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# Customer Experience (CX) Metrics and Key Performance Indicators

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## Executive Overview

This document aligns to the Customer Experience (CX) Value Equation defined by Oracle as a method to identify and measure the value of CX. Within the value equation there are three important areas of business focus, or CX practice areas: Acquisition, Retention, and Efficiency. Each area has strategic and operational areas of measurement, or Key Performance Indicators (KPIs).

This guide has been written for the business leader or analyst who would like to identify or measure those critical CX measurement points that provide feedback on the health and success of a CX initiative. This guide is intended to familiarize you with important CX measurements and Key Performance Indicators (KPIs) along with providing a definition and a method to calculate their value to your business. In many respects, this could be considered a dictionary of CX KPIs.

This guide does not provide detail on how to start tracking these measurements, nor how to identify target numbers that make sense for your organization. But rather, this document defines which business metrics should be considered when thinking about CX and the effect it could have on your business.

## The CX Value Equation

Customer Experience (CX) is a complex practice area that requires clear vision, the right tools, and great execution to succeed. Oracle recommends thinking about CX in terms of three major areas: Acquisition (A), Retention (R), and Efficiency (E). These areas play a critical role in any business, whether it's listed on a stock exchange, publically or privately owned and even non-for-profit or government organizations. When combined, we refer to these three areas as the CX Value Equation:

$$CX = A + R + E$$

**Acquisition** refers to the ability of an organization to increase its customer base;

**Retention** is the ability of an organization to keep and grow the customers it already has; and

**Efficiency** allows an organization to do more with less.

The CX Value Equation effectively defines a mapping or translation layer between a CX strategy and the organization’s profit line. It facilitates the conversations about CX investments, priorities and returns on investment.

## Three CX Practice Areas

The CX Value Equation consists of three main practice areas: Acquisition, Retention, and Efficiency. These CX practice areas are explored here along with the primary business challenges for each area. Each CX practice area has three identified business challenges, yielding a total of nine CX business challenges for success.

<b>ACQUISITION</b> (INCREASE SALES)	<b>RETENTION</b> (MONETIZE RELATIONSHIPS)	<b>EFFICIENCY</b> (LEVERAGE INVESTMENTS)
GENERATE MORE OPPORTUNITIES	INCREASE SHARE OF WALLET	INCREASE ROIC / EVA
INCREASE BRAND EQUITY	DRIVE LOYALTY	INCREASE PRODUCTIVITY
INCREASE MARKET SHARE	DRIVE ADVOCACY	DECREASE COST OF OPERATIONS

In the remainder of this document we will explore each of these in more detail, to begin with let’s find identify the key business challenges for each of these areas.

### #1 Acquisition

**Acquisition** focuses on how an organization can increase its customer base by gaining new or additional customers; Acquisition can be decomposed into three business challenges:

- 1) **Generate More Opportunities** is the first challenge of acquisition. More opportunities are generated through an increase the amount of visitor and customer traffic (either physically at a store or virtually to a web-site) so that there are additional situations for sales transactions. Organizations benefit from having a respected brand and from being highly visible and by creating great customer experiences.

- 2) **Increasing Brand Equity** is a key objective of most companies. Increasing Brand Equity builds corporate value, and can influence key sales and customer measurements such as increasing the average value of an order, improving customer conversion rates and driving higher revenues.
- 3) **Increase in Market Share** provides companies with sustainability, growth, and pricing power. Improving market share typically leads to an overall better financial position for companies.

## **#2 Retention**

**Retention** focuses on how organizations keep their customers, to reduce churn and to increase their life-time value. There are three important business challenges associated with Retention:

- 1) The first challenge is to create customer **Loyalty**. A customer who is loyal is one who resists switching to another brand or to doing business with another organization.
- 2) Drive **Advocacy** is a desired result that goes beyond loyalty. In the social age, advocacy is a key component of any company's success measurement. A customer advocate is one who tells their friends, family, or colleagues about how much they enjoy doing business with the organization.
- 3) **Increasing the Share of Wallet** for each customer drives higher profit. Expanding sales through expansion of sales to each customer is one of the best and most profitable approaches to increasing revenues.

## **#3 Efficiency**

**Efficiency** focuses on doing the right operational activity to deliver the desired results at a lower cost to the organization. There are also three important business challenges in this area:

- 1) Increase **Return on Invested Capital (ROIC) or Economic Value Add (EVA)**, both are key measures of a company's efficiency. Increases in these areas typically indicate a strengthening of the company's financial position.
- 2) The major challenge represents traditional accounting of the expenses associated with the customer interaction and **Decreasing the Cost of Operations**. These expenses

refer to those costs associated with servicing the customer base either before they purchase a product or after.

