A Forrester Total Economic Impact™ Study Prepared For ATG

The Total Economic Impact™ Of Click to Call And Click to Chat

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Executive Summary

In February 2010, Art Technology Group (ATG) commissioned Forrester Consulting to examine the total economic impact and potential return on investment (ROI) enterprises that have eCommerce businesses may realize by deploying Click to Call and Click to Chat solutions. The purpose of this study is to provide readers with a framework to evaluate the potential financial impact of implementing Click to Call and Click to Chat for their organizations. For this study, we spoke with current ATG customers within the retail and travel industry and created a composite to illustrate the impact of Click to Call and Click to Chat on sales, IT, and customer service groups for the interviewed organizations. Based on our research, customers benefit from the use of these solutions to increase online revenue, improve customer retention, and reduce customer service cost.

ATG Generates Incremental Sales And Recovers Lost Revenue

Forrester interviews with six existing customers and subsequent financial analysis found that a composite organization based on these companies experienced the risk-adjusted ROI, costs, and benefits shown in Table 1. See Appendix A for a description of the composite organization.

Table 1

Composite Organization Three-Year Risk-Adjusted Financial Summary

ROI	Payback period	Total benefits (PV)	Total costs (PV)	Net present value
304%	1.2 months	$1,950,259	$483,011	$1,467,248

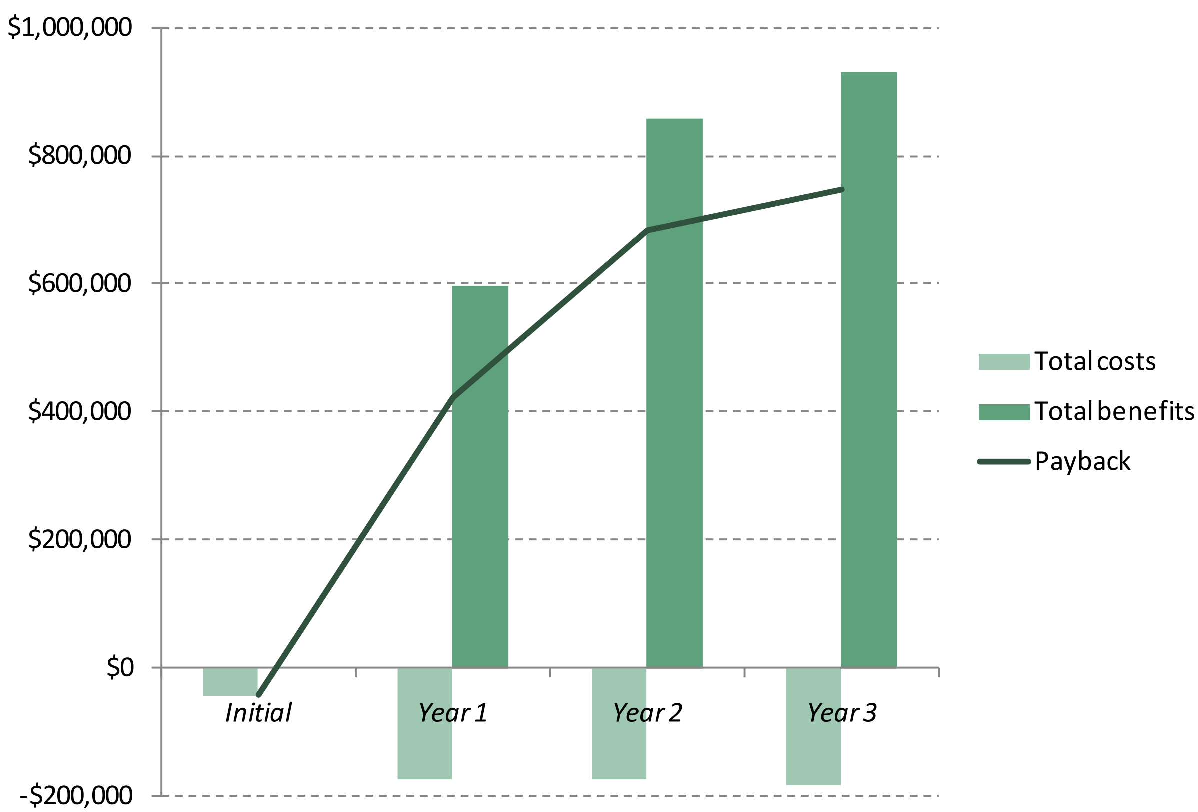
Source: Forrester Research, Inc.

