



The Business Value of Medallia Experience Cloud

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BUSINESS VALUE HIGHLIGHTS



Click on highlights below to navigate to related content within this white paper.

732%
3-year ROI

12 months
average time to breakeven
on investment (including
deployment time)

\$27.39 million
in annual benefits per
organization

21% increase
in customer satisfaction

\$150.23 million
higher total annual revenue
per organization

90%
higher productivity, core CX
and power users

Executive Summary

Companies leverage customer experience management platforms to reimagine how they engage with customers resulting in: new innovation of products and service channels, improved business-to-customer agility, and better customer experiences. This is especially urgent as brands struggle to digitally transform in the wake of the pandemic and the seismic shifts it has brought to every industry.

IDC spoke with organizations using Medallia Experience Cloud (Medallia) to understand its impact on their ability to identify and leverage customer insights to support their customer experience (CX) operations and businesses. Interviewed Medallia clients reported that they have significantly improved their ability to access, identify, synthesize, and apply insights to better serve their customers, make CX and customer support staff more effective, and win more business.

IDC's analysis demonstrates the significant value that the sample of Medallia clients interviewed for this study are achieving.

IDC calculates the value they are achieving as worth \$27.39 million per interviewed Medallia client per year (\$972,900 per 100 Medallia users) in the following areas:

- ▶ **Increasing sales** by improving customer satisfaction levels and supporting organic growth of net new customers which results in higher average customer lifetime spending, lower customer churn rates, and greater success winning new business
- ▶ **Enabling customer experience and customer support teams** to work more effectively through AI-driven access to intelligent insights that drive performance and behavioral improvements, allowing teams to serve growing customer bases in an efficient and robust manner
- ▶ **Reducing operational costs and capturing staff efficiencies and productivity gains**, thereby removing silos and increasing the relative value-add of internal customer experience teams and operations.

Situation Overview

Companies across every industry are facing the challenge of digitally transforming their customer engagement: collecting data about customer preferences and integrating technology across the customer journey to improve the customer experience and build that long-term customer relationship. IDC engages with thousands of end-user IT and business executives every year. Prior to COVID-19, many executives viewed a differentiated customer experience as a nice to have, not a top priority.

The pandemic revealed that digital transformation efforts, as critical as they were, had left the customer and their experience behind. As circumstances forced significant business model and customer engagement shifts, the glaring gaps in customer engagement quickly became obvious. Brands that had prioritized infrastructure over customer engagement and experiences were caught in a bind.

With customers choosing or being forced to shift their actions (including research, purchases, and accessing support to digital channels), brands quickly and unpleasantly discovered that issues existed in their customer engagement. Those issues included a lack of integration of data and business processes on their channels and in the customer experiences they delivered that they had previously been able to gloss over became an impassable chasm in the customer journey. The result was that digital customer engagement and the corresponding customer experience vaulted to become a near top priority as brands struggled with customer retention, meeting evolving customer needs, and attracting new customers.

Leading brands today have gained a competitive advantage by delivering a contextually relevant digital experience through their customer engagement platforms. IDC's research shows that in 2021, 65% of organizations will have shifted to digital-first through automated operations and contactless experiences, as physical interactions wane. Additionally, customers will spend 25% more with companies whose digital transformation enables quick and easy adaptation to the new business context. These leading brands are redefining their relevance to their customers through the strength of contextual customer data flows, analytics, and business processes that effectively drive loyalty and advocacy.

By focusing on the flow of customer data throughout the customer journey, IDC is underscoring how urgent it is for business leaders to start focusing on differentiating their customer experience through data and business process transformation. We find that most brands take about three to five years to reach a point of substantial transformation of their customer experience through the use of customer data. And we expect that those who ignore the risk of not appropriately gathering and employing customer data will not be able to address the critical needs of their customers in today's continually evolving environment.

Providing a differentiated customer experience that engages and retains customers requires a foundational strategy that encompasses not only technology transformation but also transformation of corporate culture and systems. Lasting change that differentiates the brand in the eyes of its customers only comes by transforming all aspects of the organization.

Medallia Experience Cloud

Medallia Experience Cloud is an integrated SaaS solution that supports the monitoring of a company's performance when it comes to their most critical asset – their customers. Medallia focuses on revealing critical customer insights and making those insights actionable to address the needs and wants of the customer across the organization.

There are a number of components to any customer experience technology solution that focuses on building solid relationships with customers. But the first and foremost is to truly understand customers—how to best communicate and engage with them, and what actions to take in order to improve their experience with the brand and drive loyalty. Medallia helps organizations do exactly that: understand customers across the many channels they use, identify areas of focus and suggested actions to take next, and then close the loop and engage with customers in real-time.

