

A Forrester Total Economic Impact™  
Study Commissioned By xMatters  
January 2017

# The Total Economic Impact™ Of xMatters

# Table of Contents

<b>Executive Summary</b>	<b>1</b>
Key Findings	1
<b>The xMatters Customer Journey</b>	<b>4</b>
Key Challenges	4
Solution Requirements	4
Key Results	4
<b>Financial Analysis</b>	<b>5</b>
Reduced Cost Of Handling Tier 1 Incidents	5
Reduced Cost Of Handling Tier 2 And Tier 3 Incidents	6
Avoided Cost Of Building And Maintaining Solution	7
Costs Incurred Using xMatters	8
Unquantified Benefits	8
Flexibility	8
<b>Financial Summary</b>	<b>9</b>
<b>xMatters: Overview</b>	<b>10</b>
<b>Appendix A: Total Economic Impact</b>	<b>11</b>

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## ABOUT FORRESTER CONSULTING

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# Executive Summary

xMatters provides a communications and notification platform that gets information to the right systems and people with appropriate context, allowing IT organizations to respond more accurately and quickly to incidents that are affecting business operations.

xMatters 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 communication platform. The purpose of this study is to provide readers with a framework to evaluate the potential financial impact of xMatters on their organizations. To better understand the benefits, costs, and risks associated with this investment, Forrester interviewed an existing xMatters customer.

Prior to using xMatters, the organization would send emails and texts to entire teams of developers and engineers. Successful communication relied on the right person receiving the message and taking action. Due to the size of the enterprise, executives were often unaware of identifying the right person in specific geographies, let alone who was on call or otherwise able to assist. In many cases, the organization spent more than 1 hour identifying and engaging the right person for an incident with a 4-hour service-level agreement.

With xMatters, developers and engineers used the self-service options to define how and when they would be informed of problems, including a hierarchy for escalating to secondary and tertiary individuals if the primary person failed to respond. The engineers reported a significant improvement in quality of life as they did not need to respond to all messages at any hour of the day. The organization reduced its mean-time-to-repair (MTTR) for Tier 1 incidents from 17 hours to 1.5 hours.

The operations director told Forrester: “Our experience with xMatters has been so successful that it almost had the opposite effect. Business executives started asking, ‘Why is our SLA 4 hours when you are consistently doing it faster?’ That is a great problem for me to have!”

## Key Findings

**Quantified benefits.** The following risk-adjusted quantified benefits are representative of those experienced by the company interviewed:

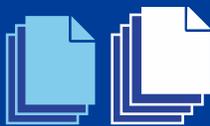
- › **Reduced cost of handling Tier 1 incidents.** Faster response times and proactive prevention reduced the number of incidents and the effort required to resolve each incident. The improvements resulted in a productivity savings over three years that totaled \$151,069.
- › **Reduced cost of handling Tier 2 and Tier 3 incidents.** The organization had a dedicated response team of eight engineers who saved an average of 2 hours per week, resulting in a productivity savings over three years of more than \$449,280.
- › **Avoided cost of developing internal communications solution.** The organization avoided the cost of employing one engineer per year to develop and maintain an internal system, resulting in a total savings of \$310,500 over three years.

## Benefits And Costs



Reduced cost of handling Tier 1 incidents:

**\$151,069**



Reduced cost of handling Tier 2 incidents:

**\$449,280**



Reduction in MTTR:

**90% (from 17 (hours to 1.5 hours)**



**Unquantified benefits.** The interviewed organization experienced the following benefits, which are not quantified for this study:

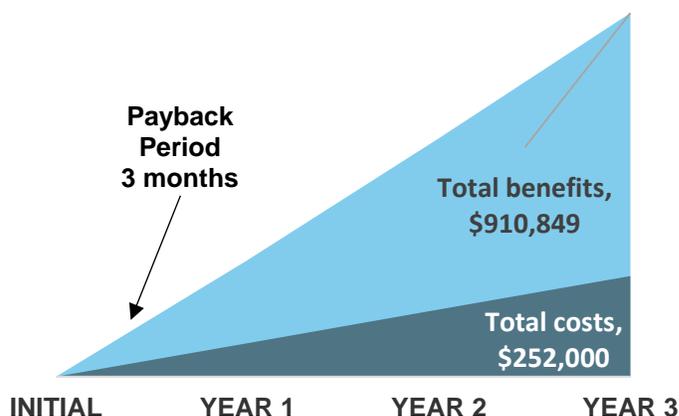
- › **Quality of life for the engineers.** Before using xMatters, engineers reported calling in after hours an average of nine times per week, many in the middle of the night. By using self-service to update their contact method and preference, developers and engineers reported a significant improvement in their quality of life.
- › **Impact on business operations.** While the organization lacks data to substantiate the claim that improved response times resulted in better business results, the improvement in business operations is inevitable. Benefits ranged from lower internal downtime impacting employees to a better customer experience on the company website.
- › **Impact on culture.** With less time tied up in resolving disruptions, developers and engineers moved from a reactive approach to being more proactive with more autonomy to innovate.

