The Total Economic Impact™ Of ObservePoint

Cost Savings And Business Benefits Enabled By A Data Governance Solution

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Table Of Contents

Project Director:
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Financial Highlights
(Three year totals)
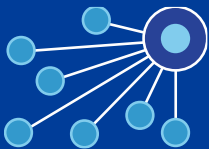
Improved personalization and customer experience:
$1,099,636

Streamlined path to purchase flow:
$1,097,821

Improved productivity:
$839,635

Executive Summary

ObservePoint provides a digital marketing data governance solution that directly enhances customer experience by improving the quality of the data and analysis that underpins it. ObservePoint commissioned Forrester Consulting to conduct a Total Economic Impact™ (TEI) study and examine the potential return on investment (ROI) enterprises may realize by deploying its platform. The purpose of this study is to give readers a framework to evaluate the potential financial impact of ObservePoint on their organizations.

To better understand the benefits, costs, and risks associated with this investment, Forrester interviewed several customers with years of experience using ObservePoint. They deployed the data governance solution across digital assets to ensure that marketing technology (martech) tags are collecting data as intended and in accordance with privacy policies to find and eliminate redundant tags that could slow page load times and skew the data, and to automate QA testing of any tag-related issues that could disrupt the customer journey.

Prior to using ObservePoint, the customers were uncertain how many tags were deployed on their assets, where they were deployed, and whether or not the tags were working as intended. As a result, analysts discovered inconsistencies in data that undermined its value in supporting business decisions. As these organizations tried to encourage more data-driven decision making, they found executives were reluctant to trust the data and its conclusions. With ObservePoint in place, these organizations had better data on which to base decisions, and they were able to provide that data with less effort on the part of their analytics or development teams and with less disruption to their customers. One interviewee told Forrester: "ObservePoint has changed the way we do things. The online marketing team [members] all now have user accounts and get alerts if there is an issue with their pixels. So, now, instead of missing out on the data, we find out a lot sooner, and we're able to quickly address that problem."

Key Findings

Quantified benefits. The following risk-adjusted present value (PV) quantified benefits are representative of those experienced by the companies interviewed:

› **Improved personalization and customer experience delivered $1.1 million in incremental profit.** A primary reason most organizations are collecting user data on their assets is to provide a more personalized customer experience in their marketing. The organizations Forrester interviewed were able to rely on more complete data to create better marketing plans and increase conversion rates to drive additional sales.

› **Streamlined path to purchase contributed another $1.1 million to the bottom line.** The interviewed organizations often added and removed digital assets. Inevitably, some of these were coded incorrectly or linked to pages that had been removed. They also accumulated "piggyback" or misfiring tags that slowed the rate at which pages loaded. ObservePoint enabled analysts and developers to continuously audit assets and address issues.

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ROI
432%

Benefits PV
$3.5 million

NPV
$2.9 million

› **Improved productivity provided cost savings of $839,635.** By automating the QA testing of tags and properties before release, analysts and developers saved approximately 25% of the time they previously spent doing that testing manually.

› **Reduced ineffective advertising spend valued at $503,588.** The organizations Forrester interviewed reported that, because they were able to identify and fix broken or misdirected links in their digital ads, they got the full value of their advertising spend.

Unquantified benefits. The interviewed organizations experienced the following benefits, which are not quantified for this study:
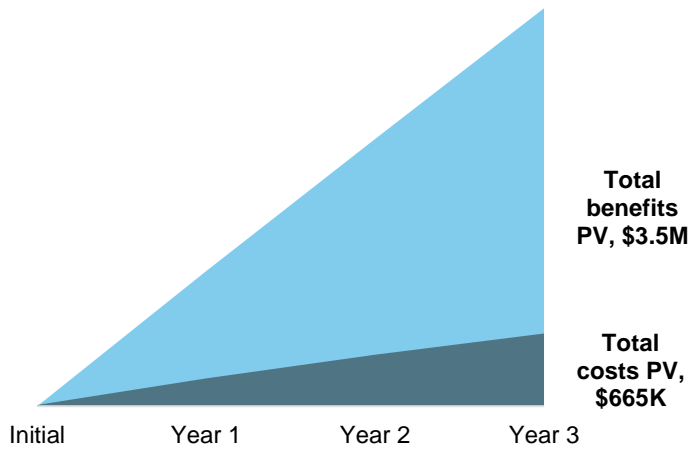
› **Increased executive trust in data and improved data-driven decision making.** Using ObservePoint, the interviewed executives found they had a richer and more reliable source of data available. Analysts were able to draw conclusions and make recommendations with confidence, and executives learned their decisions had the expected results. Over time, the organizations came to trust and use their data to drive their strategies and plans with positive business results.

