

Realizing the Benefits of Superior Customer Experience: A Gartner Trend Insight Report

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Nearly half of organizations in a Gartner survey claimed they can track the financial benefits of CX projects, while Gartner's marketing leaders survey shows that over 80% of organizations expect to compete mainly based on CX, meaning that the skill of realizing benefits will be in high demand.

Opportunities and Challenges

- The number and range of projects that sponsors claim will improve the customer experience (CX) is rising fast. This raises the probability of spurious claims by those seeking funding and double counting of benefits.
- The benefits of improving the customer experience accrue first to the customer, and only then result in a payback to the supplier. This causes the challenge of an investment return time lag.
- There is a wide variety of ways to measure customer experience, almost all of which have indirect benefits. To quantify the benefits, CX leaders must build the mathematical correlation of these indirect benefits with accounting metrics.
- With evidence of financial reward for an investment in a CX project comes credibility with executives and the opportunity of funding for future CX projects.

What You Need to Know

- Reconcile the different stakeholder perspectives on the specific objectives for the CX initiative to reduce the risk of this most common cause of a failure to realize the benefits.
- Decide early on who will resource the effort to calculate the ROI.
- Build evidence of financial return from existing projects by systematically improving the maturity of your organization's approach to benefit realization.
- Engage with the finance department to gain insight into how a rigorous business case is best put forward in your organization to improve its chances of success.

Insight From the Analyst

Invest Using Your Heart and Your Head



[Ed Thompson](#), VP Distinguished Analyst

Those involved with CX initiatives are increasingly being asked to think with both their hearts and their heads. That's to be expected as the field comes of age. Now that leadership and processes are in place, CFOs and finance directors are asking if investing in CX is worth it. They expect a financial return. Project proposals without a financial business case are more likely to be turned down.

Gartner's 2018 Customer Experience Study found that about half of the CX leaders surveyed reported that they can assign financial value to customer experience projects. This is a high percentage compared to what Gartner analysts are hearing when talking to clients. It's difficult to determine all the benefits of enhancing the CX. There's the financial benefit from increased sales, of course. But there's also savings found from reducing customer interactions with the call center. The skills needed to quantify all the benefits of CX projects are crucial to any organization that wants to improve the customer experience

That's illustrated by Gartner's 2017 Customer Experience in Marketing Survey, which found that two-thirds of marketing leaders surveyed currently compete mostly or completely on the basis of customer experience and 81% said they would be in two years' time. This emphasis on CX will make it more important to prove the return on investment in financial terms

The notes that make up this Special Report are a guide to help leaders measure the costs and benefits of CX projects and prove the ROI. I think you'll find our ideas and recommendations useful as you focus on the CX.

Sincerely,

Ed

Executive Overview

Definition

Gartner defines customer experience as:

"The customer's perceptions and related feelings caused by the one-off and cumulative effect of interaction with a supplier's employees, systems, channels or products."

And its management as:

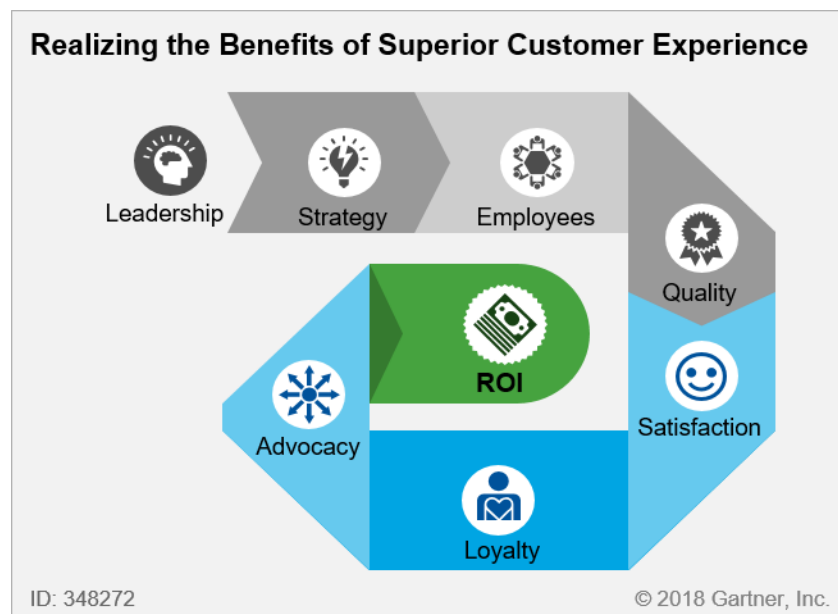
"The practice of designing and reacting to customer interactions in order to meet or exceed customer expectations, and so increase customer satisfaction, loyalty and advocacy."

In the private sector, the hope is that an improvement in satisfaction, loyalty and advocacy will lead to increased profits. In the public sector, value to citizens is measured differently, and the desire to prove value for money is equally important.

