

Return on Experience (ROX):

Activate participation to bridge the divide between customer and employee experience

BY JEFF MOORES, EMILY MERKLE, AND DENISE HOLT, ICF NEXT

Contents

—

Introduction	2
The experience landscape	3
Participation: the curve that paves the way	5
How we define ROX	7
The value of ROX	8
Our approach to measuring ROX	9
Closing thoughts	12



Introduction

While the term return on experience (ROX) is not a new one, the impact of COVID-19 has put a renewed and heightened emphasis on how digital and operational leaders are navigating their new realities relative to how they are measuring success and achieving sustainable business outcomes across all industries. Indeed, in the midst of a pandemic, ROX—versus return on investment or return on ad spend—has taken on new importance.

At its core, the concept of ROX focuses on measuring the potential revenue earned through investments in technology and infrastructure enhancements that enable better digital experiences. By measuring ROX, businesses are better able to not only understand but also forecast and realize their revenue impact over time. More importantly, ROX requires organizations to architect future digital roadmaps and project prioritization. It also encourages bigger thinking around larger incremental impact and ultimately enables stakeholder alignment, through which investment dollars are unlocked.

ROX as a framework provides a path forward to solve two fundamental challenges. The first is the struggle or inability for professionals to quantify potential business results against the proposal of building an experience. The second is the misalignment across strategy, resources, and investments between the customer experience and employee experience. The ability to solve these two core challenges provides a bridge for organizations to move their stakeholders across the final stages of their respective journeys.

At ICF Next, we call this journey the **participation curve**. Participation is defined by the stages that move customers, colleagues, constituents, and communities from passive to active and from one-way to reciprocal. Deep, two-way relationships that current and future customers—and employees—build with organizations is foundational to driving improved business outcomes.

In this paper, we explore how organizations can approach ROX to deliver value across the convergence of customer and employee experience, the impact that a participation-based approach across the CX and EX spectrum can have on your business, and an ROX model through which returns can be projected and realized.

The experience landscape

Across industries, all organizations should be in the business of creating experiences that deliver value for their customers and employees. Customer experiences can be captured in numerous ways such as feedback in an app, through customer care data, in product reviews on ecommerce sites, NPS, or social media comments. Employee experiences are increasingly captured on recruiting sites that allow extensive reviews of a potential employer, everything from initial calls with HR to the hiring process and exit interviews. These sites also publish CEO ratings and employee pay bands.

Regardless of the respective journey either of the two groups take, experience is defined as how individuals interact and engage with an organization's brand. With experiences from both the customer and employee becoming more viable and valuable to organizations, it is a good time to take a deeper look at the impact each side has within today's business models.

Customer experience

It comes as no surprise that customers are calling the shots and brands must adapt. With increasing technology and digital enablement literally at their fingertips, customers expect brands to give them what they want, how they want it, and when they want it. It's a high stakes game with little room for failure.

To realize the true impact of customer experience, a strong strategy should be rooted in two core aspects: 1) Asking and listening to the voice of the customer about experience; 2) Actioning on the feedback they provide to build experience, not just products, that they seek.¹



¹ Source: Salesforce – State of the Connected Customer Experience 2019

The experience landscape (cont.)