**Costs.** The interviewed organization experienced the following costs:

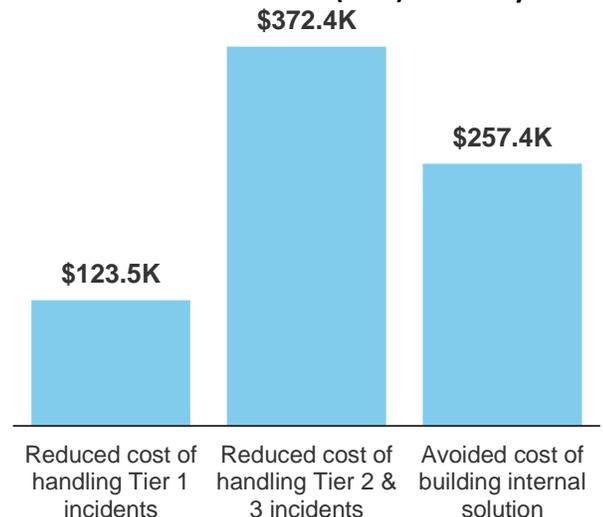
- › Subscribing to xMatters cost a total of \$252,000 over three years for an organization with 250 registered users.
- › The organization did not incur any significant cost to implement or maintain xMatters. The director said: “We don’t have to maintain the infrastructure internally. We do not rely on our email when there are issues. We upgrade our database several times per year because it is so simple.”

Forrester’s interview with this existing customer and subsequent financial analysis found that the interviewed organization experienced net present value (NPV) benefits of \$753,280 over three years versus costs of \$208,896, resulting in a net of \$544,384 and an ROI of 261%

**Risk-Adjusted Financial Summary**



**Net-Present Value (NPV) Summary**



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

## TEI Framework And Methodology

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

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 xMatters can have on an organization. Specifically, we:



### **DUE DILIGENCE**

Interviewed xMatters stakeholders and Forrester analysts to gather data relative to xMatters.



### **CUSTOMER INTERVIEWS**

Interviewed an organization using xMatters to obtain data with respect to costs, benefits, and risks.



### **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**

Forrester employed four fundamental elements of TEI in modeling xMatters' 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.

## DISCLOSURES

Readers should be aware of the following:

This study is commissioned by xMatters 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 xMatters.

xMatters 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.

xMatters provided the customer name for the interview but did not participate in the interview.

# The xMatters Customer Journey

## BEFORE AND AFTER THE XMATTERS INVESTMENT

### Interviewed Organization

For this study, Forrester conducted an interview with an xMatters large enterprise customer that experienced the following.

### Key Challenges

The organization is a corporate conglomerate with several distinct subsidiary businesses, all of which provide products and services to consumers. The organization:

- › **Struggled to meet service-level agreements.** The organization averaged an MTTR of 17 hours for Tier 1 incidents. Executives told Forrester that it often required 90 minutes to 120 minutes to identify the right person and get them engaged with the problem. For the average incident, the organization had 5.45 employees involved in working on every incident.
- › **Communicated using email blasts.** When a problem occurred, the organization sent email blasts to large groups of people to make sure that the “right” person received the message. This required engineers to check messages at all hours of the day (and night). Engineers described getting messages and calling into meetings eight to 10 times every week, even when this issue was outside of their expertise. Because the organization relied on email, when the email system was down, communication was even more strained.

### Solution Requirements

The interviewed organization engaged xMatters as a solution to communicate with 250 developers and engineers.

### Key Results

The interview revealed that key results from the xMatters investment include:

- › **xMatters helped reduce the cost of resolving incidents.** The cost of resolving incidents of all levels was reduced by improved communications. The entire improvement in performance was not attributed to xMatters, but using xMatters was key to making many improvements, including being a key tool in helping the organization to become proactive.
- › **xMatters enabled the organization to become proactive.** When engineers spent less time reacting to critical incidents, they had the capacity to plan and be proactive. In addition, the organization tied notifications from systems monitoring tools into xMatters, which gave engineers alerts before problems arose.
- › **The benefits turned into a cycle of proactive actions that freed up time to do even more.** Engineers began to “turn their time back to upgrades, delivering new services, and focusing on new functionality rather than being tied down working on an ERP audit.”