- 3) At most organizations, the largest cost associated with doing business is its employees. Improving the **Productivity** of this asset can go a long way toward improving the overall impact that employees can have, and in delivering a great customer experience.

## Metrics for the Nine Important CX Business Challenges

Each of the business challenges discussed above has associated measurements that organizations use to track the associated performance. These measures inform the business if there are any areas where the organization is currently underperforming and where improvements may be made, or if there are any areas of excellence. The summary of the nine are in the below table.

**Table 1: Metrics for 9 Important CX Business Challenges**

The Three CX Areas	The Nine Associated Business Challenges
Acquisition	<ul style="list-style-type: none"> <li>• Generate More Opportunities</li> <li>• Increase Brand Equity</li> <li>• Increase Market Share</li> </ul>
Retention	<ul style="list-style-type: none"> <li>• Increase Share of Wallet</li> <li>• Drive Loyalty</li> <li>• Drive Advocacy</li> </ul>
Efficiency	<ul style="list-style-type: none"> <li>• Increase ROIC or EVA</li> <li>• Increase Productivity</li> <li>• Decrease Cost of Operations</li> </ul>

## CX Metrics

The purpose of this section is to itemize those measurements used by leading CX organizations. While these measures are appropriate for a broad set of industries and business models, we would suggest that maximum benefit can only be achieved by view these

through the lens of your own organization. Furthermore, you may need to identify additional measurements to supplement this list depending on these results.

Two distinct but related types of measures are presented, namely “Strategic” and “Operational” KPIs. A Strategic KPI is one that will be of most interest to a top-level executive team, has a tendency to aggregate related numbers or measurements, and provides high-level information about business performance. An Operational KPI may also be of interest to the top-level executive team, but more likely will be used within a division or department for day-to-day monitoring.

## **#1 Acquisition**

### **Strategic KPIs**

#### ***Direct Traffic***

- **Definition:** All visitor (existing or new customer) traffic that occurs as a result of a specific company action that is intended to drive interactions to the company. The visitor arrives by a defined course: “Company Activity drives Visitor Interaction.” This includes things like company sponsored advertising, direct mail campaigns, intentional product Search Engine Optimization (SEO), email, telemarketing, company initiated tweets, facebook page, and other marketing efforts. To count as Direct Traffic, the interaction must be specifically identified to a specific company activity.
- **How to measure:** Add up measurable traffic that is identified to directly drive activity. This does not include Indirect Traffic or Unidentified Traffic Source.

#### ***Indirect Traffic***

- **Definition:** All visitor traffic that results from company activities intended to raise general awareness of the organization’s brand or products, but not necessarily designed to initiate an interaction. The visitor arrives by a circuitous route: “Company Activity(ies) drives Intermediary Activity(ies) that drives Visitor Interaction.” Company activities could include product placement in a movie, a viral marketing campaign, mobile apps, freemium products, or general web traffic. Intermediary activities could include social media activity (customer initiated tweets, likes on facebook), brand reputation (great CX reputation), and viral marketing.
- **How to measure:** Add up traffic from all sources that arrive via a circuitous route.

***Unidentified Traffic Source***

- Definition: All visitor traffic that's source of initiation can't be specifically identified. Frequently the source of why the customer initiated an interaction can't be determined.
- How to measure: Add up traffic that can't be specifically identified as Direct or Indirect.

***Brand Mentions***

- Definition: The number of countable mentions (tweets, status updates, posts, comments, conversations, emails, etc) that occurred in a given time period.
- How to Measure: Tally of all observable mediums and add them together.

***Conversion Rate***

- Definition: The percentage of interactions that result in a completed sales transaction. In practice, this number is typically decomposed by channel, product, or other segmenting factor. For example, in a contact center, the call is considered converted if the caller places an ordered – include only sales calls, not service calls. A web page visit is considered converted if the visitor places the order.
- How to measure: Total the number of completed sales transactions and divide by the total number of interactions handled. In a contact center, this would be the total number of converted calls divided by the total number of sales calls – include only sales calls, not other calls such as service calls. On a web page, it is often measured with a custom configured 3<sup>rd</sup> party web analytics tool such as Google Analytics or Omniture.

***Rate of Adoption***

- Definition: This refers to the spread of an idea, technology or services in a given culture or population.
- How to measure: First define what adoption means to the organization, and then take the total number of adopted clients and divide by the total audience. Compare this number to itself over time for the “Rate” of Adoption.

