The Total Economic Impact™ Of Salesforce Community Cloud For Customer Community

Improved Customer Experience And Reduced Service Costs Enabled By Customer Community

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ABOUT FORRESTER CONSULTING

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

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Executive Summary

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

To better understand the benefits, costs, and risks associated with a Customer Community implementation, Forrester interviewed and surveyed several existing customers. Community Cloud is an enterprise platform for online communities and portals. It connects customers, partners, and employees directly to the information, apps, and experts that they need to take action. Community Cloud offers business integration, personalization, customization and branding, and engagement. Through Lightning Bolt, it also has the ability to quickly and easily create next-generation communities and portals that seamlessly integrate with Salesforce.

> **"Salesforce is the power of one platform for a customer, a unified record — one contract, one protection agreement, and one PCI control. The simplest things like that save you a lot of time and money."**
> — **Director for marketing, sales, and service, $1.26 billion security software company**

Prior to deploying Customer Community, these organizations sought to improve the customer experience by providing more personalized online communities for their customers and faster customer support. These organizations also wanted to manage service desk costs as their customer base grew. A number of these organizations sought to replace their legacy in-house developed systems for online communities with a more agile platform. Another driver for their move to Customer Community was the access to a unified customer record through Community Cloud, Service Cloud, and Sales Cloud.

CUSTOMER COMMUNITY IMPROVES CUSTOMER EXPERIENCE AND REDUCES SERVICE DESK COSTS

Our interviews with two existing customers and a survey of 30 existing customers found that a composite organization, referred to as *Organization A* in the study, experienced the risk-adjusted ROI, NPV, and benefits costs shown in Figure 1. The composite organization analysis points to benefits of $1,315,760 versus implementation and ongoing costs of $380,132, adding up to a net present value (NPV) of $935,628.

The benefits quantified in the ROI model came from reduced service desk costs from case deflection and other efficiencies, IT cost savings, increased sales from upsell, and improved customer retention. Other benefits cited by the interviewed and surveyed companies include improved customer experience, increased customer engagement, value from improved customer insights, faster speed-of-service with reduced number of calls to the service desk, increased customer satisfaction, increased scalability for creation of customer communities, and access to a unified customer record.

FIGURE 1

Financial Summary Showing Three-Year Risk-Adjusted Results

| ROI: 246% | NPV: $935,628 | Reduction in case volume: ▼ 50% | Net Promoter Score: ▲ 39% |

Source: Forrester Research, Inc.

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› **Benefits.** The composite organization experienced the following risk-adjusted present value benefits that represent those experienced by the interviewed and surveyed companies:

- **Reduced service costs with improved efficiency, such as case reduction/deflection.** Through Customer Community, the composite organization was able to reduce by 50% the number of cases handled by the service desk through case deflection and also reduce case resolution time by approximately 9%. This improved efficiency from hiring an additional 10 service agents translates to service cost savings of $708,753 over the three-year analysis.

- **IT platform cost savings.** The composite organization also saved $340,201 over three years in maintenance and support for its legacy in-house developed customer portal as they replaced it with Customer Community.

- **Increased sales from upsell with increased customer engagement.** Survey respondents reported a 15.4% increase in incremental revenue per active user as a result of their Customer Community deployment. Engagement metrics improved as a result of Customer Community, which included a 15% increase in monthly active users, and 7.7% increase in time on site. Customer Community drove customer engagement and enabled the composite organization to increase sales through upsell in its customer support channel. This $1.08 million in increased sales over three years translates to an incremental profit of $109,581 over the three-year analysis.

- **Increased customer retention from improved customer experience.** The composite organization reduced its annual churn rate by 28.3% as a result of the improved customer experience with better quality of customer service through Customer Community. Examples of improved customer experience include faster speed of service, shorter resolution time, and easier access to information through Customer Community. This benefit was quantified at $155,981 over three years.

- Other benefits listed by these interviewed and surveyed organizations include:

    o **Value from improved customer insights.** Through Customer Community, organizations were able to gather data on how customers engage with their business and identify new markets and opportunities that could potentially generate additional revenue or cost savings.

    o **Faster speed of service.** Organizations reported a reduction in time-to-close cases by a minimum of 92%. One organization cited that in some cases, it saw a reduction from three days to 2 hours after deploying Customer Community.

    o **Increased customer satisfaction.** Organizations saw customer satisfaction increase as the customer experience improved with their Customer Community deployments. These organizations also saw increases in their Net Promoter Scores (NPS), with one organization reporting a 39% growth, from 46 to 64 NPS after implementing Customer Community.[1]

    o **Increased scalability with faster time-to-market using Lightning Bolt.** One interviewed organization built multiple online customer communities within four days.

    o **Access to a unified customer record.** Organizations were able to develop an integrated set of services and access one customer record through Customer Community, Service Cloud, and Sales Cloud.

› **Costs.** The composite organization experienced the following risk-adjusted present value costs:

- **Salesforce licensing subscription costs.** The composite organization paid $238,141 in licensing costs for Customer Community over three years.

- **Implementation costs.** While the composite organization did not use professional services, it did spend $12,100 in internal labor costs for its Customer Community deployment. Organizations that choose to use implementation partners for their Customer Community implementation should include these costs in their analysis.

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- **Training costs.** Internal users of Customer Community were also trained on guidelines for online customer interaction. Time spent on this training was quantified at $4,533.

- **Administration and maintenance costs.** The organization maintained the equivalent of one full-time equivalent (FTE) for community management and ongoing administration of Customer Community at a cost of $125,337 over the three-year analysis.

Disclosures

The reader should be aware of the following:

› The study is commissioned by Salesforce 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 report to determine the appropriateness of an investment in Customer Community.

› Salesforce 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.

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

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TEI Framework And Methodology

INTRODUCTION

From the information provided in the interviews and survey, Forrester has constructed a Total Economic Impact (TEI) framework for those organizations considering implementing Customer Community. The objective of the framework is to identify the cost, benefit, flexibility, and risk factors that affect the investment decision, to help organizations understand how to take advantage of specific benefits, reduce costs, and improve the overall business goals of winning, serving, and retaining customers.

APPROACH AND METHODOLOGY

Forrester took a multistep approach to evaluate the impact that Customer Community can have on an organization (see Figure 2). Specifically, we:

› Interviewed Salesforce marketing, sales, and product management executives, along with Forrester analysts, to gather data relative to Customer Community and the marketplace for Customer Community.

› Interviewed two organizations currently using Customer Community and surveyed an additional 30 customers to obtain data with respect to costs, benefits, and risks.

› Designed a composite organization based on characteristics of the interviewed organizations.

› Constructed a financial model representative of the interviews and surveys using the TEI methodology. The financial model is populated with the cost and benefit data obtained from the interviews and surveys as applied to the composite organization.