The key components of the Medallia Experience Cloud solution include:

- ▶ **Broad and Comprehensive Feedback Signal Capture in a Unified Platform.** Customer data is more than just a response to a survey. Customer feedback signals are experience data points that come from multiple touch points along the customer journey and from multiple channels such as digital behavior, speech analytics, transactional data, CRM systems, third-party sources, and more. Medallia is channel agnostic and offers the ability to collect feedback signals customers leave via email, mobile applications, SMS, social reviews, IVR, chat, and other channels. This provides a comprehensive view of the customer experience in a unified platform.
- ▶ **Unstructured Data Analysis.** So much of current customer experience practices focus on a score, whether it be net promoter score (NPS), satisfaction score (CSAT), Customer Lifetime Value (CLV), or other type of CX score. But when organizations solely focus on scores, they lose sight of all of the critical contextual data that exists “behind” the score. This can come in the form of unstructured data from comments in surveys, emails, chat logs, video transcripts and other rich sources.
- ▶ **Predictive and Action-Oriented Analytics.** Medallia helps brands make sense of this high volume and otherwise messy unstructured data by leveraging artificial intelligence (AI), natural language processing (NLP), and machine learning (ML) to help brands understand customer sentiment, key topics and themes, and the drivers of customer satisfaction. Predictive and prescriptive AI models take analysis a step further—beyond what manual analysis could do alone—to identify customers in need of attention and prescribe the next best action to take in order to improve loyalty, increase sales, and reduce churn.
- ▶ **Real-Time, Personalized Reporting to Drive Engagement and Adoption.** Different business processes, departments, and executives all need information about the customer but in different ways, shapes or forms. Medallia allows for the dynamic creation of dashboards and personalized alerts that can leverage a variety of data and analytics tailored to the unique needs of the user. Mobile apps put real-time, personalized data into the right hands in the organization, and bi-directional integrations make every system customer-aware. Medallia meets users wherever they would most naturally consume data, in ways that are action-oriented, relevant and useful.

- ▶ **Risk Scoring and Case Management.** There will always be detractors or customers who are at risk. But often these at-risk customers can be turned into promoters by alerting the right person, team, or system to respond to that customer. Medallia uses predictive models to intelligently identify at-risk customers and identify root causes of poor experiences. By understanding the drivers leading to a poor experience, brands know where to take action in order and how to improve experiences and loyalty. Through case management, Medallia gives brands the tools they need to quickly and effectively close the loop on key customer issues that need attention.

Overall, Medallia Experience Cloud is an enterprise-grade platform that helps brands and organizations of all sizes understand and improve customer experiences and loyalty, reduce operational costs and improve operational efficiencies, and ultimately increase sales.

The Business Value of Medallia Experience Cloud

Business Value Results

For this study, IDC interviewed 12 large organizations that are using the Medallia Experience Cloud and quantified the business value results gathered from eight in-depth interviews. IDC's research demonstrates the strong value proposition for study participants of Medallia Experience Cloud by transforming customer signals and activity into robust and actionable insights. As a result, interviewed Medallia clients reported higher customer satisfaction, increased CX team productivity, and substantial revenue gains.

Study participants described how they have leveraged the Medallia platform to better engage with their customers and generate value through higher revenue, productivity levels, and operational efficiencies:

- ▶ **Single source for customer-related metrics:**

"There's a tremendous amount of business value for us gained from using Medallia from having, first of all, an enterprise-wide North Star for metrics and then sub-metrics that are important to each business group."

- ▶ **Return based on optimizing products and customer experience:**

"There is definite ROI for us with Medallia. We are able to make changes to our products to make them better and that results in better customer experiences and returns value on those customers."

- ▶ **Instill a customer-centric operational model:**

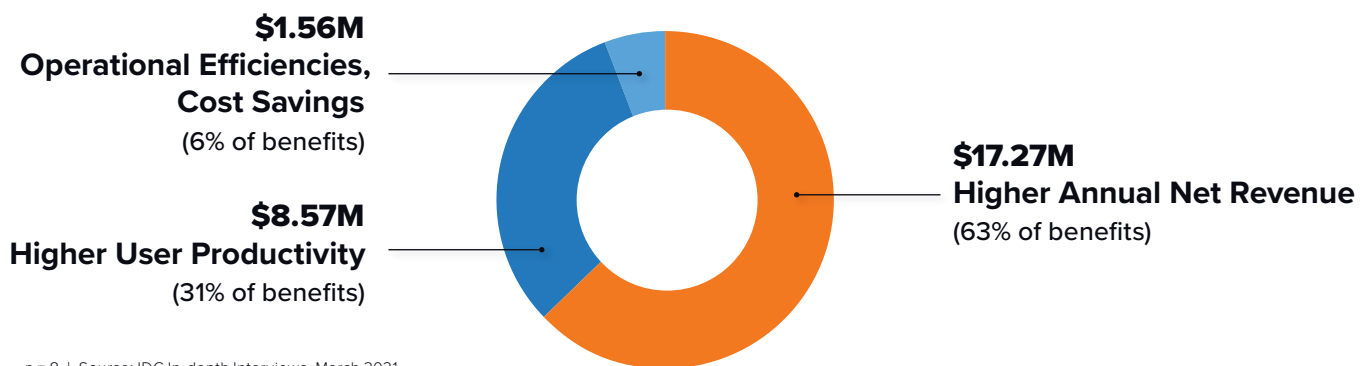
"Truthfully, it's just all high value with Medallia. They keep not only me engaged, but it's a great tool that we're using to develop some other team members. Medallia is very customer-centric, which makes sense and helps the voice of the customer platform be very high-performing."

