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Medallia Experience Cloud Enhances The CEO Agenda For Growth Through Customer-Centricity

Medallia Experience Cloud is a customer feedback management (CFM) platform that can drive growth, effect cultural changes within an organization, and improve overall customer experience (CX). To better understand the benefits, costs, and risk associated with Medallia Experience Cloud, Forrester Consulting conducted a Total Economic Impact™ (TEI) study based on interviews with six customers with experience using Medallia Experience Cloud as their CFM platform. This summary is based on a full TEI study, which can be downloaded here.

Based on the TEI analysis, a representative organization deploying Medallia Experience Cloud has experienced a quick payback period with the following three-year financial impact: $35.6 million in benefits and $5.1 million in costs, a net present value (NPV) of $30.4 million, and an ROI of 591%. Readers can use this representative organization to understand the economic impact of deploying Medallia Experience Cloud and apply or adapt it to their own situation and experience.

Quantified Benefits

The following risk-adjusted quantified benefits reflect the financial analysis associated with the composite organization:

› **Improved customer experience leading to an increase in net income of $20.1 million.** Organizations were able to drive growth through increased customer retention and average basket size. Real-time customer feedback analysis led to product improvements and an overall increase in Net Promoter Score (NPS).

› **Operational efficiencies resulting in a savings of $13.8 million.** Unification of data into a single platform enabled organizations to more accurately define strategic initiatives and drive core strategy and alignment across all levels of the organization. The unified data helped identify actionable insights on products and customer channels.

› **Cost avoidance of the previous solution.** Organizations avoided the cost of running and maintaining legacy solutions by moving to Medallia's cloud-based platform.

Unquantified Benefits

The interviewed organizations experienced additional benefits which are not quantified for this study but were mentioned as significant. For example:

› **Active executive engagement in CX and the Medallia platform.** Organizations noted how crucial executive engagement was, and is, in aligning the business around a core strategy and set of initiatives.

› **A shift in overall** organizational **culture towards CX.** Employee access to real-time customer feedback established a strong connection between employees and customers, bringing the customer experience to life.

SUMMARY

Based on a commissioned study, "The Total Economic Impact Of Medallia Experience Cloud".

METHODOLOGY

The objective of the TEI framework is to identify the cost, benefit, flexibility, and risk factors that affect the investment decision. Forrester took a multistep approach to evaluate the impact of Medallia Experience Cloud, including interviews with Forrester analysts, Medallia stakeholders, and six current Medallia Experience Cloud customers. Forrester constructed a financial model representative of the interviews using the TEI methodology.

COMPOSITE ORGANIZATION

This analysis uses a composite organization, based on the interviewees, to present the aggregate financial analysis.

RISK ADJUSTMENT

Forrester risk-adjusted the financial model based on issues and concerns of the interviewed organizations to account for uncertainties in benefit and cost estimates.

ROI
591%

Benefits PV
$35.6 million

Costs PV
$5.1 million

Payback
< 6 months

The Medallia Experience Cloud Customer Journey

For this study, Forrester conducted six interviews with Medallia Experience Cloud customers. Interviewed customers include the following:

INDUSTRY	INTERVIEWEE	ANNUAL REVENUE	EMPLOYEES	ACTIVE USERS
Financial Services	Voice of the customer (VoC) senior director; service management leader	$10B	10,000+	8,000
	Over 25M feedback opportunities per year covering transactions and relationships; driving employee development and organizational efficiency insights			
Insurance	Director of consumer research	$10B	20,000+	6,000
	Relationship feedback from customers related to satisfaction with products and service, and Voice of the Employee (VoE) feedback related to organizational effectiveness			
Insurance	Head of CX	$50B+	50,000+	17,000
	Deployed across several business units in the organization, focusing on both transactional and relationship feedback			
Retail	Senior director of customer insights	$50B+	100,000+	8,500
	VoE and customer post-transaction feedback related to in-store experience and products			
Technology	Vice president (VP) of market insights	$50B+	100,000+	25,000
	Relationship and transactional feedback on digital experience, sales, services, technical support, and products.			
Telecommunications	VP of customer insights	$50B+	100,000+	20,000
	Employee and post-transaction feedback, related to contact centers, field technical operations, retail locations, and digital interactions across business-to-business (B2B) and business-to-consumer (B2C) customers			

Key Investment Drivers And Results

Organizations shared the following challenges prior to Medallia Experience Cloud:

› **Inability to provide meaningful CX insights.** Surveys and other solutions provide data points but do not facilitate insights or analytics making it difficult to identify and prioritize strategic CX initiatives.

