

FORRESTER®

The Total Economic Impact™ Of Medallia Agent Connect

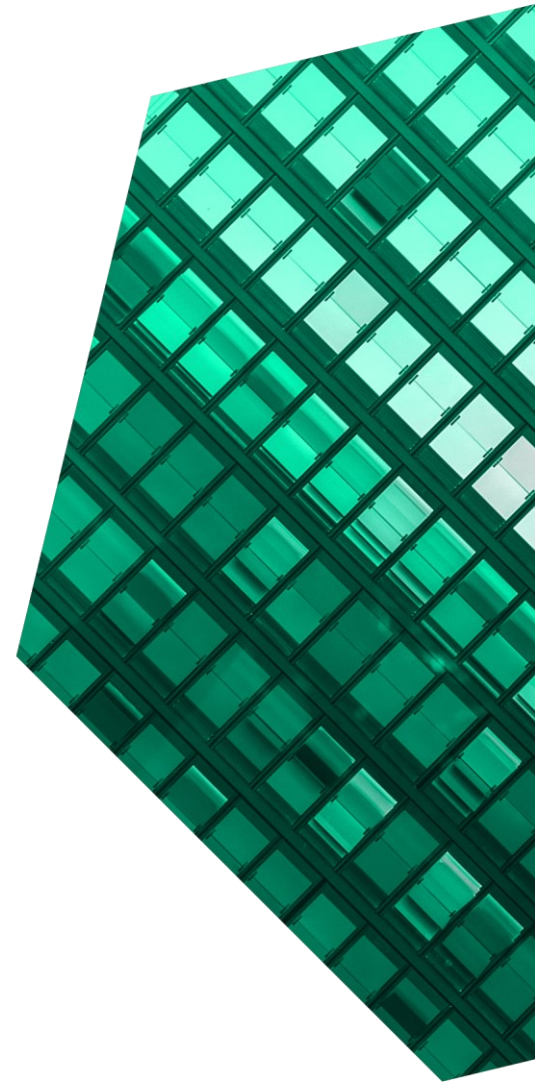
Cost Savings And Business Benefits Enabled By Agent
Connect, Part Of The Medallia Contact Center Suite

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Consulting Team: Nick Mayberry
Sean Owens



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Executive Summary

The customer service function is becoming increasingly hybridized between in-house and outsourced associates while management itself is increasingly distributed. As such, organizations are turning to secure, cloud-based platforms to help them better understand how their customer service function is performing. Medallia Agent Connect enables distributed customer service units to better analyze, train, improve, and incentivize their service agents, improving agent efficiency, quality, and training.

[Medallia Agent Connect](#) is part of the Medallia Contact Center Suite, which can help organizations manage customer and agent experiences by capturing interactions and leveraging AI and deep learning to provide in-depth analysis and enable integrated agent learning.

Agent Connect offers cloud-based customer service (CS) agent engagement and quality assurance (QA) platform that automates the collection of customer feedback, enabling organizations to better analyze CS agent performance, improve agent engagement, and incentivize alignment with QA standards. Customer feedback is collected and shared in real time, while deployment of the cloud-based agent engagement and QA platform broadens access to customer feedback data across the organization.

Medallia commissioned Forrester Consulting to conduct a Total Economic Impact™ (TEI) study and examine the potential return on investment (ROI) enterprises may realize by deploying the agent engagement and QA platform.¹ The purpose of this study is to provide readers with a framework to evaluate the potential financial impact of Medallia

KEY STATISTICS



Return on investment (ROI)
325%



Net present value (NPV)
\$1.83M

Agent Connect (formerly known as Stella Connect) on their organizations.

To better understand the benefits, costs, and risks associated with this investment, Forrester interviewed four representatives with experience using the Medallia Agent Connect platform. For the purposes of this study, Forrester aggregated the interviewees' experiences and combined the results into a single [composite organization](#) with 400 contact center agents and 25 QA supervisors.

Before Agent Connect, the interviewees' organizations lacked consistent customer feedback collection processes, QA standards, agent review procedures, and improvement planning. Many of the interviewees were using manual processes like scorecard documents and spreadsheets stored in shared drives to analyze their customer service.

With Agent Connect, the interviewees had a centralized platform that automated customer

Total benefits present value

\$2.4M



feedback and agent performance data gathering and enabled broad organizational access to this data. As a result, they were able to reduce the time spent developing agent performance data sets, scorecards, and reports, improve the efficiency of QA processes, improve senior and new agent retention, and minimize the time it takes to fully train each agent.