› Risk-adjusted the financial model based on issues and concerns the interviewed organizations highlighted in interviews. Risk adjustment is a key part of the TEI methodology. While interviewed and surveyed organizations provided cost and benefit estimates, some categories included a broad range of responses or had a number of outside forces that might have affected the results. For that reason, some cost and benefit totals have been risk-adjusted and are detailed in each relevant section.

Forrester employed four fundamental elements of TEI in modeling Customer Community: benefits, costs, flexibility, and risks.

Given the increasing sophistication that enterprises have regarding ROI analyses related to IT investments, Forrester's TEI methodology serves to provide a complete picture of the total economic impact of purchase decisions. Please see Appendix A for additional information on the TEI methodology.

FIGURE 2

TEI Approach

| Perform due diligence | → | Conduct customer interviews | → | Design composite organization | → | Construct financial model using TEI framework | → | Write case study |

Source: Forrester Research, Inc.

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Analysis

COMPOSITE ORGANIZATION

For this study, Forrester conducted a survey of 30 Customer Community customers and interviews with representatives from the two following companies, which are Customer Community clients:

› An international security software company with over 200 million active users. It has 100,000 registered users for its Customer Community and approximately 40,000 customers served daily through its service desk.

› A premier payment provider for the Asia Pacific market that serves 26,000 business-to-business (B2B) customers and approximately 5 million direct customers per month.

In addition to the interviews, Forrester conducted an online survey of 30 organizations in North America and the UK that have deployed Customer Community. Online survey participants came from a variety of industries and job roles, and all used Customer Community to connect with their customers. On average, the survey respondents had 3,233 unique visitors using Customer Community, with an average of 1,371 monthly active users.

Based on the interviews, Forrester constructed a TEI framework, a composite company, also known as *Organization A*, and an associated ROI analysis that illustrates the areas financially affected. The composite organization that Forrester synthesized from these results represents an organization with the following characteristics:

› It is a regional division of an international provider of payment technology services.

› It has annual revenues of $1.86 billion and over 8,000 employees.

› The regional division has 30 service desk agents.

› It had an in-house developed community platform prior to deploying Customer Community.

INTERVIEW AND SURVEY HIGHLIGHTS

Over 70% of survey respondents cited improved customer experience as their primary business objective for implementing Customer Community. Additional reasons included getting direct customer feedback, discovering new revenue opportunities, extending internal processes to the customer, reducing costs, replacing legacy systems, and having access to a unified customer record. See Figure 3 for the top business objectives that surveyed companies cited for implementing Customer Community.

"Through Customer Community, we achieved higher service levels without increasing costs. We went from 40% high-touch to 60% self-service customers. Our average handling time decreased, and our agents can do more. We've added 50 million users over the past three years and kept our support team at 400 agents."

~ Director for marketing, sales and service, security software company

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FIGURE 3

Top Business Objectives For Implementing Customer Community

Base: 30 Salesforce Community Cloud users

Source: A commissioned study conducted by Forrester Consulting on behalf of Salesforce, September 2016

Situation

For the organizations interviewed, improving their customer care experience as their customer base grew — while managing costs — was a common driver for their Customer Community implementations. Other highlights from discussions with the companies interviewed included:

› One organization noted that it did not have a lot of channels for customer contact and "it was a pain" to get in touch with a service agent. To improve customer service, the organization wanted to unify the customer journey and build its entire support center and knowledge base on one platform.

› Organizations were also seeing increasing volumes into their call center as their customer base grew. One customer with a 40% year-over-year growth noted, "It's not easy to recruit specialists or tech support in our area, and we needed to drive more self-service."

› These organizations were also looking for tools they could quickly implement and have their users adopt. One interviewee noted: "We've looked at other community platforms in the past, and I wanted a solution with ease of setup. Customer Community has a Lightning Bolt solution, and I was able to launch within four days using marketing resources."

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› The single customer view through Salesforce Community Cloud, Sales Cloud, and Service Cloud was also one of the primary drivers in choosing Customer Community to build their customer communities. "We wanted Customer Community integrated with the entire customer experience," one organization said.

› One organization also noted that it was experiencing challenges with its in-house service and community platform. It was hard to implement upgrades and "difficult to maintain solutions." Survey data showed that before implementing Customer Community, 53% of respondents had an in-house developed portal while another 33% had a vendor-provided portal.

Solution

Interviewed organizations implemented Customer Community for self-service, customer engagement, the account portal, and for use as the main gate to access live support. One organization also used Customer Community to host emails and all training materials, such as presentations, for their internal sales, marketing, and service teams. The survey respondents used Customer Community for the purposes of customer engagement (83%), the account portal (60%), product feedback (53%), and self-service (53%).

Organization A used Customer Community for self-service and customer engagement. The knowledge base for *Organization A*'s products and services was hosted in Customer Community. Instead of email, customers had to go into the online customer community, as this was the main channel for creating support cases. The customer community saw, on average, 25,000 visitors a month.

Results

The interviews and survey with Customer Community clients revealed the following benefits:

› **Improved customer retention was the most common benefit cited by customers surveyed.** When asked to rank the four most important benefits from their Customer Community implementation, 53% of the survey respondents cited improved customer retention as the top-ranked benefit. One interviewed executive noted: "The primary driver for our implementation was customer care. The most valuable benefit [of Customer Community] is that we are able to put the customer first." Through Customer Community, organizations were able to improve the customer experience through increasing service levels without increasing costs. Other survey results may be found in Figure 4 below.

"We wanted to unify the customer journey. We built the entire support center — the community and knowledge base — on one platform. [On Salesforce], we know what the customer is doing from the start to the end of the experience."