› **Improved data security resulting from control of rogue tags.** Every interviewee in the study told Forrester that, immediately after implementing ObservePoint, they found a surprising number of unauthorized tags on their assets. They were able to remove tags that were not in compliance with both internal and external data privacy policies while improving page load speeds for site visitors.

Costs. The organizations experienced these risk-adjusted PV costs:

› **Subscription fees** are calculated for each customer based on factors such as: which specific products and services are selected, the quantity and complexity of their web and app properties, the amount of product usage required to meet their needs, any necessary custom engineering, and the number of user accounts needed. For this analysis, Forrester illustrates an annual global license for a substantial enterprise corporation that includes all possible products and services, vast web and app digital properties to be serviced, and enough user accounts for a sizable, global team. The annual fees for this all-encompassing global license are an accumulated $651,293 over three years. (The actual contract for an ObservePoint customer varies depending on individual needs and scope. Prospective customers would need to contact ObservePoint to understand how a license would be structured to meet their needs.)

› **Internal training costs** totaled $13,771 over the same three-year period. Training for ObservePoint was minimal, involving training for analysts and developers, and some additional on-the-job learning.

Forrester's interviews with existing customers and subsequent financial analysis found that the composite organization based on these interviewed organizations experienced benefits of $3.5 million over three years versus all-inclusive costs of $665,000, adding up to a net present value (NPV) of $2.9 million and an ROI of 432%.

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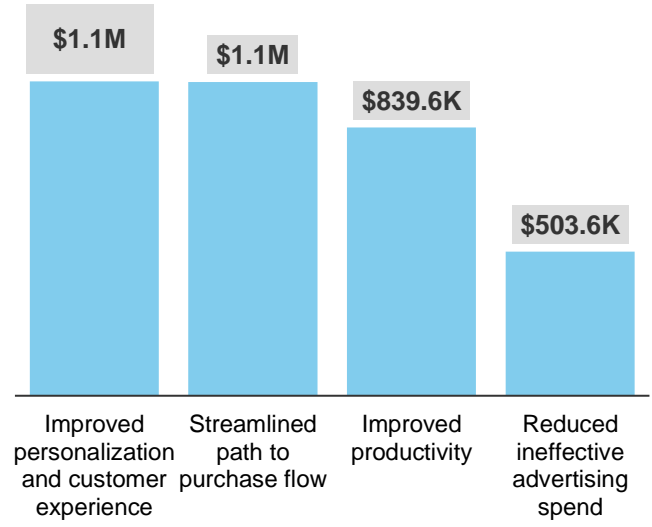
Financial Summary

Total benefits PV, $3.5M

Total costs PV, $665K

Initial   Year 1   Year 2   Year 3

Benefits (Three-Year)

$1.1M	$1.1M	$839.6K	$503.6K
Improved personalization and customer experience	Streamlined path to purchase flow	Improved productivity	Reduced ineffective advertising spend

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TEI Framework And Methodology

From the information provided in the interviews, Forrester has constructed a Total Economic Impact™ (TEI) framework for those organizations considering implementing ObservePoint.

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 ObservePoint can have on an organization:

DUE DILIGENCE
Interviewed ObservePoint stakeholders and Forrester analysts to gather data relative to Data Governance Solution.

CUSTOMER INTERVIEWS
Interviewed five organizations using ObservePoint to obtain data with respect to costs, benefits, and risks.

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

CASE STUDY
Employed five fundamental elements of TEI in modeling ObservePoint's impact: 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.

> The TEI methodology helps companies demonstrate, justify, and realize the tangible value of IT initiatives to both senior management and other key business stakeholders.

DISCLOSURES

Readers should be aware of the following:

This study is commissioned by ObservePoint 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 ObservePoint's Data Governance Solution.

ObservePoint 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.

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

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The ObservePoint Customer Journey

BEFORE AND AFTER THE DATA GOVERNANCE SOLUTION INVESTMENT

Interviewed Organizations

For this study, Forrester conducted five interviews with ObservePoint customers. Interviewed customers include the following:

INDUSTRY	REGION	INTERVIEWEE	SIZE
Financial services	US-based international	Senior manager, digital experience	$10 billion revenue
Entertainment	US-based international	Digital tagging engineer	$26 billion revenue
Travel and hospitality	US	Senior analyst, analytic technology	$22 billion revenue
Specialty retail	Primarily US	Web development manager	$220 million revenue
Education	US	Manager, digital analytics product team	$345 million revenue

Key Challenges

The interviewed organizations described a similar set of challenges and opportunities that drove them to invest in ObservePoint's platform.