- **Benefits.** Based on the interviews with six current ATG customers, Forrester identified the following categories of benefit for the composite organization based on the experiences of the interviewed companies:
  - **Incremental revenue gained.** By leveraging both Click to Call and Click to Chat, the composite organization offered customers the ability to use these solutions to resolve site, product, billing, administrative, and purchasing issues in real time. Because proactive and reactive Click to Call and Click to Chat were used concurrently, customer service agents were able to field customer-initiated requests for help and also proactively engage customers with suspected purchasing issues, leading to an incremental increase in conversion rates and improvement in order values.
  - **Revenue recovered from online sales that would have otherwise been abandoned.** Another goal for implementing Click to Call and Click to Chat was the need to recover revenue when online technical difficulties caused users to abandon their shopping carts. By providing online customers a direct way to communicate with customer service agents, Click to Call and Click to Chat helped the composite organization discover specific online technical difficulties faster and take action to resolve them, thus recovering a percentage of lost revenue.

- **Costs.** Our interviewees also experienced the following costs:
    - **Annual software usage and service costs.** This section presents the usage and service fees associated with the investment in ATG Click to Call and Click to Chat.
    - **Training fees.** The composite organization allocates time internally to train chat representatives and supervisors. Customers interviewed expressed that this training is particularly important because chat reps require skills unique to those required on the telephone such as typing speed, grammar, and appropriate use of tone to reflect the organization's brand. The rep's efficiency is a critical component to the ability to handle two to three concurrent chats, which is typically a key target to achieving chat efficiencies.
    - **IT implementation and ongoing support costs.** This category illustrates the required investment in IT resources necessary during implementation, including the pre- and post-implementation phase.
    - **Administrative costs.** This section presents the required investment in administrative resources necessary after launch to manage the ongoing effort.

Figure 1

Composite Organization — Three-Year Risk-Adjusted Financial Summary Result



Source: Forrester Research, Inc.

Disclosures

The reader should be aware of the following:

- The study is commissioned by ATG and delivered by the Forrester Consulting group.
- Forrester makes no assumptions as to the potential ROI that other organizations will receive. Forrester strongly advises that readers should use their own estimates within the framework provided in the report to determine the appropriateness of an investment in ATG Click to Call and Click to Chat.
- The customer names for the interviews were provided by ATG.
- ATG 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.

TEI Framework And Methodology

Introduction

From the information provided in the interviews, Forrester has constructed a Total Economic Impact™ framework for those organizations considering implementing ATG Click to Call and Click to Chat. The objective of the framework is to identify the cost, benefit, flexibility, and risk factors that affect the investment decision.

Approach And Methodology

Forrester took a multistep approach to evaluate the impact that ATG Click to Call and Click to Chat can have on an organization (see Figure 2). Specifically, we:

- Interviewed ATG marketing/sales/consultants personnel and Forrester analysts to gather data relative to Click to Call and Click to Chat and the marketplace for Click to Call and Click to Chat.
- Interviewed six organizations currently using Click to Call and Click to Chat to obtain data with respect to costs, benefits, and risks.
- Designed a composite organization based on characteristics of the interviewed organizations (see Appendix A).
- Constructed a financial model representative of the interviews using the TEI methodology. The financial model is populated with the cost and benefit data obtained from the interviews as applied to the composite organization.

Note: All numbers have been rounded.

Figure 2
TEI Approach

Source: Forrester Research, Inc.

Forrester employed four fundamental elements of TEI in modeling ATG Click to Call and Click to Chat solutions:

1. Costs.
2. Benefits to the entire organization.
3. Flexibility.
4. Risk

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

Analysis

Interview Highlights

A total of six interviews were conducted for this study, involving representatives from the following companies:

1. Three retailers.
2. Three leading airlines.

The interviews uncovered that:

- Customer use of ATG Click to Call and Click to Chat solutions had an incremental, positive impact on sales, with an increase in conversion rates and order value for transactions completed during Click to Call and Click to Chat sessions, compared with customers who did not use the channels. By improving the cross-channel shopping experience and bridging the Web channel to the contact center, the interviewed organizations were able to provide support when it was most needed in real time to help complete a higher percentage of online transactions.
- Measuring the true cross-channel sales impact of Click to Call and Click to Chat requires organizations to identify Web sessions where a chat or call was initiated and completed and to determine whether a transaction occurred during or after the chat or call (in any available sales channel). Organizations use a variety of means to measure live help impact on conversions, including reporting and analytics provided by their solution provider, as well as Web and call center reporting. Organizations we interviewed provided revenue impact data on *online transactions only*. Because Click to Call results in more offline transactions (processed in the contact center) than Click to Chat, readers should be aware that the sales impact of Click to Call may be higher than reported in this study. Additionally, organizations we interviewed did not provide data on the impact of Click to Call and Click to Chat on brick-and-mortar sales, which may provide further revenue impact not factored into the financial analysis in this study.
- The impact of Click to Call and Click to Chat on online sales varies by industry, by deployment type (reactive versus proactive), and by overarching business goal (sales versus service). We interviewed ATG customers who saw conversion rates as high as 50% for Click to Call interactions — nearly 30% higher than in their Click to Chat interactions. We also spoke to customers who measured higher conversion rates for Click to Chat compared with Click to Call. For all customers, however, proactive rules targeted at customers most likely to abandon resulted in the highest relative conversion rate impact.
- Strategies to implement Click to Call and Click to Chat vary based on organizations' overarching goals. For example, to reduce customer service costs, one organization created rules that prioritized high-value transactions as a candidate for a Click to Call session (thus reducing calls that were likely support or service in nature).

Alternatively, customers looking to contain costs would use reactive live help over proactive live help while still seeing higher conversion rates compared with not using ATG's technology.

- For organizations that sell product and services online, shopping cart abandonment is a significant issue. While there are many reasons why customers may abandon their cart, some abandonments are caused by online technical difficulties, which may be real errors resulting from the eCommerce/Web platform or simply customer errors in completing online forms during the checkout process. Allowing customers to contact the organization when they experience a technical issue will enable the organization to not only identify and mitigate the issue but also reduce the number of abandoned transactions and recover a percentage of this lost revenue.

- Some organizations used Click to Call and Click to Chat within self-service/administrative areas to reduce support costs by deflecting more costly traditional phone calls to more cost-effective channels like Click to Call and Click to Chat. This consequently leads to operational cost savings through a reduction in the average volume of nontransactional calls and improvement in duration of customer calls. However, because customers we interviewed saw significant increase in conversion and order values, they are currently not tracking and monetizing the reduction in support calls due to use of both solutions. It is important to note that these organizations demonstrated lower conversion rates on these interactions compared with live help interactions in the checkout process, which is understandable, as the live help buttons are placed outside the shopping/checkout process.

- Implementing Click to Call required less investment than Click to Chat. Receiving inbound calls is a familiar operational procedure for contact center representatives. Implementing chat, however, required additional investment in training and creation of a separate group to eliminate any disruption in the contact center's operational performance.

Composite Organization

Based on the interviews with the six existing customers provided by ATG, Forrester constructed a TEI framework, a composite company, and an associated ROI analysis that illustrates the areas financially affected. The composite organization is an eCommerce site with 850,000 site users. We estimate that the composite organization has deployed Click to Call and Click to Chat concurrently. In addition, by using ATG's dynamic rules engine and the help of ATG's professional services, the composite organization has deployed both solutions proactively and reactively within its sales and service environment. Please see Appendix A for additional information on the composite organization description.

Framework Assumptions

Table 2 provides the model assumptions that Forrester used in this analysis.

Table 2

Model Assumptions

Ref.	Metric	Calculation	Value
A1	Hours per week		40
A2	Weeks per year		52
A3	Hours per year (M-F, 9-5)		2,080
A4	Hours per year (24x7)		8,736
A5	Site administrator		$100,000
A6	Hourly	A5/A3	$48

Source: Forrester Research, Inc.

The discount rate used in the PV and NPV calculations is 10%, and time horizon used for the financial modeling is three years. Organizations typically use financial discount rates between 8% and 16% based on their current environment. Readers are urged to consult with their respective company's finance department to determine the most appropriate discount rate to use within their own organizations.

Costs

This section outlines the investment made by the composite organization in ATG Click to Call and Click to Chat solutions.

Annual Service And Usage Costs

The first component of cost is annual usage and professional service costs, which is approximately 74% of the overall cost. The calculation has two components: the cost per chat and call as well as the implementation, training, and ongoing professional service fees, which are included in the monthly service fee. Based on the interviews with existing ATG customers, we estimated the following service and usage fees for the composite organization.

We assumed that the composite organization begins with using 8,500 chats and 3,400 calls on a monthly basis and increases these volumes by 10% and 5% annually, respectively. Based on the usage volume, the technology cost to implement Click to Call and Click to chat are $0.40 and $1.40, respectively. Forrester estimates the total cost per contact of a chat session is approximately $5, and the cost per Click to Call is approximately $6 and upward, reaching between $6 and $25 or more for highly complex issues. We only include the incremental cost to use these services within their existing environment. The monthly service fee — which includes implementation, training, Web-based account administration and self-service, monthly account management and professional services, and access to ATG's dynamic rules, tracking, and analytics engine — is $2,750. Readers should note that for this study, we used ATG list pricing. Table 3 presents the calculation.