~ Director for marketing, sales and service, security software company

"Our community through Community Cloud is the key differentiator with customers in the sales process. You aren't on hold for five minutes. The answers are at your fingertips."
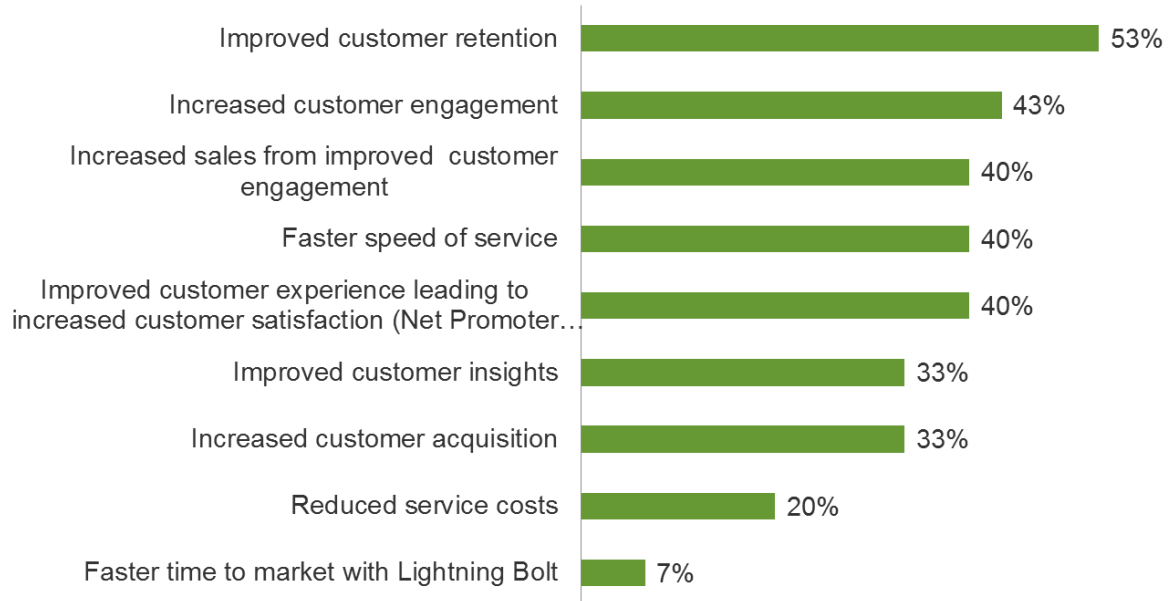
~ CXO, global payment provider

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FIGURE 4

High-Level Benefits From Customer Community

"Customers show they receive a number of benefits from their investment in Customer Community. Which of the following high-level benefits has your organization received/do you expect to receive from your investment in Customer Community? Rank up to the top four most important."

Benefit	Percentage
Improved customer retention	53%
Increased customer engagement	43%
Increased sales from improved customer engagement	40%
Faster speed of service	40%
Improved customer experience leading to increased customer satisfaction (Net Promoter…	40%
Improved customer insights	33%
Increased customer acquisition	33%
Reduced service costs	20%
Faster time to market with Lightning Bolt	7%

Base: 30 Salesforce Community Cloud users

Source: A commissioned study conducted by Forrester Consulting on behalf of Salesforce, September 2016

› **Increased customer engagement leading to increased sales.** Interviewed and surveyed organizations reported increased customer engagement with their implementation of Customer Community. Survey respondents cited an average 15.4% increase in incremental revenue per active user and a 5% increase in overall conversion rates since the Customer Community implementation. Survey respondents also reported a 14.9% increase in monthly active users, and 7.7% increase in time on site with increased engagement through Customer Community.

   "Our overall engagement to our sites, measured by the total number of visits over a given period, has increased by 15% to 20% because the customer experience has improved, and Customer Community has been a part of that."
   — *CXO, global payment provider*

› **Savings from reduced service costs and IT platform costs.** Organizations also saw cost savings as they reduced service costs as a result of improved efficiency, such as call deflection and call reduction, enabled by Customer Community. As one executive noted, "After Customer Community, our average handling time decreased and our agents can do more. Before we were not doing any support on other channels and languages. Customer Community allows us, at similar costs, to do more."

Organizations that had previously maintained in-house developed portals also saved on maintenance and periodic system upgrades of these legacy systems after migrating to Salesforce's offering.

   "We would have added 10 more people in customer support without Customer Community. Instead, we've used those staff cost savings to grow our sales and marketing. We've grown the business at a faster rate."
   — *CXO, global payment provider*

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"Our in-house developed portal was not scalable. It was always a struggle to change something in the tools, and customer care was not a priority since we don't bring in much revenue. It was difficult to maintain solutions to keep the consistency. Now with Salesforce, we have someone taking care of the basic development of the platform, and we can just configure it as the platform evolves. We are working with best practices today with Customer Community."

— Director for marketing, sales and service, security software company

› **Service desk case reduction/deflection.** Organizations also reported case reduction and deflection as one of the main benefits of their Customer Community deployments. One interviewee saw a 49% case reduction immediately after their Customer Community deployment and estimated that this will, in time and considering company growth, make a 40% year-over-year difference in the number of calls that their customer support team receives. Another organization went from a service desk customer interaction makeup of 40% phone (high touch) to one that was 10% high touch, 30% low touch, and 60% self-service with Customer Community.

> "With self-service on Customer Community and our knowledge base articles available to customers, case deflection has been a benefit. We saw a 50% reduction in cases overnight after Customer Community."
> *— CXO, global payment provider*

"We wanted 60% of our customers coming for support to go to the Customer Community, and we have achieved that goal. Our entire support center that we've built on Salesforce has roughly 15 million customers coming in a year."

~ Director for marketing, sales and service, security software company

› **Faster speed of service.** Interviewed and surveyed organizations also gained faster speed of service for their customers as they deployed Customer Community. "As we're getting customers to use the community, our ratio of calls to agents gets better," one customer observed after noting that its average handling time per agent also decreased. For this organization, the speed to answer customer inquiries went down to 2 to 3 hours from two to three days. This represents, at minimum, a 95.8% reduction in response time. Another interviewed organization reported similar results, with a 92% reduction in time-to-close.

> "Our support reps reply to close has gone from 23 hours to an hour and 46 minutes. This is a result of the improved knowledge base as our customers search through Community before asking our reps."
> *— CXO, global payment provider*

› **Increased customer satisfaction and improved NPS scores.** With improved service levels through Customer Community, organizations also reported increased customer satisfaction. In addition to increased customer satisfaction, survey respondents reported a 7.5% increase in NPS scores as a result of Customer Community. Results from the interviewed organizations were significant, with one organization going from 46 NPS pre-Customer Community to a 64 NPS post-Customer Community. Since then, this organization has maintained its NPS at a 60 mark. The other organization reported an NPS of 67 after its Customer Community implementation.

› **Improved customer insight.** Organizations cited that another common benefit of their Customer Community implementation was improved insight into customer behavior and preferences. "We're able to get data on what customers are reading on the marketing end," one executive said. Organizations were able to gather data on how customers engage with their business and potentially identify new markets and opportunities that can generate additional revenue or cost savings. The integration of Customer Community with Service Cloud and Sales Cloud also saved report generation time for one organization's customer insights department.

"We have more complete data on our customers because of Customer Community. We can get more data to understand customer behavior and provide feedback to our management team. The data is coming from real customers, so insights are more tangible. Before, we'd have to do random surveys to the wider public, and we couldn't get precise results."
— *Director for marketing, sales and service, security software company*

› **Increased scalability with faster time-to-market with easy-to-build communities.** One organization that had used a Lightning Bolt solution also noted that it could now generate "quick and easy content with direct impact to sales volumes" through Customer Community. With the out-of-the-box capabilities of Customer Community, the organization could rely on marketing resources to make changes instead of its development team. Another organization that did not use Lightning Bolt still noted how easy it was to scale with Customer Community compared with its previous legacy in-house community platform. It was now easier to increase the number of communities and provide customer support with the same number of resources as the organization expanded into new markets or products.