Employee experience

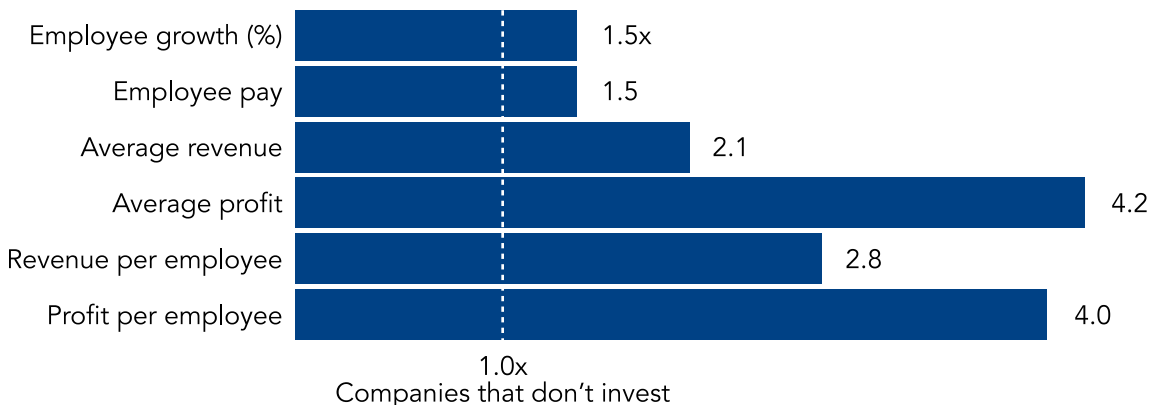
Who is responsible for building, delivering, and iterating impactful customer experiences? The answer is the employee. However, for many organizations this connection often gets overlooked.

Organizations often miss the true center of responsibility for customer experience within their structure. They may see it as residing with the executive or in a backend process when really it is with employees. No single cohort is more powerful when it comes to delivering and iterating impactful customer experiences.

The organizations that win at delivering a best in class employee experience are those that focus on empowering and enriching employees throughout their journey within the organization.

Looking at the data, it's clear that there is a significant return to organizations that focus on employee experience over the long term, not just engagement in the here and now.²

Companies that invest in employee experience outperform those that don't. They're four times as profitable, according to an analysis of 250 organizations.³



Experience as a whole

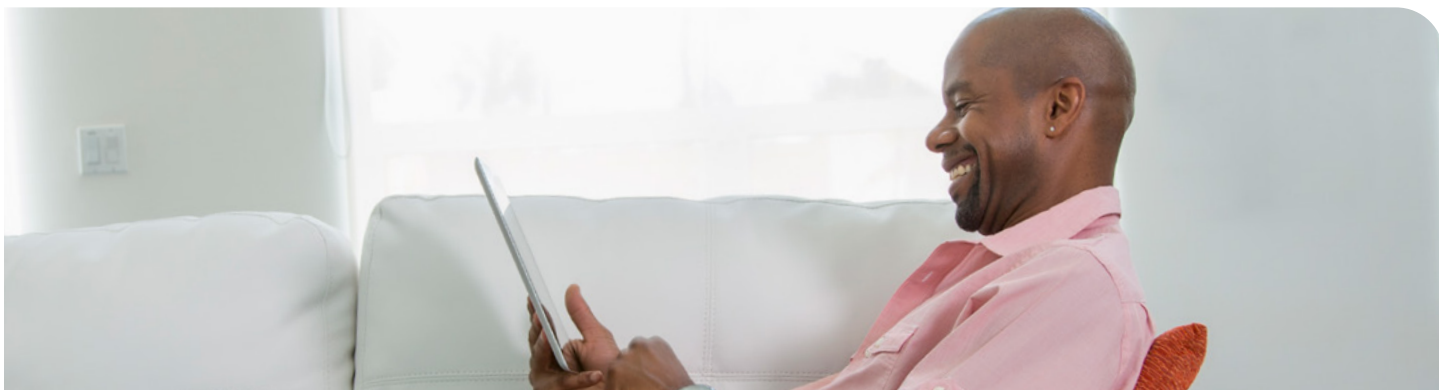
In its totality, businesses that are experience-led outperform those that are not. Businesses that are constantly seeking to invest, improve, enhance, and elevate their stakeholder experiences are charting the path forward, and those who don't will inevitably have no choice but to catch up—if they can.

