Return On Experience Metric Drives Financial Institution Growth

performance business customers employees

Summary: Return on Experience (ROX) is a fairly new metric for financial institutions. Yet, one survey has found it to be a powerful metric. The study found that financial institutions that grew 10% or more had stronger ROX programs than those that didn't. We explore this new performance metric.

We use rocks every day. In fact, it is projected that each American will end up using greater than 3MM lbs. of rocks, minerals, and metals during their life. If you consider that these are used in granite countertops, stainless steel appliances, ceramics, glass products, matches, salt, etc., they do start to add up after a while.

Before you start adding up how many rocks and minerals you have been using, we bring your attention to another type of rock, Return on Experience (ROX). You may not have heard of ROX, as it is a relatively novel metric. Yet, financial institutions (FIs) that emphasize ROX have been growing faster than those that don't. One study found that community financial institutions (CFIs) are less active in ROX than larger banks. It may be time to use ROX to bolster your institution's performance.

What is ROX? How do you measure it?

According to PwC, which has been credited with coining the term, ROX is a "*holistic approach to understanding and increasing the value of your investments across customer experience, employee experience, and leadership experience.*" In order for ROX programs to be successful, they need to infiltrate institution-wide to leverage current business systems and connect business units. PwC further defines ROX to include these components: outcome, value drivers, behaviors, influencers, and pride. It typically is the responsibility of several leaders — CMO, CIO, CHRO, and CDO — or a combination of them. At one large bank, the executive in charge of customer experience now oversees employee experience too.

Here is an example from another industry, hospitality. PwC envisions a scenario in which a hotel chain discovers that the speed of checking in is very important to business travelers and their satisfaction will correlate with more frequent stays. So, the hotel wants to increase ROX by training hotel managers (the employee experience) and encouraging guests to use the chain's mobile app (the customer experience). This will allow them to track increases in these factors and hopefully lead to higher revenues from additional visits.

Similarly, an example closer to home might be that you want to increase the adoption of credit cards. The financial institution would increase ROX by training staff (enhancing the employee experience) to recommend certain cards (say those with the best cashback offerings) and ensure the application form is pre-populated. By enhancing these two features, the institution could see if it is on to higher conversion rates and lower marketing costs.

Why ROX?

FIs that have recently performed well tend to track and act on a broad range of customer and employee **ROX factors, including sales metrics, employee engagement, and company culture.** According to a recent survey by SLD, a brand design and marketing firm, FIs that measure and analyze ROX factors have found that it yields actionable insights. Those can be used to boost performance and improve financial metrics, such as Return on Investment (ROI), Return on Equity (ROE), and Return on Assets (ROA).

However, ROX has proven somewhat elusive to many CFIs, which tend to focus on the three financial metrics. It could be difficult and time-consuming for a CFI to add ROX metric tracking to its analysis regime. But, leaving ROX out of the analysis toolbox may prove costly.

According to SLD, surveyed FIs that grew 10% or more had stronger ROX programs than those that didn't. While increased growth is one reason for establishing these different types of measures, others included greater performance accuracy, better planning, tracking of a customer's long-term value, and greater profitability. The survey by SLD of bank executives and banking customers found that 62% of large financial institutions tracked some form of ROX, while only 42% of smaller ones did. Not only that, FIs whose businesses dropped 10% or more over the past 3Ys were also laggards in ROX, either not tracking ROX at all or tracking very little. CFIs were over-represented among banks experiencing business declines.

The challenge of ROX

ROX is still a relatively new metric, and as such has its proponents and skeptics. Among the latter group are those who fail to see the value in focusing so much on "soft" experiential data that is harder to collect and quantify, and more complex to analyze. FIs have enough data collection and analysis to worry about already without having to add another metric that appears less concrete, or so the reasoning goes.

Yet, with customer behavior driving financial decisions at FIs, ROX can help build a more complete picture of the institution's performance. Using some creative thinking to start using at least one or two ROX factors doesn't need to be too complicated. Further, including marketing, human resources, and IT in your planning and use of ROX metrics allows you to leverage specialized knowledge and provides a more comprehensive approach.

Choosing ROX factors wisely

For a CFI, deciding what ROX factors to track is important. Even for those FIs that already use ROX, much of the tracking is based around factors that can most easily be translated into profit generators. Those **factors tend to be management-centric**:

- Customer satisfaction
- Customer loyalty
- Employee satisfaction

But, if you ask **bank customers what is most important to them**, you get an entirely different set of criteria. The survey identified the **top four customer-centric factors**:

- Ease of doing business
- Great service
- Engaged and helpful staff
- Great advice

A broad ROX category like customer loyalty, which is management-centric, would miss the specific concerns of customers, many of whom want useful financial advice. So, it is important to consider both areas for a holistic approach.

Measuring and analyzing ROX factors are particularly important to those CFIs that experience slow growth or even find themselves shrinking. But don't expect ROX to replace ROI, ROE, or ROA. Rather, think of ROX as a new, fourth R-metric to add to the performance analysis and help give you more insight to grow and thrive.

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Rates As Of: 04/27/2022 12:55PM (GMT-0700)

Treasury	Yields	MTD Chg	YTD Chg
3M	0.83	0.31	0.77
6M	1.40	0.34	1.21
1Y	1.97	0.34	1.58
2Y	2.59	0.25	1.85
5Y	2.83	0.36	1.56
10Y	2.82	0.48	1.30
30Y	2.91	0.46	1.00

FF Market	FF Disc	IORB
0.33	0.50	0.40
SOFR	**Prime**	**OBFR**
0.27	3.50	0.32