"With Salesforce, we have the right platform and the right people. We now have the ability to do changes on our own and fast. We can deliver the benefits quickly to customers."
— *Director for marketing, sales and service, security software company*

› **Access to a unified customer record.** Interviewed organizations also noted how powerful it was to have a unified customer record accessed by Community Cloud, Service Cloud, and Sales Cloud. One interviewee observed that while Customer Community might not have all the features of other alternative community platform solutions, if you took into consideration the entire Salesforce platform, "it is unbeatable." This executive went on to say: "It's the power of one platform for a customer, a unified record — one contract, one protection agreement, one PCI control. The simplest things like that save you a lot of time and money."

"We've increased our efficiency for service channel management and community management. The same agent can work out of the same console and manage multiple streams — social media, community. We have multiple agents servicing multiple channels and one report coming from the [Salesforce] system."
— *Director for marketing, sales and service, security software company*

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BENEFITS

The composite organization experienced a number of quantifiable benefits in this case study:

› Reduced service costs.

› IT platform cost savings.

› Increased sales from upsell with increased customer engagement.

› Increased customer retention from improved customer experience.

Reduced Service Costs With Improved Efficiency

Through Customer Community, organizations interviewed and surveyed were able to achieve higher service levels from their service desks without increasing costs. One company increased the number of channels its service desk supported from two (email and phone) to eight (adding social media, chat, and Community, among others) and also experienced 25% customer growth without hiring more agents for its 400-person customer support team. Apart from savings from not hiring additional agents, this organization also estimated that it has seen a 10% productivity improvement for its current team of 400 agents. Another customer saw a 50% reduction in case volume as a result of case deflection through Customer Community. This reduction in case volume enabled its service agents to be more efficient. Customer Community also shortened case response time. Time to reply and close went from 23 hours to 2 hours. This organization estimated that it avoided hiring an additional 10 service agents, which represents approximately 33% of its current staff, due to Customer Community.

Customer Community enabled *Organization A* to scale its customer base without hiring more customer care and support staff. It was able to deflect 50% of its average annual 96,000 service desk cases. This case deflection saved the organization nine FTEs. At the same time, case resolution time decreased by almost 9%, as agents had access to knowledge articles through Customer Community. This reduction in case resolution time saved *Organization A* one FTE. In total, increased service desk efficiency with Customer Community through case deflection and reduced resolution time saved the composite organization 10 FTEs. At an annual fully loaded cost of $30,000 per year (which represents a blend of onshore and offshore resources), the savings from avoiding the cost of hiring additional service agents are quantified at $300,000 per year.

Interviewed and surveyed organizations provided a range of percentage service cost savings as a result of the improved efficiency of their customer support teams. To take into account this variability, this benefit was risk-adjusted and reduced by 5%. The risk-adjusted benefit of reduced service costs is $285,000 per year. See the section on Risks for more detail.

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TABLE 1

Customer Support FTE Cost Avoidance Savings

Ref.	Metric	Calculation	Initial	Year 1	Year 2	Year 3
A1	Number of current customer support staff			30	30	30
A2	Number of cases per year (pre-Customer Community)			96,000	96,000	96,000
A3	Percentage case reduction/case deflection due to Customer Community			50%	50%	50%
A4	Total number of cases saved per service agent	(A2/A1)*A3		1,600	1,600	1,600
A5	Average case resolution time (in hours)	23.2 min/60 min		0.39	0.39	0.39
A6	Total hours saved due to case deflection	A1*A4*A5		18,560	18,560	18,560
A7	**Number of additional customer support staff saved by case deflection**	**A6/2,080 hours**		**9**	**9**	**9**
A8	Resolution time saved per case due to information available through Customer Community	8.58%*23.2 min.		0.03	0.03	0.03
A9	Number of cases (post-Customer Community)	A2*(1-A3)		48,000	48,000	48,000
A10	**Number of additional customer support staff saved by information on Customer Community**	**(A8*A9)/2,080 hours**		**1**	**1**	**1**
A11	Annual rate per person			$30,000	$30,000	$30,000
At	Reduced service costs/support FTE cost avoidance savings	(A7+A10)*A11	$0	$300,000	$300,000	$300,000
	Risk adjustment	↓5%				
Atr	**Reduced service costs/support FTE cost avoidance savings (risk-adjusted)**		**$0**	**$285,000**	**$285,000**	**$285,000**

Source: Forrester Research, Inc.

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IT Platform Cost Savings

With their Customer Community implementation, organizations were able to also save on IT platform costs. For some organizations, these IT platform savings were a result of cost avoidance savings from upgrading legacy systems or implementing alternative systems. One interviewed customer noted that an alternative traditional solution would cost it an initial $300,000 with $19,000 in ongoing annual costs. Other interviewed and surveyed organizations saved on support and maintenance for legacy systems or the consolidation of existing customer-facing web portals into Customer Community.

With its Customer Community implementation, *Organization A* no longer had to maintain its internally developed legacy system that required three IT resources per year at a fully loaded cost of $48,000 per resource. These IT platform cost savings are quantified at $144,000 per year.

Due to the variability of the pre-Customer Community environment for the interviewed and surveyed organizations, these IT platform cost savings were risk-adjusted and reduced by 5%. The annual IT platform cost savings to the organization are $136,800. See the section in Risks for more detail.

TABLE 2
IT Platform Cost Savings

Ref.	Metric	Calculation	Initial	Year 1	Year 2	Year 3
B1	Number of people supporting legacy system			3	3	3
B2	Annual rate per person			$48,000	$48,000	$48,000
Bt	IT platform cost savings	B1*B2	$0	$144,000	$144,000	$144,000
	Risk adjustment	↓5%				
Btr	IT platform cost savings (risk-adjusted)		$0	$136,800	$136,800	$136,800

Source: Forrester Research, Inc.

Increased Customer Engagement Leading To Increased Sales From Upsell

Organizations interviewed and surveyed also reported an increase in customer engagement as a result of their Customer Community implementation. Surveyed organizations reported a 15.4% increase in incremental revenue per active user since implementing Customer Community. One interviewed organization saw conversion rates grow by 5% post-Customer Community deployment. With the increased efficiency and quality of customer support enabled by Customer Community, organizations also saw increased sales from the ability to upsell. One customer noted: "Our support engineers are able to upsell because of Customer Community. And this is direct revenue made from support."