KEY FINDINGS

Quantified benefits. Three-year risk-adjusted present value (PV) quantified benefits for the composite organization include:

- **Nearly eliminated effort to create datasets and reports.** Medallia Agent Connect’s centralized agent engagement platform significantly eases the burden on employees to generate agent performance data sets and develop reports for management regarding agent performance and engagement. This reduced effort can be redirected towards applying data-based findings to improve coaching and training.
- **Improved efficiency of QA workflows by 20%.** With enhanced capabilities in selection, review annotation, and calibrations, Agent Connect positively impacts workflow efficiency for agent QA. Impacted workflows include agent performance analysis, improvement plan development, and QA-score calibration. This saves the composite organization 20% of the prior time spent on QA while improving agent performance by between 10% and 15%.

“[Agent Connect] provides us insights regarding what to focus on, the validation of what is working, and the opportunities to meet evolving trends in customer needs.”

Director of performance management, hospitality

- **Improved agent retention rate by up to 50%.** Agent Connect’s enablement of agent improvement planning, and its agent performance rewards feature, means that agents take more pride in their work, see how their work positively impacts the organization as a whole, and also develop healthy competition over performance scoring. As a result, the composite organization reduces agent attrition from 50% to 32.5%, while new agent attrition is reduced from 18% to 10%.
- **Reduced cost to ramp agents to full proficiency by 25%.** Agent Connect’s centralized data, agent performance improvements, and on-platform training features also mean that the composite organization spends less time ramping each agent to reach their full potential. These proficiency ramp-up costs are reduced by 25%.

Additional benefits. Benefits that are qualitative in nature because they are difficult or too new to directly attribute a measurement to include:

- **Improved CX scores.** The Agent Connect platform enables the composite organization to analyze its customer service organization and agent performance in such a way that it more easily implements strategic and agent-specific

Improved QA efficiency

+20%



improvements that lead to an increase in its CX scores.

- **Establishing a customer-centric culture.** Sharing customer feedback data and insights more broadly across the organizations means that the impact of Agent Connect is broader than just the contact center. Analyses based on Agent Connect data leads to the establishment of a more customer-centric culture

Costs. Risk-adjusted PV costs include:

- **Licensing costs.** Agent Connect is priced based on the number of agents whose performance data is collected on the platform. Pricing is flexible and can scale up and down depending on the seasonal hiring of agents.
- **Costs of setup and change management.** The composite organization experiences setup costs of two FTEs for one to two weeks of time, while ongoing management requires a half-day of each QA supervisor's time every quarter.

The decision-maker interviews and financial analysis found that a composite organization experiences benefits of \$2.39 million over three years versus costs of \$564,000, adding up to a net present value (NPV) of \$1.83 million and an ROI of 325%.

“The feedback shows so much. We see how agents go above and beyond and can confidently make the best decisions. Our ability to promote from within quicker has helped us with staffing gaps like never before.”

Sr. manager of workforce quality, retail



ROI

325%



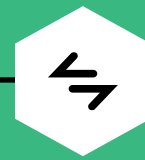
BENEFITS PV

\$2.39M



NPV

\$1.83M

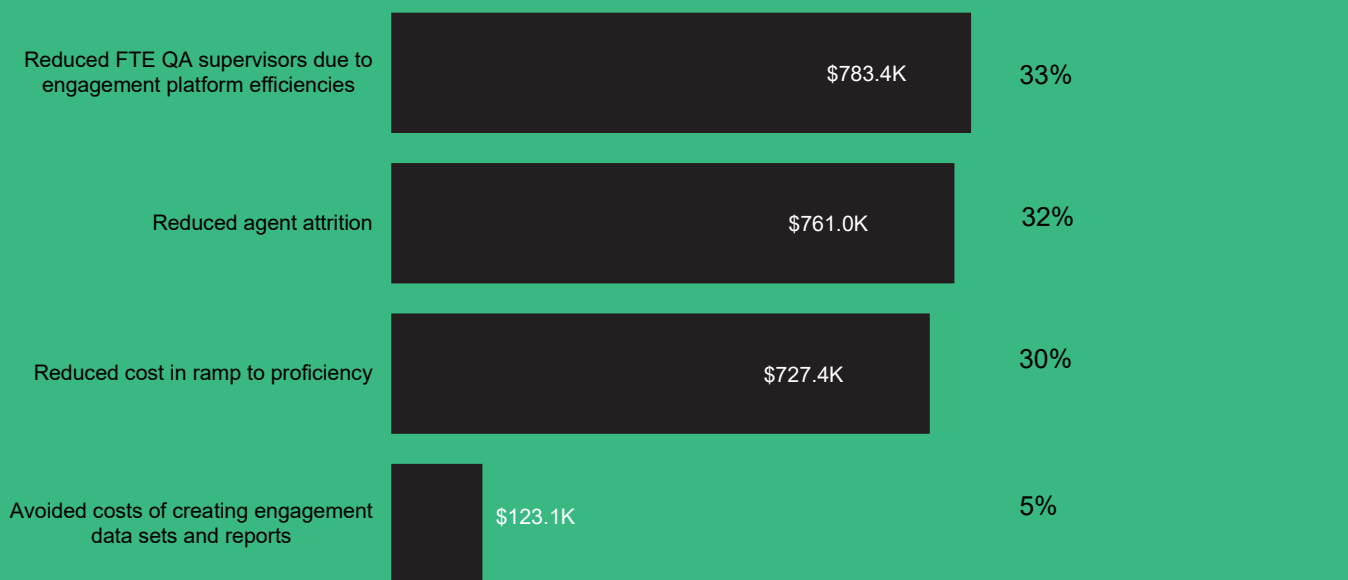


AGENT RETENTION
IMPROVEMENT

Up to 50%

Benefits (Three-Year)

