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REPORTS

Leveraging Business Value: How ROI Changes User Experience

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Executive Summary

Many in our field have long believed that a good user experience delivers business value. We have often seen how aligning product specifications with business objectives and user needs delivers a real competitive advantage, but — outside of retail e-commerce — we have rarely seen that value being measured and managed. Based on these beliefs and observations, we began a research project in May 2003 to answer the specific questions "How do companies currently use valuation methods, like return on investment (ROI), to measure the value of user experience?" and "What are the benefits of doing so?"

We began with an expectation commonly held in the design field, that "measuring the ROI of user experience" would entail applying a general equation, and we expected that our research would reveal the elusive formula. We assumed that armed with this silver bullet, Web development teams would be able to prove their value and thereby garner more credibility and resources within their companies. Even more naively, some of our colleagues encouraged us to seek an answer to the question "What is the ROI of user experience," hoping for a specific value, like 500 percent or $234.

While our research showed that valuation methods can help managers justify resource increases, it's impossible to measure ROI for user experience with a simple equation that can be applied across a wide swath of companies and projects. Nor is there a specific number that represents the general value of user experience.

"Valuing" user experience makes it a credible business lever on par with marketing, R&D, and channel strategy.

Although there is no silver bullet, what we found was much more interesting. The impact of ROI extends well beyond its obvious benefits in making resource-allocation decisions. Our research revealed that using ROI and other valuation methods helps to evolve design competency within organizations. The valuation methods provide tools for developing and measuring a design strategy as a component of a larger business strategy: The ability to "value" user experience design makes it a visible and credible business lever on par with marketing, research and development, and channel strategy. As a result, applying ROI-measuring techniques to user experience investment decisions has a positive impact on how Web teams are structured and perceived within an organization.

This explains many of the anecdotal problems that we have encountered at several conference sessions and panel discussions. We have seen successful Web strategies languish for reasons that were difficult to pinpoint. In almost every case, those firms made no attempt to forecast the future value of user experience design. It was viewed as an expense to minimize rather than an investment that ought to deliver a return. As a result, user experience design was "undervalued," and successful implementation was doomed by a lack of commitment and support. The five cases featured in this research study show how companies that take even rudimentary steps toward measuring the long-term value of user experience avoid such political pitfalls. They also tend to have Web development processes and organizational structures that better optimize the value of design.

By analyzing data from the user experience projects of five subject firms and examining the explicit and implicit methodology used to value those projects, we have learned how and why firms measure the value of user experience. In this report, we present conceptual frameworks for connecting user behavior to business value and for understanding how to calculate the value of user experience on a project-by-project basis. We believe that design and business managers will find these constructs helpful in focusing their Web metrics and financial analytics to tease out the true value of user experience design.

To address the longer-term structural implications of valuing design, we have also built a theoretical model to describe the developmental stages that firms go through as they become more adept at measuring ROI. Finally, we present a diagnostic tool to help teams understand the valuation elements of their own design process. We hope that these tools help design and business managers structure their internal discussions to better optimize design investments.

We began this exploratory research not knowing what we would find, and discovered that ROI is a shift in organizational culture as much as it is a mathematical calculation. The field of user experience is at a turning point — firms that are better able to capture the value of user experience will be the ones that invest in the most ground-breaking projects and minimize waste on short-term fixes and abandoned projects. This will require a long-term commitment to valuing user experience design as a strategically important investment.

We have three hopes for this report: First, that it will provide a context and language to start the design community down the right path for understanding ROI and why it is important. Second, that the business and finance community will begin to expect and help design teams to develop solid business cases for their projects. Finally, that this report provides a solid foundation for future research in both the academic and business communities.

General Characteristics of Firms That Measure Design Value

Evangelism Design teams and business units share the success of design projects and communicate their value throughout the firm.

C-level awareness Senior management can articulate the value of the Web as a competitive advantage and has established an accountability structure to deliver on its promise.

Transparent project selection process A structured process is consistently used to collect, screen, and choose the best project ideas. Everyone understands the process, knows how to go about submitting a project for consideration, and the criteria by which the go/no-go decision will be made.

Design team independence Organizational structure and transparency of process gives designers "a seat at the table" as an expert peer of business unit managers, marketing managers, project sponsors, engineers, and other stakeholders. Independence grows in parallel with accountability for measurable results.

Smart investments Firms that measure design value don't necessarily invest more money; they invest in more-valuable projects. Because design and business teams are involved in the project scoping and selection process, fewer "bad" projects fall on their plate. Waste is reduced because projects stall less often.

Read the Entire Report!

The complete report includes:
- Over **60 pages** of in-depth analysis
- 2 **models for understanding** the value of user experience
- 5 **real-world case studies** on web valuation
- **New thinking** on the integration of design and business

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About the Authors

Scott Hirsch is a business strategist at Adaptive Path and MBA graduate of the Haas School of Business. He has recently worked on valuation and organizational strategy projects for Hitachi Data Systems and Dow Corning.

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About Adaptive Path

Adaptive Path advises organizations on user experience strategies to realize the maximum value from their product design and development investments. The company's principals are recognized around the world as industry leaders. Adaptive Path also shares its experience and expertise through publications, public workshops, and private corporate training.

Headquartered in San Francisco, Adaptive Path has worked with a range of clients, including Sony, PBS, Yamaha, Technorati, Google, PeopleSoft, and Genentech.

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