Organizations aim to improve the customer experience through projects in every department and business unit. Marketing, customer service, sales and supply chain's actions obviously impact the customer experience, but so do finance, billing, operations, manufacturing, IT and R&D. Each department is justifying projects on the basis that they will help improve the CX. Yet, each department measures CX in different ways (see "How to Manage Customer Experience Metrics" and "Use the Hierarchy of Customer Experience Metrics to Drive Action and Validate Business Outcomes").

The difficulty of measuring CX, combined with the difficulty of associating a financial benefit to the organization, has led many to approve spending on CX based on a decision of the heart rather than the head. It is becoming increasingly difficult to justify making decisions not based on facts.

Figure 1. Realizing the Benefits of Superior Customer Experience



Source: Gartner (May 2018)

Research Highlights

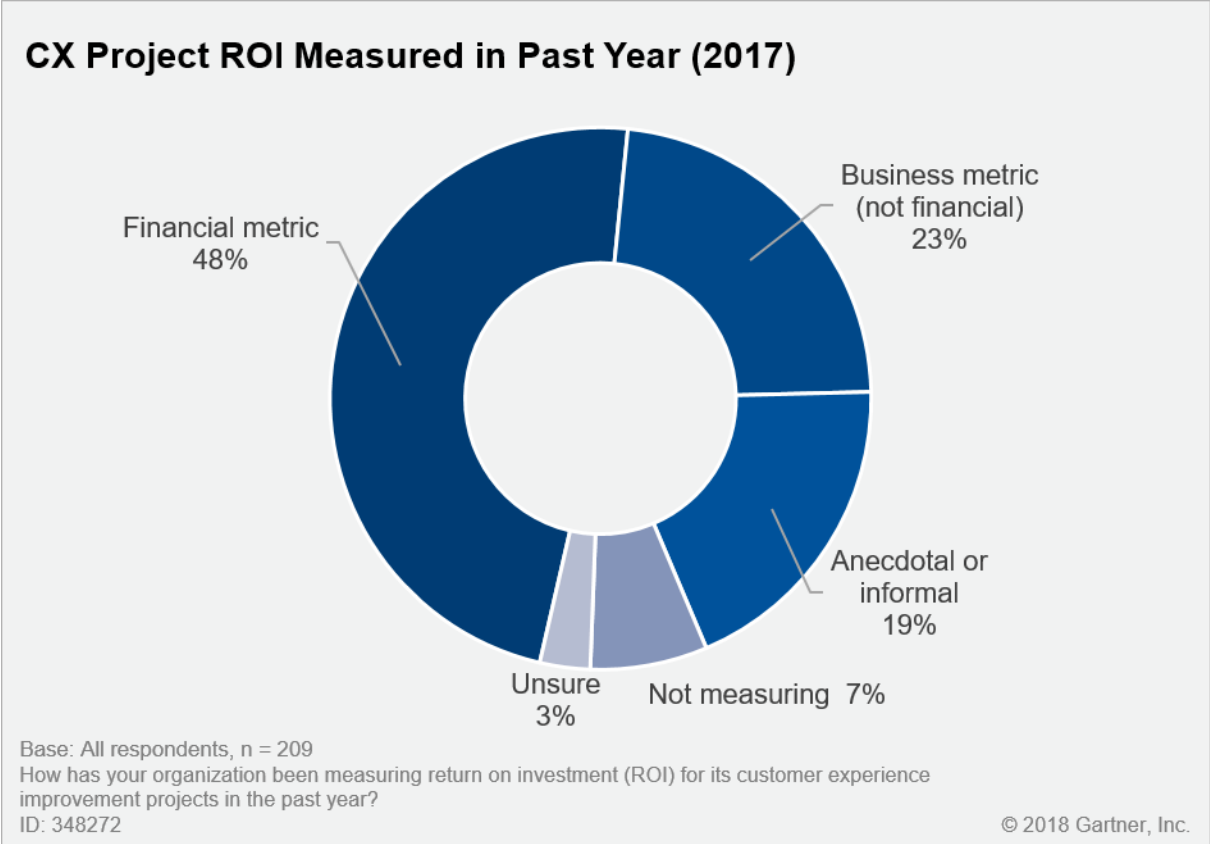
Measuring the Financial Return of CX Projects Is Improving

There have been multiple research studies that investigate the benefits to organizations of improving the customer experience (see Notes 1 to 4 in the Evidence section). Gartner has also been including questions about CX in multiple primary research surveys over the last few years.

Gartner's 2018 Customer Experience Study was conducted in February and March 2018 in North America, Western Europe and Asia/Pacific.

The study explored the manner in which organizations structure CX programs, the technology and innovation drivers for programs, and the types of CX investments organizations are undertaking and their return on investments. Participants were asked "How has your organization been measuring ROI for its customer experience improvement projects in the past year?" (see Figure 2).