Experience-driven businesses grew revenue 1.4x faster and increased customer lifetime value 1.6x more than other companies in the past year.⁴

² <https://hbr.org/2017/03/why-the-millions-we-spend-on-employee-engagement-buy-us-so-little>

³ The Employee Experience Advantage, by Jacob Morgan (Wiley, 2017)

⁴ The Business Impact of Investing in Experience <https://www.adobe.com/content/dam/acom/en/experience-cloud/research/roi/pdfs/business-impact-of-cx.pdf>



Participation: The curve that paves the way

The past decade has shown that where customer experience is emphasized across channels, there is value to be gained. And yet not every organization has been quick to adopt the influx of data coming from the emerging technologies that measure experiences. Too often, experiences are seen as ephemeral or hard to measure and monetize. As a result, companies fail to see that fragmented, incomplete, and disrupted end-user interactions cost more to repair than create.

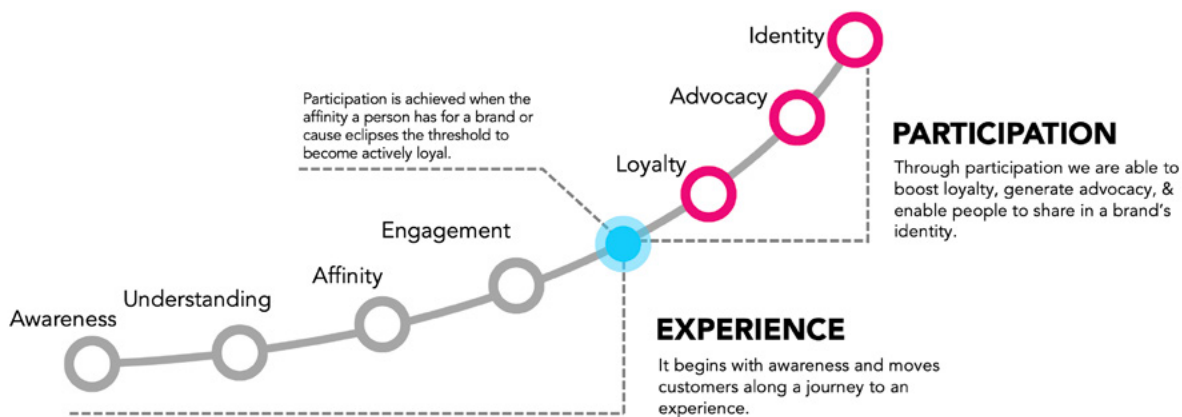
In some ways, experience has become the universal currency across every industry, every sector, and virtually every facet of our customer journeys. And this has only accelerated during the pandemic. However, we believe that too many organizations are leaving revenue on the table by settling for mediocre experiences instead of pushing for more: participation. Active participation is achieved when the affinity a person has for a brand or cause eclipses the threshold to boost loyalty, generate advocacy, and enable people to share in a company's identity. **Ultimately, participation can be viewed as the optimal state of experience.**

Participation Curve

// **Loyalty:** I will repeatedly choose you over all other comparable options

// **Advocacy:** I will be an ambassador for you with people who matter to me

// **Identity:** I feel an emotional connection akin to a relationship with you, so I stand by you.





Participation: The curve that paves the way (cont.)

Organizations that treat employee and customer experience as connected—and that measure the effectiveness and revenue impact of those experiences—can not only learn from those investments and findings but also re-apply those learnings in new and improved ways. Organizations that take this approach will be more successful at moving their customers along the curve to the participation stages of loyalty, advocacy, and identity.

This convergence of employee experience (EX) and customer experience (CX) is further maintained and strengthened through sustained continuous relationships. These should be iterative and reinforced over time as improvements along the EX and CX spectrum are made and assets, culture, and capital are reinvested.

>

Participation is built on reciprocal, two-way relationships between the brand or organization and four core groups: **customers, colleagues, constituents, and communities.**

Each of these audiences may require a different path, but by embracing an ongoing feedback loop that we actually listen to, participation paves the way for meaningful impact and a host of sustainable business outcomes.