IDC's analysis demonstrates the significant value that the sample of Medallia clients interviewed for this study are achieving. IDC calculates the value being realized as worth **\$27.39 million per interviewed Medallia client per year (\$972,900 per 100 Medallia users)** in the following areas:

- ▶ **Higher annual net revenue:** Study participants improved customer satisfaction levels, which has resulted in higher average lifetime spending levels and winning new business. As a result, they have realized significant revenue gains, which IDC quantifies as worth a net increase of \$17.27 million per organization per year (\$613,200 per 100 Medallia users).
- ▶ **Higher user productivity:** Study participants have teams such as customer experience and customer support teams that depend on the ability to access, use, and generate value from customer feedback. With Medallia, these teams work more effectively and efficiently, which IDC calculates as worth an average of \$8.57 million in productivity gains per organization per year (\$304,200 per 100 Medallia users).
- ▶ **Operational cost savings:** Study participants rely on the Medallia Experience Cloud platform to power their customer experience operations, which means less reliance on other solutions and third parties. IDC calculates value of \$1.56 million per organization per year in cost savings and avoidances (\$55,400 per 100 Medallia users).

FIGURE 1
Average Annual Benefits per Interviewed Organization

Total annual benefits: \$27.39M per organization



Improved Customer Experience Capabilities and Analytics

Study participants reported that they have made significant gains or even transformed their ability to leverage feedback to improve customer experiences with Medallia Experience Cloud.

They noted that, before implementing Medallia, they often struggled to obtain and provide customer feedback in usable forms, which limited their ability to generate actionable insights. As a result, they were often slow-footed and late in taking concrete steps to address customer concerns, thereby limiting their ability to ensure customer goodwill and brand loyalty.

For interviewed Medallia clients, their ability to transform data from customers into valuable and actionable insights relates back to several capabilities:

- ▶ They have a platform that enables **collection of more robust customer data**, including through new and more tailored types of surveys and feedback. For example, one study participant explained how Medallia enables it to collect new types of customer signals that contribute to more valuable insights: *“Part one of the selling points of Medallia was the ability to deal with complex and multiple disparate data sources and turn those around to look nice and consistent for our leaders. Selling point number two was being able to get data into the hands of the end user in a digestible format that doesn’t require a statistician to read.”*
- ▶ They have **enhanced functionalities** with Medallia that allow them to **leverage AI to automatically surface insights** from unstructured data from customer feedback, regardless of the source or volume. For example, one study participant said: *“Enabling text analytics was a game changer for us with Medallia. It sped up our go-to-insights-market, which affects our ability to synthesize and extract insights faster.”*
- ▶ They can more **efficiently and effectively get data to the customer experience and business teams** that require it. For example, one Medallia client commented: *“We weren’t looking to be gatekeepers with data. We were looking to get data in the hands of the people that drive the experience, that are delivering the experience. And Medallia lets you do that.”*
- ▶ They can react with **increased agility in handling and responding to customer feedback**. For example, one interviewed organization noted: *“When we rolled out our new website survey, with Medallia, we were able to very quickly get underneath new features and content, or naming conventions that weren’t working for consumers, and make those changes within days – instead of it taking months.”*

For study participants, enhanced functionality with the Medallia Experience Cloud platform has markedly improved their ability to collect, analyze, and use customer feedback data. In turn, these enhanced capabilities have created a virtuous loop for study participants; they are confident in their ability to collect and synthesize customer feedback, which allows them to take the steps needed to quickly and robustly ensure an improved customer experience.

Higher Customer Satisfaction and Revenue

Interviewed organizations uniformly spoke of how Medallia has helped them respond to and support customers in a more timely, tailored, and effective manner. For most study participants, this has led to gains in their core measurements of customer satisfaction – whether NPS or CSAT – with most interviewed organizations linking improved customer relations to business gains in the form of higher revenue and sales.

Study participants linked their use of Medallia Experience Cloud to being able to generate impactful analytical insights about customer behavior and satisfaction.

These included:

- ▶ Understanding the specific and incremental value associated with moving customers from detractors/passive to net promoters as they record more visits and increase spending levels
- ▶ Identifying and acting on dissatisfied customers to bring them back for future interactions and buying decisions
- ▶ Correlating customer-specific Net Present Value (NPV) numbers and business levels
- ▶ Driving website and product improvement pipeline based on customer feedback
- ▶ Gaining feedback on customer satisfaction levels with various channels of engagement
- ▶ Obtaining real-time feedback on customer support team's performance
- ▶ Providing consistent view of customer satisfaction data across distributed locations

Interviewed Medallia clients provided impactful examples of how they can now better interact with and support their customers, thereby improving their customer experience capabilities:

▶ **Deeper understanding of customers:**

“Our loyalty data says that our customers are much happier now with Medallia. However, the biggest benefit for us using Medallia is the ability to understand issues affecting our customers' experience.”

▶ **Behavioral analysis and ability to quantify value of more satisfied customers:**

“With Medallia, we can calculate the probability that a customer will go to a competitor and the probability of a customer moving whether to a detractor or passive or promoter. With this data, we have built an understanding of customer experience value and customer experience value at-risk. The customer lifetime value of a promoter is worth 25% more than a detractor and 17% more than a passive customer.”

