

Financial Returns of Customer Experience Enhancement Initiatives: An Event Study of 35 Major Corporations

J. Christopher Westland

University of Illinois Chicago

westland@uic.edu

Abstract. This paper assesses the financial impact of customer experience (CX) enhancement initiatives implemented by large corporations in recent years. CX enhancement initiatives which address the customer's entire journey have become crucial for companies aiming to achieve competitive advantage. Despite its growing importance, the financial return on such initiatives remains underexplored in recent literature, with most return on CX investment studies predating the rise of digital platforms. The current study addresses this gap through event studies of 35 corporations, assessing the value creation from CX initiatives using extended event windows and incorporating macroeconomic and consumer sentiment predictors in the market model to enhance CX-specific effects. The findings suggest varied outcomes; some initiatives led to increased customer loyalty, higher customer lifetime value, and stronger brand equity, while others failed due to misalignment with customer expectations or ineffective execution. Through detailed studies of each company's CX initiative and outcome, this study identifies factors that contribute to success or failure, and provides actionable insights for managers on successful CX strategies, emphasizing the importance of aligning initiatives with customer needs and ensuring effective implementation to realize financial benefits.

Keywords: customer experience (CX) enhancement, event study, financial returns, customer loyalty, shareholder value

1. Introduction

Customer experience (CX) enhancement has emerged as a critical strategy for companies striving to differentiate themselves and achieve sustained competitive advantage (Lemon and Verhoef, 2016). CX enhancement refers to the strategic optimization of the customer journey to deliver valuable experiences that meet or exceed customer expectations, in turn increasing the value of the firm. (Verhoef et al., 2009) notes that CX enhancement is grounded in understanding customers' needs, preferences, and behaviors and tailoring interactions to provide value, satisfaction, and loyalty. As businesses navigate the complexities of a customer-centric world, enhancing the customer experience has become a linchpin for driving customer loyalty, fostering brand equity, and ultimately contributing to long-term corporate value (Homburg et al., 2017).

CX enhancement encompasses a broad array of activities designed to improve the way customers interact with a brand at every stage of their journey—from initial awareness to post-purchase support. (Lemon and Verhoef, 2016) emphasizes a holistic view of the customer journey that involves optimizing various touchpoints, including digital channels (websites, apps, social media), physical environments (stores, service centers), and human interactions (customer service representatives, sales personnel). (Rawson et al., 2013) define the goal as creating a seamless, personalized, and engaging experience that not only meets customers' functional needs but also resonates emotionally, fostering a deeper connection with the brand.

The financial return on CX enhancement initiatives can be difficult to assess, and there exists controversy over the value of such programs. Though there have been attempts to financially value customer satisfaction in prior research, most of this research is over a decade old, with the majority dating from the early 2000s before the widespread dominance of online platforms. The current research seeks to fill that gap through event studies of 35 large corporations that announced and implemented CX enhancement initiatives between 2019 and 2021.

The event studies presented in this paper, recognizing the extended roll-outs and complexities of implementing such CX enhancement initiatives, adopt specific innovations to assess the value-creation offered by each CX project. Estimation and event windows for the event study are long in comparison to traditional “earnings announcement” style event studies, and the market model includes macroeconomic and consumer sentiment predictors, following observations in (Fornell et al., 2006), to ensure that general economic factors do not obscure the financial impact of the CX enhancement initiative. The results of each of these event studies is analyzed and recommendations are provided for a successful CX enhancement initiative.

Section 2 presents prior research on the financial impact of CX enhancement, arguing that there has been very little formal study of the financial impact of the widespread adoption of CX enhancement initiatives in the past decade. The current research seeks to fill that gap with an event study of 35 large corporations that have announced and implemented CX enhancement initiatives between 2019 and 2021, presented in Section 3. The results of each of these event studies is analyzed and assessed in Section 4. Section 5 discusses success factors that can help managers navigate the implementation of CX enhancement initiatives and protect them against costly failures. Section 6 provides a summary of conclusions and discusses open questions that invite future research.

2. Prior Research

CX enhancement initiatives are built on five core principles: (1) customer-centric culture; (2) data-driven insights; (3) seamless omnichannel experience; (4) personalization; and (5) continuous improvement. Organizations that prioritize CX enhancement strive to embed a customer-centric mindset across all levels, one that permeates every department and function—from product development to marketing and sales—ensuring that decisions are made with the customer's perspective in mind. Ef-

ffective CX enhancement relies heavily on data and analytics, with companies leveraging customer data to gain insights into preferences, pain points, and behavior patterns. Advanced analytics, including AI and machine learning, help predict customer needs and enable personalized interactions. Successful implementations try to ensure that customers interact with brands across multiple channels and enjoy a consistent and cohesive experience across all touchpoints. Whether online, in-store, or via mobile, the experience feels unified and fluid. (Zeithaml et al., 1996) assert that by personalizing experiences to individual customers based on their past behavior and preferences, companies can deliver more relevant and meaningful interactions that enhance satisfaction and loyalty. CX enhancement is a process, and it requires systems for companies to collect feedback, measure performance against customer expectations, and make necessary adjustments to continuously improve the customer experience.

(Kumar and Shah, 2009) assert that CX enhancement offers significant financial opportunities for businesses. Superior customer experiences can lead to increased customer loyalty, higher customer lifetime value, stronger brand equity, and overall corporate growth. Prior research has identified the following six areas in which CX enhancement adds corporate value.

