5 Customer Engagement KPIs That Improve Profitability

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When it comes time to showcase how customer experience leaders have impacted the business with their customer experience strategies, what will they have to show?

According to a recent survey, quantifying customer experience ROI is consistently the top challenge for business leaders.

So, how can you concretely **quantify how your efforts have impacted customer experiences?**[1]

By focusing on the following 5 customer engagement KPIs, customer experience leaders can bring tangible and measurable benefits to the business:

1. **Customer Retention Rate (CRR)** 🏃
2. **Customer Retention Costs (CRC)** 🪙
3. **Customer Lifetime Value (CLV)** 📈
4. **Net Promoter Score (NPS)** 👍
5. **Customer Satisfaction Score (CSAT)** 🙂

Let's explore what these metrics are, why they matter, and how you can improve each.

1. Customer Retention Rate

What is Customer Retention Rate?

Customer retention rate (CRR) measures the number of customers that a company keeps over a given period of time.

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1   Customer Experience Metrics Tutorial

How Do You Calculate CRR?

Quantifying customer retention rate is helpful for customer experience leaders to determine how happy customers are.

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   CRR = ((# of customers at the end of a period ) -
 (# of new customers acquired over that time period) ÷
 (# of customers at the beginning of the period)) x 100
```

Why Should CX Leaders Care About CRR?

Improving customer retention is a way to not only show the effectiveness of your CX initiatives, but to also increase your business's profitability:[2]

- A 5% increase in customer retention can increase company revenue by 25-95%

- A 10% increase in customer retention results in a 30% increase in the value of the company

- Loyal, repeat customers spend on average 33% more than new customers

- 65% of company's business comes from existing customers

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2   Here's Why Customer Retention is So Important for ROI, Customer Loyalty, and Growth

How to Impact CRR?

One direct way to increase customer retention is through self-service.

Companies who offered self-service support experienced an 85% year-over-year increase in customer retention rates, compared to those without self-service.[3]

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What Does CRR Informed Improvements Look Like?

Jackpot Insurance's new customer experience leader, Jenna's, first undertaking was to improve the business's customer retention rate. Their existing CRR was much lower than industry average, and many customers were leaving in favor of other competitors.

And it was no wonder why: policyholders waited weeks for online claims to be processed, had very little visibility into progress or updates, and could not easily find the information they needed online.

To deliver more valuable experiences, Jenna's team helped implement a self-service customer portal where policyholders had one centralized location to:

- Manage and update their policies
- Receive targeted information based on their job, life stage, and existing policies
- File and monitor claims and requests

With access to more relevant content and services, policyholders are now more dependent on Jackpot to continue providing the value they need, extending their relationship with the insurer.

2. Customer Retention Costs

What is Customer Retention Cost?

Customer Retention Cost (CRC) is all the expenses that a company incurs in order to keep existing customers purchasing. Ultimately it measures the cost-effectiveness of your customer success programs.

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3   10 Leading Customer Experience Trends

How Do You Calculate CRC?

> ## CRC = Customer Success Effort Expenses ÷ Total Number of Customers
>
> *Where "Customer Success Effort Expenses" includes costs of staffing teams such as customer success and training, tools and software, like a CRM, customer marketing efforts, customer training programs, and customer loyalty programs.*

Why Should CX Leaders Care About CRC?

CX leaders should focus on keeping and nurturing their existing customer base. But they can also show that these efforts are more cost-efficient and valuable than trying to acquire new customers:[4]

- 5-25x less expensive to retain an existing customer than to acquire a new one
- 50-60% easier to sell to existing customers compared to acquiring new customers
- A 2% increase in retention has the same effect as decreasing costs by 10%

How to Impact CRC?

Self-service not only helps businesses increase retention, but it also decreases expenses.

Self-service can bring your cost-to-serve even lower by:[5]

- Resolving over 40% of live interactions
- Saving up to 100x times more than with live solutions
- Only costing pennies, in comparison to $13 for B2B and $7 for each B2C interaction

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4 26 Statistics that Prove Repeat Business Is Where It's At

5 How You Can Turn Customer Service into a Profit Center

777 **What Does CRC Informed Improvements Look Like?**

Let's revisit Jackpot Insurance. Not only has Jenna's team been able to deliver a more streamlined customer experience, but has also been able to do so while driving customer retention costs down using self-service.