› **Exponential growth of tagging by multiple teams with no intake process or oversight.** Driven by management's increasing need for real-time measurement and insights, various users, agencies, and other partners of these organizations had deployed tags across the companies' sites. No one in the organization knew the extent or nature of the tag inventory, much less what impact it might be having on responsible data collection or user experience.

› **Uneven confidence in the data collected and the decisions based on it.** All of the interviewees had the experience of questioning (or, worse, being questioned about) an insight or recommendation only to find that a key piece or set of data was missing or incorrect. As a result, analysts found themselves second-guessing their conclusions, and executives hesitated to make investments or other decisions indicated by the data. This led to a reluctance to take timely action and missed opportunities for the organization.

› **User experience issues resulting from rogue tags.** Interviewees and their teams were unaware of exactly what data collection tools were deployed and where they were deployed on their assets. As a result, they felt concerned there may be multiple tags on some pages that slow page loads, that tags might be firing multiple times and incur unnecessary usage costs on their analytics contracts, or that piggybacking tags may be leaking data to third parties that did not conform to their own or regulatory privacy policies.

> "If there was an error, suddenly data collection would stop. But it would take time for someone to notice it. Then the question was, 'How long were we not capturing data before we noticed?'"
>
> *Senior manager, digital experience, financial services*

> "It's such an intangible thing, but it's so crucial for an analytics team. Once you lose trust in the data it's really hard to gain it back, and your value as a team is diminished significantly."
>
> *Manager, digital analytics product team, education*

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Key Results

Forrester's discussions with the interviewed executives revealed that their investments in ObservePoint delivered the following results:

› **A complete inventory of the organizations' data collection tags.** This was the first result most executives mentioned in interviews because it was such a fundamental improvement for the organizations. According to a digital analytics product team manager: "We didn't know what we had on our sites. ObservePoint gave us the chance to have a conversation around: 'Do we need this? What would the site experience be like if we didn't have all these pixels?'"

› **Ongoing validation that the necessary data was being collected as expected.** Interviewees found it reassuring that ObservePoint routinely checked data collection tools. The organizations and their business partners did not have to wait until a data problem arose to detect and repair a fault in the data collection system. As one interviewee related, "There's a lot to be said for the peace of mind that we get knowing that auditing is happening on a regular basis and keeping us apprised of any unanticipated problems."

› **Improved perception of the value of the data collection and analysis functions.** One tagging engineer in the entertainment industry told Forrester: "People are starting to view our team as a go-to place for marketing data. Overall, they're noticing the value we can provide because we can go that extra step to make sure the data collection tools work long term."

› **A more data-driven organization.** One interviewee told Forrester: "With ObservePoint, once we could understand what we were collecting and where, we could start to fill in the gaps. Now we have consistency and that increases the quality of the data. More importantly, the business partners that are relying on that data have greater confidence in it, and [they have] greater confidence in their decisions."

Composite Organization

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

Description of composite. The $30 billion, US-based financial services firm has a robust online presence and receives approximately 30 million unique visitors to its mobile and desktop sites each year. The organization has a digital-savvy management team, a strong brand, and an international customer base. The firm spends approximately $15 million each year on digital media, and it has sophisticated users of consumer behavioral data to shape its marketing strategy.

"We didn't know what we had on our sites. ObservePoint gave us the chance to have a conversation around: 'Do we need this? What would the site experience be like if we didn't have all these pixels?'"

Manager, digital analytics product team, education

"With ObservePoint, once we could understand what we were collecting and where, we could start to fill in the gaps. Now we have consistency, and that increases the quality of the data."

Senior manager, digital experience, financial services

Key assumptions
- $30 billion revenue
- 30 million annual unique site visitors
- $15 million digital media spend

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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 personalization and customer experience	$336,000	$443,520	$569,184	$1,348,704	$1,099,636
Btr	Streamlined path to purchase	$441,450	$441,450	$441,450	$1,324,350	$1,097,821
Ctr	Improved productivity	$337,630	$337,630	$337,630	$1,012,889	$839,635
Dtr	Reduced ineffective advertising spend	$202,500	$202,500	$202,500	$607,500	$503,588
	Total benefits (risk-adjusted)	$1,317,580	$1,425,100	$1,550,764	$4,293,443	$3,540,680

Improved Personalization And Customer Experience

The strongest driving force behind collecting data about site visitors and their behavior is to shape the organization's digital marketing strategies and campaigns. Access to the right data about who visited the site, how they got there, and what they did when they got there can power extraordinarily effective inbound marketing tactics. That same data can significantly improve a potential customer's experience on the site by providing them with the images, stories, and products most likely to attract their attention and motivate them to action.