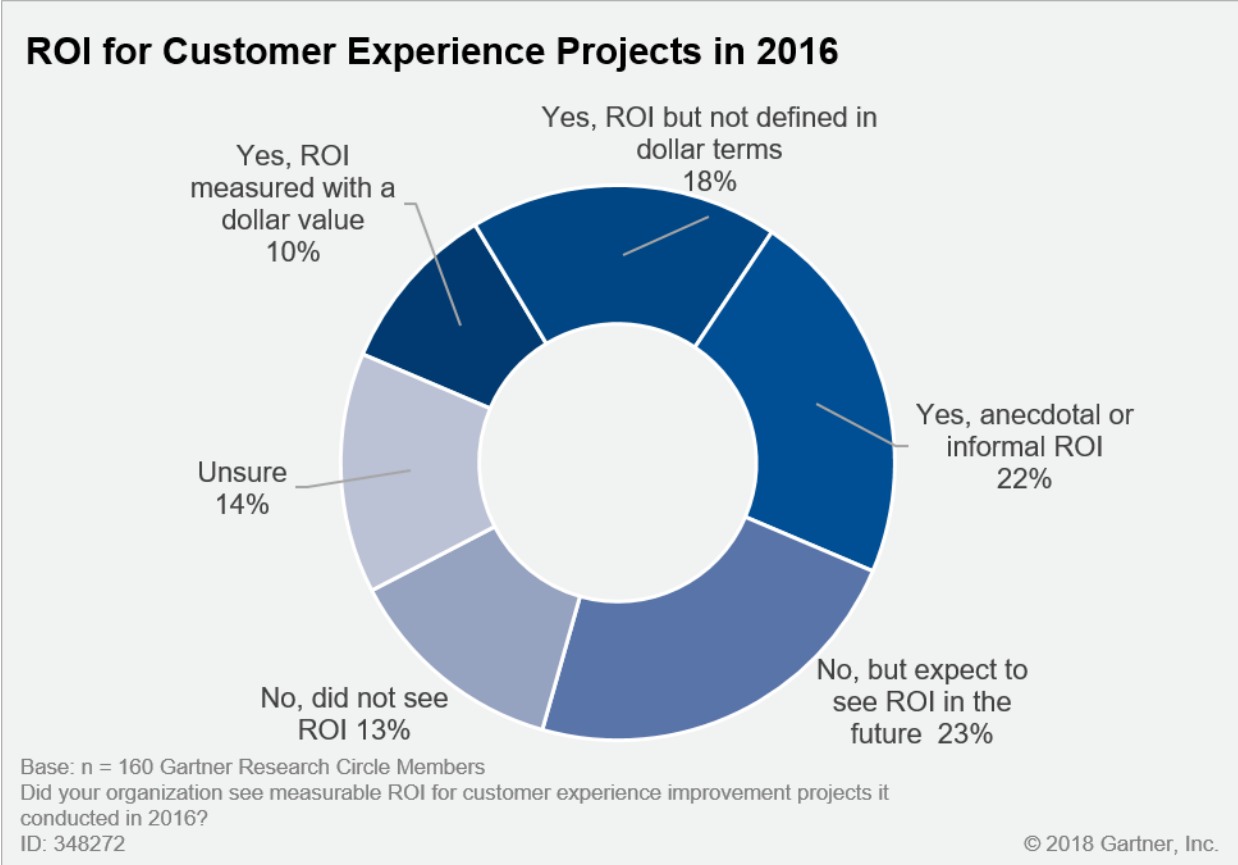
Figure 2. Gartner's 2018 Customer Experience Survey



Source: Gartner (May 2018)

In February 2017, Gartner conducted research with 165 Research Circle panel members responsible for, or on the team working on, CX initiatives. Participants were asked "Did your organization see measurable ROI for customer experience improvement projects it conducted in 2016?" (see Figure 3). The audience and the question were updated for 2018 and the answers differ, with far fewer claiming to use a financial metric. This may be because the respondents in the 2018 survey (in Figure 2) only took part if they were in an organization with a significant commitment to customer experience.

