

FORRESTER®

The Total Economic Impact™ Of Optimizely Digital Experience Platform

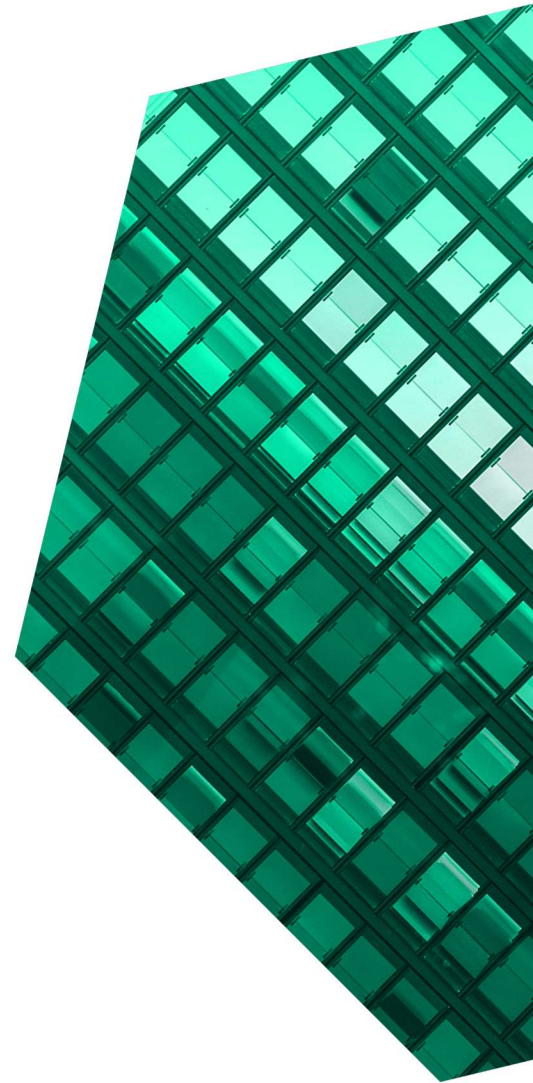
Cost Savings And Business Benefits
Enabled By Optimizely Digital Experience Platform

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Executive Summary

Optimizing the digital experience has never truly been optional, but the need for a cohesive digital experience to guide customers and website visitors along their journeys is more and more essential for businesses to survive. Organizations can no longer rest on their laurels. They must take consistent, long-term action to make sure their services are performing well and experiment with how to improve upon their experiences in the future.

[Optimizely's Digital Experience Platform \(DXP\) suite of products](#) is an open, extensible platform that optimizes the digital experience with content organization, commerce management and personalization, improved performance, and superior experimentation capabilities. It provides these through its Orchestrate, Monetize, and Experiment offerings.

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

To better understand the benefits, costs, and risks associated with this investment, Forrester interviewed five decision-makers with experience using Optimizely DXP. For the purposes of this study, Forrester aggregated the interviewees' experiences and combined the results into a single [composite organization](#).

These interviewees noted that prior to using Optimizely DXP, their organizations lacked significant experimentation capabilities, struggled with legacy content management solutions, and had to devote significant manual effort to maintaining integrations vital to their websites. This resulted in less than optimal web visitor experiences, which led to lost potential revenue.

KEY STATISTICS



Return on investment (ROI)
370%



Net present value (NPV)
\$9.84M

After the investment in Optimizely DXP, the interviewees' organizations moved from legacy or homegrown solutions to one cohesive platform. Key results from the investment included faster and more frequent experiments, easier management of integrations and content, and improved revenue through more conversions.

KEY FINDINGS

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

- **60% boost to conversion rate and improved average order size within three years due to better performance and experimentation.** Improved site stability, better personalization and organization of content, and an increased ability to experiment allows the composite organization to better service online customers. This leads to its conversion rate improving during the course of three years, with a 60% improvement by Year 3. The average basket size also improves during

the course of the three years, culminating at 10% in Year 3. Over three years and a cumulative total of 150 projects, the composite organization's improved conversion rate and average basket size has a risk-adjusted value of \$12.5 million.