▶ **Proactive identification and addressing of customer problems:**

“The most significant benefit for us in using Medallia is diagnostic work. We're able to identify problems and friction points. In the future, we believe the bigger benefit is going to be more real-time feedback, which allows us to identify issues during major traffic influx timeframes.”

Study participants reported using different metrics and means to quantify customer satisfaction, but uniformly reported that Medallia Experience Cloud has helped realize improvements to both NPS and CSAT scores. One interviewed organization explained: *“After deploying Medallia, we went from about 4 out of 10 customer satisfaction to 7 out of 10 in about four months, because we addressed key customer concerns.”*

Interviewed Medallia clients have achieved consequential improvements in customer satisfaction scores whether measured by NPS or CSAT, improving their average customer satisfaction scores by an average of 21%.

Improvements of this extent directly reflect a change in customer sentiment, which translates into business benefits such as greater engagement, higher total spending levels, and improved customer retention.

One interviewed Medallia client directly linked achieving a higher NPS to revenue gains: “We’ve been able to improve our Net Promoter Score by 20 points in the past two years since implementing Medallia”. That results in both more sales and an avoidance of a loss of sales,” including an average customer lifetime value gain of 5%.

Study participants also provided other detailed examples of improvements with Medallia to their ability to serve customers and understand customer sentiment which have helped deliver improved business results.

► Address inventory issues:

“Medallia has a very big impact on some drivers of overall customer satisfaction. One example is inventory integrity. We were having trouble at the beginning of the pandemic with not removing products from our website that were unavailable to purchase at local locations. That was a huge customer friction point for us. We leveraged Medallia to essentially put a financial valuation on it ... if we can improve this by ten percentage points, that’s X million dollars in value.”

► Real-time customer feedback:

“We have functionality rolled out to all of our leaders with Medallia so that they can see in near real-time what guests are saying about their visits. That’s important to us... [because it] allows them to learn quicker and potentially fix problems right on the spot.”

As shown in **Table 1**, next page, interviewed Medallia clients have translated their ability to better understand and react to customer feedback into significant business gains. Study participants reported achieving higher revenue through increasing customer lifetime values, improving customer retention, and delivering more robust products and services to the market. On average, study participants linked annual revenue gains of \$150.23 million per organization to their use of Medallia (\$5.34 million per 100 Medallia users). IDC applies a 15% margin assumption against total revenue gains for purposes of its financial model, resulting in net revenue gains of an annual average of \$22.53 million per organization (\$800,300 per 100 Medallia users).

TABLE 1
Business Productivity Benefits, Higher Revenue

Revenue Impact	Per Organization	Per 100 Medallia Users
Total additional revenue per year	\$150.23M	\$5.34M
Assumed operating margin	15%	15%
Total recognized revenue, for purposes of IDC’s Business Value model for this project	\$22.53M	\$800,300

n = 8 | Source: IDC IDC In-depth Interviews, March 2021

Customer Experience Productivity Gains

Study participants also linked their use of Medallia Experience Cloud to enablement of teams responsible for interacting with and supporting customers, including their customer experience and customer support teams. These teams must not only synthesize customer feedback and prioritize their responses but must also handle rapid growth to volumes of customer feedback and increasing business expectations for even faster and more effective actions.

Customer experience and customer support teams benefit from the improved flow of customer feedback on the Medallia Experience Cloud platform. Because study participants have more robust and holistic views of customer feedback with Medallia, they can apply learnings more readily not only in supporting customers proactively but also in training team members to work more effectively.

Interviewed Medallia clients provided specific examples of these benefits:

▶ **Targeted and robust feedback through analytics to use for training:**

“Our customers’ responses to surveys supported by Medallia go to customer support team supervisors and then the supervisors will use those responses in coaching sessions. We have a daily huddle meeting and use Medallia feedback and they’ll use some in improvement cycles as well.”

▶ **Drive higher customer satisfaction through internal feedback and praise:**

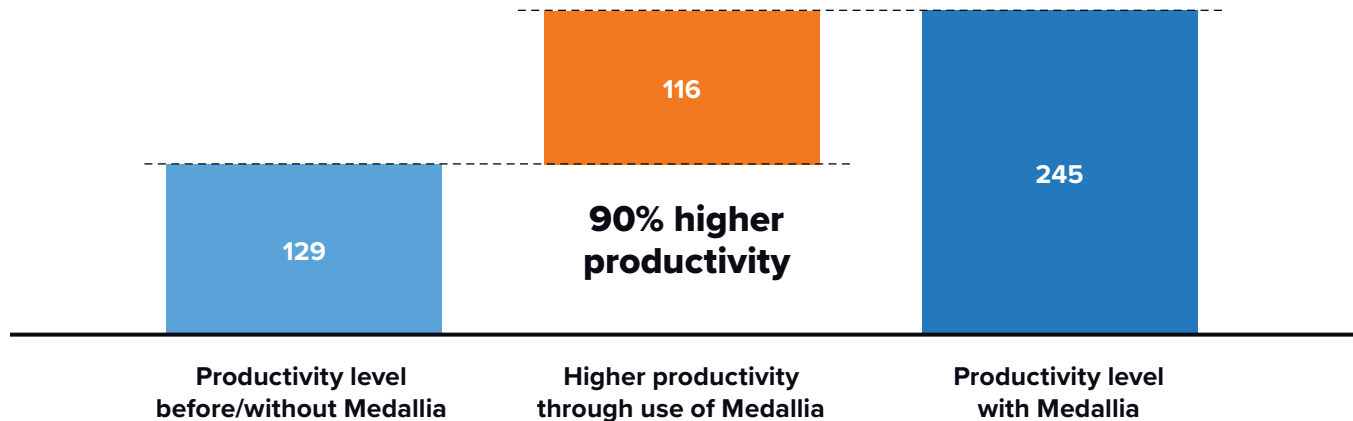
“Bringing Medallia on board absolutely and significantly changed our CSAT scores ... there’s a distinct difference between giving you a pat on the back because you got three perfect surveys this week and me giving you a pat on the back every time you get a positive survey. That morale boost is very meaningful.”