Percentage of total benefit



“Medallia Agent Connect helped us realize the value-add of QA for 1:1 coaching. Through the platform, we have a better understanding of what QA can be, and this has transformed the function within our company.”

— Director of customer experience, e-commerce

TEI FRAMEWORK AND METHODOLOGY

From the information provided in the interviews, Forrester constructed a Total Economic Impact™ framework for those organizations considering an investment in Medallia Agent Connect (formerly known as Stella Connect).

The objective of the 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 that Medallia Agent Connect can have on an organization.

DISCLOSURES

Readers should be aware of the following:

This study is commissioned by Medallia and delivered by Forrester Consulting. It is not meant to be used as 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 study to determine the appropriateness of an investment in Medallia Agent Connect.

Medallia reviewed and provided feedback to Forrester, but 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 of the study.

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



DUE DILIGENCE

Interviewed Medallia stakeholders and Forrester analysts to gather data relative to Medallia Agent Connect.



INTERVIEWS

Interviewed four representatives at organizations using Medallia Agent Connect to obtain data with respect to costs, benefits, and risks.



COMPOSITE ORGANIZATION

Designed a composite organization based on characteristics of the interviewees' organizations.



FINANCIAL MODEL FRAMEWORK

Constructed a financial model representative of the interviews using the TEI methodology and risk-adjusted the financial model based on issues and concerns of the decision-makers.



CASE STUDY

Employed four fundamental elements of TEI in modeling the investment impact: benefits, costs, flexibility, and risks. Given the increasing sophistication of ROI analyses related to IT investments, Forrester's TEI methodology provides a complete picture of the total economic impact of purchase decisions. Please see Appendix A for additional information on the TEI methodology.

The Medallia Agent Connect Customer Insight

■ Drivers leading to the investment in Agent Connect

Interviews				
Role	Industry	Region	Agents	Revenue
Director of customer experience	E-commerce	North America	15 agents	\$25M
Sr. director of CS operations	Publishing	Global	200 to 350 agents based on seasonality	\$1.9B
Sr. manager of workforce quality	Retail	Global	350 to 650 agents based on seasonality	\$1.6B
Director of performance management	Hospitality	Global	1,000 to 1,500 agents based on seasonality	\$1.1B

KEY CHALLENGES

Before investing in Medallia Agent Connect (formerly known as Stella Connect), the interviewees' organizations either did not have agent feedback and quality assurance mechanisms in place or they were using manual processes for contact center engagement analysis, including scorecards and spreadsheets kept on a shared drive.

The interviewees noted how their organizations struggled with common challenges, including:

- **Inefficient QA processes.** The interviewees described suffering from onerous QA processes before investing in Agent Connect. These processes were mostly manual, requiring managers or business analysts to create custom

“We could not easily track overall satisfaction with our contact center. We had to audit all the calls, which was extremely onerous to take on.”

Director of performance management, hospitality

“Our analysis used to be fundamentally limited to singular interactions and snapshots of performance. We tried to add it up, but it was impossible to get these from a spreadsheet to upload it to a database.”

Sr. director of customer service ops, publishing

scorecards and spreadsheets, and manually compare customer ratings against QA scoring. The time-consuming and unorganized nature of these QA processes led to inefficiencies for employees, but also limited their managers' ability to effectively analyze and improve their customer service.

- **Limited visibility into agent performance.** Manual processes limited visibility into agent performance in two ways. First, organizations could not get a holistic view of individual agent performance, leveraging single or multiple snapshots of agent interactions in an attempt to extrapolate overall agent success. Second,

different QA managers and different business units within the same organization would frequently use their own measurements and comparisons in analyzing agent performance, making it difficult to establish an organizationwide understanding of customer service.

- **Lack of standardized QA metrics.** Manual process and limited visibility into agent performance meant that the interviewees' organizations had difficulty standardizing QA metrics. One challenge of this was visibility. Since many QA reports were kept on local hard drives, they were not shared widely, limiting visibility by management and everyone else at the organizations. Furthermore, manual processes were not standardized, so even when attempts were made to track QA metrics, data was not reliable and lacked context. Interviewees noted that they were unable to correlate QA data with other metrics like average handle time.