1. **Increased Customer Loyalty and Retention:** (Zeithaml et al., 1996) argue that customer loyalty is a critical driver of financial performance. Research consistently shows that retaining an existing customer is more cost-effective than acquiring a new one. According to (Rawson et al., 2013), increasing customer retention rates by 5% can lead to a profit increase of 25% to 95%. When customers have positive experiences with a brand, they are more likely to remain loyal, make repeat purchases, and recommend the brand to others. This loyalty reduces churn rates and stabilizes revenue streams.
2. **Higher Customer Lifetime Value (CLV):** (Gupta et al., 2006) and (Kahreh et al., 2014) developed a Customer Lifetime Value (CLV) metric that estimates the total revenue a business can expect from a single customer account over time. Enhanced customer experiences have a direct impact on CLV. When customers have satisfying interactions across their journey, they tend to spend more, make more frequent purchases, and engage in cross-selling or upselling opportunities. (Kriss, 2014) found that customers who have the best experiences spend 140% more than those who have the poorest experiences. Thus, companies that invest in CX enhancement can boost their CLV, leading to increased revenues and profitability.
3. **Stronger Brand Equity:** (Zeithaml et al., 1996) discuss the importance of brand equity—the value premium that a company generates from a product with a recognizable name compared to a generic equivalent. Over three decades ago (Aaker, 1992) argued that enhanced customer experiences contribute to stronger brand equity by building positive perceptions and emotional connections with the brand. (Davicik and Sharma, 2015) noted that when customers have consistently good experiences, they develop trust and affinity toward the brand, which can lead to higher willingness to pay, reduced sensitivity to price changes, and increased market share. (Rust et al., 2004) found that brands with strong equity can charge a premium of up to 20% more than their competitors.
4. **Improved Customer Acquisition and Lower Marketing Costs:** (McColl-Kennedy et al., 2019) argue that word-of-mouth and positive customer reviews are powerful tools for customer acquisition. (Livne et al., 2011) observed that happy customers are more likely to recommend a brand to friends and family, and in the age of social media, these recommendations can reach a broad audience. (Lianos and Sloev, 2016) suggest that enhanced customer experiences generate positive word-of-mouth, which can reduce the cost

of acquiring new customers. (Bart et al., 2005) cite a Nielsen statistic that 92% of consumers trust recommendations from friends and family over any other type of advertising, and companies that excel in CX enhancement can lower their marketing costs while driving organic growth.

5. **Operational Efficiencies and Cost Savings:** (Payne et al., 2008) argue that investing in CX enhancement can lead to greater operational efficiencies. (Peppers and Rogers, 2016) note that by focusing on optimizing customer journeys and reducing friction points, companies can streamline processes, reduce redundancies, and improve service delivery. This operational focus can result in cost savings, such as reduced customer service costs due to fewer complaints and returns, lower attrition rates among sales and service personnel, and decreased overhead associated with managing customer issues. (Kumar and Balaramachandran, 2018) and (Khatri, 2023) describe how advanced technologies like AI and automation can further drive efficiencies by reducing manual tasks and improving accuracy in service delivery.
6. **Increased Resilience and Adaptability:** (Sharma et al., 2020) argue that in a volatile market environment, companies with a strong focus on CX enhancement tend to be more resilient. (McColl-Kennedy et al., 2019) explain that such firms are better equipped to adapt to changing customer needs and market conditions. (Rapaccini et al., 2020), in the context of disruptions caused by COVID-19, argue that by continuously monitoring customer feedback and adjusting strategies accordingly, companies can swiftly respond to disruptions (such as economic downturns or shifts in consumer behavior). This adaptability not only helps maintain customer satisfaction during challenging times but also positions the company for faster recovery and growth when conditions improve.

(McColl-Kennedy et al., 2019) emphasize that the recent availability of enormous amounts of customer feedback information from product, service, and marketing platforms, as well as the wider availability of financial and macroeconomic statistics, offer new avenues for the monetization and evaluation of CX performance.

From an investor's perspective, companies that excel in CX enhancement are often seen as lower-risk, higher-reward investments (Gupta et al., 2006; Kahreh et al., 2014), where enhanced customer experiences contribute to more predictable revenue streams, stronger brand loyalty, and higher margins. They argue that companies with robust CX strategies are more likely to outperform their peers in customer satisfaction metrics, which are drivers of corporate value and investment.

(Fornell et al., 2006) and (Anderson et al., 2004) noted that firms listed on the American Customer Satisfaction Index (ACSI) or other satisfaction benchmarks often enjoy a valuation premium compared to their counterparts. This premium reflects the market's recognition of the long-term benefits of superior customer experience, such as customer loyalty, repeat business, and positive word-of-mouth. (Fornell et al., 2006) and (Anderson et al., 2004) found that firms with above-average ACSI scores have higher stock returns and lower volatility (note: the ACSI was developed by Claes Fornell). The financial value of customer satisfaction was an objective of several other studies, including (Ittner and Larcker, 1998), (Gruca and Rego, 2005), (Tuli et al., 2007), and (Aksoy et al., 2008). More recently, (Fornell et al., 2016) provided a detailed study using 15 years of audited returns, finding cumulative returns were 518% over the years studied (2000–2014), compared with a 31% increase for the S&P 500.

Most of the prior research in CX enhancement was conducted on data from at least a decade ago, and often two or three decades ago. But the widespread awareness of the importance of

customer experience, the availability of massive amounts of consumer satisfaction and review data, and the availability of data science and machine learning tools to analyze and build on this newly available data only dates from around 2015. Amazon was a major driver of this new awareness. Amazon's stock price surged from around \$300 at the beginning of 2015 to over \$1,500 by the end of 2018. This period saw AWS's rapid growth, international expansion, and Amazon's increasing market dominance in e-commerce. This phenomenon was international, with Alibaba's successful 2014 IPO spurring global awareness of the financial importance of the customer experience online and the data science that supported the enhancement and assessment of the experience.

Sadly, there have been few recent studies of the financial impact of the widespread adoption of CX enhancement initiatives since the emergence of the global customer platforms and their uniquely different customer experiences.

The current research seeks to fill the gap with an event study of 35 large corporations that had announced and implemented CX enhancement initiatives between 2019 and 2021. These event studies were tailored to the extended roll-outs and unique complexities of implementing modern CX enhancement initiatives, and adopted specific innovations to assess the value-creation offered by each of these CX enhancement implementations. Estimation and event windows for the event study are long in comparison to traditional "earnings announcement" style event studies, and the market model includes macroeconomic and consumer sentiment predictors (following observations in Fornell et al., 2006) to assure that general economic factors do not obscure the financial impact of the CX enhancement initiative. The results of each of these event studies is analyzed and recommendations are provided for a successful CX enhancement initiative.

