

# Medallia Experience Cloud Enables The CIO To Bring A Scalable Customer Experience Solution To The Entire Business

Medallia Experience Cloud is a customer feedback management (CFM) solution that consolidates real-time data into a single platform that can be customized and scaled for each unique business unit. 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 customer feedback management 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 are representative of those experienced by the companies interviewed:

- › **Improved customer experience leading to an increase in net income of \$20.1 million.** Organizations were able to meet the needs of today's customers by making product and channel improvements informed by real-time customer feedback data from the Medallia Experience Cloud. These improvements drove growth through an increase in both customer retention and average basket size.
- › **Operational efficiencies resulting in a savings of \$13.8 million.** Organizations were able to improve organizational operations by aligning business and strategic initiatives with the insights gained from the Medallia Experience Cloud. Additionally, call volume to service desks was significantly reduced due to its enabling of organizations to systematically identify and reduce customer pain points.
- › **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

Examples of additional benefits that the interviewed organizations mentioned as significant but were not quantified for this study:

- › **Faster closed loop cycle.** Organizations were able to more quickly close the loop with customers through preferred channels and recognized a positive impact on both customer churn and employee morale.
- › **A shift in overall organizational culture towards CX.** Employee access to real-time customer feedback information brings the customer experience to life and helps keep the entire organization focused on meeting customer needs and expectations.

## 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

“When we opted for the Medallia platform, the main criteria were speed and credentials on implementation. We needed to go fast, and Medallia proved to be the one that could get us there faster.”

*Senior director of customer insights, retail industry*



## 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
	<i>Over 25M feedback opportunities per year covering transactions and relationships; driving employee development and organizational efficiency insights</i>			
Insurance	Director of consumer research	\$10B	20,000+	6,000
	<i>Relationship feedback from customers related to satisfaction with products and service, and Voice of the Employee (VoE) feedback related to organizational effectiveness</i>			
Insurance	Head of CX	\$50B+	50,000+	17,000
<i>Deployed across several business units in the organization, focusing on both transactional and relationship feedback</i>				
Retail	Senior director of customer insights	\$50B+	100,000+	8,500
	<i>VoE and customer post-transaction feedback related to in-store experience and products</i>			
Technology	Vice president (VP) of market insights	\$50B+	100,000+	25,000
	<i>Relationship and transactional feedback on digital experience, sales, services, technical support, and products.</i>			
Telecommunications	VP of customer insights	\$50B+	100,000+	20,000
	<i>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</i>			

## 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 the insights or analytics necessary to understand and meet the needs of today’s customers.
- **Inability to effectively handle organizational scale.** Legacy vendors and solutions could not reliably process the necessary volume of data quickly or effectively, preventing organizations from moving quickly to reduce pain points and incorporating customer feedback into strategic initiatives.

Organizations achieved key results with Medallia Experience Cloud:

- **Develop actionable insights to improve CX and drive product improvements.** A VP of customer insights in the telecommunications industry stated: “We were able to

“We had a survey vendor in place for several years, and we came to the determination that we weren’t really doing much from an insights or analytics standpoint. We were just data processing, it was just another data point that we had in terms of tracking scores or metrics.”

*Service management leader, financial services industry*



reduce the number of calls to our service desk, because we've addressed and eliminated many of the reasons, the root causes, of why people were calling us: technical reliability, product functionality, billing issues. This has categorically changed the game for us."

- **Effective scaling and flexibility.** Medallia's experience with global deployments and large enterprises made the implementation and scaling an easy, collaborative process.
- **Drive 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 drives a shift in organizational culture towards meeting and exceeding customer expectations.

"Medallia clearly had experience on a global level with large brands and complex organizations, and the technology was better than anything else we had and was relatively easy to implement."

*Senior director of customer insights, retail industry*



### Key assumptions

- \$9 billion revenue
- 18,000 employees
- Four-month implementation

## 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.

"The reason that we went with Medallia was very simple. Medallia had the best workflow capabilities that we saw in terms of putting the insight that you get into the hands of the right people on a real-time basis. And then the way that they have the alerts, the tracking of the alerts, and the ability to escalate alerts: that whole backend system is the catalyst to action."

