

Algolia Drives Incremental Sales By Improving Customer Search

Forrester Consulting conducted a Total Economic Impact™ (TEI) study to provide readers with a framework to evaluate the potential financial impact of Algolia on their organizations. To better understand the benefits, costs, and risks associated with this investment, Forrester interviewed several customers with experience using Algolia. This summary is based on a full TEI study, which can be downloaded [here](#).

Through these customer interviews and data aggregation, Forrester concluded that Algolia has the following three-year financial impact: \$73.4 million in benefits versus costs of \$1.3 million, resulting in a net benefit of over \$72 million.

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

- › **Algolia drove \$73 million in incremental revenue.** Algolia's search experience enabled organizations to provide fast, relevant, and personalized search results to customers. As a result, conversion rates increased, which resulted in new revenue streams.
- › **Replacing an open-source search tool with Algolia resulted in \$169,000 of development cost savings.** To achieve the functionality comparable with Algolia, an organization would have to invest in initial development with continual improvements.
- › **Retiring a previous search solution reduced the maintenance burden on IT, saving \$205,911.** Prior to Algolia, search tools required dedicated full-time IT resources to keep the tool running and functioning properly.



Incremental PV sales revenue:
\$73 million



Avoided cost of development:
\$169,000



Savings from reduced search maintenance:
\$206,000

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

- › **Algolia provides teams with the agility to iterate on search relevance.** Algolia's A/B Testing feature enables easier and faster iteration and introduces more agility.
- › **Algolia delivers reliability and uptime to customers.** Since Algolia's implementation, customer complaints of either search being broken or search not working have disappeared.
- › **Algolia provides consistent search experience across different environments.** Algolia ensures continuity for customers as they switch from device to device and from page to page.
- › **Quality search delivers an improved customer experience.** Improved search quality and speed enable customers to find products and information faster on any device, leading to better overall experience with the organization's brand.

SUMMARY

Based on a commissioned study, "The Total Economic Impact Of Algolia"

METHODOLOGY

The objective of the TEI 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 of Algolia, including interviews with Forrester analysts, Algolia stakeholders, and four current Algolia customers. Forrester constructed a financial model representative of the interviews using the TEI methodology.

COMPOSITE ORGANIZATION

This analysis uses a composite organization, based on the interviewees, to present the aggregate financial analysis.

RISK ADJUSTMENT

Forrester risk-adjusted the financial model based on issues and concerns of the interviewed organizations to account for uncertainties in benefit and cost estimates.

The Algolia Customer Journey

For this study, Forrester conducted four interviews with Algolia customers. Interviewed customers include the following:

INDUSTRY	REGION	INTERVIEWEE	ALGOLIA USE
Retail, eCommerce, and brick and mortar	Australia and New Zealand	Technology director	Website (desktop and mobile) and in stores
Wellness	Global	SVP, engineering VP, product	Website (desktop and mobile), mobile app, and at physical locations
Entertainment	US	VP of technology	Website (desktop and mobile)
Retail, eCommerce	Europe	Product manager	Website (desktop and mobile)

Key Investment Drivers And Results

The interviewed organizations shared the following investment drivers:

- › **Inferior search capabilities led to lost sales and business opportunities.** The former search capability did not return relevant results in a logical order and the customer left the organizations' websites to look for products via more efficient search engines.
- › **Efforts to develop search capabilities in-house, or to customize former search solutions, failed to achieve desired outcomes.** Developing custom search solutions via open source proved to be expensive, time-consuming, and did not guarantee the desired performance.

The interviewed organizations achieved key investment results:

- › **Improved search provides better customer experience.** Algolia search is fast, reliable, and delivers results in a convenient and expected order. With a better search experience, customers are more likely to convert or stay on a site longer.
- › **Search-as-a-service enables IT to focus on strategy instead of execution.** Algolia removes the burden from IT of search development, management, and ongoing support.
- › **Flexible search provides agility in responding to business needs.** Algolia provides tools to easily modify search parameters and rules, enabling the organization to be proactive in responding to customers' needs.

Algolia Improves The Search Experience While Reducing Burden On IT

The organizations interviewed by Forrester used less modern search tools or tasked their development teams with building customer-facing search capabilities internally. However, prior attempts yielded limited success: 1) former solutions failed to deliver relevant and personalized experiences to customers and 2) homegrown, open-source search was expensive and time-consuming to build and maintain. Customers experienced difficulties finding what they were looking for on organizations' websites and often left to find the products or services via search engines, which resulted in lost sales opportunities.

By working with Algolia, the interviewed organizations improved customers' search experience, which resulted in incremental sales. Implementing Algolia also shortened the cycle for updates and reduced the burden on the IT team by eliminating the requirement to develop and maintain expensive and unwieldy internal solutions.

“As a retailer, you have a chance to get your mobile customers in 3 minutes or you've lost them because they stepped on the train and they're gone. So, you need your search to be quick.”