- **\$2.2 million saved in avoided license costs.** Because Optimizely provides content management, integrations support, digital commerce support, and digital experimentation in one platform, the composite organization is able to cancel its prior separate legacy systems covering these functions, with some licenses reserved during the transition in the first year of usage of Optimizely. This saves the composite organization a risk-adjusted \$2.2 million over three years.
- **Three developer FTEs saved on maintaining integrations.** Optimizely's prebuilt support for integrations and ability to easily pick up preexisting integrations provides significant time savings for the composite organization. Previously, these vital integrations required more active developer attention to maintain, which

able to update and post new content. On top of limiting potential revenues, this resulted in substantial lost time for both developers and marketing personnel. Optimizely reduces the amount of time the composite needs for content-centric tasks by 75%, saving it a risk-adjusted \$617,600 over three years.

- **Two hours of time savings per experiment.** Before using Optimizely, the composite organization's limited experimentation capabilities meant that each experiment required significant time and effort from developers to run, which limited the overall number of experiments. Optimizely saves the composite organization an average of 2 hours per experiment, and it enables the number of overall experiments to rise from 300 to 500 over three years. These time savings are worth a three-year, risk-adjusted total of \$178,600 to the composite organization.

Unquantified benefits. Benefits that are not quantified for this study include:

- **Higher number of total experiments.** In addition to the value of saved time on more experiments, the additional experiments Optimizely enables could lead to improvements throughout the entire digital experience.
- **Improved adaptability.** Optimizely enables a more robust, reliable digital experience that lets the composite organization's online channels pick up the slack when its physical channels are unable to function normally.

Costs. Risk-adjusted PV costs include:

- **\$1.4 million in implementation and professional service fees.** Implementing Optimizely requires a group of FTEs to work with an implementation partner.
- **Ongoing licensing fees of \$1.2 million.** The composite organization pays a licensing fee based on annual page visitors.

Increase in conversion rate by Year 3

60%



Optimizely cuts approximately in half. This is worth a risk-adjusted \$1.3 million to the composite organization over three years.

- **75% time savings on deploying, updating, and organizing content.** Prior to using Optimizely, the composite organization relied on a legacy platform for its website that required frequent help from developers and IT for marketing to be

The representative interviews and financial analysis found that a composite organization experiences benefits of \$12.50M over three years versus costs of \$2.66M, adding up to a net present value (NPV) of \$9.84M and an ROI of 370%.



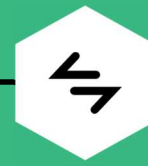
ROI
370%



BENEFITS PV
\$12.50M

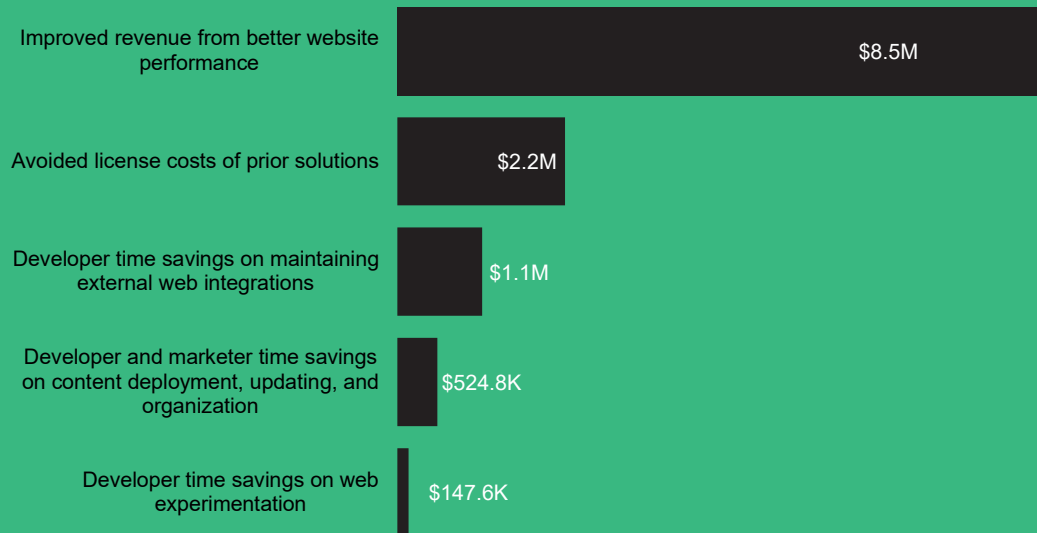


NPV
\$9.84M



PAYBACK
8 months

Benefits (Three-Year)



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 the Optimizely Digital Experience Platform.

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 the Optimizely Digital Experience Platform can have on an organization.

DISCLOSURES

Readers should be aware of the following:

This study is commissioned by Optimizely 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 Optimizely Digital Experience Platform.