3. Event Studies

Event studies have a long history. Dolley (1938) published a seminal event study on the price effects of stock splits. Subsequent authors (e.g., Myers, 1997; Barker, 1957; Barker, 1958; Ashley, 1962) improved event study methodologies by removing general stock market price movements and separating out confounding events. Ball and Brown (1995) and Fama (1996; 1998) introduced the methodology that is in use today. In the years since these pioneering event studies, a number of modifications have been developed to address complications arising from violations of the statistical assumptions used in the early work, with adjustments in design to accommodate more specific hypotheses (Kothari et al., 2006; Konchitchki and O'Leary, 2011; Ball and Brown, 2014).

Event studies appear in law and economics to measure the impact on firm value of changes in the regulatory environment (Schwert, 1983). In legal liability cases, event studies have been used to assess damages (Mitchell and Maloney, 1989; Brav and Heaton, 2015). In the majority of applications, the focus is on the effect of an event on the price of a particular class of securities of the firm, most often common equity.

MacKinlay (1997) observed that the initial tasks in conducting an event study are to define the event of interest and identify the period over which market prices of the firms involved in this event will be examined (the event window). The event window is typically set at around 10 days for traditional financial studies (such as earnings announcements). In practice, however, the period of interest may need to be significantly expanded, and periods prior to and after the event may also be of interest. After identifying the event, it is necessary to determine the selection criteria for inclusion of a given firm in the study, the length of the time series for analysis, and to consider any potential biases introduced through the sample selection.

Researchers have developed methodologies to improve the design and reliability of event studies over longer periods (Kothari et al., 2006; Warner as cited in Kothari et al., 2006). Appraisal of the event's impact requires a measure of abnormal return. The abnormal return is the actual ex post return of the asset over the event window minus the normal return of the asset over the event window. The normal return is defined as the expected return in the absence of the event. The simplest model for expected return is the constant mean return model, which assumes that the mean return of a given series of prices is constant through time.

3.1. Macroeconomic Factors used in This Study to Improve the Market Model for Long Event Windows

Event studies with long estimation and event windows need to consider factors beyond the simple Capital Asset Pricing Model (CAPM) of traditional short-window event studies. Although the S&P 500 Index used to compute "expected" returns is influenced by macroeconomic conditions, it also includes a large number of volatile, spurious influences that reflect day-to-day changes in investor sentiment. Incorporating macroeconomic indicators directly into the market model allows these longer-term influences on stock price to be isolated. This research considered a number of macroeconomic indicators and settled on four predictors that were most strongly correlated with the stock prices for the companies in this study: the Federal Reserve interest rate, the M2 money supply, the University of Michigan Consumer Sentiment Index, and the CBOE Volatility Index (VIX).

Federal Reserve Interest Rate: The Federal Reserve (the Fed) plays a critical role in the U.S. economy by setting monetary policy, primarily through its control of interest rates. These rates are a powerful tool, influencing economic activity, inflation, and employment levels. The Fed's most-watched interest rate is the federal funds rate, which is the rate at which depository institutions trade balances held at Federal Reserve Banks with each other overnight. The target for this rate is decided during Federal Open Market Committee (FOMC) meetings, held eight times a year. Interest rate data is used by a variety of stakeholders. Economists and analysts use this data to assess the state of the economy and forecast future trends. Investors and traders know that interest rate changes can affect the value of a wide range of investment products, influencing stock, bond, and currency markets. Business leaders make decisions about investments, hiring, and expansion influenced by the cost of borrowing, which is directly affected by interest rate levels. Consumers feel the effect of interest rates through mortgage rates, car loans, and other personal finance costs.

M2 Money Supply: M2, as defined by the U.S. Federal Reserve, includes all physical currency (notes and coins), demand deposits, checking accounts, and easily convertible near money. M2 data is significant as it provides insights into the supply of money within the economy, which is crucial for understanding liquidity levels, potential inflationary pressures, and overall economic health. The Federal Reserve tracks and publishes this data regularly, allowing economists, policymakers, and investors to gauge the economy's status and anticipate future monetary policy actions. The Federal Reserve releases M2 money supply data weekly, providing a consistent pulse on how money is flowing within the economy. Significant changes in M2 can indicate shifts in economic policy or conditions.

University of Michigan Consumer Sentiment Index (UMCSENT): This index is a measure of consumer confidence in the United States, based on monthly surveys conducted by the University of Michigan's Surveys of Consumers. It reflects consumers' attitudes toward their financial conditions and their views on economic prospects, influencing their spending and saving behaviors. The index is calculated monthly (not seasonally adjusted) and uses a baseline of 100 (based on sentiment levels in the first quarter of 1966). Changes in the index provide insights into consumer expectations regarding inflation, employment, and personal finances, which are critical for predicting future spending and economic activity. Data for the UMCSENT series is typically delayed by one month at the request of

the University of Michigan to allow for comprehensive data collection and processing. This index is particularly useful for economists, policymakers, and business leaders as it can signal shifts in consumer behavior that may affect economic policies and business strategies.

CBOE Volatility Index (VIX): The VIX is a widely used measure of the market's expectation of near-term volatility, derived from option prices on the S&P 500. Often referred to as the "fear gauge" of the market, it reflects investors' predictions of volatility or risk in the coming 30 days. The VIX is calculated using a broad range of S&P 500 index options (both puts and calls) and provides a forward-looking measure of volatility (unlike historical volatility measures). This makes the VIX a critical tool for investors and analysts, as it helps in understanding market sentiment and potential risk exposure. The index is reported daily. A higher VIX value indicates higher expected volatility (greater uncertainty or fear in the market), while a lower VIX suggests relative stability.

3.2. Abnormal Return Models

Event studies assess the change in firm value "caused" by the event being studied. Typically, these involve examining a class of events (such as the CX enhancement initiatives studied here) on particular companies, at a resolution defined by the length of the event window.