› **Inability to use insights to drive meaningful organizational change.** Organizations lacked the data and insights necessary to drive the significant organizational changes necessary to keep up with changing market dynamics.

Organizations achieved key results with Medallia Experience Cloud:

› **Meaningful CX insights.** Organizations worked with Medallia to refine customer feedback collection to focus on specific, meaningful metrics that align with core

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strategic initiatives. This effort also led to a reduction in the number of calls to the contact center through a better understanding and mitigation of key customer pain points.

› **Driving a shift in organizational culture.** The ability for a single platform to collect all CFM data, its accessibility to anyone in the organization, and the direct connection to actions for closed loop feedback promotes core strategy alignment and helps drive a shift in organizational culture.

› **Enabling and energizing executive engagement.** Access to real-time customer feedback and comments gives executives a live snapshot of how customers are interacting with their organization and provides the opportunity to be proactive about tackling customer concerns.

Composite Organization

Based on the interviews, Forrester constructed a TEI framework, a composite company, and an ROI analysis that illustrates the areas financially affected, covered in greater detail in the full study. The composite organization has the following characteristics:

Description of composite. The composite is a global conglomerate with $9 billion in annual revenue, growing at a rate of 2% year-over-year (YOY), prior to its investment in Medallia. Its main revenue streams include membership fees and 750 retail stores, along with other B2B and B2C lines of business (LOBs). It has 2 million total customers and 18,000 employees, which includes 750 key accounts with 150 account managers, along with 4,500 contact center agents.

Deployment characteristics. The global conglomerate composite organization has deployed the Medallia Experience Cloud for transactional and relationship surveys, both internally-facing (employees) and externally-facing (customers). The composite organization initially rolled out Medallia's Best Practices Package for Retail to its 750 stores. For Years 2 and 3, the program expanded to cover the full enterprise, including the 4,500 contact center agents and 150 key accounts.

Medallia Experience Cloud Simultaneously Impacts Growth, Operational Efficiency, and Culture

The Medallia Experience Cloud is a customer feedback management (CFM) platform that provides advanced analytics, actionable insights, and automated workflows to improve customer experience (CX).

The benefit impact experienced by the composite organization is based on the past and current experiences of the six interviewees. Over three years, the composite organization expects risk-adjusted total benefits to have a present value (PV) of $35.6 million.

"Our CEO is a big supporter. Our COO uses the platform all the time. Leadership in general quotes comments from customers on the platform. We could not have better engagement right now from top leadership."

Sr. director of customer insights, telecommunications industry

Key assumptions
- $9 billion annual revenue
- 18,000 employees
- Four-month implementation

"Medallia has been really beneficial in terms of employee engagement and employee morale. They're offering better service and better resolution to the customers they reach out to."

Director of consumer research, insurance industry

Total Benefits

REF.	BENEFIT	YEAR 1	YEAR 2	YEAR 3	TOTAL	PRESENT VALUE
Atr	Increased income due to improved customer experience	$4,790,000	$9,961,600	$9,983,632	$24,735,232	$20,088,123
Btr	Operational efficiencies	$0	$8,734,400	$8,749,088	$17,483,488	$13,791,832
Ctr	Cost avoidance of previous solution	$391,050	$836,640	$836,640	$2,064,330	$1,675,518
	Total benefits (risk-adjusted)	**$5,181,050**	**$19,532,640**	**$19,569,360**	**$44,283,050**	**$35,555,473**

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› **Increased income due to improved customer experience.** Leveraging customer feedback obtained through the Medallia Experience Cloud, organizations were able to make product improvements leading to additional sales, and website improvements to remove pain points and barriers to purchases. Organizations realized an increase in customer retention rate as well as increased average basket size per customer leading to an increase in income of $20.1 million.

