

NUCLEUS
RESEARCH

ROI: 369%

Payback: 0.9 Years

ZENDESK

LUSH

ANALYST

Cameron Marsh

THE BOTTOM LINE

Lush realized a 369 percent ROI upon its implementation of Zendesk, recovering its initial investment in the software in less than one year. The cosmetics provider previously used a combination of social channels, phone, and email to engage with customers, which prevented metric tracking and limited the organization's ability to identify pressing customer issues. This led the organization to search for a solution to modernize its external customer communication channels and to monitor and analyze customer inquiries. Upon the deployment of Zendesk, Lush was able to improve service agent productivity by 17 percent, and manager productivity by 30 percent. These productivity improvements have translated to over £350,000 (\$434,000) in annual cost savings from avoided headcount.

THE COMPANY

Lush is a cosmetics retailer headquartered in the United Kingdom known for their handmade and natural products. Founded in 1995, the organization is comprised of approximately 12,000 employees and has over 900 locations globally.

THE CHALLENGE

Prior to the implementation, Lush was utilizing a combination of social media and traditional telephony and email solutions to manage inbound customer inquiries. Without a centralized location to engage with customers, monitoring and analyzing customer feedback wasn't possible, and management didn't have access to key insights to ensure consistent and optimal customer experiences. As a result, report generation was manual and labor-intensive, and data accuracy suffered due to incomplete sources. Limited reporting and analytics also lead to suboptimal customer insight, making it difficult for managers to identify opportunities for improvement. After experiencing these inefficiencies for an extended period, Lush recognized that it needed a solution that would enable employees in remote positions to collaborate and provide consistent customer experiences.

Cost : Benefit Ratio | 1 : 1.8

THE STRATEGY

After determining that it needed a solution to help manage customer service inquiries, Lush selected Zendesk based on the project manager's previous favorable experience with the platform and the relationship created with Zendesk representatives. The organization required a solution that would enable it to consolidate customer data gathered across multiple channels so that customer care teams could act as a liaison between customers and the organization's business leaders. The organization deployed Zendesk with a phased approach in order to accelerate the implementation process and build a foundation before incrementally extending the functionality. This approach also enabled the organization to phase out legacy solutions over time, creating a more seamless transition to eventually operating entirely on the Zendesk platform.

TYPES OF BENEFITS

Direct 0%



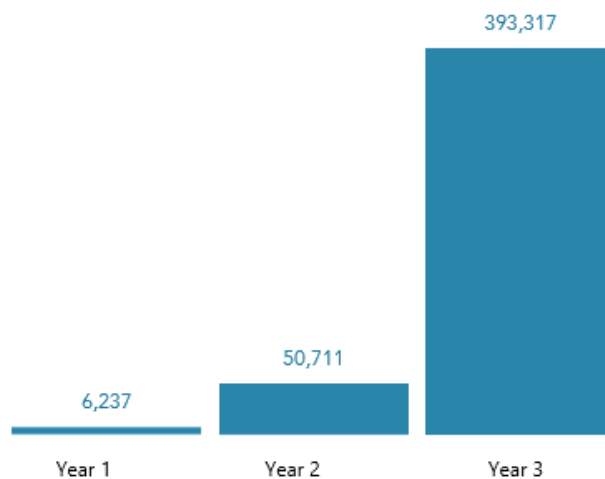
100% Indirect

KEY BENEFIT AREAS

Key benefit areas seen as a result of the Zendesk deployment include improved customer service agent productivity and increased manager productivity.

- **Improved support agent productivity.** Since the adoption of Zendesk, the organization has seen support agent productivity increase by an average of 17 percent. This was achieved through the introduction of a centralized knowledge base and ticket management platform. By consolidating customer interactions in a single system, agents have eliminated the need to toggle between different applications, and can now provide more consistent support across multiple channels. The introduction of the knowledge base further improved productivity by equipping agents with a resource to locate pertinent information more efficiently. Due to improvements in support agent productivity, Lush was able to avoid additional headcount required to manage customer inquiries, translating to an average annual cost savings of £215,700 (\$267,468).
- **Improved manager productivity.** Prior to the Zendesk implementation, a significant portion of a manager's time was tied to generating reports and optimizing customer experiences through service and product-line optimization. By leveraging Zendesk's intuitive reporting tools and access to real-time customer data, managers have increased productivity by an average of 30 percent. In addition, managers can now better identify common issues in workflows and alert the teams that are equipped to handle the problem most efficiently. Improvements in manager productivity has enabled Lush to save an average of £136,100 (\$168,764) annually from avoided hiring of additional managers.