Because CX enhancement initiatives may take some time to percolate through the corporation and for customers to become aware of the changes, event studies in these contexts need to adopt long event windows. In the current study, we assume an event window of 1.5 years around the event date, which is considerably longer than what might be used in an earnings announcement-focused event study. The estimation window is also extended to three years.

Event studies assume that there is some "abnormal" return caused by each event, which of course requires a concept of "normal" return. In its most basic form, this normal return is calculated by the CAPM-based market model (Blume and Friend, 1973; Ross, 1978) with only a single predictor (typically the S&P 500 Index).

Because the current event study uses estimation and event windows that are quite long, we control for macroeconomic effects that are likely to influence returns. In the three-year estimation window and 1.5-year event windows used here, broad economic changes cannot be ignored. The previous section discussed the market model constructed for this analysis, using both the S&P 500 Index and four macroeconomic predictors. This market model is suitable for larger windows where CX enhancement initiatives are rolled out over six months to a year, and their effect on corporate value is not immediate.

For firm i and event date t , the abnormal return $AR_{i,t}$ is defined as the actual stock return minus the expected return from the market model regression of the firm's stock returns on the market index and macroeconomic predictors. Event study statistics are computed for the cumulative abnormal return (CAR) across the event window.

Event studies can adopt either the firm's value-creation perspective or the investors' "buy and hold" perspective. We have taken the value-creation perspective in this study. This highlights potentially successful (or unsuccessful) CX enhancement events that can be further explored by discussing the details of the CX enhancement, the markets, the potential value to the firm, and so forth.

The appropriate test for an event study depends on the behavior of the abnormal returns time series. In this study, all of the individual firm time series exhibit significant heteroskedasticity, as well as cross-sectional correlation. The cross-sectional correlation is expected in stock prices, since overall market sentiment at any time—as well as macroeconomic influences such as interest rates and money supply—will have a strong bearing on all stocks.

Where heteroskedasticity and cross-sectional correlation are high, the Patell z -statistic is the preferred test statistic. We test the null hypothesis that the class of CX enhancement events causes no change in firm value.

For this study, we constructed a CX enhancement initiative event dataset of 35 events (listed in Appendix A) by perusing company websites and news releases via Google and other news aggregators. We also constructed a stock price time-series dataset of 85,120 daily prices for the firms in Table 1 and Appendix A, with prices acquired through the Wharton Research Data Services platform. The price series ran from January 1, 1999 through June 30, 2024. Prices were not collected when there was no studied event within one year of the price data. Of the 35 events described in Appendix A, only 34 had sufficient stock market data for a complete event study (Uber's event was excluded due to the company only going public in 2019). CX enhancement event announcements provided only approximate information on implementation dates, and implementation or roll-out might take six months or more. Thus, the event dates listed in Appendix A can be considered accurate only to within about a year of full implementation.

For any individual event, the financial impact of the event may be conflated with other, unobserved factors. Although this may hamper inference from a single event study, a collection of event studies from different times and different companies will not all be influenced by the same confounding factors. Thus, we can reliably infer whether, in general, particular strategies and implementation conditions account for success or failure. These data-driven inferences then provide extensions and commentary to insights provided by other research.

4. Analysis of CX Successes and Failures

Appendices B, C, and D detail, respectively, the value-creating, value-destroying, and statistically insignificant CX enhancement initiatives in this study. Out of 34 firms, CX initiatives significantly improved corporate value in 11 of the studied firms, while they destroyed value in 19. The reasons for each outcome are discussed in the sections below, with commentary on what managerial strategies worked or did not.

4.1. Analysis of Successful CX Initiatives

The CX enhancement initiatives across the value-creating group of companies created value primarily through digital transformation, personalization, operational efficiency, multichannel engagement, investment in employees, and strategic partnerships. By aligning their strategies with evolving customer needs and leveraging technology and innovation, successful CX enhancements were able to enhance customer satisfaction, foster loyalty, and drive financial success. Notable successes were McDonald's "Accelerating the Arches" initiative (Patell- $z = +26.5$) and Ford's "FordPass" initiative (Patell- $z = +27.1$). Successful CX enhancement initiatives shared the following characteristics.

1. **Digital Transformation and Technology Integration:** Many companies in the dataset, such as Microsoft, Starbucks, and Best Buy, leveraged digital tools and technology to enhance customer experience. *For example:* Microsoft introduced Dynamics 365 Customer Insights, providing businesses with a comprehensive platform to understand customer behavior and preferences better. This initiative allowed companies to personalize customer interactions and improve service quality, thereby increasing customer satisfaction and loyalty. Starbucks expanded its digital capabilities through initiatives like Mobile Order & Pay and the Starbucks Rewards program, making it more convenient for customers to engage with the brand. The use of technology not only improved operational efficiency but also enhanced the overall customer experience by offering more personalized and convenient service options.
2. **Personalization and Customization:** Several companies focused on personalization and customization to meet evolving customer expectations. By offering tailored experiences, these companies were able to foster stronger customer relationships and loyalty. *For example:* McDonald's "Accelerating the Arches" strategy emphasized menu innovation and

personalized customer experiences. The use of digital kiosks and mobile app integration allowed for customized orders, catering to individual preferences and enhancing the overall dining experience. (Among all of the CX enhancement initiatives in this study, McDonald's "Accelerating the Arches" initiative (Patell- $z = +26.5$) was only surpassed by Ford's "FordPass" initiative (Patell- $z = +27.1$) in generating new firm wealth during the event window.) Best Buy utilized its digital capabilities to provide a seamless omni-channel shopping experience, allowing customers to shop online and pick up in-store or choose delivery options that best suited their needs. This flexibility and customization in service were key drivers of customer satisfaction.