Table 3
Annual Service And Usage Costs

Ref.	Metric	Calculation	Initial	Year 1	Year 2	Year 3
B1	Total number of chats		8,500	102,000	112,200	123,420
B2	Increase in the number of chats in Years 2 and 3		10%			
B3	Cost per chat		$0.40			
B4	Total number of calls		3,400	40,800	42,840	44,982
B5	Increase in the number of calls		5%			
B6	Cost per call		$1.40			
B7	Service fee		$2,750	$33,000	$33,000	$33,000
Bt	Annual service and usage costs	B1*B3+B4*B6+B7	$10,910	$130,920	$137,856	$145,343

Source: Forrester Research, Inc.

Training Opportunity Costs

This cost was associated with the use of Click to Chat to train chat representatives. The organizations interviewed typically recruited chat representatives from the existing pool of customer service representatives. This cost equates to about 1% of the overall investment. Our interviewees explained that based on the learning curve and comfort with the usage, their chat representative can handle multiple chats at any given time. Based on 102,000 chats annually, we calculated that each rep can handle 9,188 chats annually. We estimate that the composite organization recruited 11 representatives who manage two to three chats simultaneously within a 14-hour shift and two supervisors to manage chat resources. At a fully loaded hourly rate of $16.25 for representatives and $35 for supervisors, we assume the composite organization allocated two full days to training. Table 4 presents this calculation.

Table 4

Training Opportunity Costs

Ref.	Metric	Calculation	Per period
C1	Average number of chat per rep		9,188
C2	Number of people	102,000/9,188	11
C3	Average fully loaded hourly rate		$16.25
C4	Number of hours for training		16
C5	Number of supervisor		2
C6	Average fully loaded hourly rate		$35
Ct	Training opportunity costs	(C2*C3+C5*C6)*C4	$3,980

Source: Forrester Research, Inc.

IT Implementation And Ongoing Support Costs

Implementation and ongoing support cost is another component of cost as described by our interviewees. This cost approximates to 18% of the overall cost. We estimate that the composite organization involves three IT staff. These individuals allocated 160 hours each to planning and implementation phase and 10 hours per month to ongoing support. At a fully loaded hourly rate of $58, Table 5 illustrates the calculation.

Table 5
IT Implementation And Ongoing Support Costs

Ref.	Metric	Calculation	Initial	Year 1	Year 2	Year 3
D1	Number of IT staff involved		3			
D2	Annual salary per person		$120,000			
D3	Number of hours per year		2,080			
D4	Number of hours for planning		160			
D5	Average fully loaded hourly rate per person	D2/D3	$58			
D6	Number of hours per month for support		0	10	10	10
D7	Number of months per year		12			
Dt	IT implementation and ongoing support costs	D1*D4*D5+ D1*D5*D6*D7	$27,692	$20,769	$20,769	$20,769

Source: Forrester Research, Inc.

Administrative Costs

The final component of cost is administrative cost, and it represents 9% of the overall calculation. This is a non-IT cost to manage day-to-day administrative and reporting activities related to the use of the system. Table 6 demonstrates this calculation.

Table 6
Administrative Costs

Ref.	Metric	Calculation	Initial	Year 1	Year 2	Year 3
E1	Number of people		1			
E2	Annual fully loaded salary		$100,000			
E3	Percent of time allocated		0%	20%	15%	15%
Et	Administrative costs	E1*E2*E3	$0	$20,000	$15,000	$15,000

Source: Forrester Research, Inc.

Total Costs

The total costs for the composite organization to implement Click to Call and Click to Chat are illustrated in Table 7.

Table 7

Total Cost, Non-Risk-Adjusted

Costs	Initial	Year 1	Year 2	Year 3	Total	Present value
Annual service and usage costs	($10,910)	($130,920)	($137,856)	($145,343)	($425,029)	($353,057)
Training opportunity costs	($3,980)				($3,980)	($3,980)
IT implementation and ongoing support costs	($27,692)	($20,769)	($20,769)	($20,769)	($90,000)	($79,342)
Administrative costs		($20,000)	($15,000)	($15,000)	($50,000)	($41,848)
Total costs	($42,582)	($171,689)	($173,625)	($181,112)	($569,009)	($478,227)

Source: Forrester Research, Inc.