SOLUTION REQUIREMENTS

The interviewees' organizations searched for a solution that could:

- Function as a ubiquitous platform to collect contact center customer interaction data.
- Streamline QA processes and facilitate analysis, easing the burden on QA managers.
- Integrate with existing systems, like CRM, to automatically capture customer interaction data and leverage interaction analysis organizationwide.

COMPOSITE ORGANIZATION

Based on the decision-maker interviews, Forrester constructed a TEI framework, a composite company, and an ROI analysis that illustrates the financial impact. The composite organization is representative of the four representatives that Forrester interviewed and is used to present the aggregate financial analysis in the next section. The composite organization has the following characteristics:

Description of composite. The composite is a B2C business that has 400 customer contact agents on average throughout a year. It previously experienced an agent attrition rate of 50% and spent approximately \$4,250 to recruit, onboard, and initially train each agent, while spending an additional \$10,000 to ramp each new hire to full proficiency.

Deployment characteristics. The composite organization deploys Agent Connect across its full contact center environment in order to standardize its customer contact metrics and QA processes. It hopes to ease the burden on its QA supervisors who are currently manually managing QA processes, while also better understanding contact center performance and how to improve customer relations.

Key assumptions

- **400 contact center agents**
- **50% agent attrition rate**
- **25 QA supervisors**
- **No survey process for agent feedback prior to Medallia Agent Connect**
- **Onerous process to conduct call QA**

Analysis Of Benefits

■ Quantified benefit data as applied to the composite

Total Benefits						
Ref.	Benefit	Year 1	Year 2	Year 3	Total	Present Value
Atr	Avoided costs of creating engagement data sets and reports	\$49,500	\$47,250	\$47,250	\$148,500	\$123,099
Btr	Reduced FTE QA supervisors due to engagement platform efficiencies	\$315,000	\$315,000	\$315,000	\$945,000	\$783,358
Ctr	Reduced agent attrition with Medallia Agent Connect engagement	\$306,000	\$306,000	\$306,000	\$918,000	\$760,977
Dtr	Reduced cost in ramp to proficiency with Medallia Agent Connect	\$292,500	\$292,500	\$292,500	\$877,500	\$727,404
	Total benefits (risk-adjusted)	\$964,530	\$964,530	\$964,530	\$2,893,590	\$2,398,643

AVOIDED COSTS OF CREATING ENGAGEMENT DATA SETS AND REPORTS

Evidence and data. The interviewees shared that investing in Medallia Agent Connect enabled their organizations to avoid certain costs associated with prior manual processes creating customer interaction data sets and reports. Before Agent Connect, their organizations needed to track and manage customer interaction data manually. After their investments in the solution, customer interaction data was captured automatically and accessed centrally on the platform.

This enabled contact center supervisors to utilize holistic contact center interaction data to create data sets and performance reports. As the senior manager of workforce quality at the retail organization related, “Now we can create reports filtered by agent or by channel in seconds with just a few clicks.” Because Agent Connect assembles customer interaction data centrally, QA managers are able to review randomized customer interaction data, rather than self-selecting as they had to before deploying Agent Connect. Then, QA managers can review interactions

to company standards with less potential for human error or bias.

Modeling and assumptions. For the composite organization, Forrester models:

- A savings equivalent to 0.5 business analysts related to creating QA data sets and reports.
- A fully burdened annual rate per business analyst of \$110,000.

“Medallia Agent Connect assembled the data we need to enable performance comparisons of how customers rated interactions as well as how these interactions meet our organizational standards.”

Director of customer experience, e-commerce

Risks. The avoided costs of creating engagement data sets and reports will vary with:

- The current time spent creating engagement data sets and reports.
- The seniority and annual cost of employees creating engagement data sets and reports.

Results. To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year, risk-adjusted total PV (discounted at 10%) of \$123,100.

“All the same data that I have access to is now also available to management, saving time on reporting.”

Sr. director of CS operations, publishing

Avoided Costs Of Creating Engagement Data Sets And Reports					
Ref.	Metric	Source	Year 1	Year 2	Year 3
A1	Reduction in business analyst FTEs to create QA and survey engagement data sets and reports	Interviews	0.5	0.5	0.5
A2	Fully burdened salary of business analysts	TEI Standard	\$110,000	\$110,000	\$110,000
At	Avoided costs of creating engagement data sets and reports	A1*A2	\$55,000	\$55,000	\$55,000
	Risk adjustment	↓10%			
Atr	Avoided costs of creating engagement data sets and reports (risk-adjusted)		\$49,500	\$49,500	\$49,500
Three-year total: \$148,500			Three-year present value: \$123,099		

REDUCED FTE QA SUPERVISORS DUE TO ENGAGEMENT PLATFORM EFFICIENCIES

Evidence and data. The interviewees also shared being able to positively impact QA supervisor efficiency after deploying Medallia Agent Connect. Again, it was the solution's automated data collection and centralized visibility that enabled these savings.