*VP of market insights, technology industry*



## 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.

### 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
<b>Total benefits (risk-adjusted)</b>		<b>\$5,181,050</b>	<b>\$19,532,640</b>	<b>\$19,569,360</b>	<b>\$44,283,050</b>	<b>\$35,555,473</b>

- › **Increased income due to improved customer experience.** Using customer feedback obtained through the Medallia platform, organizations were able to make product improvements leading to additional sales, and website improvements to remove pain points and barriers to purchases. Organizations were able to improve overall NPS, 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 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 pain points.
  - › **Cost avoidance of previous solution.** Organizations noted a total of \$1.7 million in cost savings related to licensing and management of previous CFM solution.
- Unquantified benefits.** These are some of the benefits not quantified in the financial analysis but were mentioned as significant.
- › **Faster closed loop cycle.** A senior director of customer insights in the retail industry told Forrester: “Medallia’s closed loop feedback mechanism has proven to be effective, along with the simplicity of the dashboards.”
  - › **A shift in organizational culture towards CX.** Exposing employees to real-time customer feedback promotes a deeper understanding of customer needs and expectations, and enables organizations to introduce solutions that have a meaningful impact on Customer Experience.

“We have a lot of records and data that we process, and unfortunately our previous vendor could only handle a day’s worth of data. This challenge was compounded when our vendor experienced outages. Medallia is able to process multiple days of data, millions of data records within a day, within hours, all without issues.”

*Service management leader,  
financial services industry*



Medallia can be tailored to be specific for each business unit.

## 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.

### 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
<b>Total costs (risk-adjusted)</b>		<b>\$433,650</b>	<b>\$2,109,071</b>	<b>\$1,772,100</b>	<b>\$1,772,100</b>	<b>\$6,086,921</b>	<b>\$5,146,938</b>

- › **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.

“It’s given us the flexibility in areas we hadn’t been able to see or measure before. Whether it’s the surveys themselves or the overlying tools with Text Analytics, we just have much better visibility into our processes than we ever did.”

*Service management leader,  
financial services industry*



# A Medallia Experience Cloud Investment Today Can Create Future Opportunities

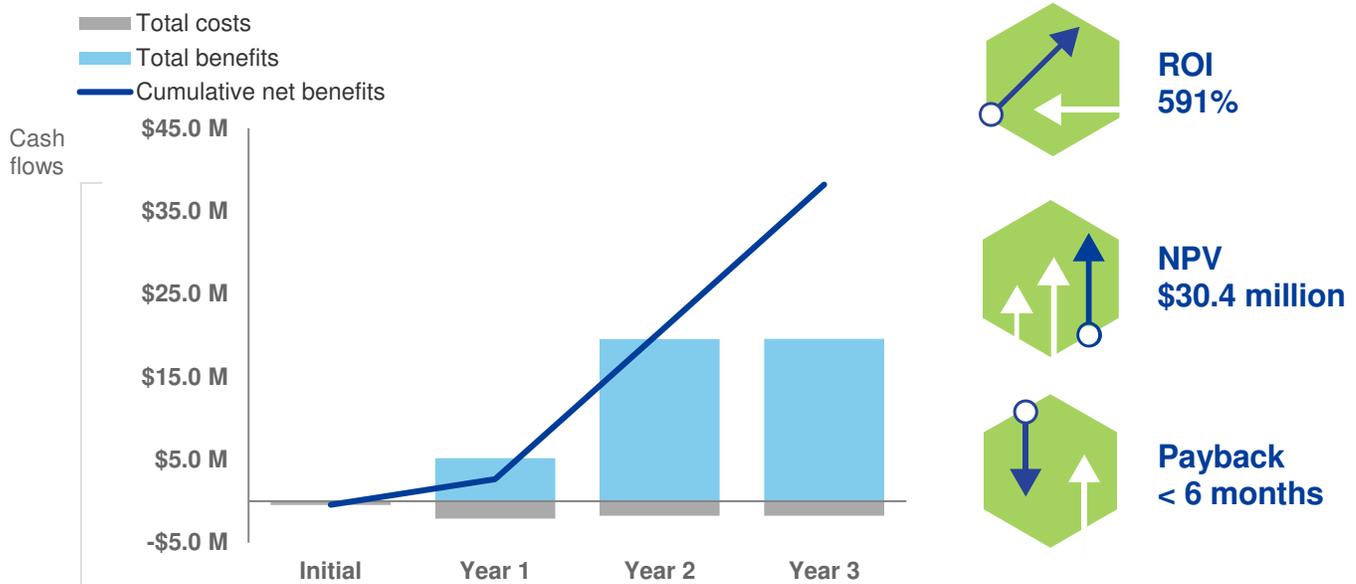
The value of flexibility is clearly unique to each customer, and the measure of its value varies from organization to organization. There are multiple scenarios in which a customer might choose to implement Medallia Experience Cloud and later realize additional uses and business opportunities, for example:

- › **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.



For more information, you can download the full Medallia Experience Cloud TEI analysis [here](#).

## 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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### **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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