“Prior to xMatters, our system was like something from the 1980s. Sometimes our team would even open a team roster and start dialing until they identified the right person to fix the problem.”

*Director, IT operations*



“Our experience with xMatters has been so successful that it almost had the opposite effect. Business executives started asking, ‘Why is our SLA 4 hours when you are consistently doing it faster?’ That is a great problem for me to have!”

*Director, IT operations*



# Financial Analysis

## QUANTIFIED BENEFIT AND COST DATA

### Total Benefits

REF.	BENEFIT	YEAR 1	YEAR 2	YEAR 3	TOTAL	PRESENT VALUE
Atr	Reduced cost of handling Tier 1 incidents	\$38,485	\$51,745	\$60,840	\$151,069	\$123,460
Btr	Reduced cost of handling Tier 2 and Tier 3 incidents	\$149,760	\$149,760	\$149,760	\$449,280	\$372,431
Ctr	Avoided cost of building and maintaining solution	\$103,500	\$103,500	\$103,500	\$310,500	\$257,389
	Total benefits (risk-adjusted)	<b>\$291,745</b>	<b>\$305,005</b>	<b>\$314,100</b>	<b>\$910,849</b>	<b>\$753,280</b>

### Reduced Cost Of Handling Tier 1 Incidents

The organization used xMatters to significantly improve its communications when responding to critical outages or performance problems. The organization:

- › Reduced the number of developers and engineers that were contacted and involved in resolving each incident.
- › Reduced the amount of time that the team working on a problem needed to spend in problem-resolution mode.
- › Shifted the saved time into proactive initiatives that further reduced the number of critical incidents.
- › Experienced improvements year over year as enabled by better communications when handling incidents.

The significant reduction in effort by employees to handle Tier 1 incidents resulted in a total of \$177,728 over three years. Forrester risk-adjusted this benefit down by 15% to account for the variations that readers will experience using xMatters to resolve Tier 1 incidents, resulting in a risk-adjusted total benefit of \$151,069 over three years.

Total of all benefits across the areas listed below, as well as present values (PVs) discounted at 10%. Over three years, the organization expects risk-adjusted total benefits to be a PV of \$753,280.

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

### Reduced Cost Of Handling Tier 1 Incidents

REF.	METRIC	CALC	YEAR 1	YEAR 2	YEAR 3
A1	Hours of downtime for Tier 1 incidents		200	160	117
A2	Average number of staff to resolve	Initially 5.25	4.75	3.50	2.50
A3	Average mean-time-to-repair (hours)	Initially 17	13.0	9.0	1.5
A4	Average cost per person per hour		\$100	\$100	\$100
A5	Savings from before xMatters	\$208,190	\$95,000	\$56,000	\$29,250
A6	Percent of savings attributed to xMatters		40%	40%	40%
At	Reduced cost of handling Tier 1 incidents	A5 <sub>CALC</sub> -A5 <sub>CY</sub>	\$45,276	\$60,876	\$71,576
	Risk adjustment		↓ 15%		
Atr	Reduced cost of handling Tier 1 incidents (risk-adjusted)		\$38,485	\$51,745	\$60,840

## Reduced Cost Of Handling Tier 2 And Tier 3 Incidents

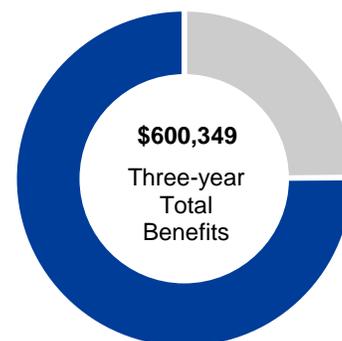
In addition to the effort and team working on Tier 1 incidents, the organization had a higher volume of lower-priority incidents that it was continually addressing:

- › On average, a dedicated team of eight people was able to improve its performance and reduce the amount of time required by 2 hours per week.
- › The director told Forrester: “A key part of our story using xMatters is the ability to raise our level of proactive response above 80%. After the first year, we began looking at ways to get the right engineers engaged to look at things that could become problems.

“For example, we recently measured that 77% of our tickets that could have become bigger problems were resolved before they could become problems.