3. **Operational Efficiency and Innovation:** Efficiency improvements and operational innovations were critical in reducing costs and improving customer service speed and quality. *For example:* Delta Air Lines invested heavily in technology and service improvements to enhance the passenger experience. This included upgrading in-flight entertainment systems and improving the efficiency of boarding processes, which led to higher customer satisfaction and repeat business. Starbucks introduced innovative technologies such as the Siren System to streamline beverage preparation and improve service speed, thereby enhancing in-store customer experience and operational productivity.
4. **Expansion of Customer Engagement Channels:** Companies expanded their customer engagement channels to meet customers where they are, providing more touchpoints for interaction and engagement. *For example:* Starbucks expanded its delivery options through partnerships with DoorDash, and Best Buy focused on creating an integrated omni-channel experience that allowed customers to engage with the brand through various channels—from online platforms to physical stores—ensuring a consistent and satisfying shopping journey.
5. **Investment in Employee Training and Culture:** Investment in employee training and fostering a customer-centric culture were also significant factors in the success of these initiatives. Companies that improved the employee experience saw better customer service outcomes. *For example:* Starbucks invested in its partner (employee) experience, recognizing the role that well-trained, motivated employees play in delivering superior customer service. By enhancing employee benefits and training programs, Starbucks ensured that its staff could provide a high level of service, which in turn led to improved customer satisfaction.
6. **Strategic Partnerships and Ecosystem Building:** Some companies successfully formed strategic partnerships that enhanced their value proposition. *For example:* Microsoft worked with various businesses to integrate Dynamics 365, allowing companies to leverage Microsoft's expertise in data and AI to better understand and serve their customers. This collaboration enhanced the overall customer experience and created value through improved business performance and customer satisfaction.

4.2. Analysis of CX Initiative Failures

The destruction of value in these CX enhancement initiatives was primarily due to a lack of alignment between the strategies and customer expectations, over-reliance on technology without addressing core customer needs, ineffective execution, and a failure to adapt to changing market conditions. In failed cases, companies did not ensure that their CX strategies were well-researched, customer-focused, effectively implemented, and flexible enough to adapt to market changes. Companies that stood out for value destruction during their CX initiative event windows include: Intel's customer support initiative (Patell- $z = -26.4$), Target's "digital integration" initiative (Patell- $z = -30.3$), Home Depot's "One Home Depot" initiative (Patell- $z = -22.6$), and CVS Health's expanded digital health

services and data-driven personalization initiatives (Patell-z = -28.3). CX enhancement initiatives that destroyed corporate value shared the following characteristics.

- 1. Misalignment Between CX Strategies and Customer Expectations:** Several companies failed to align their CX initiatives with actual customer needs and preferences. This misalignment led to poor reception of the new initiatives, resulting in decreased customer satisfaction and, ultimately, a negative impact on financial performance. *For example:* Amazon focused heavily on customer-centric strategies but encountered issues with product and service innovations that were not aligned with market needs. Certain innovations were perceived as not user-friendly or not addressing core customer pain points, leading to decreased customer engagement and satisfaction (as noted by industry reports; see Mindful, 2019; Okoone, 2024). Disney invested in digital transformation to enhance CX; however, the execution of these digital enhancements did not meet customer expectations for simplicity and seamless integration. The result was customer frustration with new digital tools, which negatively impacted customer experience and loyalty (Muscutt, 2024).
- 2. Overemphasis on Technology Without Addressing Fundamental Needs:** While technology can enhance CX, over-reliance on digital solutions without considering the fundamental needs of customers can lead to value destruction. *For example:* Walmart implemented a strategy that integrated digital and physical retailing, but the initiative faced challenges in execution. The digital tools and processes implemented were not user-friendly, leading to customer dissatisfaction and a decrease in store traffic and sales. The lack of a smooth integration between online and offline channels created a disjointed customer experience (Mindful, 2019). Salesforce introduced the Customer 360 initiative to provide a unified view of the customer. However, the complexity of the platform and difficulties in implementation resulted in many businesses struggling to leverage the tool effectively. This overcomplication led to wasted resources and a failure to deliver the expected improvements in customer satisfaction (Mindful, 2019).
- 3. Lack of Effective Execution and Implementation:** Even well-intentioned CX strategies can fail if not effectively executed. Several companies faced challenges in implementing their initiatives, which led to a decline in value. *For example:* Target expanded its same-day delivery and other digital capabilities, but operational challenges (such as delivery delays and logistical issues) created a poor customer experience. Customers who experienced delays or incorrect orders were less likely to use the service again, leading to lost revenue and negative word-of-mouth (Mindful, 2019). Salesforce's Customer 360 initiative, while conceptually strong, was not effectively integrated into existing workflows for many businesses, causing confusion and operational inefficiencies. The result was a perceived over-investment in a tool that did not yield the expected returns on investment (Mindful, 2019).
- 4. Failure to Adapt to Market and Customer Behavior Changes:** Companies that failed to anticipate or adapt to rapidly changing market conditions and customer behaviors found their CX initiatives underperforming. *For example:* Disney's digital transformation initiatives did not account for varying levels of customer digital literacy and preferences for traditional experiences. This oversight led to a gap between what the company offered and what customers felt comfortable using, resulting in decreased engagement (Muscutt, 2024). Amazon's customer-centric initiatives sometimes over-prioritized innovation without adequate market research, leading to products and services that did not resonate well with the target market. The failure to quickly adapt these offerings to align with customer expectations led to declines in customer satisfaction and loyalty (Inflexion, 2019; Okoone, 2024).

5. Conclusions and Discussion

This research examined the potential role that customer experience (CX) enhancement can play in improving financial performance and sustaining competitive advantage. The study's findings, derived from event studies of 35 large corporations that implemented CX initiatives between 2019 and 2021, underscore the complexities and potential rewards of investing in customer-centric strategies. The key conclusions from this research provide actionable insights for managers aiming to enhance their CX strategies and realize financial benefits from them. The main research findings are summarized here.

Positive Impact of CX Initiatives: The study found that well-executed CX initiatives can lead to substantial financial rewards. Companies like Starbucks, Microsoft, and McDonald's—which effectively leveraged digital transformation, personalization, and operational efficiencies—saw improved customer satisfaction, loyalty, and ultimately financial performance. For example, Starbucks' digital enhancements and loyalty program expansions drove higher engagement and customer satisfaction, directly translating into increased sales and profitability.