Optimizely 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.

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



DUE DILIGENCE

Interviewed Optimizely stakeholders and Forrester analysts to gather data relative to the Optimizely Digital Experience Platform.



INTERVIEWS

Interviewed five decision-makers at organizations using the Optimizely Digital Experience Platform 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 interviewees.



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 Optimizely Digital Experience Platform Customer Journey

■ Drivers leading to the Optimizely Digital Experience Platform investment

Interviews			
Interviewee	Industry	Region	Revenue
Director of customer experience technologies	Electronics manufacturing	North America	\$8.6B
CIO	Fashion	North America	\$200M
Team lead for portal	Government-owned banking	North America	\$2.54B
Engineering manager	Fashion	EMEA	\$151M
VP of e-commerce	Cosmetics	North America	\$3.9B

KEY CHALLENGES

Before investing in Optimizely DXP, interviewees' organizations were on legacy or homegrown platforms for experimentation or content management. Whether or not digital experience was a priority, they were working with disparate, outdated tools.

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

- **Legacy content management systems couldn't meet business needs.** The interviewees told Forrester that before using Optimizely, their organizations were limited in their ability to deploy, update, or organize content. A director of customer experience technologies for an electronics manufacturing company said, "[My organization's previous on-premises CMS] had performance-ridden problems with the custom stuff we tried to do with our catalog." A team lead for portal in the government-owned banking industry explained that their organization's prior CMS didn't have a way for creators to directly engage with it, which required a middleman.

- **Legacy experimentation tools couldn't meet business needs.** Interviewees told Forrester that with their organizations' prior solutions, experimentation was time-consuming and limited if it was even possible at all. An engineering manager for a fashion retailer in EMEA said: "[My organization's prior solution] was a web-only platform, which meant we couldn't do full-stack experimentation. We couldn't track experiments from the back end, and we definitely needed that."

"We had an integrator that publishes content. The creator of content didn't put content in the CMS. ... We chose Optimizely because it lets the creator actually directly create content."

Team lead for portal, government-owned banking

- **Manual effort required for basic functionality.** Whether the organization's prior tools were homegrown, legacy, or a competitor of

Optimizely, they required a high level of manual effort from developers to keep things running smoothly. Even then, performance was often below business needs. A CIO for a fashion line in North America said, “[With our prior solution,] a lot more things needed some developer insight. ... We needed expertise on the solution pretty much on a daily basis.” The CIO said integrations also required effort to maintain. They said, “We didn’t have any [automatic] integration with our point-of-sale (POS) system before, so we had to run that through our internal teams to maintain.”

- **Difficulty retaining customers.** All of these issues contributed to suboptimal digital experiences for potential customers, which potentially reduced revenue with lost purchases.

“With our previous solution, there were no tools for doing A/B testing. Even if we had them, I don’t think we’d have had the time because of all the manual back-office work it required.”

CIO, fashion

SOLUTION REQUIREMENTS

The interviewees’ organizations searched for a solution that could:

- Provide robust content management, personalization, and experimentation.
- Eliminate manual effort associated with content management, experimentation, and maintaining integrations.
- Improve the digital experience for customers.

COMPOSITE ORGANIZATION

Based on the interviews, Forrester constructed a TEI framework, a composite company, and an ROI analysis that illustrates the areas financially affected. The composite organization is representative of the five interviewees, and it is used to present the aggregate financial analysis in the next section. The composite organization has the following characteristics:

Description of composite. The global organization has an annual revenue of \$2 billion with both B2C and B2B offerings. While primarily selling through physical channels, it seeks to rapidly grow its e-commerce footprint. Before the investment in Optimizely, it has an annual 45 million sessions with a conversion rate of 2% and an average basket size of \$100.

Deployment characteristics. The composite organization initially uses legacy CMS and digital experimentation platforms before transitioning to Optimizely. While it benefits from Optimizely relatively quickly, the transition away from its prior solutions is gradual and occurs about halfway through Year 1 of usage.