When the data collection "machine" breaks down, marketers are in the dark about how to optimize their assets for visitors. At best, they can provide only a generic experience that is the same for every visitor. At worst, they may feed information and offers to individual visitors who actually opted out.

One interviewee from the travel and hospitality industry shared an example with Forrester. Their organization had invested in both English and Spanish language sites with a "toggle" that allowed users to switch between languages. "We tested the functionality before going live with it and we found that whenever anyone would toggle to the Spanish version, our analytics software would stop working. Just stop collecting data. If it hadn't been captured pre-release by ObservePoint, we would not have been able to track any Spanish-speaking customers on the entirety of our website."

The table above shows the total of all benefits across the areas listed below, 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 $3.6 million.

> "One day, the development team made a very minor change to improve the video experience on mobile, and it caused the entire analytics package on the video to break. But because we had ObservePoint running, we caught it and had it fixed by the end of the day."
>
> *Manager, digital analytics product team, education*

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Another participant at an educational institution told Forrester: "We invested decent marketing dollars into creating video testimonials, so we implemented analytics on those players to see who watched and what they did as a result. One day, without telling us, the development team made a very minor change to improve the video on mobile, and it caused the entire analytics package deployed on the player to break. But because we had an ObservePoint audit running, we caught it that same morning and had it fixed by the end of the day."

Forrester assumes that the composite organization:

> › Attracts 30 million unique website visitors per year, growing at an annual rate of 10%.

> › Converts 2.5% of those visitors to purchasers who spend an average of $700 per order.

> › Grows its conversion rate by 5% in Year 1, by 6% in Year 2, and by 7% in Year 3 due to increasingly better personalization. Forrester assumes 20% of that improvement is directly attributable to ObservePoint.

> › Nets an 8% profit margin from the resulting increased revenue.

The risks that may prevent an organization from achieving the same benefit as the composite include:

> › Fewer website visitors or slower growth in visitors over the three-year period.

> › A smaller average order size or profit margin.

> › A more modest improvement in conversion rates.

To account for these risks, Forrester adjusted this benefit downward by 20%, yielding a three-year risk-adjusted total PV of $1,099,636.

With ObservePoint, better data drives a more personalized experience, which improves conversion rates.

Impact risk is the risk that the business or technology needs of the organization may not be met by the investment, resulting in lower overall total benefits. The greater the uncertainty, the wider the potential range of outcomes for benefit estimates.

Improved Personalization And Customer Experience: Calculation Table					
REF.	METRIC	CALCULATION	YEAR 1	YEAR 2	YEAR 3
A1	Annual website visits	From interview	30,000,000	33,000,000	36,300,000
A2	Average conversion rate	From interview	2.5%	2.5%	2.5%
A3	Incremental conversion due to improved personalization and customer experience	From interview	1.0%	1.2%	1.4%
A4	Average order size	From interview	$700	$700	$700
A5	Incremental revenue from improved personalization and customer experience	A1*A2*A3*A4	$5,250,000	$6,930,000	$8,893,500
A6	Average industry margin		8%	8%	8%
At	Improved personalization and customer experience profit	A5*A6	$420,000	$554,400	$711,480
	Risk adjustment	↓20%			
Atr	Improved personalization and customer experience profit (risk-adjusted)		$336,000	$443,520	$569,184

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Streamlined Path To Purchase Flow

A key concern for all the interviewed organizations was to provide a smooth and intuitive experience for their site visitors. They were keen to make sure that their data collection tools did not slow page loads, that handoffs between their sites and third-party payment platforms were executed and recorded smoothly, and that links to key pages were not broken or misdirecting visitors to the wrong places. An interviewee in the travel industry told Forrester: "When we started with ObservePoint, we found that two to four percent of our advertisements pointed people to landing pages that didn't exist anymore. What an awful experience. Your introduction to our brand was a 404 page."

The executives who participated in the study told Forrester they were not only able to catch and prevent user experience issues in their own work, but they also routinely identified these damaging experiences associated with projects and developers outside their teams. One executive said, "I can say without a doubt that since we started, with every pending release that was going to production, ObservePoint has caught an issue for us."

For the composite organization, Forrester assumes that it:

› Spends 10% of its $15 million media budget on digital ads.

› Generates a 218% return on digital media spending (reported as average by Nielsen).

› Experiences a conservative 2% level of disruptions in its path to purchase flow.

› Eliminates 75% of those disruptions with ObservePoint.

While the model only takes account of issues with paid visits, most businesses would also garner added sales and profits from the 40% to 50% of visitors attracted organically.