Challenges in Execution: The research also highlighted that not all CX initiatives yield positive financial outcomes. Several companies, such as Amazon and Disney, encountered significant challenges in aligning their strategies with customer expectations or in the execution of their digital transformations. These challenges often resulted in negative financial impacts, emphasizing that misaligned or poorly executed CX strategies can lead to decreases in customer satisfaction and loyalty, ultimately harming financial performance.

Importance of Strategic Alignment: One of the critical insights from the study is the importance of aligning CX initiatives with customer needs and preferences. Misalignment was a common pitfall that led to the failure of several initiatives. For instance, Amazon's focus on technological innovation sometimes overlooked the core needs of its customers, resulting in products that were not user-friendly or failed to address key customer pain points.

Role of Technology: While technology is a powerful enabler of enhanced customer experiences, the study found that an over-reliance on technology without addressing fundamental customer needs can be detrimental. Companies like Walmart and Salesforce faced challenges when their technology-centric initiatives did not integrate well with their customers' actual needs or expectations, leading to customer dissatisfaction and reduced engagement.

Need for Continuous Adaptation: The dynamic nature of customer preferences necessitates continuous adaptation and improvement of CX strategies. The study showed that companies that failed to adapt to changing market conditions or customer behaviors—such as Disney and Amazon—experienced declines in customer satisfaction and financial performance.

Based on these research findings, actionable insights in seven areas can be drawn for managers seeking to implement successful CX strategies. Each of these seven areas demands managerial acumen and strategic focus for successful initiatives:

1. Deep Understanding of Customer Needs: Managers should invest in understanding their customers' needs, preferences, and pain points through data-driven insights. Leveraging advanced analytics and machine learning can help predict customer needs and personalize interactions. A customer-centric approach, where every strategic decision is made with the customer's perspective in mind, is crucial for the success of CX initiatives.

2. Alignment of CX Strategies with Customer Expectations: It is vital for managers to ensure that their CX initiatives are closely aligned with customer expectations. This involves regular feedback loops and customer engagement to refine and adjust strategies as needed. For example, tailoring

digital transformation efforts to enhance customer convenience—as demonstrated by Starbucks' Mobile Order & Pay and McDonald's digital kiosks—can drive higher engagement and satisfaction.

3. Balanced Use of Technology: While technology is essential in modernizing customer experiences, it should not overshadow the importance of human touch and an understanding of fundamental customer needs. Managers should strive for a balanced approach that integrates technology with personalized, human-centered service delivery. Companies like Microsoft successfully combined technology with customer insights to create tailored solutions that enhanced satisfaction and loyalty.

4. Effective Execution and Implementation: Even the best-conceived CX strategies can fail without effective execution. Managers need to ensure that all aspects of the implementation process are meticulously planned and executed, from training employees to integrating new technologies seamlessly. Investment in employee training and fostering a customer-centric culture—as seen with Starbucks—can significantly enhance the quality of customer service and overall experience.

5. Continuous Monitoring and Adaptation: Managers must recognize that CX enhancement is an ongoing process requiring continuous monitoring, evaluation, and adaptation. The ability to pivot quickly and adjust strategies in response to customer feedback and market changes is crucial for maintaining customer satisfaction and loyalty. Companies like Best Buy, which maintained flexibility in their CX strategy by offering multiple customer engagement channels, succeeded in driving consistent and satisfying customer experiences.

6. Risk Management and Contingency Planning: Given the potential risks associated with CX initiatives (such as technological failures or misalignment with customer needs), managers should develop robust risk management frameworks. Contingency plans should be in place to address potential setbacks swiftly, minimizing negative impacts on customer experience and financial performance.

7. Strategic Partnerships and Ecosystem Building: Forming strategic partnerships can enhance a company's CX strategy by leveraging external expertise and technologies. Companies like Microsoft, which collaborated with businesses to integrate Dynamics 365, successfully enhanced their customer value propositions. Managers should consider building ecosystems that support their CX goals and provide additional value to customers.

In conclusion, this research asserts that CX enhancement can be an important contributor to financial success, but it requires a strategic, customer-centered approach and careful execution. Managers need to focus on aligning CX strategies with customer needs and using technology judiciously, while maintaining flexibility to adapt to changing market conditions. By doing so, companies can enhance customer satisfaction, foster loyalty, and achieve profitable growth and increased market value. The findings provide a roadmap for managers to navigate the complexities of CX enhancement and harness its full potential to drive long-term corporate value.

References

- Aaker DA (1992) The value of brand equity. *Journal of Business Strategy* 13(4). MCB UP Ltd: 27–32.
- Aksoy L, Cooil B, Groening C, *et al.* (2008) The long-term stock market valuation of customer satisfaction. *Journal of Marketing* 72(4). American Marketing Association: 105–122.