How we define ROX

As we outlined above, ROX is a framework for understanding the potential financial benefits to a company of improving experiences. It addresses two challenges: The first, which we touched on in the preceding pages, is identifying and unraveling the misalignment across strategy, resources, and investments between the customer experience and employee experience. The second is the struggle to effectively quantify the business results associated with building and investing in experiences. In this section, we explore the tools that can arm professionals with the means of measuring ROX.

ROX is a business case built by incorporating qualitative and quantitative measures. Qualitatively, a consultative approach can demonstrate the necessity of treating employee and customer experience equally, while, quantitatively, a financial model is associated with measuring the value return in investing in building experiences.

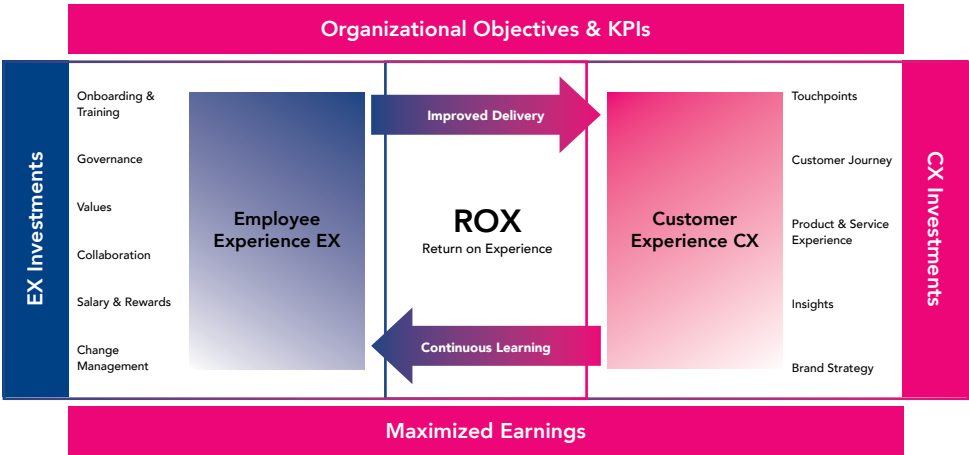
The summation of this business case overcomes the problem organizations have in tying back the new “shiny object” to actual business results. ROX equips professionals within the organization with a compelling argument that can be delivered in one simple sentence:

**"We intend to build _____ to achieve _____,
which will bring \$X of incremental benefit, at a cost of \$Y,
for a return of Z%."**

The ROX model

Our ROX model is derived from understanding the impact and earnings on investments in the parts of an organization that are directly related to how people interact with your brand. These interrelated components are then mapped out across the enterprise.

The model below emphasizes that experience should be at the heart of every organizational decision because it articulates the importance of bridging the gap between the customer, the channels they interact with, and the experiences they expect within. This is linked to how the employee experience is equally crucial as they are responsible for creating great customer experiences. The model seeks to quickly identify the existing relationships across the organization that have decisive influence on CX and EX.