Key assumptions

- **\$2 billion annual revenue**
- **45 million sessions per year**
- **2% success rate of online sales**
- **\$100 average order**

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	Improved revenue from better website performance	\$1,512,000	\$3,397,464	\$5,776,086	\$10,685,550	\$8,522,026
Btr	Avoided license costs of prior solutions	\$540,000	\$1,080,000	\$1,080,000	\$2,700,000	\$2,194,891
Ctr	Developer time savings on maintaining external web integrations	\$445,500	\$445,500	\$445,500	\$1,336,500	\$1,107,893
Dtr	Developer and marketer time savings on content deployment, updating, and organization	\$192,427	\$211,670	\$232,837	\$636,933	\$524,801
Etr	Developer time savings on web experimentation	\$45,216	\$60,288	\$75,361	\$180,865	\$147,550
Total benefits (risk-adjusted)		\$2,735,143.27	\$5,194,922.08	\$7,609,782.85	\$15,539,848.20	\$12,497,161.00

IMPROVED REVENUE FROM BETTER WEBSITE PERFORMANCE

Evidence and data. Interviewees told Forrester that Optimizely’s experimentation, CMS, commerce, and integration support all contributed toward better website performance to which they attributed a significant spike in revenue.

- The CIO for the North American fashion organization said, “Since using Optimizely, our conversion is higher. ... We about doubled in conversions, and we attribute that directly to the new platform.” The interviewee credited this increase to Optimizely’s increased capacity to deploy and update content.
- A VP of e-commerce for a cosmetics organization said their company also experienced an increase in conversion rate and an increase in average order value due to Optimizely’s experimentation features. They said, “We’re always testing the placement of buttons, where and how information is shown, [and] the inclusion of content or elements. ... We used Optimizely to narrow our

options down to the one the data suggested would be best.”

- The CIO for the European fashion organization said they found Optimizely’s experimentation helpful and attributed a reduction in bounce rate to Optimizely. They said: “We implemented 40 or 50 different events. ... We ran one experiment that decreased the rate people immediately clicked away. This let us introduce popular search options.”

Modeling and assumptions. For the composite organization, Forrester assumes the following:

- The organization begins with 45 million annual site sessions, which increases by 5% each year.
- The organization has a conversion rate of 2% upon implementation, which increases by 60% during the course of three years.
- The organization has an average basket size of \$100, and that increases by 5% each year. Optimizely further improves the basket size by 10% over three years.

- The organization's profit margin is 10%.

“Everything is working better with Optimizely. It’s like going from a 1982 Hyundai Pony to a Mercedes Benz.”

CIO, fashion

Risks. Factors that could impact the size of this benefit include:

- Total annual sessions.
- The average conversion rate.
- The average annual basket size.
- The size of profit margin.

Results. To account for these risks, Forrester adjusted this benefit downward by 20%, yielding a three-year, risk-adjusted total PV of \$8.5 million.

Improved Revenue From Better Website Performance					
Ref.	Metric	Calculation	Year 1	Year 2	Year 3
A1	Sessions (Yearly)	Interviews	45,000,000	47,250,000	49,612,500
A2	Prior success rate of web sales	Interviews	2%	2%	2%
A3	Improvement to success rate with Optimizely	Interviews	20%	40%	60%
A4	Additional incremental web sales with Optimizely	$(A1 \cdot A2(1+A3)) - (A1 \cdot A2)$	180,000	378,000	595,350
A5	Average value of order	Interviews	\$100	\$105	\$110.25
A6	Order upsell improvement due to Optimizely	Interviews	5%	7%	10%
A7	New average value of order	$A5 \cdot (A6+1)$	\$105.00	\$112.35	\$121.28
A8	Profit margin	Assumption	10%	10%	10%
At	Improved revenue from better website performance	$A4 \cdot A7 \cdot A8$	\$1,890,000.00	\$4,246,830.00	\$7,220,107.13
	Risk adjustment	↓20%			
Atr	Improved revenue from better website performance (risk-adjusted)		\$1,512,000.00	\$3,397,464.00	\$5,776,085.70
Three-year total: \$10,685,549.70			Three-year present value: \$8,522,026		

AVOIDED LICENSE COSTS OF PRIOR SOLUTIONS

Evidence and data. Because Optimizely provides integration support, CMS, commerce, and digital experimentation in one solution, the interviewees’ organizations were able to reduce some or all of their investments in other solutions.

- The CIO for the North American fashion organization said their company was able to completely eliminate its license with its prior solution. They said, “The prior solution didn’t have proper tools for content compared to Optimizely, and we would have had to do a full re-platforming. ... We get much more with Optimizely, and it’s easier to use.”
- The director of customer experience technologies for the electronics manufacturing organization said their company had a site management issue that would have required expensive external help to solve without Optimizely. The interviewee told Forrester: “We needed to take HTML files generated in a third-party tool and host them somewhere. ... Optimizely put us in touch with one of their senior SMEs (subject-matter experts), and we were able to collaborate on a PoC (proof of concept). ... Handling this would

have cost a lot of money. ... It would have been somewhere in the six figures.”