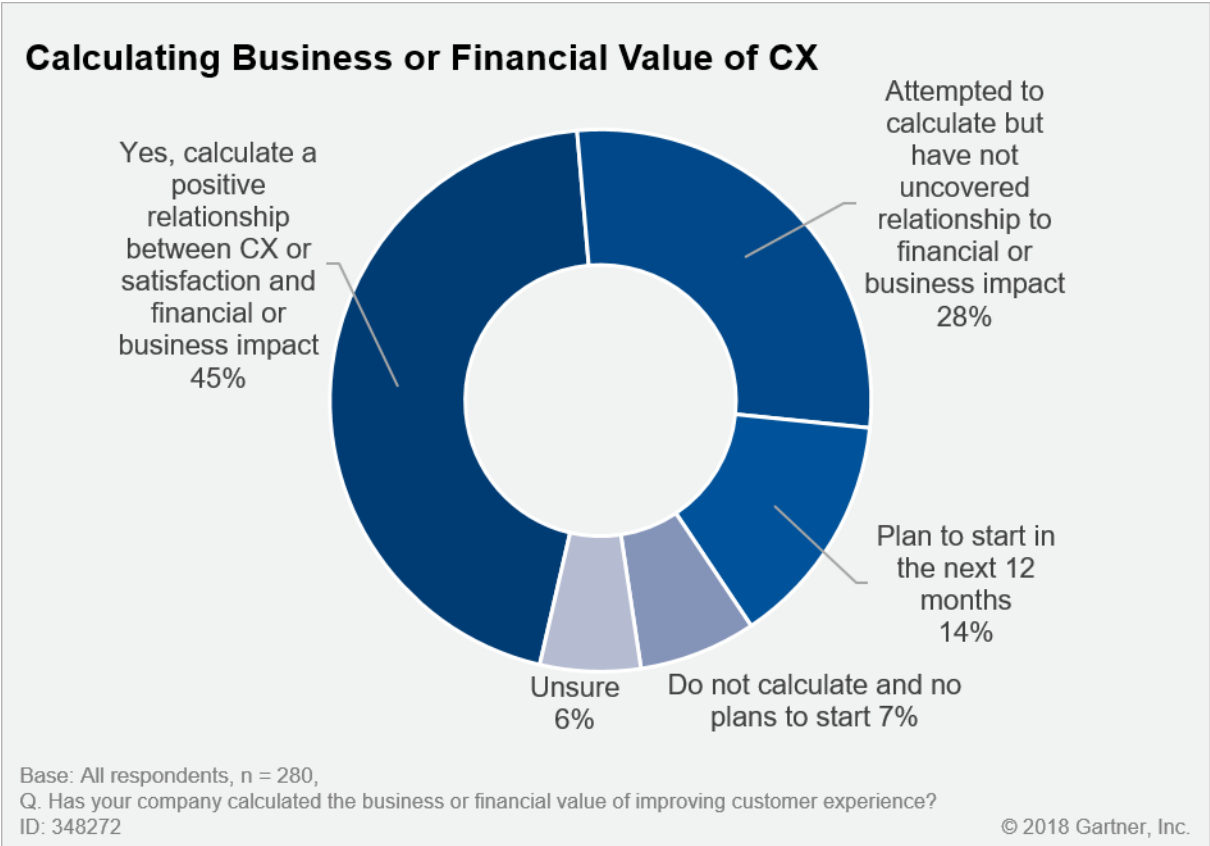
Figure 3. Gartner's 2017 Customer Experience Innovation Survey



Source: Gartner (May 2018)

Gartner also conducted an online survey from June through July 2017 with 280 marketing leaders responsible for, or in the team working on, CX initiatives. The results were published in "The ROI of Customer Experience Starts With Customer Outcomes and Ends With Business Results" and "Customer Experience in Marketing Survey 2017: Greater Expectations, Greater Challenges." Participants were asked "Has your company calculated the business or financial value of improving customer experience?" The results are illustrated in Figure 4.

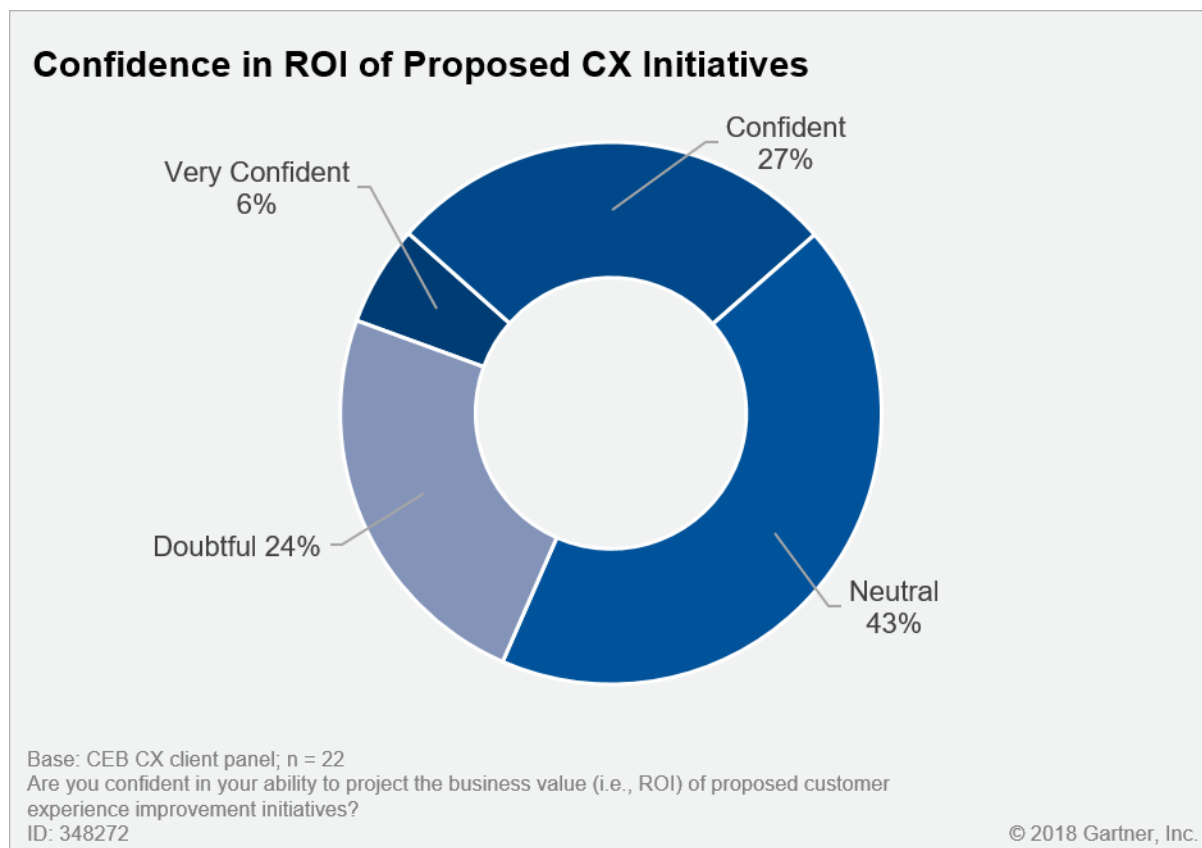
Figure 4. Gartner's 2017 Customer Experience in Marketing Survey