As a result of Customer Community, *Organization A* saw increased sales from customer engagement. With the increased efficiency enabled by Customer Community and the insight into customer interactions through its customer community, service agents were able to identify when customers would be interested in additional services and products. *Organization A* estimated that its customer support staff was able to close and convert 10% of its annual customer interactions through the support channel into an upsell opportunity due to Customer Community. At an average order value (AOV) of $60 per upsell, this translates to $360,000 in additional sales per

year, or $1.08 million over the three-year analysis. At a profit margin of 17%, the incremental profit from these sales is valued at $48,960 per year.

Given that an organization's incremental revenue gain as a result of Customer Community may vary depending on an organization's products, services, industry, and market, the quantified benefit of this incremental profit from upsell is risk-adjusted and reduced by 10%. The risk-adjusted benefit of increased customer engagement from increased sales for the composite organization is valued at $44,064 per year.

TABLE 3

Incremental Profit From Upsell

Ref.	Metric	Calculation	Initial	Year 1	Year 2	Year 3
C1	Average number of service desk customer interactions per month			4,000	4,000	4,000
C2	Percentage interactions with upsell enabled by Customer Community			10%	10%	10%
C3	Average order value per upsell			$60	$60	$60
C4	Profit margin			17%	17%	17%
Ct	Incremental profit from upsell	12 months*C1*C2 *C3*C4	$0	$48,960	$48,960	$48,960
	Risk adjustment	↓10%				
Ctr	**Incremental profit from upsell (risk-adjusted)**		**$0**	**$44,064**	**$44,064**	**$44,064**

Source: Forrester Research, Inc.

Increased Customer Retention Due To Improved Customer Experience

With Customer Community, organizations were able to provide faster speed of service to their customers and improve the customer experience. This improved customer experience, and better customer service enabled by Customer Community led to increased customer retention rates for the interviewed and surveyed organizations. These organizations either saw a reduction in annual churn rate or were able to maintain a steady annual churn rate in a very competitive market.

Organization A was able to reduce its annual churn rate by 28.3% as a result of the improved customer experience with better quality of customer service through Customer Community. At an average annual growth rate of 14%, *Organization A* had 3,640 new customers in Year 1; 4,150 new customers in Year 2; and 4,731 new customers in Year 3. With its churn rate reduced from 7% to 5% as a result of improved customer experience through Customer Community, *Organization A* was able to save 73 customers in Year 1. At an average annual lifetime value of $5,000 per customer, that translates to $360,542 in value. Using a profit margin of 17%, that translates to $61,292 in incremental profit from reduced churn rate in Year 1 and $212,592 in incremental profit over three years.

To account for the range in increased customer retention rates as a result of Customer Community, this benefit was risk-adjusted down by 10%. The risk-adjusted value of increased customer retention due to improved customer experience is quantified at $191,333 over the three-year analysis for the composite organization.

TABLE 4

Increased Customer Retention From Improved Customer Experience

Ref.	Metric	Calculation	Initial	Year 1	Year 2	Year 3
D1	Number of new customers (per year)			3,640	4,150	4,731
D2	Average annual churn rate (percent)			7%	7%	7%
D3	Percentage reduction in churn rate due to increased customer engagement and better service with Customer Community			28.3%	28.3%	28.3%
D4	Percentage customers saved due to Customer Community	D2*D3		2%	2%	2%
D5	Number of customers saved due to Customer Community	D1*D4		72	83	95
D6	Lifetime value per customer			$5,000	$5,000	$5,000
Dt	Profit margin			17%	17%	17%
Dt	Increased customer retention from improved customer experience	D5*D6*D7	$0	$61,292	$70,550	$80,750
	Risk adjustment	↓10%				
Dtr	**Increased customer retention from improved customer experience (risk-adjusted)**		**$0**	**$55,163**	**$63,495**	**$72,675**

Source: Forrester Research, Inc.

Total Benefits

Table 5 shows the total of all benefits across the four areas listed above, as well as present values (PVs) discounted at 10%. Over three years, the composite organization expects risk-adjusted total benefits to be a PV of more than $1.3 million.

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TABLE 5

Total Benefits (Risk-Adjusted)

Ref.	Benefit Category	Initial	Year 1	Year 2	Year 3	Total	Present Value
Atr	Reduced service costs/support FTE cost avoidance savings	$0	$285,000	$285,000	$285,000	$855,000	$708,753
Btr	IT platform cost savings	$0	$136,800	$136,800	$136,800	$410,400	$340,201
Ctr	Increased sales from upsell	$0	$44,064	$44,064	$44,064	$132,192	$109,581
Dtr	Increased customer retention from improved customer experience	$0	$55,163	$63,495	$72,675	$191,333	$157,225
	Total benefits (risk-adjusted)	**$0**	**$521,027**	**$529,359**	**$538,539**	**$1,588,925**	**$1,315,760**

Source: Forrester Research, Inc.

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COSTS

The composite organization experienced a number of costs associated with the Customer Community solution:

› Salesforce fees

› Implementation costs.

› Training.

› Ongoing administration and moderation.

These represent the mix of internal and external costs experienced by the composite organization for initial planning, implementation, and ongoing maintenance associated with the solution.

Salesforce Fees

Customer Community fees are based on the number of users or monthly logins as per contract. *Organization A* implemented Community Cloud long after it had deployed Service Cloud and Sales Cloud, so the fees for Service Cloud and Sales Cloud are not included in this analysis. *Organization A*'s Customer Community contract also did not include Salesforce Premium Support. Total licensing fees for Customer Community were $91,200 per year for *Organization A.* This cost was risk-adjusted up by 5% to $95,670 per year.

Salesforce fees will vary according to each organization's use case and implementation. Forrester urges readers of this study to consult with Salesforce when estimating total software and support fees for your particular organization.

TABLE 6

Salesforce Fees

Ref.	Metric	Calculation	Initial	Year 1	Year 2	Year 3
E1	Customer Community licensing fees			$91,200	$91,200	$91,200
Et	Customer Community licensing fees	E1		$91,200	$91,200	$91,200
	Risk adjustment	↑5%				
Etr	**Salesforce fees (risk-adjusted)**			**$95,760**	**$95,760**	**$95,760**

Source: Forrester Research, Inc.

Implementation Costs

Implementation costs may vary if organizations decide to: 1) use Templates available through Customer Community or 2) develop customized Salesforce Customer Communities. Time-to-implement varied from four days to four months for the organizations interviewed. Organizations that implement Salesforce without using Lightning Bolt may incur professional services fees should they choose to include third-party consultants such as system integrators in their Customer Community implementation. None of the organizations interviewed used professional services in their Customer Community deployments.

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Organization A used Customer Community Lightning Bolt to build its Customer Community. The total implementation time was four days, with two people creating the structure of these Communities and an additional 11 people allocating 100% of their time to repurposing content and content creation for these Communities. At a fully loaded blended rate of $55,000 per year, the cost of internal labor to implement Customer Community is quantified at $11,000. The composite organization did not use any professional services such as system integrators for its Customer Community implementation. To account for variability, the implementation cost in this analysis is risk-adjusted up by 10%, resulting in a total implementation cost of $12,100.