***Average Order Value (AOV)***

- Definition: The mean value (in monetary terms) for purchases. Typically this number is reported both in aggregate but also by channel and by other segment. Frequently advanced organizations will calculate this on customer segment (e.g. income level, or geography)



- How to measure: Take the total sales revenue / total number of sales transactions for the target customer group in question over a given time period.

## **Operational KPIs**

### ***Marketing Campaign Effectiveness***

- Definition: Return on investment for a given campaign initiative. A campaign that is highly effective will create a great deal more revenue for the organization than it expends executing the campaign.
- How to Measure:  $(\text{Net Campaign Revenue} - \text{Marketing Investment}) / \text{Marketing Investment}$

### ***Pages per Visit***

- Definition: The average number of web pages which are viewed during a single visit to the website. More pages viewed frequently indicate higher engagement, which is a pre-cursor to a sale. However, caution must be taken to ensure that the site is well structured with easy to find information, or an increase in pages viewed could be a result of the visitor being unable to find the desired information
- How to measure: This is a standard measure in web analytics tools.

### ***Shopping Car Abandonment***

- Definition: The percentage of times that a potential shopper puts an item in a real or virtual shopping cart and then removes it or fails to complete a purchase.
- How to measure: This is typically measured through a custom configured 3<sup>rd</sup> party analytics tool.
- New vs. Returning Visitor %
- Definition: Refers to the mix between visitors who are new and visitors who previously visited and are now returning for another visit.
- How to measure: This is a standard measure in 3<sup>rd</sup> party analytics tool.

### ***Frequency of Visit***

- Definition: The amount of repeat visits that are completed by a single customer over a given time period.
- How to measure: This is a standard measure in any 3<sup>rd</sup> party analytics tool

### ***Items per Order***

- Definition: The average number of products or services that are added to a sales order.

- How to measure: The total number of unique items ordered divided by the total number of orders.

#### ***Up-Sell Cross-Sell Rate***

- Definition: The number of people that accept an alternative or augmented offer. Up-Sell refers to an offer that is more beneficial to the company. Examples of beneficial Up-Sells could be a more expensive item, a higher profit item, disposition of stale merchandise. Cross-Sell refers to a related item to the original desired item. For example expedited delivery, insurance or accessories. Effective Up-Sell or Cross-Sell practices may increase the number of Items per Order as well as the Average Order Value.
- How to measure: Take the number of people that accept an offer and divide by the total number of offers made (sales attempts).

#### ***Average Revenue per User (ARPU)***

- Definition: The average revenue that a company derives from a single customer or user over a given period of time.
- How to measure: Take the total amount of revenue generated and divide by the total number of unique users/customers.

## **#2 Retention**

### **Strategic KPIs**

#### ***Customer Churn Rate***

- Definition: The percentage of customers that do not remain loyal to the organization either by failing to make a repeat purchase or by canceling their service.
- How to measure: The total number of lost or canceled customers divided by the total number of active customers over a given time period.

#### ***Net Promoter Score (NPS)***

- Definition: The percentage of customers that would recommend an organization to their friends, family or colleagues.
- How to measure: Typically measured through customer survey. The single question is “How likely are you to recommend X to a friend or colleague?” and has an accompanying 0-10 scale. The Net Promoter Score is the percentage of Promoters (9-10) minus the percentage of Detractor (0-6).

***Customer Satisfaction (CSAT)***

- Definition: The mean satisfaction score of customers for a given experience.
- How to measure: Measured through a customer survey that asks customers to rate their satisfaction with X on a defined scale with adjectives that range from 'Not at all satisfied' to 'Very Satisfied'. Often CSAT is measured by interaction type (a product return, a password change, a simple question, etc) through an automatically generated post-interaction survey.

***Customer Effort Score (CES)***

- a) Definition: A score that determines the relative effort required by the customer to work through an interaction.
- b) How to measure: Measured on a defined scale through a post-interaction survey.

**Operational KPIs*****Emotion Scoring***

- Definition: A linguistic analysis of free text comments on social interactions. Use of a scoring algorithm which will codify individual comments on a scale of positive to negative. Scoring can be done on an individual interaction basis, aggregated to an individual level over the full life-cycle, or can be aggregated by segment or across the brand.
- How to measure: Use of a linguistic emotion scoring utility.

***Average Resolution Time***

- Definition: The time it takes to resolve a customer problem. Typically this number is segmented by contact driver (why someone is calling) or channel (phone, chat, email, etc).
- How to measure: The mean time, beginning when the customer first brings the issue to attention and ends when the issue is fully resolved.