Benefits

The next component of analysis examines the potential benefits of investing in ATG Click to Call and Click to Chat solutions. Our interviews with six ATG customers revealed that some organizations purchased Click to Call and Click to Chat to improve sales, while others initially purchased the solutions aiming to reduce their customer support cost. However, after implementation, all organizations realized that the incremental increase in sales has become the prominent benefit, resulting from a reduction in shopping cart abandonment and increase in conversion rate. While these organizations continue to regard reduction in support cost as an important benefit, they are not measuring the impact across the organization.

In addition to the increase in conversion rates for both proactive and reactive calls and chats, the organizations interviewed also identified an increase in average order value. Therefore, we estimate a 23% increase in order value for the composite organization. Finally, the last component of calculation is to eliminate any cannibalization that may have existed. According to a 2009 Forrester Technographics® survey of 4,653 US individuals, 88% of all customers, on average, who use Click to Call and Click to Chat would have given up on completing their order if they were unable to rectify any site-related issues, and 12% of sales are "cannibalized," meaning that they would have been completed without live help.[1] This cannibalization percentage is drawn from customer data and Forrester data.

Incremental Gross Revenue

This incremental sales benefit represents 94% of the overall gain. To evaluate this benefit for the composite organization, we have divided the calculation into two parts to measure the impact of Click to Call and Click to Chat. Based on the interviewees with the existing ATG customers, we estimate that 0.4% of 850,000 monthly site users for the composite organization accept (proactive) or initiate (reactive) Click to Call. From this group, 30% accept proactive call invitations, and 70% click on Click to Call buttons located throughout the site to initiate a call. The conversion rates for proactive and reactive calls are estimated at 27% and 19%, respectively.

It is important to note that the site conversion rate for its customers was about 3%. One of the primary reasons for the difference in the conversion rate between proactive and reactive calls is the targeted rules that trigger the call invitation throughout the site. For example, our composite organization places Click to Call targeted rules primarily during the checkout process to invite customers to call when they exhibit a hesitant behavior such as spending more than 30 seconds on a checkout page, encountering an error, or adding a specific dollar value to their shopping cart. This selection process will identify high-value transactions and those most likely to abandon. Therefore, adoption and usage play a key role in the success of the program. The interviewed ATG customers explained that measuring the impact of Click to Call sessions on offline sales (those processed in the call center) is critical in justifying the value of the investment, as only a percentage of Click to Call customers complete online transactions. Table 8 illustrates the calculation related to Click to Call revenue gain.

We should also note that customers who use Click to Call on our composite organization's eCommerce site have an average order value of $141, an 23% increase over the site average order value of $115. This is primarily due to the call center agents' ability to upsell and cross-sell more merchandise to customers who use Click to Call before checking out.

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[1] Source: North American Technographics® Customer Experience Online Survey, Q4 2009 (US) (http://www.forrester.com/ER/Research/SurveyFile/0,5519,2128,00.pdf)

Table 8
Incremental Revenue Gain From Click to Call

Ref.	Metric	Calculation	Year 1	Year 2	Year 3
F1	Average monthly site visitors		850,000		
F2	Percent of calls per month		0.4%		
F3	Average number of calls monthly	F1*F2	3,400	3,570	3,749
F4	Percent of proactive calls		30%		
F5	Percent of reactive calls		70%		
F6	Average number of proactive calls	F3*F4	1,020	1,071	1,125
F7	Average number of reactive calls	F3*F5	2,380	2,499	2,624
F8	Conversion from proactive calls		27%		
F9	Conversion from reactive calls		19%		
F10	Average site conversion rate		3%		
F11	Average order value		$115		
F12	Percent increase in average order value		23%		
F13	Average order value from Click to Call	F11*(1+F12)	$141		
F14	Number of months per year		12		
F15	Percent of customers who will have made a purchase (cannibalization)	(100%-88%)	12%		
Ft	Incremental revenue gain from Click to Call	(F6*[F8-F10]+F7*[F9-F10])*F13*F14*(1-F15)	$931,493	$978,068	$1,026,971

Source: Forrester Research, Inc.

Table 9 presents the outline created to measure the revenue impact of Click to Chat for the composite organization. Based on the interviews with the ATG customers, 1% of the monthly site users (1%*850,000 = 8,500) receive invitation or participate in a chat session. From this group, 20% are invited to a chat session (proactive), and 80% initiate a chat session (reactive). From the interviews, we learned that a total of 4% of 8,500 users abandon their chat session.

The reason for the higher percentage of reactive Click to Chat sessions versus Click to Call sessions is that interviewed customers view chat as a more cost-effective channel and place it more prominently throughout the site and on customer service pages.