TABLE 7

Implementation Costs

Ref.	Metric	Calculation	Initial	Year 1	Year 2	Year 3
F1	Number of people		13			
F2	Hours		32			
F3	Hourly rate per person	$55,000/2,080 hours	$26.44			
Ft	Implementation costs	F1*F2*F3	$11,000			
	Risk adjustment	↑10%				
Ftr	**Implementation costs (risk-adjusted)**		**$12,100**			

Source: Forrester Research, Inc.

Training Costs

Organization A had each member of its marketing and customer support teams with access to Customer Communities undergo training on customer interaction, which included guidelines on tone and style. This training was designed to ensure continuity and quality of the customer experience through the Customer Communities. With 4 hours of training per person for 41 individuals at an average blended rate of $26.44 per hour, the total training cost of the composite organization's Customer Community deployment was $4,337. This cost was risk-adjusted up by 5%, to a total of $4,553.

TABLE 8

Training Fees

Ref.	Metric	Calculation	Initial	Year 1	Year 2	Year 3
G1	Number of people		41			
G2	Cost per person	$55,000/2,080 hours	$26.44			
G3	Hours		4			
Gt	Training fees	G1*G2*G3	$4,337			
	Risk adjustment	↑5%				
Gtr	**Training fees (risk-adjusted)**		**$4,553**			

Source: Forrester Research, Inc.

Administration

The composite organization allocated one FTE for community management and moderation of the Salesforce Customer Communities. At a fully loaded annual cost of $48,000, the administration cost of Customer Community is $48,000 per year. The administration costs will vary for each organization depending on the company's location and the use case for its Customer Community implementation. These administration costs may increase with the number of communities, products, and services offered. To account for this variability, the ongoing administration cost was risk-adjusted and raised by 5% in this analysis. The total cost of ongoing administration for Customer Community is $50,400 per year.

TABLE 9

Administration

Ref.	Metric	Calculation	Initial	Year 1	Year 2	Year 3
H1	Number of people			1	1	1
H2	Cost per person			$48,000	$48,000	$48,000
Ht	Administration	H1*H2	$0	$48,000	$48,000	$48,000
	Risk adjustment	↑5%				
Htr	**Administration (risk-adjusted)**		**$0**	**$50,400**	**$50,400**	**$50,400**

Source: Forrester Research, Inc.

Total Costs

Table 10 shows the total of all costs as well as associated present values (PVs), discounted at 10%. Over three years, the composite organization expects total costs to be a PV of a little more than $380,000.

TABLE 10

Total Costs (Risk-Adjusted)

Ref.	Cost Category	Initial	Year 1	Year 2	Year 3	Total	Present Value
Ftr	Salesforce fees	$0	$95,760	$95,760	$95,760	$287,280	$238,141
Gtr	Implementation costs	$12,100	$0	$0	$0	$12,100	$12,100
Htr	Training costs	$4,553	$0	$0	$0	$4,553	$4,553
Itr	Administration	$0	$50,400	$50,400	$50,400	$151,200	$125,337
	Total costs (risk-adjusted)	**$16,653**	**$146,160**	**$146,160**	**$146,160**	**$455,133**	**$380,131**

Source: Forrester Research, Inc.

FLEXIBILITY

Flexibility, as defined by TEI, represents an investment in additional capacity or capability that could be turned into business benefit for some future additional investment. This provides an organization with the "right" or the ability to engage in future initiatives but not the obligation to do so. There are multiple scenarios in which a customer might choose to implement Customer Community and later realize additional uses and business opportunities. Flexibility would also be quantified when evaluated as part of a specific project (described in more detail in Appendix A).

Organizations may see additional benefits and cost savings as they expand the number of use cases for their Customer Community implementations or expand use to other areas of their companies. One interviewed organization planned to modify its self-service Community to give customers access to customize their support experience. As this organization noted, "They would be connected to us like iTunes, where you can see your purchases and other details." The organization expected to see additional support savings with this project. Organizations could also realize additional cost savings as they create content and launch service support for new markets faster through Customer Community.

Another area of future benefit identified in the interviews was using future improvements to Salesforce's analytical capabilities to increase customer lifetime value. These organizations wanted to use analytics data from Customer Community to track how customers were interacting with Community content to better understand the customer journey. In turn, they could target content better to these customers and improve customer engagement.

Revenue Opportunities From Improved Customer Insights

Interviewed and surveyed organizations also reported that they gained better insight into their customers with their Customer Community implementation. Interviewees noted that Customer Community could potentially help identify new markets and opportunities. This analysis considers that a major product idea or initiative resulting from customer insight from Customer Community will, at most, generate revenue in Year 3 of a Customer Community implementation, as it considers the time-to-market required for such a major project/product initiative. One survey respondent estimated that new product initiatives from improved customer insights through Customer Community could generate approximately $2 million in revenue per year for the company.

Organization A noted that it could potentially generate annual revenue of $2 million from new opportunities that it identified through its Customer Communities. When multiplied by a profit margin of 17%, the value of this improved customer insight is quantified at $340,000. To account for the wide range of revenue gain depending on the use case applied for Customer Community, this value was risk-adjusted down by 25% to $255,000 per year.

TABLE 11

Value From Improved Customer Insights

Ref.	Metric	Calculation	Year 3
J1	Annual revenue generated on new product ideas/initiatives		$2,000,000
J2	Profit margin		17%
Jt	Value from improved customer insights	E1*E2	$340,000
	Risk adjustment	↓25%	
Jtr	**Value from improved customer insights (risk-adjusted)**		**$255,000**

Source: Forrester Research, Inc.

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As the interviewees only noted additional revenue from improved customer insights as a *potential* benefit from their Customer Community implementation, Forrester did not include this benefit in the ROI calculations in the interest of a more conservative analysis.

The value of flexibility is unique to each organization, and the willingness to measure its value varies from company to company.

RISKS

Forrester defines two types of risk associated with this analysis: "implementation risk" and "impact risk." Implementation risk is the risk that a proposed investment in Customer Community may deviate from the original or expected requirements, resulting in higher costs than anticipated. Impact risk refers to the risk that the business or technology needs of the organization may not be met by the investment in Customer Community, resulting in lower overall total benefits. The greater the uncertainty, the wider the potential range of outcomes for cost and benefit estimates.

TABLE 12
Benefit And Cost Risk Adjustments

Benefits	Adjustment
Reduced service costs/support FTE cost avoidance savings	↓ 5%
IT platform cost savings	↓ 5%
Increased sales from upsell	↓ 10%
Increased customer retention from improved customer experience	↓ 10%
Value from improved customer insights (flexibility)	↓ 25%

Costs	Adjustment
Salesforce Community Cloud costs	↑ 5%
Implementation costs	↑ 10%
Training fees	↑ 5%
Administration	↑ 5%

Source: Forrester Research, Inc.