CUMULATIVE NET BENEFIT



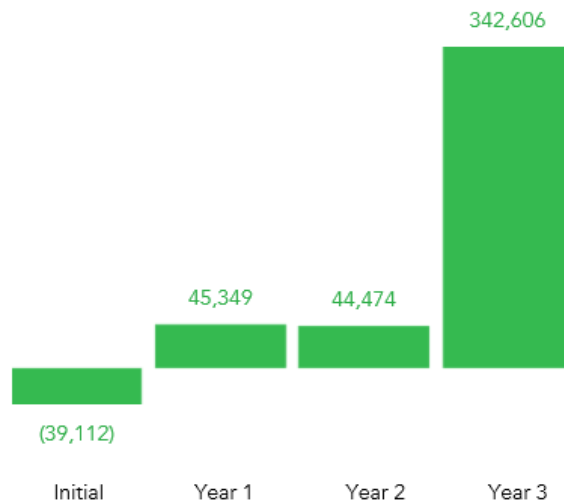
KEY COST AREAS

The most significant cost of Lush's deployment of Zendesk is the yearly subscription cost of the software. Other costs included initial consulting fees, employee training, integrations, and one full-time employee responsible for ongoing system maintenance.

LESSONS LEARNED

This project highlights the necessity of a dedicated customer service platform for centralizing customer data gathered across multiple channels. Due to the fact that it had several customer communication platforms to consolidate, taking a phased approach to the implementation of Zendesk ensured that the data migration process was smooth, and end-users were comfortable using the solution. This led to high adoption rates which enabled Lush to drive improved productivity and customer service quality.

NET CASH FLOWS



CALCULATING THE ROI

Nucleus Research analyzed the costs of software, hardware, personnel, professional services, and user training over a three-year period to quantify Lush's total investment in Zendesk technology.

Indirect benefits quantified include the time savings from reduced handle time for service agents, and decreased time tied to reporting and analyzing customer inquiries for

managers. The indirect benefit is multiplied by a correction factor to account for the inefficient transfer of time between time saved and time spent working.

Benefits not quantified include improved customer satisfaction and increased operational visibility.

Where noted, all figures are expressed in the customer's currency of pound sterling, and the US dollar is shown at a 1.24 exchange rate.

FINANCIAL ANALYSIS

Annual ROI: 369%

Payback period: 0.9 years

BENEFITS	Pre-start	Year 1	Year 2	Year 3
Direct	0	0	0	0
Indirect	0	211,330	306,647	351,797
Total per period	0	211,330	306,647	351,797

COSTS - CAPITALIZED ASSETS	Pre-start	Year 1	Year 2	Year 3
Software	0	0	0	0
Hardware	0	0	0	0
Project consulting and personnel	0	0	0	0
Total per period	0	0	0	0

COSTS - DEPRECIATION	Pre-start	Year 1	Year 2	Year 3
Software	0	0	0	0
Hardware	0	0	0	0
Project consulting and personnel	0	0	0	0
Total per period	0	0	0	0

COSTS - EXPENSED	Pre-start	Year 1	Year 2	Year 3
Software	38,112	156,288	252,144	0
Hardware	0	0	0	0
Consulting	1,000	0	0	0
Personnel	0	8,438	8,438	8,438
Training	0	1,256	1,591	754
Other	0	0	0	0
Total per period	39,112	165,981	262,172	9,191

FINANCIAL ANALYSIS	Results	Year 1	Year 2	Year 3
All government taxes	45%			
Cost of capital	7.0%			
Net cash flow before taxes	(39,112)	45,349	44,474	342,606
Net cash flow after taxes	(21,512)	24,942	24,461	188,433
Annual ROI - direct and indirect benefits				369%
Annual ROI - direct benefits only				-373%
Net Present Value (NPV)				176,981
Payback period				0.9 years
Average Annual Cost of Ownership				158,819
3-Year IRR				174%

All figures are expressed in GBP (£)