“We took our projects around monitoring and activities around communications and tied them together to drive down the number of critical events.”

The savings from using xMatters resulted in a lower cost of \$499,200 over three years. Given that the results will vary between organizations, Forrester adjusted this benefit downward by 10%, yielding a three-year risk-adjusted total of \$449,280.



### Reduced cost of handling Tier 2 and Tier 3 incidents

#### Reduced Cost Of Handling Tier 2 And Tier 3 Incidents

REF.	METRIC	CALC	YEAR 1	YEAR 2	YEAR 3
B1	Number of engineering staff		8	8	8
B2	Hours per week avoided	260 weeks per year	2	2	2
B3	Hours avoided annually		4,160	4,160	4,160
B4	Average cost per hour		\$100	\$100	\$100
B5	Percent of savings attributed to xMatters		40%	40%	40%
Bt	Reduced cost of handling Tier 2 and Tier 3 incidents	B3*B4*B5	\$166,400	\$166,400	\$166,400
	Risk adjustment		↓10%		
Btr	Reduced cost of handling Tier 2 and Tier 3 incidents (risk-adjusted)		\$149,760	\$149,760	\$149,760

## Avoided Cost Of Building And Maintaining Solution

Some organizations employ a developer to build an internal solution and employ part of an engineer's time to keeping the system maintained and functioning properly. On average, the costs include:

- › One developer or engineer to build, update, and manage a system that provided communications similar to the solution provided by xMatters.
- › A hardware platform or virtual environment for hosting the internal solution. Forrester includes the cost of developmental, testing, and production environments as a single line item.

The savings from using xMatters resulted in \$345,000 over three years. As some organizations will incur different costs prior to using xMatters, Forrester adjusted this benefit downward by 10%, yielding a three-year risk-adjusted total of \$310,500.



Engineers began to turn their time back to upgrades, delivering new services, and focusing on new functionality rather than being tied down working on an ERP audit.

### Avoided Cost Of Building And Maintaining Solution

REF.	METRIC	CALC	YEAR 1	YEAR 2	YEAR 3
C1	Number of engineering staff		\$90,000	\$90,000	\$90,000
C2	Hours per week avoided		\$25,000	\$25,000	\$25,000
Ct	Avoided cost of building and maintaining solution	C1+C2	\$115,000	\$115,000	\$115,000
	Risk adjustment		↓10%		
Ctr	Avoided cost of building and maintaining solution (risk-adjusted)		\$103,500	\$103,500	\$103,500

## Total Costs

REF.	COST	INITIAL	YEAR 1	YEAR 2	YEAR 3	TOTAL	PRESENT VALUE
Dtr	Subscription cost of xMatters	\$0	\$84,000	\$84,000	\$84,000	\$252,000	\$208,896
	<b>Total costs</b>	<b>\$0</b>	<b>\$84,000</b>	<b>\$84,000</b>	<b>\$84,000</b>	<b>\$252,000</b>	<b>\$208,896</b>

### Costs Incurred Using xMatters

The costs of using xMatters were simple, with the only measurable cost being the subscription paid to xMatters of \$84,000 per year and a total of \$252,000 over three years. Forrester did not risk adjust this variable.

Implementation risk is the risk that a proposed Investment in xMatters may deviate from the original or expected requirements, resulting in higher costs than anticipated. The greater the uncertainty, the wider the potential range of outcomes for cost estimates.

### Unquantified Benefits

In addition to the benefits that were quantified, the organization experienced additional value in ways that were not measured or included in the study by Forrester:

- › **Quality of life for developers and engineers.** Before using xMatters, engineers reported calling in after hours an average of nine times per week, many in the middle of the night. By using self-service to update their contact method and preference, engineers reported a significant improvement in their quality of life.
- › **Impact on business operations.** While the organization lacks data to substantiate the claim that improved response times resulted in better business results, the improvement in business operations ranging from internal downtime impacting employees to the experience of customers on the company site is inevitable.

Total of all costs across the [five] 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 \$252,000

### 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 xMatters and later realize additional uses and business opportunities.

In addition, the organization tied notifications from systems monitoring tools into the xMatters, which sent alerts to developers and engineers before problems arose. The benefits turned into a cycle of proactive actions that freed up time to do even more. Engineers began to “turn their time back to upgrades, delivering new services, and focusing on new functionality rather than being tied down working on an ERP audit.”