Quantitatively capturing implementation risk and impact risk by directly adjusting the financial estimates provides more meaningful and accurate estimates and a more accurate projection of the ROI. In general, risks affect costs by raising the original estimates, and they affect benefits by reducing the original estimates. The risk-adjusted numbers should be taken as "realistic" expectations since they represent the expected values considering risk.

The following impact risks that affect benefits are identified as part of the analysis:

› The savings from the cost avoidance of hiring additional customer support staff may fluctuate depending on the size of the organization, the mix of onshore versus offshore resources, and the level of compensation for these staff.

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> Organizations' pre-Customer Community environments will vary.

> Benefits from incremental sales and improved customer retention rates will vary depending on an organization's products, services, industry, and market, as well as the particular use case for its Customer Community deployment.

The following implementation risks that affect costs are identified as part of this analysis:

> Variability in size and use case of a Customer Community deployment will affect software costs included in the analysis. This may increase if organizations deploy Sales Cloud and/or Service Cloud as part of their Customer Community deployment.

> Implementation costs can vary due to the complexity and customizations required by each company. Organizations may also choose to use professional services for larger, more complex Customer Community deployments.

> Training and ongoing administration costs may vary based on the use case for Customer Community fees. These training and administration costs may increase with the number of communities, products, and services offered.

Table 12 shows the values used to adjust for risk and uncertainty in the cost and benefit estimates for the composite organization. Readers are urged to apply their own risk ranges based on their own degree of confidence in the cost and benefit estimates.

Financial Summary

The financial results calculated in the Benefits and Costs sections can be used to determine the ROI, NPV, and payback period for the composite organization's investment in Customer Community.

Table 13 below shows the risk-adjusted ROI, NPV, and payback period values. These values are determined by applying the risk-adjustment values from Table 12 in the Risks section to the unadjusted results in each relevant cost and benefit section.

FIGURE 5

Cash Flow Chart (Risk-Adjusted)

Financial Analysis (risk-adjusted)
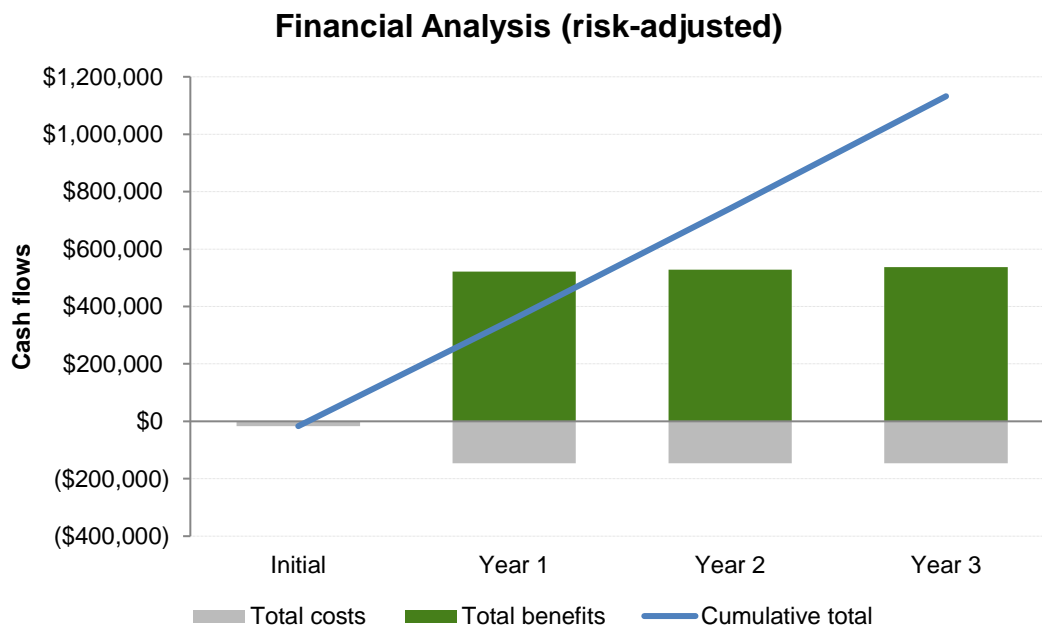
Source: Forrester Research, Inc.

TABLE 13

Cash Flow (Risk-Adjusted)

Summary	Initial	Year 1	Year 2	Year 3	Total	Present Value
Total costs	($16,653)	($146,160)	($146,160)	($146,160)	($455,133)	($380,132)
Total benefits	$0	$521,027	$529,359	$538,539	$1,588,925	$1,315,760
Total	**($16,653)**	**$374,867**	**$383,199**	**$392,379**	**$1,133,792**	**$935,628**
ROI						**246%**
Payback period (months)						**Less than one month**

Source: Forrester Research, Inc.

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Salesforce Community Cloud: Overview

The following information is provided by Salesforce. Forrester has not validated any claims and does not endorse Salesforce or its offerings.

THE POWER OF COMMUNITIES

In today's business world, customers, employees, and partners expect constant connectivity with each other and the ability to access information at any time, from any device. These shifting demands require a new platform for managing relationships: the Salesforce Community Cloud.

Communities are a fantastic resource for engaging with your customers, but they're useful for so much more than that. You can integrate communities into all of your business processes and use them to foster other important relationships — not only with your customers, but also with your employees and partners.

With Salesforce Community Cloud, you can open new lines of communication, from customer to customer as well as with your brand. You'll empower employees to innovate faster and collaborate more efficiently. And you can team up with any partner in your ecosystem — whether it's a selling partner, a manufacturing supplier, or a design agency. It's all possible with the right tools.

It's easy to build a secure, reliable, and scalable community with Salesforce Community Cloud. It's designed to incorporate third-party or custom apps and integrate data from any system for fast deployment. Salesforce Community Cloud can help your company:

› Accelerate channel sales.

› Provide stellar service.

› Connect customers.

› Transform the workplace.

› Build a community of anything.

CUSTOMER COMMUNITY

Self-Service Customer Communities from Salesforce Community Cloud enable customers to help themselves and each other. Deflect Service calls and requests by exposing knowledge articles and enabling customers to ask and answer each other's questions. And Customer Community extends your service team's ability to service customers by integrating cases into the community. A question in the community can be escalated to an agent, who can manage the case in the Service Cloud Console. Create an effortless experience for every customer by enabling them to create a case on your website without ever picking up the phone.

Customer Community is easy to set up and manage with Salesforce's out-of-the box templates, Lightning Community Builder and Community Management. Not only are the templates easy to manage, but they are also fully responsive so you get a completely mobile community experience right out of the box. And not only is Customer Community easy to manage, but it helps make customers happy.