Readers should note that customers who use Click to Chat on our composite organization's eCommerce site have an average order value of $137, a 19% increase over the site average order value of $115.

Table 9

Incremental Revenue Gain From Click to Chat

Ref.	Metric	Calculation	Year 1	Year 2	Year 3
G1	Average monthly site visitors		850,000		
G2	Percent of chats per month		1%		
G3	Average number of chats monthly	G1*G2	8,500	9,350	10,285
G4	Percent proactive chats		20%		
G5	Percent reactive chats		80%		
G6	Percent of chat abandoned		4%		
G7	Average number of proactive chat	G3*G4*(1-G6)	1,632	1,795	1,975
G8	Average number of reactive chat	G3*G5*(1-G6)	6,528	7,181	7,899
G9	Conversion from proactive chat		40%		
G10	Conversion from reactive chat		22%		
G11	Average site conversion rate		3%		
G12	Average order value		$115		
G13	Percent increase in average order value		19%		
G14	Average order value from Click to Chat	G12*(1+G13	$137		
G15	Number of months per year		12		
G16	Percent of customers who will have made a purchase (cannibalization)	(100%-88%)	12%		
Gt	Incremental revenue gain from Click to Chat	(G7*[G9-G11]+G8*[G10-G11])*G14*G15*(1-G16)	$2,667,983	$2,934,781	$3,228,260

Source: Forrester Research, Inc.

The results from Table 8 and Table 9 are added together to illustrate the total revenue gain for the composite organization. We estimate the gross margin at 22% to calculate the incremental gross revenue. The readers should note that based on customer interviews, we have estimated 8,500 chats and 3,400 calls on a monthly basis and an increase in these volumes by 10% and 5% annually, respectively. Table 10 illustrates the calculation.

Table 10

Incremental Revenue Gain From Click to Call

Ref.	Metric	Calculation	Year 1	Year 2	Year 3
H1	Net revenue	Ft+Gt	$3,599,476	$3,912,849	$4,255,231
H2	Gross margin		22.0%		
Ht	Incremental gross revenue	H1*H2	$791,885	$860,827	$936,151

Source: Forrester Research, Inc.

Recovered Revenue Loss

This benefit presents 6% of the overall gain. For organizations that sell product and services online, shopping cart abandonment continues to be a significant issue. While there are many reasons why customers may abandon their cart, some abandonments are caused by online technical difficulties, which may be true errors resulting from the eCommerce/Web platform or customer error in completing online forms during the checkout process. Allowing customers to contact the organization when they experience a technical issue will enable the organization to not only identify and mitigate the issue but also reduce the number of abandoned transactions and recover a percentage of this lost revenue. For the composite organization, we determined an average revenue loss of $4,025 per hour based on the frequency of issues occurring, a 3% site conversion rate, and an average order value of $115. Table 11 presents this calculation.

Table 11

Revenue Loss For Orders Experiencing A Bug Per Hour

Ref.	Metric	Calculation	Value
I1	Average number of unique site visitors per year		10,200,000
I2	Average site conversion rate		3%
I3	Annual number of transactions	I1*I2	306,000
I4	Number of days per year		365
I5	Number of hours per day		24
I6	Average number of transaction per hour	I3/I4/I5	35
I7	Average order value		$115
It	Revenue loss for orders experiencing a bug per hour	I6*I7	$4,025

Source: Forrester Research, Inc.

Based on the customer interviews, we have conservatively measured the impact of this hourly loss. We estimate that the composite organization experiences one site-related issue per month that typically would have gone unnoticed for 5 hours. During this period, the organization — based on hourly revenue rate of $4,025 with gross margin of 22% — would have lost $53,130. With Click to Call and Click to Chat, the composite organization is able to identify this issue in real time and mitigate it, thus recovering the $53,130. Table 12 demonstrates this calculation.

While this benefit is revenue-related, it also supports customers' goals of reducing their site support cost. For example, we were told during the interview processes that organizations interviewed receive specific leads through chats and calls regarding site issues.

Table 12
Recovered Revenue Loss

Ref.	Metric	Calculation	Per period
J1	Revenue loss per hour		$4,025
J2	Number of hours		5
J3	Frequency of occurrence per month		1
J4	Number of months per year		12
J5	Gross margin		22%
Jt	Recovered revenue loss	J1*J2*J3*J4*J5	$53,130

Source: Forrester Research, Inc.

Total Benefits

Table 13 summaries the total benefits (non-risk-adjusted) associated with the ATG Click to Call and Click to Chat deployment. Readers should note to remain conservative; we realize 75% of benefits in Year1 and 100% in Years 2 and 3.