Source: Gartner (May 2018)

A CEB survey posed the question "Are you confident in your ability to project the business value (i.e., ROI) of proposed customer experience improvement initiatives?" to 22 CX leaders (see "2017 State of the Customer Experience Function — Benchmark Survey Results"). Six percent of the small sample group said they were very confident, 27% confident, 42% neutral and 24% doubtful (see Figure 5).

Figure 5. CEB's 2017 Customer Experience Function Survey



Source: Gartner (May 2018)

So the measurement of the financial benefits of customer experience is improving, but we're not entirely there yet. The task remains difficult and needs to be planned and budgeted for. Pressures from the finance department are set to increase so those involved in CX leadership will have to perfect their skills in this discipline. In the next section, we look at how to do that.

Related Research

"Customer Experience 2018 Benchmarks: Turning Return on Investment Into Reality" — New Gartner survey research shows organizations are focused on realizing ROI in their customer experience improvement projects. Application leaders supporting customer experience must continue to drive increased investments in customer analytics or risk falling behind.

"Survey Analysis: Customer Experience Innovation 2017 — AI Now on the Map" — The objective of the study was to understand what categories of CX improvement projects are being undertaken and covered. The survey was conducted worldwide, with 165 organizations participating.

"Customer Experience in Marketing Survey 2017: Greater Expectations, Greater Challenges" — Marketing departments are under more pressure than ever to improve the CX. Gartner queried marketing leaders involved in CX tasks to discover trends.

"The ROI of Customer Experience Starts With Customer Outcomes and Ends With Business Results" — Marketing leaders responsible for CX are caught between the expectation of delivering the business outcomes their bosses demand and the experience customers seek. Selecting the right CX metrics is the first step to keeping both groups happy.

"2017 State of the Customer Experience Function — Benchmark Survey Results" — A snapshot of how the CX is evolving based on our Annual State of the Function Survey, which queried customer experience executives.