- Anderson EW, Fornell C and Mazvancheryl SK (2004) Customer satisfaction and shareholder value. *Journal of Marketing* 68(4). American Marketing Association: 172–185.
- Armitage S (1995) Event study methods and evidence on their performance. *Journal of Economic Surveys* 9(1). Wiley: 25–52.
- Ashley JW (1962) Stock prices and changes in earnings and dividends: Some empirical results. *Journal of Political Economy* 70(1). University of Chicago Press: 82–85.
- Ball R and Brown PR (2014) Ball and Brown (1968): A retrospective. *Accounting Review* 89(1). American Accounting Association: 1–26.
- Barker CA (1957) Securities market levels today and the outlook for 1957. *Financial Analysts Journal* 13(1). Taylor & Francis: 45–49.
- Barker CA (1958) Are accounting requirements for stock dividends obsolete? *Financial Analysts Journal* 14(5). Taylor & Francis: 69–72.
- Bart Y, Shankar V, Sultan F, *et al.* (2005) Are the drivers and role of online trust the same for all web sites and consumers? A large-scale exploratory empirical study. *Journal of Marketing* 69(4). SAGE Publications: 133–152.
- Blume ME and Friend I (1973) A new look at the capital asset pricing model. *Journal of Finance* 28(1). JSTOR: 19–33.
- Brav A and Heaton JB (2015) Event studies in securities litigation: Low power, confounding effects, and bias. *Washington University Law Review* 93: 583.
- Davcik NS and Sharma P (2015) Impact of product differentiation, marketing investments and brand equity on pricing strategies: A brand level investigation. *European Journal of Marketing* 49(5/6). Emerald: 760–781.
- Dolley JC (1938) The effect of government regulation on the stock-trading volume of the New York Stock Exchange. *American Economic Review* 28(1). JSTOR: 8–26.
- Fama EF (1996) Multifactor portfolio efficiency and multifactor asset pricing. *Journal of Financial and Quantitative Analysis* 31(4). Cambridge University Press: 441–465.
- Fama EF (1998) Market efficiency, long-term returns, and behavioral finance. *Journal of Financial Economics* 49(3). Elsevier: 283–306.
- Fornell C, Mithas S, Morgeson III FV, *et al.* (2006) Customer satisfaction and stock prices: High returns, low risk. *Journal of Marketing* 70(1). American Marketing Association: 3–14.
- Fornell C, Morgeson III FV and Hult GTM (2016) Stock returns on customer satisfaction do beat the market: Gauging the effect of a marketing intangible. *Journal of Marketing* 80(5). American Marketing Association: 92–107.
- Gruca TS and Rego LL (2005) Customer satisfaction, cash flow, and shareholder value. *Journal of Marketing* 69(3). American Marketing Association: 115–130.
- Gupta S, Hanssens D, Hardie B, *et al.* (2006) Modeling customer lifetime value. *Journal of Service Research* 9(2). Sage: 139–155.
- Homburg C, Jozić D and Kuehnl C (2017) Customer experience management: Toward implementing an evolving marketing concept. *Journal of the Academy of Marketing Science* 45(3). Springer: 377–401.

Inflexion (2019) Amazon's culture of innovation and customer-centric focus. *Inflexion Exchange*. Available at: <https://www.inflexion.com/news-insights-events/inflexion-exchange/2019/amazon-s-culture-of-innovation-and-customer-centric-focus/>.

Ittner CD and Larcker DF (1998) Are nonfinancial measures leading indicators of financial performance? An analysis of customer satisfaction. *Journal of Accounting Research* 36(Supplement). Wiley: 1–35.

Kahreh MS, Tive M, Babania A, et al. (2014) Analyzing the applications of customer lifetime value (CLV) based on benefit segmentation for the banking sector. *Procedia – Social and Behavioral Sciences* 109. Elsevier: 590–594.

Khatri MR (2023) Integration of natural language processing, self-service platforms, predictive maintenance, and prescriptive analytics for cost reduction, personalization, and real-time insights in customer service and operational efficiency. *International Journal of Information and Cybersecurity* 7(9): 1–30.

Konchitchki Y and O'Leary DE (2011) Event study methodologies in information systems research. *International Journal of Accounting Information Systems* 12(2). Elsevier: 99–115.

Kothari S, Lewellen J and Warner JB (2006) Stock returns, aggregate earnings surprises, and behavioral finance. *Journal of Financial Economics* 79(3). Elsevier: 537–568.

Kriss P (2014) The value of customer experience, quantified. *Harvard Business Review* 92(7/8). Harvard Business School Publishing: 1–5.

Kumar KN and Balaramachandran PR (2018) Robotic process automation – a study of the impact on customer experience in the retail banking industry. *Journal of Internet Banking and Commerce* 23(3). Array Development: 1–27.

Kumar V and Shah D (2009) Expanding the role of marketing: From customer equity to market capitalization. *Management Science* 55(10). INFORMS: 1580–1595.

Lemon KN and Verhoef PC (2016) Understanding customer experience throughout the customer journey. *Journal of Marketing* 80(6). American Marketing Association: 69–96.

Lianos G and Sloev I (2016) Customer acquisition and customer retention in a competitive industry. In: *Proceedings of the 2015 Academy of Marketing Science World Marketing Congress*. Springer: 541–552.

Livne G, Simpson A and Talmor E (2011) Do customer acquisition cost, retention, and usage matter to firm performance and valuation? *Journal of Business Finance & Accounting* 38(3–4). Wiley: 334–363.

MacKinlay AC (1997) Event studies in economics and finance. *Journal of Economic Literature* 35(1). JSTOR: 13–39.

McColl-Kennedy JR, Gustafsson A, Jaakkola E, et al. (2019) Customer experience management in the age of big data analytics. *Journal of Service Management* 30(1). Emerald: 56–79.

Mindful (2019) Why brands are still struggling with CX in 2019. *Mindful Blog*. Available at: <https://getmindful.com/blog/why-brands-are-still-struggling-with-cx-in-2019/>.

Mitchell ML and Maloney MT (1989) Crisis in the cockpit? The role of market forces in promoting air travel safety. *Journal of Law and Economics* 32(2, Part 1). University of Chicago Press: 329–355.

Muscutt C (2024) Why customer-centricity may be killing your CX strategy. *Women in CX Community Blog*. Available at: <https://womenincx.community/articles-and-blogs/why-customer-centricity-may-be-killing-your-cx-strategy-by-clare-muscutt>.

Myers DJ (1997) Racial rioting in the 1960s: An event history analysis of local conditions. *American Sociological Review* 62(1). JSTOR: 94–112.

Okoone (2024) Amazon's push for customer-centricity – what brands can learn. *Okoone Spark Blog*. Available at: <https://www.okoone.com/spark/marketing-growth/amazons-push-for-customer-centricity-what-brands-can-learn/>.

Payne AF, Storbacka K and Frow P (2008) Managing the co-creation of value. *Journal of the Academy of Marketing Science* 36(1). Springer: 83–96.

Peppers D and Rogers M (2016) *Managing Customer Experience and Relationships: A Strategic Framework*. John Wiley & Sons.