Study participants linked improved ability to support these teams and enable them to respond to customer feedback with Medallia Experience Cloud to their enhanced effectiveness, and ultimately value to the organizations. Interviewed organizations had unique structures in terms of the teams that use Medallia on a day-to-day basis, but most identified either customer experience teams or other groups of power users who make the most consistent use of the platform.

For these teams, the data and analytical insights available through Medallia are essential; the teams can work far more effectively and efficiently on the Medallia platform. One study participant linked significant efficiencies for its customer experience team to workflow analytics with Medallia: “What Medallia gives us is workflow analytics on the CX side that we would have had to build on [another platform] and we would have been dependent on having a department of 20 people to manage [that platform] as opposed to a six-member team.” Overall, study participants identified an average of 129 employees as core customer experience or power users of Medallia and attributed nearly a doubling of their productivity levels (90% on average) to the use of the Medallia platform (see **Figure 2**, next page).

FIGURE 2

Impact on Customer Experience Teams and Medallia Power Users (Equivalent productivity, FTEs per organization)



n = 8 | SSource: IDC In-depth Interviews, March 2021

Several study participants also linked efficiencies for large customer support operations to the use of Medallia.

In particular, they noted being able to better visualize the results of their approaches to customer service and quantify staff productivity levels:

▶ **Optimize customer support activities:**

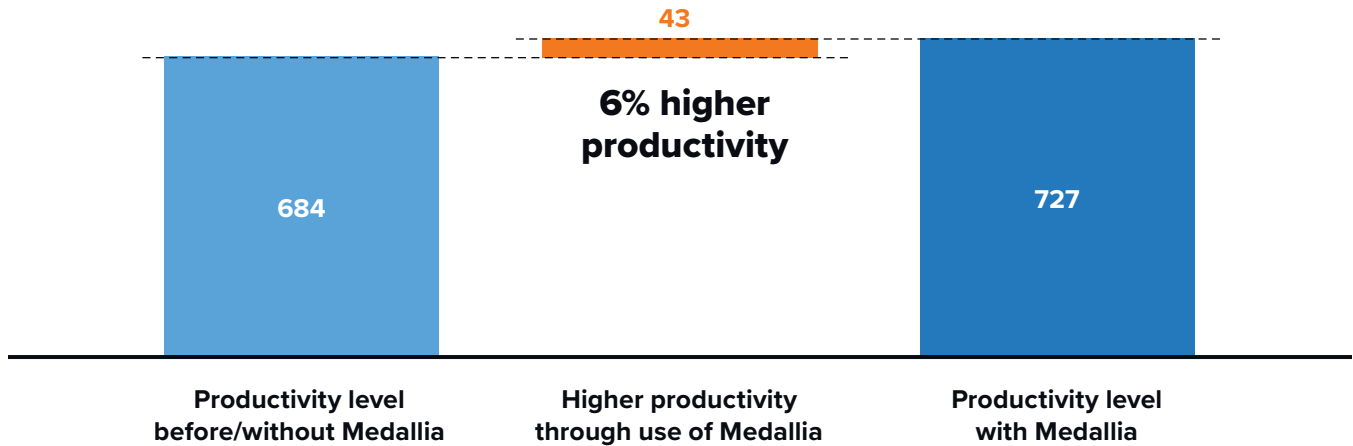
“Medallia has allowed us to understand the impact of our customer support, not just operationally on call hold times and such, but on actual customer satisfaction. We’ve also been able to look at the sales numbers and prioritize so that our top customers can get through on the phone.”

▶ **Double customer support team productivity:**

“We get some customer support team members that are closing 200 cases a day with Medallia, which is absolutely phenomenal. With our prior solution, we’d be lucky if we were closing 50 cases a day per agent. Now, an average agent closes 100 cases per day.”

Interviewed Medallia clients linked their use of the platform to higher productivity of an average of 6%, which marks a substantial efficiency value given that these organizations have customer support operations of an average of almost 700 team members (see **Figure 3**, next page).

FIGURE 3
Impact on Customer Support Teams
 (Equivalent productivity, FTEs per organization)



n = 8 | Source: IDC In-depth Interviews, March 2021

Operational Cost Savings

Study participants also reported that establishing a robust and unified customer experience platform with Medallia Experience Cloud has allowed them to stop using other solutions and avoid costs associated with third-party support. For example, one study participant reported saving millions of dollars per year by no longer requiring a third party to analyze incoming customer data across its operations. Another reported avoiding several hundred thousand dollars of costs associated with the IT costs it would have otherwise incurred to implement a data source system similar to Medallia. On average, IDC calculated that study participants reduced or avoided costs of this nature worth \$1.56 million per organization per year (\$55,400 per 100 Medallia users).