The interviewees noted that Agent Connect allows them to pull up an agent's profile with all of their QA scorecards and the associated customer satisfaction (CSAT) data. With this information all on one screen, supervisors are better able to access and analyze agent data and identify patterns where improvement might be possible. As a result, agent review and performance improvement plans can be completed in less time.

Agent Connect also provides holistic visibility into contact center interaction data, which further benefits QA efficiency. For example, the senior director of CS operations from the publishing industry noted that Agent Connect enables them to "create assignment rules to select a random sampling of data, focus on lower CSAT interactions, or look within contact channels or business lines for agent performance metrics."

"For QA, I can draw from a random sample of interactions, create rules to draw information on new hires to gauge their performance, or focus on a new channel or business line. We have enormous flexibility in obtaining information to direct performance improvements."

Sr. director of customer service operations, publishing

"I can see patterns, create improvement plans like soft skills training or additional tech support training, and quickly check on the traction the agent is getting in our next meeting."

Sr. director of customer service operations, publishing

Interviewees also shared that Agent Connect enabled their organizations to reduce the costs associated with calibrating QA scores. With Agent Connect, universal QA standards were established, and the organizations as a whole became aligned on QA metrics. Managers are empowered to create their own sample from Agent Connect data and calibrate it off organization-approved scorecard results. The director of performance management at the hospitality organization noted said, "We are saving 20% of our QA auditors' time in obtaining feedback from calls with Medallia Agent Connect."

Furthermore, the interviewees noted that, thanks to better QA processes, agent quality improved between 10% and 15%, which in turn saved on time spent training, following up, and interventions by management. This also led to improved CX results.

Modeling and assumptions. For the composite organization, Forrester models:

- The composite assumes 25 supervisors to cover its 400 agents before investing in Agent Connect.
- Agent Connect enables a 20% improvement to efficiency, allowing the composite to reallocate five QA supervisors to higher-value work.
- The fully burdened annual salary of QA supervisors is \$70,000.

Agent quality improvement

10% to 15%



Risks. The improvement to QA supervisor efficiency will vary with:

- The current number of agents and QA supervisors needed.
- The fully burdened annual rate of QA supervisors.

Results. To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year, risk-adjusted total PV of over \$783,400.

Reduced FTE QA Supervisors Due To Engagement Platform Efficiencies					
Ref.	Metric	Source	Year 1	Year 2	Year 3
B1	Number of FTE QA supervisors required previously to cover 400 agents	Interviews	25	25	25
B2	Efficiency gain via Agent Connect to review agent calls/convey information	Interviews	20%	20%	20%
B3	Number of QA supervisors required with Agent Connect	$B1*(1-B2)$	20	20	20
B4	FTE QA supervisors savings via Agent Connect	$B1-B3$	5	5	5
B5	Fully burdened salary QA supervisor	TEI Standard	\$70,000	\$70,000	\$70,000
Bt	Reduced FTE QA supervisors due to engagement platform efficiencies	$B4*B5$	\$350,000	\$350,000	\$350,000
	Risk adjustment	↓10%			
Btr	Reduced FTE QA supervisors due to engagement platform efficiencies (risk-adjusted)		\$315,000	\$315,000	\$315,000
Three-year total: \$945,000			Three-year present value: \$783,358		

REDUCED AGENT ATTRITION

Evidence and data. The interviewees shared being able to reduce agent attrition after deploying Medallia Agent Connect in two ways.

First, Agent Connect enabled both efficiency and accuracy in tracking agent performance and developing areas for improvement. The result as noted above was an improvement to agent performance of between 10% and 15%.

This not only created added efficiencies in reduced training and management interventions, but it also created a morale boost among agents. Agents could target specific enhancements, see how their actions resulted in improved metrics, and compare their scores to agents across the organization. Knowing that they were good at their jobs and had a positive impact on the organization meant agents were more likely to remain in their roles.

Second, Agent Connect enables both customers and organizations to reward those agents who perform well. Interviewees noted that both customer recognition in the form of Agent Connect rewards as well as organization recognition for their performance led to further morale boosts and further reductions in agent attrition. As the director of customer service from the e-commerce organization noted: “We saw a night-and-day difference in agent engagement. The positive feedback agents see is a powerful motivator for continued strong performance.”

“Celebrating our associates was so ad hoc before. We would have to wait for a customer to send a letter or an email on their own to learn of a special interaction. Now we can have customer-initiated rewards, and recognize our top performers overall.”

Sr. manager of workforce quality, retail

Modeling and assumptions. For the composite organization, Forrester models:

- The composite has a total of 400 contact center agents.
- There is a 50% agent attrition rate before Agent Connect, which reduces to 32.5%.
- Additionally, new agents hired to replace leaving agents also see reduced attrition from 18% before Agent Connect to 10% after.
- The composite’s cost to recruit, onboard, and initially train a new agent totals \$4,250 per agent.