***Uptime***

- Definition: The percentage of time that services are available (and should be available) to customers.
- How to measure: Amount of time that the service is available divided by the total time in that period.

***Channel Accessibility***

- Definition: For each channel (Web, Mobile, Email, Social, etc), the channel should be “Accessible” to persons with disabilities. This often involves configuring the channel to work with assistive technology such as a screen reader.
- How to measure: Each channel is audited against appropriate accessibility standards (WCAG 2.0, US Section 508, UK Disability and Discrimination Act, etc.)

#### ***Channel Costs***

- Definition: The cost of a customer interaction per channel of communication.
- How to measure: Total costs associated with a specific channel.

### **#3 Efficiency**

#### **Strategic KPIs**

##### ***Cost of Sales***

- Definition: All costs associated with selling products or services.
- How to measure: Sum of all sales costs. This often includes sales salaries, advertising, promotion, marketing, and related costs.

##### ***Marketing Costs***

- Definition: All costs associated with activities to promote brands, products and services.
- How to measure: Sum of all related marketing costs including advertising, staffing, etc.

##### ***Service Costs***

- Definition: All costs associated with supporting the customer’s use of the product or service. Some examples are: questions, defect support, returns, and recalls.
- How to measure: Add up ongoing costs that are required to do business. This includes product/service support and infrastructure, and depending on financial model it may also include non-recurring Research and Development costs.

##### ***Cost per Interaction / Activity***

- Definition: The business cost required to process or handle a given item. This might be a Call, Contact, Interaction, Order, Click, etc.
- How to measure: Total the amount of money invested in each activity types and divide by the number of associated activities that were completed. Typically repeated for each type of item that has strategic value for the organization.

***Self-Service Rate***

- Definition: Refers to the percentage of all customer interactions that are completed using Self-Service channels.
- How to measure: The number of customer interactions that were completed without agent assistance and divide by the total number of interactions handled by the organization across all assisted channels.

**Operational KPIs*****Cost of Acquisition (COA)***

- Definition: This is the cost required to gain a new customer.
- How to measure: The total amount invested in acquisition (advertising, marketing, sales bonuses, etc), and divide it by the total number of new customers.

***Cost of Retention per Customer***

- Definition: This is the cost required to keep an existing customer.
- How to measure: The total amount of money invested in loyalty programs, cancel/save programs (i.e. mitigating service cancelation, or marking down a product to make it more attractive for repeat customers) divided by the total number of customers who were offered these incentives.

***First Contact Resolution (FCR)***

- Definition: The number of customers whose question or request is resolved on the first attempt.
- How to measure: Generally measured by either a post-interaction survey which asks the customer if their issue has been resolved, or by a data intensive systems approach. The first approach is often both more accurate and easier to execute. This calculation can be difficult to be accurate, as a customer may reengage at a later time with the same or related issue.

***Average Handle Time (AHT)***

- Definition: The average time it takes to handle a Call, Chat, Email or other interaction. This includes both time spent directly with customer (i.e. Talk Time on the phone), as well time spent after the interaction to follow through or finish out the work (Wrap-Up Time).
- How to measure: Take the average amount of time it takes to handle a customer interaction, starting at when interaction first starts and ends when all work has been complete and the customer's issue is solved.

***Initial Training Time***

- Definition: Refers to the amount of time required to get a new employees or agent up to speed and to have them do productive work.
- How to measure: Count the total number of days or hours required for new employees. You may also want to include ongoing re-training hours for existing people.

***Content Effectiveness***

- Definition: The average number of self-service answers viewed per visitor.
- How to measure: Available as a standard report in many automated, or available as Pages per Visit through a 3<sup>rd</sup> party analytics tool.

***Escalation % to Assisted Channels***

- Definition: The percentages of visitors who start using self-service but have to escalate their issue to assisted service because they were unable to achieve success.
- How to measure: Available as a standard report in RightNow CX, or by tracking (1-conversion rate) with a 3<sup>rd</sup> party analytics tool.

## Conclusions

It is easy to feel overwhelmed by the number of different measurement points that are needed for a CX environment. While a comprehensive approach across all CX areas is best, depending on the situation it might make most sense to break the problem down into smaller pieces and approach only a single area first.

As mentioned earlier, you will need to think about the measures through the lens of your own organization's business model and will likely need to augment the measures with additional ones. The list presented in this guide serves as a starting point and covers only the most important measures.

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