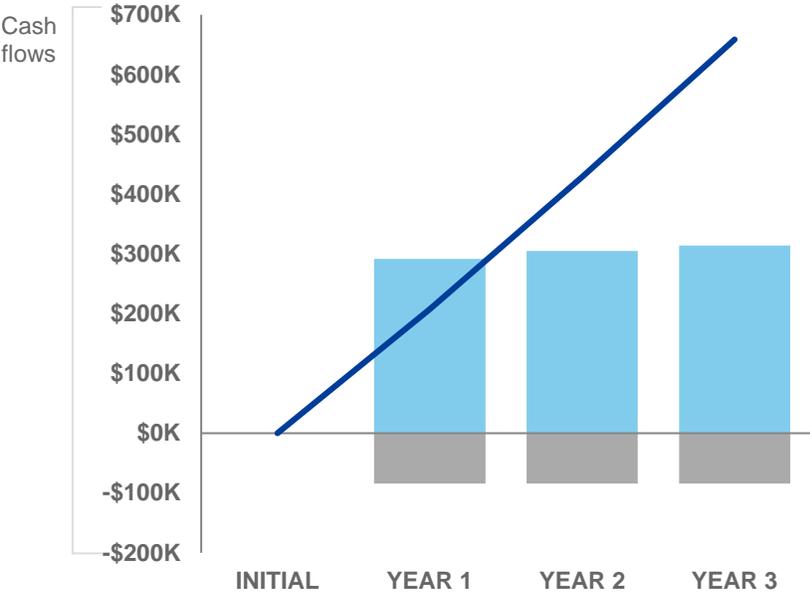
Flexibility, as defined by TEI, represents an investment in additional capacity or capability that could be turned into business benefit for a future additional Investment. This provides an organization with the “right” or the ability to engage in future initiatives but not the obligation to so.

# Financial Summary

## CONSOLIDATED THREE-YEAR RISK-ADJUSTED METRICS

### Cash Flow Chart (Risk-Adjusted)

- Total costs
- Total benefits
- Cumulative net benefits



The financial results calculated in the Benefits and Costs sections can be used to determine the ROI, NPV, and payback period for the interviewed organization's investment in xMatters. Forrester assumes a yearly discount rate of 10% for this analysis.



These risk-adjusted ROI, NPV, and payback period values are determined by applying risk-adjustment factors to the unadjusted results in each benefit and cost section.

### Cash Flow Table (Risk-Adjusted)

	INITIAL	YEAR 1	YEAR 2	YEAR 3	TOTAL	PRESENT VALUE
Total costs	\$0	(\$84,000)	(\$84,000)	(\$84,000)	(\$252,000)	(\$208,896)
Total benefits	\$0	\$291,745	\$305,005	\$314,100	\$910,849	\$753,280
Net benefits	\$0	\$207,745	\$221,005	\$230,100	\$658,849	\$544,384
ROI						261%
Payback period						3.5 months

## xMatters: Overview

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

xMatters integrates people into critical toolchains spanning DevOps, Operations, and service management solutions. xMatters automates communications so people can proactively prevent outages, rapidly engage resolvers, manage major incidents, and keep stakeholders informed.

With over 200 integrations across a wide range of IT tools, xMatters is used by individual teams for day-to-day tasks and across thousands of teams at Global 2000 companies working together at enterprise scale. More than 2 million users engage with the xMatters platform.

xMatters provides business solutions for several key areas, including:

- › **IT management.** Organizations fortify their existing ITSM, chat, and automation solutions by sharing technical information with their incident resolution team, while proactively notifying executives, customers, and partners as events unfold.
- › **DevOps and modern ops.** Companies enable communication across every corner of their business to accelerate application delivery and support pipeline. They automate, standardize, and contextualize communication processes and integrations to link people to the data that is critical to their deployment, monitoring, and collaboration toolsets.
- › **Major incident management.** Systems and tools connect to bring critical information to the right people instantly. Organizations streamline communications by finding major incident managers and resolution teams to reduce downtime and limit business impacts.
- › **Business continuity.** Critical information reaches the right experts immediately to lead people to safety during digital and physical emergencies such as hurricanes and earthquakes.
- › **Internet of things.** Machines and appliances produce overwhelming volumes of data. Companies deliver critical insights to the people who can turn them into meaningful action.

Founded in 2000 and named the No. 1 Best Mid-Sized Workplace in Technology, xMatters is headquartered in San Ramon, Calif., with global offices. For more information, please visit [www.xmatters.com](http://www.xmatters.com).

# 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.



solution.

**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



**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.