Modeling and assumptions. For the composite organization, Forrester assumes the following:

- The composite organization has a legacy CMS and digital experimentation platform that cost a combined total of \$1.2 million per year.
- Optimizely reduces licensing expenses by 50% in the first year after deployment, then it completely eliminates them in the following two years.

Risks. Factors that could impact the size of this benefit include:

- The amount of prior licensing.
- Optimizely’s coverage of prior licensing.
- The speed at which Optimizely can replace prior licensing.

Results. To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year, risk-adjusted total PV of \$2.2 million.

Avoided License Costs Of Prior Solutions					
Ref.	Metric	Calculation	Year 1	Year 2	Year 3
B1	License costs of prior CMS	Interviews	\$700,000	\$700,000	\$700,000
B2	License costs of prior experimentation platform	Interviews	\$500,000	\$500,000	\$500,000
B3	Percentage of costs avoided due to Optimizely	Interviews	50%	100%	100%
Bt	Avoided license costs of prior solutions	B3(B1+B2)	\$600,000	\$1,200,000	\$1,200,000
	Risk adjustment	↓10%			
Btr	Avoided license costs of prior solutions (risk-adjusted)		\$540,000	\$1,080,000	\$1,080,000
Three-year total: \$2,700,000			Three-year present value: \$2,194,891		

DEVELOPER TIME SAVINGS ON MAINTAINING EXTERNAL WEB INTEGRATIONS

Evidence and data. Prior to using Optimizely, the interviewees' organizations had to use manual effort to maintain the vital integrations with other services and platforms required for their sites. These are efforts that Optimizely helped alleviate.

- The director of customer experience technologies at the electronics organization said their company had to build homegrown connections from scratch before transitioning to Optimizely's built-in integrations. The interviewee told Forrester: "[With our prior solution,] sometimes it seemed like we had a 24/7 support situation with some of the old systems we had. ... We had three FTEs who had to work on this to keep the lights on, and now they can dabble in a lot of other things."
- The CIO at the North American fashion organization said their company also had in-house integrations, and they praised how easy it was to transition to Optimizely. They said: "Optimizely is enabling us to integrate a little bit easier. ... We use [Optimizely] whenever we need to integrate with other systems like enterprise resource planning (ERP), the point of sale, and the warehouse management software (WMS). It's easier, and when [Optimizely is] done, it's stable."

bank said: "[My organization's prior solution] is more complex [and] requires finding more workarounds. With Optimizely, it's easier for us to create integrations. It takes us less than a day to do it. When we had our prior solution, it [was] more like two or three days."

Modeling and assumptions. For the composite organization, Forrester assumes the following:

- There are six integrations the composite needs to maintain from its prior state during the transition to Optimizely.
- Before using Optimizely, each integration required approximately one developer FTE to maintain.
- Optimizely enables 50% time savings on maintaining integrations via one-click integration capabilities.

Risks. Factors that could impact the size of the benefit include:

- The number of integrations.
- Successful transition/replacement of integrations with Optimizely.
- The amount of time saved on integrations work by Optimizely.
- The number of developers needed to manage integrations
- Developer salaries.

Results. To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year, risk-adjusted total PV of \$1.1 million.

Time savings on integration management

50%



- Interviewees also said they found Optimizely's ability to create new integrations helpful. The team lead for portal at the government-owned

Developer Time Savings On Maintaining External Web Integrations

Ref.	Metric	Calculation	Year 1	Year 2	Year 3
C1	Number of integrations	Interviews	6	6	6
C2	FTEs required to maintain each integration	Interviews	1	1	1
C3	Time savings on integration complexity	Interviews	50%	50%	50%
C4	Fully loaded developer salary	Interviews	\$165,000	\$165,000	\$165,000
Ct	Developer time savings on maintaining external web integrations	$C1 * C2 * C3 * C4$	\$495,000	\$495,000	\$495,000
	Risk adjustment	↓10%			
Ctr	Developer time savings on maintaining external web integrations (risk-adjusted)		\$445,500	\$445,500	\$445,500
Three-year total: \$1,336,500			Three-year present value: \$1,107,893		

DEVELOPER AND MARKETER TIME SAVINGS ON CONTENT DEPLOYMENT, UPDATING, AND ORGANIZATION

Evidence and data. Several interviewees said Optimizely’s ability to smoothly deploy, update, and tag content without requiring extensive developer support was valuable to their organizations that used prior solutions that lacked seamless content management capabilities.