› **Operational efficiencies due to business alignment on strategy, and insights on products and customer channels represent $13.8 million in savings.** Unification of data across the organization and throughout the customer lifecycle allowed organizations to better define strategic initiatives, better focus resources on those initiatives and reduce overall service desk tickets by analyzing customer feedback to reduce customer pain points.

› **Cost avoidance of previous solution.** Organizations noted a total of $1.7 million in cost savings related to licensing and management of their previous CFM solution.

Unquantified benefits. These are not quantified in the financial analysis but were mentioned as significant benefits.

› **Active executive engagement in CX and the Medallia platform.** Multiple customers stated the high level of executive engagement with the Medallia platform led to a greater emphasis on CX throughout the organization.

› **A shift in overall organizational culture towards CX.** Exposing employees to real-time customer feedback empowers them to find ways to improve the customer experience and drives the shift in overall culture towards CX.

Medallia Solution, Internal Management, And Implementation Costs

The composite organization experienced two cost categories associated with the Medallia Experience Cloud investment. Over three years, the composite organization expects risk-adjusted total costs to have a PV of $5.1 million.

> "Medallia also helps us with product research, product evaluations, and product experiences. We've been able to tweak feature functionality within products and improve the customer experience."
>
> *VP of customer insights, telecommunications industry*

> "Our CEO is in the platform at least daily, if not multiple times a day. He'll see a customer comment, and even though we have a closed loop process, he will proactively reach out to the district manager and ask, 'What are we doing about this?' When you have C-suite involvement like that, it's pretty powerful."
>
> *Director of consumer research, insurance industry*

Total Costs

REF.	COST	INITIAL	YEAR 1	YEAR 2	YEAR 3	TOTAL	PRESENT VALUE
Dtr	Medallia costs	$47,250	$649,031	$1,220,100	$1,220,100	$3,136,481	$2,562,305
Etr	Internal costs	$386,400	$1,460,040	$552,000	$552,000	$2,950,440	$2,584,633
	Total costs (risk-adjusted	**$433,650**	**$2,109,071**	**$1,772,100**	**$1,772,100**	**$6,086,921**	**$5,146,938**

› **Medallia Costs of $2.6 million.** The organization paid Medallia for an annual software subscription, ongoing managed services, and implementation services for initial and Year 1 costs.

› **Internal costs of $2.6 million.** These include day-to-day management, implementation costs, and training associated with the new platform.

> "Medallia has been one of the catalysts that has really helped us think, act, and behave differently."
>
> *VP of customer insights, telecommunications industry*

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# A Medallia Experience Cloud Investment Today Can Create Future Opportunities

The value of flexibility is clearly unique to each customer, and the measure of its value varies from organization to organization. There are multiple scenarios in which a customer might choose to implement Medallia Experience Cloud and later realize additional uses and business opportunities, for example:

› **Ability to adapt the CFM solution to fit evolving needs.** Medallia is willing to work with clients to find solutions or benchmarks to unique business challenges.

› **A/B testing.** The Medallia Experience Cloud allows customers to quickly A/B test customer experience solutions or pilot business process changes before rollout.

› **Text analytics search.** Changes in customer sentiment can occur quickly, and the text analytics feature allows organizations to identify and adapt to unexpected developments.

> Flexibility, as defined by TEI, represents an investment in additional capacity or capability that could be turned into business benefit for a future additional investment. This provides an organization with the "right" or the ability to engage in future initiatives but not the obligation to so.

Financial Summary

The financial results calculated in the Benefits and Costs sections can be used to determine the ROI, NPV, and payback period for the composite organization's investment in Medallia Experience Cloud. Forrester assumes a yearly discount rate of 10% for this analysis.