This added profit can vary based on:

› The organization's level of digital (and other) media spending, as well as its return on advertising spending.

› The degree to which its customer journey, from initial click to final purchase, is disrupted by tagging and other coding issues.

To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year risk-adjusted total PV of $1,097,821.

$1.1 million
three-year benefit PV

30%
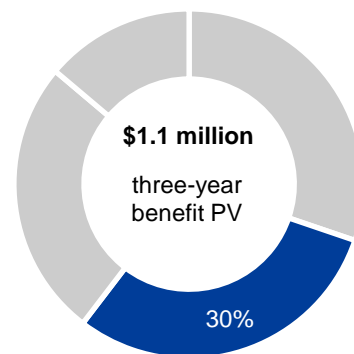
Streamlined path to purchase flow: 30% of total benefits

"I can say without a doubt that since we started, with every pending release that was going to production, ObservePoint has caught an issue for us."

Senior analyst, analytic products, travel industry

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Streamlined Path To Purchase Flow: Calculation Table

REF.	METRIC	CALCULATION	YEAR 1	YEAR 2	YEAR 3
B1	Annual media spending	From industry data	$150,000,000	$150,000,000	$150,000,000
B2	Percent spent on digital advertising		10%	10%	10%
B3	Annual digital advertising spending	B1*B2	$15,000,000	$15,000,000	$15,000,000
B4	ROI on digital advertising spending	From industry data	218%	218%	218%
B5	Profit on digital ad spend	B3*B4	$32,700,000	$32,700,000	$32,700,000
B6	Percent broken or misdirected links or purchase flow issues	From interviews	2.0%	2.0%	2.0%
B7	Lost profit due to interruptions in path to purchase	B5*B6	$654,000	$654,000	$654,000
B8	Percent recaptured with ObservePoint		75%	75%	75%
Bt	Streamlined path to purchase flow	B7*B8	$490,500	$490,500	$490,500
	Risk adjustment	↓10%			
Btr	Streamlined path to purchase flow (risk-adjusted)		$441,450	$441,450	$441,450

Improved Productivity

The executives Forrester interviewed each agreed that ObservePoint saved their analytics and development teams a significant amount of time and work — both in the area of prelaunch QA testing and ongoing monitoring and maintenance of data collection and other tools on the customer path to purchase. One interviewee in the travel industry estimated that using ObservePoint saved three to four days out of each 14-day sprint over manual testing. "What we would have typically done is a lot of manual testing in the console in the network tab. We were doing the physical embodiment of the journeys that ObservePoint has."

In order to model the benefits from improved productivity, Forrester assumes the following characteristics for the composite organization:

› Twenty-five platform users each work on two sprints per month.

› Each platform user spends 3.5 days per sprint on QA testing before the investment in ObservePoint, and 4 hours per sprint after.

› Platform users earn an average fully loaded salary of $114,750.

› Approximately 50% of productivity savings is recaptured for other work.

$938,416
three-year benefit PV

26%
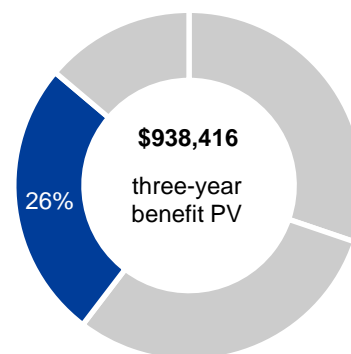
Improved productivity:
26% of total benefits

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A number of factors may affect an organization's ability to achieve the same quantified benefit as the composite.

› Their teams may spend more or less time testing new releases, both before and after deploying ObservePoint.

› They may have a larger or smaller team than the composite.

› They may pay their employees differently from the industry average.

› They may be more or less able to redeploy the time saved to productive tasks.

To account for these risks, Forrester adjusted this benefit downward by 15%, yielding a three-year risk-adjusted total PV of $839,635.

REF.	METRIC		YEAR 1	YEAR 2	YEAR 3
Improved Productivity: Calculation Table					
C1	Hours spent on QA testing per month per platform user before ObservePoint	3.5 days*2 sprints	56	56	56
C2	Hours spent on QA testing per month per platform user with ObservePoint	4 hours*2 sprints	8	8	8
C3	Hours saved per platform user per year	(C1-C2)*12	576	576	576
C4	Platform users on staff		25	25	25
C5	Analysts or developer fully loaded salary	Industry sources	$114,750	$114,750	$114,750
C6	Value of productivity improvement	C3*C4*C5/2,080	$794,423	$794,423	$794,423
C7	Percent recaptured		50%	50%	50%
Ct	Improved productivity	C6*C7	$397,212	$397,212	$397,212
	Risk adjustment	↓15%			
Ctr	Improved productivity (risk-adjusted)		$337,630	$337,630	$337,6360