Risks. The improvement to agent attrition rates will vary with:

- The total number of agents and their current attrition rate.
- The total number of new hires and their attrition rate.
- The per-capita cost to recruit, onboard, and initially train new agents.

Results. To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year, risk-adjusted total PV of \$761,000.

Agent attrition reduced up to

50%



Reduced Agent Attrition					
Ref.	Metric	Source	Year 1	Year 2	Year 3
C1	Contact center agents	Composite	400	400	400
C2	Agent attrition rate before Agent Connect	Interviews	50%	50%	50%
C3	Agent attrition rate following Agent Connect	Interviews	32.5%	32.5%	32.5%
C4	Reduction in agent attrition annually	$C1*(C2-C3)$	70	70	70
C5	Number of new agent hires annually	$C1*C3$	130	130	130
C6	New-hire attrition before Agent Connect	Interviews	18%	18%	18%
C7	New-hire attrition following Agent Connect	Interviews	10%	10%	10%
C8	Reduction in new-hire attrition annually	$C5*(C6-C7)$	10	10	10
C9	Cost to recruit, onboard, and initially train a new hire	Composite	\$4,250	\$4,250	\$4,250
Ct	Reduced agent attrition	$(C4+C8)*C9$	\$340,000	\$340,000	\$340,000
	Risk adjustment	↓10%			
Ctr	Reduced agent attrition (risk-adjusted)		\$306,000	\$306,000	\$306,000
Three-year total: \$918,000			Three-year present value: \$760,977		

REDUCED COST IN RAMP TO PROFICIENCY

Evidence and data. Medallia Agent Connect also reduced organizations' costs related to ramping up agents to reach their full proficiency. Given the aggregated customer interaction data and centralized visibility of agent performance, managers were able to more easily develop improvement plans and more efficiently train up agents to meet organizational standards.

understand our organizational QA goals and what customers experience with their service. There is no longer the same transition period to become fully proficient as agents."

Modeling and assumptions. For the composite organization, Forrester models:

- The composite needs 130 new hires annually based on the new, lower attrition rate with Agent Connect.
- There is a \$10,000 cost to ramp up each agent.
- Agent Connect reduces the time to ramp up an agent by 7.8 weeks of a total 26-week ramp, or by 25%.

Risks. The reduction in cost to fully ramp up agent performance will vary with:

- The total number of new agents onboarded annually.
- The current time and cost to ramp new agents to full proficiency.

Results. To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year, risk-adjusted total PV of \$727,400.

Reduced time to ramp agents to full proficiency

25%



For example, the director of performance management from the hospitality industry shared: "Medallia Agent Connect enables us to coach and drive right behaviors, building agent skills far more quickly." The senior manager of workforce quality from the retail industry added: "After training on Medallia Agent Connect, new associates better

Reduced Cost In Ramp To Proficiency

Ref.	Metric	Source	Year 1	Year 2	Year 3
D1	Number of new agent hires following Agent Connect	C5	130	130	130
D2	Cost to ramp new hire to proficiency	Interviews	\$10,000	\$10,000	\$10,000
D3	Time saved developing agent proficiency via Agent Connect visibility of performance expectations and integrated coaching	Interviews	25%	25%	25%
Dt	Reduced cost in ramp to proficiency	D1*D2*D3	\$325,000	\$325,000	\$325,000
	Risk adjustment	↓10%			
Dtr	Reduced cost in ramp to proficiency (risk-adjusted)		\$292,500	\$292,500	\$292,500
Three-year total: \$877,500			Three-year present value: \$727,404		

ADDITIONAL BENEFITS

Additional qualitative benefits that the interviewees' organizations experienced include:

- **Improved customer service.** Medallia Agent Connect enabled the interviewees' organizations to offer better customer service via their contact centers. Although not measured financially, the interviewees were able to measure improvements in their organizations' CX scores. For example, the director of performance management from the hospitality industry shared: "We are delivering a high CX by concentrating on what happened to create the prior lower ratings. By doing so, we've reduced the percentage of low ratings by 12%."
- **Establishing a customer-centric culture.** Furthermore, the interviewees noted being able to reorient their organizations' broader cultures around customer needs with Agent Connect. The director of performance management from the hospitality industry stated: "It has helped us create a culture that is more focused on the customer. The data we get from the platform is direct feedback that we never had before. It

"Visibility has been tremendous. When a group is struggling with a particular scorecard section, we can create training materials for it. Being able to pull this data into our standards and KPIs has been huge for benchmarking and continuous improvement."

Sr. director of customer service operations, publishing

"We've implemented Medallia Agent Connect beyond just customer service agents to include tech support and sales support interactions with customers. We're also providing feedback to product teams to improve our products."

Sr. director of customer service operations, publishing

allows us to reinforce that customer-centric culture."