Technology director, retail



Composite organization:

- National retail company with online and offline presence
- \$260 million eCommerce sales
- 5% average eCommerce conversion rate
- \$52 average order value
- \$2 billion in revenue
- 5,000 employees
- 100 physical locations

Deployment:

- Website (desktop and mobile)
- Mobile app
- Workstations in stores

Over three years, the composite organization expects risk-adjusted total benefits to be a present value (PV) of \$73 million.

Total Benefits

REF.	BENEFIT	YEAR 1	YEAR 2	YEAR 3	TOTAL	PRESENT VALUE
Atr	Revenue from incremental digital sales	\$26,520,000	\$29,437,200	\$32,675,292	\$88,632,492	\$72,986,786
Btr	Avoided cost of development	\$138,000	\$27,600	\$27,600	\$193,200	\$169,001
Ctr	Savings from reduced search maintenance	\$82,800	\$82,800	\$82,800	\$248,400	\$205,911
	Total benefits (risk-adjusted)	\$26,740,800	\$29,547,600	\$32,785,692	\$89,074,092	\$73,361,698

- › **Revenue from incremental digital sales.** By implementing Algolia, the interviewed organizations were better able to meet their customers' demand for a faster and highly relevant search experience. By improving the quality of the search experience, the interviewed organizations experienced an increase in their conversion rate. Applied to the composite organization, \$73 million in top-line revenue was added over three years.
- › **Avoided cost of development.** Interviewed organizations cited the effort of continued internal development of their search capability as a key driver toward Algolia. By switching to Algolia, the organizations were able to achieve similar or better search functionality while greatly reducing the burden on their IT staff to continually understand customer search requirements and develop capabilities accordingly. The composite organization saved \$169,001 on internal search development costs by achieving a similar functionality with Algolia.
- › **Savings from reduced search maintenance.** All interviewed organizations recognized that with their former solutions, whether provided by a vendor or developed in-house, they needed to dedicate resources to implement patches, manage upgrades and deployments, and to keep search running. The composite organization realized savings of \$205,911 over three years by switching to Algolia.



**Conversion rate increase:
12%**

Algolia Costs Include Annual Fees, Implementation, Maintenance, And Management Costs

The composite organization experienced three categories of cost associated with the Algolia investment. Over three years, the composite organization expects risk-adjusted total costs to be a PV of \$1.3 million.

“Algolia has allowed us to dramatically change the way people interact with the search capability on our website. Today, search is the best way to not only find, but to also discover the products they would be interested in.”

Product manager, retail

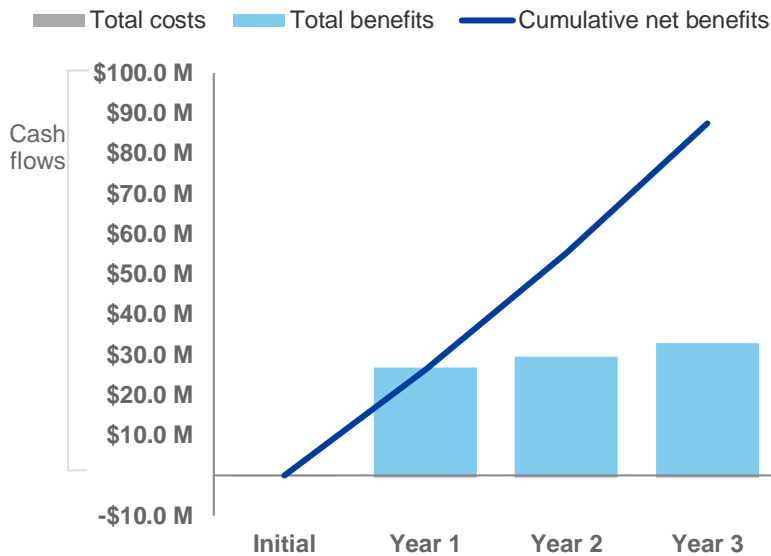


Total Costs

REF.	COST	INITIAL	YEAR 1	YEAR 2	YEAR 3	TOTAL	PRESENT VALUE
Dtr	Annual Algolia fees	\$0	\$500,000	\$500,000	\$500,000	\$1,500,000	\$1,243,426
Etr	Implementation costs	\$42,029	\$5,889	\$5,889	\$5,889	\$59,697	\$56,675
Ftr	Algolia maintenance and management costs	\$0	\$10,120	\$10,120	\$10,120	\$30,360	\$25,167
	Total costs (risk-adjusted)	\$42,029	\$516,009	\$516,009	\$516,009	\$1,590,057	\$1,325,268

Financial Summary

The financial results calculated in the Benefits and Costs sections can be used to determine the net present value (NPV) and payback period for the composite organization's investment in Algolia. Forrester assumes a yearly discount rate of 10% for this analysis.



For more information and guidance on how to calculate the ROI, you can download the full Algolia TEI analysis [here](#).

Disclosures

The reader should be aware of the following:

- › The study is commissioned by Algolia and delivered by Forrester Consulting. It is not meant to be 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 Algolia.
- › Algolia reviewed and provided feedback to Forrester. 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.
- › Algolia provided the customer names for the interviews but did not participate in the interviews.

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ABOUT TEI

Total Economic Impact™ (TEI) 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. <https://go.forrester.com/consulting/content-marketing-consulting/>

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