Return on Investments (ROI) Analysis

Table 2 presents IDC's analysis of the benefits and investment costs for interviewed organizations of their use of Medallia Experience Cloud. IDC calculates average discounted benefits for study participants over three years worth \$63.48 million per organization (\$2.25 million per 100 Medallia users) in higher net revenue, increased user productivity levels, and operational cost savings. These benefits compare with three-year discounted investment costs of \$7.63 million per organization (\$270,800 per 100 Medallia users), which includes not only Medallia licensing costs but also staff time and third-party costs for implementation, deployment, and optimization. These levels of benefits and investment costs would result in a three-year average ROI of 732% with study participants breaking even on their investment in Medallia in 12 months on average, including the time required to deploy and begin using Medallia.

TABLE 2
Three-Year ROI Analysis

	Three-Year Average per Organization	Three-Year Average per 100 Medallia Users
Benefit (discounted)	\$63.48M	\$2.25M
Investment (discounted)	\$7.63M	\$270,800
Net Present Value (NPV)	\$55.86M	\$1.98M
ROI (%)	732%	732%
Average time to breakeven (including deployment time)	12 months	12 months
Discount Rate (%)	12%	12%

n = 8 | Source: IDC In-depth Interviews, March 2021

Challenges/Opportunities

Even though most brands are familiar with using technology to enable and improve the customer experience, the abundance of types and functions of the technologies is shifting the market and the competitive dynamics. The shift to public cloud, the rise of customer data platforms, the multiplying of interaction channels with customers, and the expansion of available customer data are all changing the dynamics of how to provide a unique customer experience. If one brand doesn't provide the expected experience for the customer, another brand will. For companies that want to maintain an integrated relationship with their customers, a customer experience management solution is a necessity.

To ensure a beneficial long-term relationship between brand and customers, brands need to upgrade their customer experience management capabilities to create an integrated experience across the customer journey.

To do that brands need to focus on:

- ▶ **Diverse Customer Feedback Capture and Analysis:** Collecting the right data about the customer and then using that data to better understand the customer and their needs. The chosen solution should be able to ingest and analyze a diverse set of customer signals including solicited, unsolicited, observed, and inferential data and create aggregate, cohort, and individual level insights. This will allow organizations to eliminate data silos and drive action by identifying and prioritizing where and how to act.

- ▶ **Consumable, role-relevant, real-time insights:** Monitor shifts in customer preferences, actions, and channels over time to identify early ways to meet emerging customer wants and needs while maintaining the experience. Organizations should look for solutions that share learnings across departmental teams (e.g. contact center calls being driven by a website experience shopping cart error). They should also expect that relevant customer insights can be automatically sent to the right user in real-time to help drive a customer-centric culture.
- ▶ **Program Scalability:** Brands will realize the maximum impact of customer experience management solutions if they make them fully integrated across business systems and teams. Operationalizing that data to improve front end workflows that touch the customer will result in improved customer experiences. Ensure that data and insights are easily accessible across teams including customer experience, customer support, marketing, and executives. Organizations can reduce the cost of training by providing relevant data in platforms where users already work. Finally, ensuring solutions can handle program growth and evolution is key to keeping up with changing technology and customer expectations.

While this may seem daunting to many end-user companies, new approaches, platforms, and technologies are making this possible for the smallest to the largest organizations. Using these new approaches and technologies, organizations are able to maintain an engaged relationship with the customer no matter what the channel or interaction mode. This is the essence of customer experience: understanding your customer in such a way through feedback, research, monitoring, and nurturing that it facilitates building a long-term relationship. Organizations that can leverage technology and contextual customer information are in the best position to continuously transform and succeed in this rapidly changing world.

Conclusion

For companies that are trying to be intelligent about their customers while providing the experience customers want, a SaaS-based customer experience management platform like Medallia will be a critical component. This research demonstrates that study participants realized significant value with Medallia Experience Cloud, and that overall, organizations were able to improve the customer experience in a way that demonstrated value to the customer and bottom-line value to the company.

IDC calculates that participating organizations will achieve discounted three-year benefits of \$63.5 million based on better understanding the customer, improved customer journey workflow, and lower operational costs. We believe this results in a three-year return on investment of 732%.

As organizations face an increasing dynamic of change, the challenges of recovering from the global pandemic, and the resulting economic disruption, their ability to quickly align their business towards their customer – whoever that may be, whatever channel they are on, and whenever they want to interact – will be essential. Leveraging Medallia Experience Cloud has been successful for the organizations we interviewed. And we believe that Medallia clients will be better positioned to quickly transform how they engage with their customers and succeed in a rapidly changing world.

Appendix 1

Study Demographics

IDC interviewed 12 large organizations with enterprise-level characteristics in total that are using Medallia Experience Cloud about their experiences. Eight interviews were quantitative in nature and covered topics related to the impact of Medallia on customer satisfaction, business results, and internal productivity levels, while four of the interviews were used only to obtain qualitative feedback and were not included in IDC's model.

