answerlab insights

Calculating the ROI on UX Research

ROI Unlocked:
A guide from AnswerLab

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Published by Answerlab 2026
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Unlock value, cut costs, and stay ahead.

If you're looking to quantify the financial and commercial benefits of UX research, this guide is for you.

Over the next several pages, we'll discuss the four most common real world ROI on UX calculations.

- unlocking revenue potential
- reducing churn
- reduced development costs
- being first to market

01

Unlocking revenue potential.

Better UX design can increase conversion rates by as much as 400%.

We see this consistently with our clients. Here are two examples:

- A financial services client realized a 240% increase in customer conversions and a 268% jump in average transaction size by acting on findings from UX Research.
- An automotive client leveraged UX research to guide a website redesign, gaining a 227% increase in car configurations — a leading indicator of car sales — and saw record sales after the site redesign.

What might this revenue potential look like for you?

Formula:

Visitors per month X (New Conversion Rate - Original Conversion Rate) X Product Price = Revenue Increase

Example:

1,000 x (17% - 5%) x $100 = $12,000

In this example, let's say you have 1,000 visitors to your site per month, and you increase your conversion rate from 5% to 17%. If the price of your product is $100, you would see a $12,000 increase in revenue each month due to the increased conversion rate.

02
Reducing churn.

32% of all customers would stop doing business with a brand they loved after one bad experience.

In the U.S., 59% will walk away after several bad experiences, 17% after just one bad experience. In Latin America, 49% say they'd walk away from a brand after one bad experience. (PWC)

We see reduced churn outcomes with our clients. Here's an example:

- An automotive client levered UX research to uncover usability issues causing churn. After fixing the issue, their churn rate declined by 40%.

What might this revenue potential look like for you?

Formula:

Average Customer Lifetime Value X Churn Rate = Lost Revenue per customer per year

Example:

$20,000 x %5 per year = $1,000 per customer per year

In this example, your Average Customer Lifetime Value (CLV) is $20,000, and your churn rate is 5% per year. This means your revenue lost due to customer churn would be $1,000 per customer per year.

03

Reduced development costs.

For every $1 invested in UX research, you save $10 in development and $100 in post-release maintenance.

Investing in early and frequent UX research keeps your roadmap focused, saving hours of dev time and rework. Plus, you'll prevent negative user interactions that harm your brand rep. (Forester)

"Our work with AnswerLab saved two months of development time."
– Director of UX, Fortune 100 eCommerce company

What might this revenue potential look like for you?

Formula:

$$\left(\frac{\text{Number of Developers x Months Saved x Yearly Salary}}{12} \right) \text{ X } \begin{matrix}\text{Conversion}\\ \text{Factor}\end{matrix} = \begin{matrix}\text{Total Cost}\\ \text{Savings}\end{matrix}$$

Example:

$$\left(\frac{\text{5 developers x 2 months x \$120,000 per person}}{12} \right) \text{ X } 1.1 = \begin{matrix}\text{\$110,000}\\ \text{saved}\end{matrix}$$

In this example, let's consider the following: You have 5 developers and save 2 months of work based on targeted UX research recommendations. Based on a yearly developer salary and a conversion factor of 1.1, your cost savings from UX research for those 2 months would be $110,000.

04
Be first to market.

When organizations invest in UX during a project concept phase, they reduce product development cycles by 33% to 50%.

Investing in UX research at the ideation stage can help you deliver the right products earlier on, and provides a powerful brand positioning advantage over competitors. (Interaction Design Foundation)

What might this revenue potential look like for you?

Formula:

Original Development Time X (1 - Percentage Reduction) X Reduced Development Time

Example:

7 years x (1 - .2) = 5.6 months of saved time

In this example, we can look at reduction in development time over time. Over the course of 7 years with a 20% reduction in time from UX research investment, you'll save 5.6 months of development time, helping you launch faster.

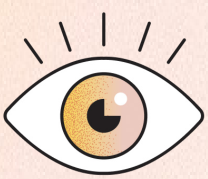
Invest in UX research today.

AnswerLab is a full service UX research and experience strategy firm that enables teams to create better product and experiences.

We help the world's most ambitious leaders understand their customers through rigorous, multi-method research—qualitative discovery, large-scale quantitative validation, in-context observation, and AI-enabled analysis. We don't stop at insights.

We translate that deep human understanding into experience strategy, validated roadmaps, and design direction that drives meaningful business outcomes.

To learn how we can help, visit answerlab.com/contact



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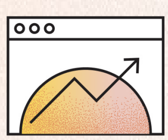

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