The Process for Business Outcome Monetization

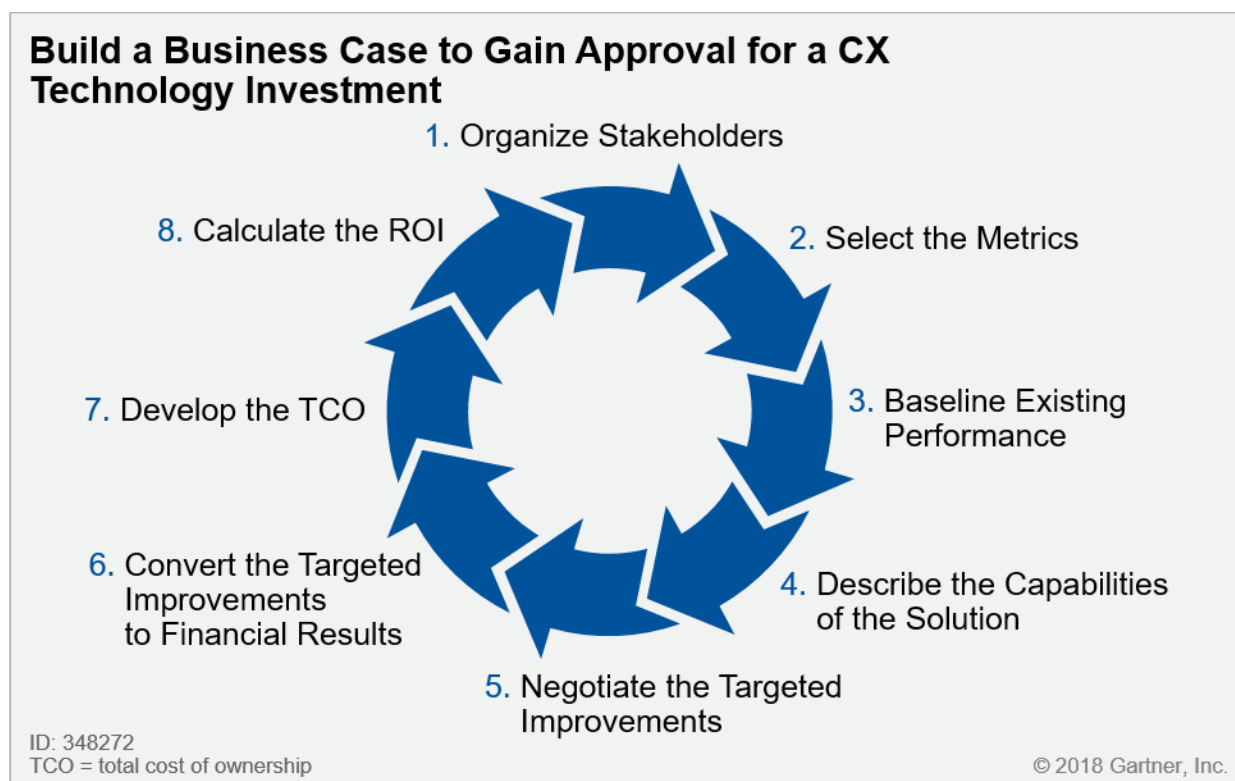
The primary reason IT-enabled business initiatives fail is because the primary stakeholders view the project's objectives from different perspectives. Determining the costs associated with the initiative are usually less-complex than quantifying the benefits.

The fastest and most reliable method for achieving consensus among the primary stakeholders on the specific objectives for an initiative is to quantify the benefits. Between 20% and 30% of IT initiatives have direct benefits where the business outcomes can be measured using accounting metrics. On the other hand, 70% to 80% of IT initiatives, including most CX initiatives, have indirect benefits and must use extensions to accounting metrics in order to quantify the benefits.

A metric is an extension of an accounting metric if it can be mathematically linked back to accounting metrics. Quantifying the benefits is a process (see "Implement Business Outcome Monetization as a Process for Increasing Project Success"). It has eight steps:

1. Organize the primary stakeholders involved with the initiative.
2. Decide on the metrics to use to determine measurable business outcomes (see "The Gartner Business Value Model: A Framework for Measuring Business Performance" and "How to Manage Customer Experience Metrics").
3. Baseline business performance for the metrics selected.
4. Describe how the capabilities of the solution affect the selected business outcomes.
5. Negotiate the targeted improvements on the selected business outcomes.
6. Monetize the business outcomes (see "Toolkit: Monetizing the Outcomes in the Business Value Model").
7. Determine the initiative's total cost of ownership (TCO).
8. Calculate the hard-currency ROI.

Figure 6. Build a Business Case to Gain Approval for a CX Technology Investment



Source: Gartner (May 2018)

Throughout the business outcome monetization process, all key assumptions and projections must be clearly documented, reviewed and approved by all stakeholders.

Related Research

"Implement Business Outcome Monetization as a Process for Increasing Project Success" — This research provides a solution to the problem of measuring the monetary value of IT expenditures with indirect benefits. The solution provides a way to calculate the ROI of all IT expenditures by extending (not replacing) accounting metrics with new measures of value.

"The Gartner Business Value Model: A Framework for Measuring Business Performance" — The value model is a set of the most common business outcomes resulting from IT investments and ongoing IT services. Each metric in the model is mathematically linked to the financial statements, providing CIOs with the ability to simulate the impact of IT investments and services on financial results.

"Toolkit: Monetizing the Outcomes in the Business Value Model" — This Toolkit is used by IT managers for simulating financial outcomes resulting from IT-enabled business imperatives, and for performing scenario planning for various funding levels for IT operational spending.

"Toolkit: A Model for Justifying Business Case Value and Returns" — Typical business cases tend to overpromise and underdeliver. For today's CIOs, business cases should center on value and returns so that they stand out from other competing interests. This model supports and justifies your business case with both financial and indirect value perspectives.

"Benefits Realization: The Gift That Keeps on Giving" — At most enterprises, benefits realization fails to reap the full business value of IT-intensive investments. CIOs can correct this by considering the five levels of benefit realization capability, and moving to the next level when the timing, triggers and current capability are right.