- The CIO for the North American fashion organization said their company transitioned from a clunky, open-source solution that constantly required help from developers and IT to Optimizely, and they were pleased with the results. They said: “Before, the people managing the website always needed some kind of IT person to help out ... pretty much on a daily basis. ... Optimizely was able to answer the challenges we had and give us the opportunity to grow the business.”
- The director of customer experience technologies with the electronics manufacturing organization said their company struggled with its on-prem CMS. They said: “Just trying to get the content

pushed out, published, and syndicated required us to sync environments and troubleshoot. ... Now, content marketers are able to get in and make changes and publish a lot quicker.”

- The team lead for portal at the government-owned bank said their organization struggled with tagging with its prior solution. They said: “It’s much easier with Optimizely. ... Before, we always had to manually create the tag and check if it was there. With Optimizely, we just need to check when we create a page or feature. The tag will be there.”

Modeling and assumptions. For the composite organization, Forrester assumes the following:

- The composite organization deploys 200 unique pieces of content per year, and it deploys 1,000 updates per year, which increases by 10% year-over-year.
- With the composite’s prior solution, developers had to spend 5 hours per piece of content on support with deployment, 1 hour for tagging, and 2 hours per update.

ANALYSIS OF BENEFITS

- Marketing FTEs had to spend 30 minutes per content or update deployment troubleshooting and coordinating with developers.
- Optimizely saves the composite organization 75% of support time.

Risks. Factors that could impact the size of this benefit include:

- The amount of content and update deployment.
- The amount of time required per deployment of content, update, and tagging.

- The amount of developer and marketer effort required before using Optimizely.

Results. To account for these risks, Forrester adjusted this benefit downward by 15%, yielding a three-year, risk-adjusted total PV of \$524,801.

Developer And Marketer Time Savings On Content Deployment, Updating, And Organization					
Ref.	Metric	Calculation	Year 1	Year 2	Year 3
D1	Net new content deployed per year	Interviews	200	220	242
D2	Time required per piece of content for deployment with old solution (hours)	Interviews	5	5	5
D3	Time required per piece of content for tagging with old solution (hours)	Interviews	1	1	1
D4	Time savings with Optimizely	Interviews	75%	75%	75%
D5	Developer salary (hourly)	C4/2,080 hours	\$79	\$79	\$79
D6	Time saved on deploying and tagging content	D4*D5(D1(D2+D3))	\$71,394	\$78,534	\$86,387
D7	Updates per year	D1*5	1,000	1,100	1,210
D8	Developer time required per update with old solution (hours)	Interviews	2	2	2
D9	Time saved on updating content	D4*D5*D7*D8	\$118,990	\$130,889	\$143,978
D10	Marketer time required per site change to request and supervise developer support (hours)	Interviews	0.5	0.5	0.5
D11	Marketing salary (hourly)	\$156,000 annual salary/2,080 hours	\$80	\$80	\$80
D12	Time saved on marketing involvement with IT	D4*D11(D10(D1+D7))	\$36,000	\$39,600	\$43,560
Dt	Developer and marketer time savings on content deployment, updating, and organization	D6+D9+D12	\$226,385	\$249,023	\$273,925
	Risk adjustment	↓15%			
Dtr	Developer and marketer time savings on content deployment, updating, and organization (risk-adjusted)		\$192,426.92	\$211,669.62	\$232,836.58
Three-year total: \$636,933.12			Three-year present value: \$524,801.00		

DEVELOPER TIME SAVINGS ON WEB EXPERIMENTATION

Evidence and data. Several of the interviewees’ organizations completely lacked experimentation capabilities before using Optimizely, but even those that did required so much time and effort to conduct experiments that many never bothered.

- The engineering manager for the EMEA fashion organization told Forrester: “[Before using Optimizely,] we couldn’t do full-stack experimentation [and] we couldn’t track experiments from the back end. ... We could only run one experiment at a time. Now, we can run three or four.”

probably took an engineer around an hour in lead time. Now, that’s completely gone. We can just go into an interface, create a new feature flag, and instantly use it. [The time required has] been cut down to like 15 seconds.”