For more information on Salesforce Community Cloud, visit http://www.salesforce.com/communities.

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Appendix A: Total Economic Impact™ Overview

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. TEI assists technology vendors in winning, serving, and retaining customers.

The TEI methodology consists of four components to evaluate investment value: benefits, costs, flexibility, and risks.

BENEFITS

Benefits represent the value delivered to the user organization — IT and/or business units — by the proposed product or project. Often, product or project justification exercises focus just on IT cost and cost reduction, leaving little room to analyze the effect of the technology on the entire organization. The TEI methodology and the resulting financial model place 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. Calculation of benefit estimates involves a clear dialogue with the user organization to understand the specific value that is created. In addition, Forrester also requires that there be a clear line of accountability established between the measurement and justification of benefit estimates after the project has been completed. This ensures that benefit estimates tie back directly to the bottom line.

COSTS

Costs represent the investment necessary to capture the value, or benefits, of the proposed project. IT or the business units may incur costs in the form of fully burdened labor, subcontractors, or materials. Costs consider all the investments and expenses necessary to deliver the proposed value. In addition, the cost category within TEI captures any incremental costs over the existing environment for ongoing costs associated with the solution. All costs must be tied to the benefits that are created.

FLEXIBILITY

Within the TEI methodology, direct benefits represent one part of the investment value. While direct benefits can typically be the primary way to justify a project, Forrester believes that organizations should be able to measure the strategic value of an investment. Flexibility represents the value that can be obtained for some future additional investment building on top of the initial investment already made. For instance, an investment in an enterprisewide upgrade of an office productivity suite can potentially increase standardization (to increase efficiency) and reduce licensing costs. However, an embedded collaboration feature may translate to greater worker productivity if activated. The collaboration can only be used with additional investment in training at some future point. However, having the ability to capture that benefit has a PV that can be estimated. The flexibility component of TEI captures that value.

RISKS

Risks measure the uncertainty of benefit and cost estimates contained within the investment. Uncertainty is measured in two ways: 1) the likelihood that the cost and benefit estimates will meet the original projections and 2) the likelihood that the estimates will be measured and tracked over time. TEI risk factors are based on a probability density function known as "triangular distribution" to the values entered. At a minimum, three values are calculated to estimate the risk factor around each cost and benefit.

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Appendix B: Forrester And The Age Of The Customer

Your technology-empowered customers now know more than you do about your products and services, pricing, and reputation. Your competitors can copy or undermine the moves you take to compete. The only way to win, serve, and retain customers is to become customer-obsessed.

A customer-obsessed enterprise focuses its strategy, energy, and budget on processes that enhance knowledge of and engagement with customers and prioritizes these over maintaining traditional competitive barriers.

CMOs and CIOs must work together to create this companywide transformation.
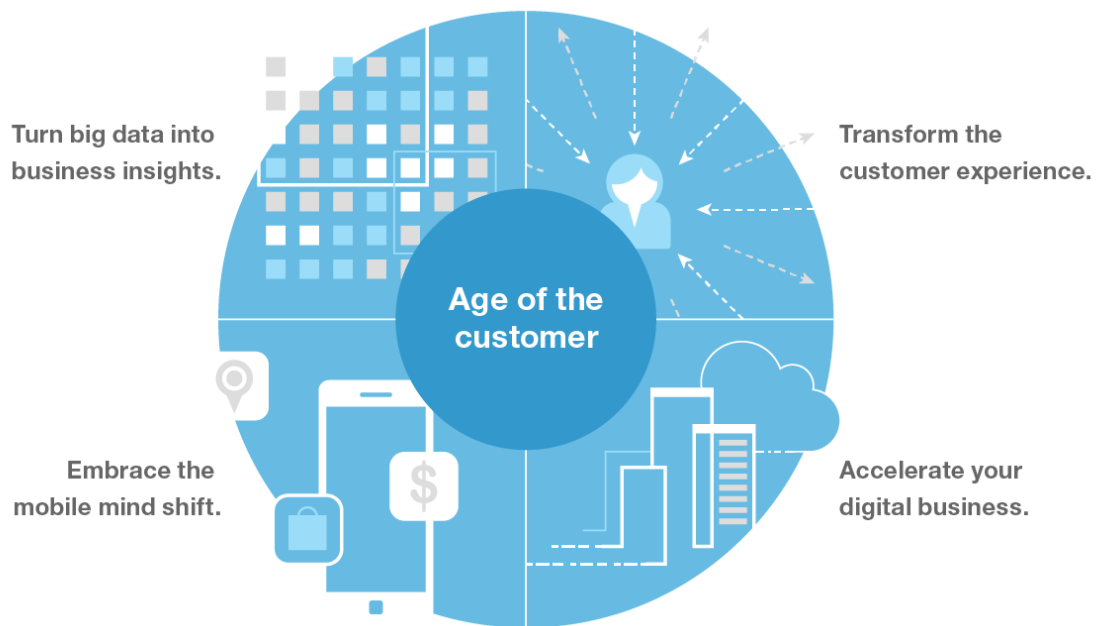
Forrester has a four-part blueprint for strategy in the age of the customer, including the following imperatives to help establish new competitive advantages:

Transform the customer experience to gain sustainable competitive advantage.

Accelerate your digital business with new technology strategies that fuel business growth.

Embrace the mobile mind shift by giving customers what they want, when they want it.

Turn (big) data into business insights through innovative analytics.

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Appendix C: Glossary

Discount rate: The interest rate used in cash flow analysis to take into account the time value of money. Companies set their own discount rate based on their business and investment environment. Forrester assumes a yearly discount rate of 10% for this analysis. Organizations typically use discount rates between 8% and 16% based on their current environment. Readers are urged to consult their respective organizations to determine the most appropriate discount rate to use in their own environment.

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.

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.

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.

Return on investment (ROI): A measure of a project's expected return in percentage terms. ROI is calculated by dividing net benefits (benefits minus costs) by costs.

A NOTE ON CASH FLOW TABLES

The following is a note on the cash flow tables used in this study (see the example table below). The initial investment column contains costs incurred at "time 0" or at the beginning of Year 1. Those costs are not discounted. All other cash flows in years 1 through 3 are discounted using the discount rate of 10% at the end of the year. PV calculations are calculated for each total cost and benefit estimate. NPV calculations are not calculated until 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.

TABLE [EXAMPLE]					
Example Table					
Ref.	**Metric**		**Calculation**	**Year 1**	**Year 2**	**Year 3**

Source: Forrester Research, Inc.

Appendix D: Endnotes

[1] Net Promoter and NPS are registered service marks, and Net Promoter Score is a service mark, of Bain & Company, Inc., Satmetrix Systems, Inc., and Fred Reichheld.

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