Applying the Process of Monetization to Your Customer Experience Initiatives

Each department in an organization has a set of projects it is funding to improve the customer experience. Marketing, customer service, sales, supply chain, finance, HR, R&D, manufacturing, operations or procurement may all have projects with an improvement in the customer experience as an intended outcome. They all use different metrics to measure the customer experience:

- Customer service will often seek to improve first-call resolution.
- Sales may be focused on share of wallet.
- Marketing will focus on customer retention.
- R&D may focus on adoption of new products or features.
- Supply chain on the percentage of perfect orders.
- Finance is focused on minimizing billing errors
- Manufacturing on mean time between failure

These are all valid measures of CX but not all are of equal importance to the customer and their overall experience. So one of the first challenges is determining which metrics should be focused on for calculating business benefits.

Although the costs associated with a CX investment are sometimes difficult to clarify, the challenge of calculating them is a small fraction of the effort needed to calculate the benefits. Many organizations tell us they spend 10 times the effort calculating the benefits in comparison to calculating the costs.

The easiest benefits to measure are the direct benefits. If fewer faults or errors lead to less complaints, then the cost of processing complaints is reduced, as are the costs of paying compensation. Making products or services easier to use or sending notifications to customers to explain the status of a delivery can reduce customer service inquiries. Calculating the saving of reducing customer service calls is an easy task.

The indirect benefits are harder to measure. For example, if a customer agrees to become a reference customer and is contacted 10 times by prospective buyers of which five become customers, then by how much has the marketing spend to acquire those customers been reduced?

Likewise, if a series of communication and hand-holding activities during the onboarding process are provided by a newly appointed customer success manager, then how much do they contribute to improved customer retention at the end of a two-year contract? In these situations, benchmarking the current situation before starting the project and then regularly measuring is critical.

Below we have listed research papers from the perspective of three departments on the practicalities of realizing the benefits of CX projects.

Related Research

Marketing:

"CMO Insight: How to Justify the Business Value of Your Customer Experience Investments" — Customer experience is more than just the right thing to do. It's a recognized strategic imperative in need of explicit budget support. CMOs can use this research to understand how to make a sound business case for CX investments.

"Use the Hierarchy of Customer Experience Metrics to Drive Action and Validate Business Outcomes" — Marketing leaders with customer experience responsibilities need metrics that balance concurrent and leading indicators of business success and create organizational alignment. This research shows how to use the hierarchy of metrics to diagnose problems, measure results and evaluate your CX program.

"The ROI of Customer Experience Starts With Customer Outcomes and Ends With Business Results" — Marketing leaders responsible for CX must serve two masters, delivering the business outcomes their bosses desire while providing the experiences customers expect. Select the right CX metrics and strive to maintain a "customer-first/company-also" perspective to satisfy both groups of stakeholders.

Supply Chain:

"How to Justify the Business Value of Supply Chain Customer Experience Initiatives" — Chief supply chain officers recognize that customer experience is a strategic imperative. But, they must balance it with other initiatives that deliver more immediate and tangible benefits. Use this research to justify why CX is a priority for the supply chain to secure the right resources and support.

IT:

"How to Manage Customer Experience Metrics" — Hundreds of CX metrics exist. Large organizations will often use more than 50, and no organization uses the same combination. IT leaders supporting CX initiatives must understand the five most common categories for CX metrics — employee engagement, quality, satisfaction, loyalty and advocacy — and how to manage them.

"How to Measure the ROI of a Voice of the Customer Program" — This research provides application leaders responsible for the customer experience with a way to measure the monetary value of a VoC program. By implementing a business outcome monetization process, organizations can calculate ROI by extending accounting metrics with new measures of value.

"How to Drive Value From Customer Experience Analytics" — Providing excellent customer experience is a strategic imperative, and CX analytics is one of the hottest investments in the field. Data and analytics leaders must make a strong business case to ensure that CX analytics is a priority..

"Prioritize Six Styles of Customer Analytics for Better Customer Experience" — Customer experience will improve if data and analytics leaders understand and engage customers beyond standard segmentation. Learn from thought leaders in multiple industries about six emerging styles of customer analytics that can be adopted to have a higher impact on the business.

Related Priorities

Table 1. Related Priorities

Priority	Focus
Data and Analytics Programs	The right differentiating strategies and practices allow enterprises to fully exploit the convergence of data and analytics to deliver business value.
Digital Commerce Technologies	Digital commerce initiatives should create superior customer experiences and foster customer loyalty by balancing tactical projects with innovation.
Negotiating Software and Cloud Contracts	Effectively negotiating software license agreements and cloud contracts enables sourcing and vendor management leaders to mitigate compliance risks, cut costs, and ultimately enable business outcomes.
Mobile, Endpoint and Wearable Computing Strategies	This initiative enables IT leaders to create the endpoint computing environment components of a digital workplace that supports organizations' transition to digital business.
Application Strategy and Governance	The application strategy and governance initiative encompasses key disciplines and concepts that application leaders must embrace as organizations evolve toward digital business.
Analytics and BI Strategies	The analytics and BI strategies initiative focuses on the strategies, practices, technologies and products needed to support a variety of users across different types of business problems.
Application Development Strategies for Digital Business	Application development strategies shape the people, process and technology investments that drive the modernization and creation of innovative app experiences for digital business transformation.