Self-service allows the team to increase both the volume and speed of their support, without needing to expand their team or workload. Instead, self-service helps answer many common questions and resolve straightforward issues, giving the team time to be involved with more high-value interactions.

3. Customer Lifetime Value

What is Customer Lifetime Value?

Customer Lifetime Value (CLV) is the total revenue a business can earn from a customer from their first to their final engagement. In short, it is how much revenue a customer can bring over their lifetime purchasing from your business.

CLV is how much revenue a customer can bring your business over their lifetime.

How Do You Calculate CLV?

This metric can be challenging to calculate as companies often have different methodologies for arriving at their CLV. However, to ensure we are all speaking the same language, when we refer to this KPI, we are referencing this equation:

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CLV = Average Order Value X Purchase Frequency
          X Average Customer Lifetime
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Where "Purchase Frequency" is the total orders/total customers and "Average Customer Lifetime" is how long businesses retain a customer on average.

Use this simplified formula to provide a snapshot of customer satisfaction, loyalty, and the viability of the brand.

Why Should CX Leaders Care About CLV?

A high CLV is not only an indication that your customers are committed to your brand and products, but also translates into higher profitability for your business.

Improving CLV yields higher profit margins, steadier cash flow, and increased scalability.

How to Impact CLV?

In order to make a measurable impact on CLV, business leaders will need to impact the three elements that make up CLV:

1. **Average Order Value**
2. **Purchase Frequency**
3. **Average Customer Lifetime**

The 3 Sub-KPIs that Affect CLV:

1. Average Order Value (AOV):

The main factor that drives AOV is ease of ordering.

> **41% of B2B buyers said that self-service functionality is one of the top ways B2B companies could make it easier for them to shop online.[6]**

With self-service, your customers can easily manage their accounts, search for relevant answers, and access community support all without needing to contact a representative.

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6 How B2B Companies Are Meeting Rising Digital Experience Expectations

Additionally, businesses can effectively increase AOV during checkout by using self-service to:

- Automate chat scripts
- Target cross-sell and upsell opportunities
- Send personalized content based on job role and past purchases

2. Purchase Frequency

Self-service is quickly becoming the preferred way to purchase.

> According to Forrester, **more than 70% of B2B buyers find buying from a website more convenient than buying from a sales rep.**[7]

So it stands to reason that if you present a more streamlined experience to customers, they will not only be willing to purchase a larger volume, but also at a greater frequency.

Self-service not only makes it easy for customers to purchase, but to return and reorder quickly as well.

3. Average Customer Lifetime

Ultimately, customers who enjoy the entire experience your business provides will be more eager to be a loyal customer, thus increasing how long they remain a customer, or their average customer lifetime.

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7   Death of a (B2B) Salesman

What Do CLV Informed Improvements Look Like?

If your customers are frustrated with the current buying process, why would they continue to purchase or even buy more?

This is the problem that Aces Manufacturing faced. Customers were not purchasing as much or as frequently as the company's stakeholders would have liked.

Up until this point, customers called or emailed sales representatives to place their orders. This not only wasted time for both parties, but also made customers more reluctant to purchase unless it was absolutely necessary.

So Aces decided to implement self-service purchasing on their site to streamline the ordering process. **Now customers can place all orders online and have access to the information they need to make the correct purchases.**

By implementing these improvements, the company was able to increase the average order value, increase annual contract value, and lower cost-per-transaction to ultimately boost their customer lifetime value.

4. Net Promoter Score

What is Net Promoter Score?

Net Promoter Score (NPS) is a metric that measures the likelihood of a customer recommending their business to their personal or professional circle. It measures customer loyalty and is a good predictor of repeat business.

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How Do You Calculate NPS?

As Hotjar noted in their 2021 guide to NPS, "Net Promoter Score (NPS) is calculated by asking customers one question: 'On a scale from 0 to 10, how likely are you to recommend this product/company to a friend or colleague?' Data from this question helps businesses improve upon service, support, delivery, etc. for increased customer loyalty."[8]

Based on the rating selected, the customer is classified into one of the following categories:

- Detractors (0-6): Customers in this group had an unpleasant experience with your company and may voice their dissatisfaction to others.

- Passives (7-8): This group was satisfied with their experience, but they may easily switch to competing companies and are not likely to recommend.

- Promoters (9-10): These customers keep coming back to your product or service and refer their friends.

(Source: Data Decisions Group[9])

The score is calculated by following this equation:

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NPS = (Number of Promoters — Number of
Detractors) ÷ (Number of Respondents) x 100
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Optionally, some organizations will also ask: "Why did you choose this score?" This allows the business to gain direct qualitative feedback in addition to the score.

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8   What is Net Promoter Score?

9   Measuring Customer Experience with Net Promoter Score

Why Should Customer Experience Leaders Care about NPS?

NPS is linked to the importance of customer loyalty and word-of-mouth. In fact, word-of-mouth is the single largest driver of B2B customer growth:[10]

- 91% of B2B buyers are influenced by word-of-mouth when making their buying decision
- 61% of IT buyers report that colleague recommendations are the most important factor when making a purchase decision
- 56% of B2B purchasers look to offline word-of-mouth as a source of information and advice

How to Impact NPS?

Self-service is becoming the preferred way of customer engagement:[11]

- 44% of millennials prefer no sales rep interaction in a B2B purchase setting
- 70-80% of B2B decision makers prefer remote human interactions or digital self-service to in-person
- Over 50% of buyers are willing to spend over $50K entirely through end-to-end self-service.

10   The Grapevine of B2B: How Word of Mouth Actually Works

11   21 Digital Commerce Stats Every B2B Professional Needs to Know in 2021

5. Customer Satisfaction Score (CSAT)

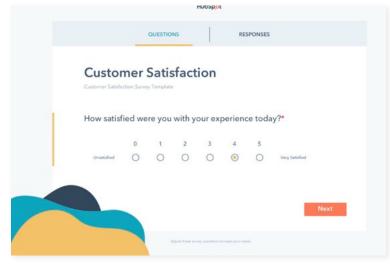## What is Customer Satisfaction Score?

Customer Satisfaction Score (CSAT) measures how satisfied your customers are with your service.

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How Do You Calculate CSAT?

CX leaders can calculate CSAT by sending a survey to the customer immediately after a purchase or support interaction. The customer rates your company on a scale of "not satisfied at all" to "very satisfied".

An example of a CSAT survey from Hubspot.

Why Should Customer Experience Leaders Care about CSAT?

Ultimately the goal of all your initiatives and projects should be to increase customer satisfaction. Satisfaction will fuel loyalty, retention, and all the previous KPIs we've mentioned.

Yet according to a study, **only 48% of customers think that businesses are prioritizing their satisfaction and success.**[12]

How to Impact CSAT?

According to PwC, the most critical elements of a positive CX are **speed, convenience, knowledgeable help, and friendly service.**[13]

- 90% of customers rate an "immediate" response as important when they have a question.

- Nearly 70% of customers are irritated when their call is transferred from department to department.

- 69% of consumers first try to resolve their issue on their own, but less than ⅓ of companies offer self-service options, such as a knowledge base.

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12   Customer Satisfaction: Everything You Need to Know

13   40 Customer Service Stats

Businesses can use self-service to address the first two points, to streamline and simplify the customer service experience.

Additionally, implementing self-service solutions for internal teams can boost customer satisfaction by 11% as employees are equipped to provide the service customers are looking for.[14]

What Does CSAT Informed Improvements Look Like?

Kings Internet Services is a utilities company that provides internet and data services to businesses. On their website, they've added a simple survey that appears after every purchase. Compiling the results together, they notice that not many of their customers have selected "Very Satisfied".

Customers have complained that the buying process is very confusing and trying to reach out to a representative is very frustrating and time-consuming.

In an effort to remedy this, Kings implemented a self-service purchasing wizard to walk customers through the process, as well as an integrated real-time scheduler and live chat when additional assistance from sales is needed.

The Key to Better Customer Experiences

The first step to better customer experiences lies in understanding how self-service can benefit your business through these KPIs. CX leaders can not only prove the worth of their initiatives, but also continue to grow the business by using self-service to improve CLV, retention rate, retention costs, NPS, and CSAT.

Ready to Improve Customer Experience?

Get the rest of the team on board with self-service. Learn how you can align with IT to gain buy-in on a customer self-service portal solution with these tips.

Get Started Here →

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14   Gartner Identifies the Top Five Customer Service Technology Trends for 2020

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