FLEXIBILITY

The value of flexibility is unique to each customer. There are multiple scenarios in which a customer might implement Agent Connect and later realize additional uses and business opportunities, including:

- **Benefits beyond call center.** The interviewees consistently shared that Agent Connect enabled their organizations to achieve benefits outside the call center. The senior manager of workforce quality from retail said: "Capabilities are not limited to the call center. We can use it to cover interactions at the store level and improve a whole dimension of customer engagement based on direct feedback there. ... It lets us move beyond contact center QA and provide feedback even on the finer points of our products. This benefits not only customer satisfaction, but our brand as a whole."

Flexibility would also be quantified when evaluated as part of a specific project (described in more detail in [Appendix A](#)).

Analysis Of Costs

■ Quantified cost data as applied to the composite

Total Costs							
Ref.	Cost	Initial	Year 1	Year 2	Year 3	Total	Present Value
Etr	Cost of licensing	\$0	\$211,200	\$211,200	\$211,200	\$633,600	\$525,223
Ftr	Setup and change management costs	\$9,298	\$11,846	\$11,846	\$11,846	\$44,836	\$38,757
	Total costs (risk-adjusted)	\$9,298	\$223,046	\$223,046	\$223,046	\$678,436	\$563,980

COST OF LICENSING

Evidence and data. Medallia Agent Connect is a software-as-a-service agent engagement and QA platform, part of the Medallia Contact Center Suite. \ Agent Connect is priced on a per-agent basis, which may vary across organizations depending on what other modules are included.

Modeling and assumptions. For the composite, Forrester models:

- An average of 400 agents are covered by Medallia Contact Center Suite annually.
- The cost per agent is approximately \$40 per month, or \$480 annually.

Risks. The licensing cost of Agent Connect may vary with the number of agents covered by the platform.

Results. To account for these risks, Forrester adjusted this cost upward by 10%, yielding a three-year, risk-adjusted total PV (discounted at 10%) of under \$550,000.

“The pricing model is flexible. We can scale our agents up or down depending on the season.”

Director of performance management, hospitality

Cost Of Licensing							
Ref.	Metric	Source	Initial	Year 1	Year 2	Year 3	
E1	Number of agents on platform	Composite		400	400	400	
E2	Cost per agent	Composite		\$480	\$480	\$480	
Et	Cost of licensing	E1*E2	\$0	\$192,000	\$192,000	\$192,000	
	Risk adjustment	↑10%					
Etr	Cost of licensing (risk-adjusted)		\$0	\$211,200	\$211,200	\$211,200	
Three-year total: \$633,600				Three-year present value: \$525,223			

SETUP AND ONGOING MANAGEMENT COSTS

Evidence and data. The interviewees said their organizations experienced setup and change management costs associated with their Medallia Agent Connect investments. Setup involved a software developer implementing the solution and a customer service director designing agent training on the platform. Ongoing management involved some quarterly time cost to QA supervisors to calibrate QA evaluation scoring on the platform.

Modeling and assumptions. For the composite organization, Forrester models:

- One software developer spends one week implementing Agent Connect.
- The fully burdened annual rate of a software developer is \$140,000.
- One customer service director spends two weeks setting up and maintaining training on Agent Connect.

- The fully burdened annual rate of a customer service director is \$150,000.
- Each of the composite’s 20 QA supervisors spend a half day of time each quarter to calibrate QA evaluation scoring on an ongoing basis.
- The fully burdened annual rate of a QA supervisor is \$70,000.

Risks. The cost of setup and change management of Agent Connect may vary with.

- The time spent setting up training and calibrating QA evaluation scoring.
- The rates of pay for software engineers, customer service directors, and QA supervisors.

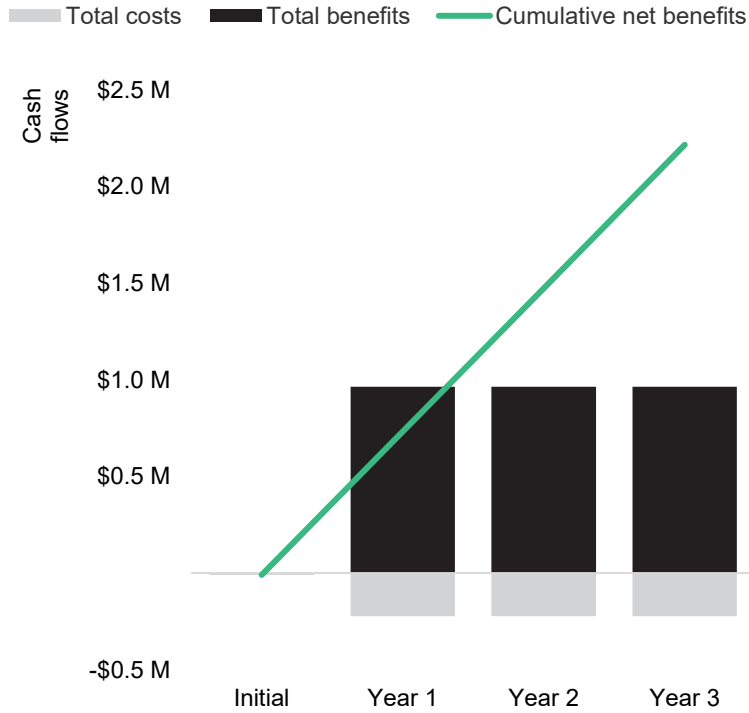
Results. To account for these risks, Forrester adjusted this cost upward by 10%, yielding a three-year, risk-adjusted total PV of less than \$40,000.