Reduced Ineffective Advertising Spend

The interviewed customers told Forrester they spent a significant portion of their media budgets on digital advertising to drive visitors to their digital properties. In many cases, they also devoted offline advertising dollars to drive traffic to promotional and other pages. When users try to visit those properties or click on those links and they are misdirected, that is advertising spending wasted. One interviewee related that, after deploying ObservePoint, his organization detected that between 2% and 4% of the links in their organization's digital ads were broken. Another related the story of a pivotal and multichannel promotional campaign. Respondents were directed to the right page, but the tags were not coded properly, so the team failed to collect any information. There was no way to retarget visitors or even learn from their on-site behaviors.

ObservePoint allows the composite organization to avoid this kind of waste because it makes it easy and automatic for platform users to ensure, on an ongoing basis, that customer journeys and data collection

2% to 4% of links in digital ads were broken, effectively wasting the money spent to generate those clicks.

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tools are working as intended. To quantify this benefit, Forrester again assumed that the organization:

› Spends approximately $15 million annually on digital advertising.

› Experiences misdirected or broken links on 2% of its ads, effectively wasting the money spent on them.

› Recaptures 75% of that wasted advertising spend by identifying and fixing the problems before they are launched.

Forrester considers this estimate conservative, since it only accounts for wasted digital media — not offline media that may also direct visitors to the same problem URLs — and since it uses the low end of the interviewed executives' experience with this issue. There is, however, still a risk that other organizations will not benefit from the same savings. For instance:

› They may spend a lower portion of their media budgets on digital advertising.

› They may have fewer problem links before deploying ObservePoint.

To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year risk-adjusted total PV of $503,588.

REF.	METRIC	CALCULATION	YEAR 1	YEAR 2	YEAR 3
	Reduced Ineffective Advertising Spend: Calculation Table				
D1	Digital advertising spending		$15,000,000	$15,000,000	$15,000,000
D2	Percent lost to misdirects		2.0%	2.0%	2.0%
D3	Ineffective advertising spending	C1*C2	$300,000	$300,000	$300,000
D4	Percent misdirects avoided with ObservePoint		75%	75%	75%
Dt	Reduced ineffective advertising spending	C3*C4	$225,000	$225,000	$225,000
	Risk adjustment	↓10%			
Dtr	Reduced ineffective advertising spending (risk-adjusted)		$202,500	$202,500	$202,500

Unquantified Benefits

Increased reliance on data-driven decision making. The interviewed executives found that by using ObservePoint, both analysts and their business partners felt more confident that the data on which they based their analyses and decisions was complete and accurate. Analysts were able to draw conclusions and make recommendations without feeling the need to caveat. The process and discipline of building data checks into the system with ObservePoint began to create more of a data governance culture within the organizations. As people saw the impact of more reliable and useful data, formal and informal teams came into existence to discuss and make decisions about consistent guidelines for collecting and analyzing the right data to run the businesses. This, in turn, fostered more data-driven decision making.

> "It allowed us to go to our agency and say, 'Hey, what are you doing with our data?' We can police our site more effectively and find the problems, even if they're external."
>
> *Manager, digital analytics product team, education*

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Improved privacy compliance resulting from control of rogue tags.
One interviewee told Forrester that ObservePoint allowed their
organization to see that a major long-term partner was tagging "almost
every single tag within our data layer." Because the company had
extremely strict data sharing rules, it actually ended that partnership in
order to ensure it was in compliance with its own policies. Another
participant told Forrester their organization addressed and removed a
number of piggybacking tags with its agencies. "We're very well known
for being a very secure, very trusted, and very conservative financial
services company. The minute our clients think we're selling their data
— even if we're not — that all goes down the drain."

Flexibility

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

> **Establishment of an organization-wide data governance mindset**.
> One executive described a formal council and process put in place
> after his organization saw the impact ObservePoint had on the quality
> of its data collection ecosystem. This council now meets regularly to
> set data collection policies and to continually review and improve tag
> performance across its digital properties. While not everyone
> established formal data governance teams, several other interviewees
> reported a similar increase in their organizations' understanding of and
> appreciation for the importance of consistently collecting the right data.
> All believe this attention to data collection and quality will lead to
> further investment in enhanced capabilities around data usage.

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

> Flexibility, as defined by TEI,
> represents an investment in additional
> capacity or capability that could be
> turned into business benefit for a future
> additional investment. This provides an
> organization with the "right" or the
> ability to engage in future initiatives but
> not the obligation to do so.