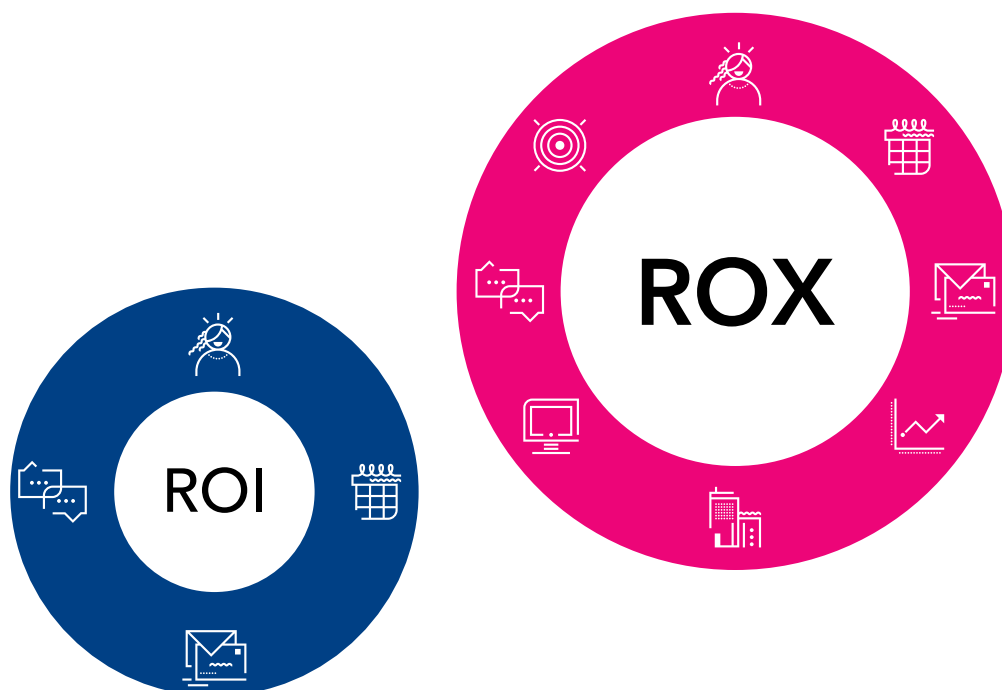


The value of ROX

The key value in performing an ROX analysis is in the ability to highlight not only where to allocate investment dollars, but also in showing what the potential incremental return on those dollars could be.

The analysis is wide enough so that it effectively measures the return on the entire experience across several different touchpoints. This is where it separates itself from a return on investment (ROI) analysis, in that the ROI predominantly measures the return on single investments as opposed to the entire end-to-end experience.

Generally, the output of an ROX analysis will be in the form of incremental revenue return. But ROX is equally as effective in showing potential return on KPIs like web/mobile conversion rates, customer lifetime value, loyalty maturity, and employee retention.





Our approach to measuring ROX

To effectively measure ROX, four key variables need to be accounted for:

- 1.0 Potential experience enhancements and costs.**
- 2.0 Success metrics (customer retention, revenue, lifetime value, etc.).**
- 3.0 Existing performance data.**
- 4.0 Projected performance data.**

// Experiences

Identify customer experience(s) the organization wants to build and execute.

Assess the employee experience needed for success.

// Existing performance data

1st party data from organization (at least 1 year):

- Current retention levels.
- Current revenue.

// Success metrics

Identify key objectives the organization has set out to achieve.

Identify KPIs within those objectives that our analysis can measure against.

// Projected performance data

3rd party data: Forrester, industry-based associations.

Industry accepted benchmarks (per ICF Next).



Four steps to building the business case for ROX

Once we have established the what, why, and how ROX can impact an organization, how do we get there? And what are the steps we can take to clearly build a sound strategy and business case to realize return?

Below we define the four key steps that can serve as a starting point. Note that while this is not meant to be a completely prescriptive set of guidelines, it does allow for the flexibility and scalability to quickly assess and plan a clear business case with tangible deliverables.

1.0 Assess current situation

- // What problems are the organization looking to solve (known and unknown)?
- // Can these problems be translated into success metrics?
- // If so, what are the success metrics?

2.0 Calculate baseline and estimate lift impact

- // The baseline is normally representative of your largest segment of people affected (customers/employees).
- // Based on the combination of problems being solved and success metrics, define a realistic lift range of improvement.
- // Determine data sources that will power all calculations going forward.

3.0 Define experiences you are looking to build/implement/execute

- // Plan initiatives necessary to build experience(s).
- // Estimate cost ranges for investments needed for initiatives → experiences.
- // Create timeline that prioritizes experiences.

4.0 Complete the analysis

- // Incorporate assumptions.
- // Create model to calculate potential returns (math will vary per analysis).
- // Typically, you'll multiply the incremental lift times the size of the impacted population.