Table 13
Total Benefit, Non-Risk-Adjusted

Benefits	Year 1	Year 2	Year 3	Total	Present value
Incremental gross revenue	593,914	860,827	936,151	2,390,892	1,954,693
Recovered revenue loss	39,848	53,130	53,130	146,108	120,051
Total benefits	$633,761	$913,957	$989,281	$2,536,999	$2,074,744

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. For example, there are multiple scenarios in which a customer might choose to implement ATG Email Response — a third component of the ATG Live Help solution — and later realize additional uses and business opportunities.

Table 14
Flexibility

Metrics	Calculation
Asset value (benefit)	IT or business costs avoided, revenue generated, capital saved, productivity gained
Cost to acquire option	Planning and discovery, subscription, and annual maintenance are examples of costs to consider.
Expiration	Time to expire, in years
Flexibility	Black-Scholes option pricing model

Source: Forrester Research, Inc.

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

Risk

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 Click to Call and Click to Chat 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 Click to Call and Click to Chat, resulting in lower overall total benefits. The greater the uncertainty, the wider the potential range of outcomes for cost and benefit estimates.

Quantitatively capturing implementation and impact risk by directly adjusting the financial estimates results in 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, as they represent the expected values considering risk.

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

- Implementing targeted rules may increase the cost in professional services fees paid to ATG or a third party if the organization elects to use other vendors to support the effort.
- Organizations that are heavily using the data tracking service will be required to contribute more support time to reporting and monitoring activities.

The following impact risk that affects benefits is identified as part of the analysis:

- The risk that if a potential implementation is part of a larger project — for example, site redesign and optimization — then an organization may need to consider a delay in the time-to-benefit.

Table 15 shows the values used to adjust for risk and uncertainty in the cost and benefit estimates. The TEI model uses a triangular distribution method to calculate risk-adjusted values. To construct the distribution, it is necessary to first estimate the low, most likely, and high values that could occur within the current environment. The risk-adjusted value is the mean of the distribution of those points. Readers are urged to apply their own risk ranges based on their own degree of confidence in the cost and benefit estimates.

Table 15
Cost And Benefit Risk Adjustments

Costs	Low	Most likely	High	Mean
Annual service and usage costs	98%	100%	105%	101%
Training opportunity costs	100%	100%	115%	105%
IT implementation and ongoing support costs	100%	100%	115%	105%
Administrative costs	100%	100%	115%	105%
Benefits	**Low**	**Most likely**	**High**	**Mean**
Incremental gross revenue	80%	100%	103%	94%
Recovered revenue loss	80%	100%	103%	94%

Source: Forrester Research, Inc.

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 Costs and Benefits sections can be used to determine the ROI, NPV, and payback period for the organization's investment in Click to Call and Click to Chat. These are shown in Table 16 below.

Table 16
Cash Flow — Non-Risk-Adjusted

Categories	Initial	Year 1	Year 2	Year 3	Total	Present value
Costs	($42,582)	($171,689)	($173,625)	($181,112)	($569,009)	($478,227)
Benefits		$633,761	$913,957	$989,281	$2,536,999	$2,074,744
Net benefits	($42,582)	$462,072	$740,332	$808,169	$1,967,990	$1,596,517
ROI	334%					
Payback period	1.1					

Source: Forrester Research, Inc.

Table 17 below shows the risk-adjusted ROI, NPV, and payback period values. These values are determined by applying the risk-adjustment values from Table 15 in the Risk section to the cost and benefits numbers in Tables 7 and 13.

Table 17
Cash Flow — Risk-Adjusted

Categories	Initial	Year 1	Year 2	Year 3	Total	Present value
Costs	($43,008)	($173,406)	($175,361)	($182,923)	($574,699)	($483,011)
Benefits		$595,736	$859,120	$929,924	$2,384,779	$1,950,259
Net benefits	($43,008)	$422,330	$683,759	$747,001	$1,810,080	$1,467,248
ROI	304%					
Payback period	1.2					

Source: Forrester Research, Inc.

ATG Click to Call And Click to Chat: Overview

For this study, Forrester were commissioned to evaluate Click to Call and Click to Chat, two of the three components of ATG Live Help. The other component of ATG Live Help, ATG Email Response, was not covered in this study.