Table 3, presents the demographics of the eight Medallia clients considered for IDC's quantitative analysis. These Medallia clients had a large enterprise profile in terms of number of employees and annual revenue both by average and median (averages of 41,125 employees and \$19.85 billion; medians of 35,000 employees and \$8.60 billion). They shared a common need to optimize their ability to understand and interact with their customers based on large amounts of data and feedback, and to leverage insights to drive improved customer satisfaction and business results. Study participants considered for the quantitative analysis were based in the United States (7) and Mexico, while other Medallia clients interviewed included companies based in both the United States and EMEA. Interviewed organizations provided experiences with Medallia from a number of different industry verticals, including the Retail (2), Entertainment, Financial Services, Healthcare, Insurance, Manufacturing, and Technology sectors.

TABLE 3
Demographics of Interviewed Organizations

	Average	Median
Number of employees	41,125	35,000
Annual revenue/budget	\$19.85B	\$8.60B
Countries	United States (7), Mexico	
Industries	Retail (2), Entertainment, Financial Services, Healthcare, Insurance, Manufacturing, Technology	

n = 8 | Source: IDC In-depth Interviews, March 2021 | (Organizations considered for quantitative analysis)

Choice and Use of Medallia Experience Cloud

Study participants described common paths to choosing and deploying Medallia Experience Cloud. Interviewed Medallia clients understood that their business success increasingly depended on better leveraging customer data to improve experiences and ultimately satisfaction levels.

They knew that, absent the ability to generate more robust, timely, and useful analytical insights from the copious amounts of customer behavioral data and feedback their businesses generated, they would struggle to address the needs of their customers in a meaningful and timely way. Thus, they deployed Medallia Experience Cloud to move closer to and better serve their customers.

Among the selection criteria described by study participants were the following:

- ▶ **Needing to have a platform to more proactively manage customer experiences,** based on organizations' conclusions that they were unable to act with sufficient agility, purpose, or clarity when it came to taking concrete steps to improve customer experiences
- ▶ **Having a vision of providing the best levels of customer service,** which organizations acknowledged that they could not accomplish without a platform that would enable them to capture more valuable customer feedback and translate feedback into actionable steps
- ▶ **Improving ability to deliver meaningful customer-driven analytics to leaders as well as day-to-day users,** which would allow decision makers to act based on more complete and robust insights and day-to-day users to apply more valuable insights and findings to how they work with and support customers

Table 4, reflects the robust use cases that study participants already have for Medallia Experience Cloud. They reported using the Medallia platform across large parts of their distributed operations to serve substantial numbers of customers: 615 locations on average supporting over 8 million customers (medians of 248 locations and 3.65 million customers, respectively). They reported different day-to-day use patterns of Medallia, but most organizations reported that their customer experience and customer support teams make extensive use of data and insights from the Medallia platform, with other teams that include executive, sales, operational, and analytics teams also using Medallia. On average, as shown in **Table 4**, study participants counted 2,816 core day-to-day users of Medallia (775 users, median), and supported an average of almost three-quarters of their revenue (71%) with the Medallia platform.

TABLE 4
Medallia Experience Cloud Use by Interviewed Organizations

	Average	Median
Number of locations	615	248
Number of core users	2,816	775
Number of customers	8M	3.65M
Percent of revenue	71%	85%

n = 8 | Source: IDC In-depth Interviews, March 2021

Appendix 2

IDC Business Value Methodology

IDC's standard Business Value and ROI methodology was utilized for this white paper. This methodology is based on gathering data from organizations currently using Medallia Experience Cloud as the foundation for the model. Based on interviews with these study participants, IDC has calculated the benefits and costs to these organizations of using Medallia Experience Cloud.

IDC used the following three-step method for conducting the ROI analysis:

- 1. Gathered quantitative benefit information during the interviews using a before-and-after assessment of the impact of using Medallia Experience Cloud.**
In this study, the benefits included net revenue gains, higher CX-related team productivity levels, and operational cost savings.
- 2. Created a complete investment (three-year total cost analysis) profile based on the interviews.** Investments go beyond the initial and annual costs of using Medallia and can include additional costs related to migrations, planning, consulting, and staff or user training.
- 3. Calculated the ROI and average time to breakeven.** IDC conducted a depreciated cash flow analysis of the benefits and investments for the organizations' use of Medallia over a three-year period. ROI is the ratio of the NPV and the discounted investment. The average time to breakeven is the point at which cumulative benefits equal the investment up until that time.

IDC bases the average time to breakeven and ROI calculations on several assumptions, which are summarized as follows:

- ▶ **Time values are multiplied by burdened salary (salary +28% for benefits and overhead) to quantify efficiency and manager productivity savings.**
For purposes of this analysis, based on the geographic locations of the interviewed organizations, IDC has used assumptions of an average fully loaded \$100,000 per year salary for IT staff members and an average fully loaded salary of \$70,000 for non-IT staff members. IDC assumes that employees work 1,880 hours per year (47 weeks x 40 hours).
- ▶ **The net present value of the three-year savings is calculated** by subtracting the amount that would have been realized by investing the original sum in an instrument yielding a 12% return to allow for the missed opportunity cost. This accounts for both the assumed cost of money and the assumed rate of return.
- ▶ **Because every hour of downtime does not equate to a lost hour of productivity or revenue generation, IDC attributes only a fraction of the result to savings.** As part of our assessment, we asked each interviewed organization what fraction of downtime hours to use in calculating productivity savings and the reduction in lost revenue. IDC then taxes the revenue at that rate.