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Analysis Of Costs

QUANTIFIED COST DATA AS APPLIED TO THE COMPOSITE

	Total Costs						
REF.	**COST**	**INITIAL**	**YEAR 1**	**YEAR 2**	**YEAR 3**	**TOTAL**	**PRESENT VALUE**
Etr	Subscription fees	$11,550	$257,250	$257,250	$257,250	$783,300	$651,293
Ftr	Internal training costs	$0	$11,245	$2,249	$2,249	$15,742	$13,771
	Total costs (risk-adjusted)	$11,550	$268,495	$259,499	$259,499	$799,042	$665,064

Subscription Fees

By far the bulk of the cost for the data governance solution is the annual licensing fee, which is calculated for each customer using a financial model that factors in:

› Product type and number of products selected

› Training and product support services requested

› Quantity and complexity of web and app properties to be serviced

› Amount of product usage required

› Number of user accounts needed

› Any necessary custom engineering

The contract for ObservePoint customers varies depending on their individual needs and licensing scope. Prospective customers would need to contact ObservePoint to understand how a license would be structured to meet their needs.

For modeling purposes, Forrester assumes the composite organization takes advantage of the maximal options and:

› Purchases a global, enterprise level license including all product offerings and usage requirements for a $30 billion organization with expansive digital properties and significant projected usage.

› Elects to perform onboarding training for a sizable team.

› Requires custom engineering for two of their more complex implementations.

> The table above shows the total of all costs across the areas listed below, as well as present values (PVs) discounted at 10%. Over three years, the organization expects risk-adjusted total costs to be a PV of $665,064.

Fees are custom and reflect the types of products and services selected, scope of digital properties, usage of products and services, and number of users.

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Subscription Fees: Calculation Table						
REF.	METRIC	CALCULATION	INITIAL	YEAR 1	YEAR 2	YEAR 3
E1	Upfront onboarding fees		$11,000			
E2	Annual licensing fees			$245,000	$245,000	$245,000
Et	Subscription fees	E1+E2	$11,000	$245,000	$245,000	$245,000
	Risk adjustment	↑5%				
Etr	Subscription fees (risk-adjusted)		$11,550	$257,250	$257,250	$257,250

Internal Training Costs

Interviewees generally dismissed training costs as minimal, particularly given their teams' deep familiarity with all the other elements of their organizations' martech stacks. One web development manager for a specialty retailer described his process: "It was very easy to get it up and running to do audits. Then it took a bit more time to learn to do things like journeys. There are some really cool things we can do now that we have some real experience with it." Others described a similar 1-hour or 2-hour initial training session followed by platform users undergoing an "on-the-job training" approach to building their own skill sets with ObservePoint.

Two of the organizations were about to start training business partners on the tool to allow them to take more ownership of both the data collection tools they ask to deploy and the ongoing monitoring of their performance. While this was expected to require a bit more upfront training, the interviewees did not expect it to be a problem, and they felt entirely capable of undertaking the training themselves.

Forrester assumes that the composite organization:

› Provides two hours of initial training for each of its 25 platform users.

› Each of those platform users also spends 5 hours learning new skills while using the platform.

› Pays its martech team members an average fully loaded salary of $121,500 annually.

› Needs to train an additional five platform users each year due to regular employee turnover.

Since training costs are not out of pocket, but a function of the time the team must devote to the process, the implementation risks are:

› Unexpected difficulty learning the platform, which requires platform users to spend more time on upfront or in-use training than projected.

› A team that earns a higher rate of pay than the industry average.

To account for these risks, Forrester adjusted this cost upward by 10%, yielding a three-year risk-adjusted total PV of $13,771.

> "I was the one who did the initial implementation. It was very easy to get it up and running to do audits. Then it took a bit more time to learn to do things like journeys. There are some really cool things we can do now that we have some real experience with it."
>
> *Web development manager, specialty retailer*

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Internal Training Costs: Calculation Table

REF.	METRIC	CALCULATION	INITIAL	YEAR 1	YEAR 2	YEAR 3
F1	Platform users			25	5	5
F2	Hours initial training			2	2	2
F3	Hours in-use training			5	5	5
F4	Fully loaded employee salary			$121,500	$121,500	$121,500
Ft	Internal training costs	F1*(F2+F3)*F4/2,080	$0	$10,222	$2,044	$2,044
	Risk adjustment	↑10%				
Ftr	Internal training costs (risk-adjusted)		$0	$11,245	$2,249	$2,249