According to ATG, ATG Live Help is an integrated set of live voice, chat, and email response services that enable online businesses to deliver just-in-time, personalized, interactive assistance to each visitor or customer. ATG describes that its services can be "added quickly and easily to any Web site as an affordable, hosted software-as-a-service (SaaS) solution, ATG Live Help enables users to intelligently engage the right online visitors with the right assistance at the right time to measurably improve online sales and customer acquisition, customer satisfaction and retention, and customer service costs." ATG describes its services as such:

Click to Call is an interactive live voice service that bridges the gap between the Web site and contact center. Unlike traditional phone calls, which force users to "switch" channels and fail to deliver Web context to agents, ATG Click to Call bridges the Web session dynamically to a voice agent in the contact center. ATG's dynamic rules and tracking engine allows customers to proactively deliver live voice support to online visitors based on their online behaviors through custom-defined business rules such as customer history, transaction or customer value, time spent on page, or even mouse behavior. Calls are routed directly into customers' existing contact center infrastructure such as ACD and IVR systems, and they can be integrated with workforce management tools. Agents answering Click to Calls gain a full picture of the customer's online context, can see customer information from CRM systems, can co-browse the site with customers, can highlight error fields, and can assist in completion of applications or forms. Actionable Web and call analytics combined with dynamic exit surveys help customers measure the incremental impact of Click to Call on online sales, customer satisfaction, and support costs, and they help identify Web site issues faster to recover lost revenue.

Click to Chat is an interactive live chat service that lets site visitors communicate with agents through text chat for assistance with research, making a purchase, or obtaining service. Unlike other live chat solutions, ATG Click to Chat is part of a complete, next-generation live help solution that helps organizations engage customers via the right channel to optimize customer service and maximize sales. ATG's dynamic rules and tracking engine allows customers to proactively deliver live chat support to online visitors based on their online behaviors through custom-defined business rules such as customer history, transaction or customer value, time spent on page, or even mouse behavior. Intelligent routing sends chats to the available agents best equipped to service each customer. Agents fielding chats gain a full picture of the customer's online context, can see prior customer information from CRM systems, can co-browse the site with customers, can highlight error fields, and can assist in completion of applications or forms. Actionable Web and chat analytics combined with dynamic exit surveys help customers measure the incremental impact of Click to Chat on online sales, customer satisfaction, and support costs, and they help identify Web site issues faster to recover lost revenue.

Appendix A: Composite Organization Description

For this TEI study, Forrester has created a composite organization, based on characteristics of the interviewed customers, to illustrate the quantifiable costs and benefits of offering both Click to Call and Click to Chat. The composite company is intended to represent an eCommerce site with 850,000 monthly unique site visitors.

Based on the interviews, we estimate that from the total unique site visitors, 1% use Click to Chat and 0.4% use Click to Call. For the composite organization, we assume that both solutions are distributed based on the following breakdown between proactive and reactive calls and chats, respectively.

Table 18
Click to Call And Click to Chat Distribution

Products	Proactive	Reactive
Click to Call	30%	70%
Click to Chat	20%	80%

Source: Forrester Research, Inc.

In purchasing Click to Call and Click to Chat, the composite company has the following objectives:

- Increase revenue by reducing cart abandonment rate, increasing conversion rates, and improving average order values.
- Reduce customer support costs by channeling interactions to the most cost-effective communication channel.
- Improve customer satisfaction by delivering better online customer service.

For the purpose of the analysis, Forrester assumes that the organization engages with customers in offline and online channels. The organization is using Click to Call and Click to Chat and using both proactively and reactively to bridge the online and offline channels.

Appendix B: 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.

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

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 forms 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.

Risk

Risk measures 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 applies a probability density function known as "triangular distribution" to the values entered. At a minimum, three values are calculated to estimate the underlying range around each cost and benefit.

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 in time. However, having the ability to capture that benefit has a present value that can be estimated. The flexibility component of TEI captures that value.

Appendix C: Glossary

Discount rate: The interest rate used in cash flow analysis to take into account the time value of money. Although the Federal Reserve Bank sets a discount rate, companies often set a 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 organization 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 net present value of cash flows.

Payback period: The breakeven point for an investment. 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

In the cash flow tables used in this study, 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 (shown in the Framework Assumptions section) at the end of the year. Present value (PV) calculations are calculated for each total cost and benefit estimate. Net present value (NPV) calculations are not calculated until the summary tables and are the sum of the initial investment and the discounted cash flows in each year.

Appendix D: Supplemental Material

Related Forrester Research

"Selecting Online Customer Service Channels To Satisfy Customers And Reduce Costs," Forrester Research, Inc., June 25, 2010

"Making Proactive Chat Work," Forrester Research, Inc., June 4, 2010

"Defining The Online Marketing Suite," Forrester Research, Inc., October 17, 2007