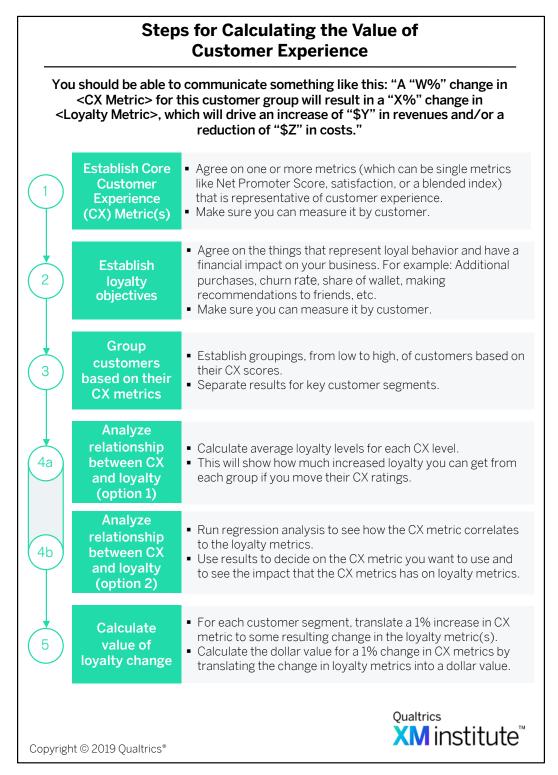


Figure 11