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Financial Summary

CONSOLIDATED THREE-YEAR RISK-ADJUSTED METRICS

Cash Flow Chart (Risk-Adjusted)
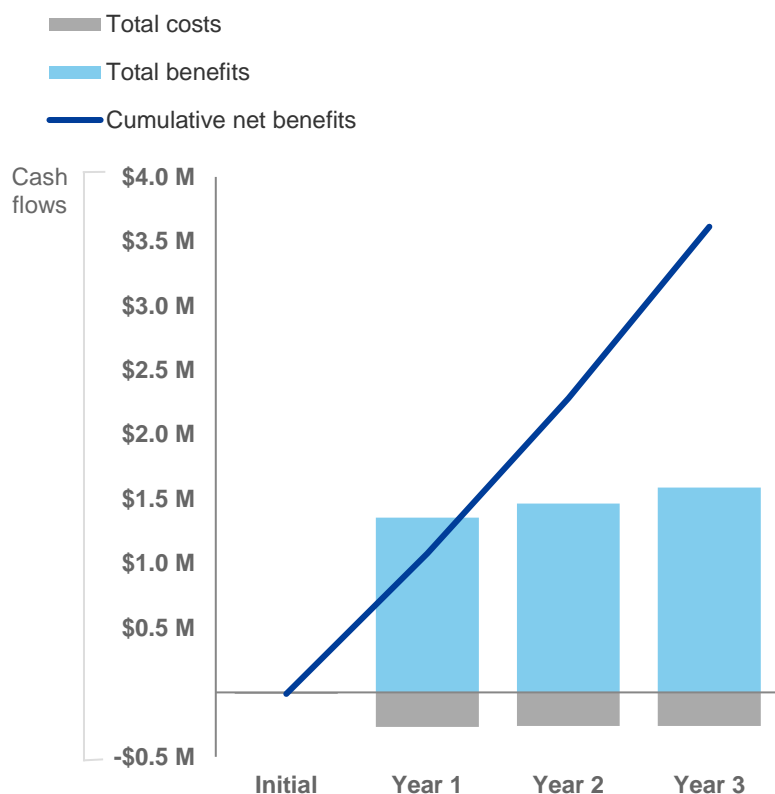
The financial results calculated in the Benefits and Costs sections can be used to determine the ROI, NPV, and payback period for the composite organization's investment. Forrester assumes a yearly discount rate of 10% for this analysis.

- ■ Total costs
- ■ Total benefits
- ── Cumulative net benefits

Cash flows

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

Cash Flow Analysis (risk-adjusted estimates)

	INITIAL	YEAR 1	YEAR 2	YEAR 3	TOTAL	PRESENT VALUE
Total costs	($11,550)	($268,495)	($259,499)	($259,499)	($799,042)	($665,064)
Total benefits	$0	$1,317,580	$1,425,100	$1,550,764	$4,293,443	$3,540,680
Net benefits	($11,550)	$1,049,085	$1,165,601	$1,291,265	$3,494,401	$2,875,616
ROI						432%

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ObservePoint Data Governance Solution: Overview

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

Trusted Data. Actionable Insights.

For organizations to be truly data-driven, they must answer two vital questions:

1) What is this data telling me about our customers? and
2) Can I trust my data?

ObservePoint helps enterprises drive growth and increase ROI by unifying their data collection standards, capturing and validating every customer touchpoint, and generating trustworthy, actionable insights.

Gain confidence in your data and decisions:

Ensure Data Quality	**Optimize Customer Experience**	**Drive Growth & ROI**
Standardize and test your data collection to ensure accurate data and insights.	Capture every touchpoint to optimize the end-to-end customer journey.	Analyze holistic and accurate customer insights that drive engagement and increase revenue.

Product Line:

WebAssurance: Without deploying any code, WebAssurance audits your digital channels, checking for inaccuracies in your data collection process, simulating user activities, and verifying that your critical paths are working properly.

AppAssurance: AppAssurance automates your pre- and post-release QA process, testing your analytics and MarTech SDKs to verify they're present and collecting accurate data.

LiveConnect: With LiveConnect, you can connect to any device over WiFi and begin running automated test scripts that capture real-time data as you interact with that device.

Touchpoints: Touchpoints allows you to standardize your data before it even exists by defining and standardizing tracking and metadata for every interaction in the end-to-end customer journey.

JourneyStream: JourneyStream is a marketing and experience data repository that captures every online and offline interaction across the entire customer journey creating a complete, unified data set.

Prism: Through algorithmic and rule-based attribution models, Prism gives you ROI visibility across all customer experience efforts to show your contribution to sales, prove the value of your marketing efforts, and justify your investments across all channels and content.

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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.

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Appendix B: Supplemental Material

Related Forrester Research

"Advance Your Customer Analytics Maturity," Forrester Research, Inc., February 4, 2020.

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