Key outputs and deliverables

A complete ROX analysis will deliver a breakdown of anticipated returns (monetary or metric) on experience-based investments. In other words, answering the question: What kind of return can I expect from this investment in experience?

1.0 Show impact from specific investment(s) on the entire experience.

An ROX analysis allows you to home in on revenue impact relative to specific experiential investments that factor in the relationship between initiatives—effectively enabling you to zoom in or out from the CX and EX ecosystem.

2.0 Determine project priority.

Quickly assess which initiatives are more valuable in the short, near, or long term based on your KPIs across CX and EX.

3.0 Provide ammunition to internally sell projects within the organization.

Arm yourself and your teams with the right business case and economic models to illustrate the value of your key initiatives and their impact on your business.

4.0 Build a more informed roadmap for projected experiential investments.

Future-proof your initiatives by reinforcing your planning and approach to incorporate ROX findings that fast-track business critical investments more efficiently.

5.0 Understand what KPIs are necessary to gauge project success and alignment to organizational goals.

Determine which KPIs provide the biggest impact and where to predict and measure future success.

Below is an example of what an ROX output looks like based on the approach, steps, and inputs described above.

>

These are the kpi's or objectives you hope will be positively impacted by the new experience

The starting point for which all future impact will be measured against

The lift and lift impact are linked together. The lift % is determined by internal trends, market research or a generally accepted percentage bump. The impact is calculated by multiplying the % by the baseline

Experience	Success Metric	Baseline	Lift % (Low)	Lift % (High)	Lift Impact \$ (Low)	Lift Impact \$ (High)	Rationale
New Website	Acquiring more customers	\$100M ¹	5% ²	7%	\$5M	\$7M	1. Reference how you calculated baseline 2. Reference where you got this lift percentage
	Driving more sales	\$350M ³	3% ⁴	5%	\$10.5M	\$17.5M	3. Reference how you calculated baseline 4. Reference where you got this lift percentage
Data Visualization	Acquiring more customers	\$100M ¹	1%	2%	\$1M	\$2M	1. Reference as described earlier
	Driving more sales	\$350M ³	1%	3%	\$3.5M	\$10.5M	1. Reference as described earlier
Digital Course Curriculum	Acquiring more customers	\$100M ¹	4%	6%	\$4M	\$6M	1. Reference as described earlier
	Driving more sales	\$350M ³	6%	8%	\$21M	\$28M	1. Reference as described earlier
Total:					\$45M	\$71M	

Experience indicates the project, initiative or plan you are looking to build your business case for

Rationale is to substantiate all numbers you use in your analysis. Reference all research material found

Closing thoughts

—

Experiences have never mattered more, to businesses or consumers. Customer scrutiny on those experiences has never been more abundant and well-informed. Likewise, employee experience has never before carried the weight and consequence that it does today. As such, organizations need to bridge the CX and EX divide and demonstrate value to succeed. An ROX framework arms professionals and businesses with the tools that validate quantifiable results. It also underscores the notion that building an experience-led business through an inside-out process not only enriches but reinforces a continuous feedback loop between employees and customers.

Experience is not a single investment; rather, it is a series of investments across both CX and EX. These two sides must work harmoniously together to deliver meaningful outcomes that have bottom line impact—equal partners in moving stakeholder groups through a more sophisticated journey. This journey will build and sustain continuous relationships that move beyond a transactional, passive, one-way state and into one that fosters loyalty, advocacy, and—ultimately—participation.

About the authors



Jeff Moores

Jeff is a partner in enterprise digital strategy and has more than 15 years of experience leading customer relationship management (CRM), digital marketing, loyalty, and analytics/insights teams. Jeff specializes in bridging the gap between business and technology to drive action and improve business processes. With a strong blend of digital and retail experience, Jeff approaches work with an eye towards creativity and a goal of demonstrated return on investment to guide successful projects. Jeff has a passion for customer insight and is adept at hand-crafting strategies to influence customer behavior. He has built successful programs and campaigns with a keen eye on aligning to and exceeding business objectives, and has a proven track record in balancing objectives, marketing systems expertise, cross-department collaboration, and tactical execution through the management and governance of data and data insights.