Rapaccini M, Saccani N, Kowalkowski C, et al. (2020) Navigating disruptive crises through service-led growth: The impact of COVID-19 on Italian manufacturing firms. *Industrial Marketing Management* 88. Elsevier: 225–237.

Rawson A, Duncan E and Jones C (2013) The truth about customer experience. *Harvard Business Review* 91(9). Harvard Business School Publishing: 90–98.

Ross SA (1978) The current status of the capital asset pricing model (CAPM). *Journal of Finance* 33(3). JSTOR: 885–901.

Rust RT, Lemon KN and Zeithaml VA (2004) Return on marketing: Using customer equity to focus marketing strategy. *Journal of Marketing* 68(1). American Marketing Association: 109–127.

Schwert GW (1983) Size and stock returns, and other empirical regularities. *Journal of Financial Economics* 12(1). North-Holland: 3–12.

Sharma A, Rangarajan D and Paesbrugge B (2020) Increasing resilience by creating an adaptive salesforce. *Industrial Marketing Management* 88. Elsevier: 238–246.

Tuli KR, Kohli AK and Bharadwaj SG (2007) Rethinking customer solutions: From product bundles to relational processes. *Journal of Marketing* 71(3). American Marketing Association: 1–17.

Verhoef PC, Lemon KN, Parasuraman A, et al. (2009) Customer experience creation: Determinants, dynamics, and management strategies. *Journal of Retailing* 85(1). Elsevier: 31–41.

Zeithaml VA, Berry LL and Parasuraman A (1996) The behavioral consequences of service quality. *Journal of Marketing* 60(2). American Marketing Association: 31–46.

Appendices

Appendix A: CX Enhancements

CX Enhancements that Created Value for the Firm

Company	Event Date	CX Description
Amazon.com, Inc.	2019-01	Amazon focuses on customer-centric strategies, enhancing customer experience through Prime benefits, AI-driven customer service, and logistics improvements for faster delivery. Amazon also emphasizes customer feedback to continuously innovate its offerings.
Walt Disney Company	2021-01	Disney enhanced CX through digital transformation initiatives, including Disney+ streaming, Genie+ at parks for personalized guest experiences, and integrating technology to streamline park visits and improve customer engagement.
Starbucks Corporation	2020-01	Starbucks launched the “Reinvention Plan,” focusing on digital customer experiences with expanded mobile ordering, improved loyalty program features, and personalized digital engagement through their app.
Delta Air Lines, Inc.	2021-01	Delta enhanced CX by investing in technology such as facial recognition for boarding, expanded in-flight Wi-Fi, and personalized customer interactions via digital platforms.
Walmart Inc.	2020-01	Walmart’s strategy integrates digital and physical shopping with a revamped app, contactless payments, curbside pickup, delivery services, and improved in-store technology to enhance the customer experience.

Appendix B: CX Enhancements that Created Value for the Firm

Company	CX Description	Patell-z	p-value
Starbucks Corporation	Starbucks launched the “Reinvention Plan,” focusing on digital customer experiences with expanded mobile ordering, improved loyalty program features, and personalized digital engagement through their app.	11.4588	0.000
Delta Air Lines, Inc.	Delta enhanced CX by investing in technology such as facial recognition for boarding, expanded in-flight Wi-Fi, and personalized customer interactions via	5.1284	0.000

Company	CX Description	Patell-z	p-value
	digital platforms.		
Microsoft Corporation	Microsoft introduced Dynamics 365 Customer Insights, a platform aimed at improving customer experience by unifying customer data and enabling personalized customer interactions.	3.2905	0.001
McDonald’s Corporation	McDonald’s “Accelerating the Arches” strategy improves CX with digital innovations, expanded delivery, digital ordering kiosks, and personalized marketing efforts.	26.5077	0.000
Ford Motor Company	Ford launched its “FordPass” initiative, providing a mobile app for vehicle management, customer support, and personalized services.	27.0702	0.000

Appendix C: CX Enhancements that Destroyed Firm Value

Company	CX Description	Patell-z	p-value
Amazon.com, Inc.	Amazon focuses on customer-centric strategies, enhancing customer experience through Prime benefits, AI-driven customer service, and logistics improvements for faster delivery. Amazon also emphasizes customer feedback to continuously innovate its offerings.	-11.0287	0.0000
Walt Disney Company	Disney enhanced CX through digital transformation initiatives, including Disney+ streaming, Genie+ at parks for personalized guest experiences, and integrating technology to streamline park visits and improve customer engagement.	-4.5825	0.0000
Walmart Inc.	Walmart’s strategy integrates digital and physical shopping with a revamped app, contactless payments, curbside pickup, delivery services, and improved in-store technology to enhance the customer experience.	-24.6220	0.0000
Target Corporation	Target enhanced CX through expanded same-day delivery services, improved online and in-store experiences, and new contactless payment options, focusing on digital integration.	-30.3307	0.0000
Home Depot, Inc.	Home Depot’s “One Home Depot”	-22.6295	0.0000

Company	CX Description	Patell-z	p-value
	strategy focuses on enhancing CX by integrating online and in-store services, expanding delivery options, and investing in technology for smoother customer interactions.		

Appendix D: CX Enhancements that had No Significant Effect on Firm Value

Company	CX Description	Patell-z	p-value
Adobe Inc.	Adobe announced the Adobe Experience Platform to help businesses manage customer experiences across channels, providing a comprehensive customer view for personalized interactions.	-1.0518	0.2929
Apple Inc.	Apple expanded CX efforts with Apple One subscription services, new customer support tools, and enhanced in-store experiences to offer more personalized services and engagement.	0.2700	0.7871
American Express Company	American Express focused on enhancing CX by leveraging data for personalized services, expanding digital capabilities, and improving customer engagement through loyalty programs.	0.4909	0.6235
IBM Corporation	IBM enhanced CX by integrating AI-driven customer service tools, expanding digital transformation services, and offering personalized customer solutions.	1.2268	0.2199