Modeling and assumptions. For the composite organization, Forrester assumes the following:

- The composite organization initially conducts 300 experiments per year, and this increases by 100 per year to reflect Optimizely’s increased experimentation capabilities.
- Optimizely saves developers 2 hours per experiment in lead time, workarounds, etc.

Risks. Factors that could impact the size of this benefit include:

- The number of experiments conducted.
- Time savings per experiment.

Results. To account for these risks, Forrester adjusted this benefit downward by 5%, yielding a three-year, risk-adjusted total PV of \$147,550.

Time savings per experiment

2 hours



- The same interviewee went on to describe the change in lag time for starting an experiment around feature flags. They said: “Before, it

Developer Time Savings On Web Experimentation					
Ref.	Metric	Calculation	Year 1	Year 2	Year 3
E1	Number of experiments per year	Interview	300	400	500
E2	Time saved per experiment (hours)	Interview	2	2	2
E3	Fully-loaded developer salary (hourly)	D5	\$79	\$79	\$79
Et	Developer time savings on web experimentation	$E1 * E2 * E3$	\$47,596	\$63,462	\$79,327
	Risk adjustment	↓5%			
Etr	Developer time savings on web experimentation (risk-adjusted)		\$45,216	\$60,288	\$75,361
Three-year total: \$180,865			Three-year present value: \$147,550		

UNQUANTIFIED BENEFITS

Additional benefits that customers experienced but were not able to quantify include:

- **Higher total number of experiments.** While interviewees had difficulty directly quantifying the value of additional experiments, many were confident it had absolutely benefitted their organization. The VP of e-commerce at the cosmetics organization said: “We didn’t have any experimentation before Optimizely. ... Now, we’re running several per month ... [and] using it to find sweet spots and things that are easy to implement.”
- **Improved adaptability during crises.** Many of the interviewees’ organizations run both digital and physical storefronts, and while they often rely on the former for more of their sales, the ability to divert traffic to the latter in the event of an emergency is of immense value.

Specifically, the near-total slowdown on retail sales in the early days of the COVID-19 pandemic would have posed a big problem for organizations without Optimizely improving the digital experience. The CIO for the North American fashion organization said: “The timing was great. ... From a web perspective, sales were good. We were able to make the business operate in a way that was good for our customers.”

FLEXIBILITY

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

- **Having the ability to increase usage of the platform over time.** Not all the interviewees’ organizations are using every aspect of the Optimizely platform, but several interviewees said

they were impressed enough with their company’s success in some areas that they planned to expand to others over time.

Organizations can begin using one aspect of the platform and reap further benefits later as they adapt more and more of the platform.

- **Shifting of revenue from physical to digital channels.** Optimizely improving an organization’s digital experience can enable it to obtain more revenue from digital channels. This provides more options for organizations hoping to shift more of their business online as opposed to physical brick-and-mortar locations.

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
Ftr	Implementation effort and professional service fees	\$1,430,000	\$0	\$0	\$0	\$1,430,000	\$1,430,000
Gtr	Ongoing licensing	\$0	\$472,500	\$496,125	\$520,931	\$1,489,556	\$1,230,949
	Total costs (risk-adjusted)	\$1,430,000	\$472,500	\$496,125	\$520,931	\$2,919,556	\$2,660,949

IMPLEMENTATION EFFORT AND PROFESSIONAL SERVICE FEES

Evidence and data. Interviewees told Forrester that in order to use Optimizely, their organizations required significant implementation efforts to prepare their environments and change their processes.

- Interviewees described a relatively straightforward process that required a dedicated team working for several months in iterative stages.
- In addition to the internal team working with Optimizely to implement the solution, interviewees also reported that it was necessary for their organizations to work with third-party implementation partners for smooth implementations, both from a technical perspective and a process-change perspective.

Modeling and assumptions. For the composite organization, Forrester assumes the following:

- A team of 5 FTEs works on implementing Optimizely, and they spend 100% of the time on the task.
- The organization also spends \$700,000 on a third-party partner to help with more technical aspects of the implementation.

Risks. Costs may be higher than projected due to the following factors:

- The number and type of FTEs required for implementation.
- The cost of third-party partnership.
- The need to switch third-party partners partway through implementation.

Results. To account for these risks, Forrester adjusted this cost upward by 10%, yielding a three-year, risk-adjusted total PV of \$1.4 million.