Jeff has worked with many notable brands, including Kraft Foods (now Kraft Heinz), Bose Corporation, The Walt Disney Company, Home Depot, Prudential Financial, Staples, and more. He has also won a number of Canadian Marketing Awards and an international marketing award for his work with Cineplex Entertainment and Scotiabank.

Before joining our team, Jeff led client services and the salesforce practice for Conversion Digital, a CRM and loyalty agency, based in Toronto.



Denise Holt

Denise Holt understands the power of human insights in driving smart strategy and business growth. With 20 years of experience in consumer loyalty, brand and creative strategy, consumer insights, human-centered design and business strategy, Denise leads ICF Next's loyalty strategy and insights discipline. As part of our company's thought leadership, she led a substantial multi-method research initiative with findings published in the final report entitled Humanizing Loyalty: A road map to establishing genuine emotional loyalty at scale. Prior to ICF Next, she ran her own strategy consulting practice, was Director of Strategy & Branding at Optum, and spent over a decade in marketing and brand planning roles within the loyalty space. Clients have included Stop & Shop, Amtrak, Advance Auto Parts, Best Buy, UnitedHealth Group, Delta Airlines, Carlson Hotels Worldwide, Visa, Hallmark and Aramark.

Denise infuses business strategy with the human element by leveraging consumer motivations and insights to create memorable brand personalities, engaging experiences and inspired behavior change. She is passionate about uncovering personal stories and insights that enable organizations to connect on a more emotional, meaningful level with their customers. Denise earned a BBA degree in Marketing from the University of Wisconsin-Madison and MBA degree from the University of St. Thomas.



Emily Merkle

Emily has 15 years of experience in leading and developing data strategies, advanced analytic solutions and data-driven insights that contribute to business growth for CRM and loyalty programs, marketing departments and financial institutions. She provides analytical and statistical modeling solutions to drive personalization, acquisition, reduce attrition, increase and optimize profitability, detect fraud, reduce company risk, and many other end-to-end solutions. At ICF Next, Emily leads our global analytic team of engagement experts, data scientists, data visualization specialists and digital analysts. She's responsible for the development and implementation of analytic strategies for clients across multiple industries, from retail to hospitality to travel. She utilizes a mix of traditional analytics and advanced predictive modeling solutions to achieve client goals. She also manages the development of our analytic solutions and products within Tally®. Her client experience includes work with Subaru, Navistar International, Amtrak, Wyndham, and Ameriprise Financial.



Return on Experience (ROX):

Activate participation to bridge the divide between customer and employee experience

FOR MORE INFORMATION CONTACT:

ICF **next+**

JEFF MOORES

JEFF.MOORES@ICFNEXT.COM

DENISE HOLT

DENISE.HOLT@ICFNEXT.COM

EMILY MERKLE

EMILY.MERKLE@ICFNEXT.COM

LEARN MORE AT ICFNEXT.COM

ICF Next is a new breed: a consulting agency. We combine the deep creative capabilities that clients expect from a world-class agency with the expertise they require to navigate complex and business-defining milestones. Our team of mission driven strategists, marketers, technologists, and data scientists works every day to build experiences that deliver active participation from the people who most influence change for our clients. Our holistic approach to communications and marketing ensures we are moving customers and colleagues from a state of passive engagement to longterm brand loyalty, advocacy, and shared identity. Learn more at icfnext.com.

No part of this document may be reproduced or transmitted in any form, or by any means for any purpose without prior written permission.

ICF NEXT + ICF INTERNATIONAL are registered trademarks of ICF and/or its affiliates. Other names may be trademarks of their respective owners.