- ▶ **Further, because IT solutions require a deployment period, the full benefits of the solution are not available during deployment.** To capture this reality, IDC prorates the benefits monthly and then subtracts the deployment time from the first-year savings.

Note: All financial results in this study are presented in terms of U.S. Dollars. Also, numbers in this document may not be exact due to rounding.

Appendix 3

Additional Quotes from Medallia Clients

The following were additional quotes from interviewed Medallia clients that were not included in the body of this study:

- ▶ *“We were outsourcing a lot of our customer experience data and then had our analysts analyzing the results. We said let’s stop outsourcing it, and let’s have our own platform with Medallia and be able to analyze it and manage it ourselves.”*
- ▶ *“We evaluated other technologies and then decided to go with Medallia. The driver was our vision . . . to be the best in service, and to hear the voice of the customer.”*
- ▶ *“We chose Medallia for three reasons: number one was more consistent data collection; number two was more consistent reporting; number three was more consistent accessibility for employees.”*
- ▶ *“There were two drivers of our decision to use Medallia: we wanted to improve the quality of our product and we wanted to improve how we communicate our products to our customers.”*
- ▶ *“Part one of the selling points of Medallia was the ability to deal with complex and multiple disparate data sources and turn those around to look nice and consistent for our leaders. Selling point number two is being able to get data into the hands of the end user in a digestible format that doesn’t require a statistician to read.”*
- ▶ *“We’re getting 6,000 surveys back a day. The sheer volume of that allows us to identify opportunities very quickly. Having a platform like Medallia that can capture that feedback and a strong business intelligence platform associated with it that can help us sift through the ‘garbage’ and find the real value, the nuggets of truth, is critical. Medallia has an application that focuses on text analytics, which is critical for us.”*
- ▶ *“We’ve focused more now on the relationship of NPS with Medallia. It’s gone up since we started using Medallia, but it didn’t start jumping until we got the inter-loop process implemented within our engagement centers and with our mobile application. . . and now our app is at a 4.7 or 4.8-star rating in the app store.”*

- ▶ *“With Medallia, we give the end user an opportunity to take surveys, be it a little pop up or a toast on their PC rather than an email. . . We find this particularly effective for millennials and the younger generation of users. We’ve seen a 3x to 4x increase in survey sample size. We’re not only getting a much higher volume of sample data, which is tremendously powerful for us, but we’re also getting a much broader and more balanced perspective from a demographic perspective.”*
- ▶ *“Historically, we’ve only been able to sample 1% of customer feedback. The future state with Medallia is going to be one QA team for the entire enterprise. We don’t need as many people because we’ll automate and be able to listen to 100% and analyze 100% of the calls with Medallia.”*

About the Analysts



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Harsh V. Singh is a Senior Research Analyst for the Business Value Strategy Practice, responsible for developing return-on-investment (ROI) and cost-savings analysis on enterprise technological products. Mr. Singh's work covers various solutions that include datacenter hardware, enterprise software, and cloud-based products and services. Mr. Singh's research focuses on the financial and operational impact these products have on organizations that deploy and adopt them.

[More about Harsh Singh](#)



Matthew Marden

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Matthew is responsible for carrying out custom business value research engagements and consulting projects for clients in a number of technology areas with a focus on determining the return on investment (ROI) of their use of enterprise technologies. Matthew's research often analyzes how organizations are leveraging investment in digital technology solutions and initiatives to create value through efficiencies and business enablement.

[More about Matthew Marden](#)



Alan Webber

Program Vice President, Customer Experience, IDC

Alan Webber is Program Vice President for Digital Strategy and Customer Experience. In this role, Alan leads IDC's Customer Experience research program as well as supporting IDC's Chief Marketing Officer research efforts. Specific areas of research interest for Alan are the impact that technology changes have on how business and customers engage and interact, the digital transformation of the customer experience, and the impact of algorithms and analytics.

[More about Alan Webber](#)

Message from the Sponsor

This whitepaper demonstrates how Medallia uses customer feedback data and signals gathered from multiple touch points along the customer journey to provide a comprehensive view of the customer experience in a single, unified platform that offers significant value and return on investment.

Medallia is the pioneer and market leader in customer, employee, citizen and patient experience. The company's award-winning SaaS platform, Medallia Experience Cloud, is the experience system of record that makes all other applications customer and employee aware. The platform captures billions of experience signals across interactions including all voice, video, digital, IoT, social media and corporate messaging tools. Medallia uses proprietary artificial intelligence and machine learning technology to automatically reveal predictive insights that drive powerful business actions and outcomes. Medallia customers reduce churn, turn detractors into promoters and buyers, create in-the-moment cross-sell and up-sell opportunities and drive revenue-impacting business decisions, providing clear and potent returns on investment.

Turn signals into actions that drive growth.

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