Implementation Effort And Professional Service Fees

Ref.	Metric	Calculation	Initial	Year 1	Year 2	Year 3
F1	FTEs required for implementation	Interviews	5			
F2	Percentage of time spent on implementation	Interviews	100%			
F3	FTE blended salary	Interviews	\$120,000			
F4	Professional service fees	Interviews	\$700,000			
Ft	Implementation effort and professional service fees	$(F1 * F2 * F3) + F4$	\$1,300,000	\$0	\$0	\$0
	Risk adjustment	↑10%				
Ftr	Implementation effort and professional service fees (risk-adjusted)		\$1,430,000	\$0	\$0	\$0
Three-year total: \$1,430,000			Three-year present value: \$1,430,000			

ONGOING LICENSING

Evidence and data. Interviewees said that once Optimizely was implemented, their organizations’ primary ongoing costs were for licensing fees.

The fees were typically based on the number of annual page views.

Modeling and assumptions. For the composite organization, Forrester assumes the following:

- The composite organization’s total annual page views are equal to 10 times its annual session count.
- Optimizely charges a rate of \$0.50 for every 500 page views.

Risks. Costs may be higher than projected due to the following factors:

- The total amount of page views.
- The cost per page view.

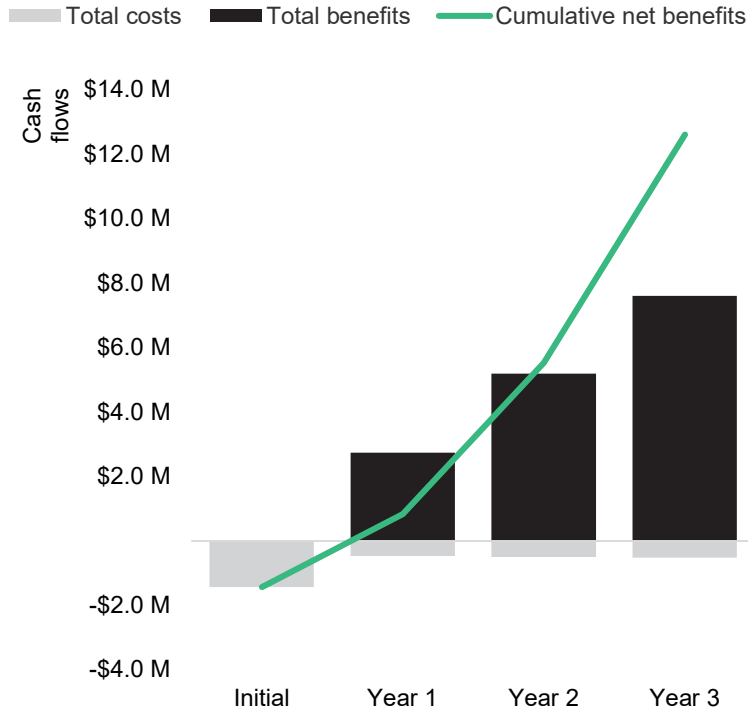
Results. To account for these risks, Forrester adjusted this cost upward by 5%, yielding a three-year, risk-adjusted total PV of \$1.2 million.

Ongoing Licensing						
Ref.	Metric	Calculation	Initial	Year 1	Year 2	Year 3
G1	Sessions (Yearly)	A1		45,000,000	47,250,000	49,612,500
G2	Page views (Yearly)	G1*10		450,000,000	472,500,000	496,125,000
G3	Cost per 500 page views	interview		\$0.5	\$0.5	\$0.5
Gt	Ongoing licensing	(G2/500)*G3	\$0	\$450,000	\$472,500	\$496,125
	Risk adjustment	↑5%				
Gtr	Ongoing licensing (risk-adjusted)		\$0	\$472,500	\$496,125	\$520,931
Three-year total: \$1,489,556			Three-year present value: \$1,230,949			

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, NPV, and payback period for the composite organization's investment. Forrester assumes a yearly discount rate of 10% for this analysis.

These risk-adjusted ROI, NPV, and payback period 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	(\$1,430,000)	(\$472,500)	(\$496,125)	(\$520,931)	(\$2,919,556)	(\$2,660,949)
Total benefits	\$0	\$2,735,143	\$5,194,922	\$7,609,783	\$15,539,848	\$12,497,161
Net benefits	(\$1,430,000)	\$2,262,643	\$4,698,797	\$7,088,852	\$12,620,292	\$9,836,212
ROI						370%
Payback period (months)						8.0

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%.



PAYBACK PERIOD

The breakeven point for an investment. This is the point in time at which net benefits (benefits minus costs) equal initial investment or cost.

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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