**ROI
591%**

**NPV
$30.4 million**

**Payback
< 6 months**
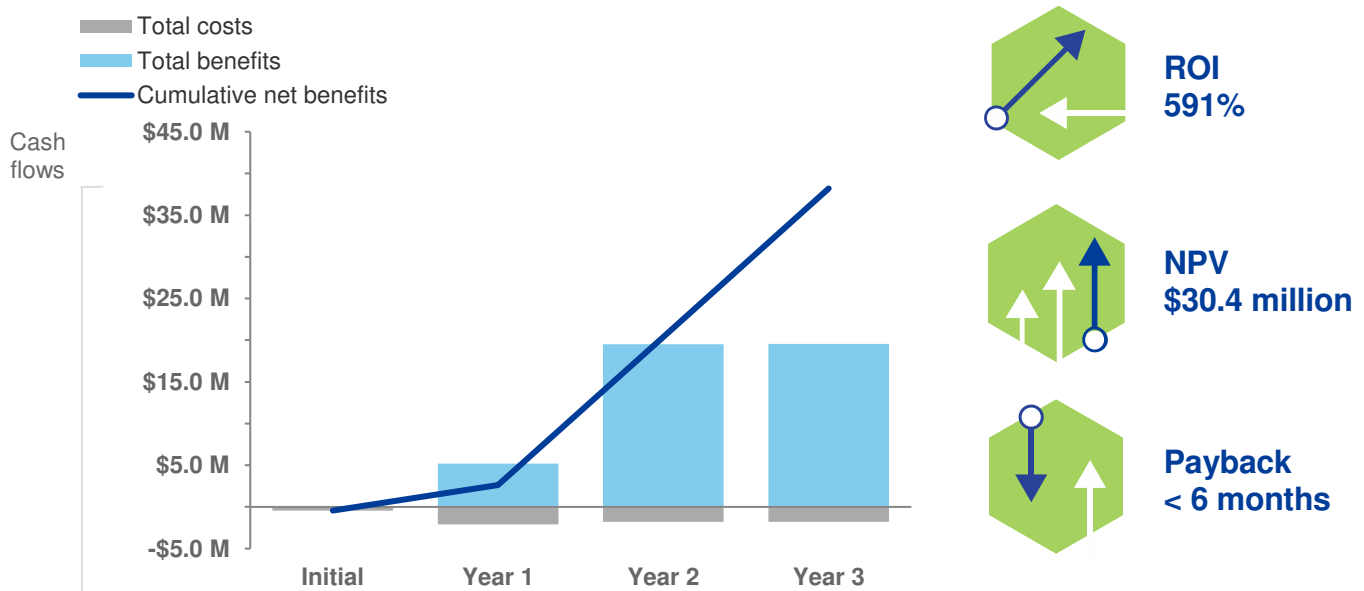
For more information, you can download the full Medallia Experience Cloud TEI analysis here.

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Disclosures

The reader should be aware of the following:

› The study is commissioned by Medallia and delivered by Forrester Consulting. It is not meant to be a competitive analysis.

› Forrester makes no assumptions as to the potential ROI that other organizations will receive. Forrester strongly advises that readers use their own estimates within the framework provided in the report to determine the appropriateness of an investment in Medallia Experience Cloud.

› Medallia reviewed and provided feedback to Forrester. Forrester maintains editorial control over the study and its findings and does not accept changes to the study that contradict Forrester's findings or obscure the meaning.

› Medallia provided the customer names for the interviews but did not participate in the interviews.

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Forrester Consulting provides independent and objective research-based consulting to help leaders succeed in their organizations. Ranging in scope from a short strategy session to custom projects, Forrester's Consulting services connect you directly with research analysts who apply expert insight to your specific business challenges. https://go.forrester.com/consulting/

ABOUT TEI

Total Economic Impact™ (TEI) is a methodology developed by Forrester Research that enhances a company's technology decision-making processes and assists vendors in communicating the value proposition of their products and services to clients. The TEI methodology helps companies demonstrate, justify, and realize the tangible value of IT initiatives to both senior management and other key business stakeholders. The TEI methodology consists of four components to evaluate investment value: benefits, costs, risks, and flexibility. https://go.forrester.com/consulting/content-marketing-consulting/

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