Setup And Ongoing Management Costs						
Ref.	Metric	Source	Initial	Year 1	Year 2	Year 3
F1	One week of software developer time in years	Interviews	0.0192			
F2	Fully burdened annual salary of software developer	TEI Standard	\$140,000			
F3	Cost to set up Medallia Agent Connect data platform by software developer	F1*F2	\$2,692			
F4	Two weeks of customer service director time in years	Interviews	0.0384			
F5	Fully burdened annual salary of customer service director	TEI Standard	\$150,000			
F6	Cost to set up customer service training on Medallia Agent Connect	F4*F5	\$5,760			
F7	Half day quarterly of QA supervisor time in days	Interviews		40	40	40
F8	Average fully burdened rate of QA supervisors	TEI Standard		\$269	\$269	\$269
F9	Cost to calibrate QA scoring on an ongoing basis	F7*F8		\$10,769	\$10,769	\$10,769
Ft	Setup and ongoing management costs	F3+F6+F9	\$8,452	\$10,769	\$10,769	\$10,769
	Risk adjustment	↑10%				
Ftr	Setup and change management costs (risk-adjusted)		\$9,298	\$11,846	\$11,846	\$11,846
Three-year total: \$44,836			Three-year present value: \$38,757			

Financial Summary

CONSOLIDATED THREE-YEAR RISK-ADJUSTED METRICS

Cash Flow Chart (Risk-Adjusted)



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

These risk-adjusted ROI and NPV values are determined by applying risk-adjustment factors to the unadjusted results in each Benefit and Cost section.

Cash Flow Analysis (Risk-Adjusted Estimates)

	Initial	Year 1	Year 2	Year 3	Total	Present Value
Total costs	(\$9,298)	(\$223,046)	(\$223,046)	(\$223,046)	(\$678,436)	(\$563,980)
Total benefits	\$0	\$963,000	\$963,000	\$963,000	\$2,889,000	\$2,394,838
Net benefits	(\$9,298)	\$739,954	\$739,954	\$739,954	\$2,210,564	\$1,830,858
ROI						325%

Appendix A: Total Economic Impact

Total Economic Impact 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.

TOTAL ECONOMIC IMPACT APPROACH

Benefits represent the value delivered to the business by the product. The TEI methodology places equal weight on the measure of benefits and the measure of costs, allowing for a full examination of the effect of the technology on the entire organization.

Costs consider all expenses necessary to deliver the proposed value, or benefits, of the product. The cost category within TEI captures incremental costs over the existing environment for ongoing costs associated with the solution.

Flexibility represents the strategic value that can be obtained for some future additional investment building on top of the initial investment already made. Having the ability to capture that benefit has a PV that can be estimated.

Risks measure the uncertainty of benefit and cost estimates given: 1) the likelihood that estimates will meet original projections and 2) the likelihood that estimates will be tracked over time. TEI risk factors are based on "triangular distribution."

The initial investment column contains costs incurred at "time 0" or at the beginning of Year 1 that are not discounted. All other cash flows are discounted using the discount rate at the end of the year. PV calculations are calculated for each total cost and benefit estimate. NPV calculations in the summary tables are the sum of the initial investment and the discounted cash flows in each year. Sums and present value calculations of the Total Benefits, Total Costs, and Cash Flow tables may not exactly add up, as some rounding may occur.



PRESENT VALUE (PV)

The present or current value of (discounted) cost and benefit estimates given at an interest rate (the discount rate). The PV of costs and benefits feed into the total NPV of cash flows.



NET PRESENT VALUE (NPV)

The present or current value of (discounted) future net cash flows given an interest rate (the discount rate). A positive project NPV normally indicates that the investment should be made, unless other projects have higher NPVs.



RETURN ON INVESTMENT (ROI)

A project's expected return in percentage terms. ROI is calculated by dividing net benefits (benefits less costs) by costs.



DISCOUNT RATE

The interest rate used in cash flow analysis to take into account the time value of money. Organizations typically use discount rates between 8% and 16%.

Appendix B: Endnotes

¹ Total Economic Impact 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.

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