Source: Gartner

Gartner Analysts Supporting This Trend



[Augie Ray](#), Research Director



[Geoffrey Campen](#), Research Director



[Lisa Callinan](#), Research Director

Related Resources

Webinars

[Five Steps to Customer Experience Transformation](#)

[Drive Innovation With an API-Based Approach to Enterprise Apps CX](#)

[The Business Case to Gain Buy-In for CX Tech Investment](#)

[Can Blockchain Transform Your Customer Experience?](#)

[The Core of Great Customer Experience: Humans or AI?](#)

Articles

["Turn Your Customer Experience Vision Into Reality"](#)

["Is Your Organization Customer Centric?"](#)

["Key Findings From the Gartner Customer Experience Survey"](#)

["Analysts Answer: What Challenges Exist in Customer Experience Strategy?"](#)

["How a Test and Learn Culture Improves Customer Experience"](#)

Gartner Recommended Reading

Some documents may not be available as part of your current Gartner subscription.

["Future of Experience: A Gartner Theme Insight Report"](#)

"Toolkit: A Model for Justifying Business Case Value and Returns"

"Benefits Realization: The Gift That Keeps On Giving"

Evidence

Gartner's 2018 Customer Experience Study — This survey was conducted online from February through March 2018 with 209 business and IT leaders across North America (n = 57), Western Europe (n = 50) and APAC (n = 102).

The aim was to explore the manner in which organizations structure CX programs, the technology and innovation drivers for programs, and the types of CX investments organizations are undertaking and their return on investments.

To qualify, respondents had to be leaders setting strategic objectives and priorities for CX project activities (71%), on a team responsible for meeting the strategic objectives and priorities (20%), or be an influencer involved in decisions (9%). They also had to be knowledgeable about the specifics of CX activities in 2017 and those planned for 2018.

"Customer Experience 2018 Benchmarks: Turning Return on Investment Into Reality"

Gartner's 2017 Customer Experience Innovation Study (Research Circle) — This survey was conducted online from 1 to 15 February 2017 among Gartner Research Circle Members — a Gartner-managed panel composed of IT and business leaders. In total, 165 members completed the survey. Members qualifying for the survey were responsible for, or were on a team responsible, for CX initiatives, and/or were impacted by such initiatives and knowledgeable about the specifics of CX activities in 2016.

"Survey Analysis: Customer Experience Innovation 2017 — AI Now on the Map"

Gartner's 2017 Customer Experience in Marketing Survey — This survey was conducted using a mixed methodology (online/computer-assisted telephone interviewing [CATI]) during June and July 2017 among 280 respondents in North America. Respondents were required to be marketing leaders with involvement in CX programs and initiatives.

Respondents were all from organizations with \$500 million or more in annual revenue. Respondents came from the following industries: financial services (37 respondents), high tech (37 respondents), manufacturing (38 respondents), CPG (35 respondents), retail (35 respondents), media (33 respondents), transportation/hospitality (35 respondents), and healthcare providers (30 respondents).

The survey was developed collaboratively by a team of Gartner analysts who follow marketing, and was reviewed, tested and administered by Gartner's Research Data and Analytics team. The results have been written up in the following research notes:

"Customer Experience in Marketing Survey 2017: Greater Expectations, Greater Challenges"

"The ROI of Customer Experience Starts With Customer Outcomes and Ends With Business Results"

CEB's 2017 State of the Customer Experience Function Survey was conducted during 2017 with 33 CEB clients in the CX function.

"2017 State of the Customer Experience Function — Benchmark Survey Results"

This research is also based on hundreds of analyst interactions with organizations in client inquiries and at Gartner events.

Note 1. "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" (see "[The 2015 Customer Experience R01 Study.](#)" Watermark Consulting.)

Note 2. "Customers who had the best past experiences spend 140% more compared to those who had the poorest past experience" (see "[The Value of Customer Experience, Quantified.](#)" Harvard Business Review.)

Note 3. "The cumulative return of a \$100 investment in the ACSI fund from April 2000 to April 2012 was \$490, a gain of 390%. By comparison, the S&P 500 returned only \$93, a 7% loss" (see "[The CFI Group Difference.](#)" CFI Group.)

Note 4. "After a positive experience, more than 85% of customers increased their value to the bank by purchasing more products or investing more of their assets; just as tellingly, more than 70% reduced their commitment when things turned sour" (see "[The 'Moment of Truth' in Customer Service.](#)" McKinsey & Co.)

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